

Y2014 Interim Results



KERRY PROPERTIES LIMITED

嘉里建設有限公司

21 August 2014



The information in this presentation is for personal, non-commercial reference and general information purposes only and should not be relied upon for investment decision purposes.

The information in this presentation, including without limitation any stock price, market data information, presentation, analyses or opinion displayed in this presentation or other presentations linked to this presentation (the "Contents") is for personal non-commercial reference and general information purposes only and should not be relied upon for investment decision purposes. None of the Contents in this presentation constitutes an offer or advice, or a solicitation, recommendation or suggestion by Kerry Properties Limited (the "Company"), its subsidiaries, associated or affiliated companies (collectively the "Group") or their respective directors, employees, agents, representatives or associates (collectively "the Group Representatives") to buy or to sell or otherwise to deal in any securities, shares, bonds, futures, options or other financial derivatives and instruments or the provision of investment advice. Dealing in investments may involve risk so before making any financial or investment decision, please consult your financial advisor.

This presentation may contain links to third parties' presentations. The provision of these links does not indicate, expressly or impliedly, any endorsement by the Company for the linked site or the products or services provided at those sites. Any information or material placed in this presentation by third parties, including information, analyses and opinions, are the views and responsibility of those who post the statements and do not necessarily represent the views of the Company.

The Company, the Group and the Group Representatives take no responsibility and make no representation and/or guarantee as to the accuracy, validity, timeliness, completeness and/or reliability of any of the Contents. The Company, the Group and the Group Representatives further disclaim any liability whatsoever for any loss and/or damages of whatsoever nature (whether based on contract, tort or otherwise, and whether direct, indirect, special, consequential, incidental or otherwise) arising from or in connection with any delays, inaccuracies, omission, incompleteness or otherwise of the Contents, or the transmission or the inaccessibility thereof, or for any actions taken in reliance thereon.

1H 2014 HIGHLIGHTS



HONG KONG PROPERTY	
Total Contract Sales	✓ HKD 3.4 bn
Total Saleable Area Sold	✓ Approx. 135,000 sf
Key Properties Sold	✓ The Summa*, Altitude, Lions Rise
Ongoing Construction Activities	✓ Kau To (Dragons Range), So Kwun Wat, 5-6 Hing Hon Road, Sheung Lok Street projects
PRC PROPERTY	
Total Contract Sales	✓ Approx. HKD 2.1 bn
Total GFA Sold	✓ Approx. 126,000 sm
Key Properties Sold	✓ Putian Arcadia Court Ph 1*, Nanchang Arcadia Court Ph 1* ✓ Hangzhou Parkview Residences Ph 2, Chengdu Metropolis-Arcadia Court Ph 1, Tangshan Arcadia Court, Tianjin Arcadia Court, Shenyang Arcadia Court Ph 1, Shenyang Enterprise Square office, Ningbo The Berylville Ph 1
Ongoing Construction Activities	✓ Major Investment Properties: Tianjin Kerry Centre Ph 1, Kerry Central Hangzhou, Nanchang Complex Development Ph 1, Shenyang Kerry Centre Ph1, Jinan Complex Development

* Launched during 1H 2014

FINANCIAL RESULTS OVERVIEW



(HKD mm)	Six months ended <u>30 Jun 2014</u>	Six months ended <u>30 Jun 2013</u>	<u>% Change</u>
Turnover *	6,174	7,732	-20%
Gross profit *	3,234	3,269	-1%
<i>Gross profit margin (%) *</i>	52%	42%	+10%
Profit attributable to shareholders			
- Before taking into account the net increase in fair value of investment properties and the share of net profit of Kerry Logistics	1,596	1,840	-13%
- Share of net profit of Kerry Logistics	208	455	-54%
- Before taking into account the net increase in fair value of investment properties	1,804	2,295	-21%
- Increase in fair value of investment properties (net of related tax effects)	586	3,080	-81%
- After taking into account the net increase in fair value of investment properties	<u>2,390</u>	<u>5,375</u>	-56%
Earnings per share (HK\$)			
- Before taking into account the net increase in fair value of investment properties	1.25	1.59	-21%
- After taking into account the net increase in fair value of investment properties	1.65	3.73	-56%
Interim dividend per share (HK\$)	0.30	0.35	-14%
<i>Payout ratio (%)</i>	24.0%	22.0%	+2%

* From continuing operations only

TURNOVER ANALYSIS



(HKD mm)	Six months ended <u>30 Jun 2014</u>	% <u>Weighting</u>	Six months ended <u>30 Jun 2013</u>	% <u>Weighting</u>	<u>% Change</u>
Revenue from Property Rental and others					
- PRC	1,037	17%	528	7%	+96%
- Hong Kong	437	7%	449	6%	-3%
	1,474	24%	977	13%	+51%
Revenue from Property Sales *					
- PRC	703	11%	2,710	35%	-74%
- Hong Kong	3,437	56%	3,901	50%	-12%
	4,140	67%	6,611	85%	-37%
Hotel Revenue - PRC	560	9%	144	2%	+289%
Total Turnover	6,174	100%	7,732	100%	-20%
Recurrent Revenue	2,034	33%	1,121	14%	+81%
Non-Recurrent Revenue	4,140	67%	6,611	86%	-37%
Total	6,174	100%	7,732	100%	-20%

* Exclude sales of investment properties

GROSS PROFIT ANALYSIS



(HKD mm)	Six months ended <u>30 Jun 2014</u>	% <u>Weighting</u>	Six months ended <u>30 Jun 2013</u>	% <u>Weighting</u>	<u>% Change</u>
<u>Recurrent Gross Profit</u>					
Property Rental and others	1,152	36%	750	23%	+54%
Hotel Operations	<u>48</u>	<u>1%</u>	<u>19</u>	<u>1%</u>	+153%
Total Recurrent Gross Profit	1,200	37%	769	24%	+56%
<u>Non-recurrent Gross Profit</u>					
Property Sales	2,034	63%	2,500	76%	-19%
Total	<u><u>3,234</u></u>	<u><u>100%</u></u>	<u><u>3,269</u></u>	<u><u>100%</u></u>	-1%

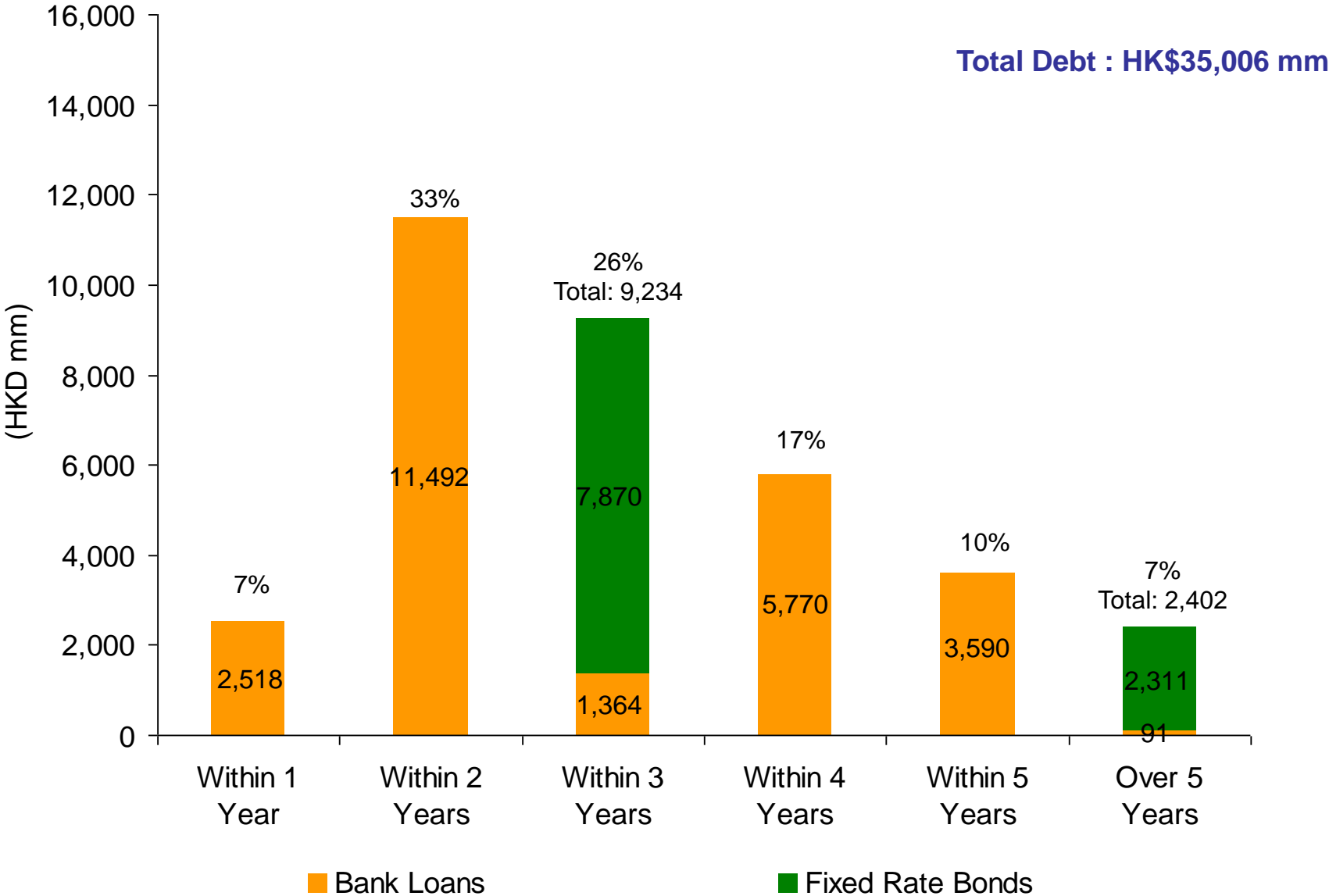
FINANCIAL POSITION



(HKD mm)	<u>As of</u> <u>Jun 30, 2014</u>	<u>As of</u> <u>Dec 31, 2013</u>	<u>% Change</u>
Total Debt	35,006	34,976	+0%
Less: Cash and Bank Balances	<u>(10,791)</u>	<u>(11,494)</u>	-6%
Net Debt	<u>24,215</u>	<u>23,482</u>	+3%
Undrawn bank loan facilities	9,284	11,181	-17%
NAV	76,016	75,755	+0%
Gearing Ratio	31.9%	31.0%	+0.9%
No. of issued shares at period end (mm)	1,444	1,444	+0.0%
NAV / Share	HK\$52.63	HK\$52.45	+0.3%
	<u>1H FY 2014</u>	<u>1H FY 2013</u>	
Interest cover * (x) <i>(excl. discontinued operations - KLN)</i>	6.9	6.9	
Dividend cover * (x)	4.2	4.5	

* Before fair value increase of investment properties

DEBT MATURITY PROFILE AS OF JUN 30, 2014





PRC PROPERTY DIVISION



PRC PROPERTY DIVISION – FINANCIAL RESULTS OVERVIEW



(HKD mm)	Six months ended <u>30 Jun 2014</u>	Six months ended <u>30 Jun 2013</u>	<u>% Change</u>
<u>Turnover</u>			
Property rental	1,037	528	+96%
Property sales revenue excluding investment properties	703	2,710	-74%
Hotel	560	144	+289%
Total turnover	<u>2,300</u>	<u>3,382</u>	-32%
Sales proceeds from investment properties	17	74	-77%
Total property revenue	<u><u>2,317</u></u>	<u><u>3,456</u></u>	-33%
<u>Gross profit</u>			
Property rental	815	394	+107%
Property sales	252	1,122	-78%
Hotel	48	19	+153%
Total	<u><u>1,115</u></u>	<u><u>1,535</u></u>	-27%
<u>Gross profit margin</u>			
<i>Property rental</i>	79%	75%	
<i>Property sales</i>	36%	41%	
<i>Hotel</i>	9%	13%	
<i>Overall</i>	48%	45%	



➔ **Investment Property Portfolio in Mainland China as at 30 Jun 2014:-**

	Beijing (‘000 sq ft)	Shanghai (‘000 sq ft)	Shenzhen (‘000 sq ft)	Fuzhou (‘000 sq ft)	Total GFA (‘000 sq ft)
Apartment	277	774	-	-	1,051
Office	711	1,534	1,552	-	3,797
Commercial	98	1,100	212	64	1,474
Total GFA	1,086	3,408	1,764	64	6,322
% weighting	17%	54%	28%	1%	100%

➔ **Occupancy rates of major investment properties as at 30 Jun 2014:-**

	Occupancy rate as at 30 Jun 2014	Occupancy rate as at 31 Dec 2013
Beijing Kerry Centre ^{(1) (2)}	84%	95%
Jing An Kerry Centre Phase I ⁽⁴⁾	79%	73% ⁽³⁾
Jing An Kerry Centre Phase II ⁽¹⁾	76%	53%
Kerry Parkside Shanghai Pudong ⁽¹⁾	98%	97%
Central Residences Phase II Towers 1 and 3	82%	83%
Shenzhen Kerry Plaza Phase I	97%	97%
Shenzhen Kerry Plaza Phase II	89%	83%

1) Excluding hotel

2) Excluding serviced apartments being renovated in 2013. The renovation was completed with leasing commenced in April 2014

3) Excluding retail podium where renovation was completed in the fourth quarter of 2013

4) Formerly known as Shanghai Kerry Centre

➔ **Average occupancy rate of hotel property:-**

	1H 2014	1H 2013
Kerry Hotel, Beijing	71%	48%
Jing An Shangri-La Hotel, Shanghai	59%	N/A
Shangri-La Hotel, Shenyang	35%	N/A
Kerry Hotel, Pudong Shanghai	63%	59%

PRC PROPERTY DIVISION – INVESTMENT PROPERTY PORTFOLIO AND HOTEL (Cont'd)



➔ Detailed occupancy rates of major investment properties as at 30 Jun 2014:-

	Occupancy rate as at 30 Jun 2014	Occupancy rate as at 31 Dec 2013
Beijing Kerry Centre		
- Serviced Apartment	49%	n/a
- Office	98%	97%
- Retail	87%	79%
- Average	84%	95% (N1)
Jing An Kerry Centre Ph I (N3)		
- Serviced Apartment	72%	44%
- Office	80%	86%
- Retail	95%	n/a
- Average	79%	73% (N2)
Jing An Kerry Centre Ph II		
- Office	70%	43%
- Retail	94%	83%
- Average	76%	53%
Kerry Parkside Shanghai Pudong		
- Serviced Apartment	88%	89%
- Office	100%	100%
- Retail	100%	100%
- Average	98%	97%
Shanghai Central Residence II Tower 1 & 3	82%	83%
Shenzhen Kerry Plaza Phase I office	97%	97%
Shenzhen Kerry Plaza Phase II		
- Office	89%	81%
- Retail	96%	97%
- Average	89%	83%

1) Excluding serviced apartments being renovated in 2013. The renovation was completed with leasing commenced in April 2014.

2) Excluding retail podium where renovation was completed in the fourth quarter of 2013

3) Formerly known as Shanghai Kerry Centre

PRC PROPERTY DIVISION – PROPERTIES UNDER DEVELOPMENT



KPL has approximately 35 mm s.f. of properties under development in China

Name		Location	Type	Stage of Completion	Expected Completion	KPL's Interest (%)	KPL's Attributable GFA (s.f.)
MIXED USED DEVELOPMENT							
1	Tianjin Kerry Centre	Tianjin	R/C/H/O/A	Ph 1 – Completion verification in progress	Ph 1 – In phases between 2014 & 2015	49	2,313,255
2	Kerry Central, Hangzhou	Hangzhou	A/C/H/O	Basement construction and superstructure work in progress	2015	75	1,576,544
3	Nanchang Arcadia Court and Hotel Development	Nanchang	R/H/O/C	Ph 1 – Hotel: Interior fitting, mechanical & engineering work in progress. Ph 1 – Residential: Superstructure work in progress	Ph 1 – In phases between 2014 & 2015	80	2,050,861
4	Shenyang Kerry Centre	Shenyang	R/O/C	Ph 1 – Office: Completion verification in progress. Ph 1 – Residential: Interior decoration and mechanical and engineering work in progress Ph 2 – Excavation work completed	In phases between 2014 & 2022	60	7,073,452
5	Zhengzhou Complex Development	Zhengzhou	R/H/O/C	Schematic design in progress	2017	55	1,293,007
SUBTOTAL							14,307,119
OTHER INVESTMENT PROPERTIES							
6	Nanjing Hotel Development	Nanjing	H	Superstructure work, mechanical and engineering completed. External and interior work in progress	2014	45	401,207
7	Jinan Complex Development	Jinan	O/C/H	Piling work in progress	2016	55	540,237
8	Kunming Complex Development	Kunming	H/A	Schematic design in progress	2016	35	281,809
SUBTOTAL							1,223,253
TOTAL FOR MIXED USE DEVELOPMENT AND OTHER INVESTMENT PROPERTIES							15,530,372

Denotation: R=Residential. O=Office. C=Commercial. A=Apartment. H=Hotel

PRC PROPERTY DIVISION – PROPERTIES UNDER DEVELOPMENT (CON'T)



Name	Location	Type	Stage of Completion	Expected Completion	KPL's Interest (%)	KPL's Attributable GFA (s.f.)	
FOR SALE PROPERTIES							
9	Tangshan Arcadia Court Phase II and Hotel Development	Tangshan	R/H/C	Structure topped out, internal and external work in progress	In phases between 2014 & 2015	40	811,196
10	Changsha Xiangjiang Arcadia Court	Changsha	R/C	Ph 1 – Completion verification in progress. Ph 2 – Piling work completed. Basement construction work in progress	In phases between 2014 & 2017	100	3,204,163
11	Kerry Everbright City Phase III	Shanghai	O/C	Superstructure work in progress	2015	74.25	833,218
12	Nanjing Residential Development	Nanjing	R	Piling and excavation work in progress	2015	100	987,253
13	Qinhuangdao Habitat	Qinhuangdao	R/C	Ph 1 – Superstructure, interior fitting & mechanical & engineering work in progress	In phases between 2015 & 2018	60	2,836,677
14	Putian Arcadia Court and Hotel Development	Putian	R/H/C	Ph 1 – Superstructure work in progress	Phase 1 – 2016	60	2,396,951
15	Hangzhou Zhijiang Residential Project	Hangzhou	R/C	Schematic design, piling work and structural work in progress	In phases between 2016 & 2017	100	2,524,976
16	The Berylville, Ningbo	Ningbo	R	Ph 1 – Superstructure work in progress	In phases to 2017	50	515,752
17	The Metropolis – Arcadia Court Phase II	Chengdu	R/C	Excavation and piling work completed	In phases to 2018	55	1,200,178
18	The Metropolis – Arcadia Court Phase III	Chengdu	R/C	Excavation work in progress	In phases to 2019	55	1,455,653
19	Yingkou Hyades Residence and Hotel Development	Yingkou	R/H/C	Residential Ph 1 – Superstructure work in progress Hotel: Superstructure work in progress	In phases between 2015 & 2023	65	2,800,494
SUBTOTAL							19,566,511
GRAND TOTAL							35,096,883



HONG KONG PROPERTY DIVISION



HONG KONG PROPERTY DIVISION – FINANCIAL RESULTS OVERVIEW



(HKD mm)	Six months ended <u>30 Jun 2014</u>	Six months ended <u>30 Jun 2013</u>	<u>% Change</u>
<u>Turnover</u>			
Property sales revenue excluding investment properties	3,437	3,901	-12%
Property rental	437	449	-3%
Total turnover	<u>3,874</u>	<u>4,350</u>	-11%
<u>Gross profit</u>			
Property sales	1,782	1,378	+29%
Property rental	337	356	-5%
Total	<u>2,119</u>	<u>1,734</u>	+22%
<u>Gross profit margin</u>			
<i>Property sales</i>	<i>52%</i>	<i>35%</i>	
<i>Property rental</i>	<i>77%</i>	<i>79%</i>	
<i>Overall</i>	<i>55%</i>	<i>40%</i>	

HONG KONG PROPERTY DIVISION – INVESTMENT PROPERTY PORTFOLIO



➔ Investment Property Portfolio as at 30 Jun 2014:-

	Total GFA (‘000 sq ft)
Apartment	722
Commercial	1,349
Office	838
Total GFA	<u>2,909</u>

➔ Occupancy rates of investment property portfolio as at 30 Jun 2014:-

	Occupancy rate as at	
	30 Jun 2014	31 Dec 2013
Apartment	97% *	93% *
Commercial	97%	97%
Office	95%	98%

* Excluding Branksome Grande with refurbishment works commenced in Q2 of 2014

HONG KONG PROPERTY DIVISION – PROPERTIES UNDER DEVELOPMENT



Currently, KPL has approximately 3.1mm s.f. of properties under development in HK and Macau

Name		Location	Type	Stage of Completion	Expected Completion	KPL's Interest (%)	Buildable GFA* (s.f.)
FOR SALE PROPERTIES							
1	8 LaSalle	Ho Man Tin	R	Interior finishing work in progress	3Q14	100	60,865
2	Dragons Range	Sha Tin	R	Superstructure work in progress	2Q15	40	412,584
3	Hing Hon Road Project	Sai Ying Pun	R	Foundation work in progress	1Q16	71	27,357
4	Shan Kwong Building Redev't Project	Wong Nai Chung	R	Foundation work completed	4Q16	100	81,322
5	So Kwun Wat Project	Tuen Mun	R	Site formation and foundation work in progress	4Q16	100	939,600
6	Sheung Lok Street Project	Ho Man Tin	R	Site formation and foundation work in progress	1Q17	100	1,142,168
7	Sha Tin Heights Road Project	Sha Tin	R	Conceptual design in progress	1Q17	71	11,727
8	Nam Van Project	Macau	R	Schematic design in progress	2Q18	100	397,190
GRAND TOTAL							3,072,813

R=Residential

* KPL share



2H 2014 OBJECTIVES





HONG KONG PROPERTY

Residential Property Sales

- ✓ Launch One Ede Road and Three Ede Road in Kowloon Tong, 8 LaSalle in Ho Man Tin and Dragons Range in Kau To
- ✓ Continue to sell remaining units of The Summa, Lions Rise and The Altitude

Construction

- ✓ Continue construction of Kau To (Dragons Range), So Kwun Wat, 5-6 Hing Hon Road and Sheung Lok Street projects

PRC PROPERTY

Investment Properties Commencement of Operation

- ✓ Tianjin Kerry Centre hotel and Nanjing hotel

Expedite construction and delivery of projects under development to ensure timely commissioning, and securing new sources of recurrent cash flow and stable earnings for the Group

- ✓ Continue construction of Tianjin Kerry Centre Ph 1, Shenyang Kerry Centre Ph 1, Kerry Central Hangzhou and Nanchang Complex Development Ph 1

Adopt a proactive and flexible sales strategy for forthcoming property launches

- ✓ Launch Hangzhou Zhijiang residential and Shanghai Kerry Everbright City Ph 3 office
- ✓ Continue to sell Hangzhou Parkview Residence Ph 2, Chengdu Metropolis-Arcadia Court Ph 1, Tangshan Arcadia Court, Tianjin Arcadia Court, Changsha Arcadia Court Ph 1, Ningbo Berylville Ph 1 residential, Putian Arcadia Court Ph 1 and Nanchang Arcadia Court Ph 1



THANK YOU



APPENDIX



UNDERLYING PROFIT



(HKD mm)	Six months ended <u>30 Jun 2014</u>	Six months ended <u>30 Jun 2013</u>	<u>% Change</u>
Profit attributable to the shareholders	2,390	5,375	-56%
<u>Fair value change of investment properties, net of tax</u>			
<u>Continuing operations:</u>			
Increase in fair value of investment properties	826	5,467	-85%
Effect of corresponding deferred tax charges	(206)	(1,272)	-84%
Share of increase in fair value of investment properties (net of deferred tax) of associates	104	76	+37%
Effect of share of non-controlling interests	(138)	(1,639)	-92%
Subtotal	586	2,632	-78%
<u>Discontinued operations:</u>			
Logistics operations - KLN	-	448	-100%
Total	<u>586</u>	<u>3,080</u>	-81%
Underlying profit attributable to the shareholders	<u>1,804</u>	<u>2,295</u>	-21%
Underlying earnings per share (HK\$)	<u>1.25</u>	<u>1.59</u>	-21%