

China Resources Land Limited



華潤置地有限公司
China Resources Land Limited

2016 全年業績發佈會 Annual Results Announcement



AGENDA

 INTRODUCTION AND HIGHLIGHTS

 FINANCIAL REVIEW

 BUSINESS REVIEW

Highlights

Financial Review

Business Review

INTRODUCTION AND HIGHLIGHTS

Introduction

One of the leading property companies in PRC, supported by strong parent



- China Resources Group is one of the largest conglomerate **SOE** with strong links to government, with core businesses covering consumer and retail businesses, power, real estate, cement, gas, pharmaceutical production & distribution and financial services etc. It ranked **91st** in Fortune Global 500's by revenue in 2015.
- China Resources Group has **7 listcos** in Hong Kong, among which CR Land and CR Power are Hang Seng Index constituents.
- China Resources Land has a **differentiated business model**: DP + IP + X.
- Leading market position of CR Land: 1) ranks **top 10** by contracted sales among PRC developers in 2016, 2) biggest commercial IP assets/revenue and most influential IP brand in PRC among listed companies.

FY2016 Results Highlights

Across the board and balanced growth with enhanced shareholder return



Revenue
HK\$109.3 bn ▲ 5.2%

Rental income
HK\$7.3 bn ▲ 8.5%

Net profit
HK\$19.5 bn ▲ 10.2%

Core net profit
HK\$16.3 bn ▲ 13.9%

Gross margin
33.7% ▲ 2.6 pt

EPS
HK281.4 cents ▲ 7.5%

Final DPS
HK61.2 cents ▲ 25.7%

Net gearing
23.8% ▲ 1.2 pt

Contr. sales
RMB108.0 bn ▲ 26.9%

**YoY performance*

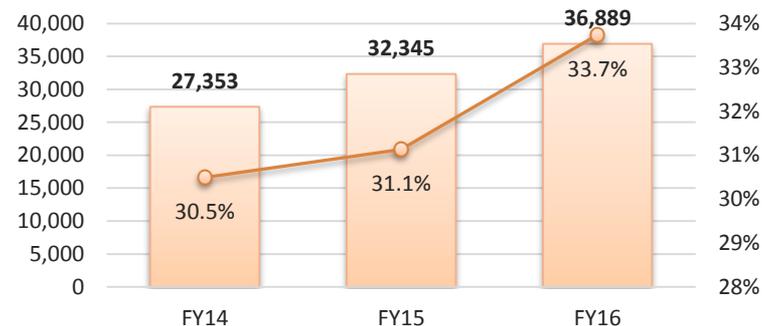
FINANCIAL REVIEW

Income Statement

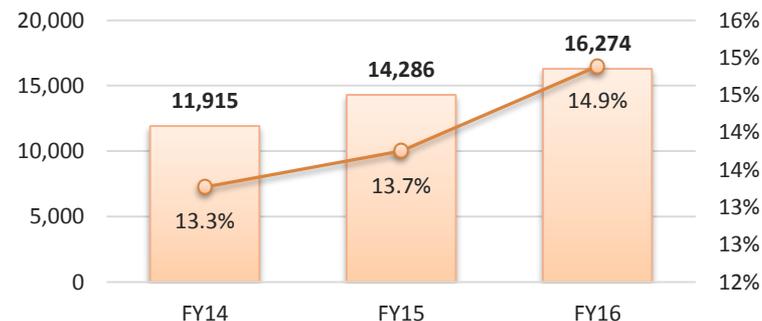
Another year of sustainable earnings growth with margin expansion

(HK\$ mn)	FY16	FY15	Change
Turnover	109,328	103,906	5.2%
<i>Development</i>	98,727	94,019	5.0%
<i>Investment Property</i>	7,252	6,685	8.5%
Gross Profit	36,889	32,345	14.0%
<i>Development</i>	31,872	28,207	13.0%
<i>Investment Property</i>	4,398	3,986	10.3%
Gross Profit Margin	33.7%	31.1%	+2.6pt
<i>Development</i>	32.3%	30.0%	+2.3pt
<i>Investment Property</i>	60.6%	59.6%	+1.0pt
<i>IP (excluding hotel)</i>	67.7%	66.9%	+0.8pt
Attributable Net Profit	19,501	17,698	10.2%
Core Profit	16,274	14,286	13.9%
Core Net Profit Margin	14.9%	13.7%	+1.2pt
Net Profit Margin	17.8%	17.0%	+0.8pt
EPS - Basic (HK cents)	281.4	261.7	7.5%
EPS - Fully Diluted (HK cents)	281.4	261.6	7.6%
Final DPS (HK cents)	61.2	48.7	25.7%

Gross Profit (HK\$ mn)/GP Margin



Core Profit (HK\$ mn)/CP Margin

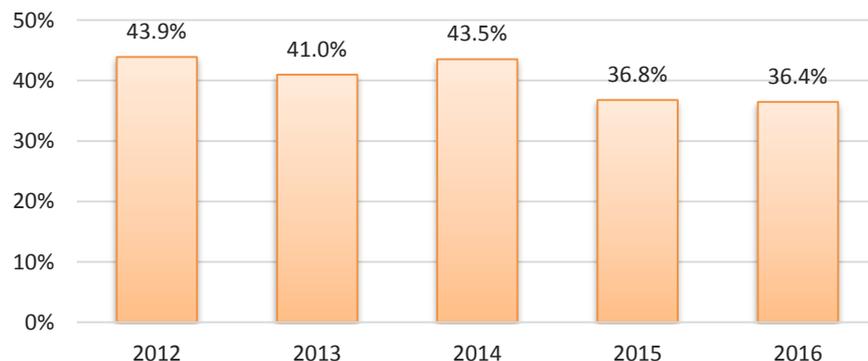


Balance Sheet Highlights

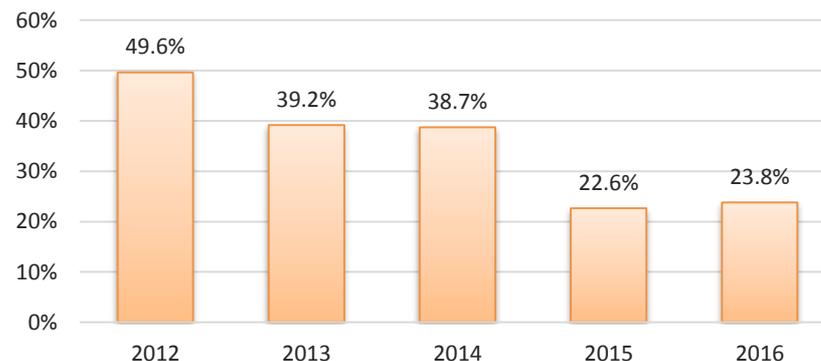
Healthy balance sheet with financial flexibility to support sustainable growth

(HK\$ mn)	FY16	FY15	Change
Cash and cash equivalents	46,674	47,058	-0.8%
Total debt	79,751	77,045	3.5%
Net debt	33,077	29,987	10.3%
Total equity	139,159	132,488	5.0%
Total capitalization	218,910	209,532	4.5%
Total debt/ capitalization	36.4%	36.8%	-0.4pt
Net debt/ equity	23.8%	22.6%	1.2pt

Total Debt / Capitalization



Net Debt / Equity



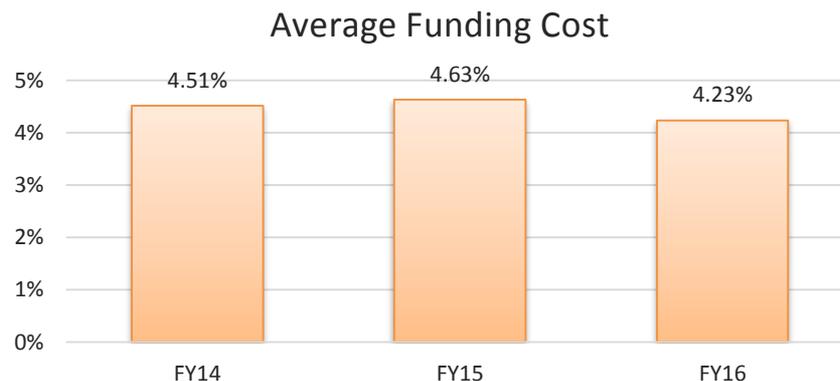
Balance Sheet Highlights

Diversified financing channels supporting sector low funding cost

- Average funding cost lowered to 4.23%.

Rating Agency	CRL's Credit Rating	Outlook
	BBB+	Stable
	Baa1	Stable
	BBB+	Stable
	AAA	Stable

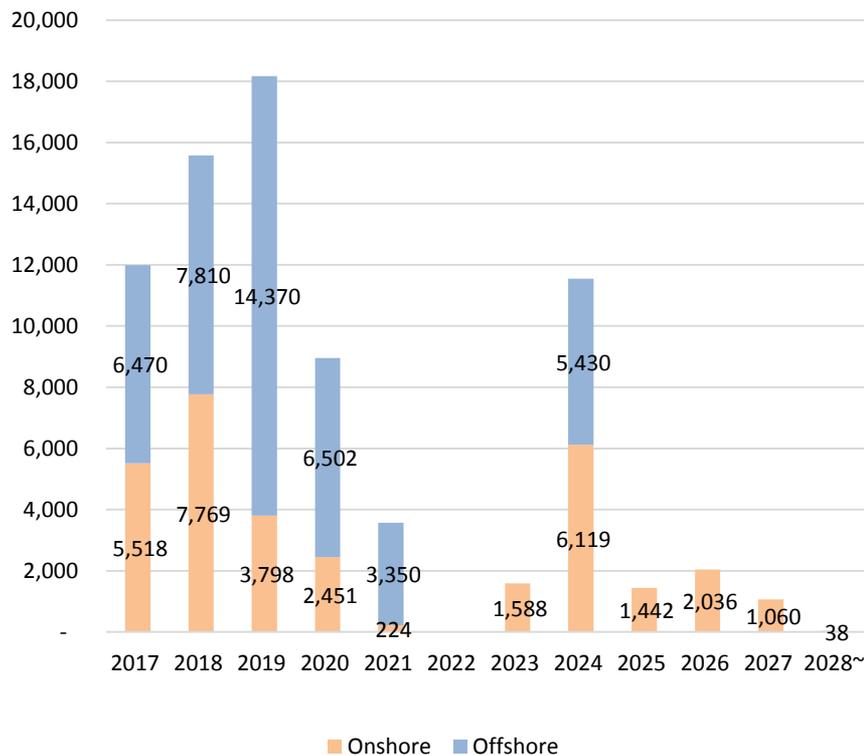
(HK\$ mn)	FY16	FY15	Change
Total Interest	4,413	4,229	4.3%
Bank Charges	210	223	-5.5%
<i>Less: Capitalisation</i>	(3,171)	(3,266)	-2.9%
Exchange loss/ (gain)	(1,259)	(256)	390.9%
Finance Costs on P/L	193	930	-79.2%
Weighted Average Funding Cost	4.23%	4.63%	-0.4pt



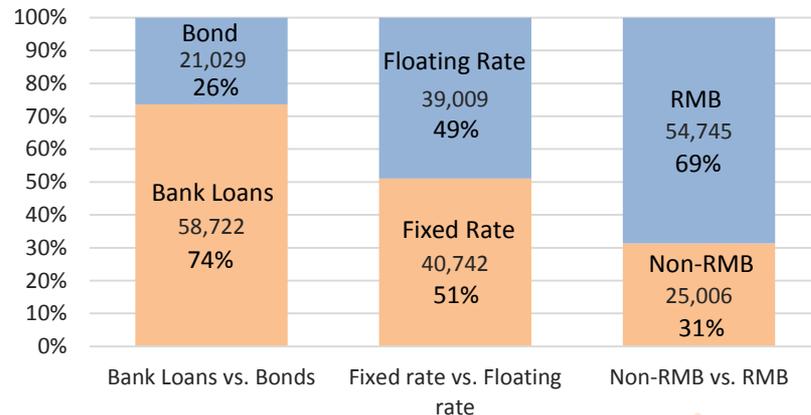
Debt Profile / Decomposition

Optimized debt profile with reduced FX risk

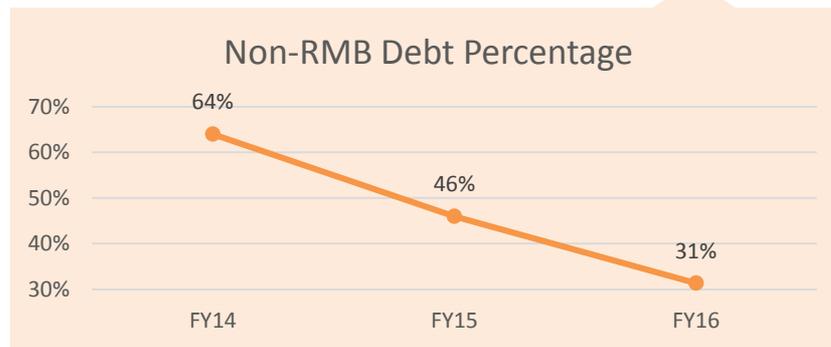
Debt Maturity Profile (HK\$ mn)



Total Debt Breakdown (HK\$ mn)



Non-RMB Debt Percentage



Foreign Exchange Risk Analysis

	31-Dec-16		31-Dec-15	
	HK\$ bn	as %	HK\$ bn	as %
Total Borrowings	79.8	100%	77.0	100%
RMB Borrowings	54.8	69%	41.5	54%
Foreign Currency Borrowings	25.0	31%	35.5	46%
Foreign Currency Cash Balance	3.8	100%	1.5	100%
Net Foreign Currency Borrowings	21.2	100%	34.0	100%
USD	9.6	45%	21.1	62%
HKD	11.6	55%	12.9	38%

If CNY:USD fixing rate depreciates by 5% (@31 Dec 16)

Estimated Impact(1)		HK\$ bn
CF	Cash inflow/(outflow)(2)	-0.4
P&L	Exchange gain/(loss)	1.9
	-Financial cost +/-(-)	1.1
	-Other income +/-(-)	0.8
BS	Change in translation reserve(3) +/-(-)	-8.2
	Net Gearing (Net Debt/Equity)	+0.8pt

(1) Based on financial data as of 31 Dec 2016.

(2) Based on projected cash outflows in 2017.

(3) Based on reserve attributable to owners of the company.

VAT Reform Impact Analysis

Moderate negative effect on topline and slightly positive on EBT

2016

HK\$ mn	Impact on Revenue	Impact on EBT
DP	-984	+55
IP	-226	+25
Mall & Office	-185	+17
Hotel	-41	+8
Total	-1,210	+80

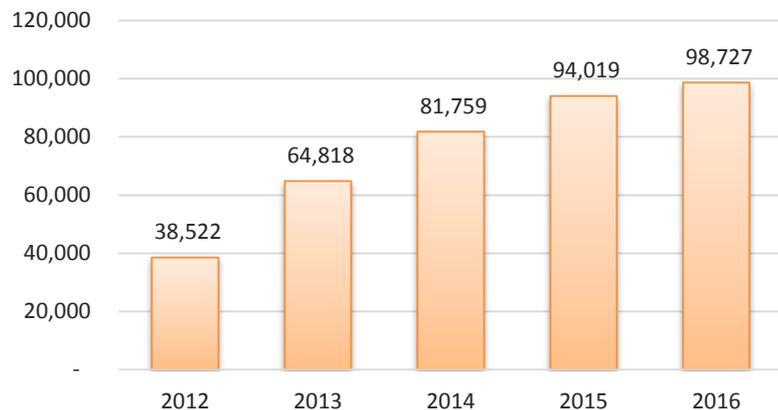
2017

HK\$ mn	Impact on Revenue	Impact on EBT
DP	-3,148	+176
IP	-332	+62
Mall & Office	-258	+45
Hotel	-74	+17
Total	-3,480	+238

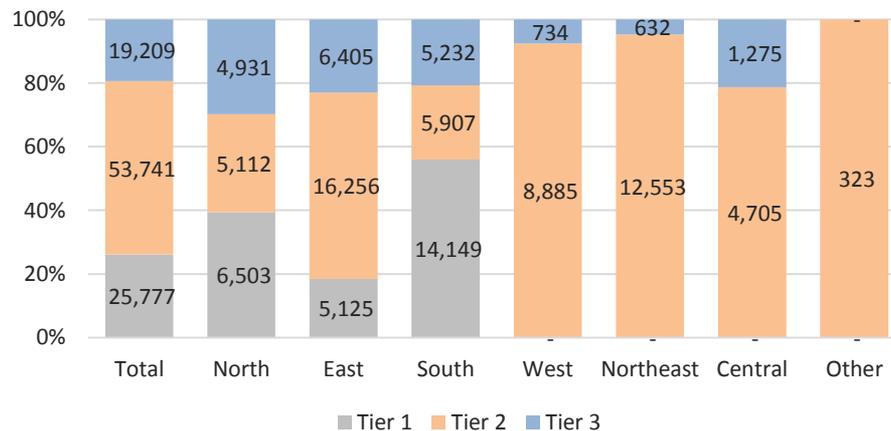
BUSINESS REVIEW

DP Revenue in FY2016

Development Revenue (HK\$ mn)



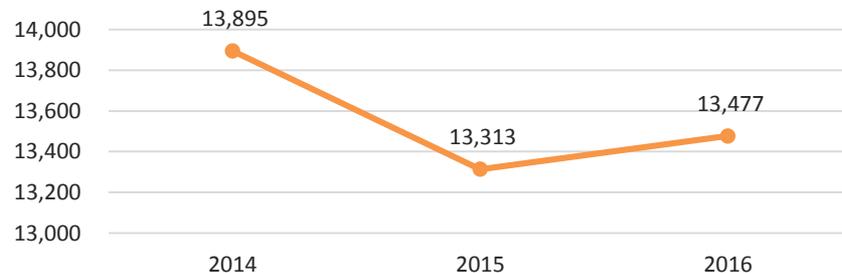
Revenue Breakdown by City Tier (HK\$ mn)



Recognized GFA (mn sqm)

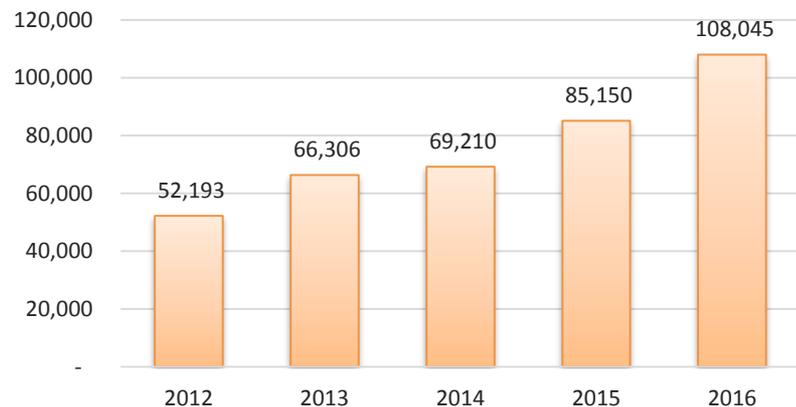


Booking ASP (HK\$/sqm)



Contracted Sales in FY2016

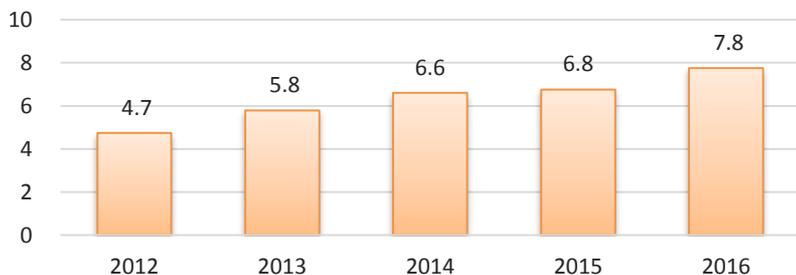
Contracted Sales (RMB mn)



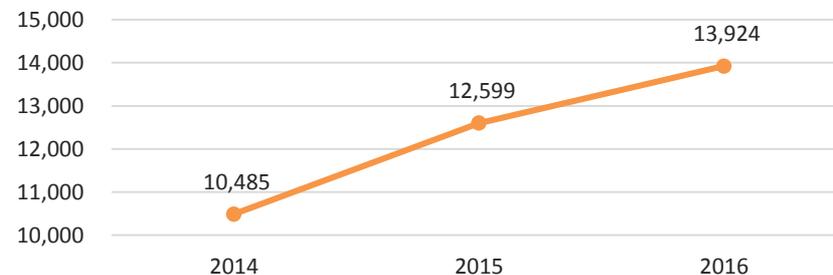
Contracted Sales Breakdown (RMB mn)



Contracted GFA (mn sqm)



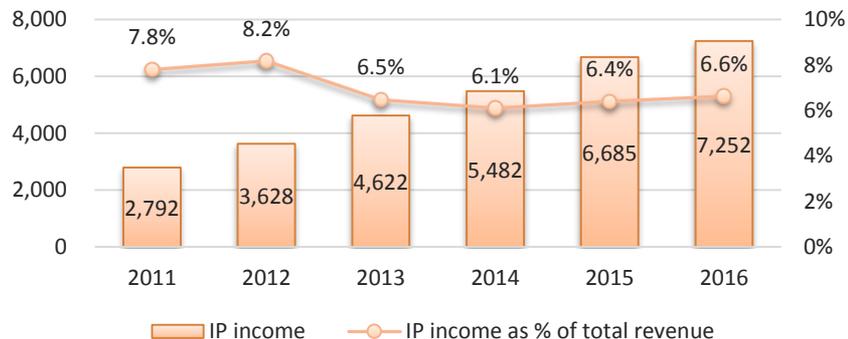
ASP (RMB/sqm)



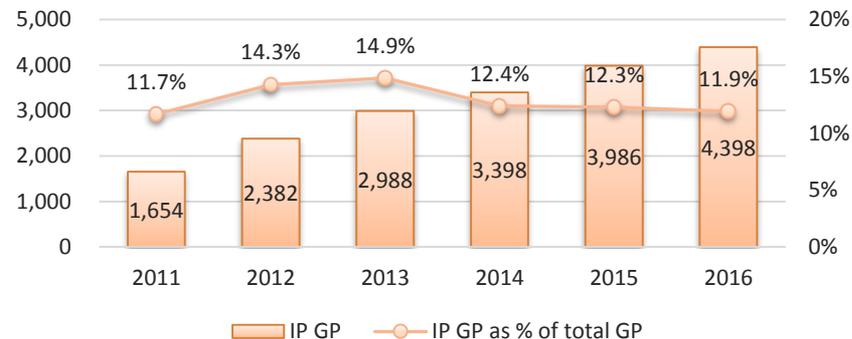
IP Overall Financial Review

Premium IP assets/portfolio and fast growing recurrent income

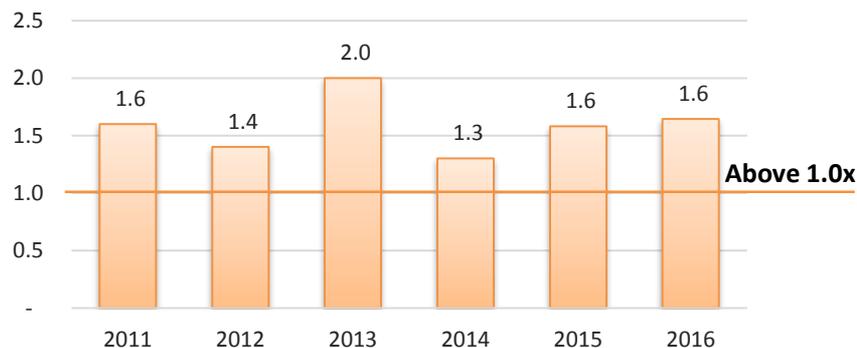
IP Income and % of Total Revenue (HK\$ mn)



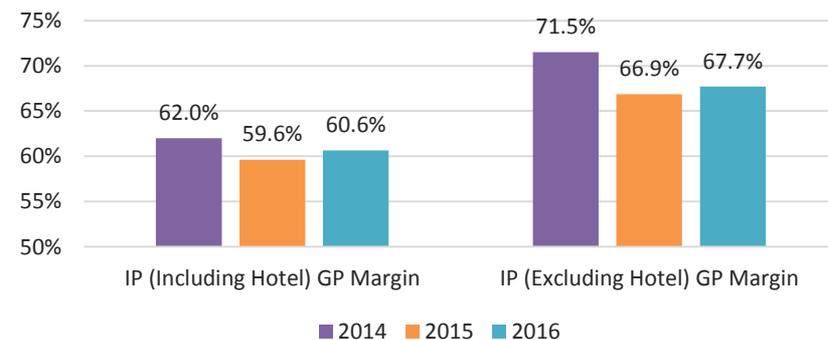
IP Gross Profit and % of Total GP (HK\$ mn)



Gross Interest Coverage Ratio by Rental Income



IP GP Margin



3 Year IP Performance – Shopping Mall

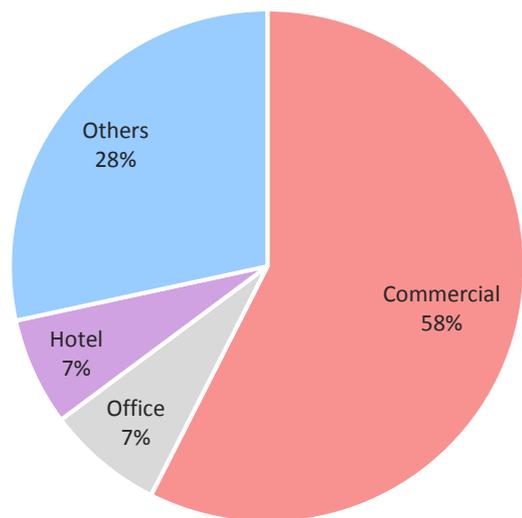
Growing shopping mall portfolio with sector high occupancy

Investment Properties	Rental Income (HK\$ mn)			Average Occupancy Rate (%)		
	FY16	FY15	FY14	FY16	FY15	FY14
Shenzhen Mixc	986	1,050	991	98.8%	99.4%	99.7%
Hangzhou Mixc	508	488	486	91.3%	87.5%	98.5%
Shenyang Mixc	507	420	399	98.0%	95.1%	96.2%
Chengdu Mixc	245	246	258	93.1%	96.7%	98.4%
Nanning Mixc	498	487	454	99.7%	98.9%	99.1%
Zhengzhou Mixc	79	137	103	86.8%	92.9%	94.7%
Chongqing Mixc	234	195	41	93.9%	91.4%	87.7%
Wuxi Mixc	117	124	20	78.0%	77.3%	75.3%
Qingdao Mixc	272	224	-	82.8%	83.0%	-
Hefei Mixc	176	60	-	95.5%	89.8%	-
Ganzhou Mixc	113	50	-	96.1%	95.0%	-
Wenzhou Mixc	128	-	-	82.8%	-	-
Shanghai Times Square	118	116	135	79.6%	88.0%	94.4%
Beijing Phoenix Plaza	105	107	80	96.4%	97.2%	97.1%
Beijing Qinghe Hi5	280	263	229	99.7%	100.0%	99.9%
Hefei Shushan Hi5	33	31	28	98.8%	96.1%	95.1%
Ningbo Yuyao Hi5	62	60	26	92.0%	90.2%	90.8%
Shanghai Nanxiang Hi5	38	40	7	99.2%	98.1%	100.0%
Shandong Zibo Mixc One	114	80	-	87.8%	84.5%	-
Shenyang Tiexi Mixc One	134	28	-	92.8%	86.5%	-
Changsha Xingsha Mixc One	47	11	-	99.4%	100.0%	-
Shandong Rizhao Mixc One	15	-	-	100.0%	-	-
Total / Average for Commercial	4,809	4,217	3,257	92.4%	91.7%	94.7%

IP Business Review

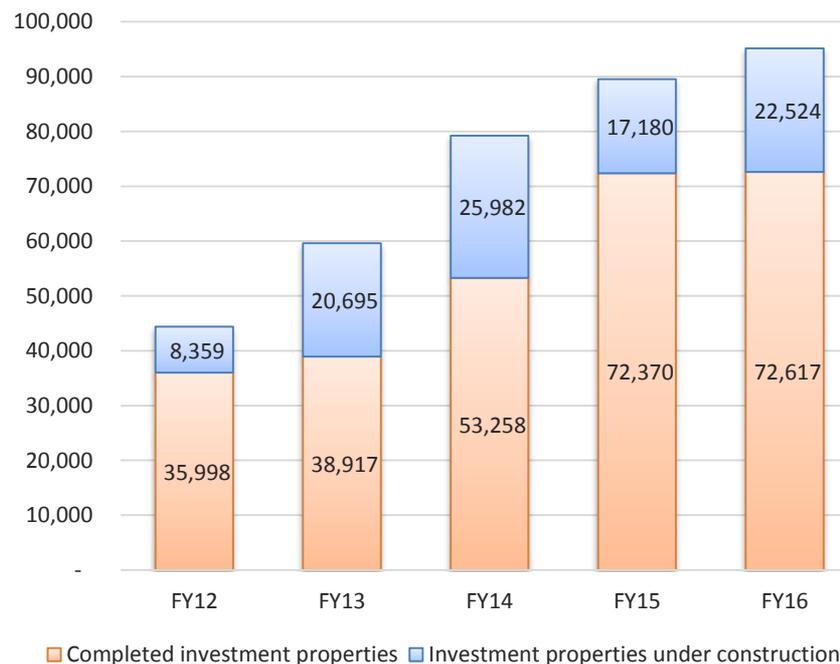
Largest commercial IP portfolio in PRC among listed companies

IP GFA Breakdown of by Asset Class (sqm mn)



Commercial Office Hotel Others

IP Total Fair Value (HK\$ mn)



Completed investment properties Investment properties under construction

IP Financial Review for Malls – Opened before 2012

Improving efficiency = stronger operational and financial performance



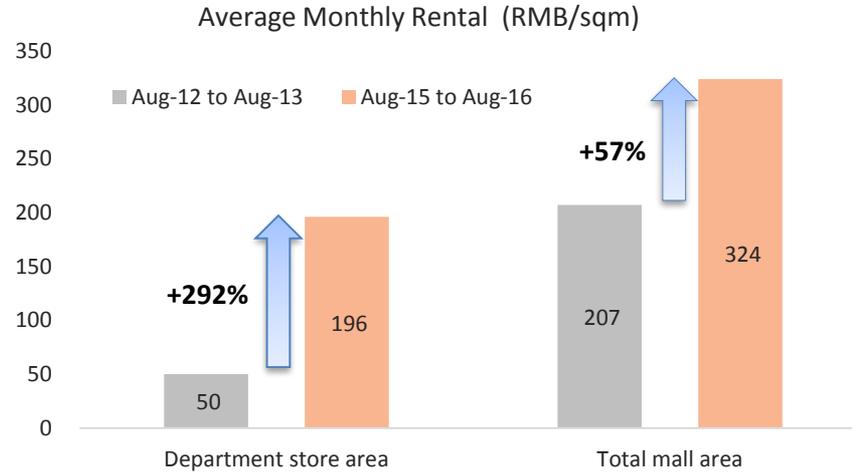
Shenzhen Mixc Hangzhou Mixc Shenyang Mixc Chengdu Mixc Nanning Mixc Beijing Hi 5

8 Malls: 5 Mixc + 1 Mixc One + Beijing Phoenix Plaza + Shanghai Time Square.

	FY16	FY15	YoY Change
Total Rental Income (HK\$ mn)	3,247	3,178	↑ 2.2%
Average Occupancy	96.1%	96.1%	-
Yield on Cost	30.0%	27.8%	↑ 2.2pt
Total Retail Sales (RMB mn)	17,862	15,838	↑ 12.8%

Case Study of Shenyang Mixc

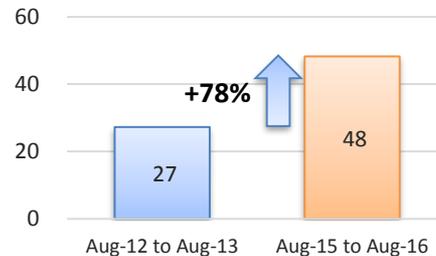
Successful renovation of department store area = higher return



Department Store Area
Retail Sales (RMB mn)



Department Store Area
Rental Income (RMB mn)



IP Financial Review for Malls – Opened after 2012

Improving from low initial base with high future growth potential

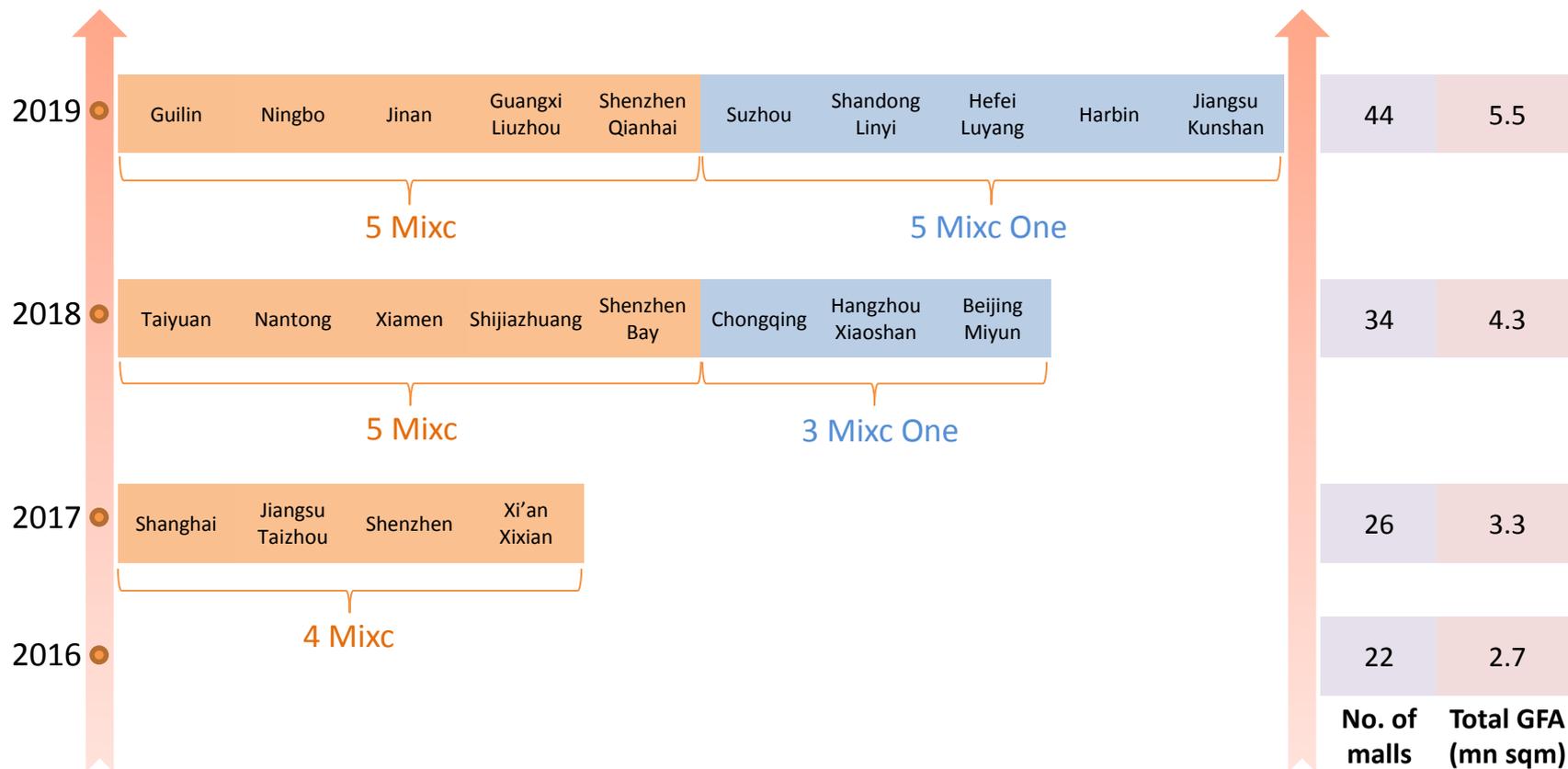
14 Malls: 7 Mixc + 7 Mixc One

	FY16	FY15	YoY Change
Total Rental Income (HK\$ mn)	1,562	1,042	↑ 50.0%
Average Occupancy	90.3%	88.8%	↑ 1.5pt
Yield on Cost	7.4%	7.0%	↑ 0.4pt
Total Retail Sales (RMB mn)	9,326	5,071	↑ 83.9%



IP New Malls in Pipeline

2017-2019



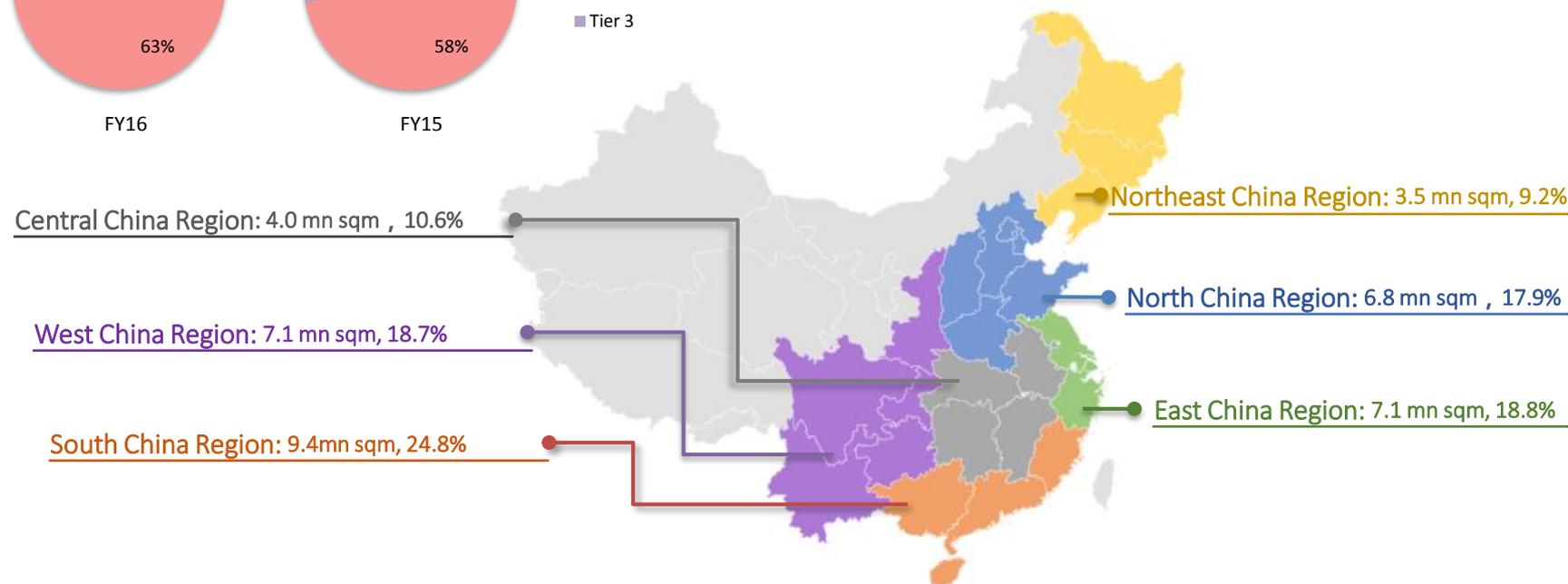
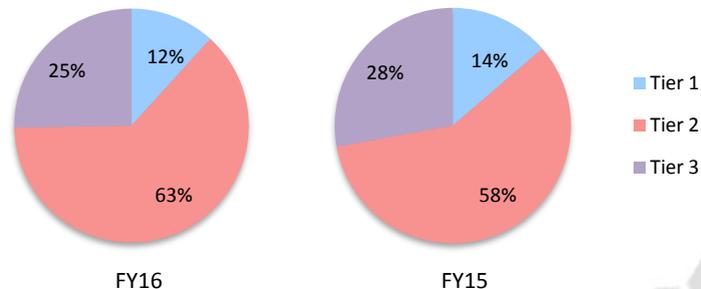
Office & Hotel Financial Review

Investment Properties	Rental Income HK\$ mn			Average Occupancy Rate %		
	FY16	FY15	% YoY	FY16	FY15	% YoY
Beijing CR Building	236.3	228.3	3.5%	96.6%	88.7%	7.9pt
Shenzhen CR Building	160.8	163.2	-1.5%	100.0%	98.9%	1.1pt
Shenyang CR Building	101.9	107.9	-5.6%	92.3%	90.4%	1.9pt
Chengdu CR Building	67.3	65.3	3.1%	86.1%	73.0%	13.1pt
Nanning CR Building	31.0	25.7	20.4%	81.6%	80.1%	1.5pt
Hangzhou CR Building	34.9	4.7	640.7%	44.6%	15.0%	29.6pt
Shanghai Times Square Office	124.7	121.5	2.7%	93.1%	96.7%	-3.6pt
Beijing Phoenix Plaza Office	335.0	351.6	-4.7%	94.2%	92.2%	2.0pt
Beijing Hi5 Office	22.4	24.2	-7.5%	100.0%	100.0%	0.0pt
Shenzhen Grand Hyatt Hotel	458.6	502.4	-8.7%	79.7%	74.4%	5.3pt
Shimei Bay Le Meridien Hotel	66.1	66.1	0.0%	37.9%	35.9%	2.0pt
Shenyang Grand Hyatt Hotel	219.4	230.7	-4.9%	67.7%	68.5%	-0.8pt
Dalian Grand Hyatt Hotel	196.9	169.9	15.9%	49.8%	42.1%	7.7pt
Huizhou Le Meridien Hotel	8.4	-	-	16.1%	-	-
Zibo Sheraton Hotel	15.2	-	-	50.8%	-	-
Hangzhou Park Hyatt	20.8	-	-	21.5%	-	-
Total / Average for Office	1,114.2	1,092.4	2.0%	86.1%	81.6%	4.5pt
Total / Average for Hotel	985.3	969.1	1.7%	49.9%	57.6%	-7.7pt

Land Bank

Development Property as of 31 Dec 2016 - 38.08 mn sqm GFA

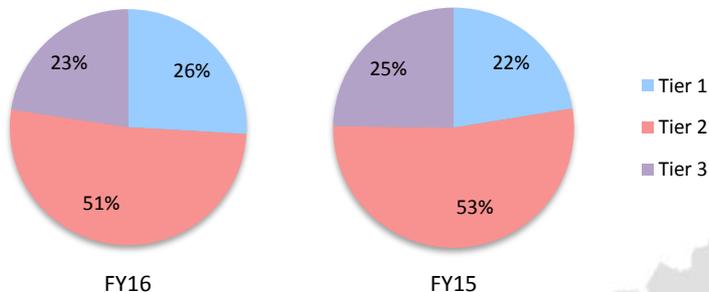
DP Land Bank Breakdown by City Tier



Land Bank

Investment Property as of 31 Dec 2016 - 6.77 mn sqm GFA

IP Land Bank Breakdown by City Tier



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