

Hysan Development 2020 Interim Results Analyst Briefing

10 August, 2020

 **Hysan** 希慎



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A Difficult Environment

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- COVID-19 in 1H 2020 brought many aspects of Hong Kong to a halt
- The city already suffered many months of social unrest in 2H 2019
- Macro situation exacerbated by the intensifying tension between China and US and its allies
- Hong Kong retail sales dropped 33% in 1H 2020 when compared to the year before
- Office sector saw a negative net absorption of over 1.4 million square feet office space in HK in the first half of 2020



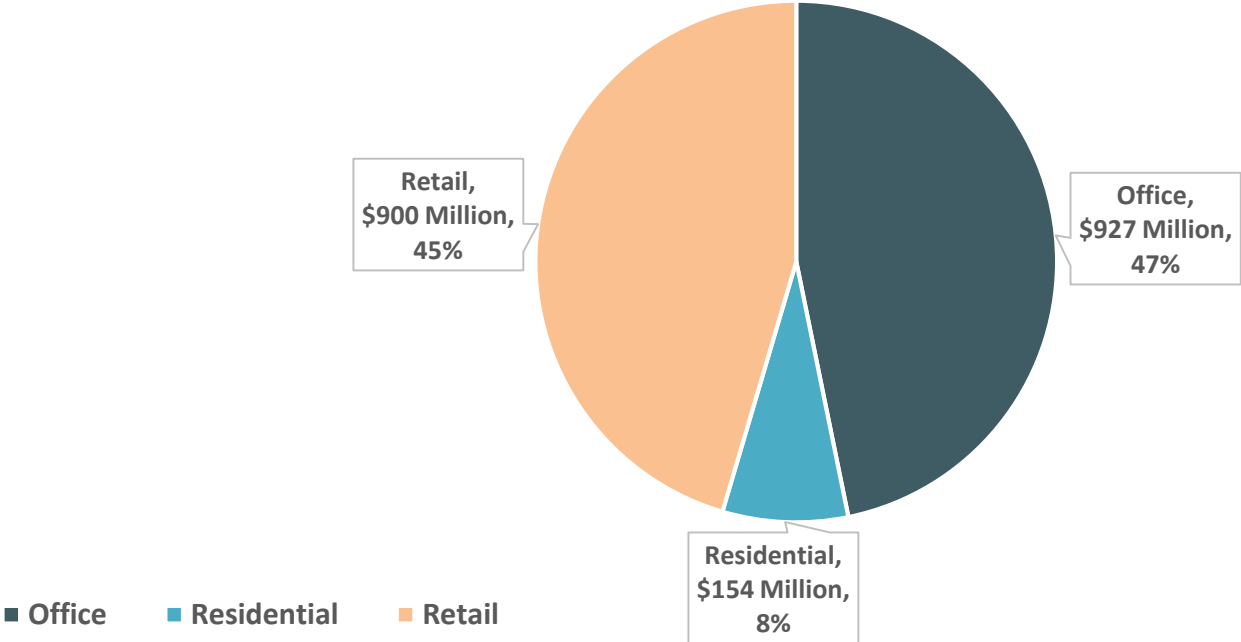
2020 Hysan's Interim Results Highlights

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- Hysan's Turnover and Recurring Underlying Profit decreased by 5.0% and 3.4% respectively
- Hysan's balanced dual-engine portfolio helps the Company remain resilient in the face of both expected and unexpected impacts
- Occupancies of Office and Retail portfolios were 96% and 94% respectively



Turnover Contribution



- COVID-19 introduced changes to usage of office space
 - Hybrid models with flexi-hours and locations, plus more work-from-home
 - But physical office is here to stay
 - Physical office to function as gathering place for interaction
 - New office designs to emphasize health and wellness



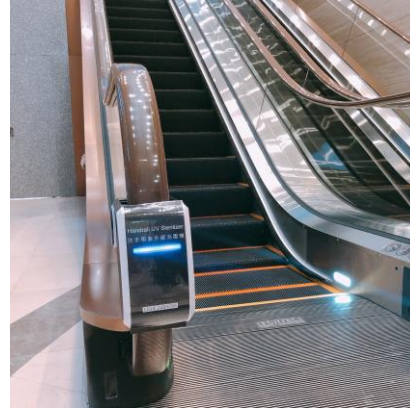
- Pandemic accelerated retail sector changes globally and in Hong Kong
 - Online disruption: e-commerce 's growth, e.g. F&B “click and devlier”
 - Supply chain disruption: halted production and delayed shipment
 - Travelling/Tourism disruption: little travelling and virtually no tourist spending in past 6 months
 - Demographic disruption: Gen Y and Z turn further to sustainability-minded items
- Technology enhancement continuing: e.g. artificial intelligence, virtual reality



How Hysan is Responding to the Challenges

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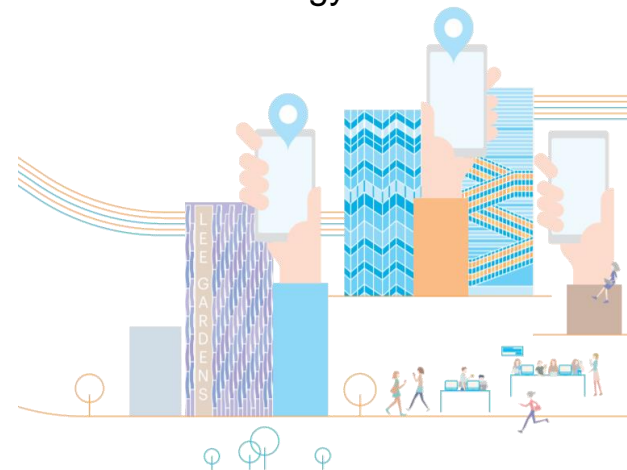
- As COVID-19 emerged, Hysan put in place appropriate protective measures immediately and comprehensively
- Maintained clear communications with tenant to provide flexible and multi-faceted solutions ranging from rental assistance to marketing support



How Hysan is Responding to the Challenges (con't)

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- Longer term:
 - Hysan has curated a dynamic and unique tenant mix, e.g. more banking and finance tenants, growth of flex space, retail's luxury lifestyle concept
 - Supplemented by a rich programme of activities and events to build a community with a sense of belonging
 - Further supported by our investment and application of business technology and customer relationship management



- Plenty of unknowns with pandemic conditions and macro-economic and geopolitical issues affecting Hong Kong's outlook in 2H 2020
- Many factors are changing our lives at a faster-than-anticipated pace
- Our dynamic and balanced portfolio, supported by a strong financial position and ample liquidity, as well as our strategy to take the long-term view, should provide resilience against crisis and form an essential foundation to realise Hysan's ambitions



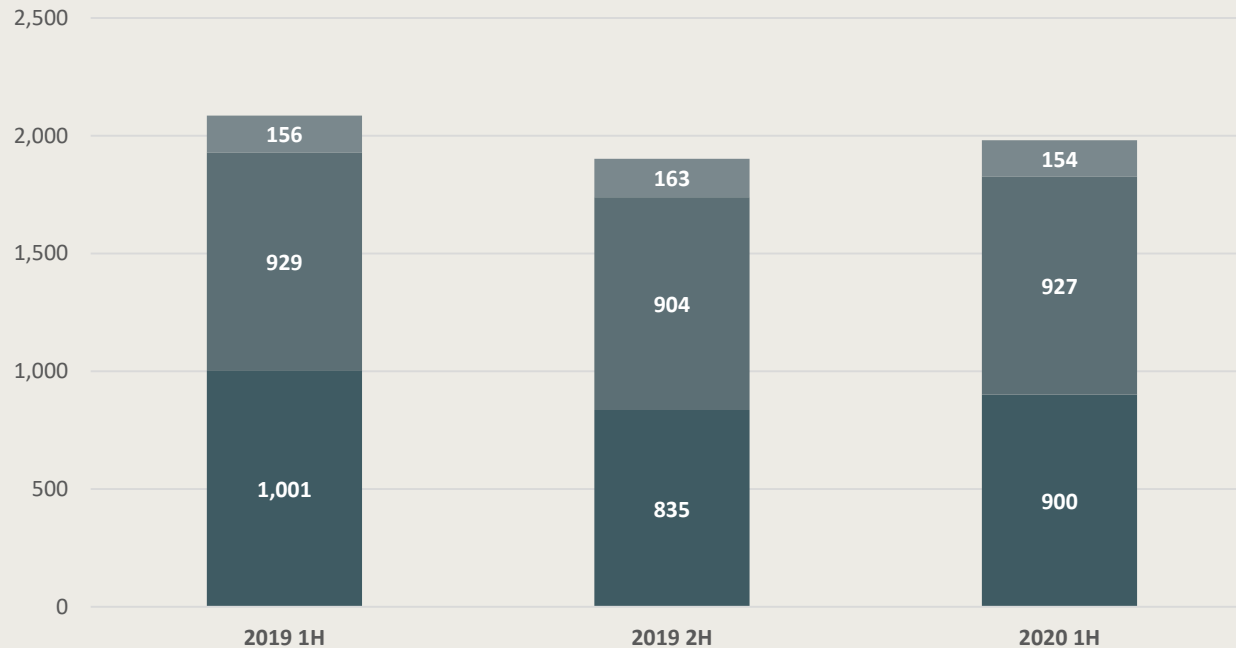
1H 2020 Results Highlights

	2020 1H HK\$'M	2019 1H HK\$'M	%
Turnover	1,981	2,086	-5.0%
Recurring Underlying Profit	1,346	1,394	-3.4%
Underlying Profit	1,346	1,394	-3.4%
- Fair value gain on investment properties located in			
· Hong Kong	(3,871)	1,318	
· Shanghai*	(19)	45	
- Imputed interest income on the interest-free loan to a joint venture	15	15	
- Other gains and losses	(8)	11	
- Profit attributable to perpetual capital securities holders	(89)	-	
Reported Profit	(2,626)	2,783	n/m
Shareholders' Funds	73,696	77,650	-5.1%

1H 2020 Performance: By Portfolio

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Turnover (HK\$'M)

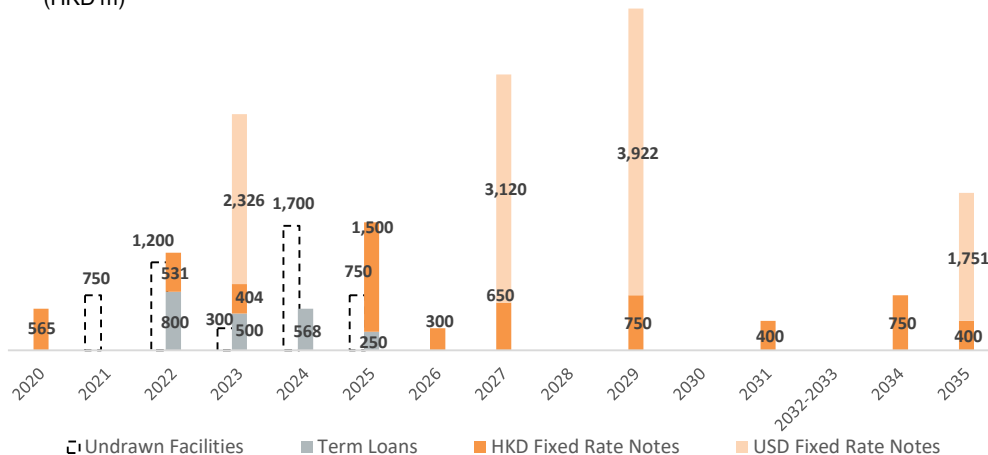


■ Retail ■ Office ■ Residential

Strong Financial Position & Ample Liquidity

Debt Maturity Profile as at 30 June 2020

(HKD'm)

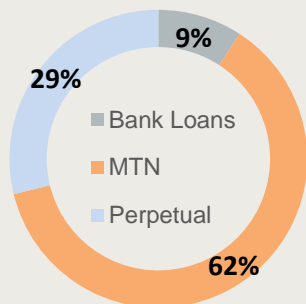


Debt Profile Highlight

Gearing Ratio	Average Debt Maturity
Net Cash	7.2 years
Fixed : Floating	Effective Interest Rate
89% : 11%	3.1%

Credit Ratings

Moody's	Fitch
A3 / Stable	A- / Stable



Diversified funding sources

Public Issuance in 1H 2020

Jun 2020 – USD400m 7-Year Senior Notes at 2.875%
 Mar 2020 – USD850m Sub Perp at 4.1%

Undrawn Committed Facilities

HKD 4.7b

Indicative Cap Rates

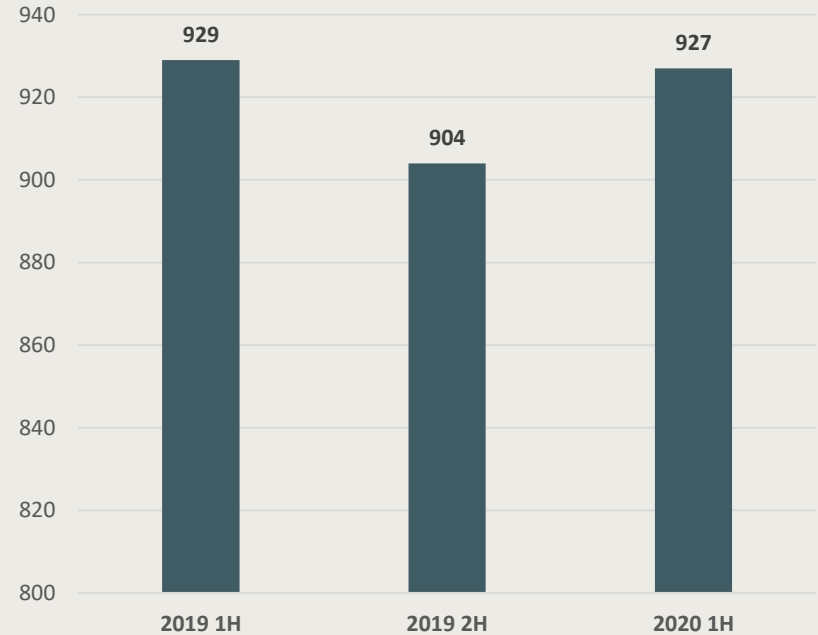
	30 Jun 2020	31 Dec 2019
Retail	5.25% - 5.50%	5% - 5.25%
Office	4.25% - 5%	4.25% - 5%
Residential	3.75%	3.75%

1H 2020 Performance: Office Portfolio

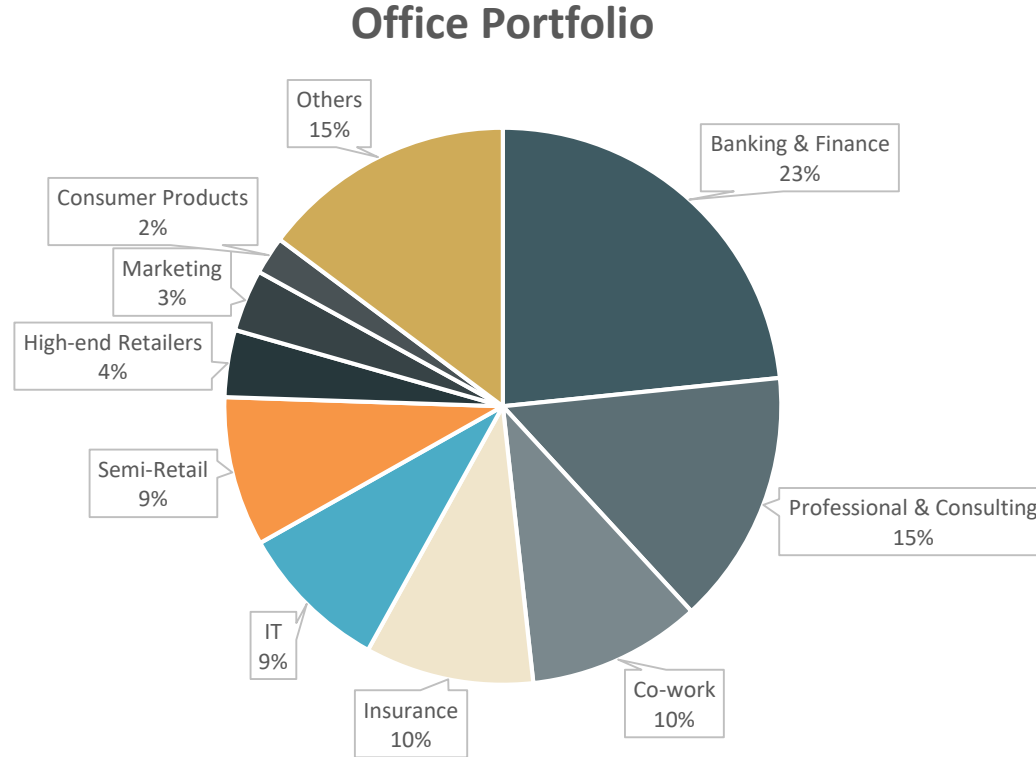
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- Office portfolio turnover declined slightly by 0.2% to HK\$927 million
- Occupancy: 96% as at 30 June 2020
- Continued to achieve an overall positive rental reversion on renewals, rent review and new lettings

Office Portfolio Turnover (HK\$'M)



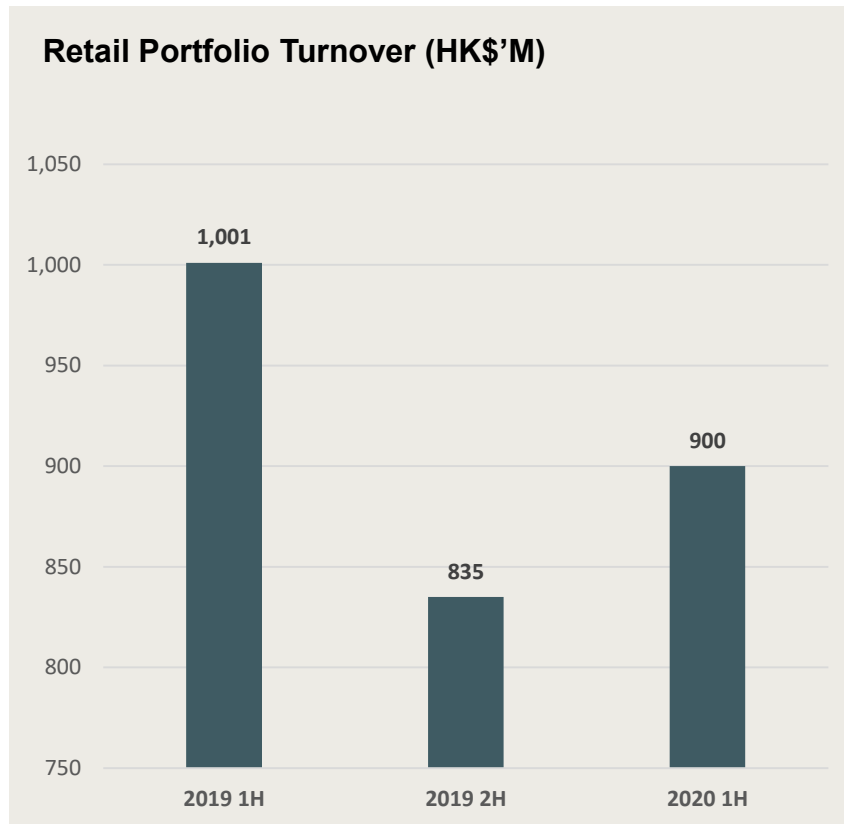
- Balanced portfolio with different industries represented



1H 2020 Performance: Retail Portfolio

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- Retail portfolio turnover was HK\$900 million, down by 10% from same period in 2019
- Contribution from turnover rent of HK\$20 million
- Occupancy: 94% as at 30 June 2020
- Overall rental reversion in renewals, rent review and new lettings became negative in 1H 2020



1H 2020 Performance: Retail Portfolio (con't)

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- Pandemic effects apparent from February onwards
- Damaging effects compounded by disruptions from social events
- Hysan's estimated sales in most categories largely on par with overall Hong Kong sales performances

Hong Kong & Hysan Tenant Retail Sales (Jan-Jun 2020, YoY)

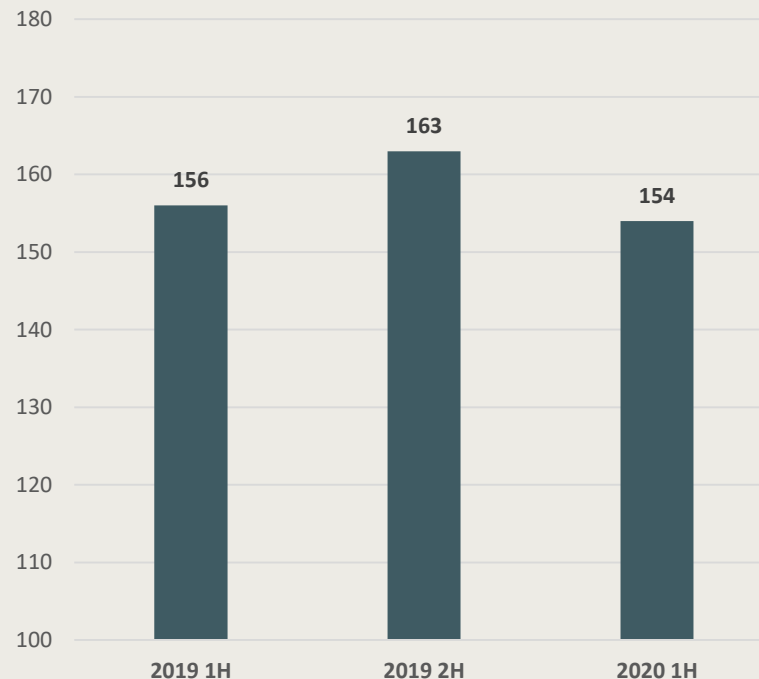
Type of retail outlet	Hong Kong	Hysan (estimated)
Clothing, footwear and allied products	-50.8%	-41.4%
Food & Beverages	-28.7%	-35.9%
Jewellery, watches and clocks, and valuable gifts	-65.5%	-65.0%
Medicines & cosmetics	-54.7%	-81.3%
Supermarket	+10.6%	+8.0%

1H 2020 Performance: Residential Portfolio

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- Residential portfolio turnover saw a slight decline of 1% to \$154 million
- Positive rental reversion on renewals, rent review and new lettings
- Occupancy: 83% as at 30 June 2020
- Renovation work to enhance the quality of a number of units ongoing, and the lift modernization programme will be completed in Q4 2020

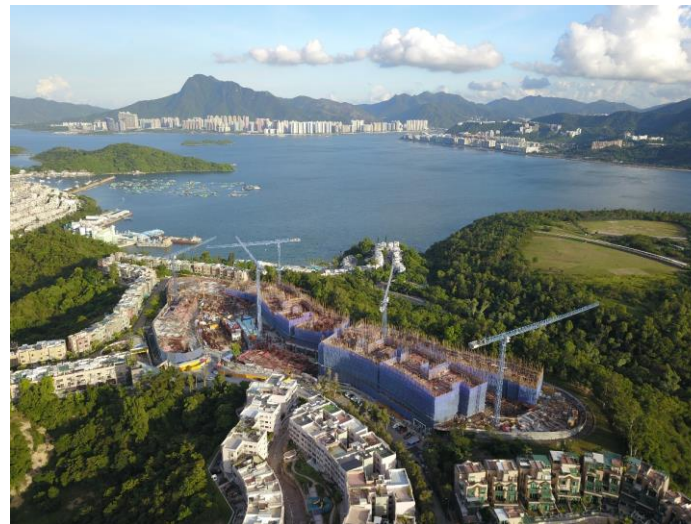
Residential Portfolio Turnover (HK\$'M)



Tai Po Luxury Residential Project

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- Major interior designs and visual mock-ups completed
- Superstructure works in progress
- Target completion date of construction is 2H 2021 subject to government approval

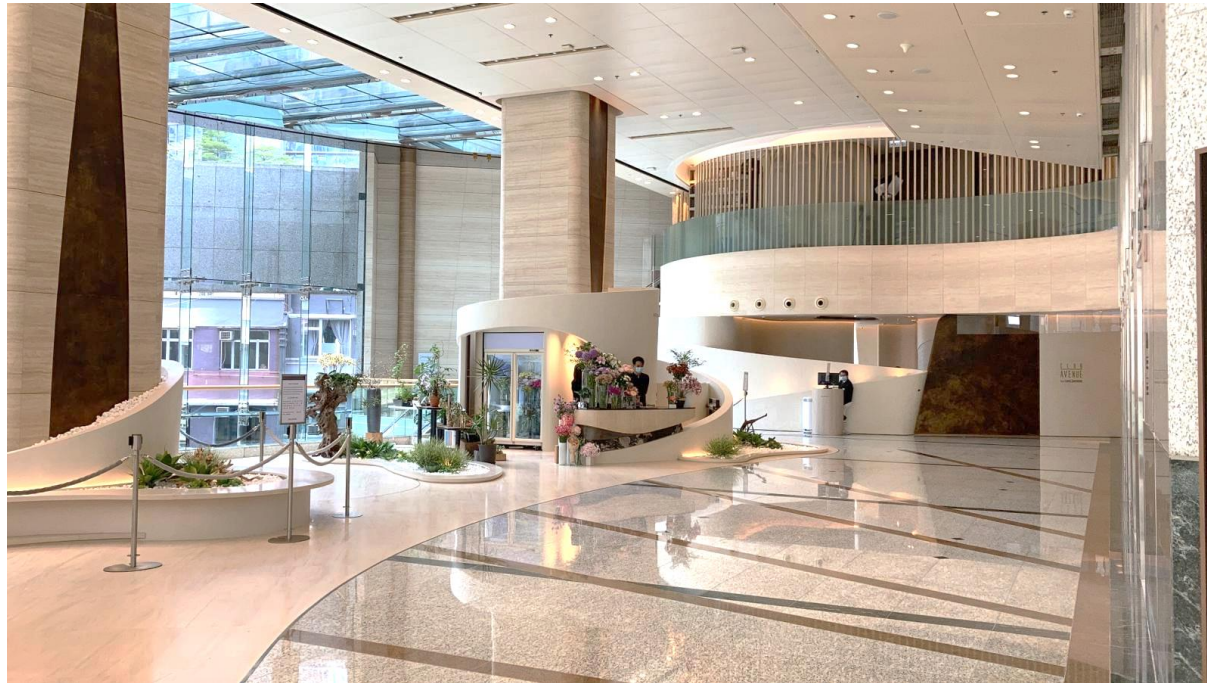


- Work, learn and dine at home become new normal
- Invested strategically into business technology
 - Online/offline spending stimulus campaign “Power Up”
 - Fully integrated digital Lee Gardens App with e-recruitment, e-payment, e-redemption providing easy one-stop platform
 - Used data analytics on real time basis throughout the campaign to fine tune
 - More than 40,000 transactions
- Food and beverage online ordering and delivery services
- More digitalization and online classes at Kids Club
- Area Wifi and IoT gave further insight into visitors’ demographics and traffic patterns



New Club Avenue Lounge and Garden Area

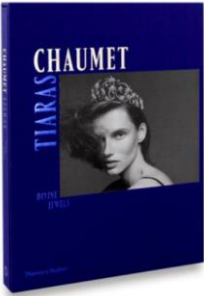
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Club Avenue new lounge and Garden at Lee Garden One

Marketing events collaborated closely with tenants

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Sustainability Including Community Activities

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- Health, wellness and safety all top-of-mind issues
- Provided safe environment for stakeholders
- Ensured work-from-home arrangements for staff
- Supported and sponsored online health and wellness activities
- Created uplifting designs through our art programme



Thank you

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