

Y2019 Final Results



嘉里建設有限公司
KERRY PROPERTIES LIMITED

(Incorporated in Bermuda with limited liability)

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HIGHLIGHTS



HONG KONG PROPERTY

Total Contracted Sales	✓ HKD 6.6 bn
Total Saleable Area Sold	✓ Approx. 194,000 sf
Key Properties Sold	✓ Mantin Heights, The Bloomsway, Mont Rouge
New Investment Property	✓ Resiglow - Bonham (8/2019)
Land Acquisition	✓ Two warehouses in Sha Tin and Chai Wan (3/2019) ✓ Wong Chuk Hang Station Package Four Property Development (10/2019)
Ongoing Construction Activities	✓ LaSalle Road in Ho Man Tin, Beacon Hill Project, Wong Chuk Hang Station Package Two Property Development Project

MAINLAND PROPERTY

Total Contracted Sales	✓ Approx. HKD 2.3 bn
Total GFA Sold	✓ Approx. 37,000 sm
Key Properties Sold	✓ Lake Grandeur and Castalia Court in Hangzhou, Shenyang Arcadia Height, Habitat in Qinhuangdao and Jinling Arcadia Court in Nanjing
Land Acquisition	✓ Hangzhou Complex Development, Xiacheng District in Hangzhou (5/2019)
Ongoing Construction Activities	✓ Shenzhen Qianhai Kerry Centre, Fuzhou Cangshan Complex, Shenyang Kerry Centre Ph III and Zhengzhou Complex Development

FINANCIAL RESULTS OVERVIEW



(HKD mm)	FY2019	FY2018	% Change
Revenue	18,025	21,433	-16%
Gross profit	8,984	9,468	-5%
<i>Gross profit margin (%)</i>	<i>50%</i>	<i>44%</i>	<i>+6%</i>
Share of results of associates and joint ventures	1,585	2,142	-26%
Underlying profit (before exceptional items)	5,396	6,020	-10%
Exceptional items			
- Provision for Impairment loss for Nam Van Lake project in Macau	-	(1,175)	-100%
- Decrease in fair value relating to investment in Shanghai Krupp Stainless Co.Ltd.	-	(1,500)	-100%
Profit attributable to shareholders			
- Underlying profit (after exceptional items)	5,396	3,345	+61%
- Increase in fair value of investment properties (net of related tax effects)	1,501	4,154	-64%
- Reported profit	6,897	7,499	-8%
Earnings per share (HK\$)			
- Underlying profit (after exceptional items)	3.71	2.30	+61%
- Reported profit	4.74	5.16	-8%
Final dividend per share (HK\$)	0.95	0.95	+0%
Dividend per share (HK\$)			
- Interim	0.40	0.40	+0%
- Final	0.95	0.95	+0%
- Total	1.35	1.35	+0%
Payout ratio (%) (before fair value change of investment properties)	36.4%	58.7%	-22.3%

REVENUE ANALYSIS



(HKD mm)	<u>FY 2019</u>	<u>% Weighting</u>	<u>FY 2018</u>	<u>% Weighting</u>	<u>% Change</u>
Revenue from Property Rental					
- Hong Kong	1,275	7%	1,164	6%	+10%
- Mainland	3,636	20%	3,686	17%	-1%
	4,911	27%	4,850	23%	+1%
Revenue from Property Sales *					
- Hong Kong	5,011	28%	6,959	32%	-28%
- Mainland	6,150	34%	7,516	35%	-18%
	11,161	62%	14,475	67%	-23%
Hotel Revenue - Mainland	1,953	11%	2,108	10%	-7%
Total Revenue	18,025	100%	21,433	100%	-16%
Recurrent Revenue	6,864	38%	6,958	32%	-1%
Non-Recurrent Revenue	11,161	62%	14,475	68%	-23%
Total	18,025	100%	21,433	100%	-16%

* Exclude sales of investment properties

GROSS PROFIT ANALYSIS



(HKD mm)	<u>FY 2019</u>	<u>% Weighting</u>	<u>FY 2018</u>	<u>% Weighting</u>	<u>% Change</u>
Recurrent Gross Profit					
Property Rental	3,781	42%	3,831	41%	-1%
Hotel Operations	761	9%	857	9%	-11%
Total Recurrent Gross Profit	<u>4,542</u>	<u>51%</u>	<u>4,688</u>	<u>50%</u>	-3%
Non-recurrent Gross Profit					
Property Sales	4,442	49%	4,780	50%	-7%
Total	<u><u>8,984</u></u>	<u><u>100%</u></u>	<u><u>9,468</u></u>	<u><u>100%</u></u>	-5%

FINANCIAL POSITION



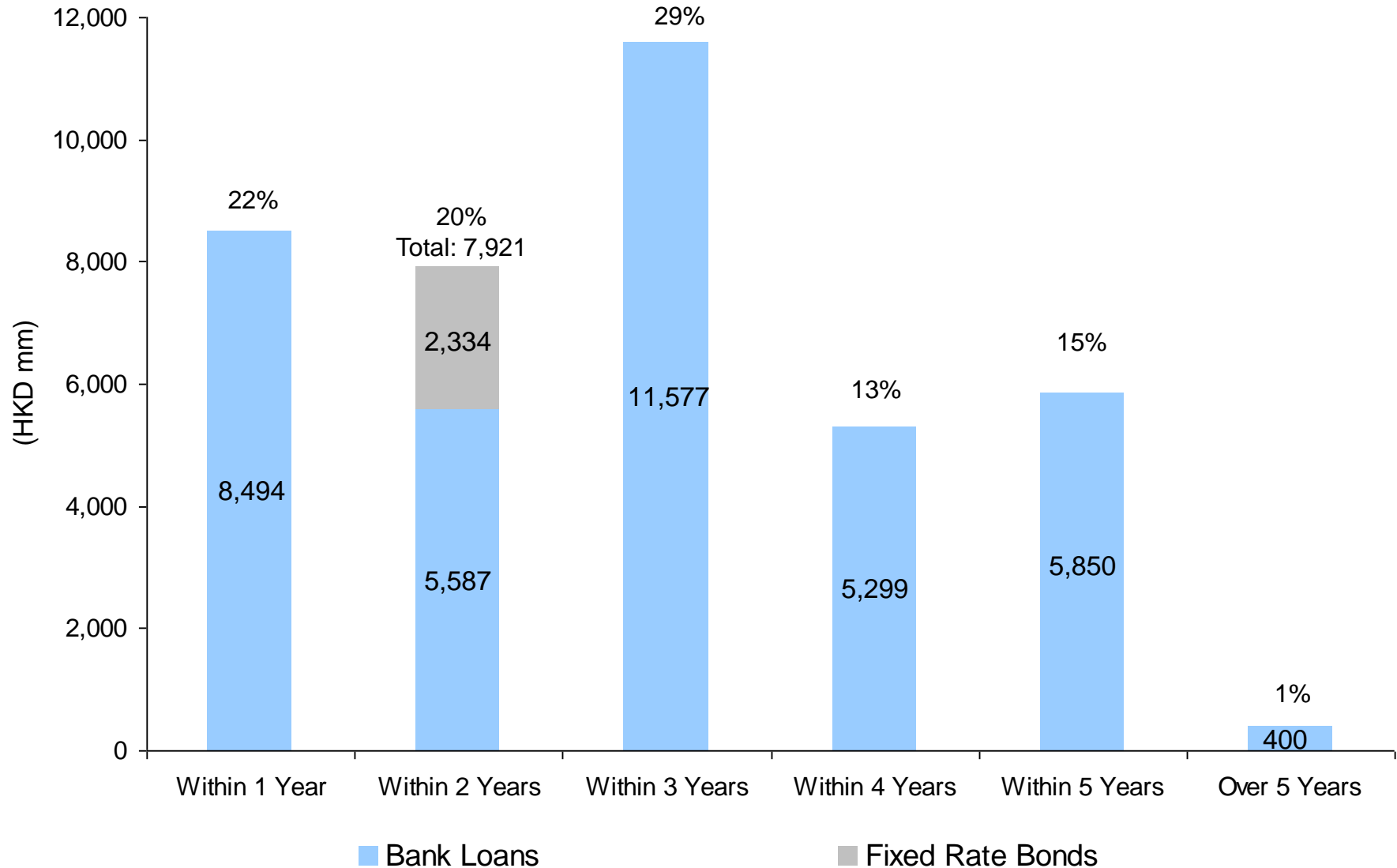
(HKD mm)	As of <u>Dec 31, 2019</u>	As of <u>Dec 31, 2018</u>	<u>% Change</u>
Total Debt	39,541	33,111	+19%
Less: Cash and bank balances	(12,255)	(14,384)	-15%
Net Debt	<u>27,286</u>	<u>18,727</u>	+46%
Undrawn bank loan facilities	12,590	12,325	+2%
NAV	101,705	97,541	+4%
Net debt to total equity	23.6%	16.9%	+6.7%
No. of issued shares at year end (mm)	1,457	1,455	+0.1%
NAV / Share	HK\$69.83	HK\$67.03	+4%
	<u>FY2019</u>	<u>FY2018</u>	
Interest cover * (x)	13.5	29.6	
Dividend cover * (x)	2.75	1.70	

* Before fair value increase of investment properties

DEBT MATURITY PROFILE AS OF DEC 31, 2019



Total Debt : HK\$39,541 mm





MAINLAND PROPERTY DIVISION



MAINLAND PROPERTY DIVISION – FINANCIAL RESULTS OVERVIEW



(HKD mm)	<u>FY 2019</u>	<u>FY 2018</u>	<u>% Change</u>
Revenue			
Property rental	3,636	3,686	-1%
Property sales revenue	6,150	7,516	-18%
Hotel	1,953	2,108	-7%
Total	<u>11,739</u>	<u>13,310</u>	-12%
Gross profit			
Property rental	2,782	2,905	-4%
Property sales	2,108	2,381	-11%
Hotel	761	857	-11%
Total	<u>5,651</u>	<u>6,143</u>	-8%
Gross profit margin			
<i>Property rental</i>	<i>77%</i>	<i>79%</i>	
<i>Property sales</i>	<i>34%</i>	<i>32%</i>	
<i>Hotel</i>	<i>39%</i>	<i>41%</i>	
<i>Overall</i>	<i>48%</i>	<i>46%</i>	



Investment Property Portfolio in Mainland China as at 31 Dec 2019:-

KPL's attributable GFA ('000 sq ft)	<u>Beijing</u>	<u>Shanghai</u>	<u>Shenzhen</u>	<u>Hangzhou</u>	<u>Others</u>	<u>Total</u>
Office	711	1,388	1,552	102	549	4,302
Commercial	98	1,096	104	798	955	3,051
Apartment	277	774	-	-	-	1,051
Total GFA	1,086	3,258	1,656	900	1,504	8,404
% weighting	13%	39%	19%	11%	18%	100%

Occupancy rates of major investment properties as at 31 Dec 2019:-

	<u>As at 31 Dec 2019</u>	<u>As at 31 Dec 2018</u>
Jing An Kerry Centre Phase I	97%	96%
Jing An Kerry Centre Phase II ⁽¹⁾	96%	98%
Kerry Parkside ⁽¹⁾	94%	97%
Beijing Kerry Centre ⁽¹⁾	96%	96%
Shenzhen Kerry Plaza	92%	97%
Hangzhou Kerry Centre ⁽¹⁾	94%	92%

1) Excluding hotel

Average occupancy rates of major hotel properties:-

	<u>FY2019</u>	<u>FY2018</u>
Kerry Hotel, Beijing	86%	85%
Jing An Shangri-La Hotel, Shanghai	78%	78%
Kerry Hotel, Pudong Shanghai	74%	74%
Midtown Shangri-La Hotel, Hangzhou	76%	77%

Detailed occupancy rates of major investment properties as at 31 Dec 2019:-

		As at 31 Dec 2019	As at 31 Dec 2018
Jing An Kerry Centre Ph I	- Serviced Apartment	94%	87%
	- Office	98%	99%
	- Retail	98%	98%
	- Average	97%	96%
Jing An Kerry Centre Ph II	- Office	97%	99%
	- Retail	95%	97%
	- Average	96%	98%
Kerry Parkside	- Serviced Apartment	82%	85%
	- Office	98%	100%
	- Retail	94%	100%
	- Average	94%	97%
Beijing Kerry Centre	- Serviced Apartment	92%	93%
	- Office	98%	99%
	- Retail	94%	85%
	- Average	96%	96%
Shenzhen Kerry Plaza	- Office	92%	97%
	- Retail	96%	100%
	- Average	92%	97%
Hangzhou Kerry Centre	- Office	94%	82%
	- Retail	94%	94%
	- Average	94%	92%

MAINLAND 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 Tower 1)	Shenyang	R	Interior decoration work in progress	2H 2020	60	233,462
2	Shenyang Kerry Centre Phase III	Shenyang	R/O/C	Foundation pit support work in progress	In phases from 2022 onwards	60	2,963,121
3	Nanchang Complex Development Phase II	Nanchang	O/C	Schematic design in progress	2023	80	532,206
4	Tianjin Kerry Centre Phase II	Tianjin	R/O/C	Schematic design in progress	2023	49	736,934
5	Zhengzhou Complex Development	Zhengzhou	R/H/O/C	Piling work in progress	In phases from 2023 onwards	55	1,156,771
SUBTOTAL							5,622,494
OTHER INVESTMENT PROPERTIES							
6	Shenzhen Qianhai Kerry Centre Phase I	Shenzhen	R/O/C	Residential: Curtain wall installation completed. Office: Curtain wall installation, mechanical and engineering work in progress.	2H 2020	100	2,173,844
7	Putian Hotel Development	Putian	H/C	Curtain wall installation, mechanical and engineering, and interior decoration work in progress	2H 2020	60	220,509
8	Kunming Complex Development	Kunming	R/H	Basement structural work in progress	2022	55	382,925
9	Fuzhou Cangshan Complex Development	Fuzhou	R/O/C	Basement structural work in progress	2022	100	3,587,469
10	Shenzhen Qianhai Kerry Centre Phase II	Shenzhen	H/O/C	Hotel: Superstructure work topped up. Office: Superstructure in progress	2022	25	322,830
11	Shenzhen Qianhai Kerry Centre Phase III	Shenzhen	O/C	Piling work in progress	2023	70	620,114
12	Hangzhou Complex Development	Hangzhou	R/O/C	Schematic design in progress	In phases from 2024 onwards	100	2,438,107
13	Wuhan Complex Development	Wuhan	R/O/C	Schematic design in progress	2025	100	4,437,362
SUBTOTAL							14,183,160
MIXED-USE DEVELOPMENT AND OTHER INVESTMENT PROPERTIES							19,805,654

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

MAINLAND 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							
14	Qinhuangdao Habitat Phase II	Qinhuangdao	R/C	Schematic design in progress	In phases from 2022 onwards	60	2,019,929
SUBTOTAL							2,019,929
TOTAL AS AT 31 DEC 2019							21,825,583

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



HONG KONG PROPERTY DIVISION





(HKD mm)	<u>FY 2019</u>	<u>FY 2018</u>	<u>% Change</u>
Revenue			
Property rental	1,275	1,164	+10%
Property sales revenue	<u>5,011</u>	<u>6,959</u>	-28%
Total	<u>6,286</u>	<u>8,123</u>	-23%
Gross profit			
Property rental	999	926	+8%
Property sales	<u>2,334</u>	<u>2,399</u>	-3%
Total	<u>3,333</u>	<u>3,325</u>	+0.2%
<i>Gross profit margin</i>			
<i>Property rental</i>	78%	80%	
<i>Property sales</i>	47%	34%	
<i>Overall</i>	53%	41%	

Investment Property Portfolio as at 31 Dec 2019:-

	<u>Total GFA</u> (‘000 sq ft)
Apartment	871
Commercial	1,224
Office	835
Warehouse	1,266
Total GFA	<u>4,196</u>

Occupancy rates of investment property portfolio as at 31 Dec 2019:-

	Occupancy rate as at	
	<u>31 Dec 2019</u>	<u>31 Dec 2018</u>
Apartment	90%*	99%
Commercial	100%	99%
Office	97%	97%
Warehouse	69%	n/a

* Excluding Resiglow – Bonham with leasing commenced in August 2019. (Occupancy @ 31/12/2019: 59%)

HONG KONG PROPERTY DIVISION – MAJOR PROPERTIES UNDER DEVELOPMENT



Name		Location	Type	Stage of Completion	Expected Completion	KPL's Interest (%)	Attributable buildable GFA* (s.f.)
FOR SALE PROPERTIES							
1	Beacon Hill Project	Beacon Hill	R	Superstructure work in progress	2021	100	342,769
2	Wong Chuk Hang Station Package Two Property Development Project	Wong Chuk Hang	R	Superstructure work in progress	2023	50	246,496
3	Wong Chuk Hang Station Package Four Property Development Project	Wong Chuk Hang	R	Schematic design in progress	2025	50	319,153
SUBTOTAL							908,418
INVESTMENT PROPERTY							
4	La Salle Road Project	Ho Man Tin	R	Superstructure work in progress	1H 2020	100	45,176
SUBTOTAL							45,176
TOTAL AS AT 31 DEC 2019							953,594

R=Residential

* KPL share



THANK YOU



APPENDIX



UNDERLYING PROFIT



(HKD mm)	<u>FY 2019</u>	<u>FY 2018</u>	<u>% Change</u>
Profit attributable to the shareholders	6,897	7,499	-8%
Fair value change of investment properties, net of tax			
Increase in fair value of investment properties	1,185	4,457	-73%
Effect of corresponding deferred tax charges	(130)	(853)	+85%
Share of increase in fair value of investment properties (net of deferred tax) of associates	520	934	-44%
Effect of share of non-controlling interests	(74)	(384)	+81%
Subtotal	1,501	4,154	-64%
Underlying profit attributable to the shareholders	<u>5,396</u>	<u>3,345</u>	+61%
Underlying earnings per share (HK\$)	<u>3.71</u>	<u>2.30</u>	+61%