

Hysan Development 2019 Annual Results Press Conference

20 February, 2020

 **Hysan** 希慎



Remarks by

Ms. Irene Yun Lien LEE
Chairman

2019 Annual Results Highlights

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- Turnover and Recurring Underlying Profit increased by 2.5% and 2.0% respectively
- A robust first half helped ease the impact of a negative second half
- Hysan's balanced dual-engine portfolio of Office and Retail provides a stable platform for the company
- Occupancies of Office and Retail portfolios were 98% and 96% respectively



Impact from Different Fronts

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- External factors: global uncertainties and U.S./China tensions affected Hong Kong's general economic well-being
- Domestic front: social conflicts in second half of the year had immediate adverse effect
- Hong Kong retail sales dropped 11% in 2019 when compared to the year before
- Office demand and rental growth dampened
- Onset of COVID-19 in Mainland China and Hong Kong further compounding the difficult economic situation



Managing the Crisis

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- Throughout these difficult times, Hysan's management team delivered swift, proactive solutions and support to manage the impact on staff, tenants and shoppers. Office and retail tenants were largely in business-as-usual mode
- All stakeholders worked together reflecting long-term community-building efforts

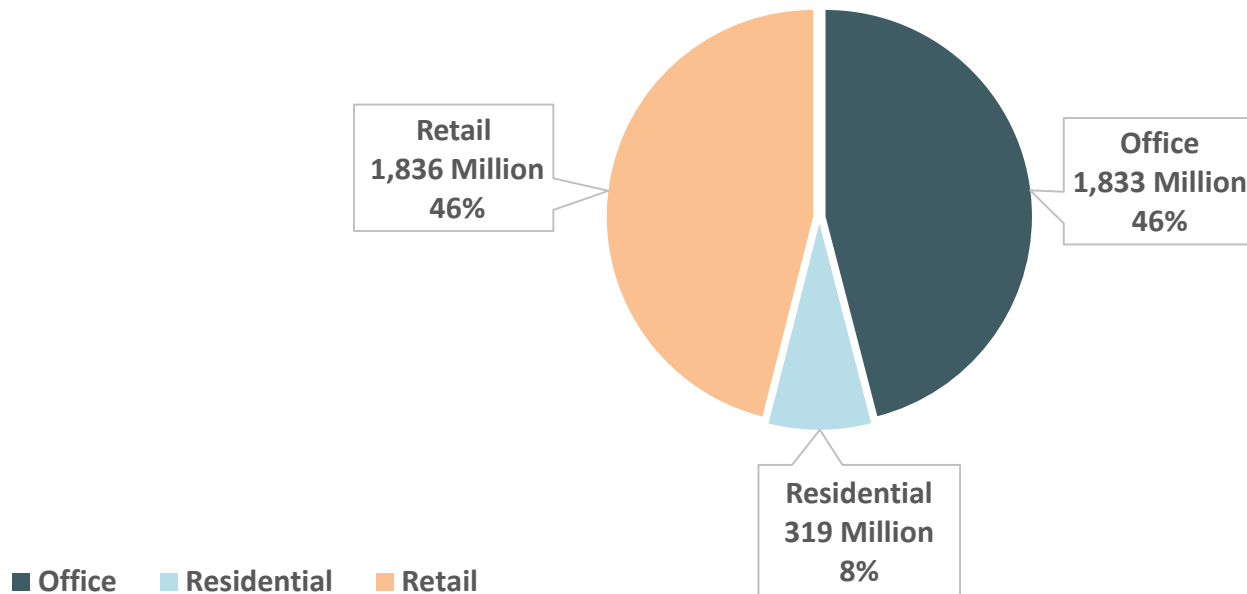


Synergy from a Balanced Portfolio

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- A dual engine business: a stable platform
- Balanced portfolio and synergies ensure Hysan remain more resilient to unexpected disruptions and impacts

Turnover Contribution



Synergy from a Balanced Portfolio (Con't)

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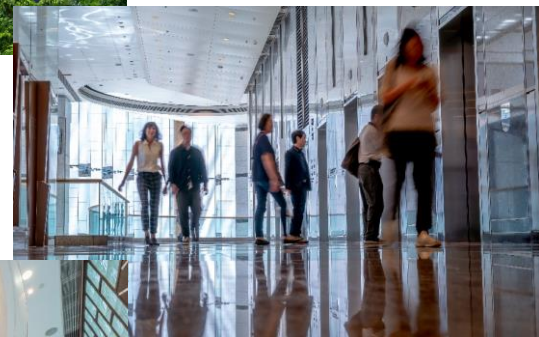
- Lee Gardens premium brands retention shows our area curation ability and strong partnerships with tenants
- Balanced by a broad range of retail and F&B outlets with different price points for different tastes
- Vibrant neighbourhood well served by public transportation



Synergy from a Balanced Portfolio (Con't)

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- The completion of Lee Garden Three expanded the number of quality local and multinational office tenants
- More demand from increasingly discerning office tenants drive broader and more diverse retail offerings
- Positive self-sustaining cycle of supply and demand continue to power our business



Flex Space in Lee Gardens

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- The convenience and vibrancy make Lee Gardens ideal for flex
- Flex extended our catchment to entrepreneurs and shared economy
- Co-working industry faces inevitable consolidation in Hong Kong, and those with proven business models expected to survive
- Flex/co-work to remain a part of office ecosystem



Evolution of a Vibrant Community

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- Lee Gardens is an extraordinary place infused with old Hong Kong and the Hong Kong of today
- Residents, shoppers, workers, businesses help build the community in the past 100 years
- Hysan carried out asset enhancements, redevelopments, neighbourhood curation, tenant mix changes and community events over the years



Strengthening Sustainability

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- Long-term thinking comes naturally to Hysan
- Stakeholders' demand for sustainability have grown significantly in recent years
- Our Board established a Sustainability Committee to provide long-term direction and guidance, to be supported by the management's Sustainability Executive Committee and Task Force
- Good position to integrate sustainability initiatives with measureable targets into our short, medium and long-term plans



Board level Sustainability Committee

**Management level Sustainability Executive Committee
reporting to the Chairman**

Sustainability Task Force

- Designated managers from each of the department represented on the committee

- Hong Kong's economic outlook clouded by global headwinds and domestic factors
- COVID-19 has introduced an unprecedented further challenge after many months of social unrest
- We are committed, as we have been in the past 97 years, to support our community through economic ups and downs
- We continue to strive for stable and sustainable performance
- A strong reputable property investor, developer and manager, we have the foundation to continue our growth



Presentation by

Mr. Roger HAO
Chief Financial Officer

2019 Annual Results Highlights

	2019 HK\$'M	2018 HK\$'M	%
Turnover	3,988	3,890	2.5%
Recurring Underlying Profit	2,587	2,536	2.0%
Underlying Profit	2,587	2,536	2.0%
- Fair value gain on investment properties located in			
· Hong Kong	690	3,388	-79.6%
· Shanghai*	1,528	96	n/m
- Imputed interest income on the interest-free loan to a joint venture	30	29	3.4%
- Other gains and losses	10	(16)	n/m
Reported Profit	4,845	6,033	-19.7%
Shareholders' Funds	77,650	74,431	4.3%

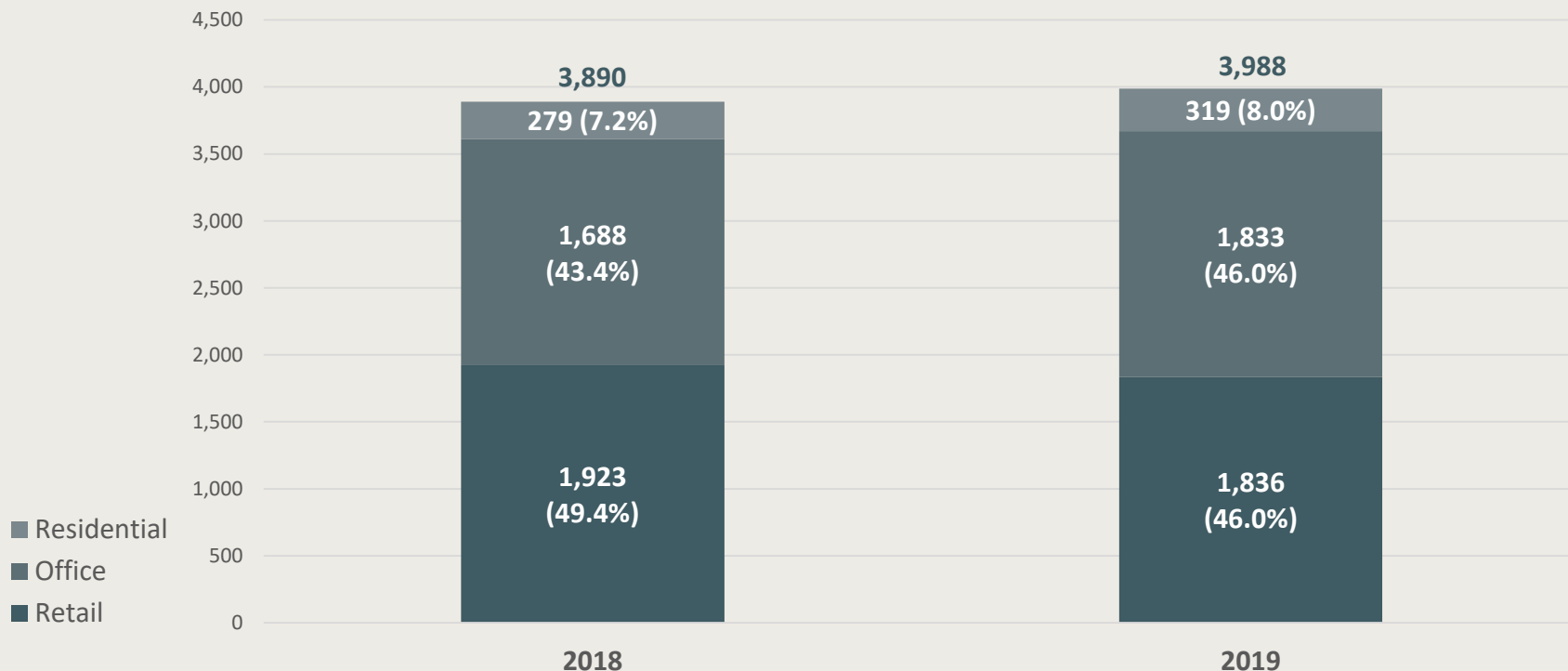
* The investment properties are held by an associate of the Group.

n/m: not meaningful

2019 Annual Performance: By Portfolio

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Turnover (HK\$'M)



Gearing

- Total Net Debt: HK\$3,279 million
(31 December 2018: HK\$3,510 million)
- Net Debt to Equity: 4.1%
(31 December 2018: 4.7%)

Debt Profile

- Fixed Rate Debt: 84.0% of the total gross debt
(31 Dec 2018: 75.5% of the total gross debt)
- Average Debt Maturity: 6.6 years (31 Dec 2018: 3.9 years)
- Capital Market Issuance: 84.0% (31 Dec 2018: 75.5%)
- Effective interest rate: 3.4% (2018: 3.4%)

Credit Rating

- Net Interest Coverage: 17.0 times
(2018: 18.1 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 2019

Presentation by

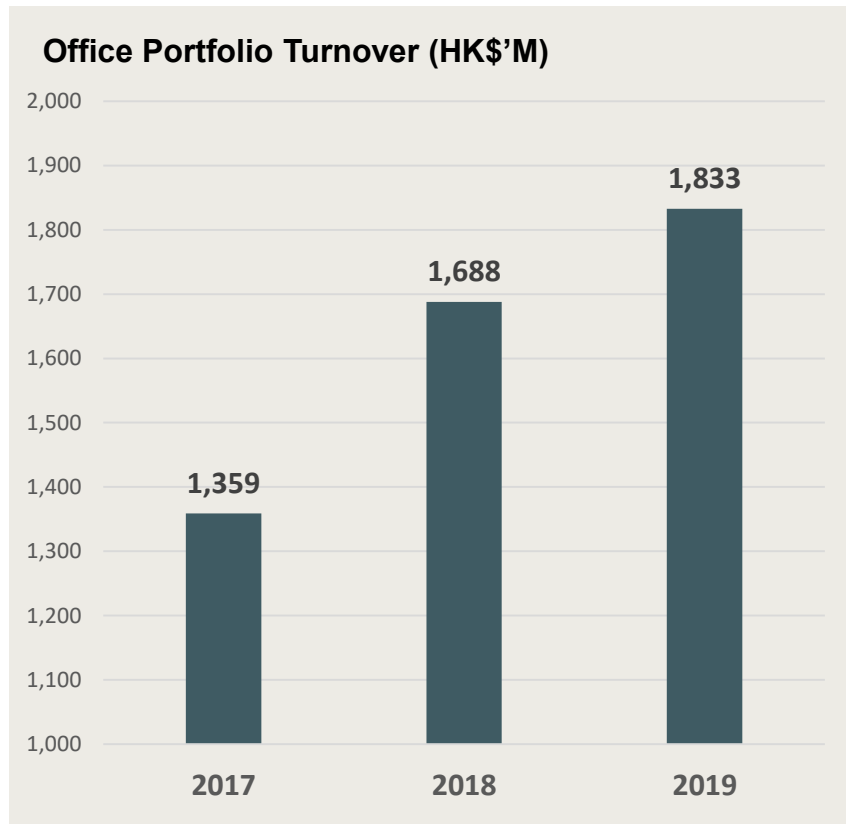
Mr. Ricky LUI

Chief Operating Officer

2019 Performance: Office Portfolio

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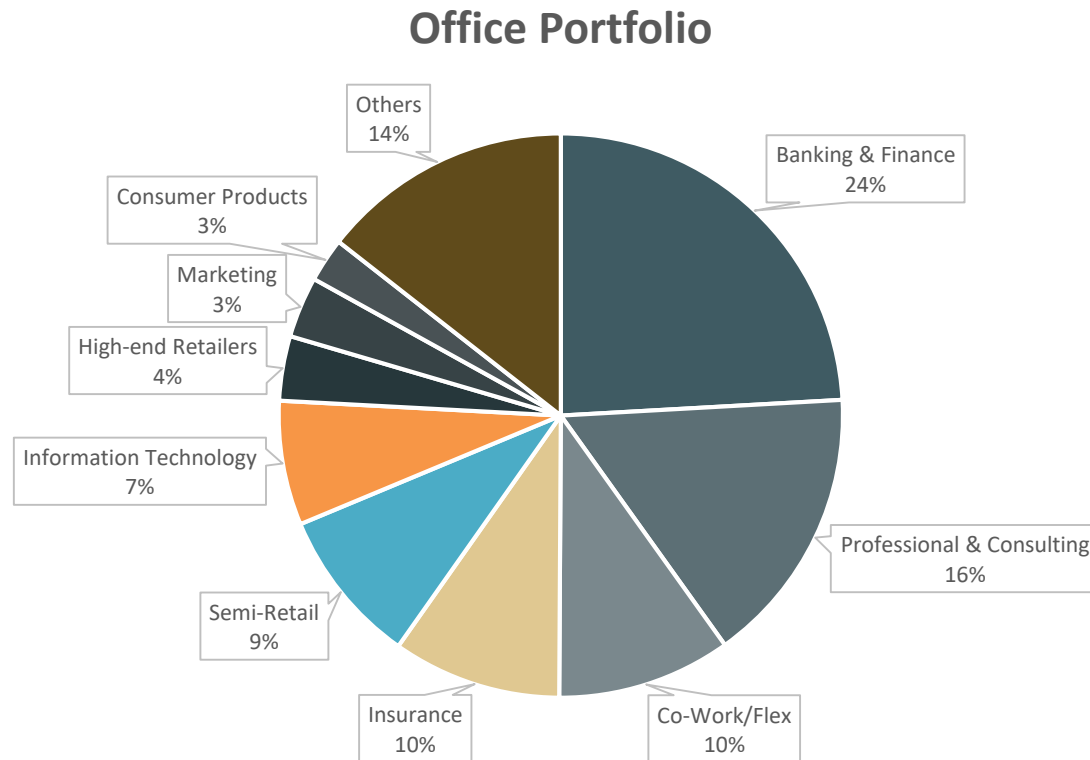
- Office portfolio turnover increased by 8.6% to HK\$1,833 million
- Occupancy: 98% as at 31 December 2019
- The performance reflected overall positive rental reversion on renewals, rent review, new lettings, and full-year contributions from Lee Garden Three



2019 Performance: Office Portfolio

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- Still a balanced portfolio with different industries represented

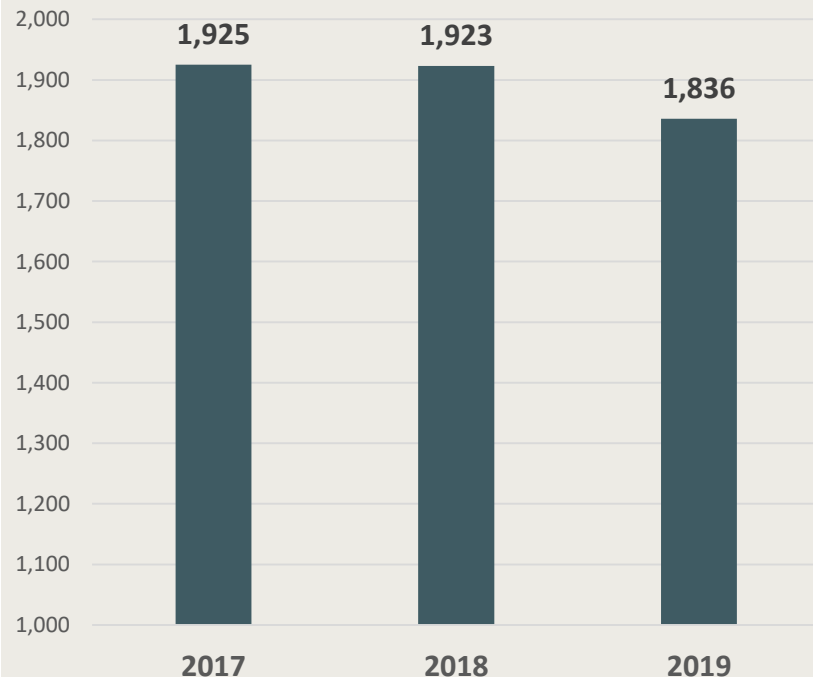


2019 Performance: Retail Portfolio

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- Retail portfolio turnover was HK\$1,836 million, down by 4.5% from 2018
- Contribution from turnover rent of HK\$66 million
- Occupancy: 96% as at 31 December 2019
- Overall positive rental reversion in renewals, rent review and new lettings

Retail Portfolio Turnover (HK\$'M)



Performance: Retail Portfolio

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- Second half of 2019 mall operations in Hong Kong intermittently disrupted by social conflicts
- Hysan's estimated drop in overall tenants sales on par with Hong Kong's overall retail sales decline



Hong Kong Retail Sales

Type of retail outlet	Jan-Dec 2019 (YoY)
Jewellery, watches and clocks, and valuable gifts	-22.4%
Medicines and cosmetics	-13.2%
Food, alcoholic drinks and tobacco (other than supermarkets)	-3.4%
Clothing, footwear and allied products	-14.1%

2019 Performance: Retail Portfolio

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Trade Mix Enhancement

	Opened in 2019		Relocated in 2019	Renovated in 2019
Hysan Place	- b+ab - Chun Shui Tang - Olens - HEYTEA - Ownadays - Palladium - Puma Select - Cadillac	- Yum Yum Goose & Co - Yankee Candle - Prawn Noodle Shop - n.O.T.x ehonia - BAI FUNG BENTO	- TOUS - Didier Dubot - DEMK - Herschel - Area 0264 - Alluressories	- Popcorn General Store (with expansion) - Hollister / Gilly Hicks (with expansion) - Line Friends Store - Beyorg - Sen-ryo - The Dining Room Plus
Lee Garden One	- Wallen Jewellery - AMOREPACIFIC - Caelum Green			- La Maison du Chocolat - Brunello Cucinelli
Lee Garden Two	- Dunhill London - Mikimoto - Rimowa - Bora Aksu Kids - Dejade	- HOBBS - INNIU - I Pinco Pallino - Oookie Cookie - PIN	- Rue madame - Nicholas & bears - Pacific Coffee	- Bulgari - The Cakery - Private Shop - Van Cleef & Arpels - Sandro - maje
Lee Garden Three	- MONOYONO - Umbra - Busybee	- Fendi Cuicine - Boffi - SMEG		
Lee Theatre Plaza	- Cosme Store - Zoff			- U Banquet.The Starview
Leighton Centre	- Secret Corner			- Adidas - Sasa (portion: AHAVA & Sensory Zero)
25 Lan Fong Road				- GENTLE MONSTER

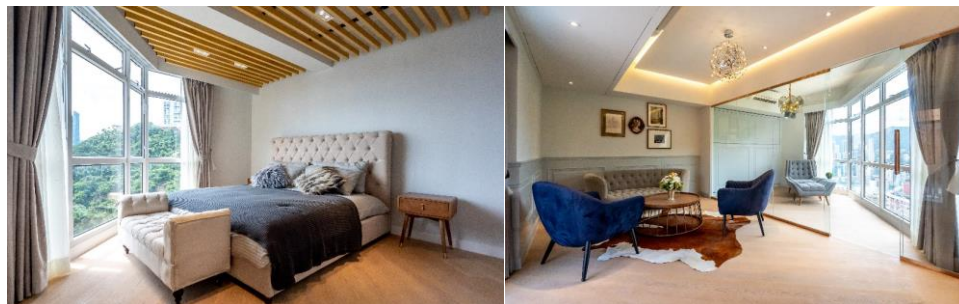
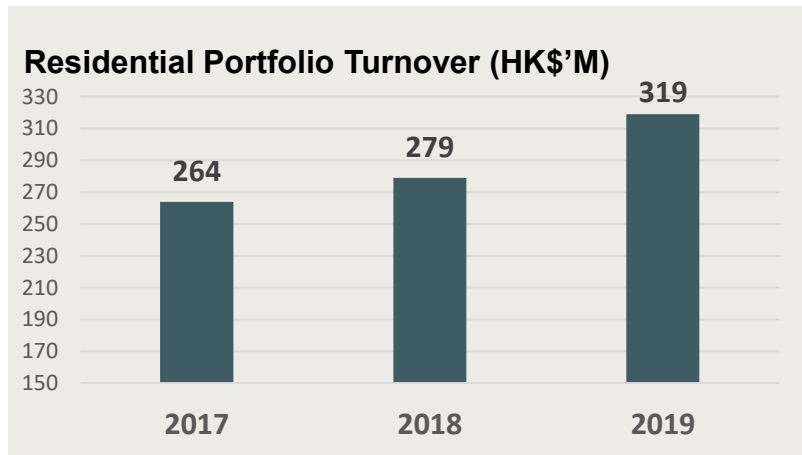


- As a result of continual tenant mix curation, 35 new brands were added and 27 shops were refreshed with a new design

2019 Performance: Residential Portfolio

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- Residential portfolio turnover increased by 14.3% to HK\$319 million
- Positive rental reversion on renewals, rent review and new lettings
- Occupancy: 87% as at 31 December 2019
- A range of units renovated, including penthouses
- Lobby renovations completed in 2019
- Lift modernisation ongoing



Renovated Units in Bamboo Grove on Kennedy Road

Tai Po Luxury Residential Project

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- Major design, including the architecture, structure, building services and typical interior design completed. Landscape and clubhouse design in good progress
- Foundation and basement works largely completed, superstructure works began
- Construction work is expected to complete in 2021, subject to government approval



Community Highlights in 2019

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- Growing Lee Gardens as a community complements the dual-engine model
- Unveiled Bizhouse which combines living and working in a regenerated low-rise building
- Urban Sky in Hysan Place adds an arts and culture venue and enlivened a previously little-used space
- Art Programme curated by management trainees mentored by project and design teams
- Lee Gardens Association invigorated neighbourhood with street events and promotional activities



Loyalty Programmes and Children's Initiatives

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- In the process of consolidating our two loyalty programmes into a single operating platform
- All operations, including mobile app, points systems for rewards and members communications, will be more streamlined and user-friendly
- New VIP facilities to be unveiled in Q1 2020
- Children and family remain a main target group in our efforts to promote tenants to attract customers
- A new children's academy offering life skills classes is in the pipeline



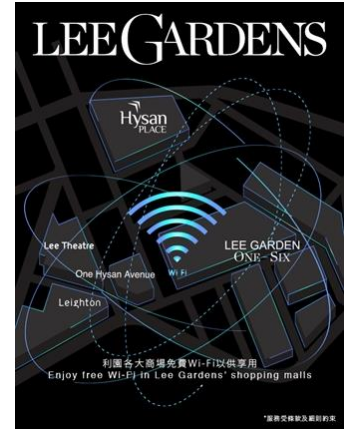
More on Loyalty Clubs and Marketing Events

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- Electronic gift coupon system with more than 20,000 transactions gives multiplier effect for retail tenants and replaced old-fashioned paper coupons
- More than 160 marketing events in collaboration with tenants, 25% growth from the year before
- Many were Hong Kong-leg of global events or first-time-in-Hong Kong shows/pop ups



- Area-wide Wifi and IoT provide a clearer picture of demographics of our visitors and their traffic patterns: also help to gain better foresight for our operational planning
- In 2020 and the near future, we plan to further use data analytics and AI to strengthen our understanding of digital economy
- Use of business tech's ultimate aim to improve operational efficiency, make data-driven decisions and create value, taking strong consideration in data privacy
- WeChat and Instagram followers saw double and triple digit percentage growth
- They help us learn more about customers' individual preferences, hobbies and interests



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