

Y2017 Final Results



KERRY PROPERTIES LIMITED

嘉里建設有限公司

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HIGHLIGHTS

HONG KONG PROPERTY	
Total Contracted Sales	✓ HKD 9.3 bn
Total Saleable Area Sold	✓ Approx. 405,000 sf
Key Properties Sold	✓ Mantin Heights, The Bloomsway
New Investment Property	✓ Resiglow in Happy Valley (7/2017)
Land Acquisition	✓ Wong Chuk Hang Station Package Two Property Development (12/2017)
Ongoing Construction Activities	✓ Beacon Hill (NKIL6532 & NKIL6533), Hing Hon Road in Sheung Wan and LaSalle Road/Boundary Street in Ho Man Tin
PRC PROPERTY	
Total Contracted Sales	✓ Approx. HKD 7.6 bn
Total GFA Sold	✓ Approx. 245,000 sm
Key Properties Sold	✓ Hangzhou Zhijiang Castalia Court, Shenyang Arcadia Court, Hangzhou Lake Grandeur, Chengdu Metropolis-Arcadia Court, Qinhuangdao Habitat Ph 1 and The Berylville in Ningbo
New Completion of Property / Hotel	✓ Office at Jinan Enterprise Square (10/2017) ✓ Shangri-La Hotel, Jinan (12/2017)
Ongoing Construction Activities	✓ Shenzhen Qianhai Kerry Centre, Shenyang Kerry Centre, Kunming Complex Development and Shenzhen Qianhai Complex Development Project

FINANCIAL RESULTS OVERVIEW



(HKD mm)	FY2017	FY2016	% Change
Turnover	35,548	12,991	+174%
Gross profit	9,745	5,856	+66%
<i>Gross profit margin (%)</i>	<i>27%</i>	<i>45%</i>	<i>-18%</i>
Share of results of associates and joint ventures	2,060	1,801	+14%
Profit attributable to shareholders			
- Before taking into account the net increase in fair value of investment properties	6,651	3,671	+81%
- Increase in fair value of investment properties (net of related tax effects)	2,591	2,866	-10%
- After taking into account the net increase in fair value of investment properties	9,242	6,537	+41%
Earnings per share (HK\$)			
- Before taking into account the net increase in fair value of investment properties	4.61	2.54	+81%
- After taking into account the net increase in fair value of investment properties	6.40	4.53	+41%
Final dividend per share (HK\$)	0.90	0.80	+13%
Special dividend per share (HK\$)	0.15	-	n/a
Dividend per share (HK\$)			
- Interim	0.45	0.30	+50%
- Final	0.90	0.80	+13%
- Special	0.15	-	n/a
- Total	1.50	1.10	+36%
Payout ratio (%)	32.5%	43.3%	-11%

TURNOVER ANALYSIS



(HKD mm)	<u>FY 2017</u>	<u>% Weighting</u>	<u>FY 2016</u>	<u>% Weighting</u>	<u>% Change</u>
Revenue from Property Sales *					
- Hong Kong	20,626	58%	549	4%	+3,657%
- PRC	8,463	24%	6,655	52%	+27%
	29,089	82%	7,204	56%	+304%
Revenue from Property Rental					
- Hong Kong	1,097	3%	1,058	8%	+4%
- PRC	3,444	10%	2,995	23%	+15%
	4,541	13%	4,053	31%	+12%
Hotel Revenue - PRC	1,918	5%	1,734	13%	+11%
Total Turnover	35,548	100%	12,991	100%	+174%
Recurrent Revenue	6,459	18%	5,787	45%	+12%
Non-Recurrent Revenue	29,089	82%	7,204	55%	+304%
Total	35,548	100%	12,991	100%	+174%

* Exclude sales of investment properties

GROSS PROFIT ANALYSIS



(HKD mm)	<u>FY 2017</u>	<u>% Weighting</u>	<u>FY 2016</u>	<u>% Weighting</u>	<u>% Change</u>
Non-recurrent Gross Profit					
Property Sales	5,749	59%	2,463	42%	+133%
Recurrent Gross Profit					
Property Rental	3,587	37%	3,215	55%	+12%
Hotel Operations	409	4%	178	3%	+130%
Total Recurrent Gross Profit	<u>3,996</u>	<u>41%</u>	<u>3,393</u>	<u>58%</u>	+18%
Total	<u>9,745</u>	<u>100%</u>	<u>5,856</u>	<u>100%</u>	+66%

FINANCIAL POSITION



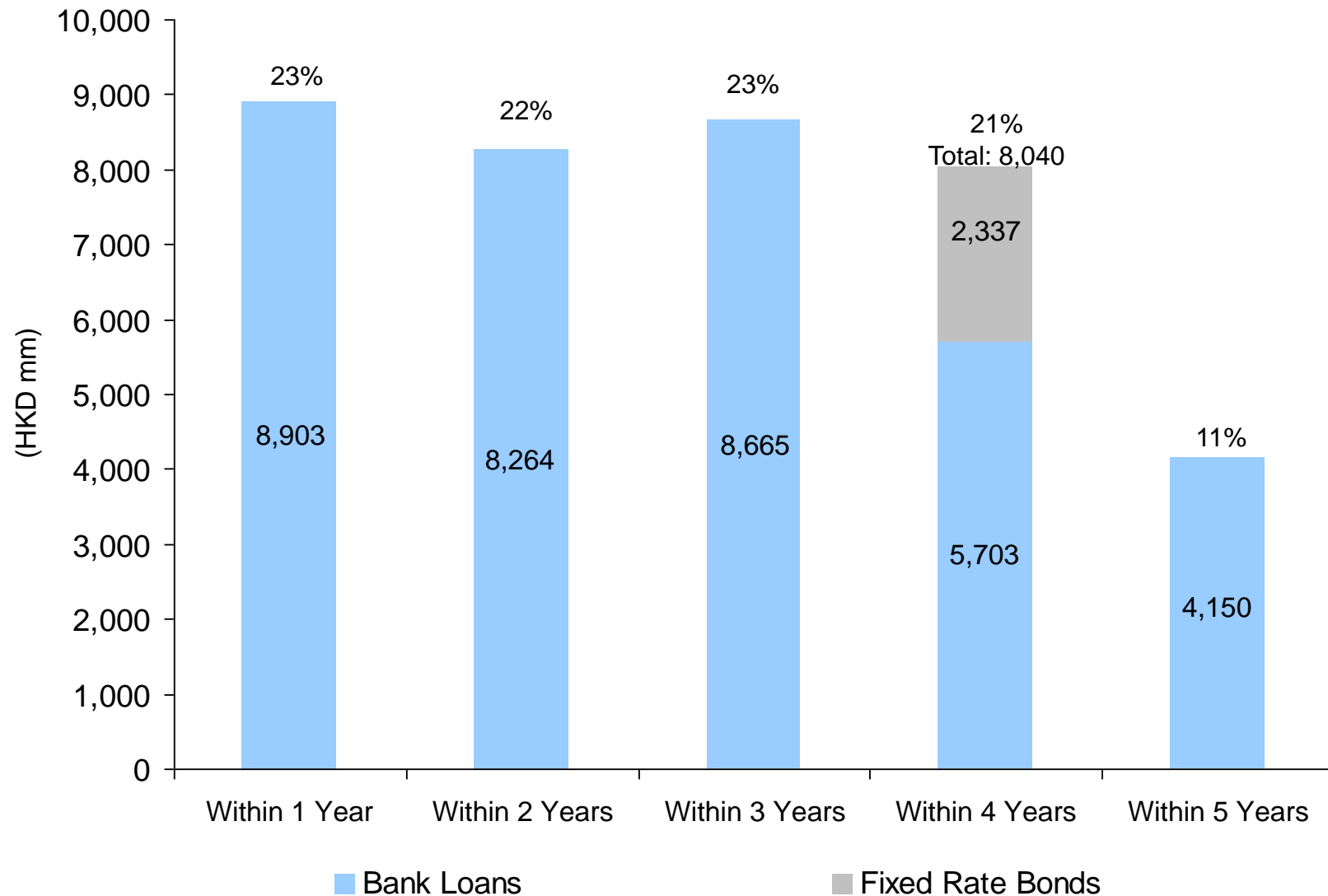
(HKD mm)	As of <u>Dec 31, 2017</u>	As of <u>Dec 31, 2016</u>	<u>% Change</u>
Total Debt	38,022	45,333	-16%
Less: Cash and bank balances	(13,748)	(16,481)	-17%
Net Debt	<u>24,274</u>	<u>28,852</u>	-16%
Undrawn bank loan facilities	11,665	9,287	+26%
NAV	94,349	82,744	+14%
Net debt to total equity	22.5%	30.3%	-7.8%
No. of issued shares at year end (mm)	1,447	1,443	+0.3%
NAV / Share	HK\$65.22	HK\$57.34	+14%
	<u>FY2017</u>	<u>FY2016</u>	
Interest cover * (x)	14.2	8.7	
Dividend cover * (x)	3.1	2.3	

* Before fair value increase of investment properties

DEBT MATURITY PROFILE AS OF DEC 31, 2017



Total Debt : HK\$38,022 mm





PRC PROPERTY DIVISION



PRC PROPERTY DIVISION – FINANCIAL RESULTS OVERVIEW



(HKD mm)	<u>FY 2017</u>	<u>FY 2016</u>	<u>% Change</u>
Turnover			
Property sales revenue excluding investment properties	8,463	6,655	+27%
Property rental	3,444	2,995	+15%
Hotel	1,918	1,734	+11%
Total	<u>13,825</u>	<u>11,384</u>	+21%
Gross profit			
Property sales	2,659	2,308	+15%
Property rental	2,713	2,381	+14%
Hotel	409	178	+130%
Total	<u>5,781</u>	<u>4,867</u>	+19%
Gross profit margin			
<i>Property sales</i>	31%	35%	
<i>Property rental</i>	79%	79%	
<i>Hotel</i>	21%	10%	
<i>Overall</i>	42%	43%	

Investment Property Portfolio in Mainland China as at 31 Dec 2017:-

('000 sq ft)	<u>Beijing</u>	<u>Shanghai</u>	<u>Shenzhen</u>	<u>Tianjin</u>	<u>Hangzhou</u>	<u>Total</u>
Office	711	1,436	1,552	-	100	3,799
Commercial	98	1,096	104	428	812	2,538
Apartment	277	774	-	-	-	1,051
Total GFA	1,086	3,306	1,656	428	912	7,388
% weighting	15%	45%	22%	6%	12%	100%

Occupancy rates of major investment properties as at 31 Dec 2017:-

	<u>As at 31 Dec 2017</u>	<u>As at 31 Dec 2016</u>
Beijing Kerry Centre ⁽¹⁾	97%	98%
Jing An Kerry Centre Phase I	95%	97%
Jing An Kerry Centre Phase II ⁽¹⁾	98%	98%
Kerry Parkside Shanghai Pudong ⁽¹⁾	97%	94%
Shenzhen Kerry Plaza Phase I	94%	91%
Shenzhen Kerry Plaza Phase II	94%	100%
Hangzhou Kerry Centre ⁽¹⁾	95%	87%

1) Excluding hotel

Average occupancy rates of major hotel properties:-

	<u>FY2017</u>	<u>FY2016</u>
Kerry Hotel, Beijing	85%	83%
Jing An Shangri-La Hotel, Shanghai	80%	79%
Shangri-La Hotel, Shenyang	71%	69%
Kerry Hotel, Pudong Shanghai	77%	73%
Shangri-La Hotel, Nanchang	76%	65%
Shangri-La Hotel, Tianjin	71%	65%
Midtown Shangri-La Hotel, Hangzhou	76%	64%

Detailed occupancy rates of major investment properties as at 31 Dec 2017:-

		As at 31 Dec 2017	As at 31 Dec 2016
Beijing Kerry Centre	- Serviced Apartment	96%	97%
	- Office	98%	98%
	- Retail	94%	98%
	- Average	97%	98%
Jing An Kerry Centre Ph I	- Serviced Apartment	87%	90%
	- Office	99%	100%
	- Retail	100%	100%
	- Average	95%	97%
Jing An Kerry Centre Ph II	- Office	98%	99%
	- Retail	99%	95%
	- Average	98%	98%
Kerry Parkside	- Serviced Apartment	85%	78%
	- Office	100%	100%
	- Retail	100%	95%
	- Average	97%	94%
Shenzhen Kerry Plaza Ph I	- Office	94%	91%
Shenzhen Kerry Plaza Ph II	- Office	93%	100%
	- Retail	100%	100%
	- Average	94%	100%
Hangzhou Kerry Centre	- Office	97%	100%
	- Retail	94%	85%
	- Average	95%	87%

PRC PROPERTY DIVISION – MAJOR PROPERTIES UNDER DEVELOPMENT



Name	Location	Type	Stage of Completion	Expected Completion	KPL's Interest (%)	KPL's Attributable GFA (s.f.)
MAJOR MIXED-USE DEVELOPMENT						
1	Shenyang Kerry Centre Phase II & III	Shenyang	R/O/C	Ph II – Residential: Mechanical & engineering, curtain wall installation and interior decoration work in progress; Commercial & office: Mechanical & engineering work in progress	Ph II – In phases from 2H 2018 onwards	5,309,788
2	Nanchang Complex Development Phase II	Nanchang	O/C	Schematic design in progress	2021	414,862
3	Tianjin Kerry Centre Phase II	Tianjin	R/O	Schematic design in progress	In phases from 2021 onwards	535,769
4	Zhengzhou Complex Development	Zhengzhou	R/H/O/C	Schematic design in progress	In phases from 2022 onwards	1,142,907
SUBTOTAL						7,403,326
OTHER INVESTMENT PROPERTIES						
5	Shenzhen Qianhai Kerry Centre	Shenzhen	R/O/C	Residential tower superstructure work topped up. Office tower superstructure work in progress	2019	2,173,844
6	Kunming Complex Development	Kunming	R/H/C	Piling work in progress	2020	371,517
7	Putian Hotel Development	Putian	H/C	Piling work in progress	2020	220,509
8	Shenzhen Qianhai Complex Development	Shenzhen	H/O/C	Piling work in progress	2021	322,830
SUBTOTAL						3,088,700
MIXED-USE DEVELOPMENT AND OTHER INVESTMENT PROPERTIES						10,492,026

PRC PROPERTY DIVISION – MAJOR PROPERTIES UNDER DEVELOPMENT (Cont'd)



Name	Location	Type	Stage of Completion	Expected Completion	KPL's Interest (%)	KPL's Attributable GFA (s.f.)	
PRIMARILY FOR SALE PROPERTIES							
9	The Metropolis – Arcadia Court Phase II (Tower 1)	Chengdu	R	Completion verification in progress	1H 2018	55	143,599
10	Hangzhou Zhijiang Castalia Court Phase II & III	Hangzhou	R/C	Curtain wall installation, mechanical & engineering, and interior decoration work in progress	In phases from 2H 2018 onwards	100	1,929,593
11	The Berylville, Ningbo Phase II	Ningbo	R	Interior decoration work in progress	2H 2018	50	308,351
SUBTOTAL							2,381,543
TOTAL							12,873,569

Denotation: R=Residential. C=Commercial



HONG KONG PROPERTY DIVISION





(HKD mm)	<u>FY 2017</u>	<u>FY 2016</u>	<u>% Change</u>
Turnover			
Property sales revenue	20,626	549	+3,657%
Property rental	1,097	1,058	+4%
Total	<u>21,723</u>	<u>1,607</u>	+1,252%
Gross profit			
Property sales	3,090	155	+1,894%
Property rental	874	834	+5%
Total	<u>3,964</u>	<u>989</u>	+301%
<i>Gross profit margin</i>			
<i>Property sales</i>	15%	28%	
<i>Property rental</i>	80%	79%	
<i>Overall</i>	18%	62%	

Investment Property Portfolio as at 31 Dec 2017:-

	<u>Total GFA</u> (’000 sq ft)
Apartment	803
Commercial	1,219
Office	841
Total GFA	<u>2,863</u>

Occupancy rates of investment property portfolio as at 31 Dec 2017:-

	<u>Occupancy rate as at</u>	
	<u>31 Dec 2017</u>	<u>31 Dec 2016</u>
Apartment	99%*	98%
Commercial	99%	99%
Office	96%	85%

* Excluding Resiglow with leasing commenced in third quarter of 2017.

HONG KONG PROPERTY DIVISION – MAJOR PROPERTIES UNDER DEVELOPMENT



Name		Location	Type	Stage of Completion	Expected Completion	KPL's Interest (%)	Buildable GFA* (s.f.)
FOR SALE PROPERTIES							
1	Beacon Hill Project (NKIL 6532)	Beacon Hill	R	Superstructure work in progress	2H 2018	100	116,380
2	Beacon Hill Project (NKIL 6533)	Beacon Hill	R	Foundation work in progress	2H 2020	100	342,769
3	LaSalle Road / Boundary Street Project	Ho Man Tin	R	Foundation work in progress	1H 2020	100	45,180
4	Wong Chuk Hang Station Package Two Property Development Project	Wong Chuk Hang	R	Procurement of major consultants in progress	2H 2022	50	246,496
SUBTOTAL							750,825
INVESTMENT PROPERTY							
5	Hing Hon Road Project	Sheung Wan	R	Foundation work in progress	1H 2019	100	67,560
SUBTOTAL							67,560
TOTAL							818,385

R=Residential

* KPL share



Outlook





- Our strategy remains to grow our recurrent income base by expanding the portfolio of iconic mixed-use developments in the CBDs of major metropolises in Mainland China. This is in line with our goal of delivering steady returns over the long term.
- Our group will seek opportunities to replenish its land bank in PRC major cities and provincial capitals in order to maintain growth momentum.
- In view of the measures imposed by the PRC central government to ensure the long-term stable development of the real estate sector, management will continue to review and adjust its sales and leasing activities in accordance with the macro environment.
- The coming year will present a number of challenges in Hong Kong. These will include economic and geopolitical uncertainty and the impact of the interest rate hikes in the United States. Our group will continue to plan its business development prudently, addressing the risks and opportunities in the market while creating value over time.



THANK YOU



APPENDIX



UNDERLYING PROFIT



(HKD mm)	<u>FY 2017</u>	<u>FY 2016</u>	<u>% Change</u>
Profit attributable to the shareholders	9,242	6,537	+41%
Fair value change of investment properties, net of tax			
Increase in fair value of investment properties	1,934	3,244	-40%
Effect of corresponding deferred tax charges	(74)	(643)	+88%
Share of increase in fair value of investment properties (net of deferred tax) of associates	744	657	+13%
Effect of share of non-controlling interests	(13)	(392)	+97%
Subtotal	2,591	2,866	-10%
Underlying profit attributable to the shareholders	<u>6,651</u>	<u>3,671</u>	+81%
Underlying earnings per share (HK\$)	<u>4.61</u>	<u>2.54</u>	+81%