

Y2018 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 8.4 bn
Total Saleable Area Sold	✓ Approx. 278,000 sf
Key Properties Sold	✓ Mantin Heights, The Bloomsway
Ongoing Construction Activities	✓ Beacon Hill, Hing Hon Road in Sai Ying Pun, LaSalle Road in Ho Man Tin and Wong Chuk Hang Station Package Two Property Development Project

PRC PROPERTY

Total Contracted Sales	✓ Approx. HKD 6.7 bn
Total GFA Sold	✓ Approx. 136,000 sm
Key Properties Sold	✓ Shenzhen Qianhai Kerry Centre apartment, Jinling Arcadia Court in Nanjing, Shenyang Arcadia Height and Hangzhou Zhijiang Castalia Court
New Investment Property	✓ Shenyang Kerry Centre Ph 2 office & retail (8/2018 & 11/2018)
Land Acquisition	<ul style="list-style-type: none"> ✓ Fuzhou Cangshan Complex Development, Cangshan District in Fuzhou (8/2018) ✓ Wuhan Complex Development, Jiangnan District in Wuhan (9/2018) ✓ Shenzhen Qianhai Complex Development Project Ph III, Qianwan Area in Qianhai (12/2018)
Ongoing Construction Activities	✓ Shenzhen Qianhai Kerry Centre, Shenyang Kerry Centre Ph III, Kunming Complex Development and Shenzhen Qianhai Complex Development Project Ph II

FINANCIAL RESULTS OVERVIEW



(HKD mm)	<u>FY2018</u>	<u>FY2017</u>	<u>% Change</u>
Turnover	21,433	35,548	-40%
Gross profit	9,003	9,745	-8%
<i>Gross profit margin (%)</i>	42%	27%	+15%
Share of results of associates and joint ventures	2,142	2,060	+4%
Underlying profit (before exceptional items)	5,981	6,649	-10%
Exceptional items			
- Provision for impairment loss for property under development (N1)	(1,175)	-	n/a
- Net decrease in fair value on financial assets at fair value through profit or loss (N2)	(1,461)	2	-73,150%
Profit attributable to shareholders			
- Underlying profit (after exceptional items)	3,345	6,651	-50%
- Increase in fair value of investment properties (net of related tax effects)	4,154	2,591	+60%
- Reported profit	7,499	9,242	-19%
Earnings per share (HK\$)			
- Underlying profit (after exceptional items)	2.30	4.61	-50%
- Reported profit	5.16	6.40	-19%
Final dividend per share (HK\$)	0.95	0.90	+6%
Dividend per share (HK\$)			
- Interim	0.40	0.45	-11%
- Final	0.95	0.90	+6%
- Special	-	0.15	-100%
- Total	1.35	1.50	-10%
Payout ratio (%)	58.7%	32.5%	+26.2%

N1: Included provision for impairment loss for Nam Van Lake project in Macau amounting to HK\$1,175 million in FY2018 (FY2017: Nil)

N2: Included decrease in fair value relating to investment in Shanghai Krupp Stainless Co.Ltd. amounting to HK\$1,500 million in FY2018 (FY2017: Nil) 4

TURNOVER ANALYSIS



(HKD mm)	<u>FY 2018</u>	<u>% Weighting</u>	<u>FY 2017</u>	<u>% Weighting</u>	<u>% Change</u>
Revenue from Property Rental					
- Hong Kong	1,164	6%	1,097	3%	+6%
- PRC	3,686	17%	3,444	10%	+7%
	4,850	23%	4,541	13%	+7%
Revenue from Property Sales *					
- Hong Kong	6,959	32%	20,626	58%	-66%
- PRC	7,516	35%	8,463	24%	-11%
	14,475	67%	29,089	82%	-50%
Hotel Revenue - PRC	2,108	10%	1,918	5%	+10%
Total Turnover	21,433	100%	35,548	100%	-40%
Recurrent Revenue	6,958	32%	6,459	18%	+8%
Non-Recurrent Revenue	14,475	68%	29,089	82%	-50%
Total	21,433	100%	35,548	100%	-40%

* Exclude sales of investment properties

GROSS PROFIT ANALYSIS



(HKD mm)	<u>FY 2018</u>	<u>% Weighting</u>	<u>FY 2017</u>	<u>% Weighting</u>	<u>% Change</u>
Recurrent Gross Profit					
Property Rental	3,831	43%	3,587	37%	+7%
Hotel Operations	392	4%	409	4%	-4%
Total Recurrent Gross Profit	<u>4,223</u>	<u>47%</u>	<u>3,996</u>	<u>41%</u>	+6%
Non-recurrent Gross Profit					
Property Sales	4,780	53%	5,749	59%	-17%
Total	<u><u>9,003</u></u>	<u><u>100%</u></u>	<u><u>9,745</u></u>	<u><u>100%</u></u>	-8%

FINANCIAL POSITION



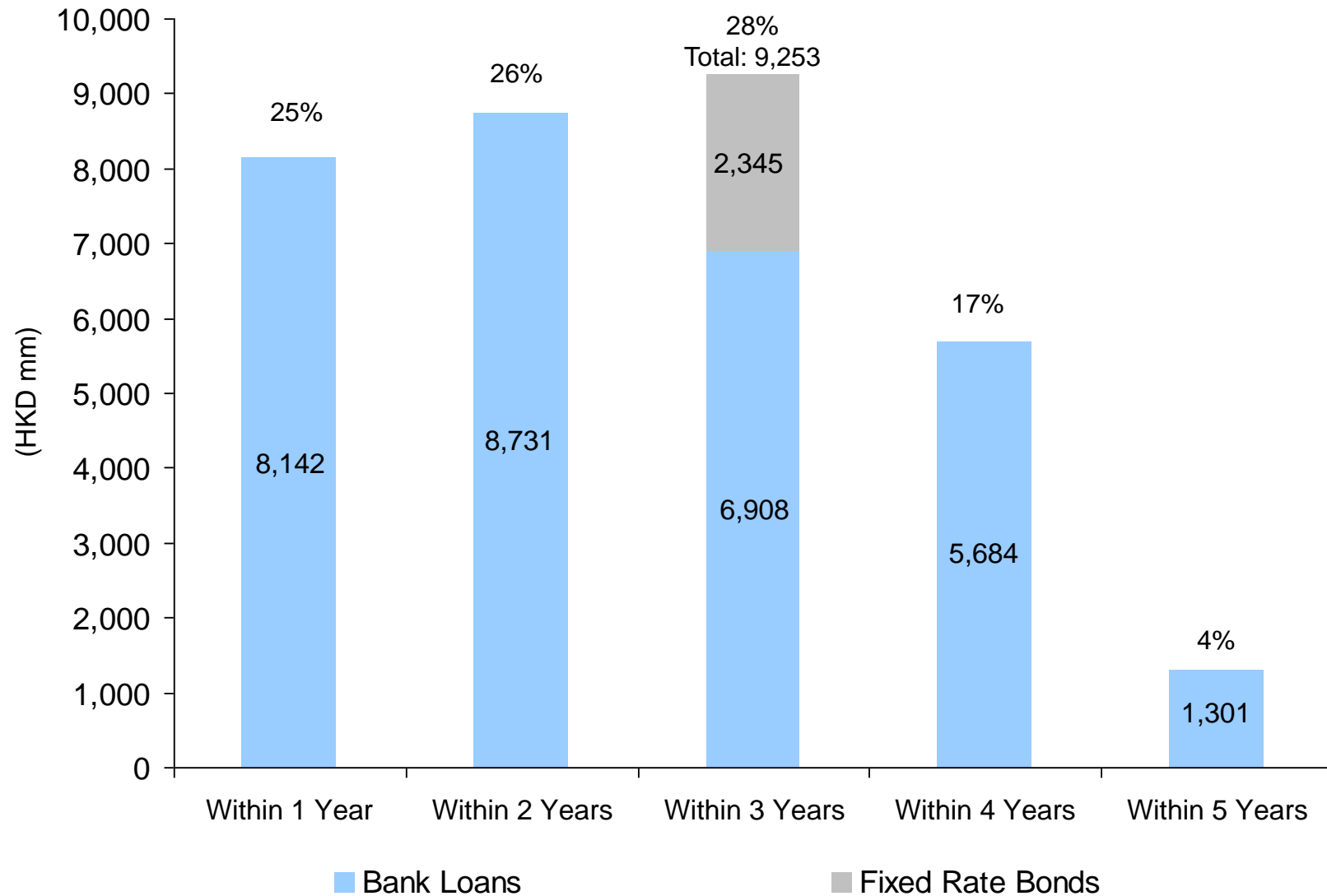
(HKD mm)	As of <u>Dec 31, 2018</u>	As of <u>Dec 31, 2017</u>	<u>% Change</u>
Total Debt	33,111	38,022	-13%
Less: Cash and bank balances	(14,384)	(13,748)	+5%
Net Debt	<u>18,727</u>	<u>24,274</u>	-23%
Undrawn bank loan facilities	12,325	11,665	+6%
NAV	97,541	94,349	+3%
Net debt to total equity	16.9%	22.5%	-5.6%
No. of issued shares at year end (mm)	1,455	1,447	+0.6%
NAV / Share	HK\$67.03	HK\$65.22	+3%
	<u>FY2018</u>	<u>FY2017</u>	
Interest cover * (x)	27.3	14.2	
Dividend cover * (x)	1.7	3.1	

* Before fair value increase of investment properties

DEBT MATURITY PROFILE AS OF DEC 31, 2018



Total Debt : HK\$33,111 mm





PRC PROPERTY DIVISION



PRC PROPERTY DIVISION – FINANCIAL RESULTS OVERVIEW



(HKD mm)	<u>FY 2018</u>	<u>FY 2017</u>	<u>% Change</u>
Turnover			
Property rental	3,686	3,444	+7%
Property sales revenue excluding investment properties	7,516	8,463	-11%
Hotel	2,108	1,918	+10%
Total	<u>13,310</u>	<u>13,825</u>	-4%
Gross profit			
Property rental	2,905	2,713	+7%
Property sales	2,381	2,659	-10%
Hotel	392	409	-4%
Total	<u>5,678</u>	<u>5,781</u>	-2%
Gross profit margin			
<i>Property rental</i>	79%	79%	
<i>Property sales</i>	32%	31%	
<i>Hotel</i>	19%	21%	
<i>Overall</i>	43%	42%	

Investment Property Portfolio in Mainland China as at 31 Dec 2018:-

KPL's attributable GFA ('000 sq ft)	<u>Beijing</u>	<u>Shanghai</u>	<u>Shenzhen</u>	<u>Hangzhou</u>	<u>Shenyang</u>	<u>Tianjin</u>	<u>Jinan</u>	<u>Total</u>
Office	711	1,429	1,552	102	354	-	195	4,343
Commercial	98	1,096	104	798	486	435	34	3,051
Apartment	277	774	-	-	-	-	-	1,051
Total GFA	1,086	3,299	1,656	900	840	435	229	8,445
% weighting	13%	39%	19%	11%	10%	5%	3%	100%

Occupancy rates of major investment properties as at 31 Dec 2018:-

	<u>As at 31 Dec 2018</u>	<u>As at 31 Dec 2017</u>
Jing An Kerry Centre Phase I	96%	95%
Jing An Kerry Centre Phase II ⁽¹⁾	98%	98%
Kerry Parkside ⁽¹⁾	97%	97%
Beijing Kerry Centre ⁽¹⁾	96%	97%
Shenzhen Kerry Plaza Phase I	97%	94%
Shenzhen Kerry Plaza Phase II	97%	94%
Hangzhou Kerry Centre ⁽¹⁾	92%	95%
Shenyang Kerry Centre ⁽¹⁾	39%	N/A

1) Excluding hotel

Average occupancy rates of major hotel properties:-

	<u>FY2018</u>	<u>FY2017</u>
Kerry Hotel, Beijing	85%	85%
Jing An Shangri-La Hotel, Shanghai	78%	80%
Shangri-La Hotel, Shenyang	68%	71%
Kerry Hotel, Pudong Shanghai	74%	77%
Shangri-La Hotel, Nanchang	76%	76%
Shangri-La Hotel, Tianjin	73%	71%
Midtown Shangri-La Hotel, Hangzhou	77%	76%

Detailed occupancy rates of major investment properties as at 31 Dec 2018:-

		As at 31 Dec 2018	As at 31 Dec 2017
Jing An Kerry Centre Ph I	- Serviced Apartment	87%	87%
	- Office	99%	99%
	- Retail	98%	100%
	- Average	96%	95%
Jing An Kerry Centre Ph II	- Office	99%	98%
	- Retail	97%	99%
	- Average	98%	98%
Kerry Parkside	- Serviced Apartment	85%	85%
	- Office	100%	100%
	- Retail	100%	100%
	- Average	97%	97%
Beijing Kerry Centre	- Serviced Apartment	93%	96%
	- Office	99%	98%
	- Retail	85%	94%
	- Average	96%	97%
Shenzhen Kerry Plaza Ph I	- Office	97%	94%
Shenzhen Kerry Plaza Ph II	- Office	97%	93%
	- Retail	100%	100%
	- Average	97%	94%
Hangzhou Kerry Centre	- Office	82%	97%
	- Retail	94%	94%
	- Average	92%	95%
Shenyang Kerry Centre	- Office	19%	n/a
	- Retail	68%	n/a
	- Average	39%	n/a

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 Arcadia Height Towers 1 & 2	Shenyang	R/C	Interior decoration work in progress	In phases from 1H 2019 onwards	449,524
2	Nanchang Complex Development Phase II	Nanchang	O/C	Schematic design in progress	2021	516,749
3	Zhengzhou Complex Development	Zhengzhou	R/H/O/C	Residential: Excavation work in progress	In phases from 2022 onwards	1,156,771
4	Shenyang Kerry Centre Phase III	Shenyang	R/O/C	Excavation work in progress	In phases from 2022 onwards	2,963,179
5	Tianjin Kerry Centre Phase II	Tianjin	R/O/C	Schematic design in progress	2023	630,709
SUBTOTAL						5,716,932
OTHER INVESTMENT PROPERTIES						
6	Shenzhen Qianhai Kerry Centre	Shenzhen	R/O/C	Residential tower: Curtain wall installation work in progress. Office tower: Superstructure work topped up; curtain wall installation and interior decoration work in progress.	2020	2,173,844
7	Putian Hotel Development	Putian	H/C	Superstructure work in progress	2020	220,509
8	Kunming Complex Development	Kunming	R/H	Earthwork and lateral support work in progress	2021	382,925
9	Shenzhen Qianhai Complex Development Phase II	Shenzhen	H/O/C	Piling work in progress	2022	322,830
10	Wuhan Complex Development	Wuhan	R/O/C	Schematic design in progress	2025	4,467,060
SUBTOTAL						7,567,168
MIXED-USE DEVELOPMENT AND OTHER INVESTMENT PROPERTIES						13,284,100

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

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							
11	Hangzhou Zhijiang Castalia Court Phase III	Hangzhou	R/C	Curtain wall installation, mechanical & engineering, and interior decoration work in progress	1H 2019	100	1,040,717
12	Fuzhou Gangshan Complex Development	Fuzhou	R/O/C	Excavation work in progress	2022	100	3,701,245
13	Shenzhen Qianhai Complex Development Phase III	Shenzhen	O/C	Schematic design in progress	2023	100	885,877
14	Qinhuangdao Habitat Phase II	Qinhuangdao	R/C	Schematic design in progress	In phases from 2024 onwards	60	1,975,372
SUBTOTAL							7,603,211
TOTAL							20,887,311

Denotation: R=Residential. C=Commercial



HONG KONG PROPERTY DIVISION





(HKD mm)	<u>FY 2018</u>	<u>FY 2017</u>	<u>% Change</u>
Turnover			
Property rental	1,164	1,097	+6%
Property sales revenue	6,959	20,626	-66%
Total	8,123	21,723	-63%
Gross profit			
Property rental	926	874	+6%
Property sales	2,399	3,090	-22%
Total	3,325	3,964	-16%
Gross profit margin			
<i>Property rental</i>	80%	80%	
<i>Property sales</i>	34%	15%	
<i>Overall</i>	41%	18%	

Investment Property Portfolio as at 31 Dec 2018:-

	<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 2018:-

	<u>Occupancy rate as at</u>	
	<u>31 Dec 2018</u>	<u>31 Dec 2017</u>
Apartment	99%	86%*
Commercial	99%	99%
Office	97%	96%

* Including 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	Mont Rouge	Beacon Hill	R	Interior finishing work in progress	1H 2019	100	116,380
2	Beacon Hill Project	Beacon Hill	R	Superstructure work in progress	2020	100	342,769
3	Wong Chuk Hang Station Package Two Property Development Project	Wong Chuk Hang	R	Foundation work in progress	2023	50	246,496
SUBTOTAL							705,645
INVESTMENT PROPERTY							
4	Hing Hon Road Project	Sai Ying Pun	R	Superstructure work in progress	1H 2019	100	67,560
5	LaSalle Road Project	Ho Man Tin	R	Superstructure work in progress	2020	100	45,176
SUBTOTAL							112,736
TOTAL							818,381

R=Residential

* KPL share



Outlook





- Our group has been growing its recurrent income base on the foundation of its portfolio of iconic mixed-use developments in the CBDs of major metropolises.
- Management will continue to adjust its pace of sales and marketing strategy in step with the state's housing policies.
- In line with the strategy of building mixed-use projects and residential properties in prime locations, the Group will seek land bidding opportunities in the prime locations of key cities and provincial capitals in PRC. While in HK, the Group will also participate actively in government land bids.
- While maintaining a steady pace of development and adopting a defensive strategy against potential volatility, the Group will cast a proactive eye on opportunities to grow revenue. Management is confident of sustaining a solid performance over the long term in the face of any challenges.



THANK YOU



APPENDIX



UNDERLYING PROFIT



(HKD mm)	<u>FY 2018</u>	<u>FY 2017</u>	<u>% Change</u>
Profit attributable to the shareholders	7,499	9,242	-19%
Fair value change of investment properties, net of tax			
Increase in fair value of investment properties	4,457	1,934	+130%
Effect of corresponding deferred tax charges	(853)	(74)	-1,053%
Share of increase in fair value of investment properties (net of deferred tax) of associates	934	744	+26%
Effect of share of non-controlling interests	(384)	(13)	-2,854%
Subtotal	4,154	2,591	+60%
Underlying profit attributable to the shareholders	<u>3,345</u>	<u>6,651</u>	-50%
Underlying earnings per share (HK\$)	<u>2.30</u>	<u>4.61</u>	-50%