

# Y2017 Interim Results



**KERRY PROPERTIES LIMITED**

嘉里建設有限公司

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# HIGHLIGHTS

| HONG KONG PROPERTY              |   |
|---------------------------------|---|
| Total Contracted Sales          | ✓ HKD 4.1 bn  |
| Total Saleable Area Sold        | ✓ Approx. 189,000 sf  |
| Key Properties Sold             | ✓ Mantin Heights, The Bloomsway   |
| Ongoing Construction Activities | ✓ The Bloomsway in So Kwun Wat, 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 4.3 bn  |
| Total GFA Sold                  | ✓ Approx. 140,000 sm  |
| Key Properties Sold             | ✓ Hangzhou Zhijiang Castalia Court, Shenyang Arcadia Court, Chengdu Metropolis-Arcadia Court, The Berylville in Ningbo and Qinhuangdao Habitat Ph 1<br>✓ Hangzhou Lake Grandeur |
| Ongoing Construction Activities | ✓ Shenzhen Qianhai Complex Development Project 1, Shenyang Kerry Centre, Jinan Complex Development and Kunming Complex Development  |

# FINANCIAL RESULTS OVERVIEW



| (HKD mm)   | <u>Six months<br/>ended</u><br>30 Jun 2017 | <u>Six months<br/>ended</u><br>30 Jun 2016 | <u>% Change</u> |
|--|--|--|-----------------|
| <b>Turnover</b>  | <b>17,742</b>                              | <b>5,537</b>                               | <b>+220%</b>    |
| <b>Gross profit</b>  | <b>4,102</b>                               | <b>2,612</b>                               | <b>+57%</b>     |
| <i>Gross profit margin (%)</i>   | 23%  | 47%  | -24%            |
| <b>Share of results of associates</b>  | <b>688</b>                                 | <b>548</b>                                 | <b>+26%</b>     |
| <b>Profit attributable to shareholders</b>   |  |  |                 |
| - Before taking into account the net increase in fair value of investment properties | 2,833                                      | 1,434                                      | +98%            |
| - Increase in fair value of investment properties (net of related tax effects)       | 476  | 607  | -22%            |
| - After taking into account the net increase in fair value of investment properties  | 3,309                                      | 2,041                                      | +62%            |
| <b>Earnings per share (HK\$)</b>   |  |  |                 |
| - Before taking into account the net increase in fair value of investment properties | 1.96                                       | 0.99                                       | +98%            |
| - After taking into account the net increase in fair value of investment properties  | 2.29                                       | 1.41                                       | +62%            |
| <b>Interim dividend per share (HK\$)</b>   | <b>0.45</b>                                | <b>0.30</b>                                | <b>+50%</b>     |
| <i>Payout ratio (%)</i>  | 23.0%                                      | 30.3%                                      | -7%             |

# TURNOVER ANALYSIS



| (HKD mm)                             | <u>Six months ended</u> |                    | <u>Six months ended</u> |                    | <u>% Change</u> |
|--------------------------------------|-------------------------|--------------------|-------------------------|--------------------|-----------------|
|                                      | <u>30 Jun 2017</u>      | <u>% Weighting</u> | <u>30 Jun 2016</u>      | <u>% Weighting</u> |                 |
| <b>Revenue from Property Sales *</b> |                         |                    |                         |                    |                 |
| - Hong Kong                          | 10,085                  | 57%                | 203                     | 4%                 | +4,868%         |
| - PRC                                | 4,521                   | 25%                | 2,566                   | 46%                | +76%            |
|                                      | <b>14,606</b>           | <b>82%</b>         | <b>2,769</b>            | <b>50%</b>         | <b>+427%</b>    |
| <b>Revenue from Property Rental</b>  |                         |                    |                         |                    |                 |
| - Hong Kong                          | 540                     | 3%                 | 512                     | 9%                 | +5%             |
| - PRC                                | 1,673                   | 10%                | 1,452                   | 26%                | +15%            |
|                                      | <b>2,213</b>            | <b>13%</b>         | <b>1,964</b>            | <b>35%</b>         | <b>+13%</b>     |
| <b>Hotel Revenue - PRC</b>           | <b>923</b>              | <b>5%</b>          | <b>804</b>              | <b>15%</b>         | <b>+15%</b>     |
| <b>Total Turnover</b>                | <b>17,742</b>           | <b>100%</b>        | <b>5,537</b>            | <b>100%</b>        | <b>+220%</b>    |
| <b>Recurrent Revenue</b>             | 3,136                   | 18%                | 2,768                   | 50%                | +13%            |
| <b>Non-Recurrent Revenue</b>         | 14,606                  | 82%                | 2,769                   | 50%                | +427%           |
| <b>Total</b>                         | <b>17,742</b>           | <b>100%</b>        | <b>5,537</b>            | <b>100%</b>        | <b>+220%</b>    |

\* Exclude sales of investment properties

# GROSS PROFIT ANALYSIS



| (HKD mm)                          | <u>Six months ended</u> |                    | <u>Six months ended</u> |                    | <u>% Change</u> |
|-----------------------------------|-------------------------|--------------------|-------------------------|--------------------|-----------------|
|                                   | <u>30 Jun 2017</u>      | <u>% Weighting</u> | <u>30 Jun 2016</u>      | <u>% Weighting</u> |                 |
| <b>Non-recurrent Gross Profit</b> |                         |                    |                         |                    |                 |
| Property Sales                    | 2,156                   | 53%                | 949                     | 36%                | +127%           |
| <b>Recurrent Gross Profit</b>     |                         |                    |                         |                    |                 |
| Property Rental                   | 1,776                   | 43%                | 1,568                   | 60%                | +13%            |
| Hotel Operations                  | 170                     | 4%                 | 95                      | 4%                 | +79%            |
| Total Recurrent Gross Profit      | <u>1,946</u>            | <u>47%</u>         | <u>1,663</u>            | <u>64%</u>         | +17%            |
| <b>Total</b>                      | <b><u>4,102</u></b>     | <b><u>100%</u></b> | <b><u>2,612</u></b>     | <b><u>100%</u></b> | <b>+57%</b>     |

# FINANCIAL POSITION



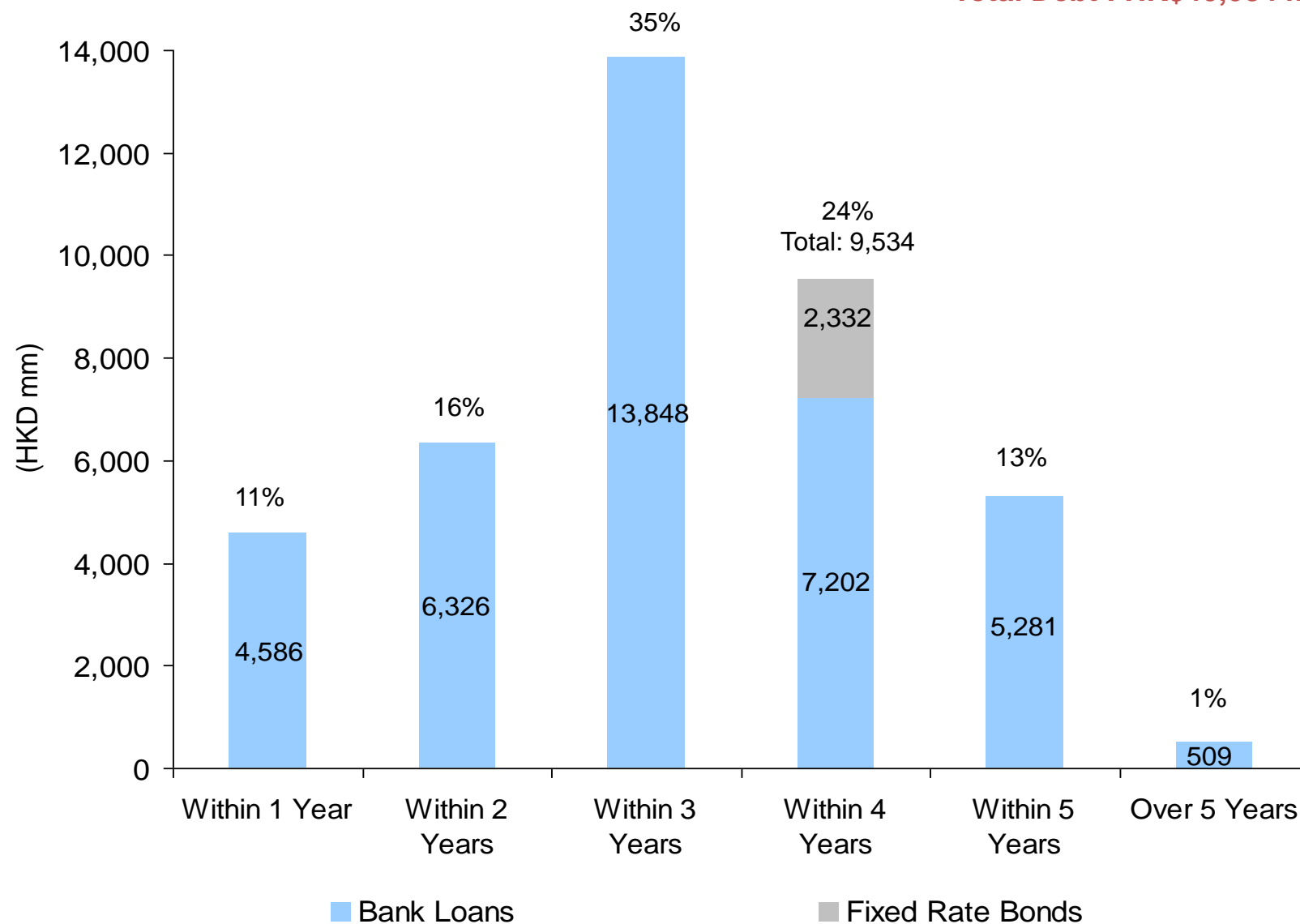
| (HKD mm)                                       | As of<br><u>Jun 30, 2017</u> | As of<br><u>Dec 31, 2016</u> | <u>% Change</u> |
|--|------------------------------|------------------------------|-----------------|
| <b>Total Debt</b>                              | 40,084                       | 45,333                       | -12%            |
| <b>Less: Cash and bank balances</b>            | (15,497)                     | (16,481)                     | -6%             |
| <b>Net Debt</b>                                | <u>24,587</u>                | <u>28,852</u>                | -15%            |
| <b>Undrawn bank loan facilities</b>            | 11,067                       | 9,287                        | +19%            |
| <b>NAV</b>                                     | 86,131                       | 82,744                       | +4%             |
| <b>Net debt to total equity</b>                | 24.8%                        | 30.3%                        | -5.5%           |
| <b>No. of issued shares at period end (mm)</b> | 1,443                        | 1,443                        | +0.0%           |
| <b>NAV / Share</b>                             | HK\$59.68                    | HK\$57.34                    | +4%             |
|  | <u>1H 2017</u>               | <u>1H 2016</u>               |                 |
| <b>Interest cover * (x)</b>                    | 8.6                          | 5.4                          |                 |
| <b>Dividend cover * (x)</b>                    | 4.4                          | 3.3                          |                 |

\* Before fair value increase of investment properties

# DEBT MATURITY PROFILE AS OF JUN 30, 2017



Total Debt : HK\$40,084 mm







## PRC PROPERTY DIVISION



# PRC PROPERTY DIVISION – FINANCIAL RESULTS OVERVIEW



| (HKD mm)   | <u>Six months<br/>ended<br/>30 Jun 2017</u> | <u>Six months<br/>ended<br/>30 Jun 2016</u> | <u>% Change</u> |
|--|---|---|-----------------|
| <b>Turnover</b>  |   |   |                 |
| Property sales revenue excluding investment properties | 4,521                                       | 2,566                                       | +76%            |
| Property rental  | 1,673                                       | 1,452                                       | +15%            |
| Hotel  | 923   | 804   | +15%            |
| <b>Total</b>   | <b><u>7,117</u></b>                         | <b><u>4,822</u></b>                         | <b>+48%</b>     |
| <b>Gross profit</b>                                    |   |   |                 |
| Property sales   | 980   | 880   | +11%            |
| Property rental  | 1,338                                       | 1,164                                       | +15%            |
| Hotel  | 170   | 95  | +79%            |
| <b>Total</b>   | <b><u>2,488</u></b>                         | <b><u>2,139</u></b>                         | <b>+16%</b>     |
| <b>Gross profit margin</b>                             |   |   |                 |
| <i>Property sales</i>                                  | 22%   | 34%   |                 |
| <i>Property rental</i>                                 | 80%   | 80%   |                 |
| <i>Hotel</i>   | 18%   | 12%   |                 |
| <i>Overall</i>   | 35%   | 44%   |                 |

Investment Property Portfolio in Mainland China as at 30 Jun 2017:-

| ('000 sq ft)     | <u>Beijing</u> | <u>Shanghai</u> | <u>Shenzhen</u> | <u>Tianjin</u> | <u>Hangzhou</u> | <u>Total</u> |
|------------------|----------------|-----------------|-----------------|----------------|-----------------|--------------|
| Office           | 711            | 1,440           | 1,552           | -              | 100             | 3,803        |
| Commercial       | 98             | 1,096           | 104             | 428            | 812             | 2,538        |
| Apartment        | 277            | 774             | -               | -              | -               | 1,051        |
| <b>Total GFA</b> | <b>1,086</b>   | <b>3,310</b>    | <b>1,656</b>    | <b>428</b>     | <b>912</b>      | <b>7,392</b> |
| % weighting      | 15%            | 45%             | 22%             | 6%             | 12%             | 100%         |

Occupancy rates of major investment properties as at 30 Jun 2017:-

|  | <u>As at<br/>30 Jun 2017</u> | <u>As at<br/>31 Dec 2016</u> |
|--|------------------------------|------------------------------|
| <b>Beijing Kerry Centre <sup>(1)</sup></b>           | 96%                          | 98%                          |
| <b>Jing An Kerry Centre Phase I</b>                  | 95%                          | 97%                          |
| <b>Jing An Kerry Centre Phase II <sup>(1)</sup></b>  | 98%                          | 98%                          |
| <b>Kerry Parkside Shanghai Pudong <sup>(1)</sup></b> | 97%                          | 94%                          |
| <b>Shenzhen Kerry Plaza Phase I</b>                  | 93%                          | 91%                          |
| <b>Shenzhen Kerry Plaza Phase II</b>                 | 97%                          | 100%                         |
| <b>Hangzhou Kerry Centre <sup>(1)</sup></b>          | 94%                          | 87%                          |

1) Excluding hotel

Average occupancy rates of major hotel properties:-

|   | <u>1H 2017</u> | <u>1H 2016</u> |
|---|----------------|----------------|
| <b>Kerry Hotel, Beijing</b>               | 84%            | 81%            |
| <b>Jing An Shangri-La Hotel, Shanghai</b> | 80%            | 75%            |
| <b>Shangri-La Hotel, Shenyang</b>         | 68%            | 64%            |
| <b>Kerry Hotel, Pudong Shanghai</b>       | 76%            | 73%            |
| <b>Shangri-La Hotel, Nanchang</b>         | 72%            | 57%            |
| <b>Shangri-La Hotel, Tianjin</b>          | 68%            | 59%            |
| <b>Midtown Shangri-La Hotel, Hangzhou</b> | 73%            | 51%            |

Detailed occupancy rates of major investment properties as at 30 Jun 2017:-

|                                   |                      | As at<br>30 Jun 2017 | As at<br>31 Dec 2016 |
|-----------------------------------|----------------------|----------------------|----------------------|
| <b>Beijing Kerry Centre</b>       | - Serviced Apartment | 92%                  | 97%                  |
|                                   | - Office             | 98%                  | 98%                  |
|                                   | - Retail             | 97%                  | 98%                  |
|                                   | - <b>Average</b>     | <b>96%</b>           | <b>98%</b>           |
| <b>Jing An Kerry Centre Ph I</b>  | - Serviced Apartment | 86%                  | 90%                  |
|                                   | - Office             | 100%                 | 100%                 |
|                                   | - Retail             | 97%                  | 100%                 |
|                                   | - <b>Average</b>     | <b>95%</b>           | <b>97%</b>           |
| <b>Jing An Kerry Centre Ph II</b> | - Office             | 98%                  | 99%                  |
|                                   | - Retail             | 99%                  | 95%                  |
|                                   | - <b>Average</b>     | <b>98%</b>           | <b>98%</b>           |
| <b>Kerry Parkside</b>             | - Serviced Apartment | 87%                  | 78%                  |
|                                   | - Office             | 100%                 | 100%                 |
|                                   | - Retail             | 98%                  | 95%                  |
|                                   | - <b>Average</b>     | <b>97%</b>           | <b>94%</b>           |
| <b>Shenzhen Kerry Plaza Ph I</b>  | - Office             | <b>93%</b>           | <b>91%</b>           |
| <b>Shenzhen Kerry Plaza Ph II</b> | - Office             | 97%                  | 100%                 |
|                                   | - Retail             | 100%                 | 100%                 |
|                                   | - <b>Average</b>     | <b>97%</b>           | <b>100%</b>          |
| <b>Hangzhou Kerry Centre</b>      | - Office             | 100%                 | 100%                 |
|                                   | - Retail             | 93%                  | 85%                  |
|                                   | - <b>Average</b>     | <b>94%</b>           | <b>87%</b>           |

# PRC PROPERTY DIVISION – MAJOR PROPERTIES UNDER DEVELOPMENT



| Name   | Location                               | Type      | Stage of Completion | Expected Completion   | KPL's Interest (%)                  | KPL's Attributable GFA (s.f.) |
|--|--|-----------|---------------------|---|-------------------------------------|-------------------------------|
| <b>MAJOR MIXED-USE DEVELOPMENT</b>                           |  |           |                     |   |                                     |                               |
| 1  | Hangzhou Kerry Centre                  | Hangzhou  | R                   | Completion verification in progress   | 2H 2017                             | 249,936                       |
| 2  | Shenyang Kerry Centre Phase II & III   | Shenyang  | R/O/C               | Ph II – Residential: Superstructure topped up; Commercial & office: Mechanical & engineering work in progress | Ph II – In phases from 2018 onwards | 5,261,059                     |
| 3  | Nanchang Complex Development Phase II  | Nanchang  | R/C                 | Schematic design in progress  | 2020                                | 495,024                       |
| 4  | Zhengzhou Complex Development          | Zhengzhou | R/H/O/C             | Schematic design in progress  | In phases from 2021 onwards         | 1,117,355                     |
| <b>SUBTOTAL</b>  |  |           |                     |   |                                     | <b>7,123,374</b>              |
| <b>OTHER INVESTMENT PROPERTIES</b>                           |  |           |                     |   |                                     |                               |
| 5  | Jinan Complex Development              | Jinan     | O/C/H               | Completion verification in progress   | 2H 2017 onwards                     | 588,906                       |
| 6  | Kunming Complex Development            | Kunming   | R/H/O/C             | Piling work in progress   | 2019                                | 491,419                       |
| 7  | Shenzhen Qianhai Complex Development 1 | Shenzhen  | R/O/C               | Basement structural work in progress. Residential tower superstructure work in progress                       | 2019                                | 2,173,844                     |
| 8  | Putian Hotel Development               | Putian    | H/C                 | Schematic design in progress  | 2020                                | 215,381                       |
| 9  | Shenzhen Qianhai Complex Development 2 | Shenzhen  | H/O/C               | Schematic design in progress  | 2021                                | 322,830                       |
| <b>SUBTOTAL</b>  |  |           |                     |   |                                     | <b>3,792,380</b>              |
| <b>MIXED-USE DEVELOPMENT AND OTHER INVESTMENT PROPERTIES</b> |  |           |                     |   |                                     | <b>10,915,754</b>             |

# 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.) |
|--------------------------------------|--|----------|------|--|-----------------------------|--------------------|-------------------------------|
| <b>PRIMARILY FOR SALE PROPERTIES</b> |  |          |      |  |                             |                    |                               |
| 10                                   | Nanjing Jinling Arcadia Court                          | Nanjing  | R    | Mechanical & engineering work in progress  | 2H 2017                     | 100                | 1,028,802                     |
| 11                                   | The Metropolis – Arcadia Court Phase II (Towers 1 & 8) | Chengdu  | R/C  | Fit-out work in progress   | In phases from 2017 onwards | 55                 | 369,101                       |
| 12                                   | Hangzhou Zhijiang Castalia Court Phase II & III        | Hangzhou | R/C  | Ph II – Internal work, external work, mechanical & engineering work in progress<br>Ph III – Structural work & curtain wall installation work in progress | In phases from 2018 onwards | 100                | 1,929,593                     |
| 13                                   | The Berylville, Ningbo Phase II                        | Ningbo   | R    | Curtain wall installation work in progress   | 2019                        | 50                 | 308,351                       |
| <b>SUBTOTAL</b>                      |  |          |      |  |                             |                    | <b>3,635,847</b>              |
| <b>TOTAL</b>                         |  |          |      |  |                             |                    | <b>14,551,601</b>             |

Denotation: R=Residential. C=Commercial



## HONG KONG PROPERTY DIVISION



# HONG KONG PROPERTY DIVISION – FINANCIAL RESULTS OVERVIEW



| (HKD mm)                   | <u>Six months<br/>ended<br/>30 Jun 2017</u> | <u>Six months<br/>ended<br/>30 Jun 2016</u> | <u>% Change</u> |
|----------------------------|---|---|-----------------|
| <b>Turnover</b>            |   |   |                 |
| Property sales revenue     | 10,085                                      | 203   | +4,868%         |
| Property rental            | 540   | 512   | +5%             |
| <b>Total</b>               | <u><u>10,625</u></u>                        | <u><u>715</u></u>                           | <b>+1,386%</b>  |
| <b>Gross profit</b>        |   |   |                 |
| Property sales             | 1,176                                       | 69  | +1,604%         |
| Property rental            | 438   | 404   | +8%             |
| <b>Total</b>               | <u><u>1,614</u></u>                         | <u><u>473</u></u>                           | <b>+241%</b>    |
| <b>Gross profit margin</b> |   |   |                 |
| <i>Property sales</i>      | 12%   | 34%   |                 |
| <i>Property rental</i>     | 81%   | 79%   |                 |
| <i>Overall</i>             | 15%   | 66%   |                 |



## Investment Property Portfolio as at 30 Jun 2017:-

|                  | <u>Total GFA</u><br>(‘000 sq ft) |
|------------------|----------------------------------|
| Apartment        | 803                              |
| Commercial       | 1,219                            |
| Office           | 841                              |
| <b>Total GFA</b> | <b><u>2,863</u></b>              |

## Occupancy rates of investment property portfolio as at 30 Jun 2017:-

|            | <u>Occupancy rate as at</u> |                    |
|------------|-----------------------------|--------------------|
|            | <u>30 Jun 2017</u>          | <u>31 Dec 2016</u> |
| Apartment  | 99%*                        | 98%                |
| Commercial | 99%                         | 99%                |
| Office     | 94%                         | 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.) |
|----------------------------|--|-------------|------|-------------------------------------|---------------------|--------------------|-----------------------|
| <b>FOR SALE PROPERTIES</b> |  |             |      |                                     |                     |                    |                       |
| 1                          | The Bloomsway  | So Kwun Wat | R    | Superstructure work in progress     | 2H 2017             | 100                | 939,600               |
| 2                          | Beacon Hill Project (NKIL 6532)                      | Beacon Hill | R    | Superstructure work in progress     | 1H 2018             | 100                | 116,380               |
| 3                          | Hing Hon Road Project                                | Sheung Wan  | R    | Foundation work in progress         | 1H 2019             | 71                 | 47,962                |
| 4                          | Beacon Hill Project (NKIL 6533)                      | Beacon Hill | R    | Ground investigation work completed | 2H 2019             | 100                | 342,769               |
| 5                          | LaSalle Road / Boundary Street Redevelopment Project | Ho Man Tin  | R    | Demolition work completed           | 1H 2020             | 100                | 45,180                |
| <b>Total</b>               |  |             |      |                                     |                     |                    | <b>1,491,891</b>      |



## Outlook





- Our group will continue to develop its portfolio of mixed-use landmark properties in the CBDs of major cities in PRC. New properties, including those under development in Qianhai and Shenyang, will be added to the rental portfolio as they come on stream in the next few years.
- In view of the regulatory and monetary tightening policies from the central government on property purchases, the pace of property sales in various cities has been adjusted. The Group holds a cautiously optimistic view of the PRC Division's outlook for the full year, but will stay alert to the macroeconomic challenges ahead.
- For the remainder of 2017, the local economy will continue to be supported by solid fundamentals and favorable employment conditions. Hong Kong segment is expected to maintain stable sales momentum in the coming quarters.



**THANK YOU**



## APPENDIX



# UNDERLYING PROFIT



| (HKD mm)  | <u>Six months<br/>ended</u><br><u>30 Jun 2017</u> | <u>Six months<br/>ended</u><br><u>30 Jun 2016</u> | <u>% Change</u> |
|---|---|---|-----------------|
| <b>Profit attributable to the shareholders</b>  | <b>3,309</b>                                      | <b>2,041</b>                                      | <b>+62%</b>     |
| <b>Fair value change of investment properties, net of tax</b>                                   |   |   |                 |
| Increase in fair value of investment properties   | 474   | 919   | -48%            |
| Effect of corresponding deferred tax charges  | (68)  | (230)   | -70%            |
| Share of increase in fair value of investment properties<br>(net of deferred tax) of associates | 79  | 68  | +16%            |
| Effect of share of non-controlling interests  | (9)   | (150)   | -94%            |
| <b>Subtotal</b>   | <b>476</b>  | <b>607</b>  | <b>-22%</b>     |
| <b>Underlying profit attributable to the shareholders</b>                                       | <b><u>2,833</u></b>                               | <b><u>1,434</u></b>                               | <b>+98%</b>     |
| <b>Underlying earnings per share (HK\$)</b>   | <b><u>1.96</u></b>                                | <b><u>0.99</u></b>                                | <b>+98%</b>     |