

Y2019 Interim 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 5.2 bn
Total Saleable Area Sold	✓ Approx. 159,000 sf
Key Properties Sold	✓ Mont Rouge ✓ Mantin Heights, The Bloomsway
Acquisition of Warehouse	✓ Two warehouses in Sha Tin and Chai Wan (3/2019)
Ongoing Construction Activities	✓ LaSalle Road in Ho Man Tin, Beacon Hill Project and Wong Chuk Hang Station Package Two Property Development Project

MAINLAND PROPERTY

Total Contracted Sales	✓ Approx. HKD 1.3 bn
Total GFA Sold	✓ Approx. 23,000 sm
Key Properties Sold	✓ Hangzhou Lake Grandeur, Shenyang Arcadia Height, Shenzhen Qianhai Kerry Centre apartment, Jinling Arcadia Court in Nanjing and Qinhuangdao Habitat Ph 1
Land Acquisition	✓ Hangzhou Complex Development, Xiacheng District in Hangzhou (5/2019)
Ongoing Construction Activities	✓ Shenzhen Qianhai Kerry Centre, Kunming Complex Development, Shenzhen Qianhai Complex Development Project Ph II, Shenyang Kerry Centre Ph III and Zhengzhou Complex Development

FINANCIAL RESULTS OVERVIEW



(HKD mm)	<u>Six months ended</u> 30 Jun 2019	<u>Six months ended</u> 30 Jun 2018	<u>% Change</u>
Turnover	11,225	10,560	+6%
Gross profit	4,995	4,262	+17%
<i>Gross profit margin (%)</i>	44%	40%	+4%
Share of results of associates and joint ventures	616	806	-24%
Underlying profit (before exceptional item)	3,143	2,727	+15%
Exceptional item			
- Provision for impairment loss for property under development (N1)	-	(1,175)	+100%
Profit attributable to shareholders			
- Underlying profit (after exceptional item)	3,143	1,552	+103%
- Increase in fair value of investment properties (net of related tax effects)	452	2,438	-81%
- Reported profit	3,595	3,990	-10%
Earnings per share (HK\$)			
- Underlying profit (after exceptional item)	2.16	1.07	+102%
- Reported profit	2.47	2.75	-10%
Interim dividend per share (HK\$)	0.40	0.40	+0%
Payout ratio (based on underlying profit) (%)	18.5%	37.4%	-18.9%

N1: Included provision for impairment loss for Nam Van Lake project in Macau amounting to HK\$1,175 million in FY2018 (FY2019: Nil)

TURNOVER ANALYSIS



(HKD mm)	Six months ended		Six months ended		% Change
	30 Jun 2019	% Weighting	30 Jun 2018	% Weighting	
Revenue from Property Sales *					
- Hong Kong	2,717	24%	1,668	16%	+63%
- Mainland	5,115	46%	5,385	51%	-5%
	7,832	70%	7,053	67%	+11%
Revenue from Property Rental					
- Hong Kong	594	5%	566	5%	+5%
- Mainland	1,834	16%	1,862	18%	-2%
	2,428	21%	2,428	23%	+0%
Hotel Revenue - Mainland	965	9%	1,079	10%	-11%
Total Turnover	11,225	100%	10,560	100%	+6%
Recurrent Revenue	3,393	30%	3,507	33%	-3%
Non-Recurrent Revenue	7,832	70%	7,053	67%	+11%
Total	11,225	100%	10,560	100%	+6%

* 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 2019</u>	<u>% Weighting</u>	<u>30 Jun 2018</u>	<u>% Weighting</u>	
Non-recurrent Gross Profit					
Property Sales	2,926	59%	2,104	49%	+39%
Recurrent Gross Profit					
Property Rental	1,907	38%	1,949	46%	-2%
Hotel Operations	162	3%	209	5%	-22%
Total Recurrent Gross Profit	<u>2,069</u>	<u>41%</u>	<u>2,158</u>	<u>51%</u>	-4%
Total	<u>4,995</u>	<u>100%</u>	<u>4,262</u>	<u>100%</u>	+17%

FINANCIAL POSITION



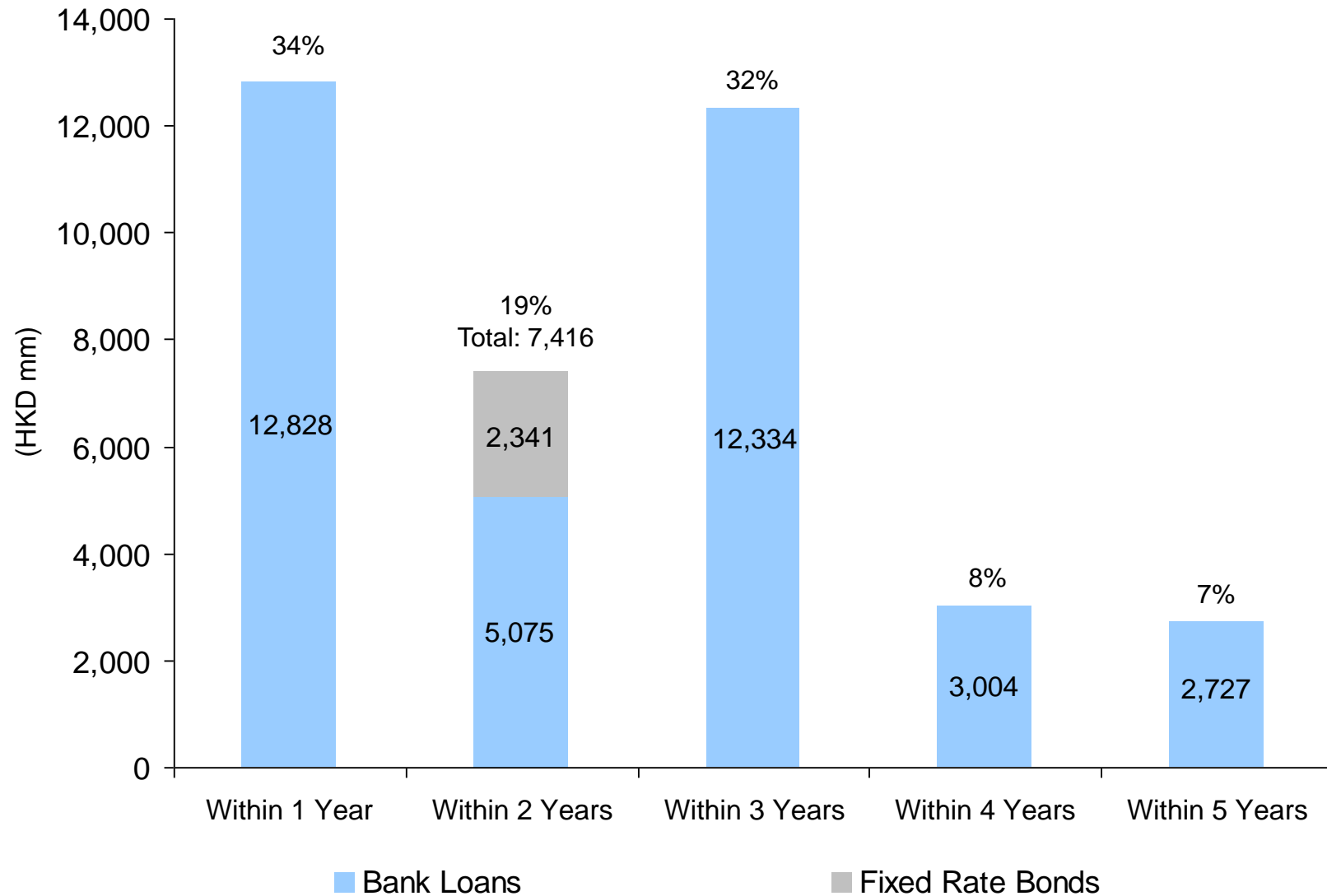
(HKD mm)	As of <u>Jun 30, 2019</u>	As of <u>Dec 31, 2018</u>	<u>% Change</u>
Total Debt	38,309	33,111	+16%
Less: Cash and bank balances	(14,193)	(14,384)	-1%
Net Debt	<u>24,116</u>	<u>18,727</u>	+29%
Undrawn bank loan facilities	10,941	12,325	-11%
NAV attributable to shareholders	99,780	97,541	+2%
Net debt to NAV	24.2%	19.2%	+5%
No. of issued shares at year end (mm)	1,456	1,455	+0.1%
NAV / Share	HK\$68.52	HK\$67.03	+2%
	<u>1H 2019</u>	<u>1H 2018</u>	
Interest cover * (x)	21.4	17.7	
Dividend cover * (x)	5.4	2.7	

* Before fair value increase of investment properties

DEBT MATURITY PROFILE AS OF JUN 30, 2019



Total Debt : HK\$38,309 mm





MAINLAND PROPERTY DIVISION



MAINLAND PROPERTY DIVISION – FINANCIAL RESULTS OVERVIEW



(HKD mm)	<u>Six months</u> <u>ended</u> <u>30 Jun 2019</u>	<u>Six months</u> <u>ended</u> <u>30 Jun 2018</u>	<u>% Change</u>
Turnover			
Property rental	1,834	1,862	-2%
Property sales revenue excluding investment properties	5,115	5,385	-5%
Hotel	965	1,079	-11%
Total	<u>7,914</u>	<u>8,326</u>	-5%
Gross profit			
Property rental	1,440	1,496	-4%
Property sales	1,645	1,599	+3%
Hotel	162	209	-22%
Total	<u>3,247</u>	<u>3,304</u>	-2%
Gross profit margin			
<i>Property rental</i>	79%	80%	
<i>Property sales</i>	32%	30%	
<i>Hotel</i>	17%	19%	
<i>Overall</i>	41%	40%	



Investment Property Portfolio in Mainland China as at 30 Jun 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	1,391	1,552	102	549	4,305
Commercial	98	1,096	104	798	955	3,051
Apartment	277	774	-	-	-	1,051
Total GFA	1,086	3,261	1,656	900	1,504	8,407
% weighting	13%	39%	19%	11%	18%	100%

Occupancy rates of major investment properties as at 30 Jun 2019:-

	<u>As at 30 Jun 2019</u>	<u>As at 31 Dec 2018</u>
Jing An Kerry Centre Phase I	98%	96%
Jing An Kerry Centre Phase II ⁽¹⁾	95%	98%
Kerry Parkside ⁽¹⁾	96%	97%
Beijing Kerry Centre ⁽¹⁾	95%	96%
Shenzhen Kerry Plaza	90%	97%
Hangzhou Kerry Centre ⁽¹⁾	94%	92%

1) Excluding hotel

Average occupancy rates of major hotel properties:-

	<u>1H 2019</u>	<u>1H 2018</u>
Kerry Hotel, Beijing	84%	84%
Jing An Shangri-La Hotel, Shanghai	75%	77%
Kerry Hotel, Pudong Shanghai	74%	72%
Midtown Shangri-La Hotel, Hangzhou	74%	77%

Detailed occupancy rates of major investment properties as at 30 Jun 2019:-

		<u>As at 30 Jun 2019</u>	<u>As at 31 Dec 2018</u>
Jing An Kerry Centre Ph I	- Serviced Apartment	95%	87%
	- Office	100%	99%
	- Retail	96%	98%
	- Average	98%	96%
Jing An Kerry Centre Ph II	- Office	95%	99%
	- Retail	94%	97%
	- Average	95%	98%
Kerry Parkside	- Serviced Apartment	83%	85%
	- Office	100%	100%
	- Retail	100%	100%
	- Average	96%	97%
Beijing Kerry Centre	- Serviced Apartment	95%	93%
	- Office	96%	99%
	- Retail	93%	85%
	- Average	95%	96%
Shenzhen Kerry Plaza	- Office	89%	97%
	- Retail	100%	100%
	- Average	90%	97%
Hangzhou Kerry Centre	- Office	96%	82%
	- Retail	93%	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 Towers 1 & 4	Shenyang	R/C	Interior decoration work in progress	2020	248,206
2	Nanchang Complex Development Phase II	Nanchang	O/C	Schematic design in progress	2021	553,416
3	Shenyang Kerry Centre Phase III	Shenyang	R/O/C	Foundation pit support work in progress	In phases from 2022 onwards	2,963,179
4	Zhengzhou Complex Development	Zhengzhou	R/H/O/C	Piling work in progress	2023	1,156,771
5	Tianjin Kerry Centre Phase II	Tianjin	R/O/C	Schematic design in progress	2023	677,455
SUBTOTAL						5,599,027
OTHER INVESTMENT PROPERTIES						
6	Shenzhen Qianhai Kerry Centre	Shenzhen	R/O/C	Residential tower: Curtain wall installation work in progress. Office tower: Curtain wall installation and mechanical and engineering work in progress.	2020	2,173,844
7	Putian Hotel Development	Putian	H/C	Curtain wall installation and mechanical and engineering 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	Basement structural work in progress	2022	322,830
10	Shenzhen Qianhai Complex Development Phase III (N1)	Shenzhen	O/C	Excavation work in progress	2023	885,877
11	Hangzhou Complex Development	Hangzhou	R/O/C	Schematic design in progress	In phases from 2024 onwards	2,438,107
12	Wuhan Complex Development	Wuhan	R/O/C	Schematic design in progress	2026	4,467,060
SUBTOTAL						10,891,152
MIXED-USE DEVELOPMENT AND OTHER INVESTMENT PROPERTIES						16,490,179

N1: In July 2019, the Group entered into an agreement with Sino Land Company Limited and formed a joint venture, in which the Group holds a 70% Interest, to develop the site.

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							
13	Hangzhou Zhijiang Castalia Court Phase III	Hangzhou	C	Completion verification work in progress	2H 2019	100	77,576
14	Fuzhou Cangshan Complex Development	Fuzhou	R/O/C	Piling work in progress	2022	100	3,640,233
15	Qinhuangdao Habitat Phase II	Qinhuangdao	R/C	Schematic design in progress	In phases from 2024 onwards	60	1,975,372
						SUBTOTAL	5,693,181
						TOTAL AS AT 30 JUN 2019	22,183,360

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



HONG KONG PROPERTY DIVISION





(HKD mm)	<u>Six months ended</u> <u>30 Jun 2019</u>	<u>Six months ended</u> <u>30 Jun 2018</u>	<u>% Change</u>
Turnover			
Property sales revenue	2,717	1,668	+63%
Property rental	594	566	+5%
Total	<u><u>3,311</u></u>	<u><u>2,234</u></u>	+48%
Gross profit			
Property sales	1,281	505	+154%
Property rental	467	453	+3%
Total	<u><u>1,748</u></u>	<u><u>958</u></u>	+82%
Gross profit margin			
<i>Property sales</i>	47%	30%	
<i>Property rental</i>	79%	80%	
<i>Overall</i>	53%	43%	

Investment Property Portfolio as at 30 Jun 2019:-

	<u>Total GFA</u> (‘000 sq ft)
Apartment	803
Commercial	1,219
Office	841
Warehouse	1,266
Total GFA	<u>4,129</u>

Occupancy rates of investment property portfolio as at 30 Jun 2019:-

	Occupancy rate as at	
	<u>30 Jun 2019</u>	<u>31 Dec 2018</u>
Apartment	98%	99%
Commercial	100%	99%
Office	98%	97%
Warehouse	82%	n/a

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	Beacon Hill	R	Superstructure work in progress	2020	100	342,769
2	Wong Chuk Hang Station Package Two Property Development Project	Wong Chuk Hang	R	Foundation work in progress	2023	50	246,496
SUBTOTAL							589,265
INVESTMENT PROPERTY							
3	Resiglow - Pokfulam	Pokfulam	R	Superstructure work in progress	2H 2019	100	67,560
4	LaSalle Road Project	Ho Man Tin	R	Superstructure work in progress	2020	100	45,176
SUBTOTAL							112,736
TOTAL AS AT 30 JUN 2019							702,001

R=Residential

* KPL share



Outlook





- The Group will continue to develop premium commercial properties in first and second tier cities for long-term investment, while fortifying our recurrent income base. At the same time, we will strive to identify residential-for-sale opportunities in locations with good potential in order to increase our cash flows and earnings.
- Our Group will continue to replenish our land bank in Hong Kong and major cities on the Mainland, so as to maintain our growth momentum.
- Management will pro-actively formulate sales strategies to anticipate market demand and macroeconomic developments.
- While the economic outlook remains uncertain, the Group will prudently guard against any potential risks that may arise. Our management is confident in its ability to navigate different challenges ahead, while maintaining sustainable growth in the long term.



THANK YOU



APPENDIX



UNDERLYING PROFIT



(HKD mm)	<u>Six months</u> <u>ended</u> <u>30 Jun 2019</u>	<u>Six months</u> <u>ended</u> <u>30 Jun 2018</u>	<u>% Change</u>
Profit attributable to the shareholders	3,595	3,990	-10%
Fair value change of investment properties, net of tax			
Increase in fair value of investment properties	500	3,387	-85%
Effect of corresponding deferred tax charges	(104)	(719)	+86%
Share of increase in fair value of investment properties (net of deferred tax) of associates	100	231	-57%
Effect of share of non-controlling interests	(44)	(461)	+90%
Subtotal	452	2,438	-81%
Underlying profit attributable to the shareholders	3,143	1,552	+103%
Underlying earnings per share (HK\$)	2.16	1.07	+102%