

Y2016 Final Results



KERRY PROPERTIES LIMITED

嘉里建設有限公司

17 March 2017



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.

HIGHLIGHTS



HONG KONG PROPERTY	
Total Contracted Sales	✓ HKD 12.2 bn
Total Saleable Area Sold	✓ Approx. 698,000 sf
Key Properties Sold	✓ Mantin Heights *, The Bloomsway
Land Acquisition	<ul style="list-style-type: none"> ✓ LaSalle Road/Boundary Street in Ho Man Tin (6/2016), ✓ Beacon Hill (NKIL6533) in Lung Cheung Road (10/2016)
Ongoing Construction Activities	<ul style="list-style-type: none"> ✓ Mantin Heights in Ho Man Tin, The Bloomsway in So Kwun Wat, Shan Kwong Road project, 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 14.2 bn
Total GFA Sold	✓ Approx. 629,000 sm
Key Properties Sold	<ul style="list-style-type: none"> ✓ Nanjing Jinling Arcadia Court, Hangzhou Zhijiang Castalia Court, Putian Arcadia Court, Chengdu Metropolis-Arcadia Court Ph 2, Shenyang Arcadia Court, Nanchang Arcadia Court Ph 1, Tianjin Arcadia Court and Shanghai Kerry Everbright City Ph 3 Enterprise Centre office
New Investment Properties / Hotel	<ul style="list-style-type: none"> ✓ Office and retail at Hangzhou Kerry Centre (3/2016 and 11/2016) ✓ Midtown Shangri-La Hotel, Hangzhou (3/2016)
Land Acquisition	<ul style="list-style-type: none"> ✓ Shenzhen Qianhai Complex Development Project 2 (12/2016)
Project Disposals	<ul style="list-style-type: none"> ✓ Ph 3 in Chengdu Metropolis-Arcadia Court (10/2016); Changsha Arcadia Court (1/2017) ✓ Yingkou (Completion of shares transfer is expected to be in Y2017)
Ongoing Construction Activities	<ul style="list-style-type: none"> ✓ Shenzhen Qianhai Complex Development Project 1, Shenyang Kerry Centre, Jinan Complex Development and Kunming Complex Development

* Launched during 1H 2016

FINANCIAL RESULTS OVERVIEW



(HKD mm)	<u>FY2016</u>	<u>FY2015</u>	<u>% Change</u>
Turnover	12,991	10,393	+25%
Gross profit	5,856	3,911	+50%
<i>Gross profit margin (%)</i>	45%	38%	+7%
Share of results of associates	1,801	2,018	-11%
Profit attributable to shareholders			
- Before taking into account the net increase in fair value of investment properties	3,671	3,481	+5%
- Increase in fair value of investment properties (net of related tax effects)	2,866	2,049	+40%
- After taking into account the net increase in fair value of investment properties	6,537	5,530	+18%
Earnings per share (HK\$)			
- Before taking into account the net increase in fair value of investment properties	2.54	2.41	+5%
- After taking into account the net increase in fair value of investment properties	4.53	3.83	+18%
Final dividend per share (HK\$)	0.80	0.60	+33%
Dividend per share (HK\$)			
- Interim	0.30	0.30	+0%
- Final	0.80	0.60	+33%
- Total	1.10	0.90	+22%
Payout ratio (%)	43.3%	37.3%	+6%

TURNOVER ANALYSIS



(HKD mm)	<u>FY 2016</u>	<u>% Weighting</u>	<u>FY 2015</u>	<u>% Weighting</u>	<u>% Change</u>
Revenue from Property Sales *					
- PRC	6,655	52%	3,358	32%	+98%
- Hong Kong	549	4%	1,727	17%	-68%
	7,204	56%	5,085	49%	+42%
Revenue from Property Rental					
- PRC	2,995	23%	2,897	28%	+3%
- Hong Kong	1,058	8%	904	9%	+17%
	4,053	31%	3,801	37%	+7%
Hotel Revenue - PRC	1,734	13%	1,507	14%	+15%
Total Turnover	12,991	100%	10,393	100%	+25%
Recurrent Revenue	5,787	45%	5,308	51%	+9%
Non-Recurrent Revenue	7,204	55%	5,085	49%	+42%
Total	12,991	100%	10,393	100%	+25%

* Exclude sales of investment properties

GROSS PROFIT ANALYSIS



(HKD mm)	<u>FY 2016</u>	<u>% Weighting</u>	<u>FY 2015</u>	<u>% Weighting</u>	<u>% Change</u>
Non-recurrent Gross Profit					
Property Sales *	2,463	42%	810	21%	+204%
Recurrent Gross Profit					
Property Rental	3,215	55%	2,947	75%	+9%
Hotel Operations	178	3%	154	4%	+16%
Total Recurrent Gross Profit	<u>3,393</u>	<u>58%</u>	<u>3,101</u>	<u>79%</u>	+9%
Total	<u>5,856</u>	<u>100%</u>	<u>3,911</u>	<u>100%</u>	+50%

* Include provision of impairment of properties under development in FY2015.

FINANCIAL POSITION



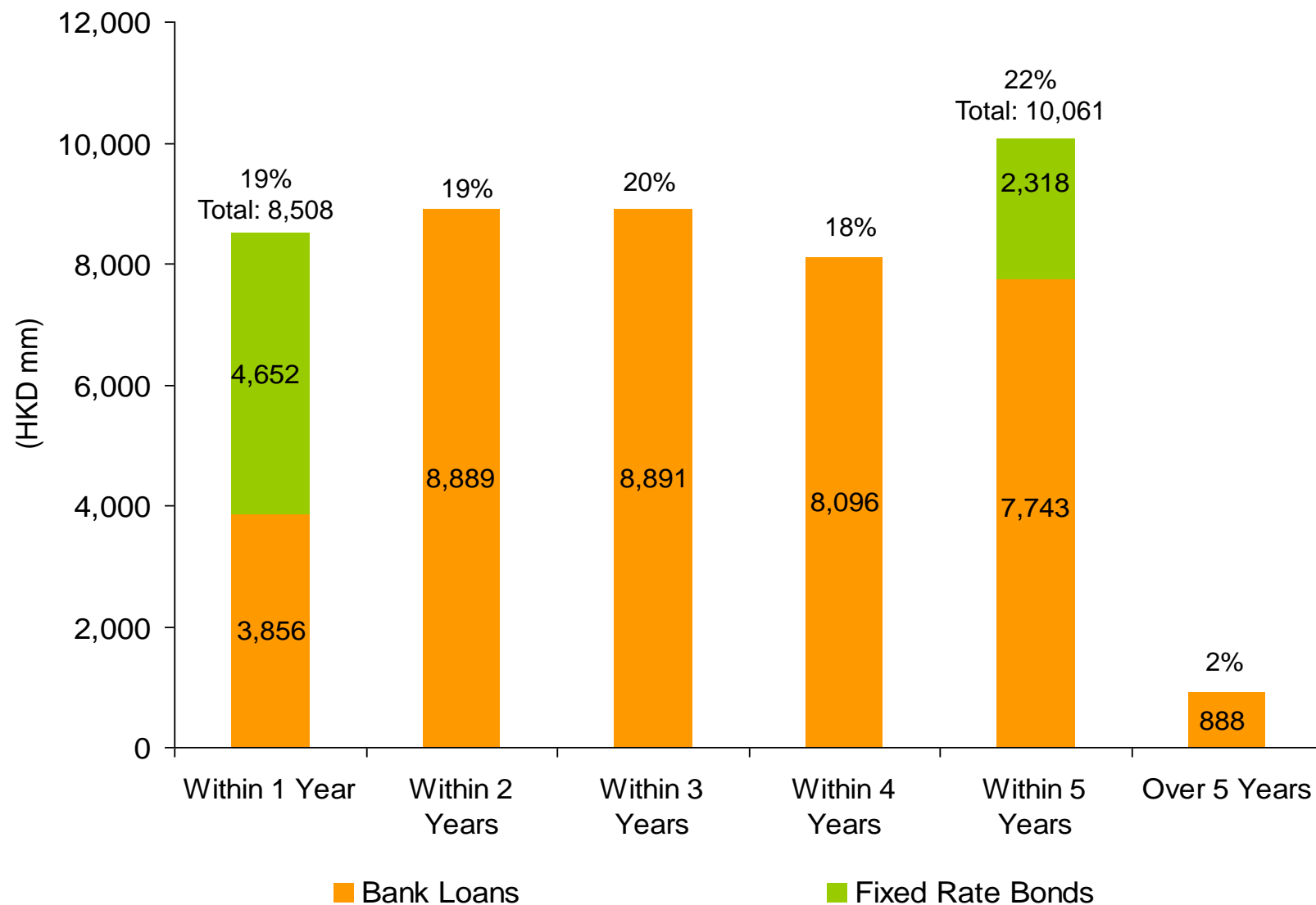
(HKD mm)	<u>As of</u> <u>Dec 31, 2016</u>	<u>As of</u> <u>Dec 31, 2015</u>	<u>% Change</u>
Total Debt	45,333	37,046	+22%
Less: Cash and bank balances	(16,481)	(10,865)	+52%
Net Debt	<u>28,852</u>	<u>26,181</u>	+10%
Undrawn bank loan facilities	9,287	16,244	-43%
NAV	82,744	81,353	+2%
Net debt to total equity	30.3%	27.8%	+2.5%
No. of issued shares at period end (mm)	1,443	1,446	-0.2%
NAV / Share	HK\$57.34	HK\$56.27	+2%
	<u>FY2016</u>	<u>FY2015</u>	
Interest cover * (x)	8.7	6.1	
Dividend cover * (x)	2.3	2.7	

* Before fair value increase of investment properties

DEBT MATURITY PROFILE AS OF DEC 31, 2016



Total Debt : HK\$45,333 mm





PRC PROPERTY DIVISION



PRC PROPERTY DIVISION – FINANCIAL RESULTS OVERVIEW



(HKD mm)	<u>FY 2016</u>	<u>FY 2015</u>	<u>% Change</u>
Turnover			
Property sales revenue excluding investment properties	6,655	3,358	+98%
Property rental	2,995	2,897	+3%
Hotel	1,734	1,507	+15%
Total	<u>11,384</u>	<u>7,762</u>	+47%
Gross profit			
Property sales	2,308	602	+283%
Property rental	2,381	2,272	+5%
Hotel	178	154	+16%
Subtotal	<u>4,867</u>	<u>3,028</u>	+61%
Provision of impairment of properties under development	-	(400)	+100%
Total	<u>4,867</u>	<u>2,628</u>	+85%
Gross profit margin			
<i>Property sales</i>	35%	18%	
<i>Property rental</i>	79%	78%	
<i>Hotel</i>	10%	10%	
<i>Overall (before provision of impairment)</i>	43%	39%	
<i>Overall (after provision of impairment)</i>	43%	34%	

Investment Property Portfolio in Mainland China as at 31 Dec 2016:-

('000 sq ft)	<u>Beijing</u>	<u>Shanghai</u>	<u>Shenzhen</u>	<u>Tianjin</u>	<u>Hangzhou</u>	<u>Fuzhou</u>	<u>Total</u>
Office	711	1,453	1,552	-	100	-	3,816
Commercial	98	1,096	212	428	812	12	2,658
Apartment	277	774	-	-	-	-	1,051
Total GFA	1,086	3,323	1,764	428	912	12	7,525
% weighting	14%	44%	24%	6%	12%	0.2%	100%

Occupancy rates of major investment properties as at 31 Dec 2016:-

	<u>As at 31 Dec 2016</u>	<u>As at 31 Dec 2015</u>
Beijing Kerry Centre ⁽¹⁾	98%	96%
Jing An Kerry Centre Phase I	97%	96%
Jing An Kerry Centre Phase II ⁽¹⁾	98%	96%
Kerry Parkside Shanghai Pudong ⁽¹⁾	94%	97%
Shenzhen Kerry Plaza Phase I	91%	97%
Shenzhen Kerry Plaza Phase II	100%	100%

1) Excluding hotel

Average occupancy rates of major hotel properties:-

	<u>FY2016</u>	<u>FY2015</u>
Kerry Hotel, Beijing	83%	78%
Jing An Shangri-La Hotel, Shanghai	79%	74%
Shangri-La Hotel, Shenyang	69%	67%
Kerry Hotel, Pudong Shanghai	73%	71%
Shangri-La Hotel, Nanchang	65%	59%
Shangri-La Hotel, Tianjin	65%	56%
Midtown Shangri-La Hotel, Hangzhou	64%	n/a

Detailed occupancy rates of major investment properties as at 31 Dec 2016:-

		<u>As at 31 Dec 2016</u>	<u>As at 31 Dec 2015</u>
Beijing Kerry Centre	- Serviced Apartment	97%	91%
	- Office	98%	98%
	- Retail	98%	100%
	- Average	98%	96%
Jing An Kerry Centre Ph I	- Serviced Apartment	90%	93%
	- Office	100%	99%
	- Retail	100%	90%
	- Average	97%	96%
Jing An Kerry Centre Ph II	- Office	99%	96%
	- Retail	95%	96%
	- Average	98%	96%
Kerry Parkside	- Serviced Apartment	78%	86%
	- Office	100%	100%
	- Retail	95%	99%
	- Average	94%	97%
Shenzhen Kerry Plaza Ph I	- Office	91%	97%
Shenzhen Kerry Plaza Ph II	- Office	100%	100%
	- Retail	100%	100%
	- Average	100%	100%

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	Hangzhou Kerry Centre	Hangzhou	R	Completion verification in progress	1H 2017	275,005
2	Shenyang Kerry Centre	Shenyang	R/O/C	Ph I – Residential: Mechanical, engineering and landscape work in progress Ph II – Residential: Superstructure topped up; Commercial & office: Mechanical, engineering and curtain wall installation work in progress	Ph I – 1H 2017 Ph II – In phases from 2018 onwards	5,729,813
3	Nanchang Complex Development Phase II	Nanchang	R/C	Schematic design in progress	2019	402,057
4	Zhengzhou Complex Development	Zhengzhou	R/H/O/C	Schematic design in progress	In phases from 2021 onwards	1,116,112
SUBTOTAL						7,522,987
OTHER INVESTMENT PROPERTIES						
5	Jinan Complex Development	Jinan	O/C/H	External work, internal work, mechanical and engineering work in progress	2H 2017 onwards	588,906
6	Putian Hotel Development	Putian	H/C	Schematic design in progress	2019	215,381
7	Kunming Complex Development	Kunming	R/H/O/C	Trial piling work in progress	2019	506,651
8	Shenzhen Qianhai Complex Development 1	Shenzhen	R/O/C	Piling and basement structural work in progress. Residential tower superstructure work in progress	2019	2,173,844
9	Shenzhen Qianhai Complex Development 2 *	Shenzhen	H/O/C	Schematic design in progress	2020	331,172
SUBTOTAL						3,815,954
MIXED-USE DEVELOPMENT AND OTHER INVESTMENT PROPERTIES						11,338,941

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							
10	Nanjing Jinling Arcadia Court	Nanjing	R	Mechanical & engineering work in progress	1H 2017	100	1,028,802
11	The Metropolis – Arcadia Court Phase II	Chengdu	R/C	External work, internal work, mechanical & engineering work in progress	2H 2017	55	1,161,070
12	Hangzhou Zhijiang Castalia Court	Hangzhou	R/C	Ph I – Interior decoration work in progress Ph II – Internal work and mechanical & engineering work in progress Ph III – Structural work in progress	In phases from 2017 onwards	100	2,482,604
13	The Berylville, Ningbo Phase II	Ningbo	R	Superstructure topped up	2018	50	308,351
SUBTOTAL							4,980,827
TOTAL							16,319,768

Denotation: R=Residential. C=Commercial



HONG KONG PROPERTY DIVISION





(HKD mm)	<u>FY 2016</u>	<u>FY 2015</u>	<u>% Change</u>
Turnover			
Property rental	1,058	904	+17%
Property sales revenue	549	1,727	-68%
Total	<u>1,607</u>	<u>2,631</u>	-39%
Gross profit			
Property rental	834	675	+24%
Property sales	155	608	-75%
Total	<u>989</u>	<u>1,283</u>	-23%
Gross profit margin			
<i>Property rental</i>	79%	75%	
<i>Property sales</i>	28%	35%	
<i>Overall</i>	62%	49%	

Investment Property Portfolio as at 31 Dec 2016:-

	<u>Total GFA</u> (’000 sq ft)
Apartment	722
Commercial	1,219
Office	841
Total GFA	<u>2,782</u>

Occupancy rates of investment property portfolio as at 31 Dec 2016:-

	Occupancy rate as at	
	<u>31 Dec 2016</u>	<u>31 Dec 2015</u>
Apartment	98%	85%
Commercial	99%	100%
Office	85%	99%

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	Mantin Heights	Ho Man Tin	R	Superstructure work in progress	1H 2017	100	1,142,168
2	The Bloomsway	So Kwun Wat	R	Superstructure work in progress	1H 2017	100	939,600
3	Shan Kwong Road Project	Happy Valley	R	Superstructure work in progress	1H 2017	100	81,217
4	Beacon Hill Project (NKIL 6532)	Beacon Hill	R	Foundation work completed	1H 2018	100	116,380
5	Hing Hon Road Project	Sheung Wan	R	Demolition work completed	1H 2019	71	47,962
6	LaSalle Road / Boundary Street Redevelopment Project *	Ho Man Tin	R	Demolition work completed	2H 2019	100	45,180
7	Beacon Hill Project (NKIL 6533)*	Beacon Hill	R	Ground investigation work in progress	2H 2019	100	342,769
Total							2,715,276

R=Residential

* Acquired in Y2016

** KPL share



Outlook





- Our group will continue to develop its investment property portfolio, with particular focus on commercial complexes in top-tier cosmopolitan locations in Mainland China.
- Continues to move ahead with sales launches of projects under development in the Mainland China, while selectively divesting some developments in the second- and third-tier cities.
- Management is optimistic about Hong Kong's prospects, but will stay alert to the impact of an interest rate up-cycle and economic fluctuations. Sales activity will likely remain robust on the back of solid demand for the Group's residential projects.



THANK YOU



APPENDIX



UNDERLYING PROFIT



(HKD mm)	<u>FY 2016</u>	<u>FY 2015</u>	<u>% Change</u>
Profit attributable to the shareholders	6,537	5,530	+18%
Fair value change of investment properties, net of tax			
Increase in fair value of investment properties	3,244	2,466	+32%
Effect of corresponding deferred tax charges	(643)	(279)	+130%
Share of increase in fair value of investment properties (net of deferred tax) of associates	657	49	+1,241%
Effect of share of non-controlling interests	(392)	(187)	+110%
Subtotal	2,866	2,049	+40%
Underlying profit attributable to the shareholders	<u>3,671</u>	<u>3,481</u>	+5%
Underlying earnings per share (HK\$)	<u>2.54</u>	<u>2.41</u>	+5%