

Hysan Development 2019 Interim Results Analyst Briefing

13 August, 2019

 **Hysan** 希慎



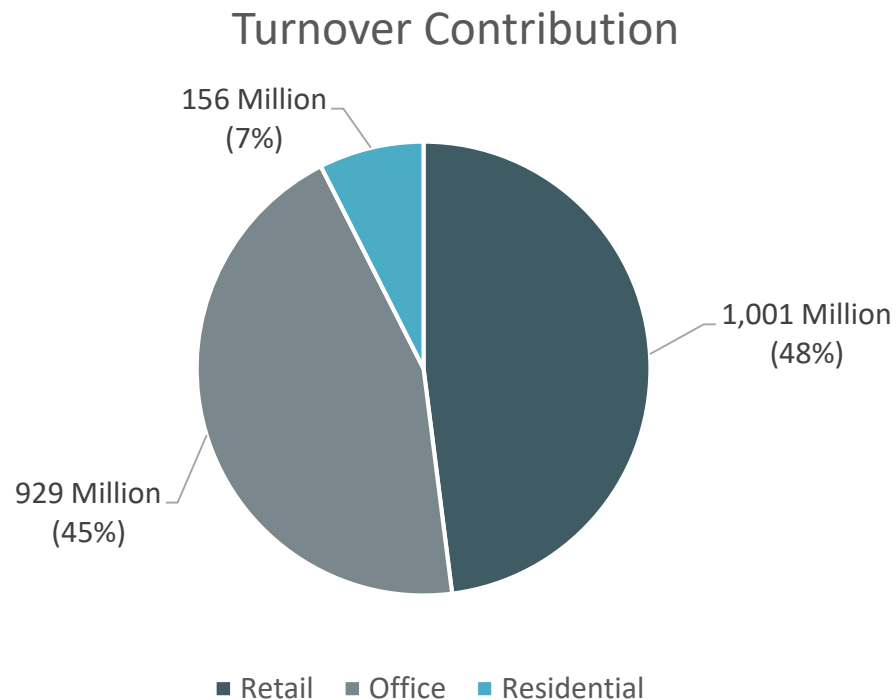
2019 Interim Results Highlights

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- Turnover and Recurring Underlying Profit increased by 9.1% and 8.9% respectively, taking into account full-period operations of Lee Garden Three
- Occupancies of Retail and Office portfolios were 96% and 97% respectively
- Volatile market conditions with ongoing economic and social-political challenges



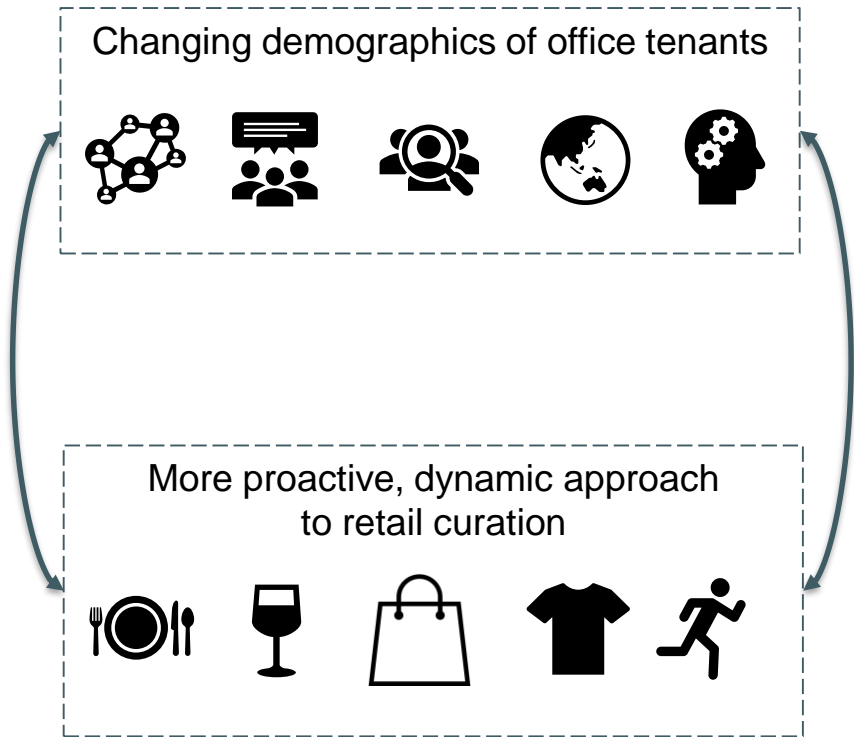
- A dual engine business



Mutual Empowerment (Con't)

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- Dynamic relations between office and retail creates positive, self-starting cycle
 - Expanded and diverse retail offerings
 - Attract more local and multinational companies – enjoy facilities for them and their families throughout the week
 - Wider group of office tenants in turn enables us to further broaden retail offerings



- Two office tenant categories stand out:
 - Banking and Finance
 - Co-working / Flex space

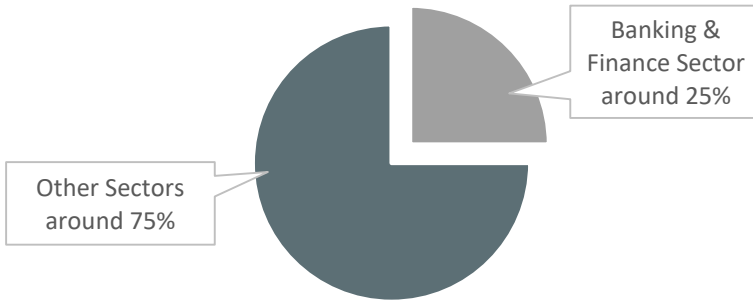


Mutual Empowerment (Con't)

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- Global financial institutions in Lee Garden Three pivoted our office portfolio to a higher concentration of banking and finance tenants → about 25% of office lettable space
 - Young families from financial industry interested in children's lifestyle items
 - Private children's club: rich calendar of activities

Office Portfolio



Mutual Empowerment (Con't)

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- Flex space: including Spaces, The Desk, WeWork
 - For corporate tenants who need flexibility
 - Popular with start-ups
 - Transient and diverse workers / consumers
 - Added wide range of food and beverage with drinking elements
 - More lifestyle retail



- Three aspects of community creation:
 - Special accent in neighbourhood
 - Events using spaces not used in the past
 - Use business technology to create “Smart Community”



Community Creation (Con't)

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- Diverse neighbourhood with unique accents
 - Full-building-height mural
 - Mixture of old and new shops



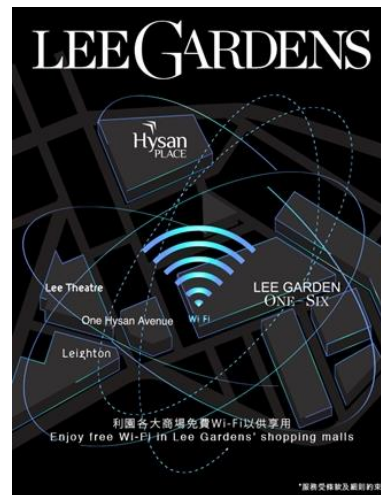
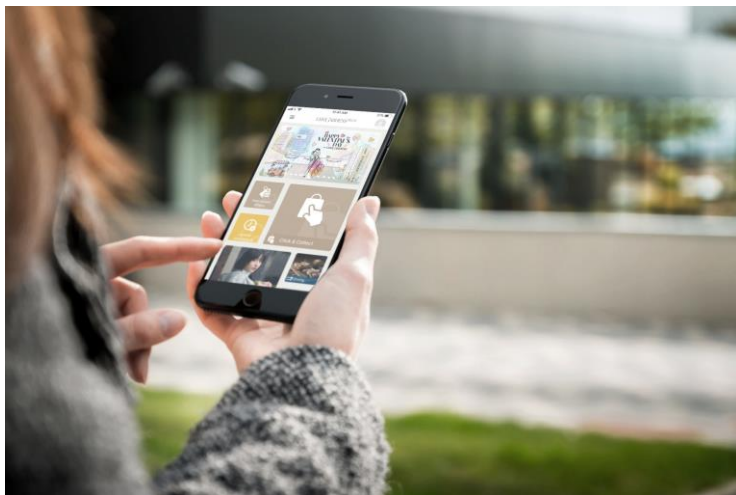
- Placemaking in office and retail spaces not used in the past
 - Art and cultural space at Hysan Place
 - Other areas to showcase concepts or host activities



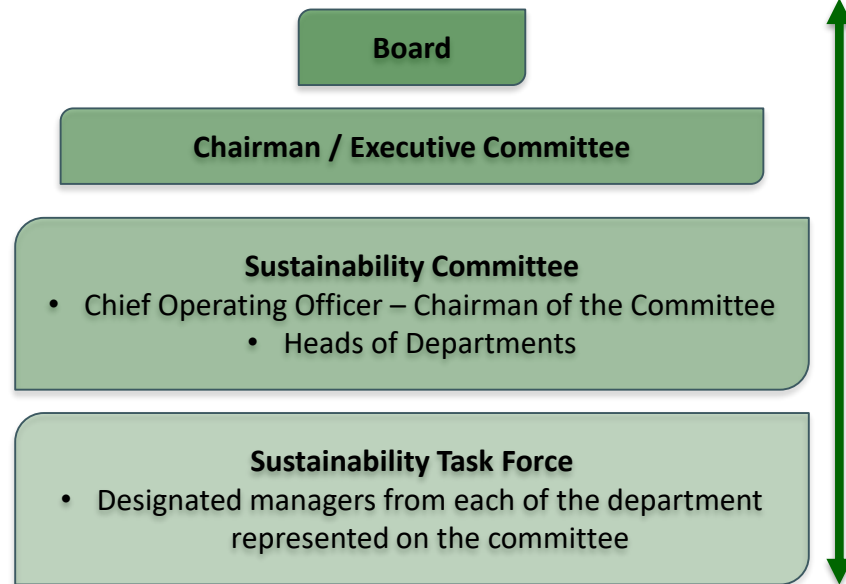
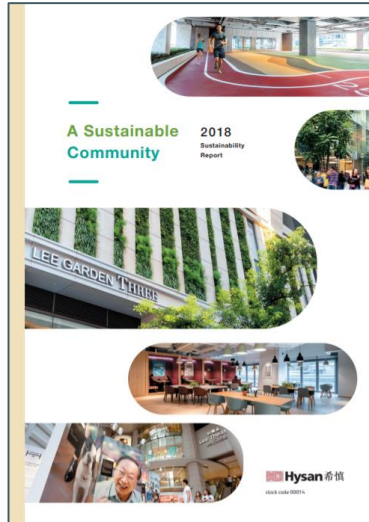
Community Creation (Con't)

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- Use business technology and aim to become 'Smart Community' with 'Smart Mobility', 'Smart Living' and 'Smart Environment'



- Connected to life cycle of working, living, shopping and socialising for all generations
- Sustainability Committee formalised and Sustainability Policy refreshed
- Continue to integrate environmental, social and governance (ESG) initiatives into core business operations and partnerships



- Hong Kong economy expected to face uncertainties in 2H 2019
 - Global economic slowdown
 - Sino-U.S. trade disputes
 - Recent internal social conflicts to impact Hong Kong's economy, in terms of investment demand and tourism
- Pressure in the short term, but Hysan's curation of tenants mix, focus on asset enhancement, strength in property management, an integrated and connected portfolio, and a healthy balance sheet will power us to achieve long-term goals
- Hysan's firm commitment to Causeway Bay and Hong Kong remains unchanged



2019 Interim Results Highlights

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	30/6/2019 HK\$'M	30/6/2018 HK\$'M	%
Turnover	2,086	1,912	9.1%
Recurring Underlying Profit	1,394	1,280	8.9%
Underlying Profit	1,394	1,280	8.9%
- Fair value gain on investment properties located in			
· Hong Kong	1,318	1,695	-22.2%
· Shanghai*	45	33	36.4%
- Imputed interest income on the interest-free loan to a joint venture	15	14	7.1%
- Other gains and losses	11	(9)	n/m
Reported Profit	2,783	3,013	-7.6%
	30/6/2019 HK\$'M	31/12/2018 HK\$'M	%
Shareholders' Funds	76,021	74,431	2.1%

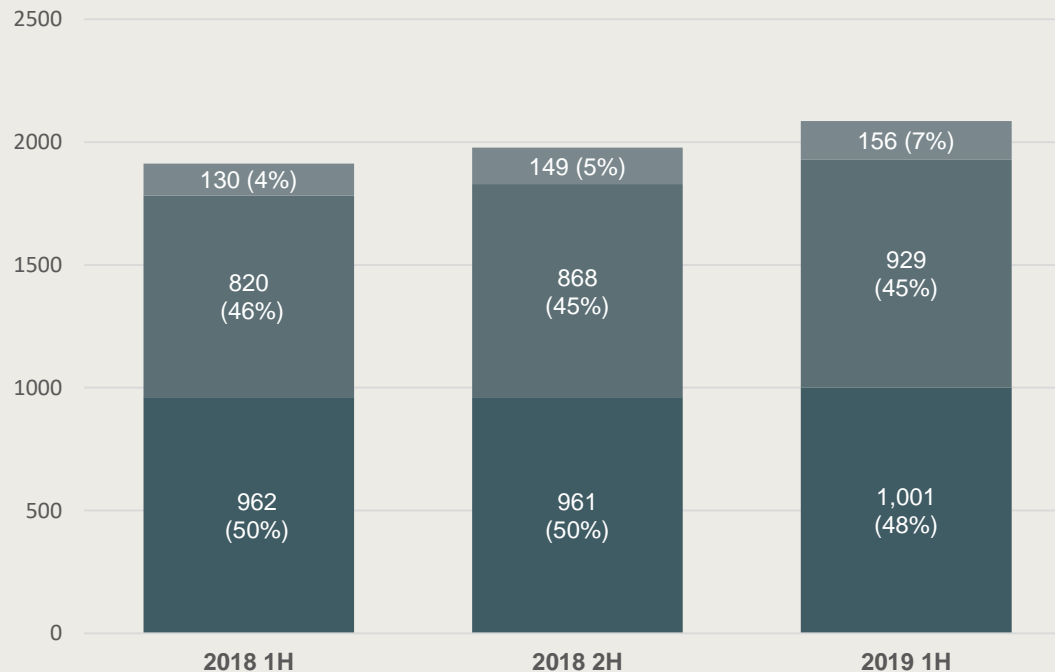
* The investment properties are held by an associate of the Group.

n/m: not meaningful

2019 Interim Performance: By Portfolio

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Turnover (HK\$'M)



- Residential
- Office
- Retail

Gearing

- Total Gross Debt: HK\$7,576 million
(31 December 2018: HK\$6,326 million)
- Net Debt to Equity: 4.9%
(31 December 2018: 4.7%)

Debt Profile

- Fixed Rate Debt: 79.5% of the total gross debt
(31 Dec 2018: 75.5% of the total gross debt)
- Average Debt Maturity: 5.1 years (31 Dec 2018: 3.9 years)
- Capital Market Issuance: 79.5% (31 Dec 2018: 75.5%)
- Average Cost of Finance: 3.6% (2018: 3.6%)

Credit Rating

- Net Interest Coverage: 19.1 times
(2018: 17.9 times)
- Moody's: A3;
Fitch: A-
Standard and Poor's: BBB+;



Green Financing

- Established Hysan's Green Finance Framework for sustainable building development and enhancements
- Issued a total of HK\$1,550 million green bonds in 1H 2019

No Change in Cap Rates for both periods

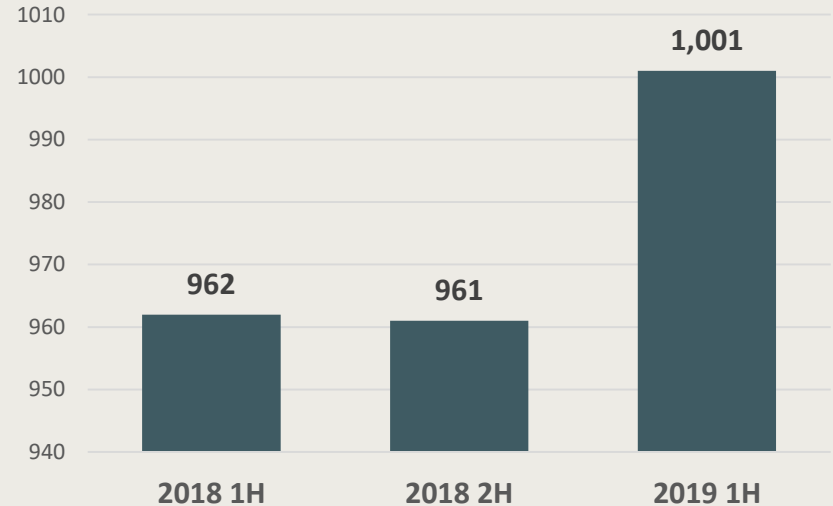
	30 Jun 2019	31 Dec 2018
Retail	5% - 5.25%	5% - 5.25%
Office	4.25% - 4.75%	4.25% - 4.75%
Residential	3.75%	3.75%

1H 2019 Performance: Retail Portfolio

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- Retail portfolio turnover was HK\$1,001 million, up 4.1% from 1H 2018
- Contribution from turnover rent of HK\$49 million
- Occupancy: 96% as at 30 June 2019
- Overall, positive rental reversion in renewals, rent review and new lettings

Retail Portfolio Turnover (HK\$'M)



1H 2019 Performance: Retail Portfolio

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- Hysan's estimated Retail Sales Growth was around 4%, outperformed the overall Hong Kong Retail Sales drop of 2.6% (affected by drop in discretionary products)
- Total foot traffic increased by around 5%



Hong Kong Retail Sales

Type of retail outlet	Jan-Jun 2019 (YoY)
Jewellery, watches and clocks, and valuable gifts	-6.5%
Medicines and cosmetics	-0.3%
Food, alcoholic drinks and tobacco (other than supermarkets)	+0.6%
Clothing, footwear and allied products	-3.4%

1H 2019 Performance: Retail Portfolio

Trade Mix Enhancement

	Opened in 1H 2019	Relocated in 1H 2019	Renovated in 1H 2019
Hysan Place	b+ab BAI FUNG BENTO HEYTEA n.o.t. x ehonia	Area 0264 DEMK DIDIER DUBOT	sen-ryo
Lee Garden One	Wallen Jewellery AMOREPACIFIC	-	Brunello Cucinelli
Lee Garden Two	Oookie Cookie	nicholas & bears Pacific Coffee	Van Cleef & Arpels Sandro MAJE
Lee Garden Three	Monoyono umbra Busybee Fendi Cucine	-	-
Lee Theatre Plaza	Verdant TeaHouse	-	U-banquet • The Starview
Leighton Centre	-	-	adidas
25 Lan Fong Road	-	-	GENTLE MONSTER

- Mostly lifestyle shops and food/beverage outlets

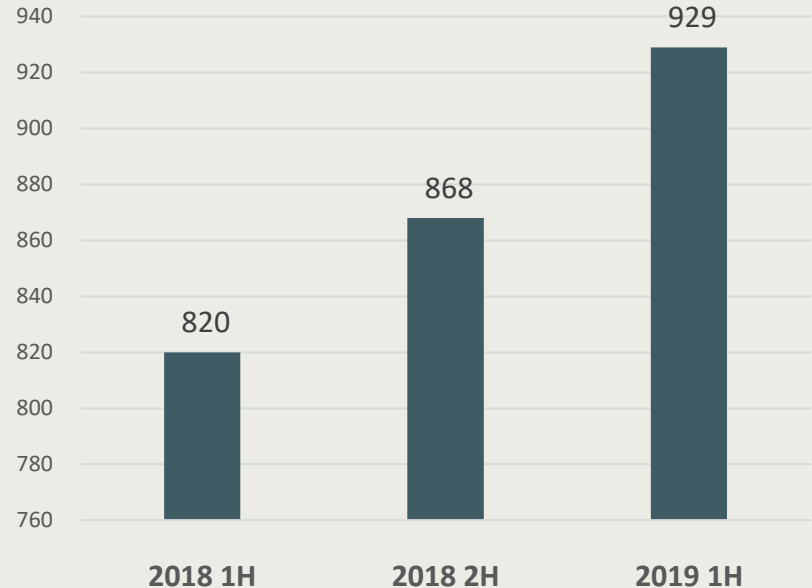


1H 2019 Performance: Office Portfolio

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- Office portfolio turnover increased by 13.3% from 1H 2018 to HK\$929 million
- Occupancy: 97% as at 30 June 2019
- Positive rental reversion in renewals, rent review and new lettings across the portfolio

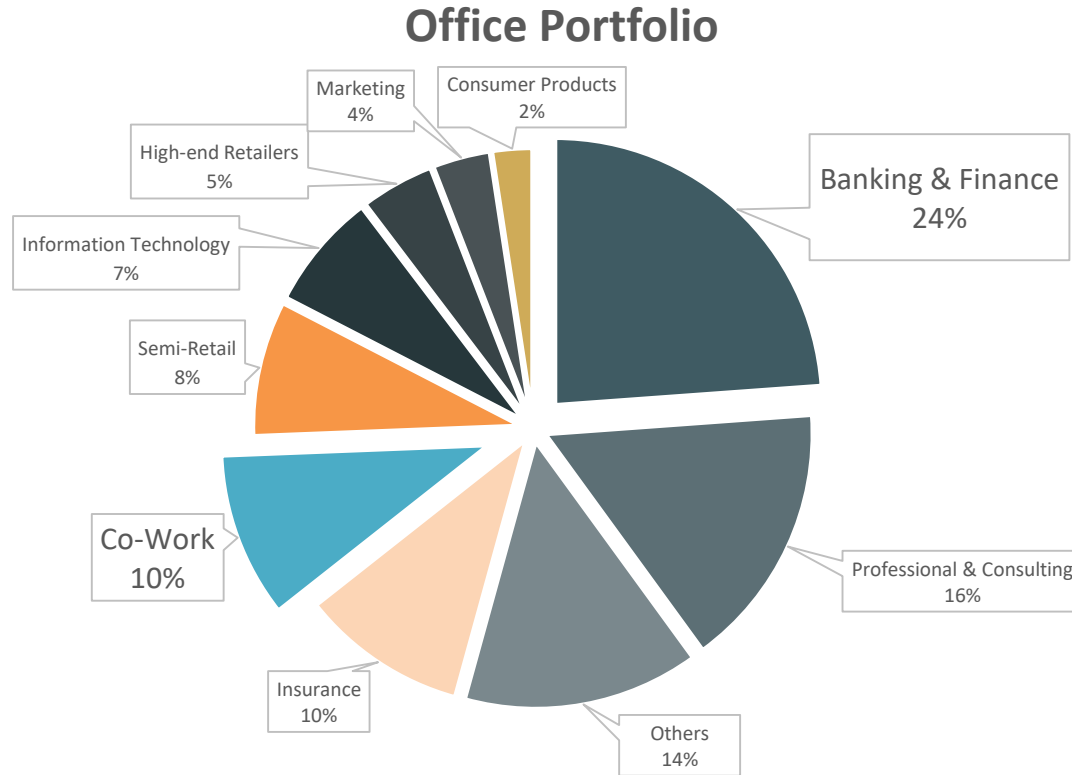
Office Portfolio Turnover (HK\$'M)



1H 2019 Performance: Office Portfolio

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- Still a balanced portfolio with different industries represented

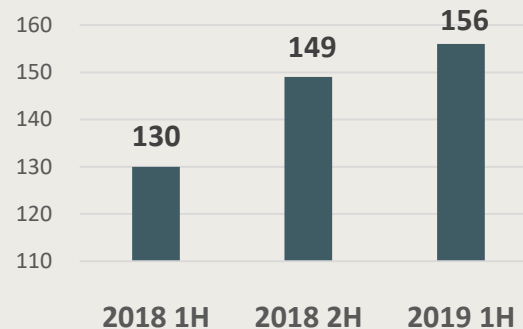


1H 2019 Performance: Residential Portfolio

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- Residential portfolio turnover increased by 20.0% from 1H 2018 to HK\$156 million
- Positive rental reversion on renewals, rent review and new lettings
- Occupancy: 91% as at 30 June 2019
- Benefits from the availability of a range of renovated flats
- More flexibility in terms of lease terms and landlord provisions
- Much improved customer satisfaction leads to enhanced overall image and reputation

Residential Portfolio Turnover (HK\$'M)



Kitchen



Before

After

Bathroom



Before

After

Tai Po Luxury Residential Project

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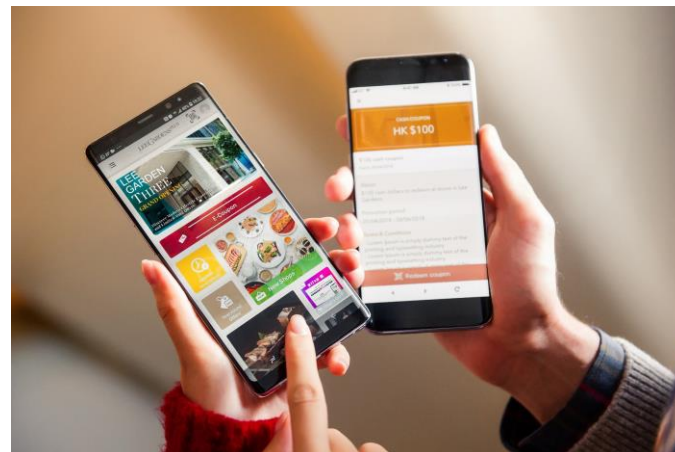
- Major statutory submission approved
- Site formation and foundation construction on track
- Detailed design of core disciplines completed and major tenders issued
- Interior design and visual mock-ups construction in good progress



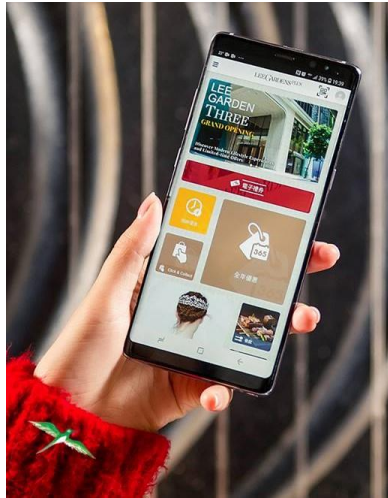
New Retail: Perfect Merger of Online Convenience and Offline Experience Hysan 希慎

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- Use advanced technology to develop integrated shopping experience that combines product, membership, marketing and transaction services
- For example:
 - Personalised customer relationship management
 - E-coupons
 - Big data analytics



- Our loyalty clubs experience significant growth in number of members in 1H 2019
- Up to 20 successful marketing and branding events, with several 'first in Hong Kong' ones



- Plays major role in Causeway Bay community and creates high profile events
 - Marvel's Avengers 4
 - CX/HSBC Hong Kong Rugby Sevens Fan Walk
 - Lee Gardens EGGssentially Art
 - Go Green 2.0
 - Lee Gardens under the Invisibility Cloak



Thank you