

2015 was a challenging year in economic and financial terms, both globally and locally in Hong Kong. In this Annual Report, we highlight how Hysan created unique and delightful experiences for our stakeholders through creativity, resourcefulness, professionalism, strong teamwork and swift action, as we responded to both expected and unexpected business changes.



RETAIL



around

25%

average
rental reversion



around

10%

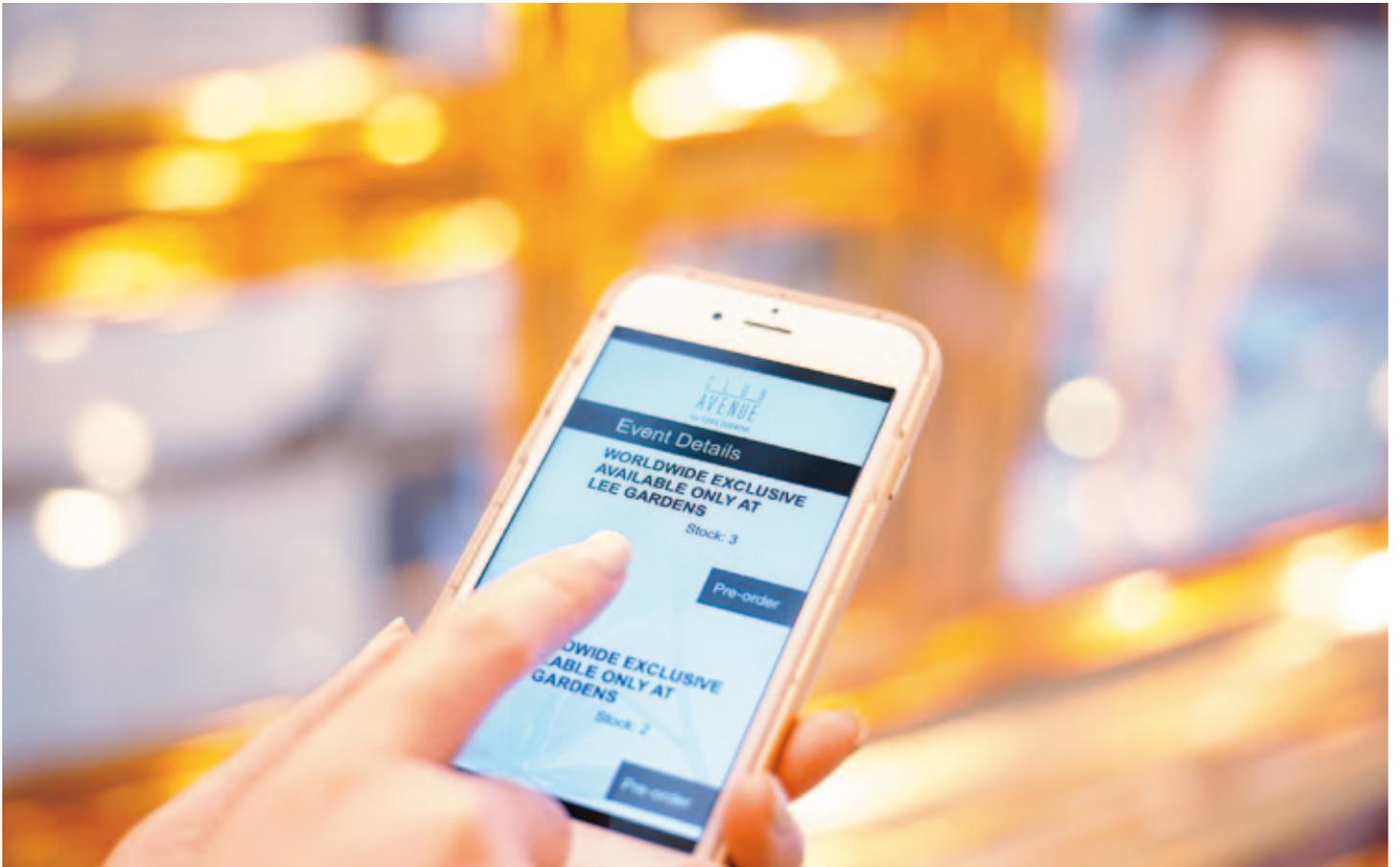
increase in estimated
tenant sales



100%

occupancy

Hysan's strategy of diversification and pivoting the retail portfolio towards the mid-to-affordable market pays off in a generally weaker retail environment.



RETAIL



20+

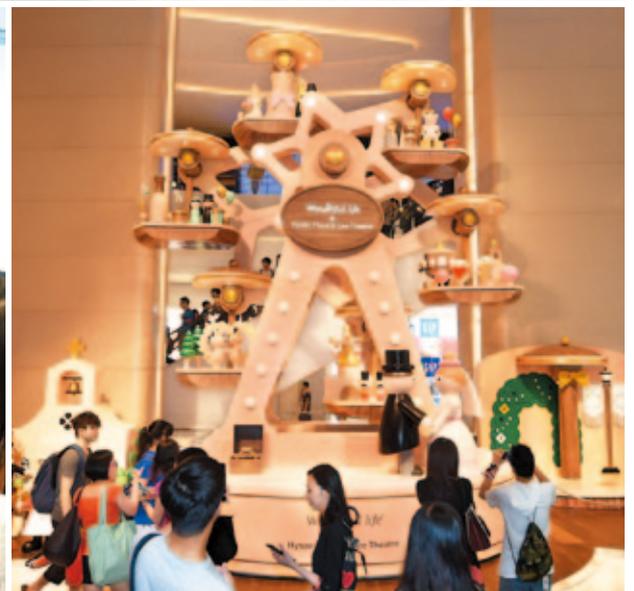
renowned brands'
flagship stores within
our retail portfolio



O2O

successful online
promotions for
offline sales

Building upon a stable base that caters to a wider group of consumers, we strive to provide a unique and satisfying experience to our shoppers.



PLACEMAKING



around

5%

increase in overall
foot traffic
achieved against a
weaker retail climate



each of the

3 hubs

saw growth in
shoppers' numbers

Whether they are vigorous yoga sessions in the Sky Garden, glamorous baubles for the holidays or delightful junior cooking classes, our placemaking experiences and features attract those from near and far.



FOOD AND BEVERAGE



62 food and beverage establishments

7 including Michelin-starred or recommended gourmet eateries



5

celebrated international restaurants make Lee Gardens their first home in Hong Kong



around

10%

increase in estimated food and beverage tenant sales

Our food and beverage offering covers a range of price points, and attracts casual, chic or business diners, as well as family gatherings.



OFFICE



around

30%

average
rental reversion



99%

occupancy

Our office portfolio benefits from significant demand and limited supply of premium office space in Hong Kong, but we also actively reconfigure and upgrade our buildings through asset enhancement programmes.



OFFICE



Lee Gardens Offices =
work-life balance +
cost effectiveness

since 2013

18 quality office tenants have
moved to Lee Gardens
from Central and Admiralty

now

25 technology, media and
telecom companies reside in
inspirational Lee Gardens

With commuting convenience, good workplace facilities and an abundance of nearby shops and restaurants, Lee Gardens Offices offers a peerless work-life balance environment, in addition to the portfolio's cost effectiveness.



SUSTAINABILITY



Lee Garden One is the

1st

Hong Kong commercial building with a provisional BEAM Plus (Existing Building) Platinum certification for its office portion



975,000+ kg
paper and
3,000+ kg
plastic bottles
recycled

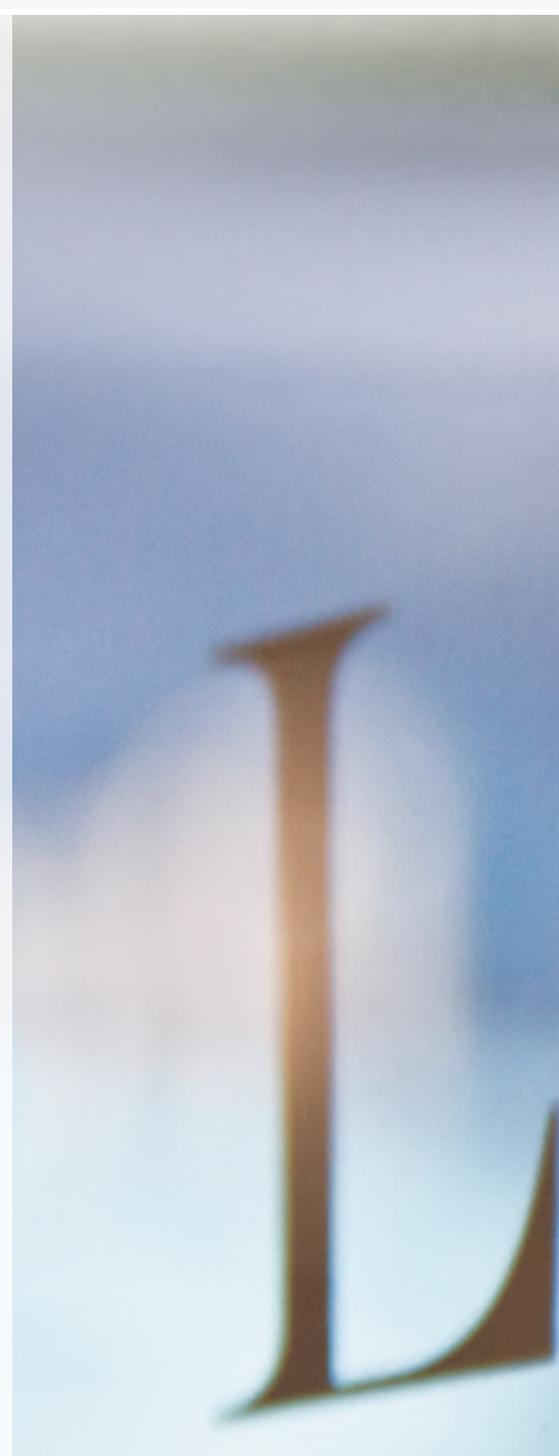


1,300+ hours
of volunteer service
performed

As a “Business of Life”, we endeavour to create positive and sustainable changes in the lives of our stakeholders and the communities we serve.

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Overview



Key Facts

Where We Are

Hysan owns an investment property portfolio which is set predominantly in the heart of Hong Kong's vibrant Causeway Bay, and is clustered in hubs. Our ownership concentration, which intensifies our ability to extract synergies from the tenant mix, makes our high quality retail, office and residential collection truly exceptional.

While the approximately 4.1 million square feet of rental space, excluding properties under redevelopment, has essentially remained the same in size in the past decade, our revenue has nearly tripled.

How We Translate Our Values into Our Daily Work

– Unique and Satisfying Experience (U.S.E.)

A delighting experience exceeding customer expectations that enchants him/her

Internal Customers

Employees and Departments



Resourcefulness + Professionalism

How We Do Things

VISION

To be the PREMIER property company that is superior to its peers in its market of choice.

MISSION

Provide our stakeholders with sustainable and outstanding returns from a property portfolio which is strategically planned and managed by passionate, responsible and forward-looking professionals.

VALUES

- Leadership
- Excellence
- Empowerment
- Good Citizenship
- Accountability
- Respect
- Driving / Driven
- Entrepreneurship
- Networking
- Sustainability

S . E .



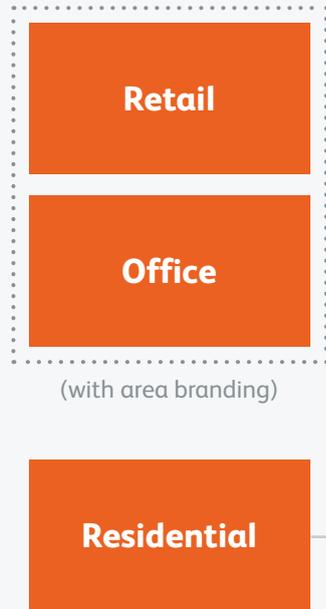
External Customers

Shoppers and Tenants



+ Teamwork + Swift Action

Value Creation



Increase Yields

through active management including tenant mix improvement

Turnover

2010-2015 (HK\$ million)



Asset Enhancement

balance longer-term projects with those that produce more immediate returns

Hysan Place

Lee Theatre Plaza

Lee Garden Two

After Enhancement



Before Enhancement



Supported by Strong Underlying Non-Financial Achievements:

Environment

Minimise our activities' impact on the environment, and achieve higher efficiency at the same time

Employees

Maintain good working environment to unleash potential

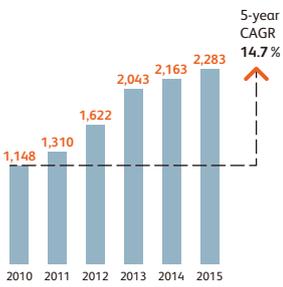
Continue strong focus in Causeway Bay and concurrently seek opportunities beyond our core portfolio

Financial Achievements

increase earnings and enhance net asset value

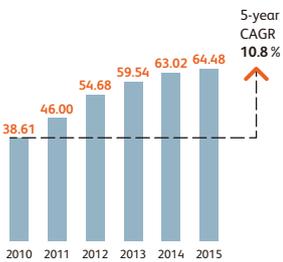
Recurring Underlying Profit

2010-2015 (HK\$ million)



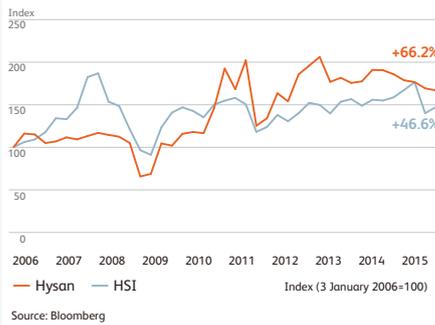
Net Asset Value per Share

2010-2015 (HK\$)



Share Price Growth

increase long term value



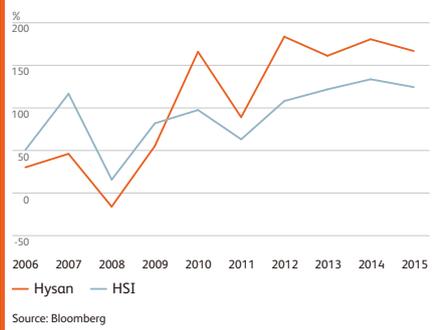
Dividends per Share

provide steady growth



Risk Adjusted Total Return – Steady and Measured Growth

Cumulative Total Returns for Hysan versus Hang Seng Index



Community

Make positive contributions to communities where we operate

Governance

Strong governance is the heart of long-term sustainable performance

A Balanced Portfolio

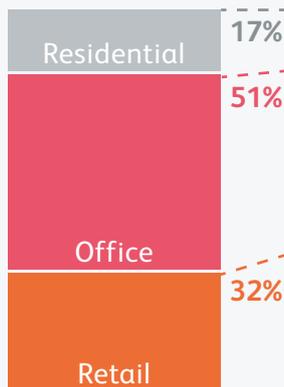
A key feature of Hysan’s portfolio, comprising principally retail and office segments, is its balanced nature.

Our retail portfolio houses international renowned and popular local brands of different price points and style. The office portfolio is also home to a variety of multinational as well as Hong Kong-based companies.

Overall

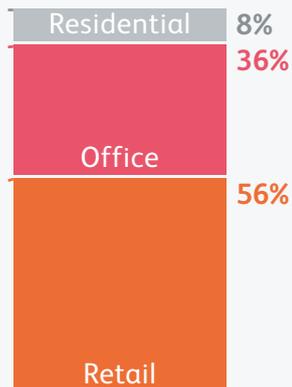
Investment Properties
(by Gross Floor Area excluding properties under redevelopment)

Total Gross Floor Area
4.1 million sq. ft. (approx.)



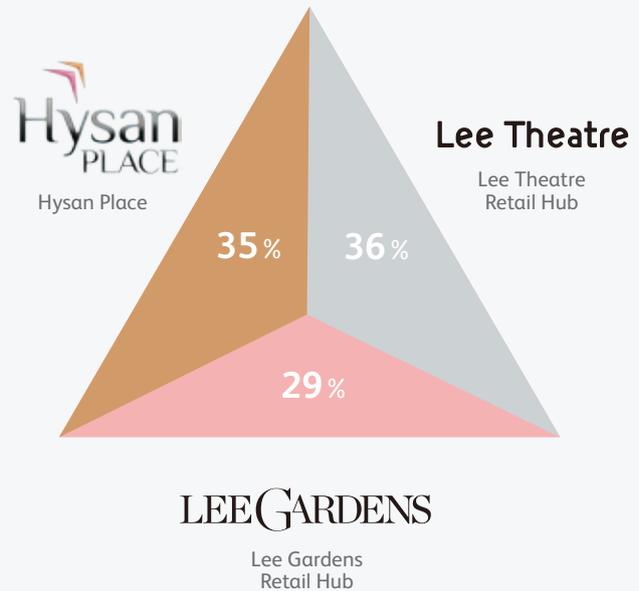
Investment Properties
(by Turnover Contribution)

Turnover
HK\$3,430 million



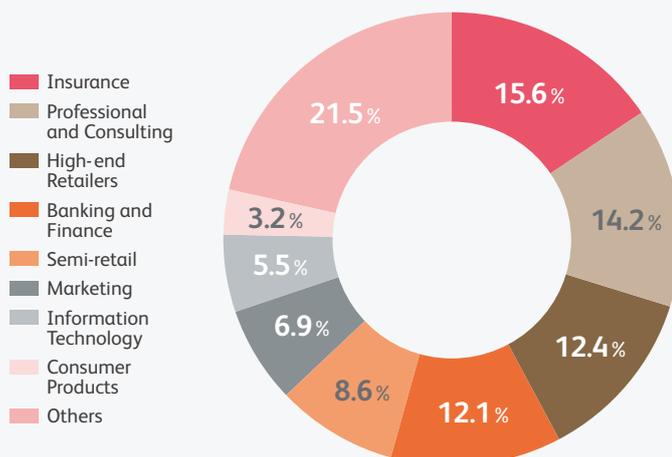
A Diversified and Distinct Retail Portfolio

Each of the three retail hubs is approximately one-third of the total portfolio's area. Hysan Place places an emphasis on trendiness and houses a number of brand name flagship stores. Lee Gardens hub is well known for high-end brands and its luxury premium setting. Lee Theatre hub projects a healthy and sporty lifestyle image, and showcases some of the city's best known food and beverage outlets.



An Office Portfolio for Different Businesses

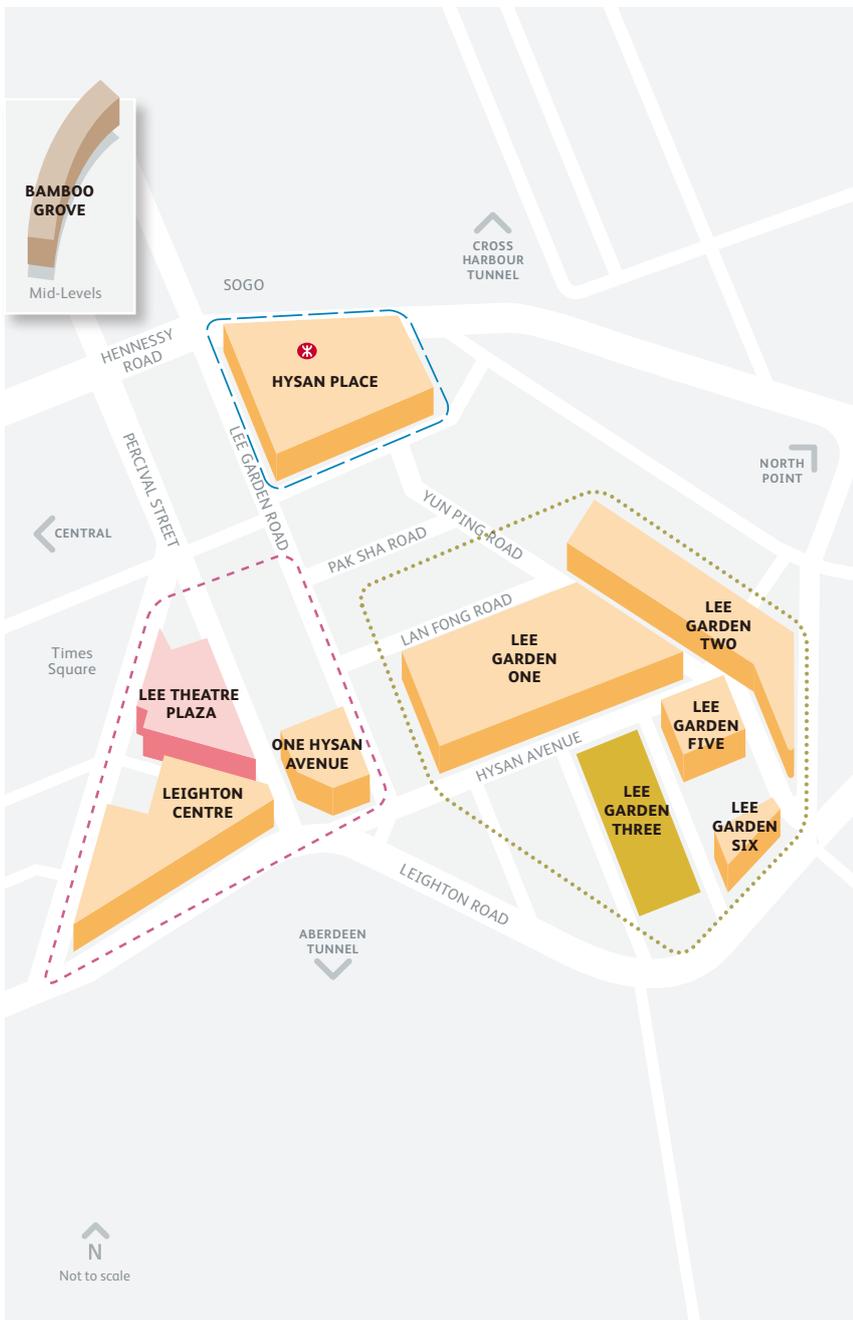
The top four industries in our office portfolio are insurance, professional and consulting, high-end retailers and banking and finance. They represent 54% of our office lettable floor area, but no category takes up more than 20% of the total lettable area.



Key Facts

The Hysan Community

A unique work, lifestyle and shopping destination



HYSAN PLACE

500 Hennessy Road, Causeway Bay
Completed 2012

Approx. Gross Floor Area **716,000** ft²
Number of Floors **40** Parking Spaces **66**

RETAIL

- Owns, markets and manages approximately 1.3 million gross square feet of prime retail space
- Our retail portfolio consists of three geographically separate hubs of retailers at different price points. Under the **LEE GARDENS** brand, it combines street-front shops with shopping malls of different characteristics, and is complemented by a vibrant low-rise neighbourhood

OFFICE

- Owns, markets and manages approximately 2.1 million gross square feet of premium office space
- Our office portfolio is positioned as a credible alternative to Central and Admiralty, providing a perfect destination for companies that care about both work-life balance and cost effectiveness

RESIDENTIAL

- Bamboo Grove in Hong Kong's Mid-Levels has a total area of approximately 0.7 million gross square feet
- It offers a quality international living experience with top class facilities, personalised service and easy access to work, school and play



Home to international corporations and premium brands

LEE GARDEN ONE

33 Hysan Avenue, Causeway Bay
Completed 1997

Approx. Gross Floor Area **900,000** ft²
Number of Floors **53** Parking Spaces **200**



Spacious offices plus renowned children's concept floor

LEE GARDEN TWO

28 Yun Ping Road, Causeway Bay
Completed 1992 /
Renovation of retail podium 2003

Approx. Gross Floor Area **627,000** ft²
Number of Floors **34** Parking Spaces **167**



A 25-level office and retail complex

LEE GARDEN FIVE

18 Hysan Avenue, Causeway Bay
Completed 1989 / Renovated 2009

Approx. Gross Floor Area **132,000** ft²
Number of Floors **25**



Convenient office location with retail shops

LEE GARDEN SIX

111 Leighton Road, Causeway Bay
Completed 1988 / Renovated 2004

Approx. Gross Floor Area **80,000** ft²
Number of Floors **24**



Popular offices and sporty lifestyle shops

LEIGHTON CENTRE

77 Leighton Road, Causeway Bay
Completed 1977 / Renovated 2011

Approx. Gross Floor Area **430,000** ft²
Number of Floors **28** Parking Spaces **321**



Iconic office and retail building in prime site

ONE HYSAN AVENUE

1 Hysan Avenue, Causeway Bay
Completed 1976 / Renovated 2011

Approx. Gross Floor Area **169,000** ft²
Number of Floors **26**



One of Hong Kong's best-loved shopping/dining complexes

LEE THEATRE PLAZA

99 Percival Street, Causeway Bay
Completed 1994 /
Renovation of lower zone 2013

Approx. Gross Floor Area **317,000** ft²
Number of Floors **26**



Soon-to-be among the city's best known commercial addresses

LEE GARDEN THREE

Causeway Bay
To be completed in late 2017



Quality international living in Mid-Levels

BAMBOO GROVE

74-86 Kennedy Road, Mid-Levels
Completed 1985 / Renovated 2002

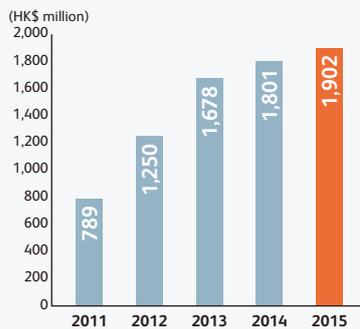
Approx. Gross Floor Area **691,000** ft²
Number of Units **345** Parking Spaces **436**

2015 Performance at a Glance

Financial Performance

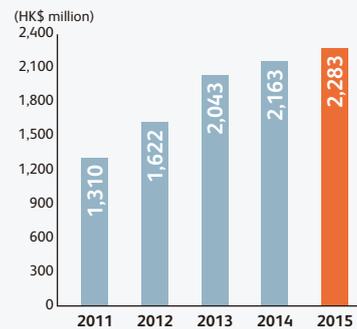
Turnover **HK\$3,430m**
 \wedge **6.4%**

Retail Sector
HK\$1,902m \wedge **5.6%**

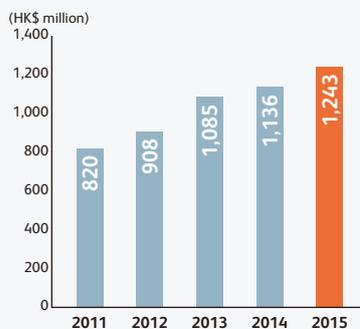


Recurring Underlying Profit **HK\$2,283m**
 \wedge **5.5%**

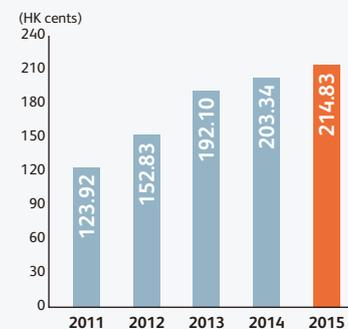
Recurring Underlying Profit
HK\$2,283m \wedge **5.5%**



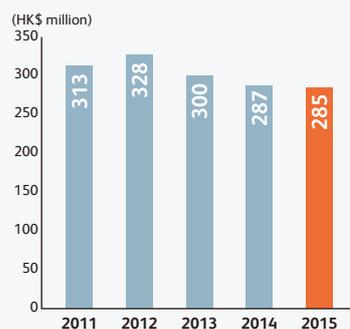
Office Sector
HK\$1,243m \wedge **9.4%**



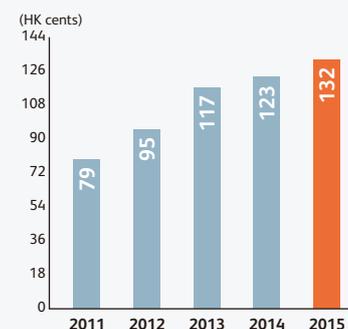
Recurring Underlying Earnings per Share
HK214.83 cents \wedge **5.7%**



Residential Sector
HK\$285m ∇ **0.7%**



Dividends per Share
HK132 cents \wedge **7.3%**

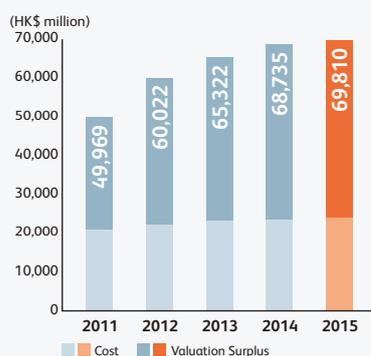


Net Asset Value per Share

HK\$64.48
 \wedge 2.3%

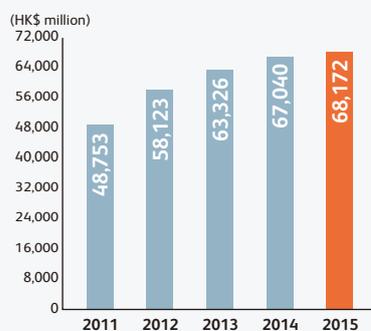
Property Value

HK\$69,810m \wedge 1.6%



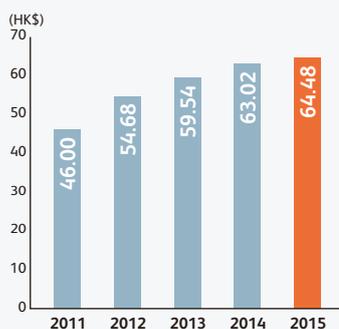
Shareholders' Funds

HK\$68,172m \wedge 1.7%



Net Asset Value per Share

HK\$64.48 \wedge 2.3%



Financial Prudence

Net Interest Coverage (Note 1)

19.5 times
 (2014: 17.1 times)

Net Debt to Equity (Note 2)

3.0%
 (31 Dec 2014: 4.2%)

Average Cost of Finance

3.5%
 (2014: 3.2%)

Average Debt Maturity

6.3 years
 (31 Dec 2014: 5.6 years)

Fixed Rate Debt

94.9%
 (31 Dec 2014: 76.3%)

Capital Market Issuances

94.9%
 (31 Dec 2014: 83.0%)

Credit Ratings

Moody's: **A3**
 Standard and Poor's: **BBB+**

Notes:

- 1 Net Interest Coverage is defined as gross profit less administrative expenses before depreciation divided by net interest expenses
- 2 Net Debt to Equity is defined as borrowings less time deposits, cash and bank balances divided by shareholders' funds

2015 Performance at a Glance

Non-Financial Performance

Environment

“AA”

- MSCI Global Sustainability Indexes: ‘AA’ rating and ‘top 5 industry leaders’ in the sub-category of “opportunities in green building”

“AA”

- Hang Seng Corporate Sustainability Index: ‘AA’ rating

- Lee Garden One is the first Hong Kong commercial building with a provisional BEAM Plus (Existing Building) Platinum certification for its office portion
- Winner of World Green Organisation’s first Sustainable Business Award
- Best Practice Management Award in Green Development



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Social

- Constituent member of FTSE4Good index and STOXX® Global ESG Leaders indices
- Finalist of The Hong Kong Council of Social Service's Outstanding Partnership Award (through Exploration of Hope programme)
- Best Practice Management Award in Corporate Social Enterprise
- Gold Award for Volunteer Service (Organisation) (in 2015) under the Steering Committee on Promotion of Volunteer Service of Social Welfare Department



Governance

- Gold Award (Non-Hang Seng Index Large Market Capitalisation Category) in the Hong Kong Institute of Certified Public Accountants' Best Corporate Governance Disclosure Awards 2015
- Honourable Mention in The Hong Kong Management Association's 2015 HKMA Best Annual Reports Awards



Hong Kong Institute of
Certified Public Accountants
香港會計師公會



Chairman's Statement



We are confident that Hysan is uniquely placed to capture opportunities as Hong Kong benefits from the continuing development of China.

Overview

We anticipated a challenging 2015 but the year turned out to be far more volatile and difficult than expected. Crashing oil prices and a noticeably slowing Chinese economy together with alarming worldwide geopolitical issues were only some of the dark clouds that gathered. In a local context, the decline in retail sales, especially in the luxury sector, gathered pace. Although largely expected in a climate of adjustment, there were a number of structural changes that affected spending patterns and shopper mix.

The softer retail market was helped by a stronger commercial office market which was in turn aided by tight supply and demands from Chinese financial institutions. Overall, 2015 was a tale of two halves. In the second half, China's slowing economic growth, the depreciation of the Yuan and weaker and volatile equity markets had an immediate and direct impact on Hong Kong.

We enter 2016 with a continued commitment to build on our already well diversified, unique and well curated portfolio. Our balance sheet strength and our dynamic capital management will place us in a strong position to face the headwinds of the coming year. Just as importantly, they will enable us to seek opportunities to make Hysan an even stronger company.

Business Performance

The Group's 2015 turnover was HK\$3,430 million, up 6.4% from HK\$3,224 million in 2014. At year-end 2015, our retail portfolio was fully-let. Occupancy of our office portfolio was 99%, while that of the residential portfolio was 89%.

Recurring Underlying Profit, our key core leasing business performance indicator, and Underlying Profit, were both HK\$2,283 million (both up 5.5% from HK\$2,163 million in 2014). These performances primarily reflected the continued improvement in gross profit generated from our retail and office leasing activities. Basic earnings per share based on Recurring Underlying Profit was HK214.83 cents (2014: HK203.34 cents), up 5.7%.

Our Reported Profit for 2015 was HK\$2,903 million (2014: HK\$4,902 million), down 40.8%. This reflected a smaller fair value gain on the Group's investment properties valuation recorded this year. At year-end 2015, the external valuation of the Group's investment property portfolio increased by 1.6% to HK\$69,810 million (2014: HK\$68,735 million). This in part reflected the more efficient design for Lee Garden Three, finalised in Q4 2015, as

compared to the earlier valuation based on more generic assumptions. The higher external valuation also reflected improved rental rates for the Group's office investment property portfolio. Shareholders' Fund increased by 1.7% to HK\$68,172 million (2014: HK\$67,040 million).

Our financial position remains strong, with net interest coverage of 19.5 times (2014: 17.1 times) and net debt to equity ratio of 3.0% (2014: 4.2%).

Capital Management

The Board of Directors (the "Board") is pleased to declare a second interim dividend of HK107 cents per share (2014: HK100 cents). Together with the first interim dividend of HK25 cents per share (2014: HK23 cents), the total distribution is HK132 cents per share (2014: HK123 cents), representing a year-on-year increase of 7.3%. The dividend will be payable in cash.

Hysan announced its first share repurchase since 2007 in August 2015, as part of our commitment to dynamic capital management. 6.75 million shares were repurchased during the year. Such repurchases should further enhance shareholders' value, which will include the associated improvement in net asset value and earnings per share. We will closely monitor the market and may continue our share repurchase during 2016.

Resilience and Flexibility

The challenging socio-political and global economic and financial conditions in 2015 will continue into 2016 and create even greater uncertainty. This will be reflected in lower consumer confidence, as reflected in dollars spent, and also in the frequency of visits and consumer numbers.

The Yuan, while lower compared to the US dollar and against the pegged Hong Kong dollar, is still strong compared to most other currencies. Increasingly sophisticated Chinese tourists are more interested in visiting and spending their relatively strong Yuan in Europe and other Asian destinations such as Japan.

Luxury retail had a challenging 2015. Hysan witnessed slower sales in this sector. Since we anticipated that the market would normalise after strong growth during the past decade, we committed to a strategy of diversification by pivoting our portfolio towards the mid-to-affordable market and we leveraged on our leading position in children's offerings and in sport and lifestyle products.

Hysan continues to build on and fine-tune the clear positioning of our three hubs. Each hub represents approximately one-third of our portfolio in size. Our well balanced and diversified portfolio forms the platform for our retail strategy and will position Hysan well to meet the challenges ahead.

Building upon a base that caters for a wider group of consumers, we have also maintained our commitment to provide a unique and satisfying experience to our tenants, shoppers and other visitors. For us, it is simply not enough to meet our customers' expectations. We strive to give experiences that delight and surprise our stakeholders' expectations through creativity, resourcefulness, professionalism, strong teamwork and the swift action of everyone in the Hysan team.

Chairman's Statement

Our strategy “to exceed expectations” began with the enhancement of diversity in our retail tenant mix. In recent years, we have built a retail portfolio anchored by more than 20 flagship stores covering a range of products and price points. By adding a significant number of health and leisure brands and their products targeting different segments of customers, both Hysan Place and the Lee Theatre hub have developed a more “sporty” look and feel that appeals to those members of our society, both young and young-at-heart, who focus on health and work-life balance.

Food and beverage (F&B) is an increasingly vital and integral part of retailing. Hysan ensures a flow of new concepts which appeal to consumers’ increasing sophistication and demands for all things original and exciting. Our F&B offering covers a range of price points which attracts casual, chic, professional and business diners as well as family gatherings. There are seven Michelin-starred or -recommended F&B outlets in the Hysan portfolio. Our reputation as a “foodie haven” enhances our profile as a leisure venue that goes beyond shopping.

We continued to devote significant resources to stage unique promotional activities and programmes to increase foot traffic. Against a generally weak retail environment, the annual foot traffic for the Hysan portfolio increased by around 5% in 2015 as compared to 2014. We differentiated from other shopping malls, which also significantly stepped up their promotional activities, by working closely with our tenants to create targeted promotions to support their marketing strategies.

Finally, we have further enhanced our customer service on all fronts. We clearly understand that a commercial property owner’s attention should not end with its tenants, but also focus on those who frequent its shops. As part of our drive to create positive customer experiences, our initiatives have included continuous refinement of the Club Avenue V.I.P. service, new events for our ever-popular Kids’ Zone programmes, and a new and enhanced training setup for our front-line property management personnel.

Our clustering in the prime commercial district of Causeway Bay is a unique advantage. This geographic concentration in one area powers and magnifies the effects of our diverse tenant mix, our varied F&B offering, our significant number of flagship stores, our popular promotional activities and our consistent and renowned customer service. We intend to maintain a holistic approach to our portfolio in order to deliver a brand with a quality and experience which is unique to LEE GARDENS.

In 2015, our office portfolio continued to benefit from the significant demand for premium office space by financial and related industries in Hong Kong. Whereas Mainland Chinese securities and financial companies continued to take up the available limited supply of space in the core central districts, other industries have looked towards Causeway Bay in general, and Lee Gardens in particular, as a strong alternative to core central areas because of our excellent facilities, amenities and transport ties.

A recent survey conducted by Hong Kong’s Community Business reiterated that commuting convenience, good workplace facilities and the availability of nearby shops, restaurants and entertainment are local workers’ most important criteria in achieving work-life balance. We take pride in the fact that our office portfolio offers all these attractions in abundance. Moreover, Lee Gardens Offices maintains a significant edge in cost effectiveness as compared to other core areas like Central and Admiralty.

The Lee Garden Three redevelopment is progressing well and is on schedule to be completed in late 2017, slightly earlier than the original estimated date of 2018. A major feature of this project is the addition of around 200 parking spaces. These will further channel shoppers with cars into our portfolio, and will significantly alleviate the parking issues experienced in Causeway Bay.

On the environmental and community fronts, Lee Garden One's office portion was a proud recipient of a provisional BEAM Plus Platinum Certification for existing buildings, Hong Kong's first commercial building's offices to be on the way to achieving this significant green building standard. We are also delighted to report that our RE:SHARE A WISH Xmas Baubles upcycling programme raised more than HK\$1.1 million for Save the Children through the sales of limited-edition designer baubles made from recycled water bottles.

Outlook

As the world's most visited city, we are confident that Hong Kong will remain relevant and vital, in its own right and as a part of an increasingly outward looking China. 2016 will see continued adjustments, particularly in the high end retail sector, while volatility in the currency and equity markets and a slower China growth will contribute to a challenging year.

Hysan prides itself on a deep understanding of and commitment to Hong Kong, especially the commercial heart of Causeway Bay. It is important to recognise the resilience that our diversified and balanced portfolio and our balance sheet strength provide. We are confident that Hysan is uniquely placed to capture opportunities as Hong Kong benefits from the continuing development of China. We anticipate our Group will deliver another year of steady performance.

Appreciation

On behalf of the Board, I would like to thank our management team and colleagues for all their commitment and hard work in 2015. I would also like to thank my fellow directors for their advice throughout the year. My special thanks to Mr. Nicholas Charles ALLEN, who is stepping down from the Board upon the conclusion of our annual general meeting in May. Nick joined Hysan as an Independent non-executive Director back in November 2009. I am grateful for his wise counsel and diligent work as Chairman of the Audit Committee. I would also like to thank Ms. Wendy Wen Yee YUNG, our Executive Director from April 2008 until October 2015, for all her contributions to Hysan, and wish her every success in her future endeavours.

Irene Yun Lien LEE

Chairman

Hong Kong, 8 March 2016