

Y2018 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 5.2 bn
Total Saleable Area Sold	✓ Approx. 194,000 sf
Key Properties Sold	✓ Mantin Heights, The Bloomsway
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 1.9 bn
Total GFA Sold	✓ Approx. 48,000 sm
Key Properties Sold	✓ Hangzhou Zhijiang Castalia Court, Shenyang Arcadia Court, Qinhuangdao Habitat Ph 1, Hangzhou Lake Grandeur and Jinling Arcadia Court in Nanjing
Ongoing Construction Activities	✓ Shenzhen Qianhai Kerry Centre, Shenyang Kerry Centre, Kunming Complex Development and Shenzhen Qianhai Complex Development Project

FINANCIAL RESULTS OVERVIEW



(HKD mm)	<u>Six months ended</u> 30 Jun 2018	<u>Six months ended</u> 30 Jun 2017	<u>% Change</u>
Turnover	10,560	17,742	-40%
Gross profit	4,262	4,102	+4%
<i>Gross profit margin (%)</i>	40%	23%	+17%
Share of results of associates and joint ventures	806	688	+17%
Profit attributable to shareholders			
- Before taking into account the net increase in fair value of investment properties (N1)	1,552	2,833	-45%
- Increase in fair value of investment properties (net of related tax effects)	2,438	476	+412%
- After taking into account the net increase in fair value of investment properties	3,990	3,309	+21%
Earnings per share (HK\$)			
- Before taking into account the net increase in fair value of investment properties	1.07	1.96	-45%
- After taking into account the net increase in fair value of investment properties	2.75	2.29	+20%
Interim dividend per share (HK\$)	0.40	0.45	-11%
Payout ratio (%)	37.4%	23.0%	+14.4%

N1: Included provision for impairment loss for Nam Van Lake project in Macau amounting to HK\$1,175 million in 1H 2018 (1H 2017: Nil)

TURNOVER ANALYSIS



(HKD mm)	<u>Six months ended</u>		<u>Six months ended</u>		<u>% Change</u>
	<u>30 Jun 2018</u>	<u>% Weighting</u>	<u>30 Jun 2017</u>	<u>% Weighting</u>	
Revenue from Property Sales *					
- PRC	5,385	51%	4,521	25%	+19%
- Hong Kong	1,668	16%	10,085	57%	-83%
	7,053	67%	14,606	82%	-52%
Revenue from Property Rental					
- PRC	1,862	18%	1,673	10%	+11%
- Hong Kong	566	5%	540	3%	+5%
	2,428	23%	2,213	13%	+10%
Hotel Revenue - PRC	1,079	10%	923	5%	+17%
Total Turnover	10,560	100%	17,742	100%	-40%
Recurrent Revenue	3,507	33%	3,136	18%	+12%
Non-Recurrent Revenue	7,053	67%	14,606	82%	-52%
Total	10,560	100%	17,742	100%	-40%

* 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 2018</u>	<u>% Weighting</u>	<u>30 Jun 2017</u>	<u>% Weighting</u>	
Non-recurrent Gross Profit					
Property Sales	2,104	49%	2,156	53%	-2%
Recurrent Gross Profit					
Property Rental	1,949	46%	1,776	43%	+10%
Hotel Operations	209	5%	170	4%	+23%
Total Recurrent Gross Profit	<u>2,158</u>	<u>51%</u>	<u>1,946</u>	<u>47%</u>	+11%
Total	<u>4,262</u>	<u>100%</u>	<u>4,102</u>	<u>100%</u>	+4%

FINANCIAL POSITION



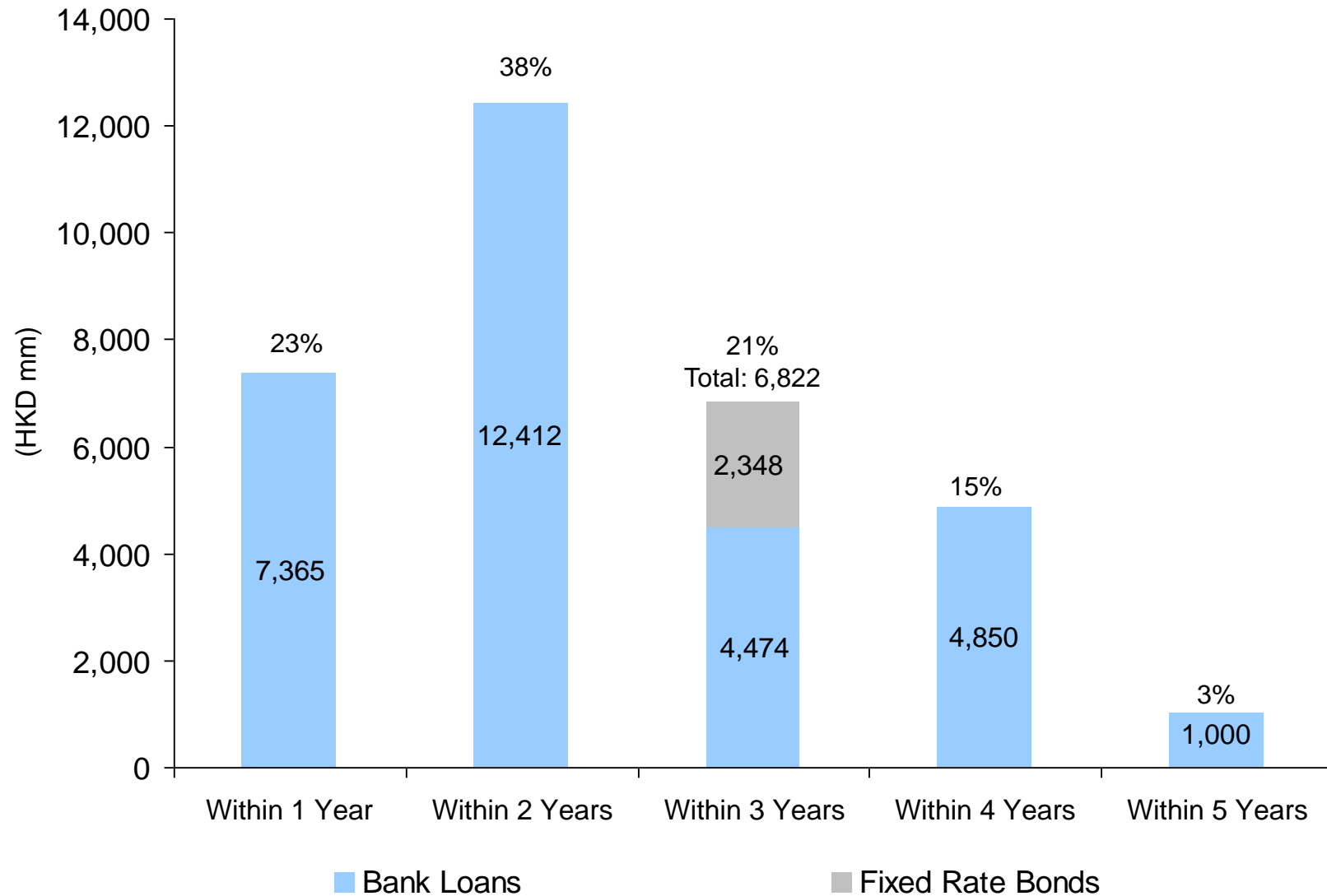
(HKD mm)	As of <u>Jun 30, 2018</u>	As of <u>Dec 31, 2017</u>	<u>% Change</u>
Total Debt	32,449	38,022	-15%
Less: Cash and bank balances	(14,107)	(13,748)	+3%
Net Debt	<u>18,342</u>	<u>24,274</u>	-24%
Undrawn bank loan facilities	12,109	11,665	+4%
NAV	97,026	94,349	+3%
Net debt to total equity	16.5%	22.5%	-6%
No. of issued shares at period end (mm)	1,455	1,447	+1%
NAV / Share	HK\$66.70	HK\$65.22	+2%
	<u>1H 2018</u>	<u>1H 2017</u>	
Interest cover * (x)	17.7	8.6	
Dividend cover * (x)	2.7	4.4	

* Before fair value increase of investment properties

DEBT MATURITY PROFILE AS OF JUN 30, 2018



Total Debt : HK\$32,449 mm





PRC PROPERTY DIVISION



PRC PROPERTY DIVISION – FINANCIAL RESULTS OVERVIEW



(HKD mm)	<u>Six months ended 30 Jun 2018</u>	<u>Six months ended 30 Jun 2017</u>	<u>% Change</u>
Turnover			
Property sales revenue excluding investment properties	5,385	4,521	+19%
Property rental	1,862	1,673	+11%
Hotel	1,079	923	+17%
Total	<u>8,326</u>	<u>7,117</u>	+17%
Gross profit			
Property sales	1,599	980	+63%
Property rental	1,496	1,338	+12%
Hotel	209	170	+23%
Total	<u>3,304</u>	<u>2,488</u>	+33%
Gross profit margin			
<i>Property sales</i>	30%	22%	
<i>Property rental</i>	80%	80%	
<i>Hotel</i>	19%	18%	
<i>Overall</i>	40%	35%	

Investment Property Portfolio in Mainland China as at 30 Jun 2018:-

KPL's attributable GFA ('000 sq ft)	<u>Beijing</u>	<u>Shanghai</u>	<u>Shenzhen</u>	<u>Tianjin</u>	<u>Hangzhou</u>	<u>Others</u>	<u>Total</u>
Office	711	1,430	1,552	-	100	195	3,988
Commercial	98	1,096	104	428	812	34	2,572
Apartment	277	774	-	-	-	-	1,051
Total GFA	1,086	3,300	1,656	428	912	229	7,611
% weighting	14%	43%	22%	6%	12%	3%	100%

Occupancy rates of major investment properties as at 30 Jun 2018:-

	<u>As at 30 Jun 2018</u>	<u>As at 31 Dec 2017</u>
Beijing Kerry Centre ⁽¹⁾	97%	97%
Jing An Kerry Centre Phase I	95%	95%
Jing An Kerry Centre Phase II ⁽¹⁾	99%	98%
Kerry Parkside Shanghai Pudong ⁽¹⁾	97%	97%
Shenzhen Kerry Plaza Phase I	92%	94%
Shenzhen Kerry Plaza Phase II	95%	94%
Hangzhou Kerry Centre ⁽¹⁾	95%	95%

1) Excluding hotel

Average occupancy rates of major hotel properties:-

	<u>1H 2018</u>	<u>1H 2017</u>
Kerry Hotel, Beijing	84%	84%
Jing An Shangri-La Hotel, Shanghai	77%	80%
Shangri-La Hotel, Shenyang	66%	68%
Kerry Hotel, Pudong Shanghai	72%	76%
Shangri-La Hotel, Nanchang	73%	72%
Shangri-La Hotel, Tianjin	72%	68%
Midtown Shangri-La Hotel, Hangzhou	77%	73%

Detailed occupancy rates of major investment properties as at 30 Jun 2018:-

		As at 30 Jun 2018	As at 31 Dec 2017
Beijing Kerry Centre	- Serviced Apartment	94%	96%
	- Office	98%	98%
	- Retail	97%	94%
	- Average	97%	97%
Jing An Kerry Centre Ph I	- Serviced Apartment	89%	87%
	- Office	98%	99%
	- Retail	100%	100%
	- Average	95%	95%
Jing An Kerry Centre Ph II	- Office	100%	98%
	- Retail	96%	99%
	- Average	99%	98%
Kerry Parkside	- Serviced Apartment	87%	85%
	- Office	100%	100%
	- Retail	100%	100%
	- Average	97%	97%
Shenzhen Kerry Plaza Ph I	- Office	92%	94%
Shenzhen Kerry Plaza Ph II	- Office	95%	93%
	- Retail	100%	100%
	- Average	95%	94%
Hangzhou Kerry Centre	- Office	98%	97%
	- Retail	94%	94%
	- Average	95%	95%

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 & office: Facade installation and interior decoration work in progress; Commercial: Mechanical & engineering, facade installation and interior decoration work in progress	Ph II – In phases from 2H 2018 onwards	60	5,309,788
2	Nanchang Complex Development Phase II	Nanchang	O/C	Schematic design in progress	2021	80	414,862
3	Zhengzhou Complex Development	Zhengzhou	R/H/O/C	Residential: Excavation work in progress	In phases from 2022 onwards	55	1,156,771
4	Tianjin Kerry Centre Phase II	Tianjin	R/O	Schematic design in progress	2023	49	535,769
						SUBTOTAL	7,417,190
OTHER INVESTMENT PROPERTIES							
5	Shenzhen Qianhai Kerry Centre	Shenzhen	R/O/C	Residential tower superstructure work topped up. Office tower superstructure work in progress	2020	100	2,173,844
6	Putian Hotel Development	Putian	H/C	Superstructure work in progress	2020	60	220,509
7	Kunming Complex Development	Kunming	R/H/C	Piling work in progress	2021	55	371,517
8	Shenzhen Qianhai Complex Development	Shenzhen	H/O/C	Piling work in progress	2021	25	322,830
						SUBTOTAL	3,088,700
						MIXED-USE DEVELOPMENT AND OTHER INVESTMENT PROPERTIES	10,505,890

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 Berylville, Ningbo Phase II	Ningbo	R	Preparation work for completion verification commenced	2H 2018	50	308,351
10	Hangzhou Zhijiang Castalia Court Phase III	Hangzhou	R/C	Curtain wall installation, mechanical & engineering, and interior decoration work in progress	2019	100	1,174,154
SUBTOTAL							1,482,505
TOTAL							11,988,395

Denotation: R=Residential. C=Commercial



HONG KONG PROPERTY DIVISION





(HKD mm)	<u>Six months ended</u> <u>30 Jun 2018</u>	<u>Six months ended</u> <u>30 Jun 2017</u>	<u>% Change</u>
Turnover			
Property sales revenue	1,668	10,085	-83%
Property rental	566	540	+5%
Total	<u>2,234</u>	<u>10,625</u>	-79%
Gross profit			
Property sales	505	1,176	-57%
Property rental	453	438	+3%
Total	<u>958</u>	<u>1,614</u>	-41%
<i>Gross profit margin</i>			
<i>Property sales</i>	30%	12%	
<i>Property rental</i>	80%	81%	
<i>Overall</i>	43%	15%	

Investment Property Portfolio as at 30 Jun 2018:-

	<u>KPL's attributable 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 30 Jun 2018:-

	<u>Occupancy rate as at</u>	
	<u>30 Jun 2018</u>	<u>31 Dec 2017</u>
Apartment	94%	86%*
Commercial	98%	99%
Office	95%	96%

* Including Resiglow with leasing commenced in the 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	116,376
2	LaSalle Road / Boundary Street Project	Ho Man Tin	R	Foundation work in progress	1H 2020	100	45,180
3	Beacon Hill Project (NKIL 6533)	Beacon Hill	R	Foundation work in progress	2H 2020	100	342,769
4	Wong Chuk Hang Station Package Two Property Development Project	Wong Chuk Hang	R	Schematic design in progress	1H 2023	50	246,496
SUBTOTAL							750,821
INVESTMENT PROPERTY							
5	Hing Hon Road Project	Sheung Wan	R	Superstructure work in progress	1H 2019	100	67,560
SUBTOTAL							67,560
TOTAL							818,381

R=Residential

* KPL share



Outlook





- Our group will grow its recurrent income base further on the foundation of its portfolio of iconic mixed-use developments in the CBDs of PRC major metropolises.
- The PRC housing market continues to be subject to the impact of restrictive measures. Management will adjust its pace of sales and marketing strategy accordingly.
- China's real estate market is adjusting and maturing towards long-term stable development. Management is confident of the ongoing growth of the PRC segment, but will carefully guard against risks brought about by economic or market volatility.
- Hong Kong is an open economy which will inevitably be exposed to macroeconomic uncertainties, including those generated by the interest rate hikes in the United States and the ongoing international trade disputes. The Group will continue to take forward its business development plans in a prudent manner.



THANK YOU



APPENDIX



UNDERLYING PROFIT



(HKD mm)	<u>Six months ended</u> <u>30 Jun 2018</u>	<u>Six months ended</u> <u>30 Jun 2017</u>	<u>% Change</u>
Profit attributable to the shareholders	3,990	3,309	+21%
Fair value change of investment properties, net of tax			
Increase in fair value of investment properties	3,387	474	+615%
Effect of corresponding deferred tax charges	(719)	(68)	-957%
Share of increase in fair value of investment properties (net of deferred tax) of associates	231	79	+192%
Effect of share of non-controlling interests	(461)	(9)	-5,022%
Subtotal	2,438	476	+412%
Underlying profit attributable to the shareholders	<u>1,552</u>	<u>2,833</u>	-45%
Underlying earnings per share (HK\$)	<u>1.07</u>	<u>1.96</u>	-45%