Hong Kong SMEs Face "Triple Squeeze" from Rising Costs, Weak Demand and Interest Rates Fluctuations

Consumption Outflow Continues to Weigh on Revenues As Local Business Environment Enters Adjustment Phase

(Hong Kong, 6 July 2026) Dah Sing Bank, Limited ("Dah Sing Bank") today announced the results of its 2026 SME Survey ("the Survey"), which revealed that Hong Kong SMEs are facing a "triple squeeze" of rising costs, weakening demand and interest rates fluctuations. At the same time, outbound consumption continues to affect business revenues, reflecting local business environment enters adjustment phase.

Dah Sing Bank remains committed to staying close to the needs of SMEs and understanding the challenges and opportunities they face in a rapidly changing business landscape. To gain deeper insights into the latest operating conditions of local SMEs, the Bank commissioned a survey[1] in May 2026 through a major local media outlet, interviewing over 340 Hong Kong SMEs to understand how they are responding to changing consumption patterns and advancing environmental, social and governance (ESG) initiatives under the current economic environment.

Operating Pressures Intensify Under "Triple Squeeze"

The Survey shows that 80% of respondents indicated that their operating costs and profit margins have been affected this year by geopolitical developments, energy price fluctuations or global supply chain instability. Rising costs (79%), weakening market demand (78%) and fluctuations in interest rates (52%) were identified as the most significant external risks.

With cross-border spending and northbound consumption becoming increasingly prevalent, approximately 74% of SMEs reported that their revenues have been negatively impacted, with nearly one in five experiencing declines of more than 20%. Key competitive pressures stem from cross-border e-commerce platforms offering lower-priced daily necessities (45%), increased weekend consumption in Shenzhen (43%), and a rise in outbound travel reducing local spending (30%).

SMEs Step Up Measures to Adapt

In response to the rising costs, SMEs are actively adopting various strategies to stabilise operations, including renegotiating supplier terms (26%), adjusting pricing (24%), and optimising inventory management (20%). At the same time, in light of outbound consumption trends, businesses are strengthening customer retention strategies. While price promotions remain the most common approach (34%), SMEs are also increasingly introducing experiential elements (29%) and strengthening digital marketing efforts (25%) to improve competitiveness.

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[1] The Survey was conducted through online questionnaires from 19 to 26 May 2026, interviewing 342 Hong Kong SMEs.

Against a backdrop of ongoing uncertainty, SMEs are placing greater emphasis on business stability. A stable customer base (30%) and predictable cash flow (22%) are seen as key factors in sustaining operations, alongside lowering operating cost (22%). This reflects growing attention on financial resilience and liquidity management.

Constraints Persist Amid Rising Support Needs

Despite these efforts, SMEs continue to face resource and information constraints in navigating challenges and pursuing transformation. More than half of the respondents have never applied for or are unfamiliar with government support schemes. In addition, while some SMEs are interested in advancing ESG initiatives, 37% consider them burdensome due to costs, and 32% are unsure where to begin, indicating a cautious pace of adoption overall.

Dah Sing Bank Supports SMEs Resilience

In a rapidly changing business environment, Dah Sing Bank believes that enhancing cash flow efficiency and operational flexibility is key for SMEs to address business pressures. The Bank is committed to supporting SMEs through diversified and flexible lending and financing solutions tailored to their business needs. These include a wide range of import/export trade finance services and payment options, as well as the Merchant Receivables Loan – a service designed to provide merchants with quicker access to capital. Such initiatives enable SMEs to strengthen cash flow management and improve the predictability and efficiency of their daily operations.

Furthermore, Dah Sing Bank offers comprehensive hedging tools to help enterprises manage foreign exchange and interest rate risks. This support enables businesses to mitigate financial exposure arising from global economic volatility, enhance resilience, and expand their businesses in both local and global markets steadily. In addition, the newly launched Dah Sing Business Multi-Currency Mastercard Debit Card helps SMEs reduce transaction costs and manage expenses more effectively, providing a one-stop and seamless experience for local and overseas transactions.

Dah Sing Bank Deputy Chief Executive, Senior Executive Director and Head of Group Personal Banking, Ms Phoebe Wong, said: "The Survey shows that Hong Kong SMEs are facing multiple challenges, including rising costs, shifting demand and evolving consumption patterns. At the same time, it is encouraging to see businesses actively adopting measures such as optimising cost structures and enhancing customer experience. In an environment of heightened uncertainty, stable cash flow and operational agility has become even more important. Dah Sing Bank has long been a trusted partner to SMEs, and we remain committed to combining financial services with practical support to help enterprises improve capital efficiency and resilience. Our goal is to empower SMEs to maintain stability in a constantly changing market and lay a solid foundation for sustainable long-term growth."

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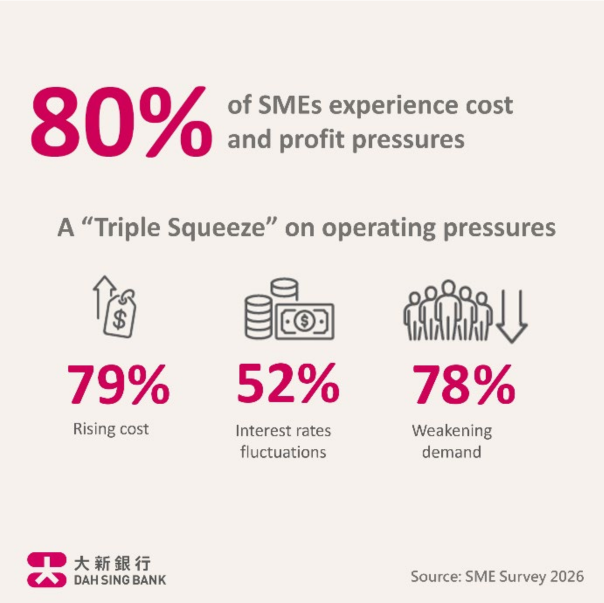

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About Dah Sing Bank

Dah Sing Bank, Limited (the "Bank") is a wholly-owned subsidiary of Dah Sing Banking Group, Limited (HKG:2356). Founded in Hong Kong over 75 years ago, the Bank has been providing quality banking products and services to its customers with a vision to be "The Local Bank with a Personal Touch". Over the years, the Bank has been rigorous in delivering on its brand tagline to grow with its customers in Hong Kong, the Greater Bay Area and beyond – "Together We Progress and Prosper". Building on our experience and solid foundation in the industry, our scope of professional services now spans retail banking, private banking, business and commercial banking. Meanwhile, the Bank is also making significant investments in its digital banking capabilities to stay abreast with smart banking developments in Hong Kong and to support financial inclusion at large.

In addition to its Hong Kong banking operations, the Bank has wholly-owned subsidiaries including Dah Sing Bank

(China) Limited, Banco Comercial de Macau, S.A., and OK Finance Limited. It is also a strategic shareholder of Bank of Chongqing with a shareholding of about 13.5%. Dah Sing Bank and its subsidiaries now have 63 operating locations in Hong Kong, Macau and Chinese Mainland.