

# Hysan Development 2018 Interim Results Analyst Briefing



7 August, 2018



Hysan 希慎

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Remarks by

**Ms. Irene Yun Lien LEE**

Chairman



# 2018 Interim Results Highlights

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- Turnover and Recurring Underlying Profit increased by 6.8% and 4.3% respectively year-on-year
- Increased Reported Profit reflected changes in fair value of investment properties
- Occupancies of Retail and Office portfolios were 96% and 95% respectively



# Overview

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## HK Economy & Retail Sales in 2018 1H

- Strong consumer spending
- Growth in visitors numbers
- Some macroeconomy uncertainties may affect growth

## Hysan

- Curating unique content for the Lee Gardens community which is inclusive, full of contrast and diversity
- We believe we are truly “the Heartbeat of Hong Kong”



# Where You Hear the Heartbeat of Hong Kong

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Lee family purchased Lee Gardens Hill 95 years ago



Mindset based on a long history of sustainable development



Stakeholders can enjoy the area not just for now, but for generations to come



As Hong Kong's heartbeat, Hysan and Lee Gardens pulsate with the ever-changing cityscape

## Vision. Courage. Persistence





## Lee Garden Three as example

- We challenge ourselves to attract quality tenants who demand the highest standards in a commercial setting
- First Hysan commercial building with a focus on attracting financial industry tenants
- As an innovative fast mover, we diligently promote activity-based co-working
- We respond to the needs of a new generation of office-users and highlight lifestyle and wellness in retail and office





# Persistence

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- Lee Garden Three only one part of entire portfolio
- We are leveraging the opening of Lee Garden Three to further energise the rest of the portfolio
- We are determined to give Lee Gardens added dimensions, which is a long-term project
- We provide the **Hardware** and the **Content** for our **Stakeholders**

## Hardware

Quality buildings throughout the portfolio

## Content

Unmatched experience and events, strong tenant and third party partnerships, digital transformation

## Stakeholders

Popular loyalty programmes, growing community



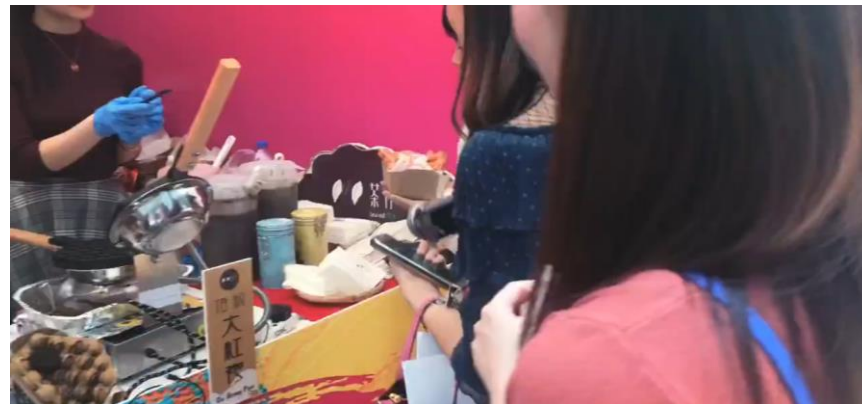
# Persistence – Curating Experience

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 **Hysan** 希慎



CX/HSBC Rugby Sevens Carnival



Lee Gardens *EGGssentially Art! Rugby Edition*



Absolutely Fabulous Children's Theatre



Cha Long Pop-up Store and Valentine's Day



Art Fun in Causeway Bay Night Parade



## Persistence – Encouraging Partnerships: Tenant and Third Party Partnerships Hysan 希慎

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Go Green Causeway Bay



Louis Vuitton Launch Event



I.T Undefeated Opening



Nike Yoga Day



# Persistence – Cultivating Loyalty

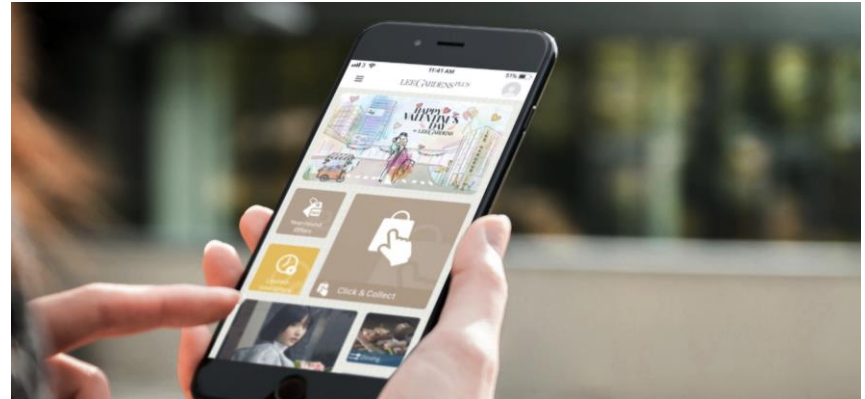
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## Club Avenue

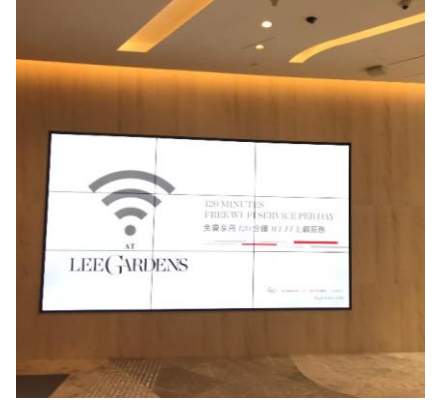
- Expanded our lounge service to the first floor of Lee Garden One
- Provide more unique and exclusive events

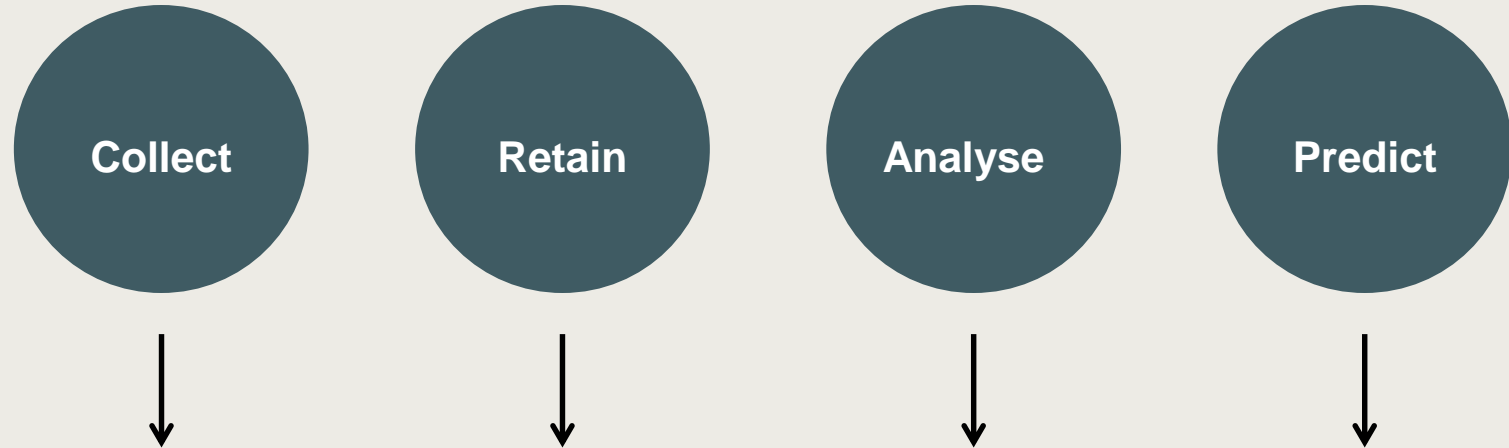
## Lee Garden Plus

- More attractive limited time offers from tenants
- Major platform to drive traffic and spending



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**Individual customer behaviour**



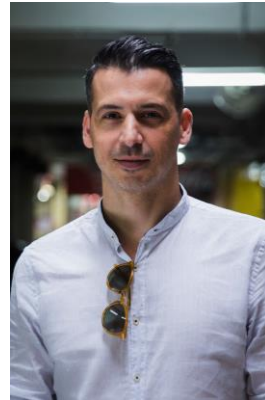
# Persistence – Hysan95

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 **Hysan** 希慎



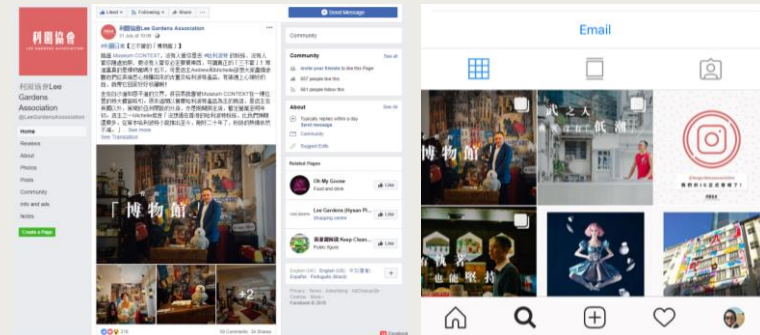
Hysan95 is a multimedia project with a strong social media presence that cements Hysan's connection with Causeway Bay through the stories of the people who live and work there.



# Persistence – Lee Gardens Association

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As a founding member, we contribute in many ways, including social media and videos





Vision.  
Courage.  
Persistence.





Presentation by

**Mr. Roger HAO**  
Chief Financial Officer

# 2018 Interim Results Highlights

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	30-06-18 HK\$'M	30-06-17 HK\$'M	%
Turnover	1,912	1,791	6.8%
Recurring Underlying Profit	1,280	1,227	4.3%
Underlying Profit	1,280	1,227	4.3%
- Fair value gain or (loss) on investment properties located in			
· Hong Kong (net of effect of non-controlling interests' shares)	1,695	(495)	n/m
· Shanghai*	33	1	n/m
- Imputed interest income on the interest-free loan to a joint venture	14	13	7.7%
- Other gains and losses	(9)	—	n/m
Reported Profit	3,013	746	303.9%
	30-06-18 HK\$'M	31-12-17 HK\$'M	%
Shareholders' Funds	71,807	69,953	2.7%

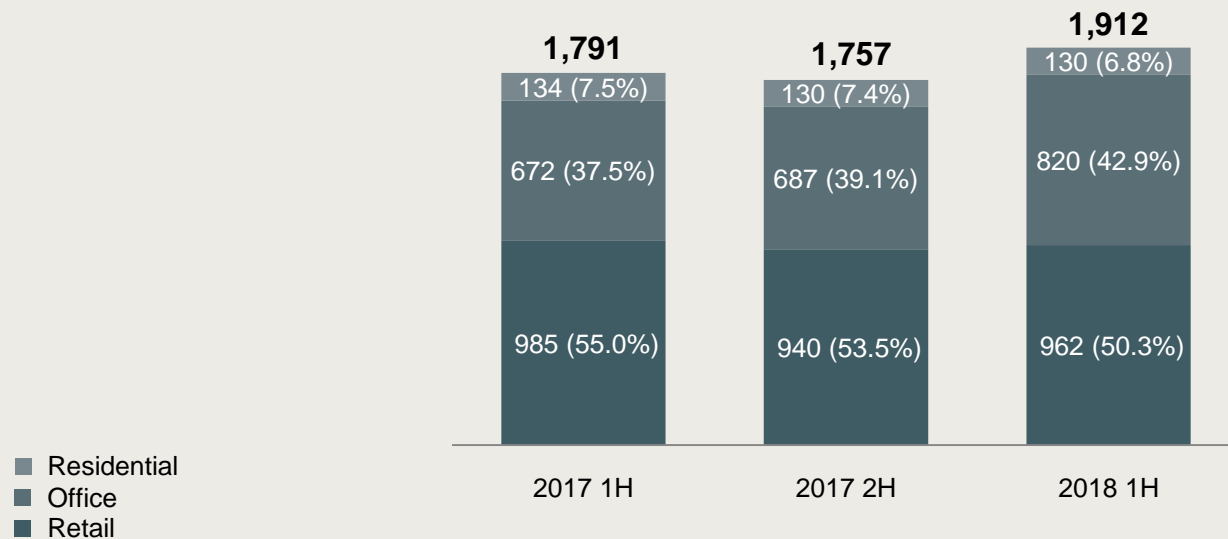
\* The investment properties are held by an associate of the Group.

n/m: not meaningful

# 2018 1H Performance: By Portfolio

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## Turnover (HK\$'M)



## Low Gearing

- Total Gross Debt: HK\$6,026 million (31 Dec 2017: HK\$6,176 million)
- Net Debt to Equity: 5.6% <sup>[L]</sup><sub>[SEP]</sub> (31 Dec 2017: 5.0%)

## Stable Debt Profile

- Fixed Rate Debt: 74.3% of the total gross debt <sup>[L]</sup><sub>[SEP]</sub> (31 Dec 2017: 74.9% of the total gross debt)
- Average Debt Maturity: 3.9 years (31 Dec 2017: 4.3 years)
- Capital Market Issuance: 74.3% (31 Dec 2017: 74.9%)
- Average Cost of Finance: 3.5% (2017: 3.4%)

## Strong Credit Rating

- Net Interest Coverage: 17.9 times (2017: 19.3 times)
- Moody's: A3;  
Standard and Poor's: BBB+



# Indicative Cap Rates

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- No change in Cap rate from 31 Dec 2017

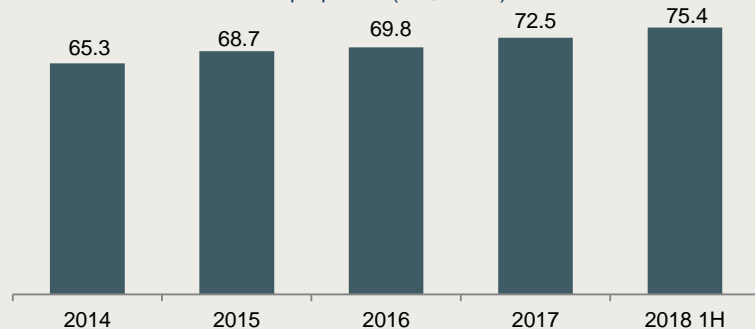
	30 Jun 2018	31 Dec 2017
<b>Retail</b>		
➤ Lee Garden One	5.00%	5.00%
➤ Lee Garden Two	5.25%	5.25%
➤ Lee Garden Three	5.00%	5.00%
<b>Office</b>		
➤ Lee Garden One	4.25%	4.25%
➤ Lee Garden Two	4.75%	4.75%
➤ Lee Garden Three	4.25%	4.25%
<b>Residential</b>		
➤ Bamboo Grove	3.75%	3.75%

# 2018 Interim Results Highlights

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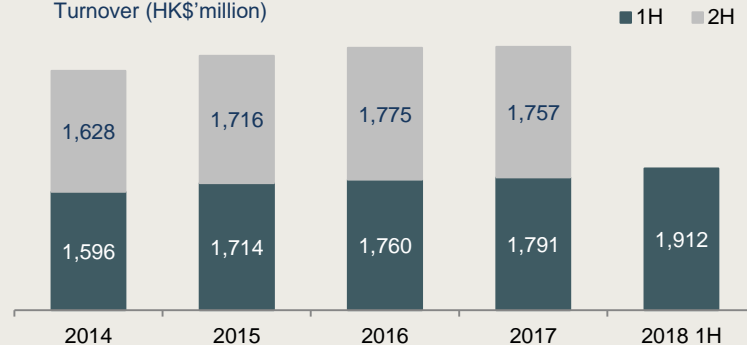
## Sizeable portfolio of high quality investment properties

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



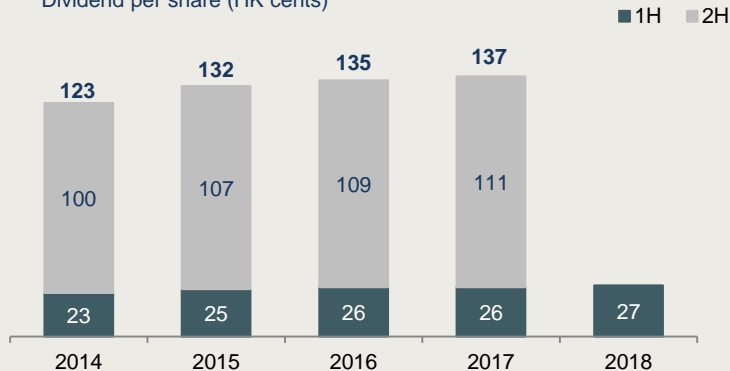
## Steady turnover growth

Turnover (HK\$'million)



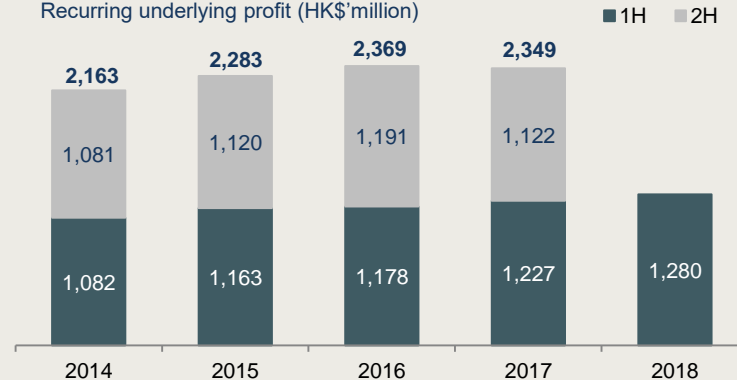
## Stable return to shareholders

Dividend per share (HK cents)



## Growth in recurring underlying profit

Recurring underlying profit (HK\$'million)



Presentation by

**Mr. Ricky LUI**

Chief Operating Officer

## Market overview: Hong Kong Retail Sales

- 2018 first six months: overall increase of 13.4% when compared to the same period of 2017
- Encouraging retail sales improvement across the portfolio reflecting better inbound tourism and resilience of local consumption demand

Type of retail outlet	Jan-Jun 2018 (YoY)
Jewellery, watches and clocks, and valuable gifts	+23.5%
Consumer durable goods	+13.7%
Food, alcoholic drinks and tobacco (other than supermarkets)	+7.5%
Clothing, footwear and allied products	+11.9%

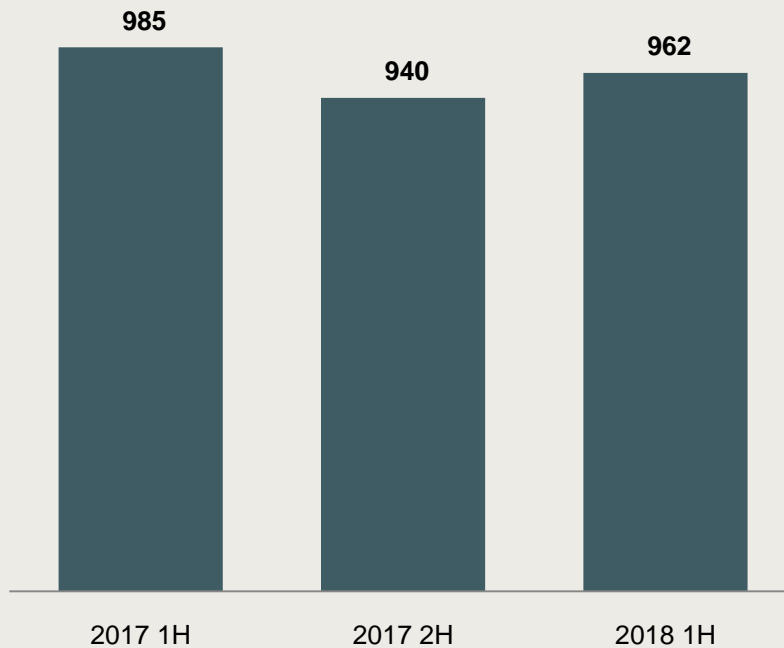


## 2018 1H Performance: Retail Portfolio

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- Retail portfolio turnover was trimmed by 2% to HK\$962 million
- Occupancy: 96% as at 30 Jun 2018
- Turnover rent improved over 100% to HK\$54 million
- Overall, neutral rental reversion in renewals, rent review and new lettings

**Retail Portfolio Turnover (HK\$'M)**

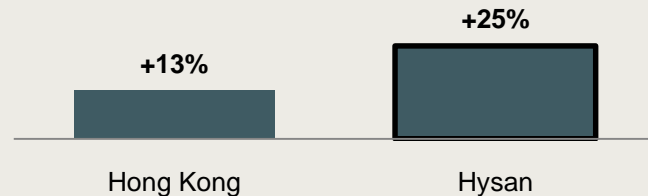


# 2018 1H Performance: Retail Portfolio

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- Hysan's estimated Retail Sales YoY Growth was over 25%, outperformed the overall Hong Kong Retail Sales
- Total foot traffic increased by around 10%
- Strong increase in mainland visitors of more than 20%

Retail Sales YoY Growth (Jan-Jun 18)



# 2018 1H Performance: Retail Portfolio

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## Trade Mix Enhancement

*Our commitment to meet and exceed our ever-changing customer need and expectation*

### Lee Garden Three - Soft opening in April 2018

Modern lifestyle, an extension of our retail offerings

- **Home furnishing and appliances:** Kitchen Aid, Homeless, Tavolo Kids Living, BoConcept, Sub-Zero and Wolf
- **Fashion and accessories:** Undefeated
- **Food and beverage:** Starbucks flagship, Reserve Iberica Tapas Bar
- **Personal care and beauty:** M Plus Salon
- **And many more to come**



STARBUCKS RESERVE



BoConcept



FENDI  
CUCINE



MM  
AVEDA



KitchenAid



# 2018 1H Performance: Retail Portfolio

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## Other exciting new tenants in our portfolio

- **Luxury:** Chaumet, The Spa by Valmont
- **Food and beverage:** 10 Shanghai, Ta-ke, Sake Diamond, n.o.t. Specialty Coffee, Hai-di-lao
- **Lifestyle Offer:** Converse, Vans, Cote&ciel, Champion
- **Kids:** Maggie & Rose, Wyeth BabyNes
- **Renovation and relocation:** BVLGARI, Van Cleef and Arpels, Roger Vivier, Towngas, Adidas, Jack Wills, Lululemon





# 2018 1H Performance: Retail Portfolio

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## Marketing

### Customer Relationship Management (CRM)

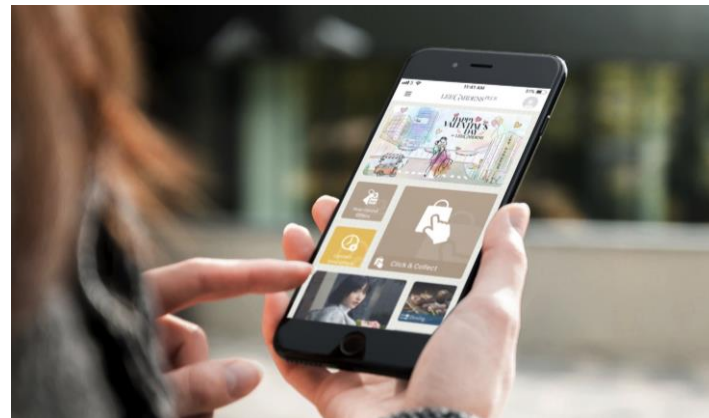
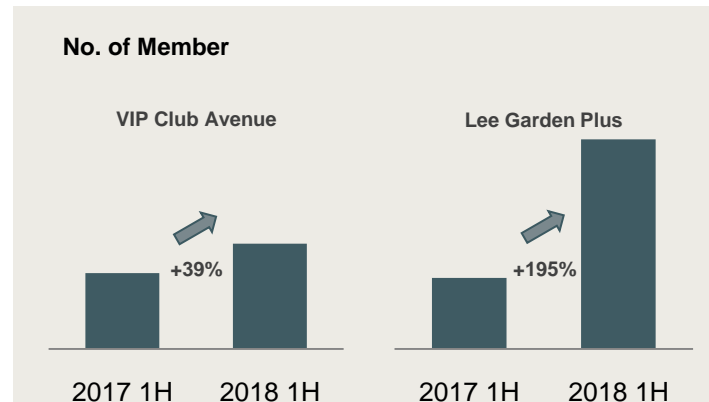
#### Loyalty programmes successes

- VIP Club Avenue membership up around 40%
- Sales attributed to Club Avenue members up by around 30%
- Lee Gardens Plus membership more than doubled
- Year Round Offer Redemption from Lee Gardens Plus members surged more than double

#### Business Tech application

##### – Under Construction

- Area Wi-Fi + Loyalty apps re-engineering  
Enhancing customer experience & adherences
- Data Analytics + AI  
Better understanding of customers & business



# 2018 1H Performance: Retail Portfolio

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## Shoppers promotion

- Leeisure and Shopaholic shoppers' promotion attracted good footfall and spending
- Other promotions during Chinese New Year, Valentine's Day and Mother's Day



# 2018 1H Performance: Retail Portfolio

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## Marketing

### Events and Community Curation

#### Tenant collaborations:

- Louis Vuitton launch event
- Cartier
- Bvlgari
- Piaget
- Rue Madame
- Brunello Cucinelli
- St. John
- Starbucks flagship opening

#### Third party collaborations:

- Rugby Sevens
- Lamborghini Weekend Drive
- Partnerships with HSBC, Hang Seng Bank and China Merchants Bank on bank and credit-cards-related promotions

#### Wellness Initiative:

- Go Green campaign with dozens of restaurants
- Nike Yoga Day



# 2018 1H Performance: Retail Portfolio

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## Unique events

- Lee Gardens EGGssentially Art! Rugby Edition
- Absolutely Fabulous Children's Theatre monthly performance at Lee Garden Two
- HK Ballet's "ALICE (in wonderland)" street ballet performance in association with Lee Gardens Association

## Social media growth

- WeChat new followers up 75%
- Hysan95 facebook and Instagram have 1,900 and 1,500 followers respectively and good comments



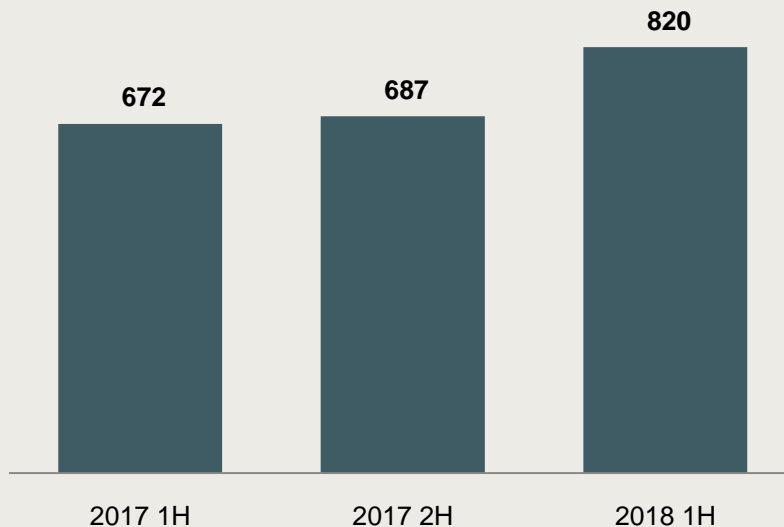


## 2018 1H Performance: Office Portfolio

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- Office portfolio turnover increased by 22% to HK\$ 820 million
- Occupancy: 95% as at 30 Jun 2018
- Positive rental reversion in renewals, rent review and new lettings across the portfolio

**Office Portfolio Turnover (HK\$'M)**

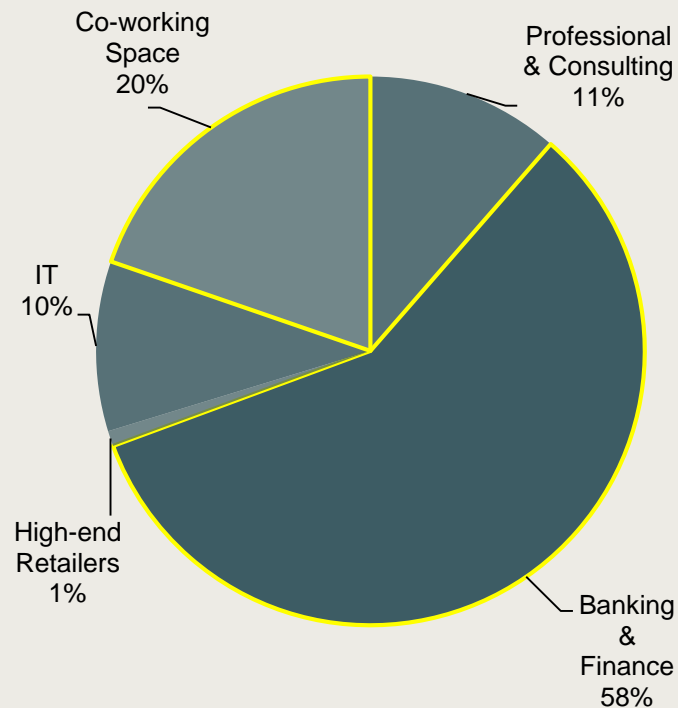


## 2018 1H Performance: Office Portfolio

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- Causeway Bay being highly convenient with excellent facilities and services, perfectly matches decentralisation trend
- New tenants moved in or are in the process of moving into Lee Garden Three, our first commercial building with a focus on attracting tenants from the financial industry
- Cutting-edge co-working space – Our attractive community and high quality office portfolio is naturally pursued by the Co-working space operators

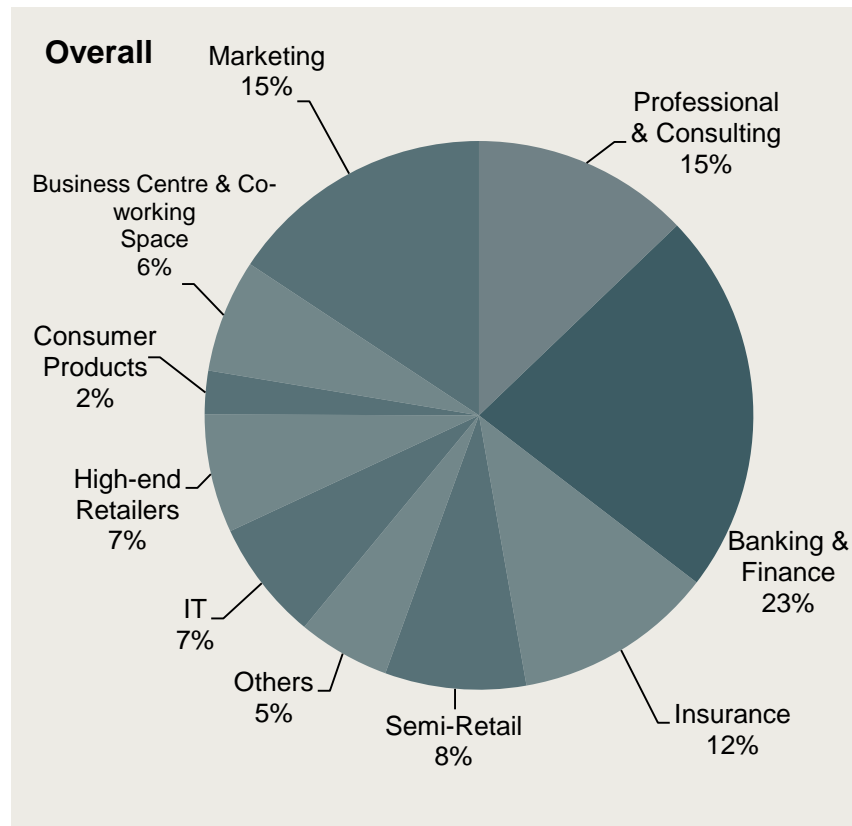
**Lee Garden Three**



## 2018 1H Performance: Office Portfolio

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- Still a very balanced tenant mix showing the portfolio's diversity:
  - Banking and Finance
  - Professional and Consulting
  - Insurance
  - Semi-Retail
  - The four above categories representing around 50% of our office lettable floor area
- Co-working is a strong up-and-coming category
- Quality facilities for sophisticated tenants

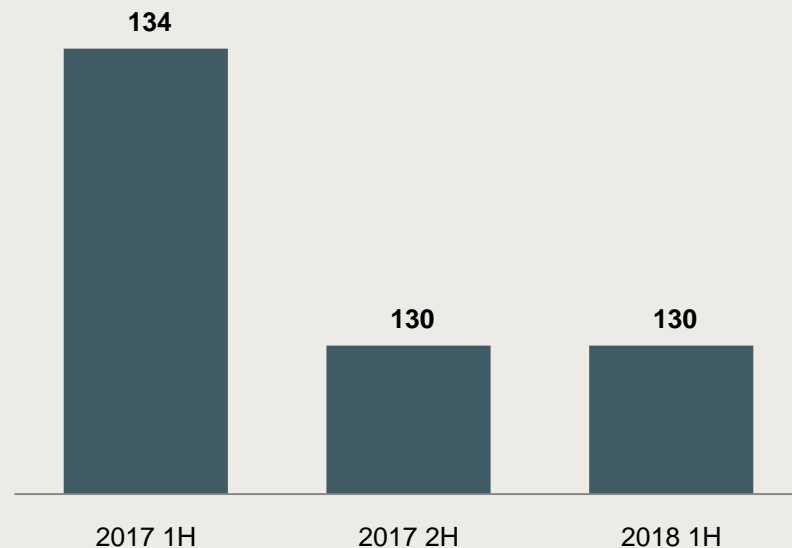


## 2018 1H Performance: Residential Portfolio

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- Residential portfolio turnover decreased by 3% to HK\$ 130 million
- Positive rental reversion on renewals, rent review and new lettings
- Occupancy: 79% as at 30 Jun 2018
- Still a number of units being renovated to improve overall quality of offerings

**Residential Portfolio Turnover (HK\$'M)**

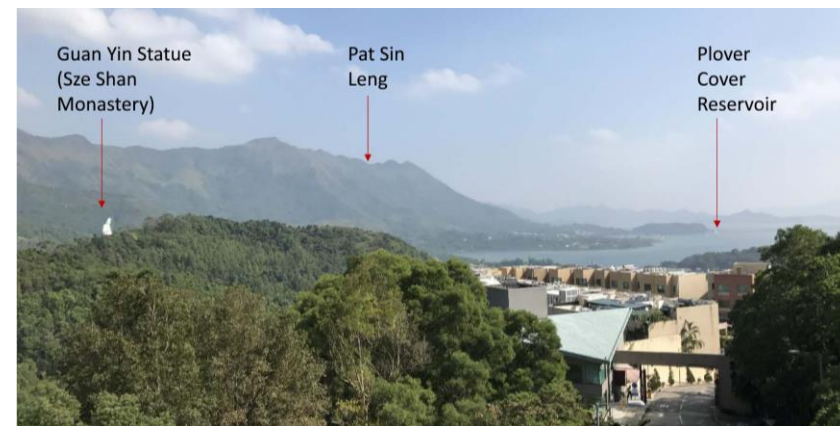




# Tai Po Luxury Residential Project

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- GBP Approval obtained in end July 2018
- Site formation work and foundation are now scheduled to begin in 2018 2H



# Thank you