



# Hysan Development 2015 Annual Results Analyst Briefing

8 March 2016

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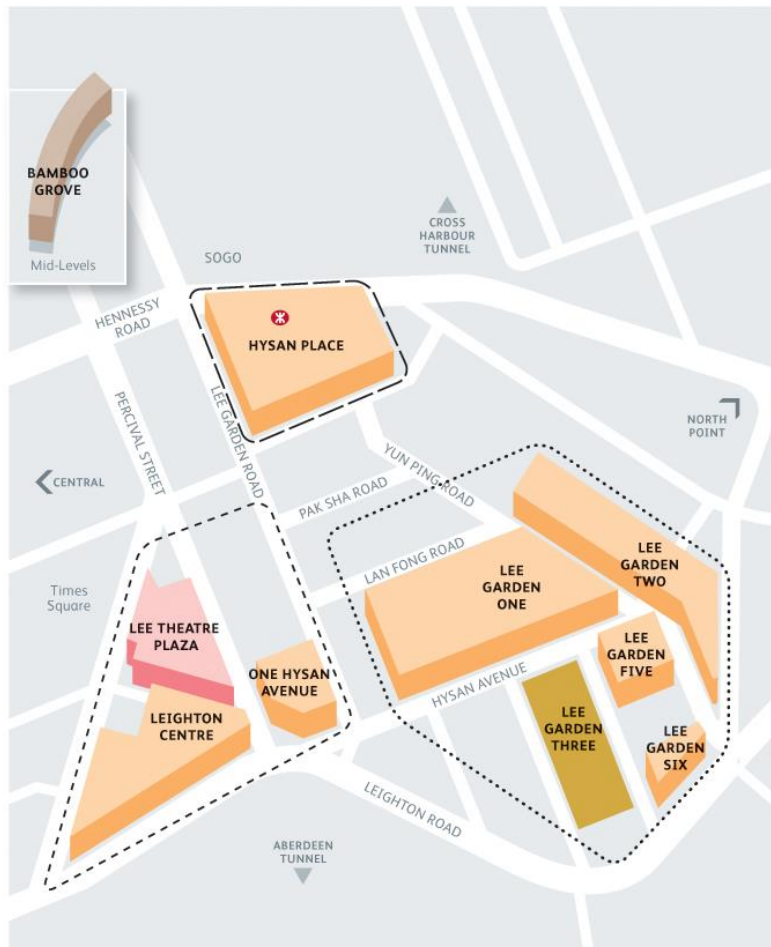
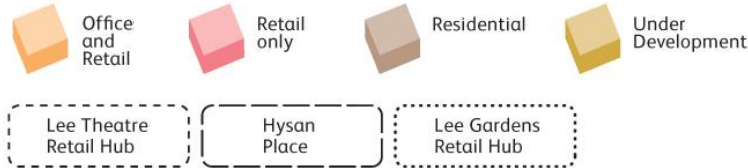
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# Hysan Portfolio -

## One of the largest commercial landlords in Causeway Bay



**The Hysan Portfolio – 4.1 million sq.ft. (GFA) of high-quality retail, office and residential space (excluding Lee Garden Three, which are currently under development)**

### Retail

- **Hysan Place:** trendy gathering place for younger crowds
- **Lee Gardens hub:** elegant and luxury premium spaces
- **Lee Theatre hub:** urban fashion and sporty lifestyles
- Retail comprises **49%\* of total properties value**

### Office

- Core location with premium facilities and work-life balance
- Office comprises **33%\* of total properties value**

## 2015 Annual Results Highlights

- Turnover up 6.4% year-on-year; Recurring Underlying Profit up 5.5%
- Strong office and solid retail performances
- 2015 total distribution of dividends is HK132 cents per share, up 7.3%

## 2015 Annual Results Highlights (con't)

- In a worldwide context, 2015 was more volatile and difficult than expected due to economic and political factors
- Locally, decline in retail sales, especially in the luxury sector, gathered pace
- A stronger commercial office market was aided by tight supply and demands from Chinese financial institutions

## 2015 Annual Results Highlights (con't)

- Hysan anticipated retail market would normalise after past decade's strong growth
- Pursued strategy of diversification by pivoting portfolio towards mid to affordable market
- Leveraged on children's offerings and in sport and lifestyle products
- Enhanced food and beverage offering covers a range of price points and appeals to different tastes



## 2015 Annual Results Highlights (con't)

- Continued to fine-tune positioning of three hubs: each represents approximately one-third of our retail portfolio in size
- Provided unique and satisfying experience (U.S.E.) to delight and surprise tenants, shoppers and other visitors





## 2015 Annual Results Highlights (con't)

	2015 HK\$'M	2014 HK\$'M	%
<b>Turnover</b>	3,430	3,224	6.4%
<b>Recurring Underlying Profit</b>	2,283	2,163	5.5%
<b>Underlying Profit</b>	2,283	2,163	5.5%
- Fair value change on investment properties located in			
• Hong Kong	616	2,732	-77.5%
• Shanghai*	4	7	-42.9%
<b>Reported Profit</b>	2,903	4,902	-40.8%
	2015 HK\$'M	2014 HK\$'M	%
<b>Shareholders' Funds</b>	68,172	67,040	1.7%

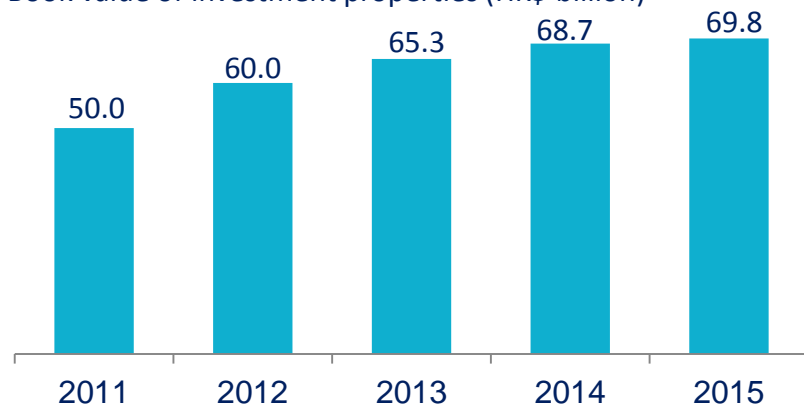
\* The investment properties are held by an associate of the Group.

# 2015 Annual Results Highlights (con't)

## Recurring rental income from high quality investment properties

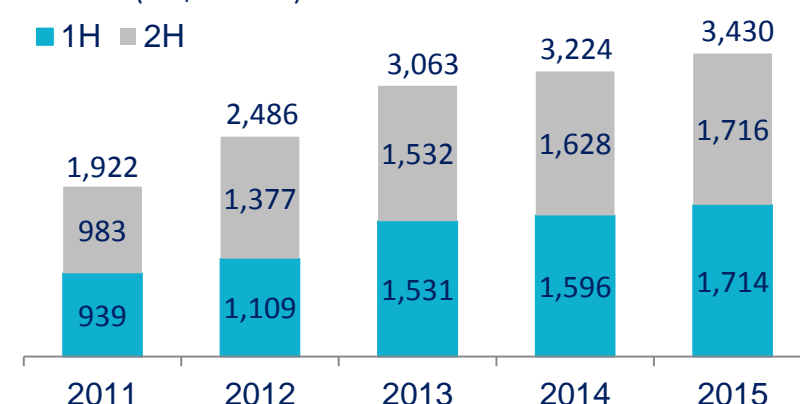
### Sizeable portfolio of high quality investment properties

Book value of investment properties (HK\$'billion)



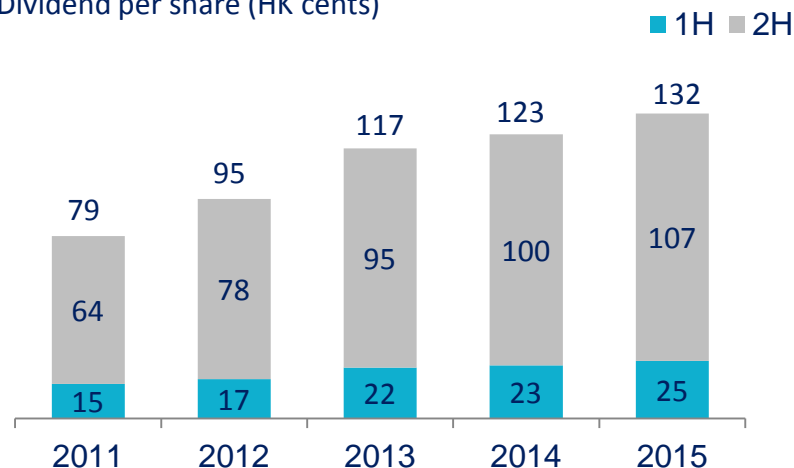
### Steady turnover growth

Turnover (HK\$'million)



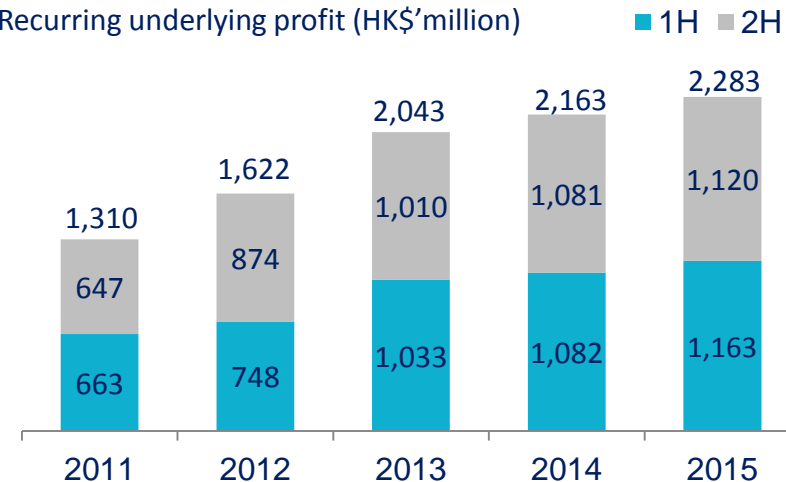
### Stable return to shareholders

Dividend per share (HK cents)



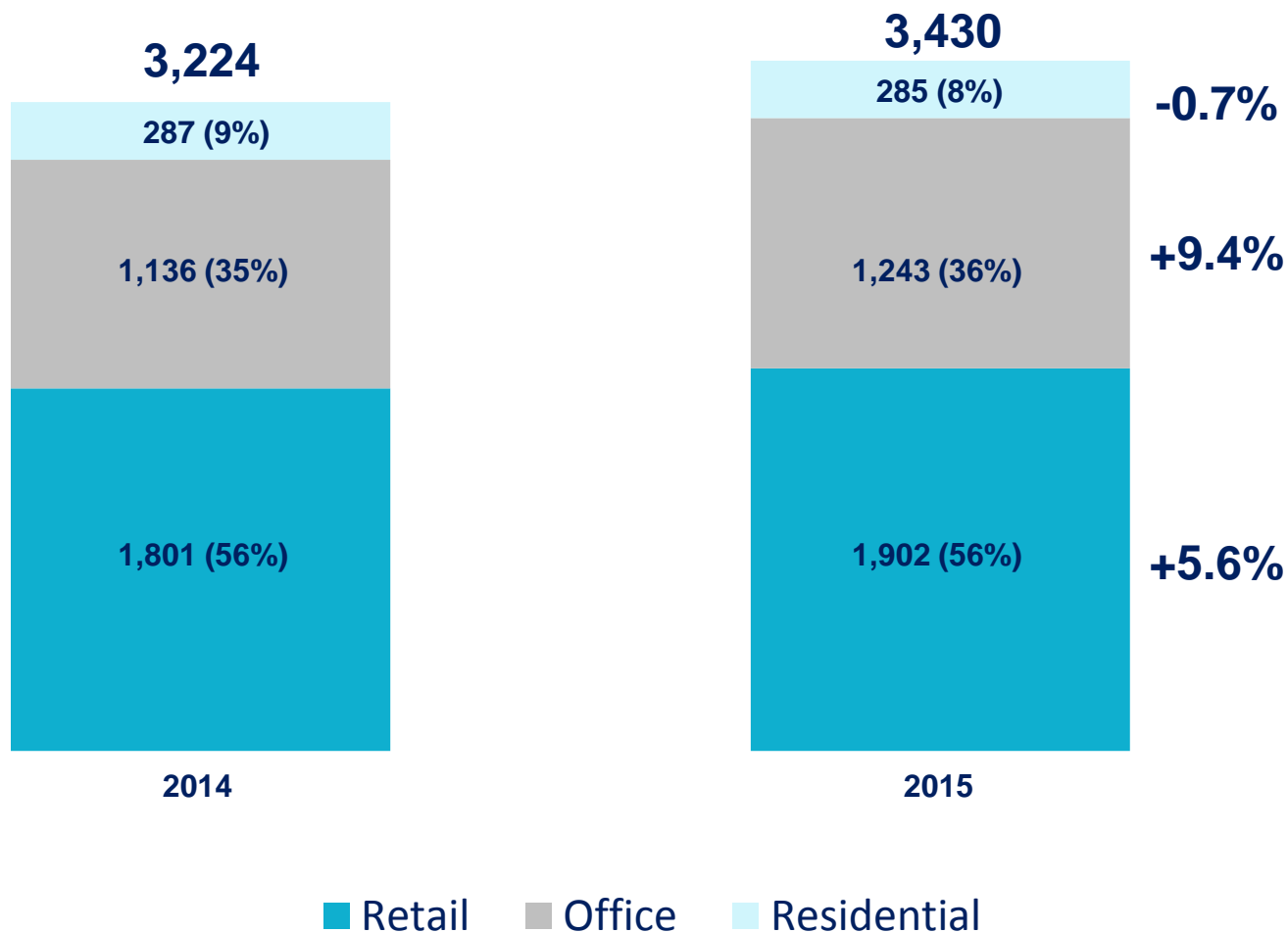
### Sustained growth in recurring underlying profit

Recurring underlying profit (HK\$'million)



# 2015 Performance: By Portfolio

## Turnover (HK\$'M)



# 2015 Performance: Retail Portfolio

## Market overview: Hong Kong Retail Sales

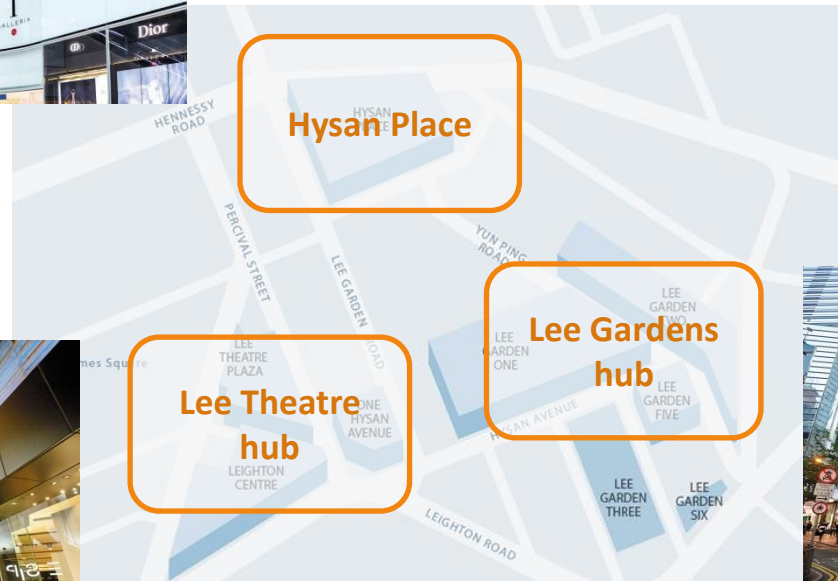
- 2015: overall decline of 3.7% when compared to 2014
- Reflected fall in luxury items (e.g. the sales of jewellery and watches)
- Mid-priced and basic products still recorded growth

Type of retail outlet	Jan-Dec 2015 (YoY)
Jewellery, watches and clocks, and valuable gifts	-15.6%
Other consumer durable goods (include electronic goods and computers)	+16.3%
Food, alcoholic drinks and tobacco (other than supermarkets)	+5.9%

# 2015 Performance: Retail Portfolio (con't)



- Hysan Place: trendy gathering place for younger crowds



- Lee Theatre hub: urban fashion and sporty lifestyles



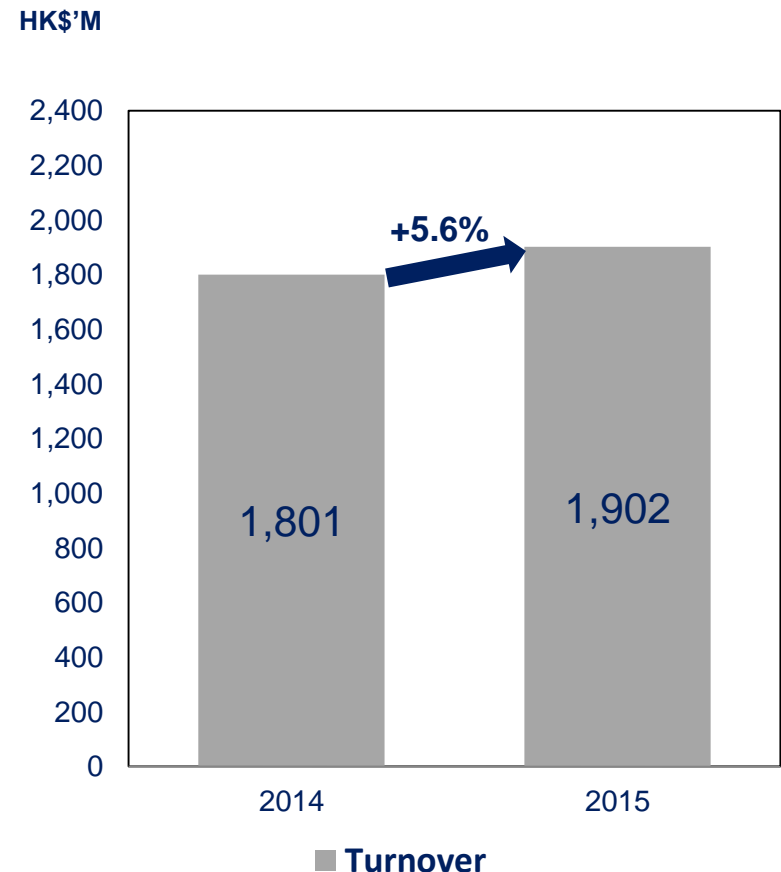
- Lee Gardens hub: elegant and luxury premium spaces



## 2015 Performance: Retail Portfolio (con't)

- Retail portfolio turnover increased by 5.6% to HK\$1,902 million  
(2014 : HK\$1,801 million)
  - Turnover rent of HK\$71 million  
(2014: HK\$93 million)
- Occupancy: Fully-let as at 31 Dec 2015  
(31 Dec 2014: fully-let)

### Retail Portfolio Turnover



## 2015 Performance: Retail Portfolio (con't)

- Positive rental reversions in renewals, reviews and new lettings across the portfolio, with an average increase of around 25% in rental levels
- Also reflected our continued strategy to increase base rent



## 2015 Performance: Retail Portfolio (con't)

- Total foot traffic in Hysan's portfolio rose around 5%; achieved against a fall in overseas visitors coming to Hong Kong in 2015
- Estimated overall tenant sales increase in retail portfolio was around 10% in 2015, when compared to 2014; and outperformed Hong Kong's overall retail sales which declined by 3.7%

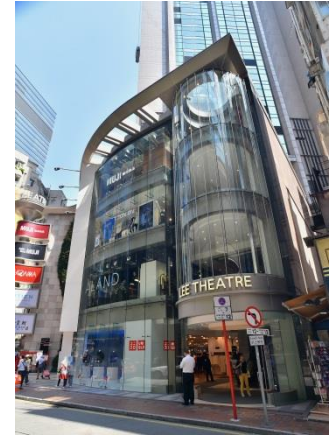
## 2015 Performance: Retail Portfolio (con't)

- Hysan Place
  - Around 20% growth in estimated tenant sales
  - Refining tenant mix with the addition of themed unisex sports and leisure offerings
    - lululemon athletica, The North Face, adidas and others
    - DFS T Galleria's beauty concept floor, and LINE's first Hong Kong outlet
  - Original events like “Living – Lee Gardens”, “Green Wonders”, “Wooderful Life”
  - Foot traffic increased by around 5%



## 2015 Performance: Retail Portfolio (con't)

- Lee Theatre hub
  - Around 5% increase in estimated tenant sales
  - Lee Theatre Plaza lower floor anchor stores and upper floor food and beverage outlets performed well
  - Sports and lifestyle stores in Leighton Centre also saw good tenant sales growth
  - Foot traffic for Lee Theatre hub increased by around 10% as compared to 2014, and increased by around 50% when compared to 2013





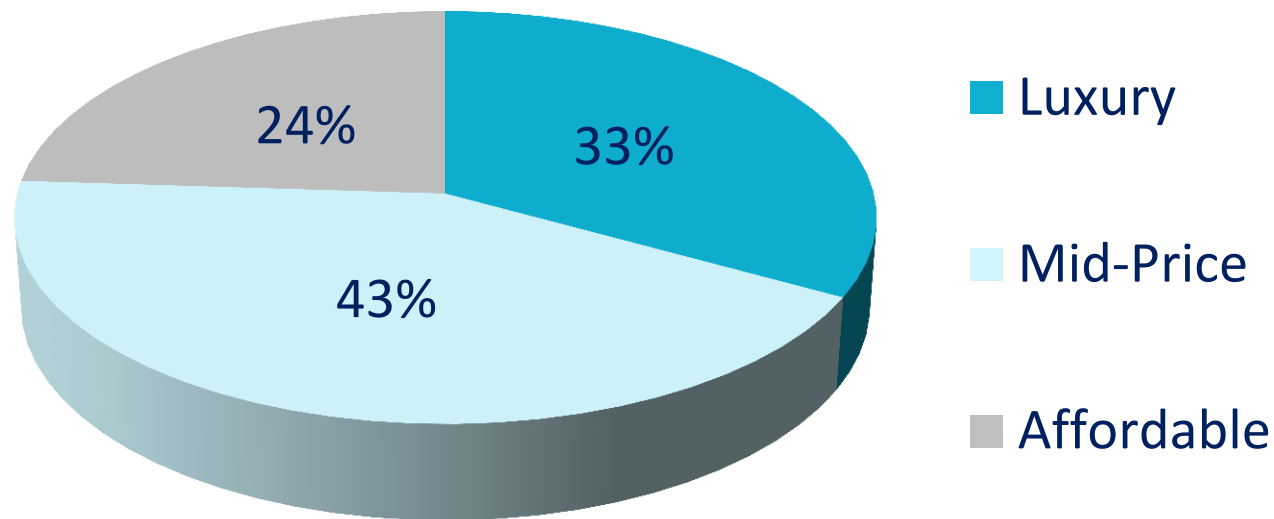
## 2015 Performance: Retail Portfolio (con't)

- Lee Gardens hub
  - Around 10% decline in tenant sales attributable to the slowing down of tourist spending, depressed consumer sentiment due to local stock market volatility and life cycles / distribution strategies of a few brands
  - Hub's food and beverage outlets experienced strong double-digit percentage growth in sales
  - Foot traffic for Lee Gardens hub increased by around 5%



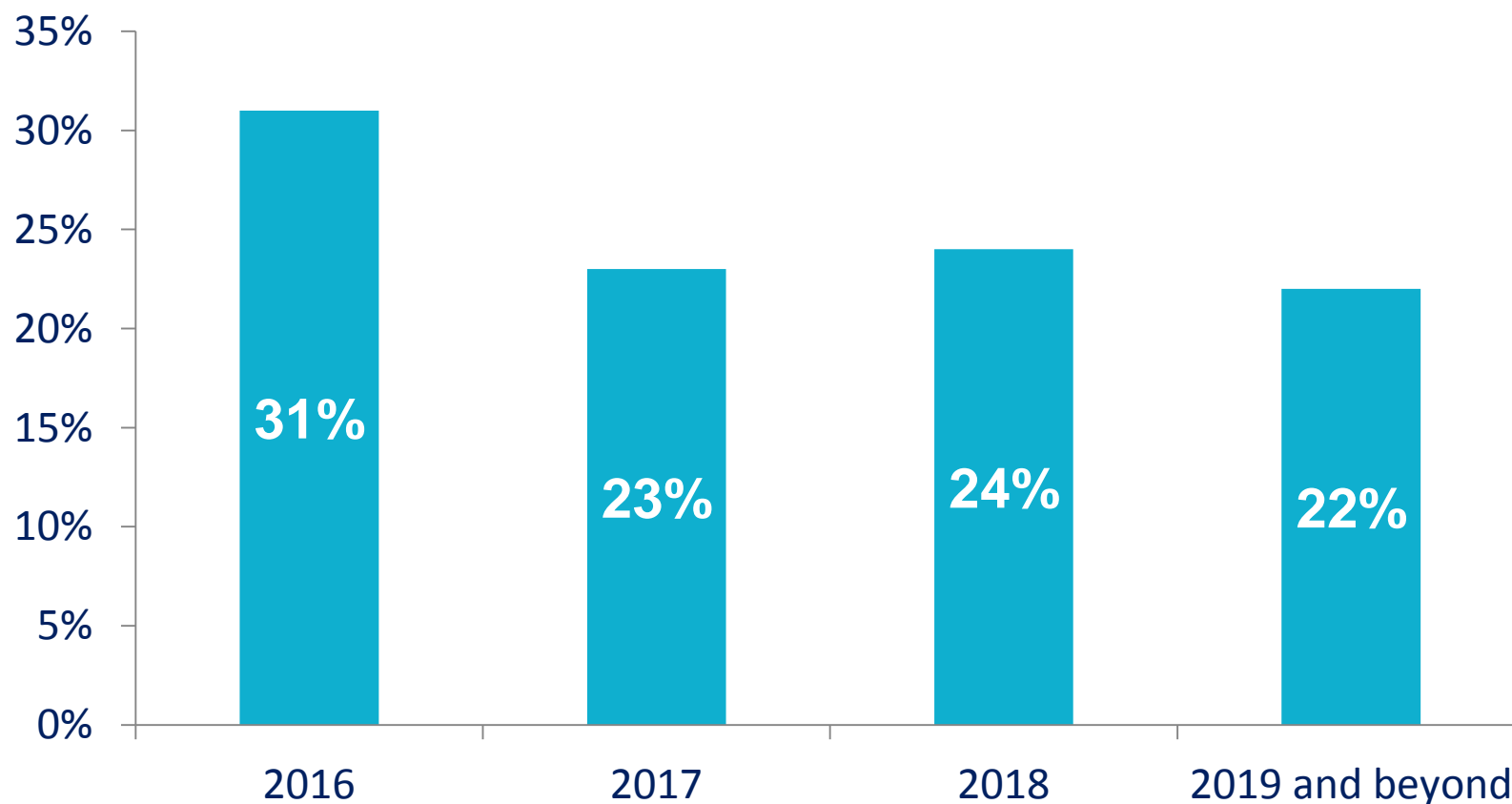
## 2015 Performance: Retail Portfolio (con't)

**Estimated Retail Revenue Contribution Percentage  
by Price Point**



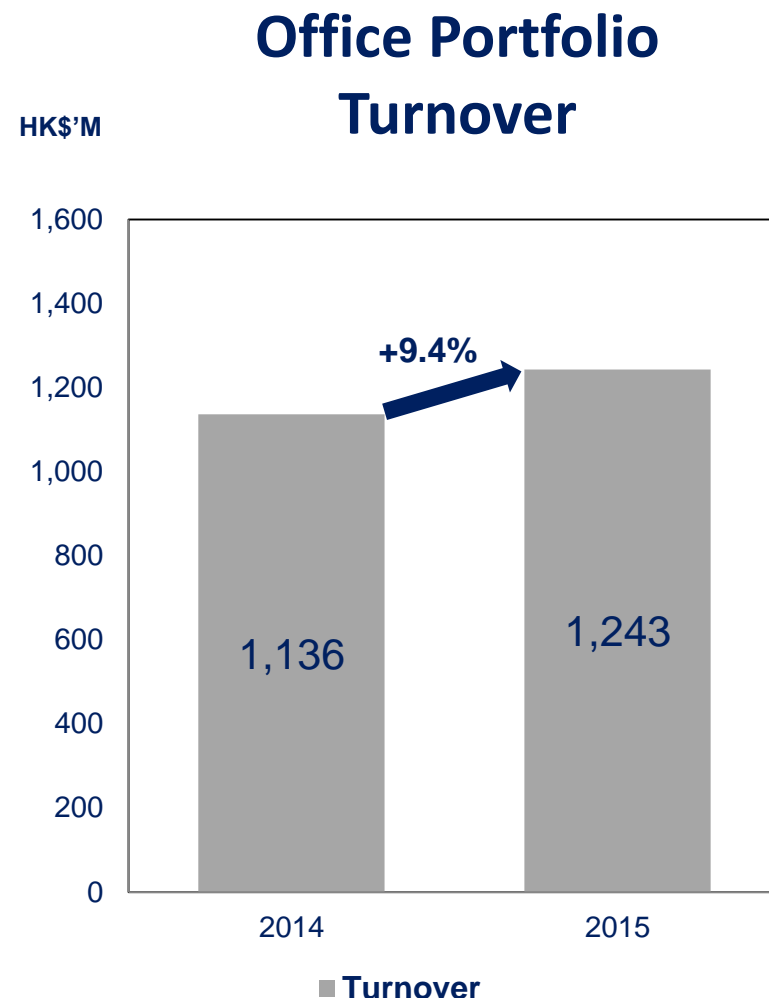
## 2015 Performance: Retail Portfolio (con't)

### Retail Lease Expiry Profile (As at 31 December 2015)



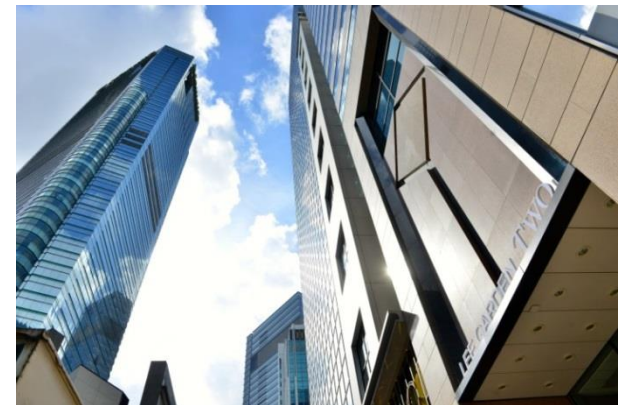
## 2015 Performance: Office Portfolio

- Office portfolio turnover increased by 9.4% to HK\$1,243 million (2014: HK\$1,136 million)
- Occupancy: 99% as at 31 Dec 2015 (31 Dec 2014: 98%)



## 2015 Performance: Office Portfolio (con't)

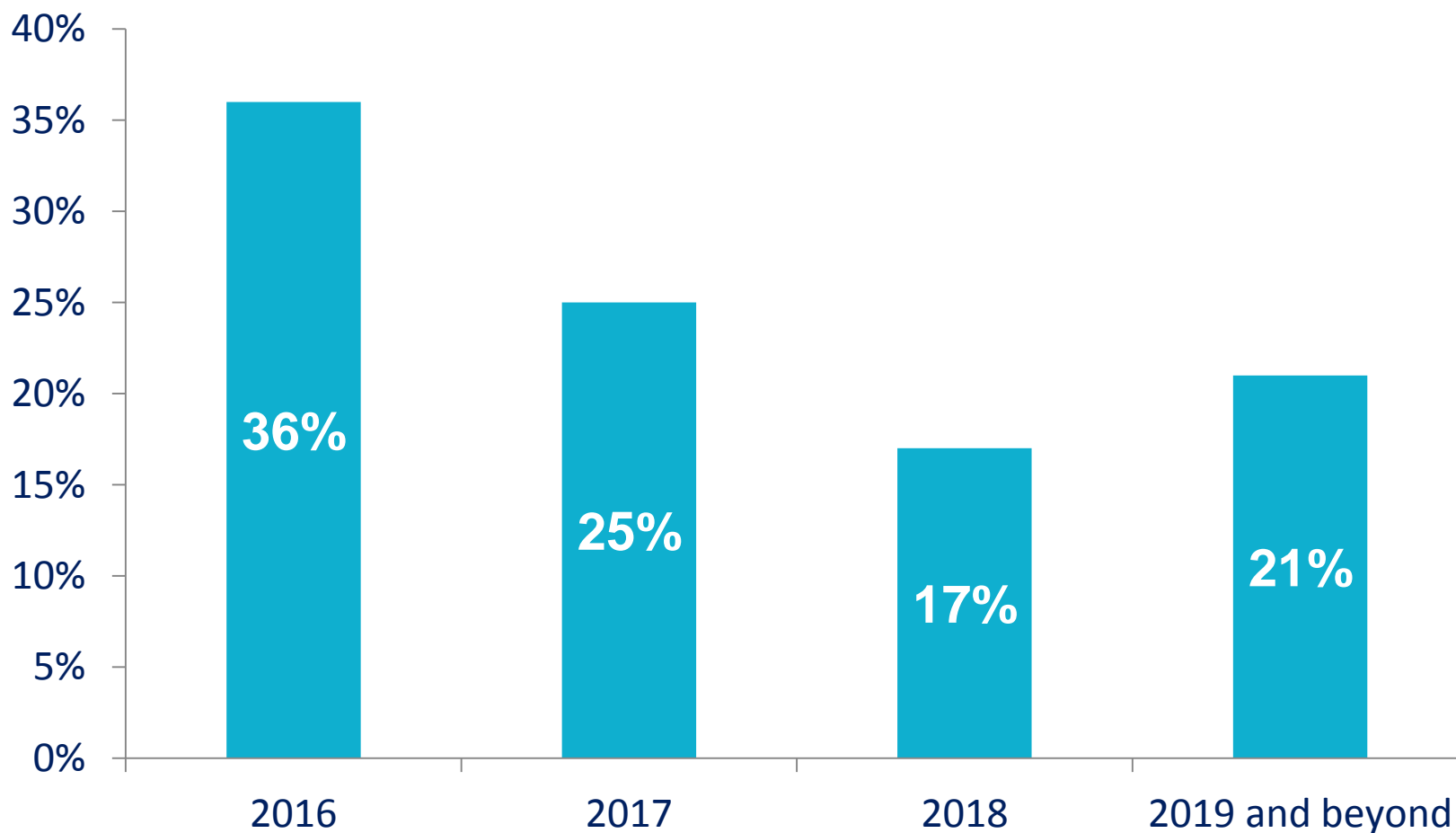
- Positive rental reversion in renewals, reviews and new lettings with an average rental income increase of around 30%
- Office space vacancies tightened in Central due to strong Mainland China financial firms' demand
- Being a genuine alternative to Central and Admiralty as a premium office address, Hysan's portfolio attracts quality companies from a range of industries
- Lee Gardens offers a variety of retail and leisure outlets, is an exceptional transport hub, and cost effective





## 2015 Performance: Office Portfolio (con't)

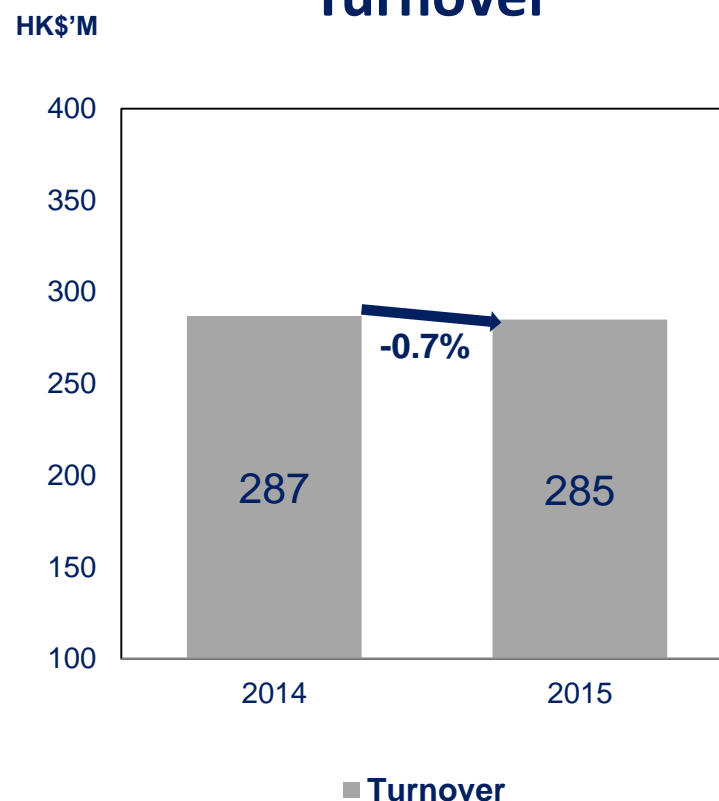
### Office Lease Expiry Profile (As at 31 December 2015)



## 2015 Performance: Residential Portfolio

- Residential portfolio turnover saw a small drop of 0.7% to HK\$285 million (2014: HK\$287 million)
- Positive rental reversion in renewals, reviews and new lettings with an average rental income increase of around 5% , reflected general improvement in demand for quality residential rentals

### Residential Portfolio Turnover



## 2015 Performance: Residential Portfolio (con't)

- Renovation project ongoing
- Continued to improve services and facilities for a superior international living experience
- Occupancy at 89% as at 31 Dec 2015 as units were vacated for renovations (31 Dec 2014: 97%)

# Indicative Cap Rates

- No change in Cap rate from 31 Dec 2014

	31 Dec 2015	31 Dec 2014
<b>Retail</b>		
➤ Lee Garden One	5.00%	5.00%
➤ Lee Garden Two	5.25%	5.25%
<b>Office</b>		
➤ Lee Garden One	4.25%	4.25%
➤ Lee Garden Two	4.75%	4.75%
<b>Residential</b>		
➤ Bamboo Grove	3.75%	3.75%
<b>Property under development</b>		
➤ Lee Garden Three	4.25% - 5.00%	4.25% - 5.00%

- Piling, excavation and other foundation works completed in Q1 2016
- Project expected to be completed in late 2017, slightly earlier than the previous estimation of early 2018
- Around 200 parking spaces will be added, which will help attract shoppers to our portfolio and relieve parking problems in Causeway Bay





## Lee Garden One Asset Enhancement Project

- First phase revamping ground floor lobby and adding three elevators completed in July 2015
- Second phase constructing new shop space already commenced; project anticipated to be completed in the middle of 2016
- Will improve the accessibility and circulation of the office and retail areas, and create new shop space and retail offerings



# Strong Financial Position

## Low Gearing

- Total Gross Debt: HK\$4,875 million  
(31 Dec 2014: HK\$6,457 million)
- Net Debt to Equity: 3.0% (31 Dec 2014: 4.2%)

## Stable Debt Profile

- Fixed Rate Debt: 94.9% of the total gross debt  
(31 Dec 2014: 76.3% of the total gross debt)
- Average Debt Maturity: 6.3 years  
(31 Dec 2014: 5.6 years)
- Capital Market Issuance: 94.9%  
(31 Dec 2014: 83.0%)
- Average Cost of Finance: 3.5% (2014: 3.2%)

## Strong Credit Rating

- Net Interest Coverage: 19.5 times  
(2014: 17.1 times)
- Moody's: A3; Standard and Poor's: BBB+

- 2016 will see continued adjustments, particularly in high-end retailing
- Volatility in currency and equity markets, and a slower China growth will contribute to a challenging year



## 2016 Outlook (con't)

- Hysan's resilience comes from its diversified and balanced portfolio, as well as balance sheet strength
- The Group is uniquely placed to capture opportunities as Hong Kong benefits from the continuing development of China
- Hysan will deliver another year of steady performance





**Thank you**