Hysan Development 2016 Interim Results Analyst Briefing

Jee

3 August 2016



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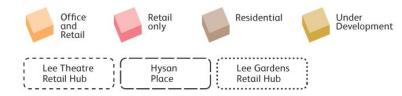
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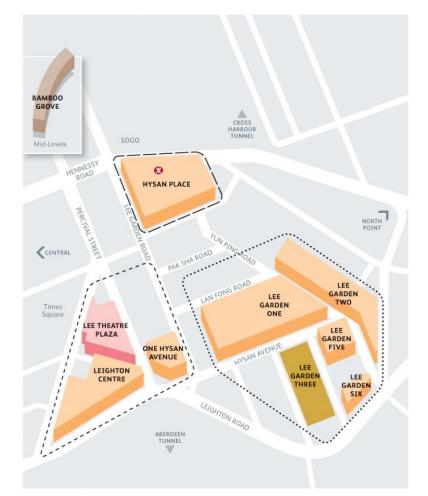
Agenda



- 1. Hysan Portfolio
- 2. 2016 Interim Results Highlights
- 3. 2016 1H Performance By Portfolio
- 4. Indicative Cap Rates
- 5. Hysan Business Update
- 6. Financial Position
- 7. 2016 Outlook

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 34%* of total properties value

* As of 30 June 2016

2016 Interim Results Highlights



- Turnover up 2.7% year-on-year; Recurring Underlying Profit up 1.3%
- Strong occupancy across our commercial portfolio (Retail: 99%;
 Office: 96%) against challenging global and local economic conditions
- Steady performance expected for full year, despite uncertain economic climate: majority of 2016 expiring commercial leases already committed
- Reported profit decline reflecting fair value loss on investment properties valuation



- First half of 2016 proved to be a challenging one globally
- Hong Kong was adversely affected by strong headwinds from abroad, with socio-political volatility like the U.K.'s "Brexit" vote and the U.S.'s presidential election putting pressure on economic and financial conditions
- Retail sales impacted by weaker domestic demand and decline in inbound tourists from Mainland China
- Office leasing market remained strong with tight supply and robust demand



- We had anticipated the normalisation of retail growth, and started our diversification strategy several years ago, but a general retail downturn did not spare any price category
- Thus Hysan needed to extract the most value out of its retail hubs
- Focused on an overall consumer experience which includes not only a wellcurated and constantly evolving retail portfolio, but exciting events, as well as new and interesting food and beverage outlets



- Focus on needs and wants of the Millennials with regards to their shopping habits, evolving mindsets, and reliance on social and mobile media
- Highlight omnichannel "online-plus-offline" experiences to "pull" in the shoppers; including testing a number of sales models which have proven popular with our VIPs
- Also need to ensure interesting happenings at the malls to "retain" visitors



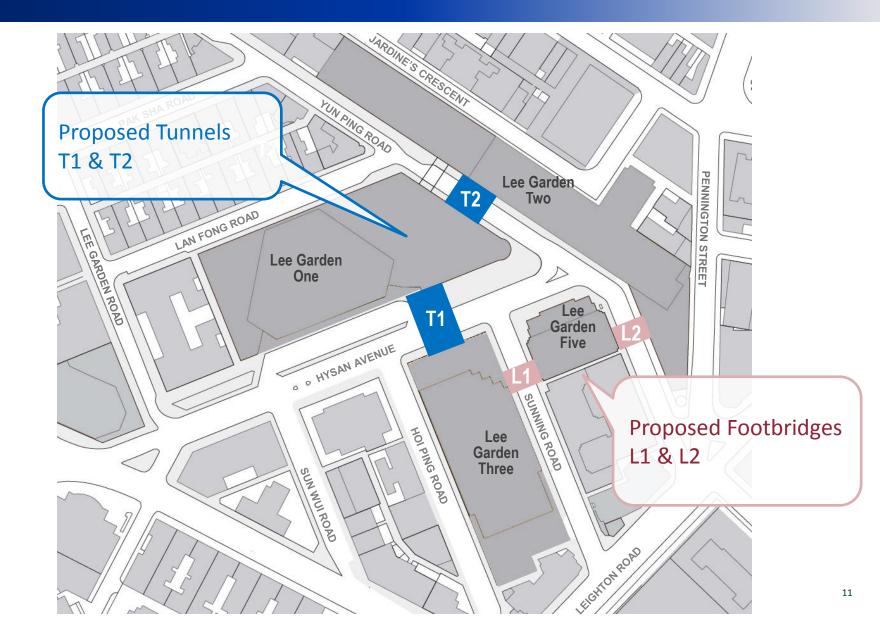
- Aim to expand on the uniqueness of Lee Gardens with state-of-theart buildings, concentration of flagships, abundance of street shops, and contrast of old lowrises which is fast changing to offer exciting food and beverage outlets, concept stores and smaller retailers
- Unique experience to be enjoyed by families, office workers and shoppers; the continuous building of a sustainable community
- It is a destination offering what people want and what Causeway Bay has always been famous for



- Medium term targets: improve walkability and pedestrian safety in the area
- Explore provision of tunnels linking car parks
- Submitted applications to build two footbridges









- Set up Lee Gardens Association with neighbouring businesses as members
- Aim to have coordinated area-wide events, and provide forum to give input to and support future developments





	30/6/2016 HK\$'M	30/6/2015 HK\$'M	%
Turnover	1,760	1,714	2.7%
Recurring Underlying Profit	1,178	1,163	1.3%
Underlying Profit	1,178	1,163	1.3%
- Fair value change on investment properties located in			
Hong Kong	(281)	1,116	n/m
• Shanghai*	2	10	-80.0%
Reported Profit	899	2,289	-60.7%
	30/6/2016 HK\$'M	31/12/2015 НК\$'М	%
Shareholders' Funds	67,587	68,172	-0.9%

n/m: not meaningful

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

2016 Interim Results Highlights (con't) Interim Results Highlights (con't) Interim Results Highlights (con't) Interiment properties

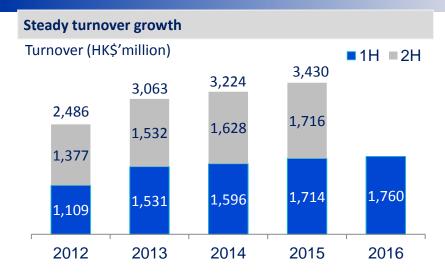


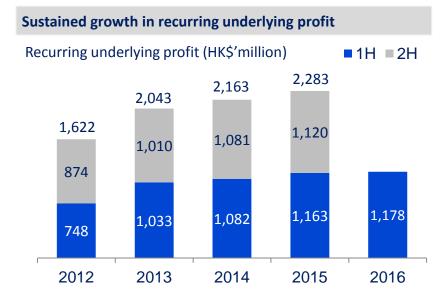
Stable return to shareholders

Dividend per share (HK cents)

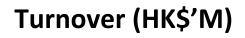
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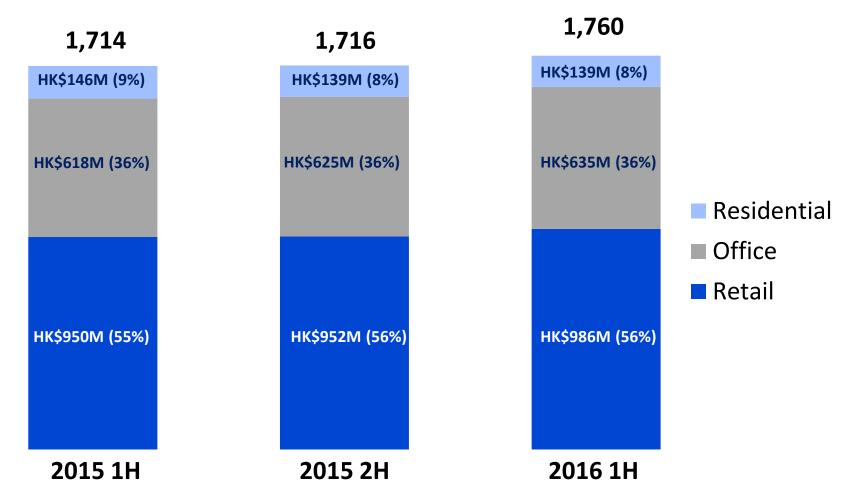












2016 1H Performance: Retail Portfolio



Market overview: Hong Kong Retail Sales

- 2016 first six months: overall decline of 10.5% when compared to same period 2015
- Reflected fall in nearly all major categories, except food, alcoholic drinks and tobacco

Type of retail outlet	Jan-Jun 2016 (YoY)
Jewellery, watches and clocks, and valuable gifts	-21.1%
Other consumer durable goods (include electronic goods and computers)	-34.2%
Food, alcoholic drinks and tobacco (other than supermarkets)	+1.2%
Clothing, footwear and allied products	-7.7%

Retail portfolio turnover increased by 3.8% to HK\$986 million

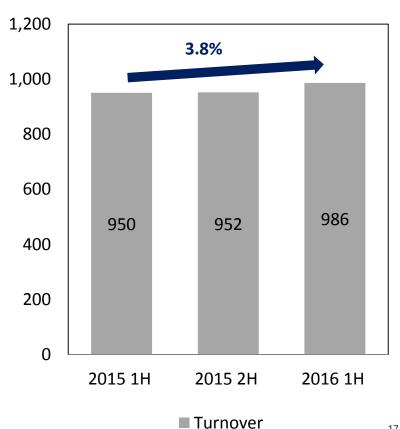
(2015 1H : HK\$950 million)

- Turnover rent of HK\$28 million (2015 1H: HK\$50 million)
- Occupancy: 99% as at 30 Jun 2016 (31 Dec 2015: fully-let)



HK\$'M

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- Positive rental reversions in renewals, reviews and new lettings across the portfolio, with an average increase of around 10% in rental levels
- Continued to increase base rent while shifting focus from turnover rent





- Around 75% of retail leases expiring in 2016 have already been committed
- Total foot traffic rose around 5%, achieved against a fall in visitors' arrivals
- Estimated overall tenant sales saw double-digit percentage decrease, heavily impacted by the estimated sales decline of certain electronic goods within our portfolio
- Otherwise, the decline was milder and was comparable to the decrease in Hong Kong's overall retail sales during the period



- Hysan Place
 - Around 5% foot traffic growth in 1H 2016
 - Gradually transformed into a more all-round retail venue, with more wellness and sports shops, including increased offerings for men
 - A popular food and beverage destination with new Asian-themed eateries launched or to be launched in 2016





- Lee Gardens hub
 - Lee Garden One foot traffic remained stable, while Lee Garden Two saw around 10% increase
 - Growth attributed to strong offerings of children's products and Kidz
 Connect activities
 - Seasons provided fresh dining ideas and remained a good business meetings and retail promotions venue





- Lee Theatre hub
 - Around 15% increase in foot traffic
 - Lee Theatre Plaza flagship stores and Leighton
 Centre "sports-themed street" remained popular
 - Lee Theatre Plaza higher floor restaurants also well supported





- Street level pop-up stores at 25 Lan Fong
 Road saw Nike, Columbia and Gentle
 Monster showcasing creativity and
 diversity through limited edition items not
 found in existing shops
- Stores' freshness and surprises lured shoppers to return time and again





- Latest marketing event helps consolidate our malls as gathering places for the community
- Very popular basketball star figurines
 exhibition, a 3-point shooting
 competition and other sports
 workshops to coincide with focus on
 sports during the Olympic games



- Expanded our projects on "online-plus-offline"
- Added variations to products to be sold, as well as delivery / pick up methods
- Included special beauty products' services and limited-edition beverages sold online and delivered / collected at physical venues



2016 1H Performance: Office Portfolio

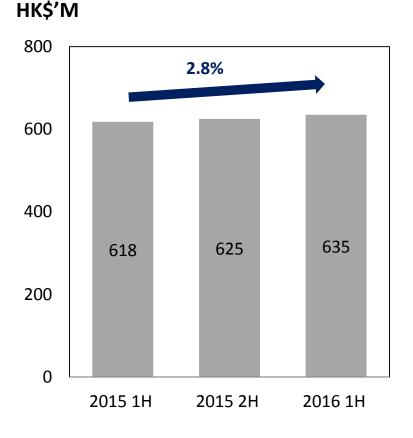
- Hysan's office space accounts for more than 50% of its overall portfolio's gross floor area
- Contributes 36% of its turnover



2016 1H Performance: Office Portfolio (con't)

- Office portfolio turnover increased by 2.8% to HK\$635 million (2015 1H: HK\$618 million)
- Occupancy: 96% as at 30 Jun 2016
 (31 Dec 2015: 99%)
- Positive rental reversions in renewals, reviews and new lettings across the portfolio, with an average increase of around 25% in rental levels







2016 1H Performance: Office Portfolio (con't)



- Banking and financial sectors ramp up demand in Central and Admiralty
- Hysan's Causeway Bay portfolio offers up-to-date facilities, convenient transportation, and is in a district with exceptional retail and entertainment offerings
- Cost-effectiveness also help the portfolio to be considered an attractive alternative
- Newly joined tenants included: Vistra, SCOR, GAM



2016 1H Performance: Office Portfolio (con't)

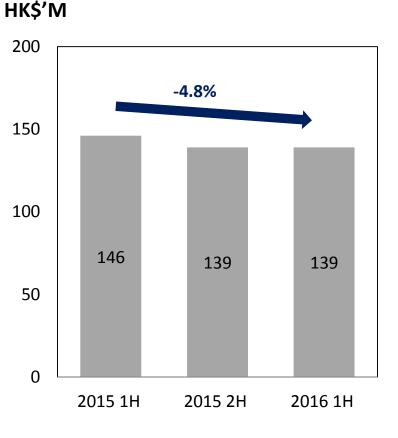


- Balanced tenant mix:
 - Banking and Finance
 - High-end Retailers
 - ➢ Insurance
 - Professional and Consulting
 - ➢ Represented 53.1% of our office lettable floor area
- No single category took up more than 20% of total lettable area

2016 1H Performance: Residential Portfolio

- Residential portfolio turnover decreased by 4.8% to HK\$139 million (2015 1H: HK\$146 million)
- Positive rental reversions with an average rental increase of around 5%
- Renovations carried out in one block meant a number of flats were vacant during 1H 2016
- Occupancy at 89% as at 30 Jun 2016 (31 Dec 2015: 89%)

Residential Portfolio Turnover



Turnover





• No change in Cap rate from 31 Dec 2015

	30 Jun 2016	31 Dec 2015
Retail ➤ Lee Garden One ➤ Lee Garden Two	5.00% 5.25%	5.00% 5.25%
Office → Lee Garden One → Lee Garden Two	4.25% 4.75%	4.25% 4.75%
Residential ➤ Bamboo Grove	3.75%	3.75%
Property under development ≻ Lee Garden Three	4.25% - 5.00%	4.25% - 5.00%

Hysan Business Update: Lee Garden Three

- Basement structure was completed in June 2016 and above-ground construction making good progress
- Project expected to be completed around Q4 2017





Hysan Business Update: Asset Enhancement Project

- Final phase of Lee Garden One ground floor
 lobby and higher floors retail space
 enhancement project successfully completed in
 middle of 2016 as scheduled
- New shop space will be handed over to incoming tenants from August 2016 onwards







Strong Financial Position



Low Gearing

- Total Gross Debt: HK\$5,125 million
 (31 Dec 2015: HK\$4,875 million)
- Net Debt to Equity: 3.4% (31 Dec 2015: 3.0%)

Stable Debt Profile

- Fixed Rate Debt: 90.2% of the total gross debt (31 Dec 2015: 94.9% of the total gross debt)
- Average Debt Maturity: 5.8 years
 (31 Dec 2015: 6.3 years)
- Capital Market Issuance: 90.2%
 (31 Dec 2015: 94.9%)
- Average Cost of Finance: 3.8% (2015: 3.4%)

Strong Credit Rating

- Net Interest Coverage: 21.6 times (2015: 20.3 times)
- Moody's: A3; Standard and Poor's: BBB+

2016 Outlook



- We anticipate continued volatility affected by global political and economic instability which will adversely impact local consumer sentiment for the foreseeable future
- Hysan's quality offerings will still stand us in good stead while the economic climate remains uncertain
- As the majority of our commercial leases expiring in 2016 have been committed, we expect a steady performance for the rest of the year

Thank you

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Hysan

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