

Stock Code : 683

2011

KERRY PROPERTIES LIMITED

2011 ANNUAL REPORT



KERRY PROPERTIES LIMITED

嘉里建設有限公司

(Incorporated in Bermuda with limited liability)

Kerry Properties Limited ("KPL") is a world-class property and logistics company with significant investments throughout Asia. Property is the Company's major line of business. The Company is known for its property development activities in the People's Republic of China (the "PRC") and Hong Kong. In both markets, KPL focuses on investing in premium quality property developments in prime locations. The Company has developed a successful business model for doing this over many years and has considerable experience as a developer and manager of quality properties. KPL is also a leading China-focused, Asia-based logistics operator. KPL is a service driven organization and has built a strong talent base to fulfill our business requirements. We act on principles of fairness and integrity, and we value the many relationships we have developed over our long history with staff, suppliers, partners, government agencies, and other key stakeholders.

2011 ANNUAL REPORT



CORPORATE INFORMATION & KEY DATES

BOARD OF DIRECTORS

Executive Directors

Mr KUOK Khoon Chen, *Chairman*
Mr WONG Siu Kong, *President & Chief Executive Officer*
Mr HO Shut Kan
Mr MA Wing Kai, William
Mr QIAN Shaohua
Mr CHAN Wai Ming, William
Mr Bryan Pallop GAW

Independent Non-executive Directors

Mr LAU Ling Fai, Herald
Mr KU Moon Lun
Ms WONG Yu Pok, Marina, JP

AUDIT COMMITTEE

Mr LAU Ling Fai, Herald, *Chairman*
Mr KU Moon Lun
Ms WONG Yu Pok, Marina, JP

REMUNERATION COMMITTEE

Mr KUOK Khoon Chen, *Chairman*
Mr WONG Siu Kong
Mr LAU Ling Fai, Herald
Mr KU Moon Lun
Ms WONG Yu Pok, Marina, JP

FINANCE COMMITTEE

Mr KUOK Khoon Chen
Mr WONG Siu Kong
Mr HO Shut Kan

EXECUTIVE COMMITTEE

Mr KUOK Khoon Chen
Mr WONG Siu Kong
Mr HO Shut Kan
Mr MA Wing Kai, William
Mr QIAN Shaohua
Mr CHAN Wai Ming, William
Mr Bryan Pallop GAW

COMPANY SECRETARY

Ms LI Siu Ching, Liz

AUDITOR

PricewaterhouseCoopers

PRINCIPAL BANKERS

Agricultural Bank of China
Australia and New Zealand Banking Group Limited
Bangkok Bank Public Company Limited
Bank of China Limited
Bank of Communications Co., Ltd.
The Bank of Tokyo-Mitsubishi UFJ, Ltd.
China Construction Bank Corporation
China Merchants Bank
Citibank, N.A.
DBS Bank Ltd.
The Hongkong and Shanghai Banking Corporation Limited
Industrial and Commercial Bank of China Limited
Mizuho Corporate Bank, Ltd.
Standard Chartered Bank (Hong Kong) Limited
Sumitomo Mitsui Banking Corporation
United Overseas Bank Limited
Wing Lung Bank, Limited

REGISTERED OFFICE

Canon's Court, 22 Victoria Street
Hamilton HM12, Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

25/F, Kerry Centre, 683 King's Road
Quarry Bay, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre, 11 Bermudiana Road
Pembroke HM08, Bermuda

HONG KONG BRANCH REGISTRAR AND TRANSFER OFFICE

Tricor Abacus Limited
26/F, Tesbury Centre, 28 Queen's Road East
Wanchai, Hong Kong

CORPORATE COMMUNICATION DEPARTMENT

Kerry Properties Limited
25/F, Kerry Centre, 683 King's Road
Quarry Bay, Hong Kong
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Facsimile: (852) 2967 2900
Email: communication@kerryprops.com

INVESTOR RELATIONS DEPARTMENT

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Quarry Bay, Hong Kong
Telephone: (852) 2967 2200
Facsimile: (852) 2967 2900
Email: ir@kerryprops.com

WEBSITE

www.kerryprops.com

STOCK CODES

Stock Exchange of Hong Kong: 683
Bloomberg: 683 HK
Reuters: 683.HK

KEY DATES

Annual General Meeting

3 May 2012

Closure of Registers of Members

2 May 2012 and 9 May 2012

Proposed Payment of Final Dividend

17 May 2012

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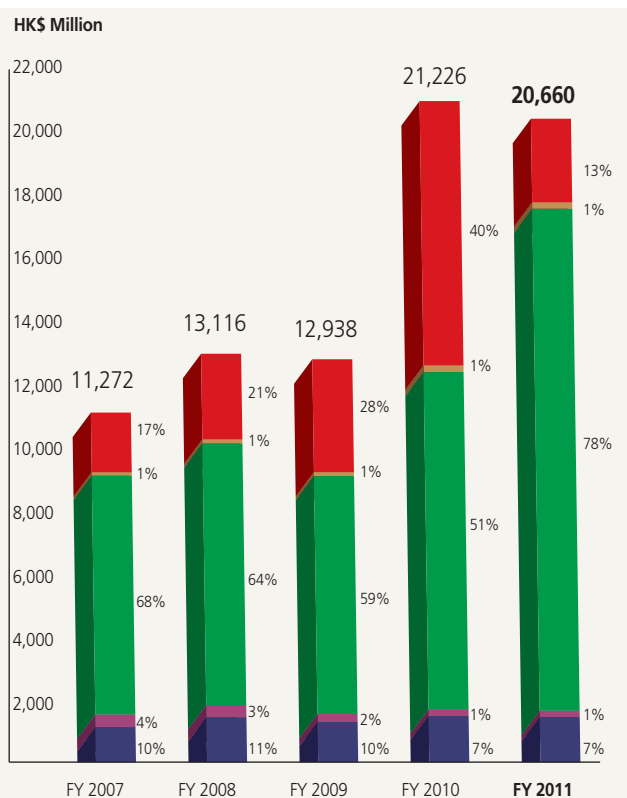
FINANCIAL HIGHLIGHTS

Two-year Overview		FY 2011	FY 2010	% Change
Turnover	(HK\$M)	20,660	21,226	-3%
Gross profit	(HK\$M)	4,999	5,315	-6%
Gross profit margin	(%)	24.2	25.0	
Operating profit	(HK\$M)	4,748	7,363	-36%
Operating profit margin	(%)	23.0	34.7	
Profit attributable to shareholders	(HK\$M)			
– before fair value change of properties		3,657	3,419	+7%
– after fair value change of properties		5,348	6,703	-20%
Net profit margin	(%)			
– before fair value change of properties		17.7	16.1	
– after fair value change of properties		25.9	31.6	
Earnings per share	(HK\$)			
– before fair value change of properties		2.54	2.39	+6%
– after fair value change of properties		3.72	4.68	-21%
Shareholders' equity	(HK\$M)	63,922	58,674	+9%
Net borrowings	(HK\$M)	11,921	10,076	+18%
Net asset value per share	(HK\$)	44.44	40.86	+9%
Share price as at 31 December	(HK\$)	25.70	40.50	-37%
Price earnings ratio #	(times)			
– before fair value change of properties		10.1	16.9	
– after fair value change of properties		6.9	8.7	
Market capitalization as at 31 December #	(HK\$M)	36,966	58,159	-36%
Dividend per share	(HK\$)	0.87	0.87	
Dividend payout ratio	(%)			
– before fair value change of properties		34.3	36.4	
– after fair value change of properties		23.4	18.6	
Dividend cover	(times)			
– before fair value change of properties		2.9	2.7	
– after fair value change of properties		4.3	5.4	
Dividend yield #	(%)	3.4	2.1	
Return on shareholders' equity	(%)			
– before fair value change of properties		5.7	5.8	
– after fair value change of properties		8.4	11.4	
Gearing	(%)	18.6	17.2	
Interest cover	(times)			
– before fair value change of properties		9.9	9.1	
– after fair value change of properties		13.3	15.6	
Current ratio	(times)	1.8	1.7	
Liquidity ratio	(times)	1.2	0.9	
Discount to net asset value #	(%)	(42.2)	(0.9)	

Based on share prices as at 31 December 2011 and 31 December 2010, respectively.

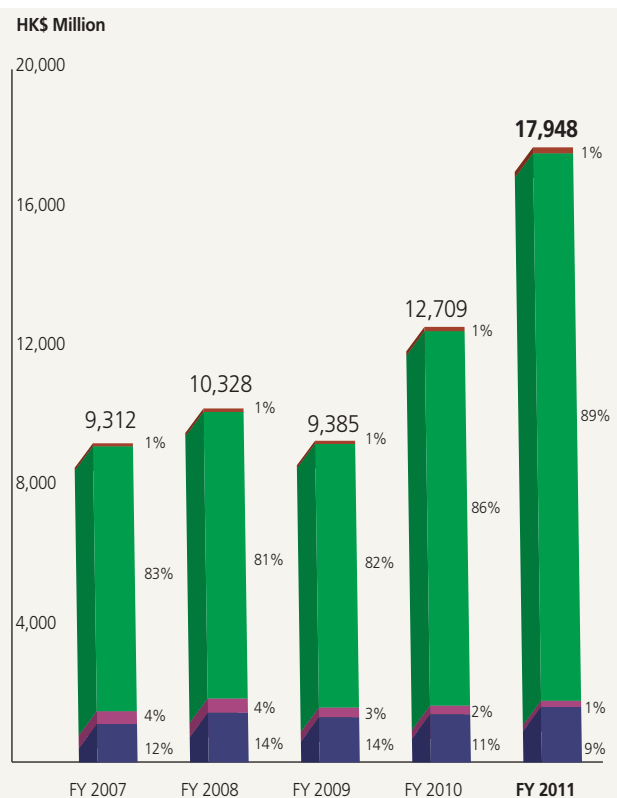


Breakdown of Total Turnover



- Proceeds from sales of properties
- Development consultancy and project management fees
- Logistics income
- Hotel revenue
- Rental income

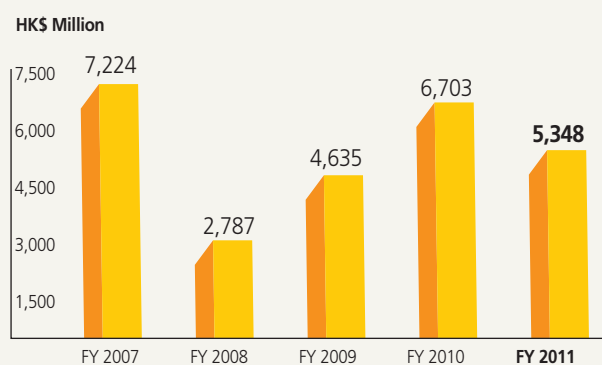
Breakdown of Recurrent Income



- Development consultancy and project management fees
- Logistics income
- Hotel revenue
- Rental income

The Group recorded a 3% decrease in total turnover for FY2011 to **HK\$20,660 million** (2010: HK\$21,226 million).

Profit Attributable to Shareholders



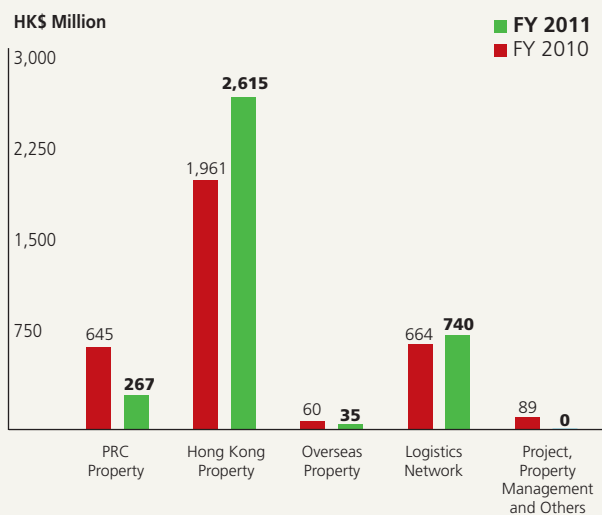
	Total Turnover HK\$ Million	Recurrent Income HK\$ Million	% Weighting	Net Profit before fair value change of properties HK\$ Million	Net Profit after fair value change of properties HK\$ Million
FY 2007	11,272	9,312	83%	2,600	7,224
FY 2008	13,116	10,328	79%	2,246	2,787
FY 2009	12,938	9,385	73%	2,163	4,635
FY 2010	21,226	12,709	60%	3,419	6,703
FY 2011	20,660	17,948	87%	3,657	5,348

The Group's net profit attributable to shareholders for FY 2011 decreased by 20% to **HK\$5,348 million** (2010: HK\$6,703 million).

FINANCIAL HIGHLIGHTS

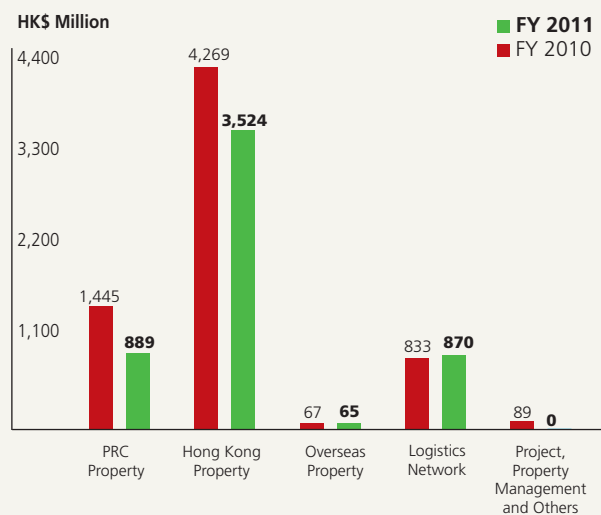
Profit Attributable to Shareholders by Division

(before fair value change of properties)



Profit Attributable to Shareholders by Division

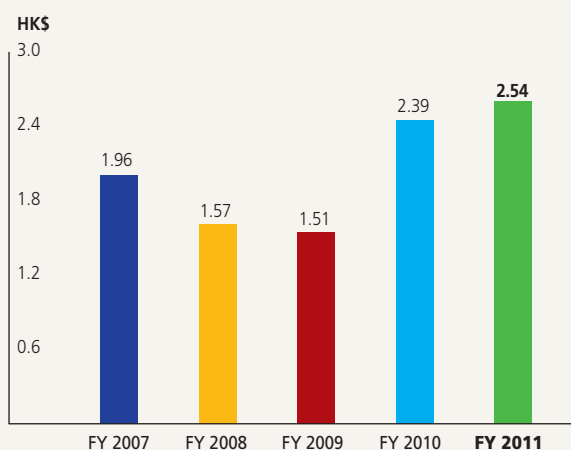
(after fair value change of properties)



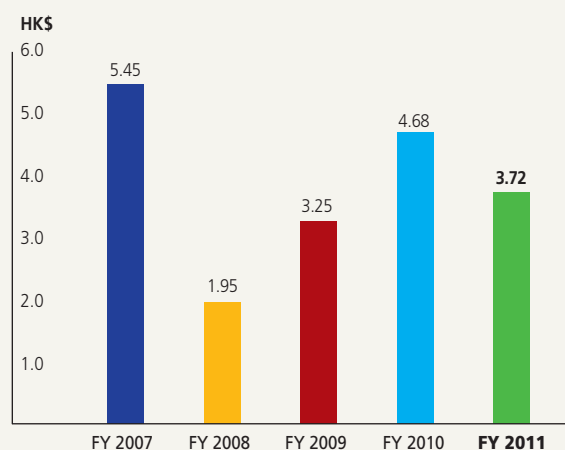
Profit Attributable to Shareholders (before fair value change of properties) (by division)	2011		2010	% Change
	HK\$ Million	HK\$ Million	HK\$ Million	
PRC Property	267	645	645	-59%
Hong Kong Property	2,615	1,961	1,961	+33%
Overseas Property	35	60	60	-42%
Logistics Network	740	664	664	+11%
Project, Property Management and Others	-	89	89	-100%
	3,657	3,419	3,419	+7%

Profit Attributable to Shareholders (after fair value change of properties) (by division)	2011		2010	% Change
	HK\$ Million	HK\$ Million	HK\$ Million	
PRC Property	889	1,445	1,445	-38%
Hong Kong Property	3,524	4,269	4,269	-17%
Overseas Property	65	67	67	-3%
Logistics Network	870	833	833	+4%
Project, Property Management and Others	-	89	89	-100%
	5,348	6,703	6,703	-20%

Earnings per Share (before fair value change of properties)

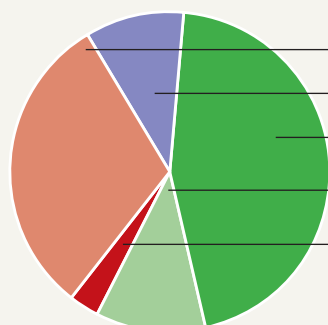


Earnings per Share (after fair value change of properties)



Gross Asset Value of Properties

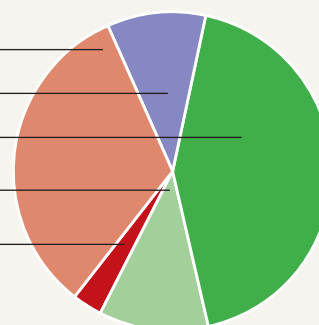
HK\$80,411 Million



FY 2011

31% Hong Kong Residential
10% Hong Kong Commercial
45% PRC Properties
11% Warehouses & Logistics Centres
3% Overseas Properties

HK\$73,090 Million

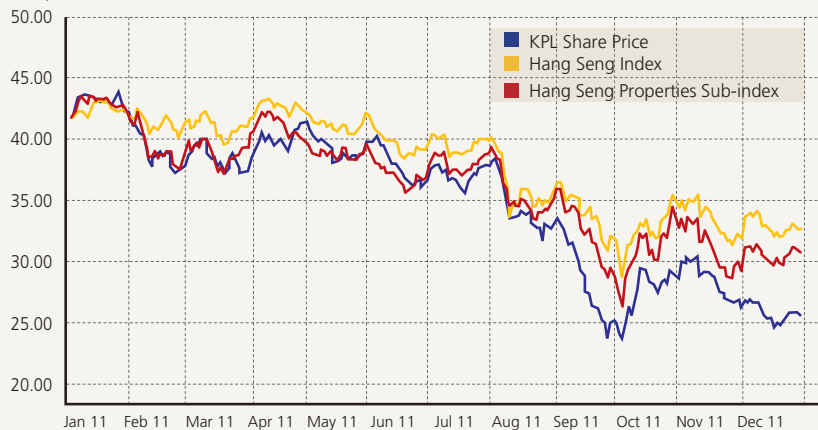


FY 2010

33% Hong Kong Residential
10% Hong Kong Commercial
43% PRC Properties
11% Warehouses & Logistics Centres
3% Overseas Properties

Share Price Performances

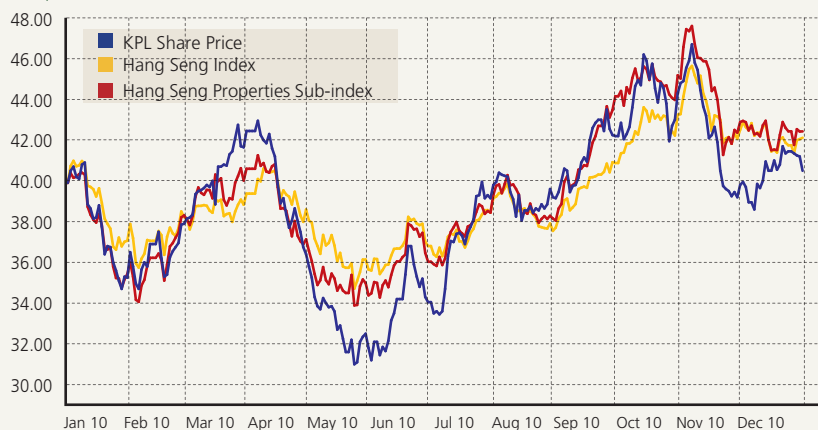
FY 2011
HK\$



KPL Share Price 2011

High:	HK\$43.90
Low:	HK\$23.80
Average:	HK\$34.88
Year's High PE:	9.82x
Year's Low PE:	5.07x
Average PE:	7.65x
Hang Seng Index Average PE:	10.51x
Hang Seng Properties Sub-index Average PE:	7.97x

FY 2010
HK\$



KPL Share Price 2010

High:	HK\$46.70
Low:	HK\$31.00
Average:	HK\$38.85
Year's High PE:	14.0x
Year's Low PE:	9.3x
Average PE:	11.6x
Hang Seng Index Average PE:	14.5x
Hang Seng Properties Sub-index Average PE:	11.05x

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board, I am pleased to report the annual results of Kerry Properties Limited (the "Company"), its subsidiaries and associates (collectively, the "Group") for the year ended 31 December 2011. The Group's consolidated net profit attributable to shareholders for the year ended 31 December 2011 before taking into account the effects of the increase in fair value of investment properties was HK\$3,657 million, representing an increase of 7% compared with HK\$3,419 million reported for 2010. Profit attributable to shareholders for the year ended 31 December 2011 after taking into account the effects of the increase in fair value of investment properties was HK\$5,348 million (2010: HK\$6,703 million). Earnings per share for the year were HK\$3.72, representing a decrease of 21% compared with HK\$4.68 per share in 2010.

The Board has recommended the payment of a final dividend of HK\$0.47 per share for the year. Together with the interim dividend of HK\$0.4 per share, the total dividend for the year ended 31 December 2011 will be HK\$0.87 per share (2010: HK\$0.87 per share).

Projects Firmly on Track

The Group's results continue to demonstrate the sustainability of our business goals in our core markets of Hong Kong and the People's Republic of China (the "PRC"). Against a background of ongoing economic uncertainties accompanied by inevitable corrections in overheated sectors, particularly the housing market, we achieved satisfactory sales activity in our property division. We also recorded a strong performance in our office and retail leasing divisions.

In Hong Kong, reflecting our commitment to quality and environmental standards, effective pricing and targeted brand positioning, our portfolio of developments performed well in 2011. All our completed investment projects in Hong Kong are now largely fully occupied and rentals have risen. Kerry Centre, our new headquarters building, made a good contribution to our Hong Kong portfolio.

Our investment in redeveloping centrally located sites in the PRC for mixed-use, integrated projects in major cities bore further fruit during the year. We completed the Kerry Parkside project in Pudong and commenced leasing of Jing An Kerry Centre, Shanghai in readiness for completion. Our mixed-use investment projects in Tianjin and Shenyang remained on track. Our investment in residential projects in second-tier cities with strong prospects for economic growth continued to show progress. We are confident that these projects will benefit from the ongoing modernization and urbanization trend in the PRC.

Despite difficult conditions prevailing in parts of the global economy, and policy adjustments in the PRC property market, we are cautiously optimistic that the economies of both Hong Kong and the PRC will ultimately continue their upward trend. The Group will therefore maintain a positive but measured approach to our investments in both of these markets.



Logistics Grows Further

Our logistics business continued to deliver a robust performance driven by the Asian integrated logistics and international freight forwarding businesses. Riding on the growth of imports into the PRC and the increase of manufacturing activities in the ASEAN countries, where the Division has a strong presence, Kerry Logistics was able to deliver encouraging results. The Division remains confident of achieving sustainable growth due to its solid foundation in Asia and clear international expansion strategy.

In December, Kerry Logistics was honoured to be named the “Asian 3PL of the Year” at the prestigious Supply Chain Asia Logistics Awards. The award shows the Division is now recognized as a global logistics corporation, probably the only Hong Kong based logistics company that can compete with other established peers in the worldwide Top 20 arena.

Sustainability Achievements

Through a broad variety of initiatives, we take care of our staff and their families, promote professional development, help to preserve the environment and reach out to the needy and disadvantaged.

In 2011, we were recognized as a Caring Company by the Hong Kong Council of Social Service for the ninth consecutive year. Among a series of training initiatives, the Group launched a two-year leadership development programme to enhance the strategic thinking and leadership potential of our senior staff and managerial grade staff. Following the full implementation of our Environmental Management System in 2010, we were pleased to receive ISO 14001 certification for the system as a whole. In December, the Group received the Silver Award in the “Green Management” category of the “Hong Kong Green Awards 2011” organized by the Green Council of Hong Kong. Such awards reflect our vision of a greener and more compassionate society both now and in the future.

Looking back on 2011, I would like to thank everyone for their commitment, loyalty and inspirational teamwork: my Board colleagues, the senior management team, our partners and everyone who worked with us during the year. I am convinced that their resilience, forward thinking and resourcefulness will continue to drive the future sustainable growth of Kerry Properties Limited and its subsidiaries in the years to come.

Sincerely,

Kuok Khoon Chen

Chairman

Hong Kong, 15 March 2012

PRESIDENT & CHIEF EXECUTIVE OFFICER'S STATEMENT

Dear Shareholders,

In a year of global economic turbulence, the Group has stayed firmly on course as we continued with our established and proven investment and development strategy. Our Hong Kong investment property portfolio performed remarkably well during the year under review, with our properties substantially fully let and gains in rentals. The new Kerry Centre with its extensive Grade-A office space also made a good contribution to the Hong Kong portfolio.

The Group's portfolio of residential projects in Hong Kong is primarily located in the city's most exclusive areas. Despite a slowdown in sales in the PRC during the year, the Hong Kong business delivered a strong performance with overall contract sales meeting the Group's targets. SOHO 189 and Lions Rise were launched in Hong Kong with excellent sales results.

Our investment property portfolio in the PRC also recorded an excellent performance. Kerry Parkside in the Pudong District, Shanghai, was completed and opened for business; the offices and shopping mall have now been more or less fully leased. Kerry Plaza Phase II in Shenzhen has already reached the handover stage, achieving successful pre-leasing results and office rental levels that are among the highest in Shenzhen. The completion of this property signifies the overall conclusion of our Futian CBD core property portfolio. The property is expected to contribute rental income in 2012.

Keeping Track of Macro Changes and Proactively Responding to Challenges

The European Union's offer of financial aid to Greece has helped ease the European sovereign debt crisis for the immediate future. A slowdown in the pace of growth has also been witnessed in the PRC. Monetary easing since the outbreak of the financial tsunami has helped the property markets in the PRC and Hong Kong to thrive, which in turn has resulted in a series of government control measures aiming to calm property prices. It is expected that stringent macro-economic controls will remain in place over the short term. The management will therefore closely monitor macro-economic developments and proactively respond to the challenges ahead.

Expediting the Development of Major Mixed-use Projects


The Group will implement a number of strategies to meet these challenges. We will closely monitor and forge ahead with the progress of the construction of key projects, such as Jing An Kerry Centre, Shanghai and our projects in Tianjin, Hangzhou and Shenyang. These mixed-use projects can better respond to market demand and are architectural icons that make distinguished contributions to the cities' skylines. Since these projects are less impacted by policy changes, they can help strengthen the Group's overall profitability.

Actively Launching Property Sales

Despite the flat property market in the PRC, the Group will uphold market-oriented principles in the timely launches of property sales in order to increase cash inflow. There will be new project sales in Hangzhou, Changsha, Shenyang, Tangshan and Qinhuangdao this fiscal year. Planned sales in Hong Kong will include Lions Rise and The Altitude.

Maintaining Balanced Developments and Increasing the Land Bank

As a result of the cyclical adjustment of the property sector, lower inflationary pressure is expected on land, construction and labour costs. This lower inflationary environment offers opportunities for developers to increase their land bank and commence construction of new projects.



During the year, there were significant additions to the Group's land bank, including a site in Kau To Shan in Hong Kong, and sites in Putian City, Fujian Province; Zhengzhou City, Henan Province; and Jinan City, Shandong Province. The Group will continue to identify high-quality sites to pursue new project development opportunities, and will attach equal importance to developments in both the PRC and Hong Kong. New projects will be considered on the basis of their income-generating potential, with the primary goal being to maximize overall and long-term returns.

Strengthening Internal Management and Professional Services

In view of the successive opening of several large-scale, mixed-use developments in the coming years, the Group will bolster the overall service capabilities of our core properties. We are enhancing our property management expertise by establishing benchmarks to guarantee the same high service standards for our investment properties across the nation.

Evolving to meet future challenges and opportunities, Kerry Properties will focus on developing human capital, enhancing product and customer service quality and maintaining prudent financial management. We encourage our staff members to advance through learning. We keep ourselves at the forefront of market developments and actively build a dynamic, innovative and responsible staff team. Quality product and customer service is always at the core of Kerry Properties' competitive advantage. We strive to achieve excellence in all operations, from design, construction to management services, and are committed to enhancing environmental and functional efficiencies. The Group will uphold its established prudent financial management principles, and will maintain flexibility in order to stay relevant to the operating environment. In an environment threatened by inflation, the Group will impose stringent measures to control cost and enhance resources efficiency.

Reinforcing Our Logistics Network Through Broad-based Growth

The Group's logistics business is one of our main business focuses. Despite difficulties on the economic horizon, Kerry Logistics performed well during the year on the back of both organic growth and new earnings streams achieved through mergers and acquisitions. Since it is well established as an Asia specialist, Kerry Logistics has been able to capture the growth momentum of various Asian markets as they continue to benefit from the inflow of manufacturing activities. With the international freight forwarding segment also achieving excellent progress, Kerry Logistics is set to grow further in 2012.

The quality of our employees, their resourcefulness, commitment and proactive attitudes are the cornerstone of the Group's success. Owing to the loyalty and dedicated work of all our staff, Kerry Properties will continue to make strong progress in 2012. In order to ensure a succession of professional talent as the Group further expands, we will gear our training programmes and career development opportunities to the needs of the future. By maximizing our human resources through strengthening of team spirit, we will be ready for all challenges.

Finally, I take this opportunity to express my sincere thanks to everyone who has contributed to the Group's success.

Sincerely,

Wong Siu Kong

President and Chief Executive Officer
Hong Kong, 15 March 2012

MANAGEMENT DISCUSSION & ANALYSIS

OVERALL RESULTS

The Group's consolidated net profit attributable to shareholders for the year ended 31 December 2011 before taking into account the effects of the increase in fair value of investment properties was HK\$3,657 million, representing an increase of 7% compared with HK\$3,419 million reported for 2010. In accordance with Hong Kong Accounting Standard 40 "Investment Property", the Group measured its investment property portfolio on a fair value basis and recorded an increase in fair value of investment properties (net of deferred taxation) of HK\$1,691 million for the year ended 31 December 2011 (2010: HK\$3,284 million). Profit attributable to shareholders for the year ended 31 December 2011 after taking into account the effects of the aforementioned increase in fair value was HK\$5,348 million (2010: HK\$6,703 million).

Earnings per share for the year ended 31 December 2011 were HK\$3.72, representing a decrease of 21% compared with HK\$4.68 per share in 2010.



1



3



2



4

1. Show Flat of The Altitude, Happy Valley, Hong Kong 2. Jing An Kerry Centre, Shanghai, PRC* 3. Exterior of Kerry Parkside, Shanghai, PRC 4. Kerry Siam Seaport, Thailand



The effect on the Group's profit attributable to shareholders due to the net increase in fair value of the Group's investment properties and related tax effects is as follows:

	Year ended 31 December		Change
	2011 HK\$ million	2010 HK\$ million	
Profit attributable to shareholders before taking into account the net increase in fair value of investment properties and related tax effects	3,657	3,419	7%
Add: Net increase in fair value of investment properties and related tax effects	1,691	3,284	
Profit attributable to shareholders after taking into account the net increase in fair value of investment properties and related tax effects	5,348	6,703	-20%

The Board has recommended the payment of a final dividend of HK\$0.47 per share for the year ended 31 December 2011 (the "Final Dividend"). Together with the interim dividend of HK\$0.4 per share, the total dividend for the year ended 31 December 2011 will be HK\$0.87 per share (2010: HK\$0.87 per share).



5. Kerry Centre, Quarry Bay, Hong Kong 6. Show Flat of SOHO 189, Sheung Wan, Hong Kong 7. MegaBox, Kowloon Bay, Hong Kong 8. Strongest Local Distribution Network, Hong Kong 9. Shenzhen Kerry Plaza, Shenzhen, PRC*

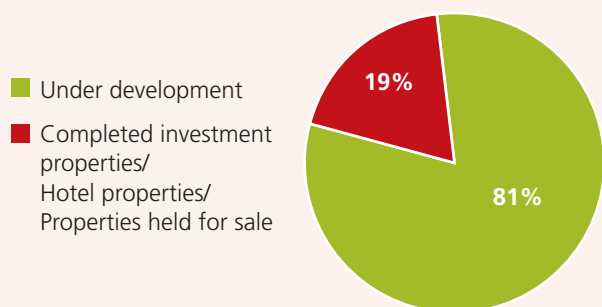
* Artist's impression

Presence in the PRC and Hong Kong



**Property Portfolio Composition
 - By Type**

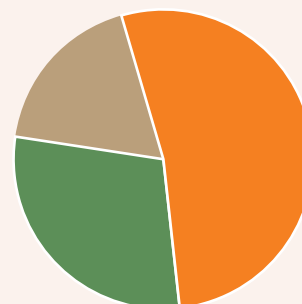
56.29 million square feet in attributable GFA



Completed investment properties/Hotel properties/Properties held for sale

10.48 million square feet in attributable GFA

- 53% PRC
- 29% Hong Kong
- 18% Overseas



OVERVIEW

Despite the volatile market situation in 2011, the property business ended the year with a solid set of results reflecting the sound performance of its property sales and rental activities in Hong Kong and the PRC. The Group's development projects in the PRC and Hong Kong continued to make good progress, with the Group leveraging its experience and resources to enhance the performance of its prime-quality residential, office and commercial investment properties.

As at 31 December 2011, the Group maintained a property portfolio comprising properties under development measuring a gross floor area ("GFA") of 45.80 million square feet (2010: 39.71 million square feet), completed investment properties of 9.12 million square feet (2010: 8.55 million square feet), hotel properties of 0.87 million square feet (2010: 0.54 million square feet) and properties held for sale of 0.49 million square feet (2010: 0.73 million square feet). The Group will continue to build on this premium asset base with a view to delivering long-term value to its shareholders.

Property Portfolio Composition

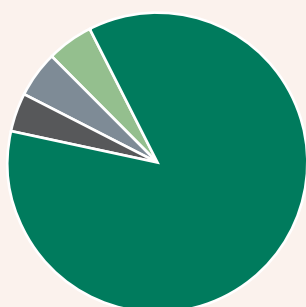
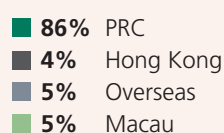
	Group's attributable GFA				
	The PRC	Hong Kong	Macau ⁽¹⁾	Overseas	Total
	('000 square feet)				
Investment Properties	4,460	2,766	–	1,891	9,117
Hotel Properties	836	38	–	–	874
Properties Under Development	39,207	1,957	2,385	2,253	45,802
Properties Held for Sale	248	217	–	27	492
Total GFA	44,751	4,978	2,385	4,171	56,285

Note:

- (1) The property portfolio in Macau includes the developable GFA of a site that was surrendered to the Macau SAR Government in September 2009. According to the Macau SAR Government Notice gazetted on 14 October 2009, a piece of land will be granted in exchange with location and size to be identified and agreed.

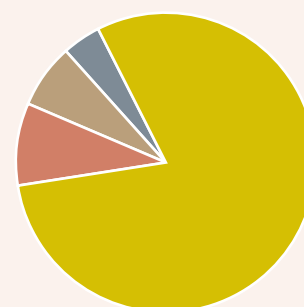
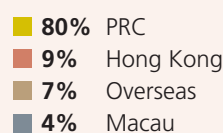
Under development

45.80 million square feet in attributable GFA



Property Portfolio Composition - By Location

56.29 million square feet in attributable GFA



MANAGEMENT DISCUSSION & ANALYSIS

REVIEW OF PROPERTY BUSINESS

PRC PROPERTY DIVISION

Reviewing major events in the PRC real estate market in 2011, it is clear that the Government's macro-economic measures have played a major role in the sector's development during the year. The policy changes reflect the state's resolve to balance economic growth and financial stability, and the control measures instituted have provided a framework for the PRC's sustainable economic development over the long term. With continued mass urbanization and rising disposable incomes among urban residents, the long-term prospects for the country's residential sector have remained healthy. The commercial sector also performed well as multinational companies continued to place increasing emphasis on the growth prospects for the PRC market.

The PRC Property Division continues to maintain a premium investment property portfolio and land bank, with a focus on the development of large-scale mixed-use properties in key locations in the major cities.

During the year, the PRC Property Division reported a turnover of HK\$1,838 million (2010: HK\$3,352 million), a decrease of 45% year on year. Net profit attributable to the Company's shareholders declined by 38% year on year to HK\$889 million

(2010: HK\$1,445 million), after taking into account the increase in fair value of investment properties (after deferred taxation) of HK\$622 million (2010: HK\$800 million). Excluding the effect of the increase in fair value of investment properties (after deferred taxation), the Division's net profit attributable to the Company's shareholders was HK\$267 million (2010: HK\$645 million).

The Group has in place a sound property portfolio and proven business strategy, which will continue to support the long-term development of the Group.

INVESTMENT PROPERTIES

During the year under review, the Group generated rental turnover and operating profit of HK\$893 million and HK\$626 million, respectively (2010: HK\$808 million and HK\$594 million, respectively) from rental activities on its portfolio of completed investment properties in the PRC.

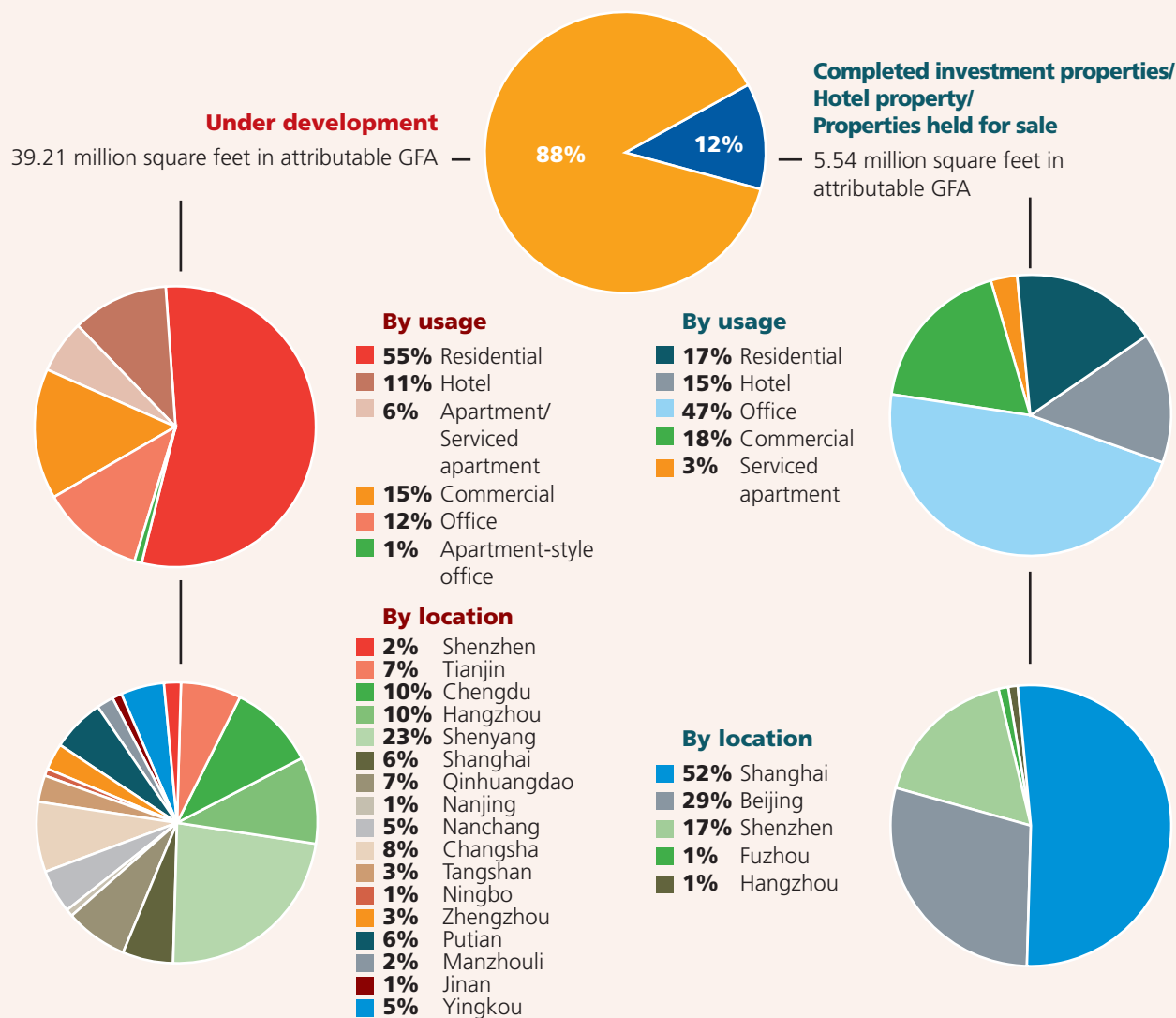
As at 31 December 2011, the Group held a completed investment property portfolio of residential, commercial and office properties in the PRC with an aggregate GFA of 4.46 million square feet (2010: 3.75 million square feet). Their respective composition and occupancy rates are as follows:

As at 31 December 2011:	Group's attributable GFA					Occupancy rate
	Beijing	Shanghai	Shenzhen	Fuzhou	Total	
	('000 square feet)					
Office	711	962	807	–	2,480	92%
Commercial	98	659	107	64	928	94%
Residential	277	775	–	–	1,052	69%
	1,086	2,396	914	64	4,460	

As at 31 December 2010:	Group's attributable GFA					Occupancy rate
	Beijing	Shanghai	Shenzhen	Fuzhou	Total	
	('000 square feet)					
Office	711	612	813	–	2,136	84%
Commercial	98	437	108	64	707	92%
Residential	277	628	–	–	905	62%
	1,086	1,677	921	64	3,748	

PRC Properties

44.75 million square feet in attributable GFA



Comparative occupancy rates of key investment properties are outlined below:

Property	Occupancy rate as at 31 December 2011	Occupancy rate as at 31 December 2010
Beijing Kerry Centre ⁽²⁾	90%	83%
Shanghai Kerry Centre ⁽³⁾	90%	86%
Kerry Parkside Shanghai Pudong	78%	N/A
Kerry Everbright City Phase I	85%	82%
Central Residences Phase II Towers 1 and 3	68%	71%
Shenzhen Kerry Plaza Phase I	100%	91%

Note:

(2) Excluding Kerry Hotel, Beijing (formerly known as Shangri-La's Kerry Centre Hotel, Beijing)

(3) Excluding serviced apartments which are undergoing renovation

MANAGEMENT DISCUSSION & ANALYSIS

REVIEW OF PROPERTY BUSINESS



■ 1. Kerry Parkside, Shanghai, PRC ■ 2. Shanghai Central Residences Phase II, Shanghai, PRC* ■ 3. Le Loft / Kerry Everbright City Phase I, Shanghai, PRC ■ 4. Show Flat of Gemini Grove, Beijing, PRC

The 40.8%-held mixed-use property project, Kerry Parkside, in the Pudong District of Shanghai, became fully operational during the year. The development includes a hotel, offices, serviced apartments, commercial properties and related ancillary facilities. As at 31 December 2011, approximately 99% (2010: 80%) of the retail space were leased while the offices were 83% (2010: 40%) occupied. The project will become one of the Group's landmark investment properties in the PRC.

SALES OF PROPERTIES

The Group's sales of completed properties in the PRC during the year delivered a turnover of HK\$719 million (2010: HK\$2,250 million). Sales of completed investment properties generated proceeds of HK\$305 million (2010: HK\$244 million). An operating profit of HK\$507 million (2010: HK\$935 million) was derived during the year mainly from the sales of Central Residences Phase II Tower 2 in Shanghai, Kerry Everbright City Phases I and II, also in Shanghai (including residential property Le Loft and the Enterprise Square office tower) and Gemini Grove in Beijing.

Ideally located in the upscale Huashan Road residential neighbourhood in Shanghai, Central Residences Phase II has earmarked 60 units from Tower 2 for sale. Up to 31 December 2011, 92% of the lot or 55 units had been sold.

Kerry Everbright City Phase II in Zhabei District, Shanghai, is a mixed-use development with a GFA of approximately 1.6 million square feet. As at 31 December 2011, all of the Le Loft residential units had been sold. Enterprise Square, which

offers 430 saleable office units, recorded sales of 278 units, representing 65% of the total.

Gemini Grove is a boutique-style apartment project in Xinyuanli, Beijing. Consisting of the East and West Towers, the development provides 317 apartments with a total GFA of approximately 330,000 square feet as well as 13,000 square feet of commercial space. 307 apartment units or 97% of the total had been sold up to 31 December 2011. The Group holds a 71% interest in the project.

PROPERTIES UNDER DEVELOPMENT

In an environment marked by macro-economic control and slowing gross domestic product growth, the PRC Property Division has continued to develop major mixed-use projects in key cities, with a view to enhancing the Group's property portfolio to secure long-term growth momentum. This has been supplemented by selective investments in other strategically located projects.

Shanghai

The mixed-use development, Jing An Kerry Centre, is being jointly developed by the Group and Shangri-La Asia Limited ("Shangri-La"), their respective shareholdings being 51% and 49%. Lying in the heart of Shanghai's business centre, Jing An District, the 2.74 million square-foot project consists of a deluxe hotel, an international Grade-A office tower and an upscale shopping mall. The project is on schedule for completion in 2012.



■ 5. Jing An Kerry Centre, Shanghai, PRC* ■ 6. Show Room of Shenzhen Kerry Plaza, Shenzhen, PRC ■ 7. Hangzhou Kerry Centre, Hangzhou, PRC* ■ 8. Tianjin Kerry Centre, Tianjin, PRC* ■ 9. Parkview Residence, Hangzhou, PRC*

The planning approval of Phase III of the Kerry Everbright City project in Zhabei District was obtained during the year. This new phase will generate an additional GFA of approximately 1.1 million square feet, comprising retail and office premises. The Group holds a 74.25% interest in the project, which is expected to be completed in 2015.

Shenzhen

Shenzhen Kerry Plaza Phase II, which will be completed by first quarter of 2012, will have a GFA of approximately 850,000 square feet. This Grade-A office project, together with Phase I, comprising 3 office towers, is located in the core of Futian CBD and conveniently connected to Futian railway station on the Guangzhou-Shenzhen-Hong Kong Express Rail Link now under construction. Its Phase II development was 22% pre-leased as at 31 December 2011.

Tianjin

The Group's 49%-owned mixed-use property project in Hedong District, Tianjin, is located on the east bank of the Haihe CBD. Phase I of the development includes a hotel, upscale residential apartments, and a shopping mall. Phase II of the development is planned to include a Grade-A office tower and serviced apartments. The project will have a total GFA of approximately 5.37 million square feet. Construction is currently in progress and it is anticipated that the hotel, residential apartments and shopping mall will be topped off in phases between the second and the fourth quarter of 2013.

Hangzhou

Of the two sites that the Group owns in the Xiacheng District of Hangzhou, the first is located at the intersection of Yan'an Road and Qingchun Road, adjacent to the Xihu (West Lake). The site will be developed into a 2.1 million square-foot mixed-use property, comprising a luxury hotel, Grade-A offices, premium apartments, and a large-scale retail mall complex. Test piling work will commence during the first quarter of 2012, and the entire development is targeted for completion in phases by 2015. The Group will transfer a 25% of the equity interest held in this project to Shangri-La. Upon completion of the transfer procedures, the Group will hold a 75% stake in the project.

The second site in Xiacheng District is designated for the development of Parkview Residence. This residential project will yield a GFA of approximately 2.63 million square feet and is scheduled for completion in phases by 2013. The first phase of Parkview Residence has been completed and delivered for occupation, while sales of three additional residential blocks from Phase II are currently ongoing. As at 31 December 2011, approximately 63% of the 500 units launched were sold.

Nanjing

The Group and Shangri-La are co-developing a premier site at Zhong Yang Road in Gu Lou District, Nanjing. Lying at the heart of Nanjing, the site is designated for the development of a mixed-use project including hotel and commercial properties with a total GFA of approximately 925,000 square feet. The Group holds a 45% interest in this project, construction works for which are currently underway.

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Chengdu

The Metropolis-Arcadia Court in Chengdu is located in the southern part of the High-Tech Industrial Development Zone. This 55%-held residential project is expected to generate a developable GFA of approximately 6.8 million square feet. Construction works on Phase I are ongoing and are expected to be completed by 2012, with Phases II and III due for completion in several stages from 2014 onwards. Phase I of The Metropolis-Arcadia Court consists of eight towers of high quality homes. Up to 31 December 2011, a total of 900 units from four towers had been launched with 655 units pre-sold, representing 73% of the total number of flats on sale.

Nanchang

In Nanchang, the provincial capital of Jiangxi Province, the Group is developing a mixed-use property through a joint venture with Shangri-La. The Group holds an 80% interest in the project. Lying on the west bank of the Ganjiang River at the heart of Honggutan Central District, the development blueprint includes hotel, office, commercial and high-end apartment properties, with a developable GFA of approximately 2.6 million square feet. Foundation work is underway for Phase I of the project, with phased completion expected by 2014.

Changsha

The residential and commercial property project in the Tianxin District, Changsha, the provincial capital of Hunan Province, is now wholly owned by the Group. The project is expected to deliver a GFA of approximately 3.2 million square feet. Construction works are currently underway, and the project is

scheduled to be completed in phases between 2013 and 2016. Pre-sales of the project are expected to be launched in the third quarter of 2012.

Shenyang

The Group's 60%-owned Shenyang Kerry Centre project in Shenyang, the capital of Liaoning Province, is located on the east side of Qingnian Street, to the south of Qingnian Park, and lies at the core of the city's landmark Golden Corridor development. The site yields a GFA of approximately 14.7 million square feet, and is designated for the development of a mixed-use project, including a hotel, offices, shopping mall, residences and apartments. Phase I of this development is at the construction stage, and the entire project is targeted for completion in phases between 2013 and 2022.

Qinhuangdao

Construction works are ongoing for the Group's 60%-owned deluxe seaside residential project adjacent to Beidaihe in Qinhuangdao, Hebei Province. This development is expected to generate a GFA of approximately 4.8 million square feet, and is planned to be completed in phases. Phase I of the development is at the construction stage and is targeted for completion in 2014.

Manzhouli

The Group's wholly-owned project in Manzhouli, Inner Mongolia, is a residential and commercial property project. Phase I of the residential project has been completed and delivered, and Phase II is currently under construction. With



■ 1. The Metropolis-Arcadia Court, Chengdu, PRC* ■ 2. Nanchang Complex Development, Nanchang, PRC* ■ 3. Changsha Residential Project, Changsha, PRC*
■ 4. Shenyang Complex Development, Shenyang, PRC* ■ 5. Qinhuangdao Residential Project, Qinhuangdao, PRC* ■ 6. Manzhouli Complex Development, Manzhouli, PRC*

the completion of Phase I, the site has remaining GFA of approximately 620,000 square feet.

Tangshan

The Group's 40%-owned mixed-use project comprises the development of a hotel and residential and complementary commercial properties, with a developable GFA of approximately 3.3 million square feet. The project is scheduled to be completed in phases between 2012 and 2013, with pre-sales to be rolled out in 2012.

Ningbo

The Group's Ningbo site is located in the Eastern New Town Core Region and is earmarked for the development of high-end residences with a developable GFA of approximately 1.04 million square feet. The Group holds a 50% interest in the project, which is currently at the planning stage and piling work is expected to be commenced in the first quarter of 2012.

Yingkou

The Group is jointly developing seaside sites in Bayuquan District in Yingkou City, Liaoning Province, with Shangri-La and Wilmar International Limited. The sites are designated for residential, commercial and hotel uses, with a developable GFA of approximately 4.5 million square feet. The project is scheduled to be completed in phases between 2014 and 2016. The Group holds a 40% equity interest in the project.

Jinan

Together with a subsidiary of Shangri-La, the Group made a successful bid in May 2011 for the land use rights to

certain project sites located in Lixia District, Jinan City, for a consideration of approximately RMB291 million. The Group holds a 55% stake in this project. With a total site area of approximately 240,000 square feet, the project will incorporate the development of a hotel, office and commercial spaces, and is scheduled to be completed in 2015.

Zhengzhou

In September 2011, the Group and a wholly-owned subsidiary of Shangri-La bid successfully at a public auction to acquire the land use rights of a site located at the east of Huayuan Road and the south of Weier Road in Zhengzhou City, Henan Province. The consideration for the acquisition was RMB401.15 million. The site has a gross area of approximately 480,000 square feet and the project will incorporate the development of hotel, residential, commercial and office properties, with completion expected in 2015. The Group holds a 55% interest in this project.

Putian

In October 2011, a consortium formed between the Group and a subsidiary of Shangri-La successfully bid at a public auction to acquire the land use rights of a site in Putian City, Fujian Province, for a consideration of RMB455.5 million. The site, located at the junction of Jiu Hua Road and Lihan Avenue, has a gross area of approximately 1.59 million square feet and is earmarked for the development of residential, hotel and commercial properties. The Group holds a 60% interest in the project. The project is scheduled to be completed in phases in 2017.



7. Arcadia Court, Tangshan, PRC* 8. Ningbo Residential Project, Ningbo, PRC* 9. Yingkou Bayuquan Complex Development, Yingkou, PRC* 10. Jinan Lixia Complex Development, Jinan, PRC* 11. Zhengzhou Complex Development, Zhengzhou, PRC*

*Artist's Impression

Kerry Hotel, Beijing (formerly known as Shangri-La's Kerry Centre Hotel, Beijing)

During the year ended 31 December 2011, Kerry Hotel, Beijing, recorded turnover and operating loss of HK\$226 million and HK\$79 million, respectively (2010: HK\$294 million and operating profit of HK\$48 million, respectively). Renovation works for the hotel are ongoing and are expected to be completed by early 2012. The average occupancy rate was 46% (2010: 66%) during the year with average room rate increased by 13% year on year. The Group holds a 71.25% interest in the hotel.



■ Beijing Kerry Centre, Beijing, PRC

Properties under development in the PRC

As at 31 December 2011:	Group's attributable GFA upon completion						
	Residential	Apartment/ Serviced Apartment	Apartment Style Office	Office (^{'000} square feet)	Commercial	Hotel	Total
Shanghai	–	–	247	1,101	446	404	2,198
Shenzhen	–	–	–	785	67	–	852
Tianjin	926	116	–	673	548	369	2,632
Hangzhou	1,843	361	–	118	1,203	490	4,015
Shenyang	3,264	1,461	–	1,264	2,420	395	8,804
Nanjing	–	–	–	–	4	412	416
Chengdu	3,300	281	–	–	161	–	3,742
Nanchang	706	–	–	533	69	747	2,055
Changsha	2,919	235	–	–	53	–	3,207
Manzhouli	585	–	–	–	32	–	617
Qinhuangdao	2,648	–	–	–	208	–	2,856
Tangshan	1,002	–	–	–	88	232	1,322
Ningbo	522	–	–	–	–	–	522
Yingkou	1,496	–	–	–	62	222	1,780
Jinan	–	–	–	201	61	292	554
Zhengzhou	582	–	–	213	173	326	1,294
Putian	1,653	–	–	–	107	581	2,341
Total	21,446	2,454	247	4,888	5,702	4,470	39,207

HONG KONG PROPERTY DIVISION

During the year ended 31 December 2011, the Hong Kong Property Division recorded a turnover of HK\$2,641 million (2010: HK\$6,847 million). Net profit attributable to the Company's shareholders, including profit from sales of Larvotto reported under share of results of associates, was HK\$3,524 million (2010: HK\$4,269 million), after taking into account the increase in fair value of investment properties (net of deferred taxation) of HK\$909 million (2010: HK\$2,308 million).

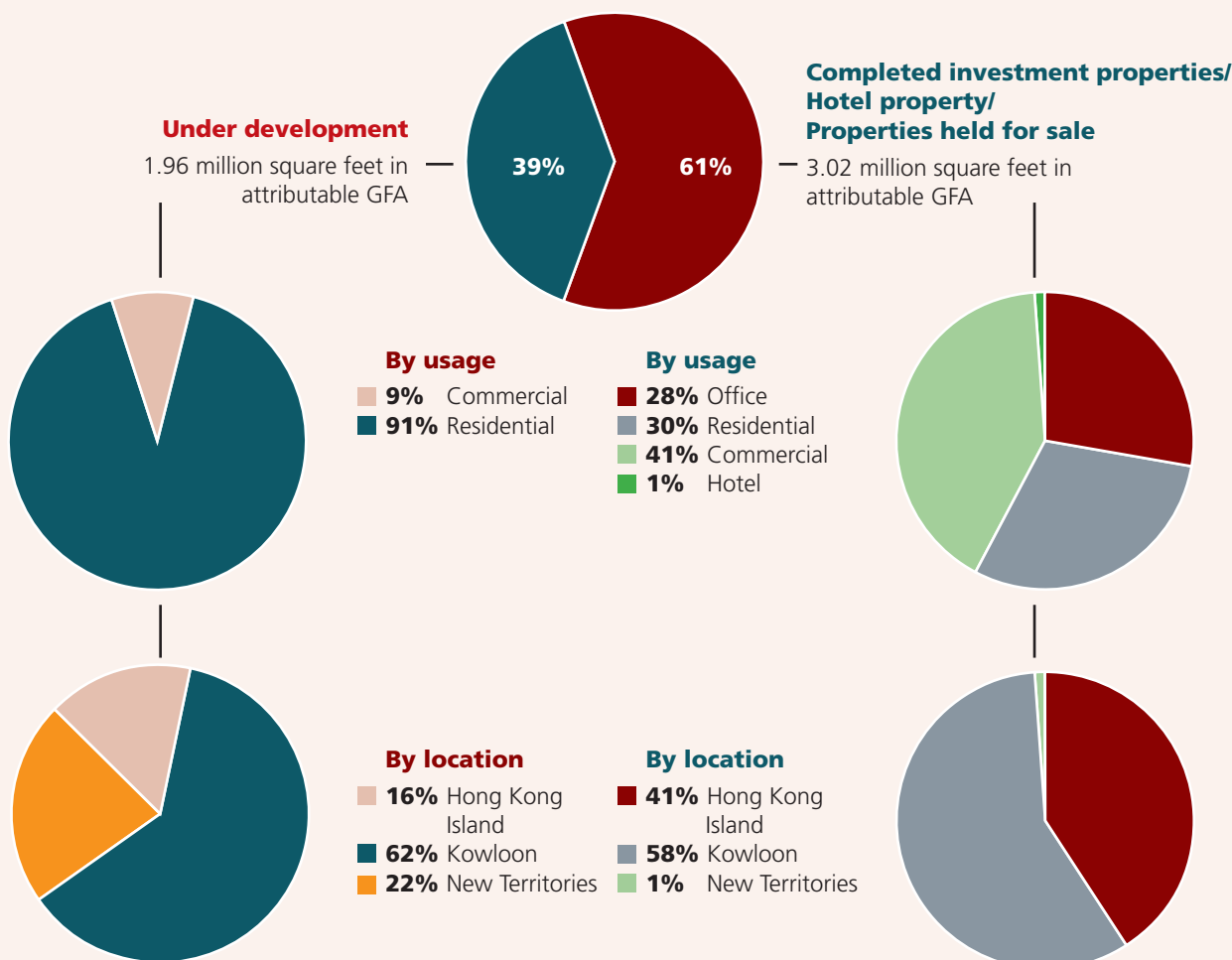
The Division's turnover was mainly derived from the recognized sales of Primrose Hill, Island Crest and The Altitude. Pre-sales of Lions Rise and SOHO 189 also commenced during

the year. The Division maintains and manages a balanced portfolio of high-quality assets, with a focus on luxury properties occupying prime locations in the city. While deriving satisfactory returns from property sales, the Division also earns a stable stream of recurrent income from its investment properties.

Continuing to build assets and value, the Division aims to leverage its industry expertise and brand presence in optimizing the performance of its development projects and investment property portfolio across the residential, office and commercial sectors. The Division's prime land bank will continue to facilitate its further development in a local market characterized by limited supply.

Hong Kong Properties

4.98 million square feet in attributable GFA



MANAGEMENT DISCUSSION & ANALYSIS

REVIEW OF PROPERTY BUSINESS



■ 1. Chinese New Year event of MegaBox, Kowloon Bay, Hong Kong ■ 2. Kerry Centre, Quarry Bay, Hong Kong



INVESTMENT PROPERTIES

The Division's strategic investment property portfolio in the residential, office and commercial sectors in Hong Kong enables it to enjoy a strong and resilient recurrent earnings base. Top-class residences in the most exclusive addresses, which represent a major part of the Division's investment portfolio, have given it an unrivalled advantage in the luxury sector. During the year, rental turnover generated from the Group's completed investment properties in Hong Kong amounted to HK\$648 million (2010: HK\$580 million), delivering an operating profit of HK\$459 million (2010: HK\$408 million).

As at 31 December 2011, the Group held a completed investment property portfolio in Hong Kong with an aggregate GFA of 2.77 million square feet (2010: 2.79 million square feet). Set out below are the breakdown of GFA and the respective occupancy rates, together with comparative figures:

Enterprise Square Five/MegaBox

MegaBox is a revolutionary shopping, dining and entertainment venue in East Kowloon with a GFA of 1.1 million square feet. By providing a total experience, alongside a unique mix of attractions and shopping zones, MegaBox has become a must-visit family and tourist destination. As at 31 December 2011, the occupancy rate of the mall stood at 99% (2010: 98%).

The two office towers of the landmark Grade-A Enterprise Square Five, with a GFA of 519,316 square feet, recorded an occupancy rate of 99% (2010: 95%) as at 31 December 2011.

As the Hong Kong SAR Government is drawing up development strategies for the transformation of East Kowloon, including enhancing connectivity within the district and building external links, the Group believes that MegaBox and Enterprise Square Five have strong potential to add further value to its rental portfolio.

	As at 31 December 2011		As at 31 December 2010	
	Group attributable GFA ('000 square feet)	Occupancy rate	Group attributable GFA ('000 square feet)	Occupancy rate
Residential	722 ⁽⁴⁾	99%	722 ⁽⁴⁾	99%
Commercial	1,205	99%	1,205	95%
Office	839	90%	839	81%
	2,766		2,766	

Note:
(4) The above table excludes Belgravia.



■ 3. Clubhouse of Island Crest, First Street, Hong Kong ■ 4. Show Flat of Primrose Hill, Tsuen Wan, Hong Kong ■ 5. The Altitude, Happy Valley, Hong Kong

Kerry Centre, Quarry Bay

Kerry Centre at No. 683 King's Road, Quarry Bay, is the Group's 40%-held flagship office tower in Hong Kong. This new Grade-A office tower has 32 floors and a GFA of approximately 511,000 square feet. During the year, the property received a BEAM Eco Building Platinum Standard for new buildings for its incorporation of intelligent and environmentally sustainable design concepts. As at 31 December 2011, 66% (2010: 52%) of the project was leased.

SALES OF PROPERTIES

During the year under review, sales of completed properties held for sale in Hong Kong generated a turnover of HK\$1,993 million (2010: HK\$6,267 million). Sales of completed investment properties achieved proceeds of HK\$865 million (2010: HK\$261 million). An operating profit of HK\$788 million (2010: HK\$1,407 million) was derived during the year from the recognised sales of completed properties of Primrose Hill, Island Crest and The Altitude. Profit from sales of Larvotto was included as part of the share of results of associates.

The global economic uncertainties have caused stagnating property transactions and prices in Hong Kong. Driven by negative sentiment, the residential market faced weaker demand during the year. However, the luxury sector has been the most price-resilient, reflecting the strong holding power of property owners. As local real estate continues to provide investors with an asset class that offers long-term value, Hong Kong remains a prime investment opportunity for buyers.

Island Crest, First Street, Hong Kong

Island Crest is an urban renewal project in Western District offering 488 residential units and approximately 16,000 square feet of shop units, aggregating to a total GFA of approximately 440,000 square feet. With a number of prestigious colleges and international schools in its vicinity, the development occupies an excellent location in the city. Up to 31 December 2011, 481 units had been sold, accounting for 99% of the total.

Primrose Hill, Tsuen Wan

The Group's landscaped-garden luxury residence, Primrose Hill in Tsuen Wan, offers 548 units with a total GFA of approximately 450,000 square feet. The development offers modern luxury living and brings a picturesque natural environment to the residents. As at 31 December 2011, 542 units had been sold, representing 99% of the total.

The Altitude, Happy Valley

The Altitude at No. 20 Shan Kwong Road, Happy Valley, was launched for sales in November 2011. Offering 126 typical units across a total GFA of approximately 245,000 square feet, The Altitude showcases contemporary living with elegance. The Group holds a 71% interest in this luxury residential project. The occupation permit was issued in July 2011. As at 31 December 2011, 20 units, representing 16% of the total, had been sold.

MANAGEMENT DISCUSSION & ANALYSIS

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PROPERTIES UNDER DEVELOPMENT

Lions Rise, Wong Tai Sin

Conveniently situated near the MTR Wong Tai Sin Station, Lions Rise is a premium residence with a developable residential GFA of approximately 767,000 square feet. Five contemporary-design residential blocks offer a total of 968 units, all spaciouly laid out, complemented by comprehensive luxury club facilities and landscaped garden, and a lifestyle mall. The project is scheduled for completion in the first quarter of 2012. As at 31 December 2011, 528 units, representing 55% of the total, had been pre-sold.

SOHO 189, Sheung Wan

Located at No. 189 Queen's Road West, Sheung Wan, SOHO 189 is a redevelopment project and an elegant addition to the neighbourhood. Commanding a unique location where the city's heritage charm is retained, the property also enjoys convenient proximity to the Central business district. The project will consist of deluxe residences and retail units, with an expected developable GFA of approximately 142,000 square feet. The project's sales launch during the year has seen an overwhelming market response with 92% of its GFA pre-sold as at 31 December 2011. The project, in which the Group holds a 71% interest, is scheduled to be completed in the second quarter of 2012.

Yuk Yat Street, To Kwa Wan

The redevelopment of No. 9 Yuk Yat Street, To Kwa Wan, into residential and commercial properties is planned to be

completed by the third quarter of 2012. Construction works are in progress, and the project is expected to deliver a GFA of approximately 162,400 square feet upon its completion.

Hing Hon Road, Mid-Levels West

The 71%-owned joint venture project at Nos. 18-27 Hing Hon Road, Mid-Levels West, is situated in an exclusive locale adjacent to the University of Hong Kong. The neighbourhood is also home to some of the territory's finest schools. The project will yield luxury residences with a GFA of approximately 178,000 square feet. Construction works are in progress, with completion expected in the third quarter of 2013.

Ede Road, Kowloon Tong

The site at No. 1 Ede Road, Kowloon Tong will be used for the development of another luxury residential project with a buildable GFA of approximately 77,000 square feet. Its tranquil and prestigious location makes it an ideal site for the creation of an upscale living environment that reflects the Group's luxury brand promise. Project completion is expected in the first quarter of 2014.

Prince Edward Road West, Ho Man Tin

This redevelopment project is situated at Nos. 298-300B Prince Edward Road West, Ho Man Tin, in the neighbourhood of a number of reputable schools and a prestigious location for the development of luxury residences. The project is planned to be completed in the second quarter of 2014, providing a developable GFA of approximately 61,000 square feet.



1. Show Flat of Lions Rise, Wong Tai Sin, Hong Kong



2. SOHO 189, Sheung Wan, Hong Kong*



3. Yuk Yat Street Project, To Kwa Wan, Hong Kong*

Shan Kwong Building Redevelopment, Happy Valley

The Group is developing a new luxury residential project on a site at the junction of Nos. 7C-7F Shan Kwong Road, Tsui Man Street and Village Road in Happy Valley. Scheduled for completion by the third quarter of 2014, the project will become another prominent addition to this exclusive neighbourhood after The Altitude. It will yield a developable GFA of approximately 81,000 square feet.

Sha Tin Heights Road, Sha Tin

An equally distinctive project is being planned for a site at Nos. 25-27A Sha Tin Heights Road, Sha Tin, with a developable GFA of approximately 20,000 square feet. The Group holds a 71% interest in this luxury-house project, which is scheduled for completion in the fourth quarter of 2014.

Kau To Shan, Sha Tin

In August 2011, Kerry Properties won a joint bid with Sino Group and Manhattan Group in a land auction for a plot in Kau To Shan. With a developable GFA of approximately 1,030,000 square feet, the site is earmarked for the development of ten blocks of upscale residences, with completion targeted for the second quarter of 2015. The Group holds a 40% stake in this project.

So Kwun Wat, Castle Peak Road

In February 2012, the Group acquired a site in So Kwun Wat, Castle Peak Road through public tender. Occupying an area of approximately 722,770 square feet and with a buildable GFA of approximately 939,600 square feet, the site is planned to be developed into a large-scale premium residential property with not less than 1,100 units.

Properties under Development in Hong Kong

As at 31 Decemeber 2011:	Group's attributable GFA upon completion ('000 square feet)
Residential	1,773
Commercial	184
	1,957

Macau

The Group's luxury residential apartment project at Nam Van Lake has a developable GFA of approximately 400,000 square feet. Development planning is currently underway. The project commands a prime city location graced with unobstructed panoramic views of the Nam Van Lake and Macau Peninsula.

The exchange procedure in respect of another residential site owned by the Group in Macau is ongoing. The proposed new site is expected to be within a zone under Macau's new land reclamation projects, with the exact location to be finalized pending the confirmation of the New City Master Plan by the Macau SAR Government. It is expected that the plot of land will be secured in 2013.



■ 4. Shan Kwong Road Project, Happy Valley, Hong Kong* ■ 5. Ede Road Project, Kowloon Tong, Hong Kong* ■ 6. Kau To Shan Project, Sha Tin, Hong Kong*

OVERSEAS PROPERTY DIVISION

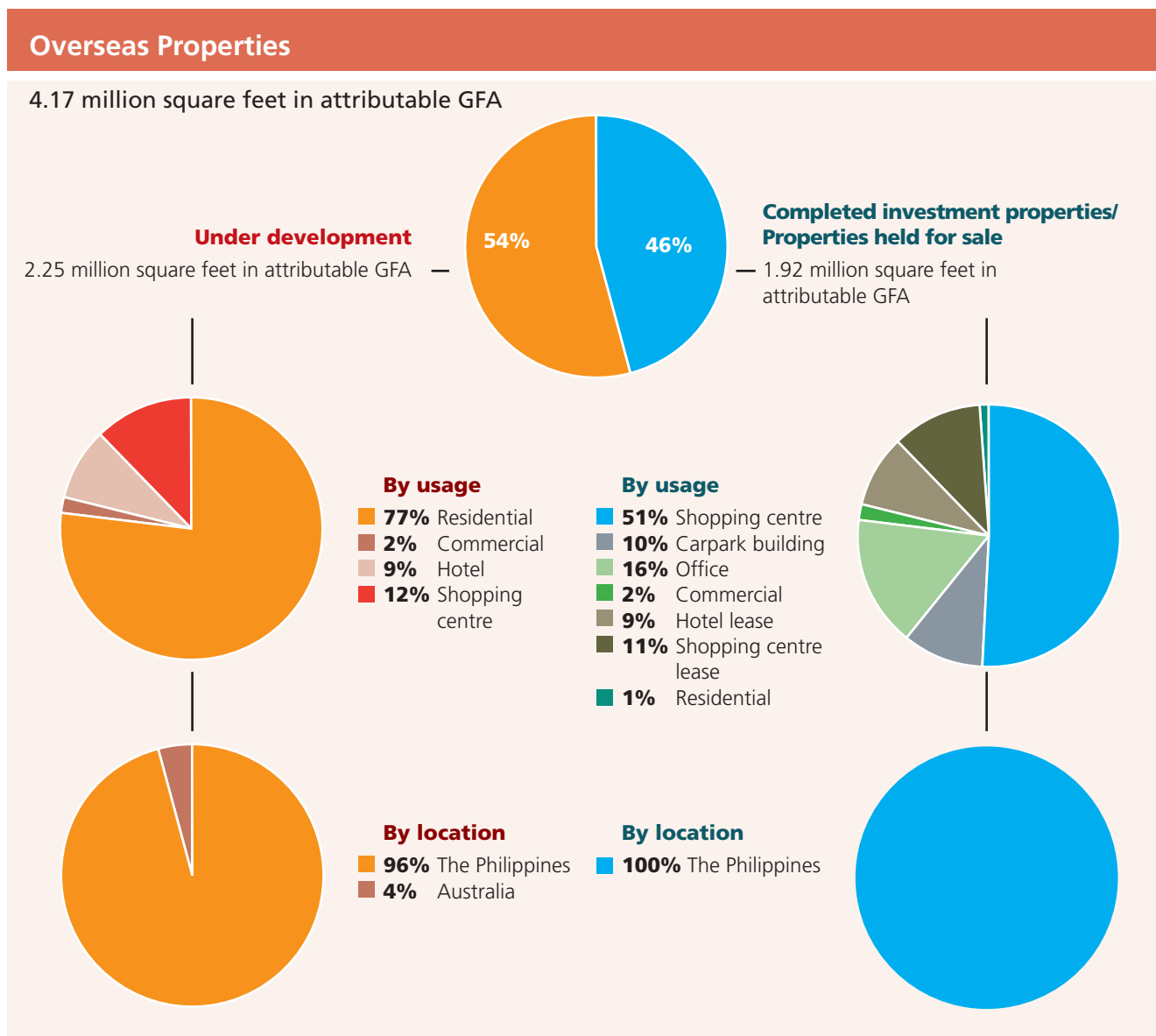
The Group's Overseas Property Division maintains a portfolio of properties in Australia and the Philippines.

Australia

As at 31 December 2011, 1,324 units (2010: 1,289 units) of the Group's 25%-owned Jacksons Landing project were sold, representing 99% of the total of 1,339 units offered for sale. The project includes a commercial development, with a GFA of approximately 167,000 square feet, which is currently under planning. This residential and commercial development is situated on a 12-hectare site on the Pyrmont Peninsula in Sydney.

The Philippines

The Group's property investments in the Philippines are held through Shang Properties, Inc. ("SPI") in which it maintains a 34.61% equity interest and a 30.75% interest in its depository receipts. SPI holds (i) a 100% interest in the Shangri-La Plaza Mall, Manila, and (ii) indirect interests in The Enterprise Center, an office and commercial property in Makati, Manila's financial district. As at 31 December 2011, the occupancy rates of Shangri-La Plaza Mall and The Enterprise Center were 99% and 87%, respectively (2010: 98% and 81%, respectively).





■ 1. The Enterprise Center, Manila, The Philippines ■ 2. The St. Francis Shangri-La Place, Manila, The Philippines ■ 3. Jacksons Landing, Sydney, Australia*

Shangri-La Plaza Mall continued to deliver strong performance. Development of One Shangri-La Place is ongoing on an adjacent site to build an extension for the mall and additional residential units. This project will yield an additional GFA of approximately 2.06 million square feet, of which approximately 428,000 square feet are designated as retail space and approximately 1.63 million square feet for residential development. Pre-sales of the residential units were launched to a welcoming market response. A total of 678 units were sold as at 31 December 2011, accounting for 52% of the total.

SPI is also a participant in the development of The St. Francis Shangri-La Place, a residential project located in Mandaluyong City, Manila. As at 31 December 2011, 1,140 units (2010: 1,132 units) out of the total of 1,152 residential units in Towers 1 and 2 of the project were sold. In addition, SPI has a share in a hotel and luxury residential development in Fort Bonifacio, Taguig, Manila. The development incorporates the building of a six-star resort hotel and luxury residences, as well as approximately 46,000 square feet of retail premises. SPI holds a 40% interest in this project.

In view of the strong performance of its property portfolio in Manila, SPI has committed investment in a new project through the purchase of a 3-storey property in Makati City, with a site area of 32,776 square feet. The old building was demolished and will be re-developed into Shang Salcedo Place, a high-rise residential building with a GFA of approximately 655,000 square feet.

Overseas Property Portfolio

	Group's attributable GFA		
	Australia	The Philippines	Total
	('000 square feet)		
Investment properties			
Hotel lease	–	170	170
Shopping centre lease	–	213	213
Shopping centre	–	972	972
Commercial	–	29	29
Office	–	306	306
Car-park building	–	201	201
Sub-total	–	1,891	1,891
Properties under development			
Residential	51	1,672	1,723
Hotel	–	198	198
Shopping centre	–	280	280
Commercial	42	10	52
Sub-total	93	2,160	2,253
Properties held for sale			
Residential	3	24	27
Sub-total	3	24	27
	96	4,075	4,171

OUTLOOK

THE PRC

As the world faces a new set of economic opportunities and challenges, the PRC's growth remains one of the few bright spots in the global economy. There remain issues that need to be addressed in the course of the PRC's economic emergence, but the country is well positioned on a long-term growth path. The burgeoning urban population that began to outnumber the rural population in 2011, combined with increasing incomes, will help build a strong case for a positive property-market outlook in the long run.

Responding to the challenges of 2012, the Group continues to take decisive steps in the development of its mixed-use projects in key cities. These mixed-use developments with a higher proportion of commercial properties will be more resilient to the impact of macro-economic control measures. Upon completion, they will also contribute significantly to the Group's cash flow and recurrent income base.

The next phase in the Group's development will see the completion of a number of landmark projects in Shanghai, Tianjin, Shenyang and Hangzhou, building a more prominent presence for the Group in the PRC. In upholding Kerry Properties' premium brand promise, the Group will continue to upgrade its property management standards to deliver on its commitment to quality and value for both owners and tenants.

Backed by a sound financial position, the Group will constantly look out for opportunities that may arise as the PRC Government fine-tunes its policies. The Group will also adjust its sales strategy and mix to ensure they remain closely aligned to market conditions. The overall theme of the Group's plans for the coming year is one of prudent approach, backed by sound management and selective ongoing investment.

HONG KONG

While Hong Kong continues to enjoy solid economic fundamentals, its openness makes it susceptible to any turbulence in the macro-financial environment. The anti-speculation measures adopted by the Hong Kong SAR Government have led to a slowdown in property transactions but, on a positive note, they also sent out positive signals of the authorities' resolve to maintain economic and financial stability. These initiatives are expected to lead the local property market to grow on a more sustainable path.

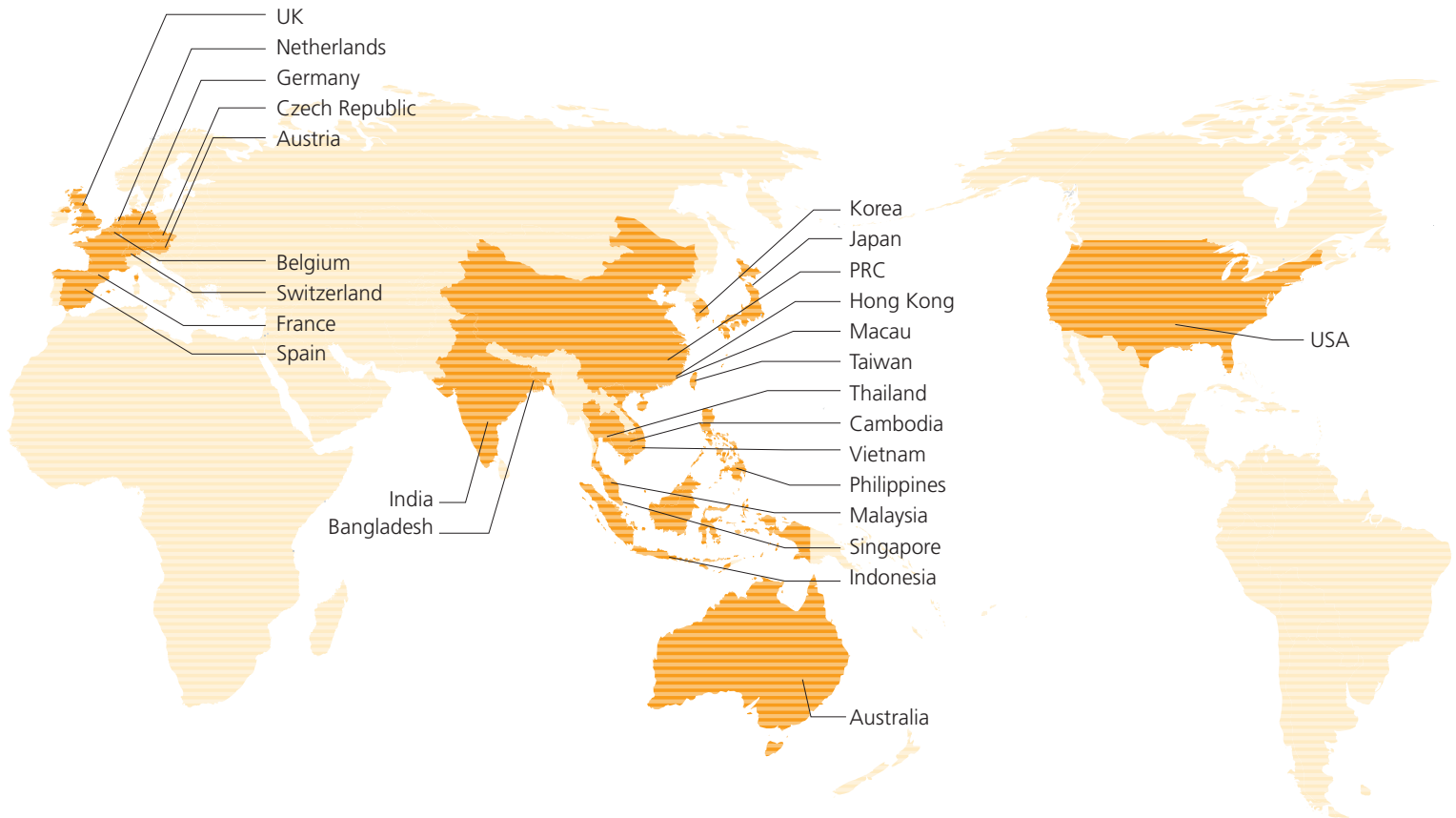
Going into 2012, the Group's sales of properties in Hong Kong will continue to be calibrated to market conditions. On the residential front, the Group's focus and strong presence in the niche premium segment will give it strong leverage amidst more cautious market sentiment. The Group holds a stable outlook for the coming year, which will see continued launches of high-quality projects. With low unemployment rates, a healthy local economy and interest rates standing at low levels, the market's long-term prospects remain positive.

The Group's investment portfolio is expected to continue to deliver a strong performance going forward as rental levels find support from sustained demand for office and retail space. In particular, the office properties in Kowloon East and Quarry Bay will benefit further from the continuing decentralization trend among corporate tenants.

The sustainable and resilient performance of the Group reflects not only its proven business strategy to proactively respond to market developments, but also the value of its brand equity. Through its long-standing mission of pursuing excellence, the Group has been able to engage the support of property owners and tenants. The Group will continue to seek opportunities for quality land acquisitions in order to maintain a prime land bank that will sustain future growth and shareholders returns.



Asia Specialist, China Focus, Global Network



OVERVIEW

With a commitment to growth and a collaborative spirit to drive innovation working together, Kerry Logistics continues to set the pace for solid, sustainable business progress even amidst turbulent economic conditions and industry cycles.

On a year-on-year basis, the Division's turnover grew 47% to HK\$16,034 million (2010: HK\$10,880 million), driven by the strong momentum of its integrated logistics ("IL") operations in Asia and the international freight forwarding ("IFF") business segment. Net profit attributable to the Company's shareholders for the year amounted to HK\$870 million (2010: HK\$833 million). Excluding the HK\$130 million (2010: HK\$169 million) fair value adjustment on investment

properties, net profit attributable to the Company's shareholders was up by 11% versus the year earlier.

The latter part of 2011 has seen the world change significantly in three areas: a softening Eurozone, slowing growth for China, and a stabilizing United States. These developments are having a major impact on industrial production and world trade, which in turn are reshaping the global logistics industry. As value flows change in the global economy, Kerry Logistics has continued to effectively operate international operations now spanning 23 countries, delivering services over its proprietary information technology ("IT") network supported by more than 26 million square feet of logistics space and a staff strength of approximately 16,000 employees.

MANAGEMENT DISCUSSION & ANALYSIS

REVIEW OF LOGISTICS BUSINESS

INTEGRATED LOGISTICS

During the year, IL services growth in Hong Kong and Southeast Asia drove segment turnover up by 43% year on year to HK\$6,890 million (2010: HK\$4,811 million). Net profit generated from operations amounted to HK\$510 million (2010: HK\$428 million).

Increasingly, the Division has focused on the potential to serve new demand emerging from China's shift from an export-led economy to a domestic-consumption-led growth model, as well as from the flow of manufacturing activities into ASEAN countries. The IL business was also helped by the further expansion of the Division's Taiwan operations.

While continuing to expand its client base, the Division has built specialized expertise and presence in strategic end-user segments such as fashion, electronics, fast-moving consumer goods and perishable products.

Hong Kong

Hong Kong's continued retail boom has sparked robust demand for warehousing space and logistics services. The Division's local business unit delivered yet another set of strong results during the year on the back of its market-leading presence in its core client portfolio. With the commissioning of the new Product Customization and Consolidation Centre, or PC³, the Division has gained further strength in serving the sophisticated logistical requirements of the fashion sector.

PC³ is running the territory's largest garment-on-hanger operation in a purpose-built facility which is recognized by the LEED International green building certification system. It is also the first industrial building in Hong Kong to be HK-BEAM

(Gold) certified. These accreditations came as an important acknowledgement of the Division's efforts to improve the environmental performance of all of its facilities.

The Division has also revamped and converted more warehouse space in Hong Kong into cold storage with a view to improving yield.

China Focus

In China, growth data suggest that the nation has continued to benefit from increasing domestic demand, which is evidence that it can guide its economy to a soft landing despite a deteriorating export environment. The rebalancing of the Chinese economy away from exports has generated new demand for IL services.

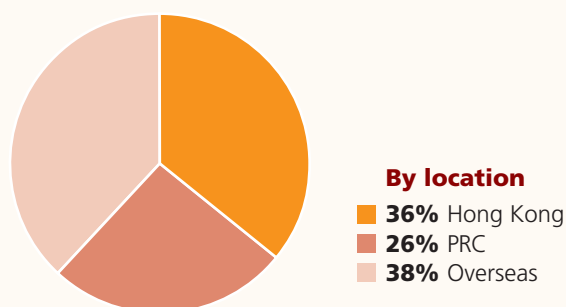
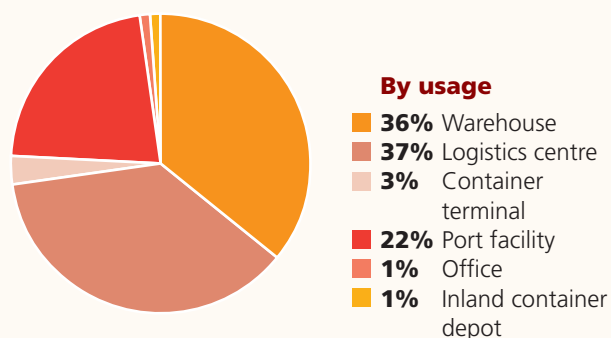
Operating as Kerry EAS Logistics Limited, the Division is the leading logistics operator in China, with a portfolio of over 6 million square feet of logistics facilities supported by a network of 135 branches serving 1,900 destinations. Leveraging its strategic cross-Strait coverage, the Division has been proactively formulating long-range plans to roll out new facilities and business initiatives for the Greater China market.

A new logistics hub in Kunshan, with a total GFA of approximately 200,000 square feet, commenced operations during the first half of 2011. The facility serves as a hub to support and boost the Division's nationwide distribution capabilities.

Kerry Logistics is also expanding its presence in Central China by building a new logistics centre in Zhengzhou, Henan Province, adjacent to the national highway and railway. Construction of this 380,000 square feet facility is scheduled for completion in the second half of 2013.

Properties held for Logistics Operations

16.38 million square feet in attributable GFA



To meet rapid demand growth, the Division has initiated the expansion of its logistics centre in Chongqing. This second-phase construction, which is scheduled for completion in the first quarter of 2013, will add 700,000 square feet of space for warehousing and value-added services to an overall GFA of 930,000 square feet. The facility provides IL services such as VMI, pick-and-pack, labelling, packing and re-packing for the automobile, electronics, technology and telecommunications sectors.

Other facilities currently under construction include a 340,000-square-foot logistics centre in Wuxi, Jiangsu Province and a 460,000-square-foot centre in Xiamen, Fujian Province.

To expand its service capability, the Division has acquired a 70% interest in Shanghai Hui Cheng Logistics ("HCL") as a vehicle to participate in the niche business of chemical and dangerous goods transportation. HCL is a third-party logistics provider specializing in chemicals, with a special focus on dangerous goods, fast-moving consumer goods, electro-mechanical and automotive logistics services.

To expand its express service, during the year, the Division has acquired a 70% interest in Shandong D-Express. It is a regional express company with extensive coverage across Shandong Province for delivery of light items such as electronics consumables and fashion garment.

Across the Strait, Kerry TJ Logistics Company Limited (formerly known as T.Join Transportation Co.,Ltd) ("Kerry TJ") is another major component of the Division's three-links cargo transportation network. It represents a combination of a global network and local insight to add value to customers' visions for growth. Following its successful rebranding and management re-engineering exercises, Kerry TJ forged ahead

with its expansion plans and its profit contribution to the Division registered a year-on-year growth of over 50% during the year.

Asia Specialist

Asia is both the home base and a growth market for the Division. With continued active business rollouts in the region, there have been notable accomplishments on several fronts shaping the segment's financial performance in 2011.

Particular focus has been placed on strengthening land transport solutions to link individual member countries of the ASEAN, as well as connect this emerging production hub with China. Now equipped with a more extensive intra-ASEAN network providing daily cargo transportation services between China's Fujian and Yunnan Provinces and Vietnam and Thailand, the Division continued to invest in upgrading its capability in last-mile less-than-truckload distribution.

In view of the cost competitiveness of land operations over other modes of transportation in ASEAN, the Division has been, through KART, an early entrant and active participant in the sector. It now provides road services on five key routes between ASEAN and China, with growth particularly notable on the China-Vietnam and Malaysia-bound routes. EAE Logistics Sdn. Bhd., the Division's KART operating company in Malaysia, has now expanded its headquarters, adding 100,000 square feet of warehouse space to its existing facilities.

To facilitate its aggressive growth initiatives, Kerry Logistics is building a 371,000 square feet regional logistics hub in Singapore to support regional clients with a full range of IL services. The facility is scheduled for completion in the fourth quarter of 2012.



■ New Green Logistics Centre to be completed in Q4 2012, Singapore

MANAGEMENT DISCUSSION & ANALYSIS

REVIEW OF LOGISTICS BUSINESS



1. Seamless Supply Chain Visibility through the Award Winning KerrierVISION System



2. Kerry (Hung Yen) Logistics Centre, Hanoi, Vietnam

During the year, the Division is also continuing its expansion in Vietnam. The construction of a new logistics facility in Hung Yen, with total GFA of 105,000 square feet, was completed during the year. It is now waiting for final inspection and shall commence operation in the first half of 2012. Together with another strategically located facility in Da Nang in Central Vietnam which is under construction and the existing facility in Ho Chi Minh City, the Division will be offering a comprehensive network of distribution centres and IL facilities in this increasingly important market.

The growth trend continued in Thailand, with cargo throughput increasing robustly in Kerry Siam Seaport, generating profit growth of more than 70% year on year. The Division plans to develop additional berths to upgrade its cargo handling and ship turnaround capabilities, and is confident that this market will remain a growth engine for the Division in the years to come.

INTERNATIONAL FREIGHT FORWARDING

The IFF segment is set to become the Division's new growth platform as its international expansion strategy produces remarkable results. Continuing to deliver strong gains in performance as it leveraged increasing economies of scale and a growing capability in intra-Asia and Asia-Europe trade lanes, the segment also gained solid ground in serving the growing import requirements in the markets where it operates.

During the year, this segment's turnover was up 51% year on year to HK\$9,144 million (2010: HK\$6,069 million), with net profit generated from operations coming in at HK\$90 million (2010: HK\$30 million), 200% higher year on year.

Active merger and acquisition plans continued to be taken forward during the year, while a business reorganization exercise was also carried out to enable the Division to better leverage its newly acquired IFF operations in Europe and Asia.

In October 2011, the Division completed the acquisition of a 100% interest in Transmode Overseas Transportgesellschaft mbH ("Transmode") as the latest addition to the segment. Transmode is a freight forwarding group based in Bremen, Germany, with a focus on sea freight to and from Asia.

In addition, the segment has been actively developing a common platform for co-loading businesses. This new platform will allow the segment to achieve more broad-based growth by tapping into business from counterparts. It is expected that the co-loading business line will register even greater progress in the coming year.

In China, the acquisition of a 70% interest in Kunshan Wisdom Logistics Co., Ltd ("Wisdom") in the first quarter of 2011 has enabled the Division to strengthen its IFF capability. Wisdom is a non-vessel-operating common carrier managing one of the major sea freight consolidation platforms in Shanghai and serving mainly the Japan and Southeast Asia trade routes.

Over the horizon, a stabilizing of business activities in the United States has put the world's largest economy back in the spotlight. The gradual strengthening in the United States will underpin the Division's expansion plan for this market. The Division now operates offices in Los Angeles, New York and Miami.

Logistics Investments

The profit contributed by the Division's logistics investments for the year ended 31 December 2011 decreased by 28% to HK\$140 million (2010: HK\$194 million). The drop is mainly due to the continuing drop in export volume in the PRC which hit the performance of Chiwan Container Terminal in which the Division has a 25% interest.

The Division's logistics investments mainly include a 25% interest in Chiwan Container Terminal and another 15% interest in Asia Airfreight Terminal.



■ 3. Dedicated footwear centre serving luxury fashion brands, Hong Kong



■ 4. Third-phase expansion at Kerry Siam Seaport to become a 1,500 meters long berth by the end of 2012, Thailand

INFORMATION TECHNOLOGY

The year 2011 was a year of change in the IT development of the Division's freight forwarding arm. Following the original publication of the Operational Handbook at the beginning of the year, the Division set a course of global operational convergence through the implementation of a single Freight Management System replacing all systems currently in use in different countries. This is a strategic move designed to consolidate diverse operational behaviours into one global best practice. The entire exercise will last for some thirty months and be completed in early 2014.

For the year 2012, the theme of "Global Compliance to Facilitate Growth" has been adopted for the IT function. The Division will continue to build towards a multinational structure by means of technology development and implementation to align its global practices and procedures.

OUTLOOK

With its development plans clearly mapped out, Kerry Logistics is geared up for more growth in the coming year and beyond. While the first half of 2012 is expected to remain flat for the world's logistics sector, the Division has engines for growth well in place across its business streams to underline solid development for the foreseeable future.

Both organic growth and mergers and acquisitions have their place on the Division's growth agenda. The IL segment will see business moves to expand and enhance its land transportation network in Asia, as well as to further its lead in the three-links cargo capability in Greater China. At the same time, mergers and acquisitions will continue to be a dominant growth strategy for the IFF segment, with primary focus on expanding its network in the United States and South America.

Management will stay alert to the potential impact of the China Government's reform plans for the country's taxation system. In particular, China will implement value added tax reforms, with a pilot programme already having commenced in Shanghai in January 2012. Rising operating costs in the country will also present new challenges for business operators. However, the Division expects China to continue to demonstrate growth in imports in the years to come. It is confident of rising above the market complications by leveraging its leadership position in the country and with active business rollouts.

Today's turbulence is somewhat unpredictable, but the Division has the advantage of foresight from early signs of new market developments and the management has the insight to help it plan effectively ahead of time. With the growth strategy for 2012 already in place, the Division is drawing up the development framework for 2013. Dedicated to achieving disciplined growth, Kerry Logistics continues to build a company that maximize value to customers and stockholders over the long term.

MANAGEMENT DISCUSSION & ANALYSIS

FINANCIAL REVIEW

The Group has centralised funding for all its operations. This policy achieves better control of treasury operations and lower average cost of funds.

The Group closely reviews and monitors its foreign exchange exposure. As at 31 December 2011, total foreign currency borrowings (excluding Renminbi (“RMB”) borrowings) amounted to the equivalence of HK\$6,448 million and RMB loans amounted to the equivalence of HK\$3,793 million. Therefore, non-RMB total foreign currency borrowings and RMB loans represented approximately 22% and 13% respectively, of the Group’s total borrowings of HK\$29,479 million as at 31 December 2011.

The non-RMB total foreign currency borrowings of HK\$6,448 million mainly include the Fixed Rate Bonds amounting to US\$720 million (approximately HK\$5,562 million (net of direct issue costs)). The Group has arranged cross currency swap contracts amounting to US\$607 million and NZD51 million, respectively, to hedge the exchange rate exposure between United States dollars and New Zealand dollars to Hong Kong dollars.

Out of the Group’s total borrowings as at 31 December 2011, HK\$8,096 million (representing approximately 27%) was repayable within one year, HK\$2,876 million (representing approximately 10%) was repayable in the second year, HK\$14,754 million (representing approximately 50%) was repayable in the third to fifth years and HK\$3,753 million (representing approximately 13%) was repayable over five years. The Group continued to maintain most of its borrowings on an unsecured basis, with unsecured debt accounting for approximately 89% of total borrowings as at 31 December 2011. The Group will continue to obtain financing on an unsecured basis whenever possible, and supplement such borrowings with secured project financing as and when the need arises.

As at 31 December 2011, the gearing ratio for the Group was 18.6% (2010: 17.2%), calculated based on net debt of HK\$11,921 million and shareholders’ equity of HK\$63,922 million.

In terms of the Group’s available financial resources as at 31 December 2011, the Group had total undrawn bank loan and overdraft facilities of HK\$10,280 million and net cash on hand of HK\$17,558 million. In addition, the generation of strong recurrent cashflows from the Group’s investment property portfolio, hotel operations and logistics, freight forwarding and warehousing businesses provide the Group with a strong financial position, and enables the Group to reap the benefits of investment opportunities as and when they arise.

On 31 January 2011, the Group signed a loan agreement for an unsecured HK\$8.45 billion term and revolving loan facility with 17 reputable international and local banks and financial institutions. This facility is for general corporate funding requirements of the Group including refinancing of a previous HK\$6 billion syndicated loan facility obtained in February 2006.

On 6 April 2011, Wiseyear Holdings Limited, a wholly-owned subsidiary of the Company, issued US\$300 million fixed rate bonds under the US\$1,000 million Medium Term Note Programme set up in 2010. These fixed rate bonds are listed on the Singapore Exchange Securities Trading Limited, carry a coupon rate of 5.875% per annum and have a maturity term of 10 years.

On 13 June 2011 and 16 December 2011, Standard & Poor’s affirmed a “BBB-” credit rating for Kerry Properties Limited with a stable outlook.

In February 2012, Wiseyear Holdings Limited, a wholly-owned subsidiary of the Company, issued a total of US\$600 million fixed rate bonds under the US\$1,000 million Medium Term Note Programme set up in 2010. These fixed rate bonds are listed on the Singapore Exchange Securities Trading Limited, carry a coupon rate of 5% per annum and have a maturity term of 5 years.

PARTICULARS OF PROPERTIES HELD

Particulars of major properties held by the Group as at 31 December 2011 are as follows:

Property name	Location	Type	%	Group's attributable interest		Lease term
				Approximate gross floor area (square feet)	Approximate number of carpark spaces	
PRC Properties						
A. Completed and held for investment						
1. Beijing Kerry Centre	1 Guang Hua Road Chaoyang District Beijing	Office Residential Commercial	71.25	711,121 277,330 98,406 1,086,857	430	Medium lease
2. Shenzhen Kerry Plaza I	1 Zhong Xin Si Road Futian CBD Shenzhen	Office	100.00	804,709	301	Medium lease
3. Kerry Parkside Shanghai Pudong	No. 1155 and No. 1201 Fangdian Road No. 1378, No. 1388 and No. 1398 Hua Mu Road Pudong Shanghai	Office Commercial Serviced apartment	40.80	425,074 224,557 147,250 796,881	475	Medium lease
4. Kerry Everbright City Phase I	218 Tianmu Road West Zhabei District Shanghai	Commercial Office Residential	74.25	330,141 228,100 7,307 565,548	179	Medium lease
5. Shanghai Kerry Centre	1515 Nanjing Road West Jing An District Shanghai	Office Residential Commercial	74.25	308,584 142,355 103,971 554,910	180	Medium lease
6. Shanghai Central Residences Phase II – Towers 1 and 3	168 and 166 Lane 1038 Huashan Road Changning District Shanghai	Residential	100.00	478,286	211	Long lease
7. Shenzhen Kerry Centre	2008 Renminnan Road Lowu District Shenzhen	Commercial Office	100.00	107,256 1,641 108,897	193	Medium lease
8. Fuzhou Central Residences	139 Gutian Road Gu Lou District Fuzhou	Commercial	100.00	63,986	–	Long lease
Total PRC investment properties				4,460,074	1,969	

PARTICULARS OF PROPERTIES HELD

Property name	Location	Type	%	Group's attributable interest		Lease term
				Approximate gross floor area (square feet)	Approximate number of carpark spaces	
PRC Properties						
B. Hotel property						
1. Kerry Hotel, Beijing	1 Guang Hua Road Chaoyang District Beijing	Hotel	71.25	499,642	–	Medium lease
2. Kerry Hotel Pudong Shanghai	1388 Hua Mu Road Pudong Shanghai	Hotel	40.80	336,243	–	Medium lease
Total PRC hotel property				835,885	–	

Property name	Location	Type	%	Group's attributable interest		Stage of completion	Scheduled completion
				Approximate gross floor area (square feet)	Approximate site area (square feet)		
PRC Properties							
C. Under development							
1. Shenzhen Kerry Plaza Phase II	1 Zhong Xin Si Road Futian CBD Shenzhen	Office Commercial	100.00	784,685 66,844	85,044	Completion verification in progress	2012
				851,529			
2. Jing An Kerry Centre	1238 Yanan Zhong Road 1288 Yanan Zhong Road 1537 Nanjing Xi Road 1565 Nanjing Xi Road Jing An District Shanghai	Office Hotel Commercial	51.00	624,386 404,389 364,891	251,793	Superstructure work completed, mechanical and engineering and curtain wall installation in progress	2012
				1,393,666			
3. Tangshan Complex Development	Da Li Road Changhong Street Chaoyang Street Feng Huang Xin Cheng Tangshan	Residential Hotel Commercial	40.00	1,001,590 231,770 88,394	435,327	Residential – Superstructure work in progress Hotel – Piling and excavation completed	In phases between 2012 and 2013
				1,321,754			
4. Tianjin Kerry Centre	Junction of Liuwei Road and Liujin Road Hedong District Tianjin	Residential Office Commercial Hotel Serviced apartment	49.00	925,819 672,766 548,080 369,205 116,036	454,460	Phase 1 – Superstructure work in progress	2013 (Phase 1)
				2,631,906			
5. Parkview Residence Phases 2 and 3	East to You Che River South to Hua Feng Road West to Planned Yong Feng Road North to Yong Feng Village Xia Cheng District Hangzhou	Residential Commercial	100.00	1,843,238 69,962	828,322	Phase 2 and 3 – Superstructure work completed, mechanical and engineering and external work in progress	In phases to 2013
				1,913,200			
Sub-total				8,112,055	2,054,946		

Property name	Location	Type	%	Group's attributable interest		Stage of completion	Scheduled completion
				Approximate gross floor area (square feet)	Approximate site area (square feet)		
PRC Properties							
C. Under development (continued)							
6.	Nanjing Complex Development	No. 331 Zhong Yang Road Gu Lou District Nanjing	45.00	412,072 4,219	78,980	Piling and excavation in progress	In phases to 2013
				416,291			
7.	Manzhouli Project Phase 2	99 Liu Dao Street Manzhouli City Inner Mongolia	100.00	584,970 32,453	238,197	Schematic design and excavation work in progress	2013
				617,423			
8.	Qinhuangdao Residential Project	Lot No. 253-3 and Lot No. 272-2 Hebei Dao Jie Xi Duan Qinhuangdao	60.00	2,647,944 207,960	1,254,202	Excavation and piling work completed	In phases to 2014
				2,855,904			
9.	The Metropolis-Arcadia Court Phases I and II	Junction of middle of Jiannan Da Street and Desai San Street Hi-Tech Industrial Development Zone Chengdu	55.00	2,138,092 161,006	501,730	Phase I – Superstructure work completed, mechanical and engineering in progress Phase II – Piling and excavation work completed	In phases between 2012 and 2015
				2,299,098			
10.	Hangzhou Kerry Centre ⁽¹⁾	Formerly Zhejiang University Hubin Campus East to Yan An Road South to Qing Chun Road West to Planned Chang Shou Road North to Hai Er Xiang Xia Cheng District Hangzhou	100.00 ⁽²⁾	1,132,523 490,020 361,369 117,554	725,214	Schematic design in progress	In phases to 2015
				2,101,466			
11.	Ningbo Residential Project	Core Region Eastern New Town Ningbo	50.00	521,882	354,071	Bored-pile wall work in progress	In phases to 2015
				521,882			
12.	The Metropolis-Arcadia Court Phase III	Desai San Street Hi-Tech Industrial Development Zone Chengdu	55.00	1,161,827 280,913	336,957	Schematic design and excavation in progress	2015
				1,442,740			
13.	Zhengzhou Complex Development ⁽¹⁾⁽³⁾	East of Huayuan Road South of Weier Road Zhengzhou City	55.00	581,624 325,611 213,127 172,592	263,881	Schematic design in progress	2015
				1,292,954			
Sub-total				11,547,758	3,753,232		

PARTICULARS OF PROPERTIES HELD

Property name	Location	Type	%	Group's attributable interest		Stage of completion	Scheduled completion
				Approximate gross floor area (square feet)	Approximate site area (square feet)		
PRC Properties							
C. Under development (continued)							
14. Kerry Everbright City Phase III	Meiyuan Road Tianmu Road West Huakong Road and Gonghu Road Zhabei District Shanghai	Office Apartment style office Commercial	74.25	477,011 246,641 81,485	126,744	Schematic design in progress	2015
				805,137			
15. Jinan Lixia Complex Development ⁽¹⁾⁽³⁾	Site no. 2011-G043 to G044 South of Luoyuan Main Street East of Nanjuanmen Lane	Hotel Office Commercial	55.00	292,043 201,287 60,800	131,979	Schematic design in progress	2015
				554,130			
16. Changsha Residential Project	25 Xin Kai Pu Road Tianxin District Changsha	Residential Serviced apartment Commercial	100.00	2,918,669 235,398 52,746	1,268,225	Phase 1 Superstructure work in progress	In phases between 2013 and 2016
				3,206,813			
17. Nanchang Complex Development	Lot No. B-7 Honggutan Central District Nanchang	Hotel Residential Office Commercial	80.00	746,930 706,101 533,245 69,119	411,081	Piling work and schematic design in progress	Phase 1 – 2014 Phase 2 – 2015 to 2016
				2,055,395			
18. Yingkou Bayuquan Complex Development ⁽¹⁾⁽³⁾	Lot No. 14-16 North of Bincheng Road West of Liaodongwan Street Bayuquan Yingkou	Residential Hotel Commercial	40.00	1,496,196 221,652 62,431	861,120	Schematic design in progress	In phases between 2014 and 2016
				1,780,279			
19. Putian Complex Development ⁽¹⁾⁽³⁾	Yanshou Village Longqiao Street Office Chengxiang District and Xibai Village Xitianwei Town Lincheng District Putian City	Residential Hotel Commercial	60.00	1,653,299 581,256 106,564	953,111	Schematic design in progress	In phases to 2017
				2,341,119			
20. Shenyang Complex Development ⁽¹⁾⁽³⁾	Lot No. 2007-053 No. 8 Golden Corridor 113 Qingnian Da Street Shenhe District Shenyang	Residential Commercial Apartment Office Hotel	60.00	3,264,360 2,419,968 1,461,256 1,264,117 394,524	1,115,327	Phase 1 – Hotel: Superstructure work in progress – Residential: Piling and basement structure work in progress	In phases between 2013 and 2022
				8,804,225			
Sub-total				19,547,098	4,867,587		
Total PRC properties under development				39,206,911	10,675,765		

Property name	Location	Type	%	Group's attributable interest		Lease term
				Approximate gross floor area (square feet)	Approximate number of carpark spaces	
PRC Properties						
D. Held for sale						
1. Enterprise Square	216 and 228 Meiyuan Road Zhabei District Shanghai	Office Commercial	74.25	111,569 26,992	59	Medium lease
				138,561		
2. Parkview Residence Phase I	East to You Che River South to Hua Feng Road West to Planned Yong Feng Road North to Yong Feng Village Xia Cheng District Hangzhou	Commercial Residential	100.00	24,642 11,469	53	Long lease
				36,111		
3. Gemini Grove	63 Xin Yuan Street Chaoyang District Beijing	Apartment Commercial	71.00	19,209 5,327	31	Long lease
				24,536		
4. Shanghai Central Residences Phase II – Tower 2	170 Lane 1038 Huashan Road Changning District Shanghai	Residential	100.00	23,971	55	Long lease
5. Kerry Parkside Shanghai Pudong	No. 1201 Fangdian Road Pudong Shanghai	Entrance hall	40.80	16,890	–	Medium lease
6. Arcadia Court	1008 Haitian Road Futian District Shenzhen	Commercial	100.00	4,608	551	Long lease
7. Le Loft	1-5 Lane 289 Minli Road 1-2 Lane 68 and 1-3 Lane 69 Huakang Road Zhabei District Shanghai	Residential	74.25	2,140	284	Long lease
8. Watch Lake Phase I	99 Liu Dao Street Manzhouli City Inner Mongolia	Residential	100.00	1,302	24	Long lease
Total PRC properties held for sale				248,119	1,057	
TOTAL PRC PROPERTY PORTFOLIO				44,750,989		

PARTICULARS OF PROPERTIES HELD

Property name	Location	Type	%	Group's attributable interest		Lease term
				Approximate gross floor area (square feet)	Approximate number of carpark spaces	
Hong Kong Properties						
A. Completed and held for investment						
I. Residential						
1. Branksome Grande	3 Tregunter Path Mid-Levels Hong Kong	Residential	100.00	257,372	73	Long lease
2. Aigburth	12 Tregunter Path Mid-Levels Hong Kong	Residential	100.00	204,940	63	Long lease
3. Branksome Crest	3A Tregunter Path Mid-Levels Hong Kong	Residential	100.00	153,375	126	Long lease
4. Tavistock	10 Tregunter Path Mid-Levels Hong Kong	Residential	100.00	104,460	24	Long lease
5. Gladdon	3 May Road Mid-Levels Hong Kong	Residential	100.00	2,300	14	Long lease
Sub-total				722,447	300	
II. Commercial/office						
1. Enterprise Square Five/ MegaBox	38 Wang Chiu Road Kowloon Bay Kowloon	Commercial Office	100.00	1,145,537 ⁽⁴⁾ 519,316 1,664,853	748	Medium lease
2. Kerry Centre	683 King's Road Quarry Bay Hong Kong	Office Commercial	40.00	193,252 10,952 204,204	74	Medium lease
3. Enterprise Square	9 Sheung Yuet Road Kowloon Bay Kowloon	Office	100.00	59,413	26	Medium lease
4. Hollywood Centre	233 Hollywood Road Sheung Wan Hong Kong	Office Commercial	45.00	33,888 10,151 44,039	–	Long lease
5. Harbour Centre	25 Harbour Road Wanchai Hong Kong	Office Commercial	15.00	32,944 ⁽⁵⁾ 6,135 ⁽⁶⁾ 39,079	43	Long lease
6. Enterprise Square Three	39 Wang Chiu Road Kowloon Bay Kowloon	Commercial	100.00	19,800	–	Medium lease
7. South Seas Centre – various portions	75 Mody Road Tsimshatsui Kowloon	Commercial	100.00	6,341	–	Long lease
8. Belair Monte	3 Ma Sik Road Area 19 Luen Wo Hui Fanling New Territories	Commercial	8.00	3,820	–	Medium lease
9. Wing On Plaza	62 Mody Road Tsimshatsui Kowloon	Commercial	10.00	2,896	–	Long lease
10. Sherwood Court Public Carpark	12-20 Kwai Sing lane Happy Valley Hong Kong	Carpark	100.00	–	200	Long lease
Sub-total				2,044,445	1,091	
Total Hong Kong completed investment properties				2,766,892	1,391	

Property name	Location	Type	%	Group's attributable interest		Lease term
				Approximate gross floor area (square feet)	Approximate number of carpark spaces	
Hong Kong Properties						
B. Hotel property						
1. Traders Hotel Hong Kong	508 Queen's Road West Hong Kong	Hotel	30.00	37,517	–	Long lease
Total Hong Kong hotel property				37,517	–	

Property name	Location	Type	%	Group's attributable interest		Stage of completion	Scheduled completion
				Approximate gross floor area ⁽⁷⁾ (square feet)	Approximate site area (square feet)		
Hong Kong Properties							
C. Under development							
1. Lions Rise	8 Muk Lun Street Wong Tai Sin Kowloon	Residential/ Commercial	100.00	920,520	102,280	External and interior finishing work in progress	First quarter of 2012
2. SOHO 189	189 Queen's Road West Sheung Wan Hong Kong	Residential/ Commercial	71.00	100,581	9,425	Superstructure work in progress	Second quarter of 2012
3. Yuk Yat Street Residential Project	9 Yuk Yat Street To Kwa Wan Kowloon	Residential/ Commercial	100.00	162,400	19,358	Superstructure work in progress	Third quarter of 2012
4. Hing Hon Road Project	18-27 Hing Hon Road Mid-Levels West Hong Kong	Residential	71.00	126,568	12,656	Foundation work in progress	Third quarter of 2013
5. Ede Road Project	1 Ede Road Kowloon Tong Kowloon	Residential	100.00	77,469	25,823	Foundation work in progress	First quarter of 2014
6. Prince Edward Road West Project	298-300B Prince Edward Road West Ho Man Tin Kowloon	Residential	100.00	60,852	12,174	Foundation work in progress	Second quarter of 2014
7. Shan Kwong Building Redevelopment Project	7C-7F Shan Kwong Road Happy Valley Hong Kong	Residential	100.00	81,322	8,122	Schematic design in progress	Third quarter of 2014
8. Sha Tin Heights Road Project	25-27A Sha Tin Heights Road Sha Tin New Territories	Residential	71.00	14,200	11,737	Conceptual design in progress	Fourth quarter of 2014
9. Kau To Shan Project	STTL525 Area 56A Kau To Shan New Territories	Residential	40.00	412,588	99,270	Conceptual design in progress	Second quarter of 2015
Total Hong Kong properties under development				1,956,500	300,845		

PARTICULARS OF PROPERTIES HELD

Property name	Location	Type	%	Group's attributable interest		Lease term
				Approximate gross floor area (square feet)	Approximate number of carpark spaces	
Hong Kong Properties						
D. Held for sale						
1. The Altitude	20 Shan Kwong Road Happy Valley Hong Kong	Residential	71.00	146,724	47	Long lease
2. Island Crest	8 First Street Hong Kong	Residential/ Commercial	100.00	26,530	21	Medium lease
3. Primrose Hill	168 Kwok Shui Road Tsuen Wan New Territories	Residential/ Commercial	100.00	18,296	26	Medium lease
4. Larvotto	8 Ap Lei Chau Praya Road Hong Kong	Residential/ Commercial	35.00	9,589	30	Medium lease
5. 15 Homantin Hill	15 Homantin Hill Road Ho Man Tin Kowloon	Residential	100.00	8,220	4	Long lease
6. Richwood Park	33 Lo Fai Road Tai Po New Territories	Commercial	50.00	7,893	–	Medium lease
Total Hong Kong properties held for sale				217,252	128	
TOTAL HONG KONG PROPERTY PORTFOLIO				4,978,161		

Property name	Location	Type	%	Group's attributable interest		Stage of completion	Scheduled completion
				Approximate gross floor area (square feet)	Approximate site area (square feet)		
Macau Properties							
A. Under development							
1. Nam Van Project	Lot C12 Nam Van Lake Macau	Residential	100.00	397,190	39,719	Schematic design in progress	First quarter of 2015
TOTAL MACAU PROPERTY PORTFOLIO				397,190⁽⁸⁾	39,719		

Property name	Location	Type	%	Group's attributable interest		Lease term
				Approximate gross floor area (square feet)	Approximate number of carpark spaces	
Overseas Properties						
A. Completed and held for investment						
1. Shangri-La Plaza Mall	EDSA corner Shaw Blvd. Mandaluyong City Philippines	Shopping centre	65.36 ⁽⁹⁾	972,057	359	Freehold
2. Land leased to EDSA Shangri-La Hotel and Shangri-La Plaza Mall	EDSA corner Shaw Blvd. Mandaluyong City Philippines	Shopping centre lease Hotel lease	65.36 ⁽⁹⁾	212,969 ⁽¹¹⁾ 169,733 ⁽¹¹⁾	–	Freehold
				382,702⁽¹¹⁾		
3. The Enterprise Center	Ayala Avenue cor. Paseo de Roxas Makati City Philippines	Office Commercial	34.58 ⁽¹⁰⁾	306,593 11,962	349	Freehold
				318,555		
4. Carpark Building	EDSA corner Shaw Blvd. Mandaluyong City Philippines	Carpark building	65.36 ⁽⁹⁾	200,558	324	Freehold
5. The St. Francis Shangri-La Place	St. Francis St. corner Internal Road Shangri-La Place Mandaluyong City Philippines	Commercial	65.36 ⁽⁹⁾	16,937	–	Freehold
Total overseas completed investment properties				1,890,809	1,032	

Property name	Location	Type	%	Group's attributable interest		Stage of completion	Scheduled completion
				Approximate gross floor area (square feet)	Approximate site area (square feet)		
Overseas Properties							
B. Under development							
1. Distillery Stage 5b	Distillery Drive Jacksons Landing Pyrmont Sydney Australia	Residential	25.00	13,931	4,440	Interior work in progress	Second quarter of 2012
2. Distillery Stage 4	Distillery Drive Jacksons Landing Pyrmont Sydney Australia	Residential	25.00	36,931	4,483	Interior work in progress	Second quarter of 2012
3. 21 Harris Street	Harris Street Jacksons Landing Pyrmont Sydney Australia	Commercial	25.00	41,711	8,197	Project planning	Note (13)
Sub-total				92,573	17,120		

PARTICULARS OF PROPERTIES HELD

Property name	Location	Type	%	Group's attributable interest		Stage of completion	Scheduled completion	
				Approximate gross floor area (square feet)	Approximate site area (square feet)			
Overseas Properties								
B. Under development (continued)								
4.	One Shangri-La Place	EDSA corner Shaw Blvd. Mandaluyong City Philippines	Residential Shopping centre	65.36 ⁽⁹⁾	1,064,502 279,909	68,670	Superstructure work in progress	Fourth quarter of 2013
					1,344,411			
5.	Fort Bonifacio Shangri-La Hotel	Fort Bonifacio Taguig Philippines	Hotel Residential Commercial	26.15 ⁽¹²⁾	197,839 178,925 10,393	42,553	Substructure work in progress	Fourth quarter of 2014
					387,157			
6.	Shang Salcedo Place	Sen Gil Puyat Ave. Cor. Tordesillas St. and HV Dela Costa St., Makati City, Philippines	Residential	65.36 ⁽⁹⁾	428,486	21,423	Planning and design stage	Fourth quarter of 2014
Sub-total					2,160,054	132,646		
Total overseas properties under development					2,252,627	149,766		

Property name	Location	Type	%	Group's attributable interest		Lease term	
				Approximate gross floor area (square feet)	Approximate number of carpark spaces		
Overseas Properties							
C. Held for sale							
1.	The St. Francis Shangri-La Place	St. Francis St. corner Internal Road Shangri-La Place Mandaluyong City Philippines	Residential	65.36 ⁽⁹⁾	24,306	18 Freehold	
2.	Distillery Stage 3	Bowman Street Jacksons Landing Pyrmont Sydney Australia	Residential	25.00	3,049	– Freehold	
Total overseas properties held for sale					27,355	18	
TOTAL OVERSEAS PROPERTY PORTFOLIO					4,170,791		

Property name	Location	Type	%	Group's attributable interest		Lease term
				Approximate gross floor area (square feet)	Approximate number of carpark spaces	
Properties held for logistics operations						
A. Completed warehouses and logistics centres						
1. Kerry Cargo Centre	55 Wing Kei Road Kwai Chung New Territories	Warehouse	100.00	1,443,356	777	Medium lease
2. Kerry Logistics (Australia) Pty Ltd Adelaide	4 Martin Avenue Gillman Adelaide South Australia 5013	Container terminal Logistics centre	100.00	482,587 186,230 668,817	–	Freehold
3. Kerry Vietnam Logistics Centre	Song Than Industrial Zone II Di An District Binh Duong Province Vietnam	Logistics centre	100.00	670,576	–	Medium lease
4. Kerry TC Warehouse 1	3 Kin Chuen Street Kwai Chung New Territories	Warehouse	100.00	659,783	57	Medium lease
5. Kerry Warehouse (Tsuen Wan)	3 Shing Yiu Street Kwai Chung New Territories	Warehouse	100.00	591,973	56	Medium lease
6. Kerry Warehouse (Chai Wan)	50 Ka Yip Street Chai Wan Hong Kong	Warehouse	100.00	535,037	53	Long lease
7. Kerry TC Warehouse 2	35 Wing Kei Road Kwai Chung New Territories	Warehouse	100.00	490,942	262	Medium lease
8. Kerry Warehouse (Shatin)	36-42 Shan Mei Street Shatin New Territories	Warehouse	100.00	431,530	64	Medium lease
9. Kerry Warehouse (Sheung Shui)	2 San Po Street Sheung Shui New Territories	Warehouse	100.00	356,253	37	Medium lease
10. Kerry Hung Kai Warehouse (Cheung Sha Wan)	3 Fat Tseung Street Cheung Sha Wan Kowloon	Warehouse	50.00	299,115	29	Medium lease
11. Kerry Warehouse (Kwai Chung)	4-6 Kwai Tai Road Kwai Chung New Territories	Warehouse	100.00	286,628	33	Medium lease
12. Kerry Warehouse (Fanling 1)	39 On Lok Mun Street On Lok Tsuen Fanling New Territories	Warehouse	100.00	283,580	30	Medium lease
13. Tai Po Product Customization and Consolidation Centre	12 Dai Kwai Street Tai Po Industrial Estate Tai Po New Territories	Warehouse	100.00	275,593	–	Medium lease
14. Shenzhen Kerry Futian Logistics Centre	15 Tao Hua Road Futian Free Trade Zone Shenzhen	Logistics centre	100.00	268,656	–	Medium lease
15. Kerry Chengdu Logistics Centre	Sichuan Chengdu Aviation Logistics Park District	Logistics centre	100.00	264,182	–	Medium lease
16. Shenzhen Kerry Yantian Port Logistics Centre	Lot No. 26 South Area of Yantian Port Free Trade Zone Shenzhen	Logistics centre	55.00	255,607	–	Medium lease
Sub-total				7,781,628	1,398	

PARTICULARS OF PROPERTIES HELD

Property name	Location	Type	%	Group's attributable interest		Lease term
				Approximate gross floor area (square feet)	Approximate number of carpark spaces	
Properties held for logistics operations						
A. Completed warehouses and logistics centres (continued)						
17. Kerry Chongqing Logistics Centre – Phase I	Lot A01-3 & 4 Shipan Hepian District Modern Agricultural Park District Chongqing	Logistics centre	100.00	224,242	–	Medium lease
18. Kerry Kunshan Logistics Centre	North of Yufeng Main Road Qiandeng Town Kunshan	Logistics centre	100.00	199,737	–	Medium lease
19. Shanghai Wisdom Waigaoqiao Logistics Centre	2008 Gongcheng Road Pudong District Shanghai	Logistics centre	70.00	192,489	–	Medium lease
20. Kerry D.G. Warehouse (Kowloon Bay)	7 Kai Hing Road Kowloon Bay Kowloon	Warehouse	100.00	181,902	19	Medium lease
21. Kerry Tianjin Logistics Centre	168 Jinbinda Road Baoshui District Tianjin Port Tianjin	Logistics centre	100.00	172,886	–	Medium lease
22. Kerry Waigaoqiao Logistics Centre	268 De Lin Road Waigaoqiao Free Trade Zone Shanghai	Logistics centre	100.00	153,446	–	Medium lease
23. Beijing Tianzhu Logistics Centre	18 Tianzhu Road Area A Beijing Tianzhu Airport Industrial Zone Shunyi District Beijing	Logistics centre	70.00	138,204	–	Medium lease
24. Laem Chabang Logistics Centre	Highway No. 7 (Bypass Laem Chabang) Nong-kham Sub-District Sriracha District Chonburi Province Thailand	Logistics centre	75.90	137,352	–	Freehold
25. Kerry Beijing Chaoyang Inland Port Logistics Centre	1 South Road Jia Fourth Ring Road East Beijing	Logistics centre	100.00	124,147	–	Medium lease
26. T. Join Gueishan Logistics Centre	No. 58 Dinghu Road Guelshan Township Toayuan County Taiwan	Logistics centre	25.65	121,347	–	Freehold
27. Kerry Fuzhou Logistic Centre	No. 24-1 Mawei District Bonded Zone Fuzhou ETDZ Mawei Fuzhou	Logistics centre	100.00	108,946	–	Medium lease
28. Shanghai Wisdom Baoshan Logistics Centre	168 Tieshan Road Baoshan Districts Shanghai	Logistics centre	70.00	104,725	–	Medium lease
29. Indev Irungattukottai Inland Container Depot	SIPOT Industrial Park Irungattukottai India	Inland container depot	30.00	91,516	–	Long lease
30. Singapore Kerry-ITS ISO Tank Depot	162 Gul Circle Singapore	ISO Tank Depot	60.00	66,002	–	Medium lease
Sub-total				2,016,941	19	

Property name	Location	Type	%	Group's attributable interest		Lease term
				Approximate gross floor area (square feet)	Approximate number of carpark spaces	
Properties held for logistics operations						
A. Completed warehouses and logistics centres (continued)						
31. T. Join Minsyoung Logistics Centre	No. 1-69 Niouchousi Fusing Village Minsyoung Township Chiayi County Taiwan	Logistics centre	25.65	50,016	–	Freehold
32. Malaysia EAE Logistics Centre	Lot 213 Kawasan Perindustrian Bukit Kayu Hitam 06050 Kedah Malaysia	Logistics centre	51.00	45,240	–	Long lease
33. Shanghai Huicheng Pudong New District Logistics Centre	4309 Hongqiao Village Zhoupu Town Pudong New District Shanghai	Logistics centre	70.00	45,208	–	Medium lease
34. T. Join Changhua Logistics Centre	Nos 3, 6 and 11, Lane 170 Changshuei Road Changhua City Changhua County Taiwan	Logistics centre	25.65	43,286	–	Freehold
35. Beijing Shunyi District Logistics Centre	Block 1 to 24 Jinmi Road East Shunyi District Beijing	Logistics centre	70.00	33,326	–	Medium lease
Sub-total				217,076	–	
Total completed warehouses and logistics centres				10,015,645	1,417	

Property name	Location	Type	%	Group's attributable interest		Lease term
				Approximate site area (square feet)		
Properties held for logistics operations						
B. Port facility						
1. Kerry Siam Seaport	113/1 Moo 1 Silo Road Tungsukha Sriracha District Chonburi Province Thailand	Port	79.52	3,690,460		Freehold
Total port facility				3,690,460		

PARTICULARS OF PROPERTIES HELD

Property name	Location	Type	%	Group's attributable interest		Lease term	
				Approximate gross floor area (square feet)	Approximate number of carpark spaces		
Properties held for logistics operations							
C. Office property							
1. EAS Building	21 Xiao Yun Road Chaoyang District Beijing	Office	70.00	104,727	–	Medium lease	
Total office property				104,727	–		
Property name	Location	Type	%	Group's attributable interest		Stage of completion	Scheduled completion
				Approximate gross floor area (square feet)	Approximate site area (square feet)		
Properties held for logistics operations							
D. Warehouse and logistics centre under development							
1. Kerry ITS Kandla ISO Tank Depot	G.I.D.C. – Mithrohar Ta. Gandhidham – Kachchh	ISO tank depot	60.00	72,657	72,657	Final inspection in progress	First quarter of 2012
2. Kerry Intratainer Dongying Precision Metal Casting Factory	Zhongxing Road Kenli, Dongying City Shandong	Factory	60.00	48,432	191,843	Final inspection in progress	First quarter of 2012
3. Kerry Hung Yen Logistics Centre	Minh Duc commune My Hao District Hung Yen Province Vietnam	Logistics centre	100.00	104,852	193,752	Final inspection in progress	Second quarter of 2012
4. Kerry Wuxi Logistics Centre	Wangzhuang Industrial Zone Wuxi	Logistics centre	100.00	337,660	346,702	Design work in progress	Third quarter of 2012
5. Kerry Singapore Logistics Hub	Lot 0786A Pt Mk 30 Tampines Logistics Park Singapore	Logistics centre	100.00	371,466	218,509	Foundation work commenced	Fourth quarter of 2012
6. Vietnam Danang Logistics Centre	Road No. 3 Hoa Khanh Industrial Zone Lien Chien District Danang City Vietnam	Logistics centre	100.00	88,577	167,219	Superstructure work in progress	Fourth quarter of 2012
7. Kerry Chongqing Logistics Centre – Phase II	Lot A01-3 & 4 Shipan Hepian District Modern Agricultural Park District Chongqing	Logistics centre	100.00	707,929	310,003	Design work in progress	First quarter of 2013
8. Kerry Xiamen Haicang Logistics Centre	Export Processing Zone Haicang District Xiamen	Logistics centre	100.00	460,335	574,302	Design work in progress	First quarter of 2013
9. Kerry Zhengzhou Logistics Centre	Wulu Road Zhengzhou International Logistics Park	Logistics centre	100.00	377,751	506,354	Planning in progress	Third quarter of 2013
Total warehouse and logistics centre under development				2,569,659	2,581,341		
TOTAL PORTFOLIO OF PROPERTIES HELD FOR LOGISTICS OPERATIONS				16,380,491			

Notes:

- (1) *Application for land use certificate in progress.*
- (2) *Signed the sale and purchase agreement with Shangri-La China Limited on 31 December 2010, Kerry Properties (China) Ltd. agreed to dispose of 25% of equity interests in the Hangzhou Company to Shangri-La China Limited. The transaction will be effective when all necessary approvals from the PRC authorities obtained.*
- (3) *Payment for land use rights in progress.*
- (4) *Included other facility with gross floor area of approximately 65,000 square feet.*
- (5) *Being lettable floor area.*
- (6) *Being net floor area.*
- (7) *Subject to final Hong Kong SAR Government approval plans and documentations.*
- (8) *As regards the reclamation project in Macau, according to the Macau SAR Government Notice which was gazetted on 14 October 2009, a piece of land will be granted in exchange with location and size to be identified and agreed.*
- (9) *Including attributable interest of 30.75% held through Philippine Deposit Receipts.*
- (10) *Including attributable interest of 16.27% held through Philippine Deposit Receipts.*
- (11) *Being site area.*
- (12) *Including attributable interest of 12.30% held through Philippine Deposit Receipts.*
- (13) *The development plan is under review.*
- (14) *Gross floor areas exclude carpark spaces.*

CORPORATE SOCIAL RESPONSIBILITY REPORT

The Group aims to lead from the front as a socially responsible company that is committed to integrating sustainability and good corporate citizenship into every aspect of our business. We believe in actively nurturing the well-being and development of the broader society in which we operate. Through practicable policies that help conserve the environment while capturing the passion and dedication of our employees, we aim to realistically improve our fellow citizens' lot and the working lives of our colleagues, customers, communities and all other stakeholders.

The energetic participation of our staff is key. We firmly believe that by encouraging the imagination and enthusiasm of our colleagues and their families we also enhance team spirit and our ability to contribute to society. Our employees' involvement in a wide variety of worthwhile causes and activities is a demonstration of how individuals can make a difference in the globalized world of today, whether in the arena of climate change or environmental pollution or in building sustainable practices for sustainable business growth.

CARING COMPANY

The Group's many caring programmes for the environment, for the broader community, and for our employees reflect the depth of our commitment to the principle of good corporate citizenship. During the year, the Hong Kong Council of Social Service recognized the Group as a Caring Company for the ninth consecutive year. In 2011, the Group maintained membership of the Caring Company Patron's Club as a Coral Member to support the Caring Company nomination activities. Since its launch in 2005, the Caring Company Patron's Club has gathered together business leaders that share the same vision of fostering corporate social responsibility ("CSR").

ENVIRONMENTAL PROTECTION

One of the Group's core beliefs is that we have a responsibility as a major property development company to take action through detailed programmes to ensure that future generations enjoy a better and cleaner environment. We have established an internal environmental management system ("EMS") to guide the development, management and maintenance of green buildings as well as to build awareness of environmental and ecological issues among our staff. During 2011, the EMS system was expanded to include our property management business. An EMS Committee, comprising top management and department heads, meets regularly to ensure that environmentally friendly procedures are integrated into almost every aspect of our operations.

The Group is pleased to report that almost all the targets set for 2011 were successfully achieved, especially the enhancement of energy efficiency. Our main contractors were encouraged to implement the EMS in totality and to obtain ISO 14001 certification. Construction waste in our development projects was minimized and the carbon emissions from buildings and office activities were carefully monitored. A number of the Group's projects achieved the requisite standards for the BEAM Society's Building Environmental Assessment Method ("BEAM") for new buildings (see below). We also participated in a growing number of environmental activities and received a variety of prestigious CSR awards. The Group's staff were encouraged to attend external environmental training courses including the BEAM Professional Training and Examination, as well as Green Building Assessment Method and Air Ventilation Assessment.



ISO 14001 Certification for Environmental Management System

In 2011, our Group achieved ISO 14001 Certification for our Environmental Management System. Developed by the International Organization for Standardization, the ISO 14001 standard benchmarks the performance of the Group in minimizing our environmental footprint and achieving continual improvement of our environmental performance. The full implementation of our EMS reaffirms our efforts towards promoting the sustainability of our community and has resulted in significant enhancements in areas such as staff environmental awareness, company image and market positioning. Cost efficiency has also been achieved through savings on energy and materials.

BEAM Assessment

BEAM is one of the leading schemes in the world for assessing, certifying and improving the environmental performance of buildings. During the year, Kerry Centre was awarded the BEAM Eco Building Platinum Standard for new buildings. Projects that achieved BEAM Eco Building Platinum Standard for new buildings were Island Crest, Tavistock and SOHO 38, while projects achieving BEAM Eco Building Bronze Standard for existing buildings were Enterprise Square Three and Enterprise Square Five (MegaBox and Office Tower 1).

HK-BEAM Gold and LEED Gold Certification for PC³ Facility in Hong Kong

In October 2011, Kerry Logistics' Product Customization and Consolidation Centre ("PC³") in Tai Po became the first industrial building in Hong Kong to be HK-BEAM (Gold) certified. BEAM Gold compliance, granted by the Hong Kong BEAM Society, signifies that the building has been assessed as meeting a high standard of environmental performance.

PC³ also received LEED (Gold) certification, affirming that the design and construction of the building has incorporated green technology features such as energy saving lighting, double-glazed windows positioned to maximize natural light, rainwater harvesting and eco-friendly paint finishes.

Electric Vehicle Leasing Scheme

In response to the Hong Kong Government's efforts to promote low carbon living, the Group collaborated with China Light and Power to launch an "Electric Vehicle Leasing Programme" at our Primrose Hill property, enabling residents to hire electric cars.

Hong Kong Green Building Council

In order to help promote green building principles and practices for Hong Kong's unique environment, the Group has been an Institutional Member of the Hong Kong Green Building Council for two consecutive years.

Earth Hour 2011

The exterior lighting of MegaBox and a number of other buildings under the Group's management was temporarily turned off for an hour on the evening of 26 March 2011 to support "Earth Hour 2011". This global campaign is organized annually by the World Wide Fund for Nature ("WWF") to support people and wildlife threatened by climate change. WWF invites every individual to live every day as if it's "Earth Hour" day, adopting a low-carbon lifestyle and becoming part of the solution for tackling climate change.





Low Carbon Home Visit

In March 2011, staff and family members were invited to visit the "Low Carbon Home" at Kam Tsin Village Ho Tung School. The visit aimed to give colleagues valuable insights on climate change and some easier-than-you-think tips to reduce their carbon footprint.

Organic Farming Day

Every Sunday for six weeks from April to May, the Group's staff members were given an opportunity to grow their own crops by using organic farming processes that ensure food safety, healthy nutrition, the welfare of animals and the local ecological system.

Environmental Protection Ambassador Scheme 2011

The Group sponsored the "Environmental Protection Ambassador Scheme 2011", an environmental protection programme for children and youth organized by the Eco Association. The Eco Association is a non-profit making organization whose vision is to encourage people to empathize with nature and actively undertake environmental protection measures to mitigate the effects of pollution. The scheme, which continues to focus on the conservation of Chinese white dolphins and carbon emissions' reduction, took place from April to September 2011. Major activities included a Chinese white dolphin watching tour, seminars and exhibitions at schools.

Power Smart Contest 2011

A number of buildings managed by the Group participated in the "Power Smart Contest 2011" organized by Friends of the Earth. These buildings achieved at least a 2% reduction in electricity consumption between 6 May 2011 and 2 September 2011 as compared to the same period in 2010.

Visit to Hoi Ha Marine Life Centre

In July 2011, Group staff and their family members visited the Hoi Ha Marine Life Centre. This valuable educational tour enabled colleagues to experience the natural marine environment of Hoi Ha Wan Marine Park and to understand the importance of preservation of the precious marine life of Hong Kong.



Recycling Workshop

This workshop highlighted the adverse consequences of chemical domestic cleansers on both people and the environment. Participants were taught how to make hand-made soap by employing used cooking oil.

Quality Water Recognition Scheme 2011 – Gold, Silver and Blue Certificates

A number of buildings managed by the Group have complied with the requirements of the "Quality Water Recognition Scheme for Buildings". In September 2011, four buildings



were awarded with a Gold Certificate, two buildings with a Silver Certificate and four buildings with a Blue Certificate by the Water Supplies Department in recognition of their achievements in maintaining the water quality of their plumbing systems. The Gold, Silver and Blue Certificates were awarded on the basis of the number of years the buildings had participated in the scheme.

environmental protection in their production and management processes, as well as raising public awareness of the need to create a better environment. All donations were given to the Green Council for environmental education in Hong Kong schools.

Indoor Air Quality Certificate (Good Class)

The Group's head office at Kerry Centre has recently obtained the Indoor Air Quality ("IAQ") Certificate (Good Class) under the "Indoor Air Quality Certification Scheme for Offices and Public Places" recognized by the Environmental Protection Department of the Hong Kong Government. By obtaining and maintaining the IAQ certificate, a healthy working environment with good air quality is assured for our staff.

Offsetting Greenhouse Gas Emissions

To offset the greenhouse gas emissions associated with the Group's Christmas party, the Group registered the party as a "CarbonCare Event" with 3 tonnes of carbon offset. Validated by the Clean Development Mechanism under the United Nations, such offsets are sourced from projects of the highest standard and offer strong local sustainability benefits in the PRC.

Fluorescent Lamp Recycling Programme

In December 2011, Kerry Logistics was awarded the "Fluorescent Lamp Recycling Programme Certificate of Appreciation" by the Environmental Protection Department. The certification demonstrated the Division's exemplary support of sharing product eco-responsibility, social responsibility and commitment to the environment.



Supporting International Coastal Cleanup 2011 Hong Kong

A corporate team of five Group staff participated in the "International Coastal Cleanup 2011 Hong Kong" organized by the Ocean Conservancy, an international non-governmental organization focusing on marine conservation. The Green Council was the official coordinator for the activity.

The Green Council is a non-profit, non-governmental environmental organization with charitable status that encourages the industrial and commercial sectors to include

CORPORATE SOCIAL RESPONSIBILITY REPORT

COMMUNITY SERVICES

The health and well being of the less fortunate, the elderly, and the mentally and physically disadvantaged are of paramount concern to the Group. We are proud of the enthusiasm and dedication shown by management and employees to initiatives and programmes that aim to give assistance to various groups and people in need.

Employing the Lettershop Service of Hong Chi Association

Reflecting our support to the community, the Group employed the Hong Chi Association to provide lettershopping services for our direct mailings and corporate magazine on a regular basis. The Hong Chi Association is a non-profit making organization in Hong Kong dedicated to serving people of all ages and all grades of intellectual disabilities and their families.

Blood Donation Day

On 15 September 2011, the Group invited The Hong Kong Red Cross Blood Transfusion Service Team to arrange a blood donation day at our premises.

Sedan Chair Race 2011

On 30 October 2011, Kerry Logistics took part in the "Sedan Chair Race 2011" held at the Peak in Hong Kong. The race consists of teams carrying sedan chairs around the Peak route (2.1km for both courses), beginning from The Matilda International Hospital. The event was organized by Sedan Chair Charities Fund ("SCCF"), a registered non-profit organization with a mission to help local charities that receive little or no financial support from other sources.

Tour for University Students

In November 2011, a tour of Kerry Centre for Architectural Studies students from City University of Hong Kong was arranged. The tour aimed to enable students to understand the design, structure and facilities of award-winning high-rise buildings in Hong Kong.



Big Friend Programme – Visiting Homes of Dandelion Secondary School Children

On 5 November 2011, the "Big Friend" programme organized by the Kuok Foundation was launched. 20 volunteers from the PRC operations of Kerry Logistics paid home visits to 30 children at Dandelion Secondary School in Daxing District, Beijing. The programme focuses on the spiritual growth of children of migrant workers and involves two schools in each of three major cities: Beijing, Guangzhou and Chengdu. Through home visits, up to 40 students of each grade will receive subsidies to finish junior high school education.

Supporting ECSAF for the Sixth Year

For the sixth consecutive year, Kerry Logistics supported the End Child Sexual Abuse Foundation ("ECSAF") by offering two sheltered parking spaces at Kerry Cargo Centre in Hong Kong for its mobile classrooms. Founded in 1998, the ECSAF aims to protect youngsters under 18 from sexual abuse.

CHARITABLE DONATIONS AND SPONSORSHIPS

Over the past year, the Group continued to raise donations for worthwhile causes in the communities where we operate, such as support for the elderly and needy, for children's education, for academic activities and for victims of natural disasters.

30th Anniversary Celebration of Centre of Urban Studies and Urban Planning

To nurture the next generation and contribute to the building and real estate industry, we sponsored the "30th Anniversary Celebration of the Centre of Urban Studies and Urban Planning". Established by the University of Hong Kong – Faculty of Architecture, the 30th Anniversary Fund aims to enhance teaching and academic activities.



Community Chest Skip Lunch Day

Colleagues from the Group supported the "Skip Lunch Day" held on 22 March 2011, donating their lunch money to support this excellent cause. The Community Chest organized the event and allocated the funds raised to services for the needy and vulnerable.

Community Chest Corporate and Employee Contribution Programme

To demonstrate our care for the needy, colleagues contributed to one of the major fund-raising corporate programmes organized by the Community Chest, both through direct donations and through staff-organized donation-drive activities. In April 2011, the Group also made a donation to the Community Care Fund.

The Chinese University of Hong Kong MBA Corporate Social Responsibility Conference 2011

By sponsoring this prestigious event, the Group demonstrated our vigorous commitment to continuously raising the standards and best practices of CSR. The conference, entitled "Global Partnership for Sustainable Future", is a premier platform for informing future leaders about CSR principles and for providing them with first-hand experience from practising business leaders.

Mexican 3 Moments by State-of-the-Arts Foundation

The Group was a major sponsor of "Mexican 3 Moments", a contemporary Mexican painting exhibition co-presented by State-of-the-Arts Foundation and the Mexican Consulate-General. The exhibition promotes interaction between international artists and the local art community, bringing cultural sophistication and art appreciation to Hong Kong.

The State-of-the-Arts foundation is a non-profit arts organization founded in Hong Kong in 2011 that is dedicated to promoting the growth and professionalism of the arts industry through a commitment to excellent ethical standards. The Foundation provides opportunities to help artists realize their potential in the professional arts industry by transforming their creative ideas into premium art works.

World Heart Day

The Group was a sponsor of "World Heart Day" organized by the Hong Kong College of Cardiology. "World Heart Day" comprises a series of events that help to promote heart health and consequently to make people in Hong Kong live better, longer and healthier lives. The College acts as a body for the purpose of consultation in matters of educational or public interest in regard to cardiovascular medicine.

Supporting M&S Charity Activities

On 13 August 2011, Kerry Logistics supported its client Marks & Spencer by donating the Kuok Group's renowned Arawana cooking oil and Arawana northeast rice to the Ronald McDonald House Charities of Hong Kong, bringing security and happiness to 30 families.

Sight for All 2011

In August 2011, staff from Kerry Logistics joined the "Pin Campaign" organized by ORBIS to support the "World Sight Day". All donations raised through this meaningful event were allocated to help ORBIS in its mission of bringing light to more blind people.

HKMA Business Enrichment Scheme for University Students

During the year, we sponsored local university students to attend the Hong Kong Management Association's ("HKMA") annual conference and awarded seminar places for a period of three years. These seminars will provide an opportunity for students to learn from the experience and wisdom of business leaders, gain an understanding and appreciation of business values and practices, and to cultivate an awareness of trends and changes in the business sector.



CORPORATE SOCIAL RESPONSIBILITY REPORT

Community Chest Dress Special Day

On 30 September 2011, staff members showed they cared by what they wore for the Community Chest's "Dress Special Day". While enjoying all the fun of dressing down, dressing up, and dressing in a special theme, they were able to donate to various good causes.

Equipment Donation to Hunan Spring Bud Primary School

In addition to the RMB40,000 donation to the Spring Bud Primary School of Dawuanluo in Hunan Province in 2010, the PRC unit of Kerry Logistics donated an additional RMB50,000 to purchase 400 sets of tables and chairs for students, three new desktop computers and a laptop computer for teaching. All the new equipment is now in place.

Construction Industry Charity Concert

In November 2011, the Group sponsored the Construction Industry Charity Concert, which was aimed at raising funds to offer heartfelt condolences and immediate financial assistance to families of construction workers that have tragically lost their lives in construction-related accidents.

DETOUR 2011

In November 2011, the Group sponsored "DETOUR 2011", an event celebrating the creative aspects of Hong Kong. Running parallel to "Business of Design Week", the programme consisted of a series of events and installations that incorporated the most original, bold and stimulating ideas from both Hong Kong and across the globe. The installations, workshops and events gave young, emerging design talents a platform to share their work while providing opportunities for the public to learn and be inspired.

Donation of Books and Art Equipment

During the year, the Group's residential project The Metropolis – Arcadia Court in Chengdu donated facilities and equipment for art teaching at Chengdu Jitou Shiyan Primary School. The Metropolis – Arcadia Court also organized a book recycling programme in December and 566 books were donated to children in need.

Donation of Computers

We are always pleased to find ways to help those in need and to respond to calls for environmental conservation. During the year, several buildings under the Group's management supported the used computer donation/recycling programmes organized by the Environmental Protection Department.

Donation of Clothes

Several buildings managed by Kerry Property Management Service Limited, namely 15 Homantin Hill, Belgravia, Camellia Court, Primrose Hill and Island Crest, supported the clothes recycling programmes organized by The Conservancy Association and The Salvation Army.

Community Chest Love Teeth Day

The Community Chest of Hong Kong, the Hong Kong Dental Association and the Oral Health Education Unit of the Department of Health jointly organize "Love Teeth Day", with all donations being allocated to oral health services for the needy. By joining in "Love Teeth Day" in December 2011, colleagues reminded themselves to cherish their teeth whilst showing their care to those less fortunate.

CARING FOR OUR PEOPLE

People lie at the very heart of our success. The Group places special emphasis on fostering a culture of responsibility for our staff's well-being and professional development, and of inclusiveness towards their families by implementing family-friendly employment policies and practices. We believe that a caring and fulfilling workplace both energizes staff performance and also encourages staff to realize their full professional and human potential, enhancing their productivity, stimulating their capacity for innovation and lateral thinking, and providing a strong platform for attracting and developing future talents.

Leadership Development Programme

In 2011, the Group launched two two-year programmes aimed at developing the leadership potential of our department heads and managers by enhancing their strategic thinking and leadership versatility through 11 workshops over 24 months. The objectives of these two programmes are to



enable participants to understand core knowledge, skills and leadership practices that are crucial for creating long-term value for the organization, for leading effective teams and for achieving strong results. Leadership flexibility and resilience are encouraged through the appreciation and application of a broad range of strategic, leadership, networking and management skills.

Mentoring Programme

In 2011, the Group launched a mentoring programme for developing the project managers within the Group. A number of our senior executives acted as mentors of various members of the project management team and shared their professional knowledge and experience with them.

Work-related Training and Seminars

Along with leadership skills, instilling professional knowledge remains one of our top priorities. During the year, in order to keep our staff updated with the latest technology and practices in the industry, we organized a series of technical seminars on different professional topics. These included seminars by the Buildings Department on Minor Works Control System, construction site visits to inspect procedures of foundation work and bored pile construction machines, seminars and practical training workshops on Building Information Modelling, as well as seminars on air-conditioning and draining systems, the structural design of buildings and mediation.

Performance Management Training

People management is one of the key tasks for our middle and senior management in the PRC. During the year, more than 20 sessions of performance management training were held in various PRC locations.

Team Building

To strengthen the collaboration among team members of our Group, two team-building workshops were organized: one for the projects department, and the other for the property management department. Both were held at Lake Egret in Tai Po.

Environment-related Training

The Group is committed to extending environmental awareness and practices to all corners of our operations. Environmental management awareness training is mandatory for all staff. Such training aims to raise staff awareness in general and teach them measures that can be taken in the office to help protect the environment. In addition, we organize an EMS implementation training for our project management department, demonstrating how to implement the EMS system in our daily operations. We also sponsor our staff to attend a broad spectrum of external environmental training courses, such as the BEAM Professional Training and Examination and Green Building Assessment Method.

Language Training

In an ongoing effort to strengthen the Putonghua communication abilities of our staff, three Putonghua classes were organized during the year. A "Service English" training course was designed for property management front-line staff, and an English enhancement programme was established on a weekly basis for colleagues to practise their oral English with a native English speaker.

Customer Service Training

Quality service is one of the pillars of the Group's reputation. To maintain such high quality, a "Service Principles for Property Management" training programme was held weekly throughout the year. Similar programmes were organized on a regular basis for PRC staff. In addition, in order to enhance our staff's grooming standards and professional image, a group of our front-line staff was assigned to attend make-up and skin care classes.

Further initiatives included handover training for new hires of Larvotto. This consisted of five core modules: a familiarization programme, service principles for property management, customer service 360, complaint handling, and service English. A customer service training programme was developed for Foo Ka Chinese Restaurant and a "Warmth Over the Ice" training course for Mega Ice, in which all front-line staff were encouraged to participate.



CORPORATE SOCIAL RESPONSIBILITY REPORT



Chartered Institute Housing Training

To further improve our PRC property management services, members of our PRC staff participated in a Chartered Institute of Housing ("CIH") training course. CIH, a professional membership body based in the UK, organizes a range of leadership and management programmes to enable managers, senior managers and directors to develop their leadership skills. The programmes cover topics such as coaching and mentoring, performance management and leadership strategies.

Property Management Experiential Learning

In order to meet the challenge of future expansion and enhance our PRC property management capabilities, in March 2011 a selected group of middle management attended a two-week experiential training course in Hong Kong. The programme included site visits to properties throughout Hong Kong, comparison of different property management techniques for effective application in the PRC, and ways to enhance customer service standards and strengthen existing competitive edges.

Experiencing Dialogue in the Dark

In August 2011, 20 managers from Kerry Logistics, Hong Kong participated in a "Dialogue in the Dark" leadership workshop to sharpen their leadership and communication skills. They were required to accomplish tasks as a team in complete darkness.

Creative Cake Night

On 26 August 2011, colleagues from Kerry Logistics had a most enjoyable evening making a "Praline Mousse Gateau", a culinary event that was organized by our Social Club.

Work-Life Balance Day

Work-life balance is an essential element of the Group's people-caring initiatives. From 17 to 21 October 2011, for the fourth consecutive year, members of Kerry Logistics participated in the "Work-Life Balance Day" organized by the charity group Community Business. Colleagues are encouraged to leave work punctually during that week so that they can spend more time with their family and friends and get some exercise after work. Further work-life balance initiatives included a photography exhibition with the theme "The Spirit of Kerry", and free influenza vaccination to staff on a voluntary basis.

MEGA SUPPORT OF SOCIETY CAUSES

During 2011, MegaBox continued to support a broad spectrum of community, environmental protection and charitable events, such as the Tai Chi fund-raising activity organized by the Hong Kong Parkinson's Disease Foundation in March 2011. These events enlivened the mall with a sense of solidarity and of concern for society while encouraging participants and shoppers to enjoy themselves. The mall hosted visits by more than 100 groups of elderly, children, students and the disadvantaged during the year.

As part of our "Community Concern Programme" to show care for the wider community, MegaBox arranged tours to the mall for a number of non-profit organizations including the Red Cross, Fu Hong Society and Heep Hong Society. Participants were invited to enjoy various MegaBox facilities and the mall partnered with tenants to offer a special and highly enjoyable experience to our visitors.

To encourage all of us to take better care of our eyes and raise awareness of the plight facing the needlessly blind, MegaBox sponsored the "Illusion x Vision ORBIS World Sight Day 2011" exhibition in September 2011.

In December 2011, MegaBox, Mega Ice and the Labour Department's Youth Employment Start jointly organized a weekend market for young people to sell their products. MegaBox sponsored the event to offer our young visitors free-of-charge participation. This allowed them to gain precious experience in managing their businesses and selling their DIY products.

Since opening in 2007, MegaBox has become a much-loved platform for promoting charitable causes and for making the community more compassionate and more aware of the ties that bind us. MegaBox is committed to hosting many more such activities in the coming years.

2011 AWARDS AND CITATIONS

The Group remains firmly committed to the pursuit of excellence in all its business operations and social responsibilities, which it believes are an integral and guiding element of its corporate culture. The continuing stream of local and international accolades that the Group received in 2011 is testimony to the efforts made by the Group to be not only an excellent corporate citizen but also an outstanding industry leader. The whole team continues to be honoured, energized and encouraged by these awards, which were made by a broad spectrum of prestigious trade, professional, governmental and media bodies.



PROPERTY DIVISION

2010/2011 International Mercury Awards – Grand and Gold Awards

The Group is pleased to report that its SOHO 38 project “Bringing Smart Living to SOHO” won the Gold Award in the category “Corporate: Special Purpose Communications” in the “International Mercury 2010/2011 Awards” organized by MerComm Inc., the 24th such annual competition sponsored by this world renowned award organization. The same gold winning entry won the Grand Award in the “Best of Campaigns: Corporate” category. The “Mercury Awards” honour professionals who have made an outstanding contribution in the fields of public relations and corporate communications.



11th CAPITAL Outstanding Enterprise Awards – Best Developer

The Group was honoured to receive the title of Best Developer in the “11th CAPITAL Outstanding Enterprise Awards” in March 2011 in recognition of its efforts to achieve continuously excellent performance throughout the year. *Capital Magazine*, a prestigious business magazine featuring financial and property related stories with substantial circulation in Hong Kong and China, organized the awards.

Hong Kong Awards for Environmental Excellence – Wastewi\$e Label

In reflection of the Group’s strong commitment to environmental protection and waste reduction in its office and residential management services, the Group and its 17 properties under Kerry Property Management Service Limited, fulfilled the requirements for the “Class of Excellence” Wastewi\$e Label in the “Hong Kong Awards for Environmental Excellence 2011”. The Wastewi\$e Label is a scheme that recognizes those Hong Kong businesses that make determined efforts to reduce the amount of waste produced within their organizations.

21st International ASTRID Awards – Excellence in Design Honours

The Group again received an accolade in the “21st International ASTRID Awards” in May 2011 by winning an Honours Award in the category of “Annual Reports – Corporation – Traditional”. The “ASTRID Awards”, organized by MerComm Inc., is one of the largest global competitions honouring achievements in the field of design and is open to a wide range of corporations, government agencies, non-profit organizations and associations.



2011 AWARDS AND CITATIONS



BCI Asia Awards 2011 – Top 10 Developers Award

The Group was gratified to receive a “Top 10 Developers Award (Hong Kong)” in the “BCI Asia Awards 2011” held in May. BCI Group is the region’s leading construction media group, providing the latest information about the building and construction industry. The “BCI Asia Awards” were held in seven different Asian territories including Hong Kong, Indonesia, Malaysia, the Philippines, Singapore, Thailand and Vietnam. In each country, BCI selects winners for the “Top 10 Developers Awards” and “Top 10 Architects Awards” by conducting more than a quarter of a million interviews with architects, developers, consultants and contractors working on significant projects in the Asia Pacific.

CAPITAL and CAPITAL WEEKLY Corporate Social Responsibility Awards 2011

In May 2011, the Group was honoured in the “Corporate Social Responsibility Awards 2011” organized by *Capital Magazine and Capital Weekly*, two influential magazines that feature financial and property related stories of listed companies and large corporations in Hong Kong and China. The award gave particular recognition to the Group’s consideration of environmental factors and social commitments when formulating business strategies. The five judging criteria included policy and strategy, marketplace and supply chain, workplace and people, the environment, community investment and development.

2nd Hong Kong Property Management & First Aid Competition – Champion Awards

In recognition of its efforts to strive for continued improvement and excellence in service standards, Kerry Property Management Services Limited won three major awards in the “2nd Hong Kong Property Management and First Aid Competition” in June 2011: Champion of the “First-aid Written Test Competition” (Team), Champion of the “First-aid Written Test Competition” (Personal), and Champion in the “Best Uniform and Disciplined Team” category. The

competition was co-organized by the Institute of Registered Security Trainers, the St. John Ambulance Brigade and Lion Security Centre.

Prime Awards for Eco-Business 2011 – Gold Award

Once again the Group was honoured in the “Prime Awards for Eco-Business 2011”, receiving a Gold Award in July 2011. For the fourth consecutive year, the award reaffirmed the Group’s efforts towards encouraging green measures that have a positive impact on the environment and that maintain the sustainability of the community. The award was organized by *metroBox*, one of the most respected financial magazines in Hong Kong. The Group also joined the newly established *metroBox Eco Alliance*, which consists of enterprises and environmental organizations committed to the preservation and protection of the environment.

LACP 2010 Vision Awards Annual Report Competition – Bronze Award

First organized in 2001 by the League of American Communications Professionals (“LACP”), the “Vision Awards” is one of the nation’s leading annual report competitions to honour outstanding annual reports in the last fiscal years. The Group was delighted to win a Bronze Award in July 2011 within its industry sector for the thoughtful development and presentation of its 2010 Annual Report.

25th International ARC Awards – Silver Award

In acknowledgement of the design accomplishment, written clarity and excellence of content of the Group’s 2010 Annual Report, the publication received a Silver Award in the category of “Overall Annual Report: Real Estate Development/Service – Commercial/Industrial” in the “25th International ARC Awards” held in August 2011. Organized by MerComm Inc., the “International ARC Awards” is a world-famous annual report design and printing competition honouring the highest standards in the annual report industry.



Star Clubhouse Competition – Star Pool Award

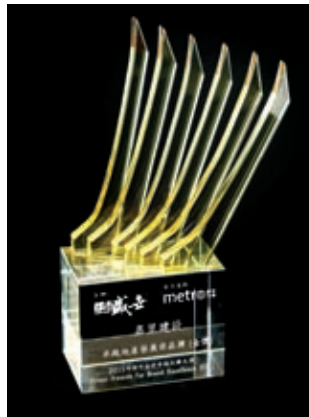
The Group's Island Crest swimming pool was accorded the "Star Pool Award" in September 2011 in a competition voted by the readers of the *Hong Kong Economic Times* and *Property Times*, one of the largest news organizations in Hong Kong specializing in finance and property.

2011 Galaxy Awards – Bronze Award

The annual "Galaxy Awards" recognize works that stand out in the marketplace and assist the process of image building. The Group was pleased to receive a Bronze Award for its 2010 Annual Report in the category of "Design: Annual Report – International – Real Estate Development Services" in October 2011, honouring its achievements in design and the professional performance of its corporate communications team. The Group's publications were judged on how effectively the material met the stated objectives, how well the material was communicated to the audience, the use of imaginative and original solutions, and overall expression of message.

Prime Awards for Brand Excellence 2011 – Gold Award

In acknowledgment of the Group's aspiration to brand excellence and commitment to quality, the Group won a Gold Award in the "Property Developer" category of the "Prime Awards for Brand Excellence 2011" organized by *metroBox* in November 2011. The "Prime Awards" recognize outstanding brands from over 15 sectors and the panel of judges includes professionals from the government, commercial and academic sectors. The evaluation was carried out based on such criteria as reputation, achievements, distinctiveness, quality, social commitment and creativity.



Hong Kong Green Awards 2011: Green Management – Silver Award

In December 2011, the Group was proud to receive the Silver Award in the "Green Management" category of the "Hong Kong Green Awards 2011" organized by the Green Council with support from the Environmental Protection Department, Electrical and Mechanical Services Department, Hong Kong Trade Development Council, and a number of commercial and industrial organizations and professional associations. The award recognized the Group's collective efforts in the day-to-day implementation of its green policy in order to make a positive impact on the environment. The Group was one of the very few developers to win an award in this green competition.

MEGABOX

The First Best Training Award Campaign – Bronze Award

MegaBox was pleased to garner a Bronze Award in March 2011 in the "First Best Training Award Campaign" organized by the Vocational Training Council and the Hong Kong Police Force. The campaign recognizes security companies that have committed themselves to the rigours of the training programme. Its ultimate aim is to enhance the professional competence and upgrade the necessary knowledge of security services practitioners. The awards recognize the contributions and efforts of those Hong Kong enterprises that have recorded outstanding performance and achievements during the year.

Hong Kong Awards for Environmental Excellence – Wastewi\$e Labels

In April 2011, MegaBox was awarded the "Class of Good" Wastewi\$e Label in the "Hong Kong Awards for Environmental Excellence 2011" organized by the Hong Kong Productivity Council. The award recognized its vigorous commitment to environmental protection and waste reduction in its building and office management.

2011 AWARDS AND CITATIONS

In December 2011, MegaBox fulfilled the more demanding requirements for the "Class of Excellence" Wastewise Label in the same "Hong Kong Awards for Environmental Excellence". MegaBox continues to pursue the highest standards in the elimination and reduction of waste, recycling and overall protection of the environment in all aspects of its operations.

LOGISTICS NETWORK DIVISION

Excellence Performance Award in 2011 from Canon Hongkong

In February, Kerry Logistics was recognized as the "Excellence Performance Award in 2011" by Canon Hongkong. The award expressed appreciation of the Division's excellent service quality.

11th CAPITAL Outstanding Enterprise Awards – CAPITAL Outstanding Logistics Company

For the fourth consecutive year, the Division was honoured on 11 March 2011 to receive the award of "CAPITAL Outstanding Logistics Company" in the "11th CAPITAL Outstanding Enterprise Awards" sponsored by *Capital Magazine*. The award recognized the Division's leading position in Hong Kong's logistics industry, outstanding reputation and premier services.

2010 Best Partner from Samsung Electronics

For the third consecutive year, Samsung Electronics honoured the Division with the title of "Best Partner" in China in March 2011. The award reflected Samsung Electronics' gratitude for the Division's service excellence and marked the durable and trusting cooperation developed between the two companies over the past years.

Lufthansa TOP AGENT Award

In August 2011, Kerry Logistics' PRC unit was awarded "2010 TOP AGENT Award" in South China by Lufthansa Cargo in Guangzhou. This award affirmed the Division's excellent and efficient services and tireless efforts.

Employers' Pledge Certificate

Kerry Logistics, Singapore was awarded the "Employers' Pledge Certificate" on 8 August 2011 by the Tripartite Alliance for Fair Employment Practices ("TAFEP") for adopting the five key principles of fair employment practices and implementing these principles in its human resources management. The Tripartite Alliance are the Ministry of Manpower, National Trades Union Congress and the Singapore National Employers Federation.

bizSAFE Enterprise Level Star

On 25 August, the Division was honoured with a "bizSAFE Enterprise Level Star" by the Singapore Workplace Safety and Health Council ("WSHC") for implementing the Workplace Safety and Health (WSH) system throughout its operations.

Top 100 International Freight Forwarders of China 2010

Kerry Logistics' PRC unit was accredited in September as one of the "Top 100 International Freight Forwarders of China 2010". With an overall position of 9th, the Division attained 3rd place in air freight and 7th place in warehousing. It was also ranked as one of the "Top 50 Sea Freight Enterprises". Since participating in the ranking benchmark from 2004 onwards, the Division has ranked highly for eight consecutive years.



AAA Enterprise Credit Evaluation Certification

In September 2011, Kerry Logistics, the PRC was again awarded the "AAA Enterprise Credit Evaluation Certification" by China International Freight Forwarders Association ("CIFA") for the strength of the Division's performance and premium logistics services. The Division was first accredited the certification in 2007.

CAPITAL Outstanding Green Excellence Awards

Kerry Logistics was awarded an "Outstanding Green Excellence Award" in October by *Capital Magazine*, a monthly business magazine in Hong Kong, for its efforts in environmental protection.

HKQAA Wine Storage Management Systems Certification – Fine Wine Transportation

In November, Kerry Logistics was awarded "Wine Storage Management Systems ("WSMS") Certification – Fine Wine Transportation" by the Hong Kong Quality Assurance Agency ("HKQAA"). The certification recognized the Division's professional logistics solutions, and extensive local and international network and teams of experts, all of which have protected the quality of the wine and its value during storage.

Asian 3PL of the Year Award

In December, the Division was honoured as the "Asian 3PL of the Year" at the prestigious "Supply Chain Asia Logistics Award". The award signifies the Division is becoming recognized as a global logistics corporation, probably the only Hong Kong based logistics company that is well equipped to compete with other established peers in the worldwide Top 20 arena.

To win the "Asian 3PL of the Year Award" the Division had to satisfy the judges across a range of stringent criteria including the size and scale of the Asian network; information technology know-how and systems; level of customer service; client partnering/track record in understanding and collaborating well with customers; launch/upgrade of new products and services on an ongoing basis to match market demand; reliability of service and value for money; ability to handle specialized shipments; level of local knowledge of developing Asian markets; approach to sustainability and social responsibility issues, and approach to security and risk management.

CFLP Awards

Kerry Logistics, the PRC won two awards in December from China Federation of Logistics and Purchasing ("CFLP"). The Division was again awarded the title of "5A Logistics Enterprise", recognizing the Division's premium logistics services and facilities. The Division was first accredited the certification in 2005. The Division also won the "2011 Innovative Logistics Management Enterprise" for its competitive performance and for supporting customers with innovative and green logistics solutions.

Excellent Enterprise Award

On 31 December, Kerry Logistics, Vietnam was named "Excellent Enterprise" by the People's Committee of Binh Duong Province, Vietnam. The award recognized the Division's sound operational performance and compliance with relevant laws and regulations.

Best Distribution Partner of NETGEAR

At the NETGEAR Supplier Conference 2012 held on 16 January 2012, Kerry Logistics was named the "Best Distribution Partner" for the third consecutive year. The Division has striven to optimize the supply chain supporting NETGEAR while the client optimizes its networking and broadband solutions.



CORPORATE GOVERNANCE REPORT

During the financial year ended 31 December 2011, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The following sections set out how the principles under the Code have been complied with by the Company during the financial year ended 31 December 2011.

A. DIRECTORS

A.1 The Board of Directors of the Company (the "Board")

1. The Board is responsible for:
 - (i) the leadership and control of the Company;
 - (ii) overseeing the Group's businesses, strategic directions and financial performance;
 - (iii) setting the Company's values and standards;
 - (iv) ensuring that its obligations to the Company's shareholders (the "Shareholders") are understood and met; and
 - (v) strategy formulation, corporate governance and performance monitoring.
2. Board and Board Committees minutes kept by the Company Secretary are sent to the Directors of the Company (the "Directors") for records and are open for inspection by the Directors.
3. The Company has arranged appropriate insurance cover for the Directors.
4. Proposed Board meeting dates for a financial year are agreed in the final Board meeting of the preceding year. The Board has four scheduled meetings a year at approximately quarterly interval and meets more frequently as and when required. Notice of more than 14 days was given to all Directors to attend a regular Board meeting. For all other Board meetings, reasonable notice will be given to the Directors. During the financial year ended 31 December 2011, the Board held four meetings and the attendance record, on a named basis, is set out in the table below.

	Name of Directors	Attendance/Number of Meetings
Executive Directors:	Kuok Khoon Chen	4/4
	Wong Siu Kong	4/4
	Ho Shut Kan	4/4
	Ma Wing Kai, William	4/4
	Qian Shaohua	4/4
	Chan Wai Ming, William	4/4
Independent Non-executive Directors:	Lau Ling Fai, Herald	4/4
	Ku Moon Lun	4/4
	Wong Yu Pok, Marina, JP	4/4
Non-executive Director:	Tse Kai Chi <i>(resigned on 22 February 2012)</i>	4/4



A.2 Division of Responsibilities

1. The Chairman, Mr Kuok Khoon Chen, has executive responsibilities and provides leadership to the Board in terms of establishing policies and business directions. He ensures that the Board works effectively and discharges its responsibilities, and that all key and appropriate issues are discussed by the Board in a timely manner. He also ensures all Directors are properly briefed on issues to be discussed at Board meetings. Mr Wong Siu Kong, the President & Chief Executive Officer, is responsible for the day-to-day management of the Company's business.
2. The Board comprises Independent Non-executive Directors ("INEDs") who bring strong independent judgement, knowledge and experience to the Board's deliberations. Apart from their appointments as INEDs, none of them has any form of service contract with the Company or any of its subsidiaries. Each Executive Director is delegated individual responsibility to oversee and monitor the operations of a specific business unit, and to implement the strategies and policies set by the Board. Accordingly, the Board operates in a functional manner with clearly defined objectives, strategies and responsibilities.

A.3 Board Composition

1. The composition of the Board is stated in the section headed "Corporate Information & Key Dates" of this annual report. The Board has a balanced composition and strong independent element. The biographies of the Directors are set out in the section headed "Directors and Senior Management" of this annual report, which demonstrate a diversity of skills, expertise, experience and qualifications.
2. The Company has received annual confirmation of independence from the three INEDs in accordance with Rule 3.13 of the Listing Rules. The Board has assessed their independence and concluded that all the INEDs are independent within the definition of the Listing Rules.

A.4 Directors' Appointment, Re-election and Removal

1. Pursuant to the Company's bye-laws (the "Bye-laws") and the Code, each Director shall retire from office no later than the third annual general meeting of the Company after he was last elected or re-elected (i.e. the term of appointment of all Directors, including the Non-executive Directors, is effectively three years) and each Director appointed to fill a casual vacancy or as an additional Director is subject to re-election at the next general meeting following his appointment.
2. The Company has not established a nomination committee. New Directors are sought mainly through referrals or internal promotion. In evaluating whether an appointee is suitable to act as a Director of the Company, the Board will review the independence, experience and skills of the appointee as well as personal ethics, integrity and time commitment of the appointee. Appointment of a new Director requires the unanimous approval of the Board members.

A.5 Responsibilities of Directors

1. The Directors are continually updated with legal and regulatory developments, business and market changes and development of the Company to facilitate them in discharging their responsibilities.
2. The INEDs take an active role in Board meetings, contribute to the development of strategies and policies and make sound judgement in various aspects. They will take lead when potential conflicts of interest arise. Independent Board Committee comprising all INEDs will be formed to advise the independent Shareholders on those connected transactions to be approved by the independent Shareholders at the special general meeting of the Company. The INEDs are also members of various Board committees and devote sufficient amount of time and attention to the affairs of the Company.

CORPORATE GOVERNANCE REPORT

A.6 Directors' Securities Transactions

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules as the code for securities transactions by Directors of the Company (the "Model Code"). The Directors have confirmed compliance with the required standards set out in the Model Code throughout the financial year ended 31 December 2011. Employees of the Company, who are likely to be in possession of unpublished price sensitive information, have been requested to comply with provisions similar to those terms in the Model Code.

A.7 Supply of and Access to Information

1. The Board members are supplied with comprehensive board papers and relevant materials within a reasonable period of time in advance of the intended meeting date (in any event not less than 3 days before the date of the meeting). All Directors are given opportunity to include matters in the agenda for regular Board meetings. To facilitate the decision-making process, the Directors are free to have access to the management for enquiries and to obtain further information, when required.
2. All Directors have unrestricted access to the advice and services of the Company Secretary, who ensures that the Board receives appropriate and timely information for its decision-making and that Board procedures, and all applicable rules and regulations, are being followed. The Directors can obtain independent professional advice at the Company's expense.

B. REMUNERATION OF DIRECTORS

B.1 Remuneration Committee

Details of the Remuneration Committee and the work performed by it during the year are set out in the section headed "Remuneration Committee Report" of this annual report. A Remuneration Committee meeting was held on 5 January 2011 and the attendance record, on a named basis, is set out in the table below.

	Name of Directors	Attendance/Number of Meeting
Executive Directors:	Kuok Khoon Chen	1/1
	Wong Siu Kong	1/1
Independent Non-executive Directors:	Lau Ling Fai, Herald	1/1
	Ku Moon Lun	1/1
	Wong Yu Pok, Marina, JP	1/1

B.2 Remuneration Package for Executive Directors

1. The remuneration for the Executive Directors comprises basic salary, discretionary bonus, pensions and share options.
2. Salaries are reviewed annually. Salary increases are made where the Remuneration Committee believes that adjustments are appropriate to reflect the performance, contribution and increased responsibilities of each Executive Director and/or by reference to market/sector trends. Executive Directors are also eligible to receive a discretionary bonus taking into consideration factors such as market conditions as well as corporate and individual performances.
3. The Remuneration Committee will annually review and recommend (if appropriate) to the Board for approval the grant of share options to the Executive Directors under the Company's share option scheme. Such scheme enables the Executive Directors to obtain an ownership interest in the Company and, thus motivating them to optimize their contributions to the Group.
4. Details of the amount of Directors' emoluments during the financial year ended 31 December 2011 are set out in note 13(a) to the financial statements of this annual report. Details of the Company's share option scheme are set out in the Directors' Report and note 35 to the financial statements of this annual report.

C. DELEGATION BY THE BOARD

C.1 *Management Functions*

The day-to-day running of the Company is delegated to the management, with divisional heads responsible for different aspects of the Group's businesses.

C.2 *Board Committees*

In addition to delegating specific responsibilities to the Audit Committee and the Remuneration Committee, the Board established the Finance Committee in 1996 with delegated authority for reviewing and approving certain financial matters of the Group. Currently, the Finance Committee comprises the Chairman, the President & Chief Executive Officer and an Executive Director of the Company, and it deals with matters such as the investment of surplus funds, undertakings, determination and approval of investment acquisitions and disposals with amounts not exceeding HK\$1 billion, arrangement of banking facilities and approval of guarantees and indemnities within designated limits.

C.3 *Executive Committee*

The Executive Committee of the Board meets once a month and operates as a general management committee. The Executive Committee meets to discuss the corporate and development strategies of the Company. The members of the Executive Committee comprise all the Executive Directors of the Company.

D. ACCOUNTABILITY AND AUDIT

D.1 *Financial Reporting*

1. The Board is responsible for the preparation of the financial statements. In preparing the financial statements, the generally accepted accounting standards in Hong Kong have been adopted, appropriate accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made. The external auditor has a primary responsibility for auditing and reporting on the financial statements and the Auditor's Report to the Shareholders is included in this annual report.
2. The Board is aware of the requirements in relation to timely disclosure of price-sensitive information of the Company and will authorize the publication of such announcements as and when required under the applicable rules and regulations. The Company Secretary will work closely with legal advisers to review the materiality and sensitivity of transactions and proposed transactions and advise the Board accordingly.
3. Towards the end of 2011, the Board has reviewed the financial projections of the Group in respect of the eight financial years ending 31 December 2019. On the basis of this review, the Board is not aware of any material uncertainties relating to events or conditions which may cast significant doubt over the Group's ability to continue as a going concern. Accordingly, the Board has continued to adopt the going concern basis in preparing the financial statements.

D.2 *Internal Controls*

Details on the Group's internal control framework and the Board's process to evaluate the Group's system of internal controls are set out in the section headed "Internal Controls" of this annual report.

CORPORATE GOVERNANCE REPORT

D.3 Audit Committee

Details of the Audit Committee and the work performed by it during the year are set out in the section headed "Audit Committee Report" of this annual report. The Audit Committee met five times during the financial year ended 31 December 2011 and the attendance record, on a named basis, is set out in the table below.

	Name of Directors	Attendance/Number of Meetings
Independent Non-executive Directors:	Lau Ling Fai, Herald	5/5
	Ku Moon Lun	5/5
	Wong Yu Pok, Marina, JP	5/5
Non-executive Director:	Tse Kai Chi (resigned on 22 February 2012)	4/5

D.4 Auditors' Remuneration

The Company's external auditor is PricewaterhouseCoopers, Hong Kong ("PwC"). During the financial year ended 31 December 2011, the fees paid/payable to PwC and other firms of the worldwide network of PwC in respect of audit and non-audit services provided to the Group were as follows:–

Nature of services	Amount (HK\$'000)
Audit services	13,627
Non-audit services: (i) Tax services	1,728
(ii) Other services	3,080

The Audit Committee had developed and implemented policy on engaging PwC to supply non-audit services. During the year, the Audit Committee had reviewed PwC's independence and objectivity in relation to both audit and non-audit services provided to the Group by PwC.

E. INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

E.1 Communication Channels

In order to develop and maintain a continuing investors' relationship programme, the Company has established various channels of communication with the Shareholders and the investor community:–

- (i) Shareholders can raise any comments on the performance and future directions of the Company with the Directors at the annual general meeting.
- (ii) Press and analysts' conferences are held twice a year in relation to the interim and final results announcements, at which the Executive Directors are available to answer questions regarding the Group's operational and financial performances.

- (iii) The Company also avails itself of opportunities to communicate and explain its strategies to Shareholders and the investor community, through active participation in investors' conferences and regular meetings with financial analysts, fund managers and potential investors. The Group had participated in a number of roadshows and investors' conferences during the year ended 31 December 2011 and some of them are set out below:–

Event	Venue
Nomura Bento Box Lunch	Hong Kong
Deutsche Bank Access China Conference	Beijing
Credit Suisse Asian Investment Conference	Hong Kong
DBS Hong Kong Corporate Day	Hong Kong
Citi Hong Kong/China Mini Conference	Hong Kong
UBS Hong Kong/China Property Conference	Hong Kong
CLSA Investors' Forum	Hong Kong
HSBC Hong Kong/China Property Conference	Hong Kong
Citi Greater China Investor Conference	Macau
Goldman Sachs Investment Frontier Conference	Beijing
Merrill Lynch New China Conference	Beijing
Singapore Non-deal roadshow	Singapore
US Non-deal roadshow	New York, Boston, San Francisco
Fixed income roadshow	Hong Kong, Singapore, London

The Group plans to enhance its investors' relationship by participating in future roadshows and conferences.

- (iv) The Company's website at www.kerryprops.com contains important corporate information, annual and interim reports, as well as announcements and circulars issued by the Company to enable the Shareholders and the investor community to have timely access to updated information about the Group.
- (v) Shareholders and members of the investor community are welcome to raise enquiries through the Company's Corporate Communication and Investor Relations Departments, whose contact details are stated in the section headed "Corporate Information & Key Dates" of this annual report.

E.2 General Meetings

- (i) The general meeting provides a forum for the Board to communicate with the Shareholders. To facilitate enforcement of Shareholders' rights, significant issues are dealt with under separate resolutions at general meetings.
- (ii) The members of the Board are available at annual general meetings to answer questions raised by Shareholders. The chairman of the Company's independent board committee (if any) or his duly appointed delegate is also present to answer questions at any general meeting which is convened to approve a connected transaction or any other transaction that is subject to independent shareholders' approval.
- (iii) The 2011 annual general meeting of the Company was held on 5 May 2011 (the "2011 AGM"). Relevant resolutions were passed at the 2011 AGM by way of poll. The chairman of the 2011 AGM had at the commencement of the meetings ensured that an explanation was provided of the detailed procedures for conducting a poll and then answered questions (if any) from Shareholders regarding voting by way of poll. The Company had sent the 2011 AGM notice to Shareholders more than 20 clear business days before the 2011 AGM.

E.3 Amendment of Bye-Laws

In order to bring the Bye-laws in line with the changes to the Listing Rules, certain amendments to the Bye-laws have been approved by the Shareholders at the 2011 AGM. Details of the amendments have been set out in the circular of the 2011 AGM dated 28 March 2011.

F. REORGANIZATION OF BOARD COMMITTEES PURSUANT TO THE REVISED LISTING RULES AND THE REVISED CODE

The Stock Exchange has announced on 28 October 2011 certain amendments to the Listing Rules and the Code. In order to comply with the relevant revised Listing Rules and the relevant revised Code which will be effective on 1 April 2012, the Board has approved the following reorganization of Board Committees which will take effect on 30 March 2012:

- (i) the Audit Committee will be renamed as Audit and Corporate Governance Committee to also monitor and carry out the corporate governance duties as set out in the revised Code;
- (ii) a Nomination Committee will be established with Messrs Kuok Khoon Chen, Wong Siu Kong, Lau Ling Fai, Herald, Ku Moon Lun and Ms Wong Yu Pok, Marina as its members and Mr Kuok Khoon Chen as its chairman; and
- (iii) the Remuneration Committee will be chaired by Mr Lau Ling Fai, Herald, an INED.

AUDIT COMMITTEE REPORT



The Audit Committee of the Board was established in 1998 and currently comprises three Independent Non-executive Directors of the Company, who among themselves possess a wealth of experience in the accounting profession, finance and commercial sectors.

The Audit Committee operates pursuant to written terms of reference which are available on the Company's website at www.kerryprops.com. In discharging its responsibilities, set out below is a summary of the work performed by the Audit Committee during the financial year ended 31 December 2011:–

- (i) The Audit Committee reviewed the draft annual and interim financial statements and the draft results announcements of the Company, focusing on main areas of judgement, consistency of and changes in accounting policies and adequacy of information disclosure prior to recommending them to the Board for approval.
- (ii) The Audit Committee reviewed, in conjunction with the external auditor, the developments of accounting standards and assessed their potential impacts on the Group's financial statements.
- (iii) The Audit Committee reviewed and monitored the external auditor's independence and objectivity and the effectiveness of audit process in accordance with applicable standards.
- (iv) The Audit Committee assessed the independence of the Company's external auditor, prior to formally engaging the external auditor to carry out the audit for the Company's financial statements for the year ended 31 December 2011.
- (v) Prior to the actual commencement of the audit, the Audit Committee discussed the proposed scope of work and approach of the audit with the external auditor. Upon completion of the audit, the Audit Committee reviewed the results of the external audit, and discussed with the external auditor on any significant findings and audit issues.
- (vi) The Audit Committee recommended to the Board regarding the appointment and remuneration of the external auditor.
- (vii) The Audit Committee reviewed and approved the internal audit programme, reviewed the internal audit reports and discussed any significant issues with the internal audit team and the Group's senior management.
- (viii) The Audit Committee reviewed the independence of the internal audit function and the level of support and co-operation given by the Group's management to the internal audit team, as well as the resources of the internal audit team when undertaking its duties and responsibilities.
- (ix) The Audit Committee reviewed the adequacy and effectiveness of the Group's systems of internal controls through a review of the work undertaken by the Group's internal and external auditor, written representations by the senior management of each of the Group's business divisions and discussions with the Board.
- (x) The Audit Committee reviewed the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function and their training programmes and budget through a review of the work undertaken by the Group's senior financial management and internal audit, as well as the questionnaire report by the financial head of each of the Group's business divisions and discussions with the Board.

During the financial year ended 31 December 2011, the Audit Committee met five times and the Audit Committee also conducted meetings with the Group's senior management, the external auditor and the internal audit team from time to time. Minutes of the Audit Committee Meetings are documented and circulated to the Board for information. The Audit Committee also reports and presents its findings and makes recommendations for consideration and discussion at Board meetings.

AUDIT COMMITTEE REPORT

On 6 March 2012, the Audit Committee also reviewed the financial statements of the Group for the year ended 31 December 2011 prior to recommending them to the Board for approval.

MEMBERS OF THE AUDIT COMMITTEE

LAU Ling Fai, Herald (Chairman)

KU Moon Lun

WONG Yu Pok, Marina, JP

Hong Kong, 15 March 2012

REMUNERATION COMMITTEE REPORT



The Company established the Remuneration Committee in 1997 with the Independent Non-executive Directors constituting the majority of the committee. The chairman of the Remuneration Committee is the Chairman of the Board and the other members comprise the President & Chief Executive Officer of the Board and all the three Independent Non-executive Directors of the Company.

The Remuneration Committee operates pursuant to written terms of reference that is published at the Company's website www.kerryprops.com. The primary responsibilities of the Remuneration Committee are, *inter alia*, the recommendations on the Company's policies and structure for all the remuneration of the Directors, the proposal of the specific remuneration packages of the Directors and the recommendation on the remuneration of the Non-executive Directors for the Board's approval. The Remuneration Committee also administers and makes determinations with respect to the Company's share option scheme. When the remuneration package of an individual Director is under review, such Director will abstain from voting.

A Remuneration Committee meeting was held on 5 January 2011 during which the following matters were reviewed and recommended to the Board for approval:–

- (i) the salaries, housing allowances and pension contributions of the Directors for the financial year ended 31 December 2011; and
- (ii) the payment of bonuses to the Directors of the Company, which amounted to HK\$61,700,000 in respect of the financial year ended 31 December 2010.

During the year, the Board approved all the aforesaid recommendations of the Remuneration Committee.

MEMBERS OF THE REMUNERATION COMMITTEE

KUOK Khoon Chen (Chairman)

WONG Siu Kong

LAU Ling Fai, Herald

KU Moon Lun

WONG Yu Pok, Marina, JP

Hong Kong, 15 March 2012

INTERNAL CONTROLS

The Board is responsible for maintaining and reviewing the effectiveness of the Group's system of internal controls. The internal controls are designed to meet the Group's particular needs and to minimize the risks to which the Group is exposed, and are designed to manage rather than eliminate the risks to achieve business objective and can only provide reasonable and not absolute assurance against misstatements or losses. The Group's internal control framework covers (i) the setting of objectives, budgets and targets; (ii) the establishment of regular reporting of financial information, in particular, the tracking of deviations between actual performances and budgets/targets; (iii) the delegation of authority; and (iv) the establishment of clear lines of accountability.

Strategies and objectives of the Group as a whole are determined by the Board. Budgets are prepared annually and financial projections of the Group over a period of the next eight years are also prepared and reviewed by the Board. In implementing these strategies and achieving these objectives, each Executive Director has specific responsibilities for monitoring the conduct and operations of individual business units within the Group. This includes the review and approval of business strategies and plans, the setting of business-related performance targets as well as the design and implementation of internal controls.

Monthly financial information is provided to the Executive Directors. Variance analysis between actual performances and targets are prepared and documented in the Board paper, for discussions at Board Meetings with explanations noted for any material variances and deviations between actual performances and budgets/targets. This helps the Board and the Group's management to monitor the Group's business operations and to plan on a prudent and timely basis. Other regular and ad hoc reports will also be prepared for the Board and its various committees, to ensure that the Directors are supplied with all the requested information in a timely and appropriate manner.

To allow for delegation of authority as well as to enhance segregation of duties and accountability, a clear organizational structure exists which details different levels of authority and control responsibilities within each business unit of the Group. Certain specific matters are reserved for the Board's decision and are not delegated. These include, amongst others, the approval of annual and interim results, annual budgets, capital structure, declaration of dividends, material acquisitions, disposals and capital expenditure, Board structure and its composition and succession.

In order to better review and evaluate the adequacy and effectiveness of the Group's existing system of internal controls, an internal self-assessment and certification process was formulated during the financial year ended 31 December 2011. Under this process, each division of the Group was requested to assess the effectiveness of their fundamental operating controls over all aspects of their operations, financial controls, risk management controls and contingency measures. Each division of the Group then submitted to the Audit Committee a written report on the adequacy and effectiveness of its internal controls, which were discussed at the Audit Committee Meeting of 3 November 2011.

A review of the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function and their training programmes and budget was conducted during the financial year ended 31 December 2011. Under this review process, each business division of the Group was requested to assess such adequacy at its own level by submitting an internal questionnaire report to the Audit Committee, which was discussed at the Audit Committee Meeting of 3 November 2011.

In addition to the above, the Board also monitors its internal controls through a programme of internal audits. The internal audit team reviews the major operational, financial and risk management controls of the Group on a continuing basis, and aims to cover all major operations of the Group on a rotational basis. The scope of review and the audit programme of the internal audit team, which are formulated based on a risk assessment approach and focuses on areas with relatively higher perceived risks, are approved by the Audit Committee at the end of the preceding financial year in conjunction with the Company's senior management.

The internal audit function reports directly to the Audit Committee. Accordingly, regular internal audit reports are circulated to the Audit Committee members, the Chief Financial Officer and the external auditor for their review in accordance with the approved internal audit programme.

During the financial year ended 31 December 2011, there were no significant control failings, weaknesses or significant areas of concern identified which might affect the shareholders' stakes in the Company.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

EXECUTIVE DIRECTORS



Mr KUOK Khoon Chen, aged 57, has been an Executive Director of the Company, the Chairman of the Board, the chairman of the Remuneration Committee of the Company and a member of the Finance Committee and the Executive Committee of the Company since 2008. He has been a senior executive of the Kuok Group since 1978. He is currently the deputy chairman and managing director of Kerry Group Limited, the chairman and managing director of Kerry Holdings Limited and a director of a number of Kuok Group companies. Both Kerry Group Limited and Kerry Holdings Limited are the controlling shareholders of the Company. Mr Kuok is a non-executive director of Wilmar International Limited which is listed on the Singapore Exchange Securities Trading Limited and an executive director of China World Trade Center Co., Ltd. which is listed on the Shanghai Stock Exchange. Mr Kuok holds a Bachelor's degree in Economics from Monash University in Australia. Mr Kuok is the brother-in-law of Mr Bryan Pallop Gaw, an Executive Director of the Company.



Mr WONG Siu Kong, aged 60, is the President & Chief Executive Officer of the Company and a member of the Remuneration Committee, the Finance Committee and the Executive Committee of the Company. Mr Wong has been an Executive Director of the Company since 1996. He was a Joint Managing Director of the Company from 1999 to 2003. In 2003, he was elected as the Deputy Chairman of the Board and the Managing Director of the Company and subsequently re-designated as President & Chief Executive Officer in 2008. Mr Wong is a director of Kerry Holdings Limited, the controlling shareholder of the Company. He is also a director of China World Trade Center Co., Ltd. which is listed on the Shanghai Stock Exchange. In addition, Mr Wong is the chairman of a number of the Group's companies in the PRC. He joined the Kuok Group in 1991 with responsibilities for the Group's developments in the PRC. Mr Wong graduated from the South China Normal University in the PRC.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS (Continued)

EXECUTIVE DIRECTORS (Continued)



Mr HO Shut Kan, aged 63, has been an Executive Director of the Company since 1998. Mr Ho is also a member of the Finance Committee and the Executive Committee of the Company. Mr Ho is an executive director of Kerry Properties (H.K.) Limited, the principal Hong Kong property company of the Group, and is responsible for the Group's project development and management of investment portfolio. Mr Ho is a non-executive director of Eagle Asset Management (CP) Limited which is the manager of the Hong Kong listed Champion Real Estate Investment Trust. He is also a director of Shang Properties, Inc. which is listed in the Philippines.



Mr MA Wing Kai, William, aged 50, has been an Executive Director of the Company since 2004. Mr Ma is also a member of the Executive Committee of the Company. Mr Ma is the deputy chairman and the managing director of Kerry Logistics Network Limited ("KLN"), the divisional holding company of the integrated logistics and international freight forwarding businesses of the Group. He joined the Group in 1990 and was appointed to KLN in 1999. Currently, Mr Ma serves in the Logistics Development Council and the Aviation Development Advisory Committee of the HKSAR Government. He is also a member of the Logistics Services Advisory Committee of the Hong Kong Trade Development Council. Mr Ma holds a Bachelor of Science (Management Sciences) degree from the University of Lancaster in the United Kingdom and completed an executive education programme at Harvard Business School.



Mr QIAN Shaohua, aged 55, is an Executive Director of the Company and a member of the Executive Committee of the Company. He has been a Director of the Company since 2007 and was subsequently re-designated as an Executive Director of the Company in 2009. Mr Qian is responsible for the Group's business development and human resources administration in the PRC. Mr Qian received his tertiary education in the PRC and completed an international advanced management programme at Harvard Business School.



Mr CHAN Wai Ming, William, aged 57, is an Executive Director of the Company and a member of the Executive Committee of the Company. He has been a Director of the Company since 2007 and was subsequently re-designated as an Executive Director of the Company in 2010. Mr Chan has over 30 years of experience in project and estate management in both private and public sectors, over 10 years of which were in the PRC projects. Mr Chan is a Fellow Member of both the Royal Institution of Chartered Surveyors and the Hong Kong Institute of Surveyors and a Registered Real Estate Appraiser in the PRC. Mr Chan holds a Master of Science degree in International Real Estate from the Hong Kong Polytechnic University.



Mr Bryan Pallop GAW, aged 35, has been an Executive Director of the Company since February 2012. He is also a member of the Executive Committee of the Company. Mr Gaw is the deputy general manager of Kerry Properties (H.K.) Limited. He is also a director of Kerry Logistics Network Limited since 2008. Mr Gaw joined the Company as a senior business development manager in 2007. He started his career at Merrill Lynch in New York in 1998, working for the company's emerging markets private equity fund as a financial analyst. Since then, he has held roles focused on strategic planning and business development at various multinational corporations. Most recently, he was with McKinsey & Company, advising companies in Southeast Asia on market strategies and operational improvements. Mr Gaw holds a Bachelor of Arts in Political Science from Princeton University and a Master of Business Administration from Stanford's Graduate School of Business. Mr Gaw is the brother-in-law of Mr Kuok Khoon Chen, the Chairman of the Company.

DIRECTORS (Continued)

INDEPENDENT NON-EXECUTIVE DIRECTORS



Mr LAU Ling Fai, Herald, aged 71, has been an Independent Non-executive Director of the Company since 2003. He is now the chairman of the Audit Committee of the Company and a member of the Remuneration Committee of the Company. Mr Lau has been practising as a certified public accountant in Hong Kong for over 30 years and has extensive experience in auditing, finance, taxation and management. He was a partner in PricewaterhouseCoopers, Hong Kong until his retirement in 2001. He is an independent non-executive director of Wheelock and Company Limited, a listed company in Hong Kong. Mr Lau is a Fellow of each of The Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants. Mr Lau was formerly an independent non-executive director of Fairwood Holdings Limited (a listed company in Hong Kong) and Wheelock Properties Limited (a former listed company in Hong Kong) and an independent director of China World Trade Center Co., Ltd. (a listed company in Shanghai).



Mr KU Moon Lun, aged 61, has been an Independent Non-executive Director of the Company and a member of the Audit Committee and the Remuneration Committee of the Company since 2007. Mr Ku has over 35 years of experience in the real estate industry. He was the executive director of Davis Langdon and Seah International and chairman of Davis Langdon and Seah Hong Kong Limited, Premas Hong Kong Limited and icFox International. Mr Ku is now an independent non-executive director of Ascott Residence Trust Management Limited in Singapore and Lai Fung Holdings Limited, a listed company in Hong Kong. He is a member of the Hospital Governing Committee of Tuen Mun Hospital, Hong Kong Hospital Authority. Mr Ku is a fellow of the Hong Kong Institute of Surveyors.



Ms WONG Yu Pok, Marina, JP, aged 63, has been an Independent Non-executive Director and a member of the Audit Committee and the Remuneration Committee of the Company since 2008. She had been with PricewaterhouseCoopers for over 30 years specializing in the PRC tax and business advisory services, and has extensive experience in advising both Hong Kong and foreign investors in the structuring of their businesses and investments in the PRC. Ms Wong joined Tricor Services Limited as a director from 2004 to 2006 after her retirement as a partner from PricewaterhouseCoopers in 2004. Ms Wong is now an independent non-executive director of Hong Kong Ferry (Holdings) Company Limited, a listed company in Hong Kong, and an independent director of China World Trade Center Co., Ltd. which is listed on the Shanghai Stock Exchange. She is a Fellow Member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants.

SENIOR MANAGEMENT

The abovementioned Executive Directors of the Company are members of senior management of the Group.

REPORT OF DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended 31 December 2011.

Principal Activities and Segmental Analysis of Operations

The principal activity of the Company is investment holding.

The principal activities of the Company's subsidiaries and associates comprise the following:

1. property development, investment and management in Hong Kong, the People's Republic of China (the "PRC") and the Asia Pacific region;
2. logistics, freight and warehouse ownership and operations; and
3. hotel ownership in Hong Kong, and hotel ownership and operations in the PRC.

An analysis of the Group's turnover and contribution to operating profit for the year by principal activities and markets is set out in note 5 to the financial statements.

Results and Appropriations

The results of the Group for the year are set out in the section headed "Consolidated Income Statement" of this annual report.

Particulars of dividends proposed and paid during the year are set out in note 11 to the financial statements.

Reserves

The movements in reserves of the Group and the Company during the year are set out in notes 36 and 37 to the financial statements.

Donations

Charitable donations made by the Group during the year amounted to HK\$6,218,000.

Property, Plant and Equipment

Particulars of the movements in property, plant and equipment of the Group and the Company during the year are set out in note 14 to the financial statements.



Investment, Hotel and Development Properties

Particulars of investment, hotel and development properties of the Group are set out in the section headed “Particulars of Properties Held” of this annual report.

Distributable Reserves

As at 31 December 2011, the reserves of the Company available for distribution amounted to approximately HK\$18,710,075,000 (2010: HK\$19,057,437,000).

Share Capital

The movements in the share capital of the Company during the year are set out in note 34 to the financial statements.

Bonds

Details of the bonds of the Group are set out in notes 29 and 30 to the financial statements.

Capitalised Interest

The amounts of interest capitalised by the Group during the year are set out in note 8 to the financial statements.

Subsidiaries and Associates

Particulars of the Company’s principal subsidiaries and the Group’s principal associates as at 31 December 2011 are set out in note 45 to the financial statements.

Particulars of Bank Loans and Other Borrowings

Particulars of bank loans and other borrowings of the Group and the Company as at 31 December 2011 are set out in notes 28 and 43 to the financial statements.

Five-Year Financial Summary

The results, assets and liabilities of the Group for the last five financial years are summarised in the section headed “Five-Year Financial Summary” of this annual report.

REPORT OF DIRECTORS

Directors

The Directors who held office during the year and up to the date of this report of Directors are:

Executive Directors

Mr KUOK Khoon Chen (Chairman)
Mr WONG Siu Kong (President & Chief Executive Officer)
Mr HO Shut Kan
Mr MA Wing Kai, William
Mr QIAN Shaohua
Mr CHAN Wai Ming, William
Mr Bryan Pallop GAW (*appointed on 22 February 2012*)

Independent Non-executive Directors

Mr LAU Ling Fai, Herald
Mr KU Moon Lun
Ms WONG Yu Pok, Marina, JP

Non-executive Director

Mr TSE Kai Chi (*resigned on 22 February 2012*)

Messrs MA Wing Kai, William, CHAN Wai Ming, William and LAU Ling Fai, Herald are due to retire from the Board by rotation in accordance with bye-law 99(A) of the Company's bye-laws ("Bye-laws") and Mr Bryan Pallop GAW, who was appointed as an Executive Director on 22 February 2012, is also due to retire from the Board in accordance with Bye-law 102(B) at the forthcoming Annual General Meeting to be held on 3 May 2012 (the "2012 AGM"). The retiring Directors, being eligible, all offer themselves for re-election.

Biography of Directors and Senior Management

Biography of Directors and senior management are set out in the section headed "Directors and Senior Management" of this annual report.

Directors' Interests in Shares, Underlying Shares and Debentures

As at 31 December 2011, the interests of the Directors in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) (the "Associated Corporations") as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Rules (the "Listing Rules") Governing the Listing of Securities on the Stock Exchange were as follows:

(i) Company

Directors	Number of ordinary shares				Approximate % of shareholding ⁵
	Personal interests ¹	Corporate interests ²	Other interests ³	Total	
KUOK Khoon Chen	501,004	462,307	6,820,400	7,783,711	0.54
WONG Siu Kong	750,000	–	50,000	800,000	0.06
HO Shut Kan	–	–	50,000	50,000	0.00
MA Wing Kai, William	181,020	–	50,000	231,020	0.02
QIAN Shaohua	350,000	–	50,000	400,000	0.03
CHAN Wai Ming, William	–	–	50,000	50,000	0.00

(ii) Associated Corporations

Associated Corporations	Directors	Number of ordinary shares			Number of underlying ordinary shares held under equity derivatives ⁴	Total	Approximate % of shareholding
		Personal interests ¹	Corporate interests ²	Other interests ³			
Kerry Group Limited	KUOK Khoon Chen	1,651,791	67,025,875	132,457,750	8,000,000	209,135,416	13.63 ⁶
	WONG Siu Kong	4,617,263	8,504,300	–	3,000,000	16,121,563	1.05 ⁶
	HO Shut Kan	1,888,452	–	–	1,000,000	2,888,452	0.19 ⁶
	MA Wing Kai, William	1,310,620	–	–	500,000	1,810,620	0.12 ⁶
	QIAN Shaohua	1,000,000	500,000	–	1,000,000	2,500,000	0.16 ⁶
	CHAN Wai Ming, William	600,000	–	–	300,000	900,000	0.06 ⁶
	TSE Kai Chi	1,100,000	–	–	1,500,000	2,600,000	0.17 ⁶
Kerry Siam Seaport Limited	MA Wing Kai, William	1	–	–	–	1	0.00
SCMP Group Limited	KUOK Khoon Chen	8,000	–	20,000	–	28,000	0.00 ⁷
Shang Properties, Inc.	HO Shut Kan	1,570	–	–	–	1,570	0.00

REPORT OF DIRECTORS

Directors' Interests in Shares, Underlying Shares and Debentures (Continued)

Notes:

1. This represents interests held by the relevant Director as beneficial owner.
2. This represents interests held by the relevant Director through his controlled corporation(s).
3. This represents interests held by the relevant Director through discretionary trust(s) of which the relevant Director is a contingent beneficiary.
4. This represents interests in options held by the relevant Director as a beneficial owner to subscribe for the relevant underlying ordinary shares in respect of the option shares granted by Kerry Group Limited ("KGL").
5. The percentage has been compiled based on the total number of ordinary shares of the Company in issue as at 31 December 2011 (i.e. 1,438,365,676 ordinary shares).
6. The percentage has been compiled based on the total number of ordinary shares of KGL in issue as at 31 December 2011 (i.e. 1,534,849,913 ordinary shares).
7. The percentage has been compiled based on the total number of ordinary shares of SCMP Group Limited in issue as at 31 December 2011 (i.e. 1,560,945,596 ordinary shares).

Details of share options of the Company (the "Share Options"), duly granted to the Directors pursuant to the share option schemes, which constitute interests in underlying ordinary shares of equity derivatives of the Company under the SFO are set out in the section headed "Share Options" of this report.

All the interests disclosed in sections (i) and (ii) above represent long positions in the shares of the Company or the Associated Corporations.

Save as aforesaid, as at 31 December 2011, none of the Directors had any other interests or short positions in the shares, underlying shares or debentures of the Company or any of its Associated Corporations which had been entered in the register kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Directors' Interests in Contracts

No contracts of significance in relation to the Group's business to which the Company, its subsidiaries, its fellow subsidiaries or its holding companies was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Directors' Rights to Acquire Shares or Debentures

As at 31 December 2011, the number of outstanding Share Options granted by the Company to the Directors to subscribe for shares of the Company (the "Shares"), as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code is set out in the section headed "Share Options" of this report of Directors.

Apart from the aforesaid, at no time during the year ended 31 December 2011 was the Company, its subsidiaries, its fellow subsidiaries or its holding companies a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Substantial Interests in the Share Capital of the Company

As at 31 December 2011, the interests of those persons (other than the Directors) in the Shares as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name	Capacity in which ordinary shares were held	Number of ordinary shares	Long position/ Short position/ Lending pool	Approximate % of shareholding ²
Kerry Group Limited	Interest of controlled corporations	791,514,649 ¹	Long position	55.03
Kerry Holdings Limited	Interest of controlled corporations	750,600,676 ¹	Long position	52.18
Caninco Investments Limited	Beneficial owner	312,248,193 ¹	Long position	21.71
Darmex Holdings Limited	Beneficial owner	256,899,261 ¹	Long position	17.86
Moslane Limited	Beneficial owner	73,821,498 ¹	Long position	5.13
JPMorgan Chase & Co.	Interest of controlled corporations	98,992,468	Long position	6.88
		7,428,515	Short position	0.52
		75,165,731	Lending pool	5.23

Notes:

- Caninco Investments Limited ("Caninco"), Darmex Holdings Limited ("Darmex") and Moslane Limited ("Moslane") are wholly-owned subsidiaries of Kerry Holdings Limited ("KHL"). KHL itself is a wholly-owned subsidiary of KGL and, accordingly, the Shares in which Caninco, Darmex and Moslane are shown to be interested are also included in the Shares in which KHL and KGL are shown to be interested.
- The percentage has been compiled based on the total number of Shares in issue as at 31 December 2011 (i.e. 1,438,365,676 Shares).

Apart from the aforesaid, as at 31 December 2011, the Company had not been notified of any interests and short positions in the Shares and underlying shares of the Company which had been recorded in the register required to be kept under Section 336 of the SFO.

Public Float

Based on the information that is publicly available to the Company as at the date of this report of Directors and within the knowledge of the Directors, there was a sufficiency of public float of the Company's securities as required under the Listing Rules.

Pre-Emptive Rights

There is no provision for pre-emptive rights under the Bye-laws or the laws in Bermuda.

Staff

As at 31 December 2011, the Company and its subsidiaries had approximately 19,800 employees. Salaries of employees are maintained at competitive levels while bonuses are granted on a discretionary basis. Other employee benefits include provident fund, insurance, medical cover, subsidised educational and training programmes as well as share option schemes.

Share Options

The shareholders of the Company (the "Shareholders") approved the termination (to the effect that no further Share Options shall be offered) of an executive share option scheme adopted in 1997 (the "1997 Share Option Scheme") and a share option scheme adopted in 2002 (the "2002 Share Option Scheme") on 17 April 2002 and 5 May 2011 respectively but the Share Options which had been granted during the life of the 1997 Share Option Scheme and the 2002 Share Option Scheme should continue to be valid and exercisable in accordance with their terms of issue and in all other respects its provisions should remain in full force and effect.

REPORT OF DIRECTORS

Share Options (Continued)

A summary of those terms applicable to the outstanding Share Options of the 1997 Share Option Scheme and the 2002 Share Option Scheme has been disclosed in the Company's 2008 Annual Report and 2010 Annual Report, respectively.

On 5 May 2011, the Shareholders approved the adoption of a new share option scheme (the "2011 Share Option Scheme"). The 2011 Share Option Scheme is designed to motivate executives and key employees and other persons who may make a contribution to the Group, and enables the Group to attract and retain individuals with experience and ability and to reward them for their contributions.

The maximum number of Shares which may be issued upon exercise of all Share Options to be granted under the 2011 Share Option Scheme (and under any other scheme of the Company) shall not in aggregate exceed 10% of the Shares in issue as at the date of the adoption of the 2011 Share Option Scheme provided that the Company may seek approval from Shareholders to refresh such limit. Moreover, the maximum number of Shares which may be issued upon exercise of all outstanding Share Options granted and yet to be exercised under the 2011 Share Option Scheme (and under any other scheme of the Company) shall not exceed 30% of the Shares in issue from time to time. As at 31 December 2011, a total of 143,740,348 Shares (representing approximately 9.99% of the existing issued share capital of the Company) are available for issue under the 2011 Share Option Scheme. The maximum entitlement of each participant under the 2011 Share Option Scheme in any 12-month period is 1% of the Shares in issue from time to time.

The period within which a Share Option may be exercised will be determined by the Board at its absolute discretion but no Share Option may be exercised later than 10 years from the date on which the Share Option is granted. The minimum period for which a Share Option must be held before it can be exercised is determined by the Board upon the grant of a Share Option. The amount payable on acceptance of a Share Option is HK\$1.

The subscription price of the Share Option under the 2011 Share Option Scheme shall be determined by the Board at its absolute discretion at the time of grant of the Share Option but it shall not be less than whichever is the highest of (a) the nominal value of a Share; (b) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of the Board resolution approving the grant of Share Options; and (c) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of the Board resolution approving the grant of Share Options.

The 2011 Share Option Scheme will expire on 4 May 2021.

Movement of the Share Options, which were granted under the 1997 Share Option Scheme and the 2002 Share Option Scheme, during the year ended 31 December 2011 are listed below in accordance with Rule 17.07 of the Listing Rules:

Category	Date of grant	Tranche	Number of Share Options			Exercise price HK\$	Exercise Period
			As at 01/01/2011	Exercised (Notes 1 & 2)	As at 31/12/2011		
<i>(i) 1997 Share Option Scheme:</i>							
Continuous Contract Employees	02/03/2001	I	15,000	(15,000)	–	11.59	02/03/2002 – 01/03/2011
	02/03/2001	II	15,000	(15,000)	–	11.59	02/03/2003 – 01/03/2011
	02/03/2001	III	12,208	(12,208)	–	11.59	02/03/2004 – 01/03/2011
	16/04/2002	I	67,370	(41,094)	26,276	6.85	16/04/2003 – 15/04/2012
	16/04/2002	II	67,370	(31,094)	36,276	6.85	16/04/2004 – 15/04/2012
Total:			176,948	(114,396)	62,552		

Share Options (Continued)

Category	Date of grant	Tranche	Number of Share Options				Exercise price HK\$	Exercise Period
			As at 01/01/2011	Exercised (Notes 1 & 3)	Lapsed	As at 31/12/2011		
(ii) 2002 Share Option Scheme:								
1. Directors								
KUOK Khoon Chen	06/02/2009	II	250,000	(250,000)	-	-	17.58	06/02/2011 – 05/02/2019
WONG Siu Kong	17/03/2005	II	650,000	(650,000)	-	-	18.74	17/03/2007 – 16/03/2015
	02/04/2008	I	750,000	-	-	750,000	47.70	02/04/2009 – 01/04/2018
	02/04/2008	II	750,000	-	-	750,000	47.70	02/04/2010 – 01/04/2018
	02/04/2008	III	1,500,000	-	-	1,500,000	47.70	02/04/2011 – 01/04/2018
	06/02/2009	I	500,000	-	-	500,000	17.58	06/02/2010 – 05/02/2019
	06/02/2009	II	500,000	-	-	500,000	17.58	06/02/2011 – 05/02/2019
HO Shut Kan	02/04/2008	I	300,000	-	-	300,000	47.70	02/04/2009 – 01/04/2018
	02/04/2008	II	300,000	-	-	300,000	47.70	02/04/2010 – 01/04/2018
	02/04/2008	III	600,000	-	-	600,000	47.70	02/04/2011 – 01/04/2018
	06/02/2009	I	250,000	-	-	250,000	17.58	06/02/2010 – 05/02/2019
	06/02/2009	II	250,000	-	-	250,000	17.58	06/02/2011 – 05/02/2019
	MA Wing Kai, William	17/03/2005	II	380,000	(180,000)	-	200,000	18.74
02/04/2008		I	200,000	-	-	200,000	47.70	02/04/2009 – 01/04/2018
02/04/2008		II	200,000	-	-	200,000	47.70	02/04/2010 – 01/04/2018
02/04/2008		III	400,000	-	-	400,000	47.70	02/04/2011 – 01/04/2018
06/02/2009		I	100,000	-	-	100,000	17.58	06/02/2010 – 05/02/2019
06/02/2009		II	100,000	-	-	100,000	17.58	06/02/2011 – 05/02/2019
QIAN Shaohua	02/04/2008	I	200,000	-	-	200,000	47.70	02/04/2009 – 01/04/2018
	02/04/2008	II	200,000	-	-	200,000	47.70	02/04/2010 – 01/04/2018
	02/04/2008	III	400,000	-	-	400,000	47.70	02/04/2011 – 01/04/2018
	06/02/2009	II	250,000	(250,000)	-	-	17.58	06/02/2011 – 05/02/2019
CHAN Wai Ming, William	02/04/2008	I	200,000	-	-	200,000	47.70	02/04/2009 – 01/04/2018
	02/04/2008	II	200,000	-	-	200,000	47.70	02/04/2010 – 01/04/2018
	02/04/2008	III	400,000	-	-	400,000	47.70	02/04/2011 – 01/04/2018
	06/02/2009	I	50,000	-	-	50,000	17.58	06/02/2010 – 05/02/2019
	06/02/2009	II	250,000	-	-	250,000	17.58	06/02/2011 – 05/02/2019
	2. Continuous Contract Employees	17/03/2005	I	362,500	(105,000)	-	257,500	18.74
17/03/2005		II	612,500	(135,000)	-	477,500	18.74	17/03/2007 – 16/03/2015
02/04/2008		I	1,212,500	-	(62,500)	1,150,000	47.70	02/04/2009 – 01/04/2018
02/04/2008		II	1,212,500	-	(62,500)	1,150,000	47.70	02/04/2010 – 01/04/2018
02/04/2008		III	2,425,000	-	(125,000)	2,300,000	47.70	02/04/2011 – 01/04/2018
06/02/2009		I	910,000	(10,000)	-	900,000	17.58	06/02/2010 – 05/02/2019
06/02/2009		II	1,645,000	(415,000)	-	1,230,000	17.58	06/02/2011 – 05/02/2019
3. Others		17/03/2005	II	700,000	-	-	700,000	18.74
	02/04/2008	I	237,500	-	(87,500)	150,000	47.70	02/04/2009 – 01/04/2018
	02/04/2008	II	237,500	-	(87,500)	150,000	47.70	02/04/2010 – 01/04/2018
	02/04/2008	III	475,000	-	(175,000)	300,000	47.70	02/04/2011 – 01/04/2018
	06/02/2009	I	350,000	-	-	350,000	17.58	06/02/2010 – 05/02/2019
	06/02/2009	II	625,000	(225,000)	-	400,000	17.58	06/02/2011 – 05/02/2019
	Total:			21,135,000	(2,220,000)	(600,000)	18,315,000	

Notes:

- The weighted average closing price of the Shares immediately before the dates on which the Share Options were exercised was HK\$38.65.
- During the year, no Share Options were granted/granted for adjustment, transferred from/to other category, cancelled or lapsed under the 1997 Share Option Scheme.
- During the year, no Share Options were granted/granted for adjustment, transferred from/to other category or cancelled under the 2002 Share Option Scheme.

REPORT OF DIRECTORS

Service Contracts

There is no service contract, which is not determinable by the Company within one year without payment of compensation (other than statutory compensation), in respect of any Director proposed for re-election at the 2012 AGM.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Major Customers and Suppliers

The percentages of the five largest customers combined and the five largest suppliers combined are less than 30% of the Group's total turnover and purchases, respectively.

Director's Interests in Competing Business

Pursuant to Rule 8.10 of the Listing Rules, the Company disclosed below that during the year ended 31 December 2011, the following Directors are considered to have interests in the following businesses ("Excluded Businesses"), being businesses which competed or are likely to compete, either directly or indirectly, with the businesses of the Group, other than those businesses in which (a) the Group was interested and (b) the Directors' only interests are as directors appointed to represent the interests of the Group.

Messrs Kuok Khoon Chen, Wong Siu Kong, Qian Shaohua and Chan Wai Ming, William were directors of subsidiaries of Shangri-La Asia Limited ("SA") and Mr Kuok and Mr Wong had interests in shares of SA, the businesses of which consisted of hotel ownership and operation. The Directors believe that as the size of that part of these Excluded Businesses in Beijing, where the Group has hotel businesses, is not insignificant when compared with the hotel business of the Group in Beijing, it is likely that these Excluded Businesses may compete with the hotel business of the Group in Beijing.

Messrs Kuok Khoon Chen and Wong Siu Kong were directors of (but both of them did not have any interests in shares in) the China World Trade Center Co., Ltd. ("CWTC") group of companies, the businesses of which consisted of property investment and development and hotel ownership and operation in the PRC. The Directors believe that as the size of these Excluded Businesses is not insignificant when compared with the property and hotel businesses of the Group in the PRC, it is likely that these Excluded Businesses may compete with the property and hotel businesses of the Group in the PRC.

The Excluded Businesses are operated and managed by companies (and in the case of SA and CWTC, by publicly listed companies) with independent management and administration. On this basis, the Directors believe that the Group is capable of carrying on its businesses independently of the Excluded Businesses and at arm's length from the Excluded Businesses.

The Directors, including those interested in the Excluded Businesses, will, as and when required under the Bye-laws, abstain from voting on any resolution of the Board in respect of any contract, arrangement or proposal in which he or any of his associates has a material interest.

Connected Transactions

- (i) On 26 May 2011, a joint venture company (the "Jinan JVCO") previously formed between Kerry Properties (China) Limited ("KPCL"), a wholly-owned subsidiary of the Company, and Shangri-La China Limited ("SACL"), a wholly-owned subsidiary of SA, in the proportion of 55% and 45% respectively, won the land bids to acquire two sites in Lixia District, Jinan City, Shandong Province, the PRC at a consideration of RMB291.104 million (approximately HK\$348.6 million). KPCL and SACL then entered into a supplemental shareholders' agreement and a supplemental articles of association (the "Transaction") to, *inter alia*, increase the total investment amount of the Jinan JVCO to RMB680 million (approximately HK\$814 million) and set out the maximum funding commitment. The maximum funding contribution of the Group to the Jinan JVCO is expected to be RMB677.3 million (approximately HK\$811.1 million).

KHL is the controlling shareholder of each of the Company and SA. SA is an associate of KHL and therefore a connected person of the Company. Accordingly, the Transaction constituted a connected transaction for the Company under the Listing Rules.

- (ii) On 5 August 2011, the Company announced that (1) Bethan Company Limited (a wholly-owned subsidiary of the Company) as vendor entered into preliminary agreements for sale and purchase with Aberdeen Marina Holdings Limited ("AMHL") as purchaser for the sale and purchase of two property units at the development known as "Lions Rise" ("Lions Rise Units") at a total consideration of HK\$14,361,150 on 14 June 2011; and (2) Jadway Limited, Asian Profit Limited, Chester Profit Limited, Crown On Investment Limited and Hugo Vantage Limited (all 71%-owned subsidiaries of the Company) as vendors entered into preliminary agreements for sale and purchase with Kerry Trading Co. Limited ("KTCL") as purchaser for the sale and purchase of four property units at the development known as "SOHO 189" ("SOHO 189 Units") at a total consideration of HK\$62,796,000 on 5 August 2011.

Both AMHL and KTCL (together, the "Purchasers") are subsidiaries of KHL and therefore are regarded as connected persons of the Company. Accordingly, the sales of Lions Rise Units and SOHO 189 Units by the Group to the Purchasers constituted connected transactions for the Company under the Listing Rules.

- (iii) On 6 September 2011, KPCL and SACL entered into a joint bid agreement in relation to the joint bidding of land in Zhengzhou City, Henan Province, the PRC (the "Zhengzhou Site"). On 19 September 2011, KPCL and SACL jointly paid a deposit of RMB210 million (approximately HK\$258.3 million) in the respective proportions of 55% and 45%. Therefore, KPCL had contributed RMB115.5 million (approximately HK\$142.1 million) to the payment of the deposit.

On 23 September 2011, following the successful bidding of the Zhengzhou Site at a consideration of RMB401.15 million (approximately HK\$493.4 million), KPCL and SACL entered into a master joint venture agreement to establish a joint venture company (the "Zhengzhou JVCO") for the acquisition, holding and development of the Zhengzhou Site in the respective proportions of 55% and 45%. The maximum total investment amount of the Group to Zhengzhou JVCO is expected to be RMB1,442.9 million (approximately HK\$1,774.8 million).

SA is a connected person of the Company. Accordingly, the payment of the deposit, the entering into of the joint bid agreement, the entering into of the master joint venture agreement and the establishment of the Zhengzhou JVCO constituted connected transactions for the Company under the Listing Rules.

Connected Transactions (Continued)

- (iv) On 24 October 2011, KPCL and SACL entered into a joint bid agreement in relation to the joint bidding of land in Putian City, Fujian Province, the PRC (the "Putian Site") and jointly paid a deposit of RMB100 million (approximately HK\$123 million) in the respective proportions of 60% and 40%. Therefore, KPCL had contributed RMB60 million (approximately HK\$73.8 million) to the payment of the deposit.

On 28 October 2011, following the successful bidding of the Putian Site at a consideration of RMB455.5 million (approximately HK\$560.3 million), KPCL and SACL entered into a master joint venture agreement to establish a joint venture company (the "Putian JVCO") for the acquisition, holding and development of the Putian Site in the respective proportions of 60% and 40%. The maximum total investment amount of the Group to Putian JVCO is expected to be RMB2,133 million (approximately HK\$2,624 million).

SA is a connected person of the Company. Accordingly, the payment of the deposit, the entering into of the joint bid agreement, the entering into of the master joint venture agreement and the establishment of the Putian JVCO constituted connected transactions for the Company under the Listing Rules.

- (v) On 15 December 2011, Newick Limited, Capital Rise Investments Limited, Panawin Limited, Join Sky Investment Limited, Shun On Properties Limited and Chain Base Limited (all 71%-owned subsidiaries of the Company) as vendors (the "Altitude Vendors") entered into two preliminary agreements with KTCL as purchaser for the sale and purchase of two units and two car parking spaces at the development known as "The Altitude" (the "Altitude Units") at a total consideration of HK\$94,826,000.

KTCL is a connected person of the Company. Accordingly, the sale of the Altitude Units by the Group to KTCL constituted a connected transaction for the Company under the Listing Rules.

- (vi) On 20 January 2012, the Altitude Vendors entered into two preliminary agreements with Dragon Era Holdings Limited and Soaring Dragon Holdings Limited as purchasers (together, the "Altitude Purchasers") for the sale and purchase of two property units at The Altitude (the "Altitude Properties") at a total consideration of HK\$107,408,000.

The Altitude Purchasers are wholly owned by Mr Kuok Khoon Ean and Ms Heah Cheng Sui, who are associates of the Chairman of the Company and therefore are regarded as connected persons of the Company. Accordingly, the sale of the Altitude Properties by the Group to the Altitude Purchasers constituted a connected transaction for the Company under the Listing Rules.

Continuing Connected Transactions

(i) Hotel Management Agreements

Shangri-La International Hotel Management Limited ("SLIM"), an indirect wholly-owned subsidiary of SA, and its fellow subsidiaries are currently providing hotel management, marketing, communication and reservation services (the "Hotel Management Services") to Kerry Hotel, Beijing (formerly known as Shangri-La's Kerry Centre Hotel, Beijing) pursuant to the hotel management, marketing and related agreements (the "Hotel Management Agreements") entered into between Beijing Kerry Hotel Co., Ltd. ("BKH") (formerly known as Beijing Kerry Centre Hotel Co., Ltd.) and SLIM on 30 June 1998 (as modified by an addendum dated 26 January 2004). The Hotel Management Agreements were entered for 20 years ending on 27 August 2019, with an option to renew for 10 years which is exercisable by mutual agreement of both parties.

BKH is the owner of Kerry Hotel, Beijing. BKH is owned as to 71.25% by the Group, 23.75% by the SA group and 5% by an independent third party. SA and SLIM are connected persons of the Company. Accordingly, the provision of the Hotel Management Services by SLIM to BKH is treated as continuing connected transactions of the Company under the Listing Rules.

During the remaining tenure of the Hotel Management Agreements, the annual aggregate fees payable by the Group pursuant to the Hotel Management Agreements for each of the financial years of the Company ending 31 December 2019 are not expected to exceed HK\$75,000,000 ("Cap A"). The fees paid by the Group under the Hotel Management Agreements for the year ended 31 December 2011 amount to approximately HK\$15,226,000, which is within Cap A.

(ii) Tenancy and Licence Agreements

On 18 November 2010, Kerry Properties (H.K.) Limited, a wholly-owned subsidiary of the Company, had entered into tenancy and licence agreements with Ubagan Limited ("Ubagan") (which is owned as to 60% by Kerry Holdings Limited ("KHL") and 40% by the Company) in respect of leasing of Unit 2 on 5/F, 22/F, 25/F and 26/F of Kerry Centre, 683 King's Road, Quarry Bay, Hong Kong (the "Premises") as corporate offices and licensing of 10 fixed carparking spaces and 7 floating carparking spaces on Basement 2 of Kerry Centre for the use by the Group in conjunction with such offices.

The said tenancy and licence agreements were entered into for a fixed term of 3 years from 19 November 2010 with a rental of HK\$2,329,520 per month, management fee and air-conditioning charges of HK\$378,547 per month (subject to revision from time to time by the building manager) for the Premises, HK\$3,200 per month for each fixed car parking space and HK\$2,500 per month for each floating car parking space.

KHL is the controlling shareholder of the Company. Ubagan is an associate of KHL and therefore a connected person of the Company. Accordingly, the entering into of the said tenancy and licence agreements are treated as continuing connected transactions of the Company under the Listing Rules.

The maximum aggregate annual amounts payable by the Group under the said tenancy and licence agreements for the financial year ended 31 December 2011 are not expected to exceed HK\$35,000,000 ("Cap B"). The aggregate fees paid by the Group under the said tenancy and licence agreements for the year ended 31 December 2011 amount to approximately HK\$31,961,000 which is within Cap B.

REPORT OF DIRECTORS

Continuing Connected Transactions (Continued)

(iii) Review by Independent Non-executive Directors and the auditor of the Company

The continuing connected transactions mentioned above have been reviewed by the Independent Non-executive Directors of the Company who have confirmed that the transactions have been entered into:

1. in the ordinary and usual course of business of the Company;
2. either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties; and
3. in accordance with the relevant agreements governing the transactions on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The auditor of the Company was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants and has issued his unqualified letter containing his findings and conclusions in respect of the abovementioned continuing connected transactions in accordance with paragraph 14A.38 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year.

Auditor

The financial statements have been audited by PricewaterhouseCoopers who retires and, being eligible, offers itself for re-appointment.

On behalf of the Board
Kuok Khoon Chen
Chairman

Hong Kong, 15 March 2012

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道



INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF KERRY PROPERTIES LIMITED

(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Kerry Properties Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 95 to 203, which comprise the consolidated and company statements of financial position as at 31 December 2011, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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INDEPENDENT AUDITOR'S REPORT

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 15 March 2012

CONSOLIDATED INCOME STATEMENT



For the year ended 31 December 2011

	Note	2011 HK\$'000	2010 HK\$'000 (restated)
Turnover	5	20,660,363	21,225,990
Cost of sales		(1,230,480)	(5,699,519)
Direct operating expenses		(14,430,579)	(10,211,853)
Gross profit		4,999,304	5,314,618
Other income and net gains	6	475,524	485,847
Administrative and other operating expenses		(1,998,907)	(1,407,933)
Increase in fair value of investment properties		1,605,932	3,009,676
Operating profit before finance costs	7	5,081,853	7,402,208
Finance costs	8	(333,771)	(38,973)
Operating profit		4,748,082	7,363,235
Share of results of associates		2,354,901	1,374,451
Profit before taxation		7,102,983	8,737,686
Taxation	9	(1,233,962)	(1,582,911)
Profit for the year		5,869,021	7,154,775
Profit attributable to:			
Company's shareholders		5,347,715	6,702,657
Non-controlling interests		521,306	452,118
		5,869,021	7,154,775
Dividends	11	1,252,063	1,251,097
Earnings per share			
– Basic	12	HK\$3.72	HK\$4.68
– Diluted	12	HK\$3.68	HK\$4.59

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	Note	2011 HK\$'000	2010 HK\$'000 (restated)
Profit for the year		5,869,021	7,154,775
Other comprehensive income			
Fair value (loss)/gain on available-for-sale investments	37	(152,617)	317,751
Share of other comprehensive income of associates	37	1,440	3,275
Cash flow hedges	37	64,748	–
Net translation differences on foreign operations		1,752,562	1,558,964
Other comprehensive income for the year (net of tax)		1,666,133	1,879,990
Total comprehensive income for the year		7,535,154	9,034,765
Total comprehensive income attributable to:			
Company's shareholders		6,674,951	8,105,889
Non-controlling interests		860,203	928,876
		7,535,154	9,034,765

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December		As at 1 January
		2011 HK\$'000	2010 HK\$'000 (restated)	2010 HK\$'000 (restated)
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	14	5,873,592	5,329,003	2,467,159
Investment properties	15	42,329,689	38,848,997	34,857,247
Leasehold land and land use rights	16	537,461	422,447	317,906
Properties under development	17	20,947,855	16,982,385	13,355,118
Land deposits		1,606,545	3,664,308	2,553,084
Associates	19	11,717,054	8,722,508	7,456,964
Derivative financial instruments	20	177,004	80,609	14,263
Available-for-sale investments	21	1,714,316	1,865,742	1,501,034
Long-term receivables	22	55,004	15,426	23,409
Intangible assets	23	1,308,243	957,949	523,012
		86,266,763	76,889,374	63,069,196
Current assets				
Properties under development	17	9,509,349	10,100,859	10,599,736
Completed properties held for sale	24	2,700,146	1,742,691	4,378,262
Accounts receivable, prepayments and deposits	22	6,836,082	3,663,016	2,435,669
Tax recoverable		247,214	231,725	82,060
Tax reserve certificates		92,231	86,103	64,671
Listed securities at fair value through profit or loss	25	143,617	225,673	162,253
Restricted and pledged bank deposits	26	28,535	135,040	48,790
Cash and bank balances	26	17,545,286	10,464,216	6,655,585
		37,102,460	26,649,323	24,427,026
Current liabilities				
Accounts payable, deposits received and accrued charges	27	10,444,163	5,982,466	5,936,519
Taxation		1,934,946	2,050,698	1,480,444
Short-term bank loans and current portion of long-term bank loans	28	5,362,156	7,931,160	429,782
Convertible bonds	29	2,734,151	–	142,526
Derivative financial instruments	20	–	–	79,960
Secured bank overdrafts	26	15,215	–	1,065
Unsecured bank overdrafts	26	297	20,701	468
		20,490,928	15,985,025	8,070,764
Net current assets		16,611,532	10,664,298	16,356,262
Total assets less current liabilities		102,878,295	87,553,672	79,425,458
Non-current liabilities				
Long-term bank loans	28	15,821,823	6,877,791	9,619,511
Convertible bonds	29	–	2,594,635	2,462,238
Fixed rate bonds	30	5,561,518	3,251,082	3,240,870
Amounts due to non-controlling interests	31	3,002,414	2,854,685	2,796,071
Deferred taxation	32	3,875,123	3,547,989	2,811,271
Retirement benefit obligations	33	168,329	190,762	–
		28,429,207	19,316,944	20,929,961
ASSETS LESS LIABILITIES		74,449,088	68,236,728	58,495,497
EQUITY				
Capital and reserves attributable to the Company's shareholders				
Share capital	34	1,438,366	1,436,031	1,428,953
Share premium	36	12,190,587	12,127,520	11,926,986
Other reserves	37	14,600,337	13,437,839	12,008,994
Retained profits		35,017,137	30,925,806	25,475,228
Proposed final dividend	11	676,032	746,736	571,581
		63,922,459	58,673,932	51,411,742
Non-controlling interests		10,526,629	9,562,796	7,083,755
TOTAL EQUITY		74,449,088	68,236,728	58,495,497

On behalf of the Board

Kuok Khoon Chen
Director

Wong Siu Kong
Director

STATEMENT OF FINANCIAL POSITION

As at 31 December 2011

	Note	2011 HK\$'000	2010 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	12,201	2,593
Subsidiaries	18	29,265,774	36,116,013
Derivative financial instruments	20	109,188	80,609
		29,387,163	36,199,215
Current assets			
Dividends receivable		1,000,000	1,000,000
Accounts receivable, prepayments and deposits		28,382	16,799
Cash and bank balances	26	7,863,748	1,942,322
		8,892,130	2,959,121
Current liabilities			
Accounts payable and accrued charges		105,718	78,935
Short-term bank loans and current portion of long-term bank loans	28	–	6,000,000
Amount due to a subsidiary	18	4,580,182	–
		4,685,900	6,078,935
Net current assets/(liabilities)		4,206,230	(3,119,814)
Total assets less current liabilities		33,593,393	33,079,401
Non-current liabilities			
Long-term bank loans	28	809,805	–
ASSETS LESS LIABILITIES		32,783,588	33,079,401
EQUITY			
Capital and reserves attributable to the Company's shareholders			
Share capital	34	1,438,366	1,436,031
Share premium	36	12,190,587	12,127,520
Other reserves	37	18,242,759	18,259,589
Retained profits		235,844	509,525
Proposed final dividend	11	676,032	746,736
TOTAL EQUITY		32,783,588	33,079,401

On behalf of the Board

Kuok Khoon Chen
Director

Wong Siu Kong
Director

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2011

	Note	2011 HK\$'000	2010 HK\$'000
Operating activities			
Net cash generated from operations	38(a)	3,610,141	7,387,223
Interest paid		(661,403)	(521,463)
Income tax paid		(1,214,484)	(866,789)
Net cash generated from operating activities		1,734,254	5,998,971
Investing activities			
Additions of property, plant and equipment		(877,403)	(380,990)
Additions of investment properties		(1,323,199)	(678,948)
Additions of properties under development		(1,880,261)	(3,106,194)
Purchase of leasehold land and land use rights		–	(223)
Increase in land deposits		(1,121,551)	(2,309,489)
Acquisition of subsidiaries	38(b), (c)	(469,047)	5,579
Acquisition of additional interest in subsidiaries	38(d)	(495,483)	(42,266)
Disposal of subsidiaries	38(e)	1,233,252	–
Disposal of partial interest in subsidiaries	38(d)	71	–
Increase in investments in associates		(1,015,049)	(143,900)
Proceeds from sale of investment in associates		5,377	1,975
Additional loans to associates		(735,027)	(365,931)
Proceeds from sale of available-for-sale investments		–	1,274
Purchase of available-for-sale investments		(3,324)	–
(Increase)/decrease in long-term receivables		(39,571)	8,374
Interest received		228,372	69,086
Decrease/(increase) in restricted and pledged bank deposits		108,777	(84,544)
Increase in short-term bank deposits maturing after more than three months		(1,427,821)	–
Dividends received from associates		2,327,854	199,214
Dividends received from listed and unlisted investments		69,926	79,905
Repayment of loans from investee companies		–	1
Proceeds from sale of property, plant and equipment		92,861	42,149
Proceeds from sale of investment properties		1,097,333	504,438
Net cash used in investing activities		(4,223,913)	(6,200,490)
Financing activities			
Proceeds from issue of shares		41,253	42,327
Proceeds from issue of fixed rate bonds, net of direct issue costs		2,314,653	–
Repayment of bank loans		(12,103,067)	(7,467,108)
Drawdown of bank loans		18,510,945	12,111,566
Dividends paid		(1,322,767)	(1,075,942)
Capital injection from non-controlling interests		494,675	253,621
Dividends of subsidiaries paid to non-controlling interests		(137,810)	(103,033)
Return of capital to non-controlling interests		(98)	–
Increase in loans from non-controlling interests		103,482	58,614
Net cash generated from financing activities		7,901,266	3,820,045
Increase in cash and cash equivalents		5,411,607	3,618,526
Effect of exchange rate changes		246,831	170,937
Cash and cash equivalents at 1 January		10,443,515	6,654,052
Cash and cash equivalents at 31 December	26(b)	16,101,953	10,443,515

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011

	Note	Attributable to the shareholders of the Company						Non-controlling interests HK\$'000	Total equity HK\$'000
		Share capital HK\$'000	Share premium HK\$'000	Other reserves HK\$'000	Retained profits HK\$'000	Proposed final dividend HK\$'000	Total HK\$'000		
Balance at 1 January 2011, as previously reported		1,436,031	12,127,520	14,668,378	28,735,971	746,736	57,714,636	9,767,254	67,481,890
Adjustments for change in accounting policies for									
– property, plant and equipment	2(a)(i)	–	–	(1,230,539)	460,992	–	(769,547)	(204,458)	(974,005)
– adoption of amendments to HKAS 12	2(a)(ii)	–	–	–	1,728,843	–	1,728,843	–	1,728,843
Balance at 1 January 2011, as restated		1,436,031	12,127,520	13,437,839	30,925,806	746,736	58,673,932	9,562,796	68,236,728
Profit for the year		–	–	–	5,347,715	–	5,347,715	521,306	5,869,021
Fair value loss on available-for-sale investments	37	–	–	(152,617)	–	–	(152,617)	–	(152,617)
Share of fair value gain on cash flow hedge of an associate	37	–	–	2,995	–	–	2,995	–	2,995
Share of exchange reserve of associates	37	–	–	(1,555)	–	–	(1,555)	–	(1,555)
Cash flow hedges	37	–	–	64,748	–	–	64,748	–	64,748
Net translation differences on foreign operations	37	–	–	1,413,665	–	–	1,413,665	338,897	1,752,562
Total comprehensive income for the year ended 31 December 2011		–	–	1,327,236	5,347,715	–	6,674,951	860,203	7,535,154
Issue of share capital									
– exercise of share options		2,335	63,067	(24,149)	–	–	41,253	–	41,253
Employee share option scheme – value of employee services		–	–	10,296	–	–	10,296	–	10,296
Dividends paid		–	–	–	(576,031)	(746,736)	(1,322,767)	(137,810)	(1,460,577)
2011 proposed final dividend		–	–	–	(676,032)	676,032	–	–	–
Transfer		–	–	4,321	(4,321)	–	–	–	–
Dissolution of a subsidiary		–	–	–	–	–	–	(98)	(98)
Acquisition of subsidiaries		–	–	–	–	–	–	87,069	87,069
Acquisition of additional interest in subsidiaries		–	–	(155,206)	–	–	(155,206)	(340,277)	(495,483)
Disposal of partial interest in subsidiaries		–	–	–	–	–	–	71	71
Capital injection from non-controlling interests		–	–	–	–	–	–	494,675	494,675
Total transactions with owners		2,335	63,067	(164,738)	(1,256,384)	(70,704)	(1,426,424)	103,630	(1,322,794)
Balance at 31 December 2011		1,438,366	12,190,587	14,600,337	35,017,137	676,032	63,922,459	10,526,629	74,449,088



Attributable to the shareholders of the Company								
	Share capital	Share premium	Other reserves	Retained profits	Proposed final dividend	Total	Non-controlling interests	Total equity
Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 January 2010, as previously reported	1,428,953	11,926,986	13,063,618	23,677,716	571,581	50,668,854	7,169,306	57,838,160
Adjustments for change in accounting policies for								
– property, plant and equipment	2(a)(i)	–	–	(1,054,624)	447,304	–	(607,320)	(85,551)
– adoption of amendments to HKAS 12	2(a)(ii)	–	–	–	1,350,208	–	1,350,208	–
Balance at 1 January 2010, as restated	1,428,953	11,926,986	12,008,994	25,475,228	571,581	51,411,742	7,083,755	58,495,497
Profit for the year, as restated		–	–	–	6,702,657	–	6,702,657	452,118
Fair value gain on available-for-sale investments	37	–	–	317,751	–	–	317,751	–
Share of fair value gain on cash flow hedge of an associate	37	–	–	1,639	–	–	1,639	–
Share of exchange reserve of an associate	37	–	–	1,636	–	–	1,636	–
Net translation differences on foreign operations	37	–	–	1,082,206	–	–	1,082,206	476,758
Total comprehensive income for the year ended 31 December 2010, as restated		–	–	1,403,232	6,702,657	–	8,105,889	928,876
Issue of share capital								
– exercise of share options		2,416	53,968	(14,057)	–	–	42,327	–
– conversion of convertible bonds		4,662	146,566	(6,946)	–	–	144,282	–
Employee share option scheme – value of employee services		–	–	57,864	–	–	57,864	–
Dividends paid		–	–	–	(504,361)	(571,581)	(1,075,942)	(103,033)
2010 proposed final dividend		–	–	–	(746,736)	746,736	–	–
Transfer		–	–	982	(982)	–	–	–
Acquisition of subsidiaries		–	–	–	–	–	–	1,429,612
Acquisition of additional interest in subsidiaries		–	–	(12,231)	–	–	(12,231)	(30,035)
Dissolution of a subsidiary		–	–	1	–	–	1	–
Capital injection from non-controlling interests		–	–	–	–	–	–	253,621
Total transactions with owners		7,078	200,534	25,613	(1,252,079)	175,155	(843,699)	1,550,165
Balance at 31 December 2010, as restated		1,436,031	12,127,520	13,437,839	30,925,806	746,736	58,673,932	9,562,796

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Kerry Properties Limited (the "Company") is a limited liability company incorporated in Bermuda. The address of its registered office is Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda.

The Company has its primary listing on The Stock Exchange of Hong Kong Limited.

The principal activities of the Company's subsidiaries and associates comprise the following:

- (i) property development, investment and management in Hong Kong, the People's Republic of China ("PRC") and the Asia Pacific region;
- (ii) logistics, freight and warehouse ownership and operations; and
- (iii) hotel ownership in Hong Kong, and hotel ownership and operations in the PRC.

These financial statements have been approved for issue by the Board of Directors on 15 March 2012.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The financial statements of the Company and its subsidiaries (together, the "Group") have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") under the historical cost convention, as modified by the revaluation of available-for-sale investments, financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss and investment properties, which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies of the Group. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

(i) *Change in accounting policy under HKAS 16 'Property, plant and equipment'*

Previously, the Group's hotel property, certain warehouses and logistics centres (including leasehold land classified as finance lease), freehold land and buildings and port facilities classified as property, plant and equipment were stated at fair value, based on periodic, but at least annual, valuations by external independent valuers, less subsequent depreciation. Any accumulated depreciation at the date of revaluation was eliminated against the gross carrying amount of the asset and the net amount was restated to the revalued amount of the asset. Increases in carrying amount arising on revaluation of properties were credited to properties revaluation reserve in equity. Decreases that offset previous increases of the same asset were charged against properties revaluation reserve, all other decreases were expensed in the consolidated income statement.



2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of preparation (Continued)

(i) *Change in accounting policy under HKAS 16 'Property, plant and equipment'* (Continued)

With effect from 1 January 2011, the Group revised its accounting policy in respect of hotel property, certain warehouses and logistics centres, freehold land and buildings and port facilities classified as property, plant and equipment to the cost model under HKAS 16, under which these assets are carried at historical cost less aggregate depreciation and accumulated impairment losses. The change was made to increase the relevancy of financial data to the users of the financial statements by taking into consideration of the future business development of logistics and hotel operations. It aligns the Group's accounting policy with industry practice, enhancing the comparability of the Group's financial statements with those of its international peers.

This change in accounting policy has been accounted for retrospectively, and certain comparative figures have been restated.

The effect of the adoption of this change in accounting policy is as below:

	As at 31 December		As at 1 January
	2011 HK\$'000	2010 HK\$'000	2010 HK\$'000
Decrease in property, plant and equipment	1,348,154	1,220,533	867,700
Decrease in associates	197,711	–	–
Decrease in deferred taxation	226,484	246,528	174,829
Decrease in other reserves	1,517,148	1,230,539	1,054,624
Increase in retained profits	492,297	460,992	447,304
Decrease in non-controlling interests	294,530	204,458	85,551

	For the year ended 31 December	
	2011 HK\$'000	2010 HK\$'000
Decrease in direct operating expenses	31,909	14,017
Decrease in other income and net gains	653	142
Decrease in taxation	1,283	1,819
Increase in profit attributable to non-controlling interests	1,234	2,006
Increase in basic earnings per share	HK\$0.02	HK\$0.01
Increase in diluted earnings per share	HK\$0.02	HK\$0.01

(ii) *Retrospective application of an amendment to HKAS 12 'Income Taxes'*

In December 2010, the HKICPA amended HKAS 12, 'Income taxes', to introduce an exception to the principle for the measurement of deferred tax assets or liabilities arising on an investment property measured at fair value. HKAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. The amendment introduces a rebuttable presumption that an investment property measured at fair value is recovered entirely by sale. The presumption of recovery entirely by sale is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of preparation (Continued)

(ii) Retrospective application of an amendment to HKAS 12 'Income Taxes' (Continued)

The amendment is applicable retrospectively to annual periods beginning on or after 1 January 2012 with early adoption permitted. The Group has early adopted this amendment retrospectively for the financial year ended 31 December 2011.

As at 31 December 2011, the Group had investment properties amounting to HK\$42,329,689,000 (2010: HK\$38,848,997,000). The investment properties held by the Group are located in Hong Kong, the People's Republic of China ("PRC") and Vietnam. As required by the amendment, the Group re-measured the deferred tax relating to investment properties located in Hong Kong according to the tax consequence on the presumption that they are recovered entirely by sale retrospectively. For the investment properties located in PRC and Vietnam, the Group's business model is that the entity owning the investment property will recover the value through use and on this basis the presumption of sale has been rebutted. Consequently, the Group has continued to recognise deferred tax on the basis that the values of these investment properties are recovered through use.

As a result of the early adoption of amendments to HKAS 12, certain comparative figures have been restated to reflect the change in accounting policy, as summarised below.

	As at 31 December		As at 1 January
	2011 HK\$'000	2010 HK\$'000	2010 HK\$'000
Increase in associates	106,484	96,803	17,666
Decrease in deferred taxation	1,792,239	1,632,040	1,332,542
Increase in retained profits	1,898,723	1,728,843	1,350,208

	For the year ended 31 December	
	2011 HK\$'000	2010 HK\$'000
Increase in share of results of associates	9,681	79,137
Decrease in taxation	160,199	299,498
Increase in basic earnings per share	HK\$0.12	HK\$0.27
Increase in diluted earnings per share	HK\$0.11	HK\$0.25

(iii) Adoption of revised standards, amendments and interpretations

The following revised standards, amendments and interpretations have been published that are effective for the accounting period of the Group beginning on 1 January 2011:

- HKAS 24 (revised), 'Related party disclosures'
- HKAS 32 (amendment), 'Classification of right issues'
- HK(IFRIC) – Int 14 (amendment), 'Prepayments of a minimum funding requirement'
- HK(IFRIC) – Int 19, 'Extinguishing financial liabilities with equity instruments'
- Improvement to HKFRSs 2010

The adoption of the above revised standards, amendments and interpretations had no material financial impact on the consolidated financial statements of the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of preparation (Continued)

(iv) Standards and amendments which are not yet effective

The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2012, but the Group has not early adopted them:

	Applicable for accounting periods beginning on/after
Amendments to HKAS 1 (revised), 'Presentation of financial statements – presentation of items of other comprehensive income'	1 July 2012
HKAS 19 (2011), 'Employee benefits'	1 January 2013
HKAS 27 (2011), 'Separate financial statements'	1 January 2013
HKAS 28 (2011), 'Investments in associates and joint ventures'	1 January 2013
HKAS 32 (amendment), 'Offsetting financial assets and financial liabilities'	1 January 2014
HKFRS 7 (amendment), 'Disclosures – Transfers of financial assets'	1 July 2011
HKFRS 7 (amendment), 'Disclosures – offsetting financial assets and financial liabilities'	1 January 2013
HKFRS 9, 'Financial instruments'	1 January 2015
HKFRS 10, 'Consolidated financial statements'	1 January 2013
HKFRS 11, 'Joint arrangements'	1 January 2013
HKFRS 12, 'Disclosure of interests in other entities'	1 January 2013
HKFRS 13, 'Fair value measurement'	1 January 2013

The Group will adopt the above new or revised standards and amendments to existing standards as and when they become effective. The Group has already commenced the assessment of the impact to the Group and is not yet in a position to state whether these would have a significant impact on its results of operations and financial position.

(b) Consolidation

The financial statements include the financial statements of the Company and all its subsidiaries made up to 31 December.

(i) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another equity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Consolidation (Continued)

(i) *Subsidiaries* (Continued)

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's statement of financial position, the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(ii) *Transactions with non-controlling interests*

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iii) *Associates*

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's share of its associates post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associates are recognised in the consolidated income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Consolidation (Continued)

(iv) Partial disposal

When the Group ceases to have control or significant influence, any retained interest in the entity is re-measured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, jointly controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

(v) Jointly controlled operations

The assets that the Group controls and liabilities that the Group incurs in relation to the jointly controlled operation are recognised in the consolidated statement of financial position on an accrual basis and classified according to the nature of the item. The expenses that the Group incurs and its share of income that it earns from the jointly controlled operations are included in the consolidated income statement.

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Hong Kong dollars (HK\$), which is the Company's functional and the Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security, and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in the profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Foreign currency translation (Continued)

(iii) Group companies

The results and financial position of all the Group's entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position of the Group's entities are translated at the closing rate at the end of the reporting period;
- income and expenses for each income statement of the Group's entities are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the consolidated income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(e) Property, plant and equipment

Properties comprise mainly hotel properties, warehouses and logistics centres (including leasehold land classified as finance lease), staff quarters, freehold land and buildings and port facilities. All property, plant and equipment are stated at historical cost less aggregate depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are expensed in the consolidated income statement during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their cost or re-valued amounts less their residual values over their estimated useful lives as follows:

Leasehold land	Over their remaining lease term ranging from 20 to 50 years
Properties	Shorter of remaining lease term of 20 to 50 years or useful lives
Port facilities	2.5% to 3.6%
Leasehold improvements	Shorter of remaining lease term of 20 to 50 years or useful lives
Warehouse operating equipment	5% to 25%
Motor vehicles, furniture, fixtures and office equipment	5% to 50%

No amortisation is provided for freehold land.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Property, plant and equipment (Continued)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The gain or loss on disposal of all property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant assets and is recognised in the consolidated income statement.

(f) Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies of the Group, is classified as investment property. Investment property also includes property that is being constructed or developed for future use as investment property.

Investment property comprises land held under finance leases and operating leases.

Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Investment property is measured initially at its cost, including related transaction costs and borrowing costs. Borrowing costs are incurred for the purpose of acquiring or constructing a qualifying asset are capitalised as part of its cost. Borrowing costs are capitalised while acquisition or construction is actively underway and cease once the asset is substantially complete, or suspended if the development of the asset is suspended.

After initial recognition, investment property is carried at fair value. Fair value is based on valuations carried out by professional valuers. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active continues to be measured at fair value.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognised as a liability, including finance lease liabilities in respect of leasehold land, if any, classified as investment property; others, including contingent rent payments, are not recognised in the financial statements.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the consolidated income statement during the financial period in which they are incurred.

Changes in fair values of investment property are recognised in the consolidated income statement. Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Investment properties (Continued)

When an investment property undergoes a change in use, evidenced by commencement of development with a view to sale, the property is transferred to completed properties held for sale at its fair value at the date of change in use.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, except that the land portion is reclassified as leasehold land and land use right if it is operating lease in nature, and its fair value at the date of reclassification becomes its cost for accounting purposes.

If an item of owner-occupied property becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property, plant and equipment under HKAS 16. Any resulting increase in the carrying amount of the property is recognised in the income statement to the extent that it reverses a previous impairment loss, with any remaining increase recognised directly to revaluation surplus within equity. Any resulting decrease in the carrying amount of the property is charged to the consolidated income statement. Upon the subsequent disposal of the investment property, any revaluation reserve balance of the property is transferred to retained profits and is shown as a movement in equity.

(g) Properties under development

Properties under development comprises of freehold land, leasehold land, land use rights, construction costs, borrowing costs capitalised for qualifying assets and professional fees incurred during the development period. Leasehold land and land use rights classified as operating leases are amortised over the lease term in accordance with the pattern of benefit provided or on a straight-line basis over the lease term. The amortisation during the period of construction of the properties is capitalised as the cost of properties under development. Properties under development are stated at cost less accumulated impairment losses where applicable.

During the construction stage, properties for self-use or sale purpose are classified as properties under development.

Properties under development includes land use rights in the PRC of which the development plans of these land use rights are yet to be approved by the relevant PRC government authorities. Upon approval, certain portion of these land use rights, together with the related construction costs and borrowing costs capitalised are classified and accounted for as investment properties if the planned purpose of these properties meet the definition of investment properties.

Upon completion, completed properties for pre-determined self-use purpose are classified as 'Leasehold land and land use rights' for the leasehold land portion that are classified as operating leases and as 'Property, plant and equipment' for the building, freehold land and the leasehold land portion that are classified as finance leases. The completed properties for pre-determined sale purpose are classified as 'Completed properties held for sale'.

Properties under development are classified as non-current assets unless the construction period of the relevant property development project is expected to be completed within the normal operating cycle and are intended for sale.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Completed properties held for sale

Completed properties held for sale are initially measured at the carrying amount of the property at the date of reclassification from properties under development. Subsequently, the prepaid leasehold land component not classified as finance lease is measured at amortised cost in accordance with the pattern of benefit provided less accumulated impairment losses; the building component and the prepaid leasehold land component classified as finance lease are carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less selling expenses.

(i) Intangible assets

(i) *Goodwill*

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary or associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is recognised separately as a non-current asset. Goodwill on acquisitions of associates is included in investments in associates and is tested for impairment as part of the overall balance. Separately recognised goodwill on acquisitions of subsidiaries is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The Group allocates goodwill to each operating segment in which it operates.

(ii) *Customer relationships*

Customer relationships acquired in a business combination are recognised at fair value at the acquisition date. The customer relationships have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method of five to ten years over the expected life of the customer relationships.

(iii) *Non-compete agreements*

Non-compete agreements acquired in a business combination are recognised at fair value at the acquisition date. The non-compete agreements have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method of five to ten years over the term of the agreements.

(iv) *Trademark*

Separately acquired trademarks are shown at historical cost. Trademarks acquired in a business combination are recognised at fair value at the acquisition date. Trademarks have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks over their estimated useful lives of five years.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Impairment of investments in subsidiaries, associates and non-financial assets

Assets that have an indefinite useful life or have not yet been available for use are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment testing of the investments in subsidiaries or associates is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary or associate in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

(k) Investments

The Group classifies its financial assets in the following categories: listed securities at fair value through profit or loss, loans and receivables and available-for-sale investments. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Listed securities at fair value through profit or loss

Listed securities at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the end of the reporting period, they are classified as non-current assets. Loans and receivables included long-term receivables, accounts receivable, restricted and pledged bank deposits, cash and bank balances and amounts due from subsidiaries and associates.

(iii) Available-for-sale investments

Available-for-sale investments are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the end of the reporting period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Investments (Continued)

(iv) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the consolidated income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale investments and listed securities at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the listed securities at fair value through profit or loss are presented in the consolidated income statement within other income and net gains, in the period in which they arise. Dividend income from listed securities at fair value through profit or loss is recognised in the consolidated income statement as part of other income and net gains when the Group's right to receive payments is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities related to changes in amortised cost are recognised in the consolidated income statement and the other changes in fair value are recognised in other comprehensive income. Translation differences and other changes in fair value on non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated income statement as gains and losses from investment securities.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the consolidated income statement as part of other income and net gains. Dividends on available-for-sale equity instruments are recognised in the consolidated income statement as part of other income and net gains when the Group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group established fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(I) Impairment of financial assets

(i) *Assets carried at amortised cost*

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
 - (i) adverse changes in the payment status of borrowers in the portfolio;
 - (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement.

If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Impairment of financial assets (Continued)

(ii) Assets classified as available-for-sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria refer to (i) above. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the consolidated income statement – is removed from equity and recognised in the consolidated income statement. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated income statement.

(m) Long-term receivables, accounts receivable and amounts due from subsidiaries and associates

The receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated income statement within administrative expenses. When a receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are credited against administrative expenses in the consolidated income statement.

(n) Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either: (1) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges); (2) hedges of a particular risk associated with a recognised asset or liability or highly probable forecast transactions (cash flow hedges); or (3) hedges of net investments in foreign operations (net investment hedges).

The Group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative instruments are disclosed in note 20. Movements on the hedging reserve in shareholders' equity are shown in note 37. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedge item is more than 12 months. Trading derivatives are classified as a current asset or liability.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Derivative financial instruments and hedging activities (Continued)

(i) Fair value hedge

Changes in fair value of derivatives that are designated and qualify as fair value hedges are recorded in the consolidated income statement, with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to the consolidated income statement over the period to maturity.

(ii) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated income statement.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the consolidated income statement within finance costs.

When a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the consolidated income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the consolidated income statement.

(iii) Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated income statement.

Gains and losses accumulated in equity are included in the consolidated income statement when the foreign operation is disposed of or sold.

(iv) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting and are accounted for at fair value through profit or loss. Changes in the fair value of these derivatives instruments that do not qualify for hedge accounting are recognised immediately in the consolidated income statement.

(o) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown as a separate current liability in the statement of financial position.

Restricted and pledged bank deposits are not included in cash and cash equivalents.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Accounts payable

Accounts payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Accounts payable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(q) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the bond. The remainder of the proceeds is allocated to the conversion option. This is recognised in equity.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

(r) Current and deferred income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary difference arising on investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Employee benefits

(i) *Employee leave entitlements*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) *Defined contribution plan*

A defined contribution plan is a pension plan which the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(iii) *Defined benefit plan*

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the consolidated statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. Actuarial gains and losses to the extent of the amount in excess of 10% of the greater of the present value of the plan obligations and the fair value of plan assets are recognised in the consolidated income statement over the expected average remaining service lives of the participating employees.

(iv) *Share-based payments*

The Group has outstanding options granted under two share option schemes. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any service and non-market performance vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the consolidated income statement with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares, the proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Employee benefits (Continued)

(v) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to a termination when the entity has a detailed formal plan to terminate the employment of current employees without possibility of withdrawal. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

(vi) Bonus plans

The Group recognises a liability and an expense for bonuses when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of such obligation can be made.

(t) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

(u) Financial guarantees

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the original or modified terms of a debt instrument. The Group does not recognise liabilities for financial guarantees at inception, but perform a liability adequacy test at each reporting date by comparing its carrying amount of the net liability regarding the financial guarantee with its present legal or constructive obligation amount. If the carrying amount of the net liability is less than its present legal or constructive obligation amount, the entire difference is recognised in the consolidated income statement immediately.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue, costs incurred or to be incurred in respect of a transaction can be reliably measured, neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold are retained, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

- (i) Revenue from sales of properties is recognised when the significant risks and rewards of ownership of properties are transferred to the purchasers.
- (ii) Rental revenue and other revenues incidental to the letting of properties are recognised on a straight-line basis over the periods of the respective leases.
- (iii) Revenue from provision of logistics services, including freight forwarding services, is recognised when services are rendered.
- (iv) Revenue from general storage and other ancillary services is recognised when the services are rendered. Revenue from leased storage is recognised on a straight-line basis over the periods of the respective leases.
- (v) Income on development consultancy and project management is recognised on a pro-rata basis according to the progress of the projects.
- (vi) Income from property management is recognised when services are rendered.
- (vii) Hotel revenue from rooms rental, food and beverage sales and other ancillary services is recognised when the services are rendered.
- (viii) Dividend income is recognised when the right to receive payment is established.
- (ix) Interest income is recognised on a time proportion basis, using the effective interest method.

(w) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

(i) *The Group is the lessee*

Payments made under operating leases (net of any incentives received from the lessor), including up-front prepayment made for leasehold land and land use rights for development, are charged to the consolidated income statement or capitalised in the properties under development in accordance with the pattern of benefit provided or on a straight-line basis over the lease term.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) Leases (Continued)

(ii) *The Group is the lessor*

When assets are leased out under an operating lease, the assets are included in the consolidated statement of financial position based on the nature of the assets. Lease income from operating lease is recognised over the term of the lease on a straight-line basis.

(x) Leasehold land and land use rights

The Group made upfront payments to obtain operating leases of leasehold land and land use rights on which properties will be developed. Other than those classified as finance lease, the upfront payments of the leasehold land and land use rights are recorded as separate assets and amortised over the lease term in accordance with the pattern of benefit provided or on a straight-line basis over the lease term. The amortisation during the period of construction of the properties is capitalised as the cost of properties under development. The amortisation during the period before the commencement and after the completion of the construction of the properties (except for investment properties) is expensed in the consolidated income statement.

(y) Borrowing costs

Borrowing costs are accounted for on the accrual basis and charged to the consolidated income statement in the year in which they are incurred, except for costs related to funding of construction or acquisition of qualifying assets which are capitalised as part of the cost of that asset during the construction period and up to the date of completion of construction.

(z) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are declared by the Directors in the case of interim dividends or approved by the Company's shareholders in the case of final dividends.

(aa) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resource will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

NOTES TO THE FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Group's major financial instruments include available-for-sale investments, derivative financial instruments, long-term receivables, accounts receivable, listed securities at fair value through profit or loss, cash and bank balances, restricted and pledged bank deposits, accounts payable, bank overdrafts, bank loans, bonds and amounts with associates and non-controlling interests. Details of these financial instruments are disclosed in respective notes.

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to manage certain risk exposures.

Risk management is carried out by the Group's management under the supervision of the Finance Committee. The Group's management identifies, evaluates and manages significant financial risks in the Group's individual operating units. The Finance Committee provides guidance for overall risk management.

(i) Market risk

(I) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the Group entities' functional currency.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

Major financial instruments under foreign currencies (other than the functional currencies of the Group's entities), that are exposed to foreign exchange risk, are denominated in United States dollars, which is pegged to Hong Kong dollars, Renminbi and New Zealand dollars. The Group has entered into cross currency swap contracts to manage its exposure to United States dollars and New Zealand dollars from recognised liabilities.

At 31 December 2011, the Group had certain Renminbi deposits placed in Hong Kong, that were exposed to foreign exchange risk. If Hong Kong dollar had weakened/strengthened by 5% against the Renminbi with all other variables held constant as at 31 December 2011, post-tax profit for the year would have been HK\$44,196,000 higher/lower, mainly as a result of foreign exchange gains/losses on translation of Renminbi denominated cash and bank balances.

(II) Interest rate risk

The Group is exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank deposits and bank borrowings which carry at prevailing market interest rates.

The Groups manages its interest rate exposure based on interest rate level and outlook as well as potential impact on the Group's financial position arising from volatility.

At the end of the reporting periods, if interest rates had been increased/decreased by 50 (2010: 50) basis points and all other variables were held constant, the profit of the Group would have increased by approximately HK\$28,494,000 or decreased by approximately HK\$28,494,000 (2010: decreased by approximately HK\$1,406,000 or increased by approximately HK\$1,406,000) resulting from the change in interest income on bank deposits and the borrowing costs of bank borrowings.

3 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(i) Market risk (Continued)

(iii) Price risk

The Group is exposed to equity securities price risk because investments held by the Group are classified on the consolidated statement of financial position either as available-for-sale or at fair value through profit or loss. The Group is not exposed to commodity price risk.

The carrying amount of listed portion of available-for-sale investments would be an estimated HK\$80,956,000 (2010: HK\$120,940,000) lower or higher if the year end share prices of the above-mentioned investments were to differ by 20% (2010: 20%).

The carrying amount of listed securities at fair value through profit or loss would be an estimated HK\$28,723,000 (2010: HK\$45,135,000) lower or higher if the year end share prices of the above-mentioned investments were to differ by 20% (2010: 20%).

(ii) Credit risk

The carrying amounts of cash and bank balances, restricted and pledged bank deposits, long-term receivables, accounts receivable and amounts due from associates represent the Group's maximum exposure to credit risk in relation to financial assets. The Group reviews the recoverable amount on a regular basis and an allowance for doubtful debts is made when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables.

In order to minimise the credit risk, management of the Company has delegated a team in each business unit responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each debtor at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors of the Company consider that the Group's credit risk is adequately covered.

There is no concentration of credit risk with respect to accounts receivable from third party customers as the Group has a large number of customers which are internationally dispersed.

The credit risk on liquid funds is limited because approximately 92% of the funds are placed in banks with high credit rankings, ranging from BBB to AA, and the remaining 8% in local banks in different countries with close monitoring by the management and there is no concentration in any particular bank.

(iii) Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its current obligations when they fall due.

The Group measures and monitors its liquidity through the maintenance of prudent ratio regarding to the liquidity structure of the overall assets, liabilities, loans and commitments of the Group.

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group aims to maintain flexibility in funding by keeping committed credit lines available.

NOTES TO THE FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(iii) Liquidity risk (Continued)

Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group Treasury. Group Treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal statement of financial position ratio targets and, if applicable external regulatory or legal requirements – for example, currency restrictions.

The following tables detail the contractual maturity of the Group and the Company for financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay.

	Group				Total HK\$'000
	Less than 1 year HK\$'000	Between 1 and 2 years HK\$'000	Between 2 and 5 years HK\$'000	Over 5 years HK\$'000	
At 31 December 2011					
Amounts due to associates	–	60,803	–	–	60,803
Bank loans	5,840,794	3,249,499	12,270,218	1,603,465	22,963,976
Convertible bonds	2,754,271	–	–	–	2,754,271
Fixed rate bonds	344,815	344,815	4,296,206	2,945,779	7,931,615
Amounts due to non-controlling interests	–	3,045,590	–	–	3,045,590
Accounts payable, deposits received and accrued charges	6,211,632	–	–	–	6,211,632
Secured bank overdrafts	15,215	–	–	–	15,215
Unsecured bank overdrafts	297	–	–	–	297
Total	15,167,024	6,700,707	16,566,424	4,549,244	42,983,399

3 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(iii) Liquidity risk (Continued)

	Group				Total HK\$'000
	Less than 1 year HK\$'000	Between 1 and 2 years HK\$'000	Between 2 and 5 years HK\$'000	Over 5 years HK\$'000	
At 31 December 2010					
Amounts due to associates	–	63,145	–	–	63,145
Bank loans	8,114,766	4,461,730	2,147,460	564,127	15,288,083
Convertible bonds	–	2,754,271	–	–	2,754,271
Fixed rate bonds	208,109	208,109	624,326	3,472,558	4,513,102
Amounts due to non-controlling interests	–	2,896,642	–	–	2,896,642
Accounts payable, deposits received and accrued charges	5,103,624	–	–	–	5,103,624
Unsecured bank overdrafts	20,701	–	–	–	20,701
Total	13,447,200	10,383,897	2,771,786	4,036,685	30,639,568

	Company				Total HK\$'000
	Less than 1 year HK\$'000	Between 1 and 2 years HK\$'000	Between 2 and 5 years HK\$'000	Over 5 years HK\$'000	
At 31 December 2011					
Bank loans	15,936	514,746	323,882	–	854,564
Accounts payable and accrued charges	105,718	–	–	–	105,718
Amount due to a subsidiary	4,580,182	–	–	–	4,580,182
Total	4,701,836	514,746	323,882	–	5,540,464

	Company				Total HK\$'000
	Less than 1 year HK\$'000	Between 1 and 2 years HK\$'000	Between 2 and 5 years HK\$'000	Over 5 years HK\$'000	
At 31 December 2010					
Bank loans	6,007,603	–	–	–	6,007,603
Accounts payable and accrued charges	78,935	–	–	–	78,935
Total	6,086,538	–	–	–	6,086,538

NOTES TO THE FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Continued)

(b) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the loan and equity balance.

The Directors of the Company review the capital structure periodically. As a part of this review, the Directors of the Company assess the annual budget prepared by the finance department which reviews the planned construction projects proposed by project department and prepared the annual budget taking into account of the provision of funding. Based on the proposed annual budget, the Directors of the Company consider the cost of capital and the risks associated with capital. The Directors of the Company also balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

The Group monitors capital by maintaining prudent gearing ratio based on prevailing market environment and economic condition. This ratio is calculated as net debt to equity attributable to the Company's shareholders. Net debt is calculated as borrowings (including current and non-current borrowings, as shown in the consolidated statement of financial position) less cash and cash equivalents, short-term bank deposits maturing after more than three months and restricted and pledged bank deposits.

The gearing ratios at 31 December 2011 and 2010 were as follows:

	2011	2010 (restated)
Net debt (HK\$ million)	11,921	10,076
Equity attributable to the Company's shareholders (HK\$ million)	63,922	58,674
Gearing ratio	18.6%	17.2%

(c) Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2011.

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Assets				
Derivative financial instruments	–	177,004	–	177,004
Available-for-sale investments	404,780	–	1,309,536	1,714,316
Listed securities at fair value through profit or loss	143,617	–	–	143,617
Total assets	548,397	177,004	1,309,536	2,034,937

3 FINANCIAL RISK MANAGEMENT (Continued)

(c) Fair value estimation (Continued)

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2010.

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Assets				
Derivative financial instruments	–	80,609	–	80,609
Available-for-sale investments	604,699	–	1,261,043	1,865,742
Listed securities at fair value through profit or loss	225,673	–	–	225,673
Total assets	830,372	80,609	1,261,043	2,172,024

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily equity investments listed on the Hong Kong Stock Exchange classified as listed securities at fair value through profit or loss or available-for-sale.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair values of cross currency swap contracts are calculated as the present value of the estimated future cash flows based on observable yield curves.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

NOTES TO THE FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Continued)

(c) Fair value estimation (Continued)

The following table presents the changes in level 3 instruments.

	Available-for-sale investments	
	2011 HK\$'000	2010 HK\$'000
Opening balance	1,261,043	1,065,685
Gains and losses recognised in comprehensive income	45,683	153,086
Acquisition of a subsidiary	–	44,682
Additions	3,324	–
Disposals	–	(1,163)
Impairment	(515)	(1,247)
Closing balance	1,309,535	1,261,043

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Estimate of fair value of investment properties

The valuation of investment properties is performed in accordance with the 'The HKIS Valuation Standards on Properties (First Edition 2005)' published by the Hong Kong Institute of Surveyors and the 'International Valuation Standards' published by the International Valuation Standards Committee. The valuation is reviewed annually by qualified valuers by considering the information from a variety of sources including:

- (I) Current prices in an active market for properties of different nature, condition or location, adjusted to reflect those differences;
- (II) Recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices;
- (III) Rental income derived from the terms of any existing lease and other contracts, and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using capitalisation rates that reflect current market assessments of the uncertainty in the amount and timing of the rental income; and
- (IV) Estimated costs to completion for investment properties under construction with reference to past experience and committed contracts as well as allowances for contingencies.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(a) Critical accounting estimates and assumptions (Continued)

(i) *Estimate of fair value of investment properties* (Continued)

If information on current or recent prices of investment properties is not available, the fair values of investment properties are mainly determined using income capitalisation valuation techniques. The Group uses assumptions that are mainly based on market conditions existing at the end of each reporting period.

The principal assumptions underlying management's estimation of fair value are those related to: the receipt of contractual rentals; expected future market rentals; void periods; maintenance requirements; and appropriate discount rates. These valuations are regularly compared to actual market yield data, and actual transactions by the Group and those reported by the market.

The expected future market rentals are determined on the basis of current market rentals for similar properties in the same location and condition.

(ii) *Provision for properties under development and completed properties held for sale*

The Group assesses the carrying amounts of properties under development and completed properties held for sale according to their recoverable amounts based on the realisability of these properties, taking into account estimated costs to completion based on past experience and committed contracts and estimated net sales/rental value based on prevailing market conditions. Provision is made when events or changes in circumstances indicate that the carrying amounts may not be realised. The assessment requires the use of judgement and estimates.

(iii) *Income taxes*

Significant judgement is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provision in the period in which such determination is made.

The Group is subject to land appreciation taxes and withholding tax on capital gains in the PRC. Significant judgement is required in determining the amount of the land appreciation and capital gains, and its related taxes. The Group recognised these land appreciation taxes and withholding tax on capital gains based on management's best estimates according to the understanding of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income tax and deferred income tax provision in the periods in which such taxes have been finalised with local tax authorities.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

(iv) *Estimated impairment of goodwill*

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in notes 2(i) and 2(j). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

NOTES TO THE FINANCIAL STATEMENTS

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(a) Critical accounting estimates and assumptions (Continued)

(v) *Useful lives of property, plant and equipment*

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of the property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovation. Management will change the depreciation charge where useful lives are different from the previously estimated lives. It will also write-off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

(vi) *Fair value of available-for-sale investments and derivative financial instruments*

The fair value of available-for-sale investments and derivative financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

(vii) *Retirement benefit obligations*

The present value of the retirement benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost or income for pensions include the expected long-term rate of return on the relevant plan assets and the discount rate. Any changes in these assumptions will impact the carrying amount of retirement benefit obligations.

The expected return on plan assets assumption is determined on basis of long-term historical returns on plan assets.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the defined benefit obligations. In determining the appropriate discount rate, the Group considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related retirement benefit liability.

Other key assumptions for retirement benefit obligations are based on current market conditions.

(b) Critical judgements in applying the Group's accounting policies

(i) *Distinction between investment properties and owner-occupied properties*

The Group determines whether a property qualifies as investment property. In making its judgement, the Group considers whether the property generates cash flows largely independently of the other assets. Owner-occupied properties generate cash flows that are attributable not only to property but also to other assets used in the production or supply process.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions can be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgement.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(b) Critical judgements in applying the Group's accounting policies (Continued)

(ii) Revenue recognition

The Group has recognised revenue from the sale of properties held for sale as disclosed in note 5. The assessment of when an entity has transferred the significant risks and rewards of ownership to buyers requires the examination of the circumstances of the transaction.

(iii) Financial implication of regulations of idle land

Under the PRC laws and regulations, if a property developer fails to commence the development of land within the timeframe designated in the land grant contract, the PRC government may regard the land as idle land and issue a warning or impose a penalty on the developer or reclaim the land.

The Group has identified certain tracts of land for which development has not commenced according to the specified terms of the land grant contracts. Judgement is required in assessing whether these tracts of land will be subject to the penalty of idle land and thereby resulting in any financial impact to the Group. In making this judgement, the Group evaluates the extent of development of the whole tracts of land, status of negotiation with the government authorities as to the extension of time of commencement or revision of development plans.

(iv) Impairment of available-for-sale financial assets

The Group follows the guidance of HKAS 39 to determine when an available-for-sale financial asset is impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

(v) Control in Kerry TJ Logistics Company Limited (formerly known as T.Join Transportation Co., Ltd) ("Kerry TJ")

The Group has obtained de facto control over Kerry TJ in mid 2010 and since then the Group's 30.77% interest at the acquisition date (34.49% as at 31 December 2011) in Kerry TJ is accounted for and consolidated into the consolidated financial statements of the Group as a subsidiary. Key judgments adopted in concluding the Group has obtained de facto control in Kerry TJ are as follows:

- The Group has consistently and regularly held a majority of the voting rights exercised at Kerry TJ's shareholders' meetings and no other single shareholder directly or indirectly controls more voting rights than the Group.
- The shareholding of other non-controlling interests is dispersed and the chance of all other shareholders getting together to vote against the Group is remote.
- The Group has obtained effective control over majority of the board of Kerry TJ (four out of seven board seats) in mid 2010.

5 PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATIONS

(a) Revenues recognised during the year are as follows:

	2011 HK\$'000	2010 HK\$'000
Turnover		
Sale of properties	2,711,423	8,516,963
Rental income	1,541,330	1,388,451
Hotel revenue	225,784	293,993
Logistics services income	16,034,311	10,879,909
Project, property management and others	147,515	146,674
	20,660,363	21,225,990

NOTES TO THE FINANCIAL STATEMENTS

5 PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATIONS (Continued)

- (b) An analysis of the Group's turnover and contribution to operating profit for the year by principal activity and market is as follows:

	Turnover		Operating profit	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000 (restated)
Principal activities:				
Property rental				
– PRC property	892,927	808,376	625,714	593,786
– Hong Kong property	648,403	580,075	458,787	407,782
	1,541,330	1,388,451	1,084,501	1,001,568
Property sales (Note)				
– PRC property	718,896	2,250,230	507,156	935,575
– Hong Kong property	1,992,527	6,266,733	788,251	1,406,878
	2,711,423	8,516,963	1,295,407	2,342,453
Hotel operations				
– PRC property	225,784	293,993	(79,291)	47,965
Logistics operations	16,034,311	10,879,909	1,091,645	788,272
Project, property management and others	147,515	146,674	(250,112)	173,301
	20,660,363	21,225,990	3,142,150	4,353,559
Increase in fair value of investment properties	–	–	1,605,932	3,009,676
	20,660,363	21,225,990	4,748,082	7,363,235
Principal markets:				
PRC	8,974,003	8,117,958	1,869,671	2,726,955
Hong Kong	5,070,486	8,966,483	2,486,638	4,331,376
Taiwan	1,919,180	887,263	214,445	157,618
United Kingdom	996,603	1,113,742	48,744	51,745
Others	3,700,091	2,140,544	128,584	95,541
	20,660,363	21,225,990	4,748,082	7,363,235

Note: Sales of investment properties for the year ended 31 December 2011 amounting to HK\$1,170,233,000 (2010: HK\$504,438,000), comprising sales from PRC investment properties of HK\$305,323,000 (2010: HK\$243,638,000) and sales from Hong Kong investment properties of HK\$864,910,000 (2010: HK\$260,800,000), are excluded from turnover.

5 PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATIONS (Continued)

(c) Information about operating segment:

Management has determined the operating segments based on the reports reviewed by the Board of Directors.

The Board of Directors considers the business by principal activities and markets, management assesses the performance of the two principal activities of the Group namely property business and logistics business. The property business is further segregated into the PRC property, Hong Kong property and Overseas property.

Property segment derives revenue primarily from sales of properties, rental revenue and hotel revenue. Logistics segment derives revenue from provision of logistics services, including freight forwarding services, general storage and other ancillary services.

Others mainly include corporate activities including central treasury management and administrative function and results of other business not categorised as operating segments.

The Board of Directors assesses the performance of the operating segments based on a measure of operating profit before dividend income, interest income and interest expense.

NOTES TO THE FINANCIAL STATEMENTS

5 PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATIONS (Continued)

(d) An analysis of the Group's financial results by operating segment is as follows:

	2011							
	PRC Property HK\$'000	Hong Kong Property HK\$'000	Overseas Property HK\$'000	Logistics HK\$'000	Total Operating Segments HK\$'000	Others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Revenue								
Turnover	1,837,607	2,640,930	-	16,034,311	20,512,848	147,515	-	20,660,363
Inter-segment revenue	-	-	-	-	-	100,605	(100,605)	-
Inter-segment interest income	-	-	-	-	-	440,147	(440,147)	-
	1,837,607	2,640,930	-	16,034,311	20,512,848	688,267	(540,752)	20,660,363
Results								
Segment results before increase in fair value of investment properties	902,645	1,215,231	(1,214)	1,132,462	3,249,124	368,646	(440,147)	3,177,623
Increase in fair value of investment properties	634,825	840,795	-	130,312	1,605,932	-	-	1,605,932
Segment results	1,537,470	2,056,026	(1,214)	1,262,774	4,855,056	368,646	(440,147)	4,783,555
Dividend income	-	48,576	19,347	2,003	69,926	-	-	69,926
Interest income	87,151	11,220	106	12,574	111,051	117,321	-	228,372
Interest expenses	(3,135)	(163,547)	-	(55,394)	(222,076)	(551,842)	440,147	(333,771)
Operating profit	1,621,486	1,952,275	18,239	1,221,957	4,813,957	(65,875)	-	4,748,082
Share of results of associates	129,959	1,934,594	62,891	148,464	2,275,908	78,993	-	2,354,901
Profit before taxation	1,751,445	3,886,869	81,130	1,370,421	7,089,865	13,118	-	7,102,983
Taxation	(675,979)	(277,549)	(15,976)	(250,650)	(1,220,154)	(13,808)	-	(1,233,962)
Profit for the year	1,075,466	3,609,320	65,154	1,119,771	5,869,711	(690)	-	5,869,021
Profit attributable to:								
Company's shareholders	889,228	3,524,017	65,154	870,002	5,348,401	(686)	-	5,347,715
Non-controlling interests	186,238	85,303	-	249,769	521,310	(4)	-	521,306
	1,075,466	3,609,320	65,154	1,119,771	5,869,711	(690)	-	5,869,021
Depreciation and amortisation								
	40,502	12,003	-	296,029	348,534	4,204	-	352,738

5 PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATIONS (Continued)

(d) An analysis of the Group's financial results by operating segment is as follows: (Continued)

	2010 (restated)							
	PRC Property HK\$'000	Hong Kong Property HK\$'000	Overseas Property HK\$'000	Logistics HK\$'000	Total Operating Segments HK\$'000	Others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Revenue								
Turnover	3,352,599	6,846,808	–	10,879,909	21,079,316	146,674	–	21,225,990
Inter-segment revenue	–	–	–	–	–	79,691	(79,691)	–
Inter-segment interest income	–	–	–	–	–	522,511	(522,511)	–
	3,352,599	6,846,808	–	10,879,909	21,079,316	748,876	(602,202)	21,225,990
Results								
Segment results before increase in fair value of investment properties	1,503,067	1,998,088	(2,481)	798,241	4,296,915	469,137	(522,511)	4,243,541
Increase in fair value of investment properties	1,006,675	1,827,011	–	175,990	3,009,676	–	–	3,009,676
Segment results	2,509,742	3,825,099	(2,481)	974,231	7,306,591	469,137	(522,511)	7,253,217
Dividend income	–	55,194	23,096	1,615	79,905	–	–	79,905
Interest income	38,128	8,981	–	11,482	58,591	10,495	–	69,086
Interest expenses	(3,091)	(128,534)	–	(23,066)	(154,691)	(406,793)	522,511	(38,973)
Operating profit	2,544,779	3,760,740	20,615	964,262	7,290,396	72,839	–	7,363,235
Share of results of associates	197,264	842,355	48,790	208,821	1,297,230	77,221	–	1,374,451
Profit before taxation	2,742,043	4,603,095	69,405	1,173,083	8,587,626	150,060	–	8,737,686
Taxation	(987,300)	(335,500)	(1,971)	(196,655)	(1,521,426)	(61,485)	–	(1,582,911)
Profit for the year	1,754,743	4,267,595	67,434	976,428	7,066,200	88,575	–	7,154,775
Profit attributable to:								
Company's shareholders	1,444,659	4,269,116	67,434	832,870	6,614,079	88,578	–	6,702,657
Non-controlling interests	310,084	(1,521)	–	143,558	452,121	(3)	–	452,118
	1,754,743	4,267,595	67,434	976,428	7,066,200	88,575	–	7,154,775
Depreciation and amortisation	37,299	8,253	–	210,417	255,969	1,568	–	257,537

NOTES TO THE FINANCIAL STATEMENTS

5 PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATIONS (Continued)

(e) An analysis of the Group's financial positions by operating segment is as follows:

	2011							
	PRC Property HK\$'000	Hong Kong Property HK\$'000	Overseas Property HK\$'000	Logistics HK\$'000	Total Operating Segments HK\$'000	Others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Segment assets	47,795,328	35,306,318	38,321	18,275,690	101,415,657	45,458,891	(37,651,765)	109,222,783
Associates	5,224,138	1,538,532	1,207,261	995,791	8,965,722	2,751,332	-	11,717,054
Derivative financial instruments	-	-	-	-	-	177,004	-	177,004
Available-for-sale investments	470	762,702	899,157	51,987	1,714,316	-	-	1,714,316
Long-term receivables	-	55,004	-	-	55,004	-	-	55,004
Tax recoverable	210,462	20,014	-	10,831	241,307	5,907	-	247,214
Tax reserve certificates	-	-	-	-	-	92,231	-	92,231
Listed securities at fair value through profit or loss	-	143,489	128	-	143,617	-	-	143,617
Total assets	53,230,398	37,826,059	2,144,867	19,334,299	112,535,623	48,485,365	(37,651,765)	123,369,223
Segment liabilities	19,275,569	14,414,103	5,152	7,570,466	41,265,290	7,014,479	(37,651,765)	10,628,004
Bank borrowings	4,289,940	931,000	-	1,098,567	6,319,507	14,864,472	-	21,183,979
Convertible bonds	-	-	-	-	-	2,734,151	-	2,734,151
Fixed rate bonds	-	-	-	-	-	5,561,518	-	5,561,518
Taxation and deferred taxation	4,489,016	502,837	97,758	580,882	5,670,493	139,576	-	5,810,069
Amounts due to non-controlling interests	1,115,130	1,756,823	-	131,086	3,003,039	(625)	-	3,002,414
Total liabilities	29,169,655	17,604,763	102,910	9,381,001	56,258,329	30,313,571	(37,651,765)	48,920,135
Segment non-current assets*	43,852,661	23,606,516	1,207,261	12,890,088	81,556,526	2,763,913	-	84,320,439

* Other than derivative financial instruments, available-for-sale investments and long-term receivables.

5 PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATIONS (Continued)

(e) An analysis of the Group's financial positions by operating segment is as follows: (Continued)

	2010 (restated)							
	PRC Property HK\$'000	Hong Kong Property HK\$'000	Overseas Property HK\$'000	Logistics HK\$'000	Total Operating Segments HK\$'000	Others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Segment assets	42,699,516	32,073,127	1,004	15,612,041	90,385,688	37,787,612	(35,862,389)	92,310,911
Associates	2,728,437	3,409,387	1,259,807	812,605	8,210,236	512,272	-	8,722,508
Derivative financial instruments	-	-	-	-	-	80,609	-	80,609
Available-for-sale investments	470	915,980	898,496	50,796	1,865,742	-	-	1,865,742
Long-term receivables	-	15,426	-	-	15,426	-	-	15,426
Tax recoverable	196,132	25,008	2	4,675	225,817	5,908	-	231,725
Tax reserve certificates	-	-	-	-	-	86,103	-	86,103
Listed securities at fair value through profit or loss	-	225,553	120	-	225,673	-	-	225,673
Total assets	45,624,555	36,664,481	2,159,429	16,480,117	100,928,582	38,472,504	(35,862,389)	103,538,697
Segment liabilities	17,411,009	16,066,462	24,716	6,135,698	39,637,885	2,418,433	(35,862,389)	6,193,929
Bank borrowings	1,716,937	1,270,000	-	654,014	3,640,951	11,168,000	-	14,808,951
Convertible bonds	-	-	-	-	-	2,594,635	-	2,594,635
Fixed rate bonds	-	-	-	-	-	3,251,082	-	3,251,082
Taxation and deferred taxation	4,251,402	481,434	91,771	648,193	5,472,800	125,887	-	5,598,687
Amounts due to non-controlling interests	1,112,439	1,659,706	-	83,165	2,855,310	(625)	-	2,854,685
Total liabilities	24,491,787	19,477,602	116,487	7,521,070	51,606,946	19,557,412	(35,862,389)	35,301,969
Segment non-current assets*	36,538,062	25,056,609	1,259,808	11,558,164	74,412,643	514,954	-	74,927,597

* Other than derivative financial instruments, available-for-sale investments and long-term receivables.

NOTES TO THE FINANCIAL STATEMENTS

5 PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATIONS (Continued)

(f) An analysis of the Group's segment revenue and segment non-current assets by geographical area is as follows:

	Segment revenue		Segment non-current assets*	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000 (restated)
PRC	8,949,286	8,092,675	46,199,040	38,489,933
Hong Kong	4,947,688	8,845,092	27,687,580	28,613,083
Taiwan	1,919,180	887,263	2,565,951	2,561,639
United Kingdom	996,603	1,113,742	138,157	106,474
Others	3,700,091	2,140,544	4,965,798	4,641,514
	20,512,848	21,079,316	81,556,526	74,412,643

* Other than derivative financial instruments, available-for-sale investments and long-term receivables.

6 OTHER INCOME AND NET GAINS

	Group	
	2011 HK\$'000	2010 HK\$'000 (restated)
Dividend income		
– listed investments	39,496	43,945
– unlisted investments	30,430	35,960
	69,926	79,905
Interest income	228,372	69,086
Loss on disposal of property, plant and equipment	(53,935)	(4,710)
Gain on sale of investment properties net of selling expenses	232,024	170,269
Gain on remeasurement of previously held equity interest in an acquiree company	–	54,203
Gain on disposal of subsidiaries (note 38 (e))	28,808	–
Gain/(loss) on disposal of associates	3,482	(1,486)
Fair value (loss)/gain on listed securities at fair value through profit or loss	(82,053)	63,410
Impairment loss on available-for-sale investments	(515)	(1,247)
Impairment of goodwill (note 23)	(7,303)	(40,407)
Impairment of properties under development (note 17)	–	(11,888)
Exchange gains, net	29,171	55,582
Others	27,547	53,130
	475,524	485,847

7 OPERATING PROFIT BEFORE FINANCE COSTS

Operating profit before finance costs is stated after charging the following:

	Group	
	2011 HK\$'000	2010 HK\$'000 (restated)
Cost of sales of properties	1,230,480	5,699,519
Direct operating expenses in respect of investment properties		
– PRC	184,985	145,587
– Hong Kong	159,656	163,707
	344,641	309,294
Direct operating expenses for logistics operations	13,613,795	9,233,310
Depreciation of property, plant and equipment and amortisation of leasehold land and land use rights	349,017	257,537
Amortisation of intangible assets	3,721	–
Hotel operating expenses	190,597	185,726
Operating lease charges – land and buildings	459,233	151,864
Provision for impairment of receivables	4,440	22,770
Auditors' remuneration	21,748	20,150

8 FINANCE COSTS

	Group	
	2011 HK\$'000	2010 HK\$'000
Interest expense		
– bank borrowings: bank loans and overdrafts	360,514	176,532
– convertible bonds (note 29)	139,516	134,153
– fixed rate bonds (note 30)	313,465	210,494
– derivative financial instruments	(29,543)	100,852
– others (Note)	53,155	36,158
Total finance costs incurred	837,107	658,189
Less: amount capitalised in properties under development	(471,689)	(472,910)
	365,418	185,279
Fair value gain on derivative financial instruments		
– cash flow hedge, transfer from equity (note 37)	(9,940)	–
– not applying hedge accounting	(21,707)	(146,306)
Total finance costs expensed during the year	333,771	38,973

The capitalised interest rate applied to funds borrowed and used for the development of properties is between 0.4% and 7.8% per annum (2010: between 0.3% and 6.2% per annum).

Note: The amount included net exchange gains from financing activities of HK\$6,442,000 for the year (2010: HK\$2,040,000).

NOTES TO THE FINANCIAL STATEMENTS

9 TAXATION

Hong Kong and overseas profits tax

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profit for the year. Income tax on the overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the overseas countries in which the Group operates.

PRC enterprise income tax

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the "CIT Law"), which is effective from 1 January 2008. Under the CIT Law, for Group's subsidiaries originally entitling a tax rate of 15%, the tax rate will gradually increase to 25% over the next five years. For the Group's subsidiaries originally entitling a tax rate of 33%, the tax rate decreased to 25% effective on 1 January 2008.

Withholding tax on distributed/undistributed profits

Withholding tax is levied on profit distribution upon declaration/remittance at the rates of taxation prevailing in the PRC and overseas countries.

PRC land appreciation tax

Land appreciation tax in the PRC is levied on properties developed by the Group for sale, at progressive rates ranging from 30% to 60% on the appreciation of land value, which under the applicable regulations is calculated based on the proceeds of sales of properties less deductible expenditures including land costs, borrowing costs and all property development expenditures.

The amount of taxation (charged)/credited to the consolidated income statement represents:

	Group	
	2011 HK\$'000	2010 HK\$'000 (restated)
PRC taxation		
– Current	(534,567)	(749,032)
– (Under)/over-provision in prior years	(5,160)	10,623
– Deferred	(209,000)	(298,907)
	(748,727)	(1,037,316)
Hong Kong profits tax		
– Current	(304,212)	(343,277)
– Under-provision in prior years	(48,557)	(44,410)
– Deferred	(2,283)	(76,546)
	(355,052)	(464,233)
Overseas taxation		
– Current	(120,125)	(85,567)
– Over-provision in prior years	382	10,019
– Deferred	(10,440)	(5,814)
	(130,183)	(81,362)
	(1,233,962)	(1,582,911)

9 TAXATION (Continued)

The Group's share of associates' taxation for the year of HK\$554,350,000 (2010 restated: HK\$221,250,000) is included in the share of results of associates in the consolidated income statement.

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the taxation rate of Hong Kong as follows:

	Group	
	2011 HK\$'000	2010 HK\$'000 (restated)
Profit before taxation	7,102,983	8,737,686
Less: Share of results of associates	(2,354,901)	(1,374,451)
	4,748,082	7,363,235
Calculated at Hong Kong profits tax rate of 16.5% (2010: 16.5%)	783,434	1,214,934
Tax effect of different taxation rates in other countries	183,788	228,744
Utilisation of previously unrecognised tax losses	(9,479)	(23,295)
Tax effect of net income/expenses that are not taxable/deductible in determining taxable profit	(72,161)	(202,163)
Tax loss not recognised	68,721	9,321
Under-provision of taxation in prior years	53,335	23,768
	1,007,638	1,251,309
Withholding tax on distributed/undistributed profits	49,817	54,016
Withholding tax on capital gains	7,966	1
Land appreciation tax	224,677	368,897
Tax effect of deduction of land appreciation tax	(56,136)	(91,312)
Taxation charge	1,233,962	1,582,911

10 PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders dealt with in the financial statements of the Company is HK\$978,382,000 (2010: HK\$1,009,453,000).

NOTES TO THE FINANCIAL STATEMENTS

11 DIVIDENDS

	Company	
	2011 HK\$'000	2010 HK\$'000
Interim, paid, of HK\$0.40 (2010: HK\$0.35) per ordinary share (note (a))	575,317	502,168
Final, proposed, of HK\$0.47 (2010: HK\$0.52) per ordinary share (note (b))	676,032	746,736
Additional prior year final dividend arising from the increase in number of ordinary shares in issue on the related record date (note (b))	714	2,193
	1,252,063	1,251,097

- (a) Amounts shown in respect of the interim dividend for the year ended 31 December 2011 reflect the cash dividend of HK\$0.40 (2010: HK\$0.35) per ordinary share.
- (b) At a meeting held on 15 March 2012, the directors proposed a final dividend of HK\$0.47 per ordinary share. This proposed dividend is not reflected as a dividend payable in these financial statements. The proposed final dividend for the year ended 31 December 2011, as referred to above, is calculated on the basis of 1,438,365,676 ordinary shares in issue as at 31 December 2011, and at a final dividend of HK\$0.47 per ordinary share. The actual amount of final dividend payable in respect of the year ended 31 December 2011 will be subject to the actual number of ordinary shares in issue on the record date, which is expected to be on or about 9 May 2012.

12 EARNINGS PER SHARE

Basic

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the year.

	2011	2010
Weighted average number of ordinary shares in issue	1,437,737,140	1,433,346,344

	2011 HK\$'000	2010 HK\$'000 (restated)
Profit attributable to shareholders	5,347,715	6,702,657
Basic earnings per share	HK\$3.72	HK\$4.68

12 EARNINGS PER SHARE (Continued)

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding assuming conversion of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: convertible bonds and share options. The convertible bonds are assumed to have been converted into ordinary shares and the net profit is adjusted to eliminate the interest expense less the tax effect. For the share options, a calculation is made to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	2011	2010
Weighted average number of ordinary shares in issue	1,437,737,140	1,433,346,344
Adjustment for convertible bonds	44,634,377	45,672,739
Adjustment for share options	3,551,392	5,602,662
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	1,485,922,909	1,484,621,745

	2011 HK\$'000	2010 HK\$'000 (restated)
Profit attributable to shareholders	5,347,715	6,702,657
Adjustment for finance cost on convertible bonds	116,496	112,017
Profit used to determine diluted earnings per share	5,464,211	6,814,674
Diluted earnings per share	HK\$3.68	HK\$4.59

13 EMPLOYEE BENEFIT EXPENSE

	Group	
	2011 HK\$'000	2010 HK\$'000
Staff costs, including directors' emoluments	2,526,807	1,788,779
Share options granted to directors and employees	10,296	57,864
Pension costs		
– defined contribution plans (note 33(a))	182,844	138,439
– defined benefit plans (note 33(b))	17,932	11,345
	2,737,879	1,996,427

NOTES TO THE FINANCIAL STATEMENTS

13 EMPLOYEE BENEFIT EXPENSE (Continued)

(a) Directors' and senior management's emoluments

The remuneration of the Directors for the year ended 31 December 2011 is set out below:

Name of Director	Fees HK\$'000	Salary HK\$'000	Discretionary bonuses HK\$'000	Other benefits (note) HK\$'000	Employer's contribution to pension scheme HK\$'000	Total HK\$'000
Mr KUOK Khoon Chen	–	4,680	12,000	83	120	16,883
Mr WONG Siu Kong	–	6,000	22,000	2,347	120	30,467
Mr HO Shut Kan	–	4,200	16,060	955	120	21,335
Mr MA Wing Kai, William	–	3,780	7,560	615	120	12,075
Mr QIAN Shaohua	–	3,840	15,060	664	120	19,684
Mr CHAN Wai Ming, William	–	3,240	5,000	664	120	9,024
Mr KU Moon Lun	380	–	–	–	–	380
Mr LAU Ling Fai, Herald	410	–	–	–	–	410
Ms WONG Yu Pok, Marina, JP	380	–	–	–	–	380
Mr TSE Kai Chi	350	–	–	–	–	350

The remuneration of the Directors for the year ended 31 December 2010 is set out below:

Name of Director	Fees HK\$'000	Salary HK\$'000	Discretionary bonuses HK\$'000	Other benefits (note) HK\$'000	Employer's contribution to pension scheme HK\$'000	Total HK\$'000
Mr KUOK Khoon Chen	–	4,200	10,000	990	120	15,310
Mr WONG Siu Kong	–	5,400	20,000	12,283	120	37,803
Mr HO Shut Kan	–	3,960	11,050	5,111	120	20,241
Mr MA Wing Kai, William	–	3,540	6,550	3,143	120	13,353
Mr QIAN Shaohua	–	3,600	10,050	3,738	120	17,508
Mr CHAN Wai Ming, William	–	3,000	4,000	3,738	120	10,858
Mr KU Moon Lun	335	–	–	–	–	335
Mr LAU Ling Fai, Herald	365	–	–	–	–	365
Ms WONG Yu Pok, Marina, JP	335	–	–	–	–	335
Mr TSE Kai Chi	310	–	–	–	–	310
Mr SO Hing Woh, Victor, MBE, JP ¹	–	3,420	50	390	90	3,950

¹ Resigned during the year 2010

Note:

Other benefits represent fair value of share options granted to the relevant Director which was charged to the consolidated income statement in accordance with HKFRS 2.

13 EMPLOYEE BENEFIT EXPENSE (Continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year are Directors. The emoluments payable to the five highest paid individuals during the year are as follows:

	2011 HK\$'000	2010 HK\$'000
Basic salaries, housing allowances, share options, other allowances and benefits in kind	27,164	45,965
Discretionary bonuses	72,680	57,650
Pension contributions	600	600
	100,444	104,215

The emoluments fell within the following bands:

	Number of individuals	
	2011	2010
HK\$12,000,001 – HK\$12,500,000	1	–
HK\$13,000,001 – HK\$13,500,000	–	1
HK\$15,000,001 – HK\$15,500,000	–	1
HK\$16,500,001 – HK\$17,000,000	1	–
HK\$17,500,001 – HK\$18,000,000	–	1
HK\$19,500,001 – HK\$20,000,000	1	–
HK\$20,000,001 – HK\$20,500,000	–	1
HK\$21,000,001 – HK\$21,500,000	1	–
HK\$30,000,001 – HK\$30,500,000	1	–
HK\$37,500,001 – HK\$38,000,000	–	1
	5	5

NOTES TO THE FINANCIAL STATEMENTS

14 PROPERTY, PLANT AND EQUIPMENT

	Group								
	Hotel property HK\$'000	Warehouses and logistics centres HK\$'000	Staff quarters HK\$'000	Freehold land and buildings HK\$'000	Port facilities HK\$'000	Leasehold improvements HK\$'000	Warehouse operating equipment HK\$'000	Motor vehicles, furniture, fixtures and office equipment HK\$'000	Total HK\$'000
Cost or valuation									
At 1 January 2011, as previously reported	1,154,072	1,574,750	46,419	2,636,601	237,348	313,056	680,928	938,304	7,581,478
Change in accounting policy for property, plant and equipment (note 2(a)(i))	(172,790)	(407,844)	-	(203,991)	76,964	-	-	-	(707,661)
At 1 January 2011, as restated	981,282	1,166,906	46,419	2,432,610	314,312	313,056	680,928	938,304	6,873,817
Additions, at cost	170,130	8,867	123	217,810	-	73,422	264,742	142,309	877,403
Acquisition of subsidiaries (note 39)	-	73,282	-	-	-	1,186	21,600	30,267	126,335
Disposal of subsidiaries (note 38(e))	-	-	-	-	-	-	-	(1,081)	(1,081)
Disposals	(94,473)	(258)	-	(30,973)	-	(23,948)	(137,857)	(126,399)	(413,908)
Transfer and reclassification	-	57,355	-	48,890	-	72,821	209,637	(282,458)	106,245
Exchange adjustment	48,658	3,302	2,020	(99,089)	(15,534)	(11,185)	(25,465)	(14,035)	(111,328)
At 31 December 2011	1,105,597	1,309,454	48,562	2,569,248	298,778	425,352	1,013,585	686,907	7,457,483
Aggregate depreciation and accumulated impairment losses									
At 1 January 2011, as previously reported	-	-	10,007	-	-	95,486	356,020	570,429	1,031,942
Change in accounting policy for property, plant and equipment (note 2(a)(i))	148,839	187,547	-	94,971	81,515	-	-	-	512,872
At 1 January 2011, as restated	148,839	187,547	10,007	94,971	81,515	95,486	356,020	570,429	1,544,814
Charge for the year	28,532	34,240	2,222	40,186	7,942	34,731	106,354	86,254	340,461
Disposal of subsidiaries (note 38(e))	-	-	-	-	-	-	-	(411)	(411)
Disposals	(44,774)	-	-	(2,009)	-	(18,994)	(94,657)	(106,678)	(267,112)
Reclassification	-	-	-	-	-	46,886	102,455	(149,341)	-
Exchange adjustment	8,089	3,432	478	(5,150)	(4,302)	(8,283)	(11,455)	(16,670)	(33,861)
At 31 December 2011	140,686	225,219	12,707	127,998	85,155	149,826	458,717	383,583	1,583,891
Net book value as at									
31 December 2011	964,911	1,084,235	35,855	2,441,250	213,623	275,526	554,868	303,324	5,873,592
Net book value as at									
1 January 2011, as restated	832,443	979,359	36,412	2,337,639	232,797	217,570	324,908	367,875	5,329,003

14 PROPERTY, PLANT AND EQUIPMENT (Continued)

	Group								
	Hotel property HK\$'000	Warehouses and logistics centres HK\$'000	Staff quarters HK\$'000	Freehold land and buildings HK\$'000	Port facilities HK\$'000	Leasehold improvements HK\$'000	Warehouse operating equipment HK\$'000	Motor vehicles, furniture, fixtures and office equipment HK\$'000	Total HK\$'000
Cost or valuation									
At 1 January 2010, as previously reported	1,058,827	1,027,107	24,258	466,928	224,692	138,248	549,616	677,450	4,167,126
Change in accounting policy for property, plant and equipment (note 2(a)(i))	(119,680)	(334,491)	-	(49,121)	64,895	-	-	-	(438,397)
At 1 January 2010, as restated	939,147	692,616	24,258	417,807	289,587	138,248	549,616	677,450	3,728,729
Additions, at cost	11,838	-	21,731	22,567	-	64,617	103,660	156,577	380,990
Acquisition of subsidiaries	-	113,722	2,423	1,773,602	-	106,322	34,489	72,250	2,102,808
Disposals	(2,374)	-	(3,785)	(13,865)	-	(35,713)	(54,146)	(64,010)	(173,893)
Transfer	-	339,605	-	1,470	-	-	-	-	341,075
Exchange adjustment	32,671	20,963	1,792	231,029	24,725	39,582	47,309	96,037	494,108
At 31 December 2010, as restated	981,282	1,166,906	46,419	2,432,610	314,312	313,056	680,928	938,304	6,873,817
Aggregate depreciation and accumulated impairment losses									
At 1 January 2010, as previously stated	-	-	9,078	-	-	84,584	293,128	445,477	832,267
Change in accounting policy for property, plant and equipment (note 2(a)(i))	118,723	166,607	-	72,230	71,743	-	-	-	429,303
At 1 January 2010, as restated	118,723	166,607	9,078	72,230	71,743	84,584	293,128	445,477	1,261,570
Charge for the year	27,538	18,575	1,621	21,486	9,165	18,982	58,191	95,621	251,179
Disposals	(2,135)	-	(1,325)	(8,875)	-	(34,600)	(23,548)	(56,551)	(127,034)
Reclassification	-	-	-	-	-	(109)	-	109	-
Exchange adjustment	4,713	2,365	633	10,130	607	26,629	28,249	85,773	159,099
At 31 December 2010, as restated	148,839	187,547	10,007	94,971	81,515	95,486	356,020	570,429	1,544,814
Net book value as at									
31 December 2010, as restated	832,443	979,359	36,412	2,337,639	232,797	217,570	324,908	367,875	5,329,003
Net book value as at									
1 January 2010, as restated	820,424	526,009	15,180	345,577	217,844	53,664	256,488	231,973	2,467,159

NOTES TO THE FINANCIAL STATEMENTS

14 PROPERTY, PLANT AND EQUIPMENT (Continued)

- (a) As at 31 December 2011, property, plant and equipment and port facilities with an aggregate net book value of HK\$1,499,790,000 (2010 restated: HK\$1,514,160,000) and HK\$213,623,000 (2010 restated: HK\$232,797,000) respectively, were pledged as security for bank loan facilities granted to the Group (note 43).

	Company		
	Leasehold improvements HK\$'000	Motor vehicles, furniture, fixtures and office equipment HK\$'000	Total HK\$'000
Cost			
At 1 January 2011	–	9,188	9,188
Additions, at cost	8,330	5,436	13,766
Disposals	–	(1,571)	(1,571)
At 31 December 2011	8,330	13,053	21,383
Aggregate depreciation			
At 1 January 2011	–	6,595	6,595
Charge for the year	1,944	2,214	4,158
Disposals	–	(1,571)	(1,571)
At 31 December 2011	1,944	7,238	9,182
Net book value			
As at 31 December 2011	6,386	5,815	12,201

	Company		
	Leasehold improvements HK\$'000	Motor vehicles, furniture, fixtures and office equipment HK\$'000	Total HK\$'000
Cost			
At 1 January 2010	472	8,966	9,438
Additions, at cost	–	700	700
Disposals	(472)	(478)	(950)
At 31 December 2010	–	9,188	9,188
Aggregate depreciation			
At 1 January 2010	450	5,531	5,981
Charge for the year	9	1,506	1,515
Disposals	(459)	(442)	(901)
At 31 December 2010	–	6,595	6,595
Net book value			
As at 31 December 2010	–	2,593	2,593

14 PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) The Group's warehouses and logistic centres at their net book values are analysed as follows:

	As at 31 December		As at 1 January
	2011 HK\$'000	2010 HK\$'000 (restated)	2010 HK\$'000 (restated)
In Hong Kong, held on:			
Leases of between 10 to 50 years	484,764	498,357	217,539
Outside Hong Kong, held on:			
Leases of over 50 years	58,672	130,086	9,634
Leases of between 10 to 50 years	540,799	350,916	298,836
	1,084,235	979,359	526,009

15 INVESTMENT PROPERTIES

	Group	
	2011 HK\$'000	2010 HK\$'000
At 1 January	38,848,997	34,857,247
Additions	1,323,199	678,948
Acquisition of subsidiaries (note 39)	170,000	–
Increase in fair value	1,605,932	3,009,676
Disposals	(896,280)	(312,558)
Transfer	333,089	17,184
Exchange adjustment	944,752	598,500
At 31 December	42,329,689	38,848,997

- (a) As at 31 December 2011, investment properties amounting to HK\$5,569,261,000 (2010: HK\$4,126,219,000) were pledged as securities for bank loan facilities granted to the Group (note 43).
- (b) Investment properties were valued by DTZ Debenham Tie Leung Limited and Savills Valuation and Professional Services Limited, independent professional valuers, on an open market value basis as at 31 December 2011.

NOTES TO THE FINANCIAL STATEMENTS

15 INVESTMENT PROPERTIES (Continued)

(c) The Group's investment properties at their net book values are analysed as follows:

	2011 HK\$'000	2010 HK\$'000
In Hong Kong, held on:		
Leases of over 50 years	10,093,000	9,624,000
Leases of between 10 to 50 years	10,848,100	10,533,800
Outside Hong Kong, held on:		
Leases of over 50 years	1,834,957	1,748,266
Leases of between 10 to 50 years	19,553,632	16,942,931
	42,329,689	38,848,997

16 LEASEHOLD LAND AND LAND USE RIGHTS

	2011 HK\$'000	2010 HK\$'000
At 1 January	422,447	317,906
Additions	–	223
Acquisition of a subsidiary (note 39)	73,775	75,209
Amortisation	(10,458)	(7,642)
Transfer	44,779	21,520
Exchange adjustment	6,918	15,231
At 31 December	537,461	422,447

The Group's leasehold land and land use rights represent prepaid operating lease payments and their net book values are analysed as follows:

	2011 HK\$'000	2010 HK\$'000
Outside Hong Kong, held on:		
Leases of over 50 years	78,098	91,761
Leases of between 10 to 50 years	459,363	330,686
	537,461	422,447

As at 31 December 2011, leasehold land and land use rights amounting to HK\$144,001,000 (2010: HK\$91,761,000) were pledged as securities for bank loan facilities granted to the Group (note 43).

17 PROPERTIES UNDER DEVELOPMENT

	2011 HK\$'000	2010 HK\$'000
At 1 January	27,083,244	23,954,854
Additions	4,283,131	4,795,267
Acquisition of subsidiaries (note 38(c))	150,000	51,161
Disposal of subsidiaries (note 38(e))	(262,158)	–
Transfer	(1,500,205)	(2,154,054)
Impairment	–	(11,888)
Exchange adjustment	703,192	447,904
At 31 December	30,457,204	27,083,244

	2011 HK\$'000	2010 HK\$'000
The above are represented by:		
Amount included in non-current assets		
Hong Kong	3,935,633	4,089,878
Outside Hong Kong (note (a))	17,012,222	12,892,507
	20,947,855	16,982,385
Amount included in current assets		
Hong Kong	7,907,351	8,273,585
Outside Hong Kong	1,601,998	1,827,274
	9,509,349	10,100,859
	30,457,204	27,083,244

- (a) As at 31 December 2011, the balance included land use rights amounting to HK\$5,573,570,000 (2010: HK\$5,906,532,000) that the respective development plans were subject to approval from relevant government authorities. Upon approval of the plans, certain portion of these land use rights would be transferred to investment properties (note 2(g)).

NOTES TO THE FINANCIAL STATEMENTS

17 PROPERTIES UNDER DEVELOPMENT (Continued)

The Group's properties under development at their net book values are analysed as follows:

	2011 HK\$'000	2010 HK\$'000
In Hong Kong, held on:		
Leases of over 50 years	4,434,957	5,814,075
Leases of between 10 to 50 years	7,408,027	6,549,388
Outside Hong Kong, held on:		
Leases of over 50 years	7,140,505	5,388,078
Leases of between 10 to 50 years	11,408,928	9,313,268
Freehold land and buildings	64,787	18,435
	30,457,204	27,083,244
Leasehold land classified as operating lease included as above	13,447,043	11,694,324

As at 31 December 2011, properties under development amounting to HK\$2,568,243,000 (2010: HK\$1,386,672,000) were pledged as securities for bank loan facilities granted to the Group (note 43).

As at 31 December 2011, certificates of land use rights with net book values amounting to HK\$3,313,249,000 (2010: HK\$3,103,560,000) included in properties under development were still in the progress of being obtained.

18 SUBSIDIARIES

	Company	
	2011 HK\$'000	2010 HK\$'000
Unlisted shares, at cost (note (a))	18,643,700	18,643,700
Amounts due from subsidiaries (note (b))	10,622,074	17,472,313
	29,265,774	36,116,013
Amount due to a subsidiary (note (c))	4,580,182	–

- (a) Details of principal subsidiaries are set out in note 45 to the financial statements.
- (b) The amounts due from subsidiaries are unsecured, have no fixed terms of repayment and are interest-free except for an amount of HK\$ nil (2010: HK\$6,000,000,000) which bears interest at prevailing market rates.
- (c) The amount due to a subsidiary is unsecured, has no fixed terms of repayment and bears interest at prevailing market rates.

Kerry TJ is a listed company in Taiwan Stock Exchange Corporation. The market value of the Group's investment as at 31 December 2011 in Kerry TJ amounted to HK\$1,330,839,000 (2010: HK\$1,231,359,000).

19 ASSOCIATES

	As at 31 December		As at
	2011	2010	1 January
	HK\$'000	HK\$'000 (restated)	2010 HK\$'000 (restated)
Unlisted investments	7,318,781	5,066,676	3,783,800
Listed equity securities, outside Hong Kong	1,055,046	1,055,500	1,508,621
Share of net assets, including goodwill (note (a))	8,373,827	6,122,176	5,292,421
Amounts due from associates (note (b))	3,404,030	2,663,477	2,226,631
Amounts due to associates (note (c))	(60,803)	(63,145)	(62,088)
	11,717,054	8,722,508	7,456,964
Market value of listed securities	640,235	619,630	1,227,836

- (a) Details of principal associates are set out in note 45 to the financial statements.
- (b) The amounts due from associates are unsecured, have no fixed terms of repayment and are interest-free except for amounts totalling HK\$2,520,568,000 (2010: HK\$1,702,584,000) which bear interest at prevailing market rates.
- (c) The amounts due to associates are unsecured, interest-free and not repayable within twelve months from the end of each reporting period.
- (d) The Group's share of results of its associates and its aggregate assets and liabilities are as follows:

	As at 31 December		As at
	2011	2010	1 January
	HK\$'000	HK\$'000 (restated)	2010 HK\$'000 (restated)
Aggregate attributable amounts of total assets	18,338,051	17,449,185	12,907,333
Aggregate attributable amounts of total liabilities	9,964,224	11,327,009	7,747,851
Aggregate attributable amounts of total revenue	9,507,777	2,552,815	1,784,438
Aggregate attributable amounts of net profit after tax	2,354,901	1,374,451	934,953

NOTES TO THE FINANCIAL STATEMENTS

20 DERIVATIVE FINANCIAL INSTRUMENTS

	Group		Company	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Non-current assets				
Cash flow hedges				
Cross currency swap contracts, at fair value (note (a))	74,688	–	6,872	–
Derivative financial instruments that do not qualify for hedge accounting				
Cross currency swap contracts, at fair value (note (b))	102,316	80,609	102,316	80,609
Total	177,004	80,609	109,188	80,609

Derivatives holding for trading purpose are classified as a current asset or liability. The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and, as a current asset or liability, if the maturity of the hedged item is less than 12 months.

(a) Cross currency swap contracts that qualify for hedge accounting – cash flow hedges

The changes in fair value of cross currency swap contracts that are designated and qualified as cash flow hedges amounting to HK\$74,688,000 (2010: nil) are recognised in hedging reserve in equity. Under cash flow hedges, the amount of HK\$9,940,000 (2010: nil) was reclassified from hedging reserve to finance costs in the consolidated income statement.

(i) Hedge for fixed rate bonds

During the year ended 31 December 2011, an indirect wholly-owned subsidiary of the Company entered into cross-currency swap contracts amounting to US\$297,000,000, under which the principal amounts were exchanged at inception and will be re-exchanged on expiring date in April 2021 at an average exchange rate of US\$1 to HK\$7.776. Under these contracts, the fixed interest rates ranging from 5.26% to 5.275% per annum on the exchanged Hong Kong dollar principal amounts would be paid and the fixed interest rate of 5.875% per annum on the United States dollar principal amounts would be received.

(ii) Hedge for New Zealand dollar bank borrowings

During the year ended 31 December 2011, the Company entered into cross currency swap contract amounting to NZD 51,282,000, under which the principal amount was exchanged at inception in March 2011 and will be re-exchanged on expiring date in March 2015 at an exchange rate of NZD 1 to HK\$5.85. Under the contract, the floating Hong Kong dollar interest rate on the exchanged Hong Kong dollar principal amount would be paid and the floating New Zealand dollar interest rate on the New Zealand dollar principal amount would be received.

20 DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

(b) Cross currency swap contracts that do not qualify for hedge accounting

The total principal amounts of the outstanding cross currency swap contracts that do not qualify for hedge accounting as at 31 December 2011 are US\$310,000,000 (2010: US\$310,000,000).

During the year ended 31 December 2010, the Company entered into cross currency swap contracts amounting to US\$220,000,000 (equivalent to HK\$1,710,661,000). There were no principal exchange at inception but will have principal exchange upon the expiration of these contracts in August 2016 at an average exchange rate of approximately US\$1 to HK\$7.776. Under these contracts, the fixed interest rates ranging from 5.63% to 5.74% per annum on the HK dollar principal amount would be paid and the fixed rate of 6.375% per annum on the United States dollar principal amounts would be received.

During the year ended 31 December 2009, the Company entered into cross currency swap contracts amounting to US\$90,000,000, under which the principal amounts were exchanged at inception in August 2009 and will be re-exchanged on expiry date in August 2014 at an average exchange rate of US\$1 to HK\$7.75. Under these contracts, the fixed interest rates ranging from 5.85% to 5.90% per annum on the exchanged Hong Kong dollar principal amounts would be paid and the fixed interest rate at 6.375% per annum on the United States dollar principal amounts would be received.

The maximum exposure to credit risk at the reporting date is the fair value of the derivative assets in the statement of financial position.

21 AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	2011 HK\$'000	2010 HK\$'000
Listed equity securities, at fair value	404,780	604,699
Unlisted equity securities, at fair value	1,309,536	1,261,043
	1,714,316	1,865,742
Market value of listed securities in Hong Kong	404,780	604,699

NOTES TO THE FINANCIAL STATEMENTS

22 LONG-TERM RECEIVABLES AND ACCOUNTS RECEIVABLE, PREPAYMENTS AND DEPOSITS

	Group	
	2011 HK\$'000	2010 HK\$'000
Trade receivables (note (a))	3,367,592	2,470,602
Less: Provision for impairment of receivables (note (b))	(31,062)	(47,057)
Trade receivables – net	3,336,530	2,423,545
Second mortgage loans receivable	55,733	16,162
Others	3,498,823	1,238,735
	6,891,086	3,678,442
Less: long-term receivables (note (c))	(55,004)	(15,426)
Current portion	6,836,082	3,663,016

The carrying amounts of accounts receivable approximate the fair value of these balances.

The carrying amounts of the Group's long-term receivable and accounts receivable, prepayments and deposits are denominated in the following currencies:

	2011 HK\$'000	2010 HK\$'000
Hong Kong dollar	3,271,017	1,302,704
Renminbi	2,043,763	1,195,567
United States dollar	169,703	24,274
Pound sterling	137,520	173,398
Other currencies	1,269,083	982,499
	6,891,086	3,678,442

- (a) The Group maintains defined credit policies and applies those appropriate to the particular business circumstances of the Group. At 31 December 2011, the ageing analysis of the trade receivables based on date of the invoice and net of provision for impairment of the Group were as follows:

	2011 HK\$'000	2010 HK\$'000
Below 1 month	2,426,583	1,547,057
Between 1 month and 3 months	788,636	691,780
Over 3 months	121,311	184,708
	3,336,530	2,423,545

There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers. According to credit terms, trade receivables that are less than three months past due are not considered impaired. As of 31 December 2011, trade receivables of HK\$763,417,000 (2010: HK\$535,383,000) were past due but not impaired. These relate to a number of independent customers of whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2011 HK\$'000	2010 HK\$'000
Up to 3 months	761,557	425,152
Over 3 months	1,860	110,231

22 LONG-TERM RECEIVABLES AND ACCOUNTS RECEIVABLE, PREPAYMENTS AND DEPOSITS (Continued)

- (b) As of 31 December 2011, trade receivables of HK\$31,062,000 (2010: HK\$47,057,000) were impaired and fully provided. The individually impaired receivables mainly relate to those customers which are in unexpected difficult economic situations.

Movements on the provision for impairment of receivables are as follows:

	2011 HK\$'000	2010 HK\$'000
At 1 January	47,057	44,219
Provision for impairment of receivables	4,440	22,770
Receivables written off during the year as uncollectible	(15,881)	(6,068)
Release of provision	(5,149)	(14,673)
Exchange differences	595	809
At 31 December	31,062	47,057

The creation and release of provision for impaired receivables have been included in administrative expenses in the consolidated income statement. Amounts charged to the allowance account are written off when there is no expectation of recovery.

- (c) The amount represents non-current portion of second mortgage loans to buyers of certain properties developed by the Group at prevailing market rate.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above. Except for the second mortgage loans receivable, the Group does not hold any collateral as security.

The second mortgage loans receivable, other receivables and deposits do not contain impaired asset.

NOTES TO THE FINANCIAL STATEMENTS

23 INTANGIBLE ASSETS

	Group				
	Goodwill HK\$'000	Customer relationships HK\$'000	Non-compete agreements HK\$'000	Trademark HK\$'000	Total HK\$'000
At 1 January 2010					
Cost	540,522	–	–	–	540,522
Accumulated amortisation and impairment	(17,510)	–	–	–	(17,510)
	523,012	–	–	–	523,012
At 1 January 2010	523,012	–	–	–	523,012
Acquisition of subsidiaries	475,344	–	–	–	475,344
Impairment	(40,407)	–	–	–	(40,407)
At 31 December 2010	957,949	–	–	–	957,949
At 31 December 2010					
Cost	1,015,866	–	–	–	1,015,866
Accumulated amortisation and impairment	(57,917)	–	–	–	(57,917)
	957,949	–	–	–	957,949
At 1 January 2011	957,949	–	–	–	957,949
Acquisition of subsidiaries (note 39)	270,904	42,005	37,017	12,275	362,201
Impairment	(7,303)	–	–	–	(7,303)
Amortisation	–	(1,813)	(1,702)	(206)	(3,721)
Exchange adjustment	–	(1,225)	277	65	(883)
At 31 December 2011	1,221,550	38,967	35,592	12,134	1,308,243
At 31 December 2011					
Cost	1,286,770	40,813	37,326	12,340	1,377,249
Accumulated amortisation and impairment	(65,220)	(1,846)	(1,734)	(206)	(69,006)
	1,221,550	38,967	35,592	12,134	1,308,243

23 INTANGIBLE ASSETS (Continued)

Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to place of operation and operating segment.

A segment-level summary of the goodwill allocation is presented below:

	2011 HK\$'000	2010 HK\$'000
PRC	416,747	257,661
Taiwan	309,103	303,545
India	152,289	135,403
Hong Kong	17,320	20,552
United Kingdom	114,966	89,176
Others	211,125	151,612
	1,221,550	957,949

The recoverable amount of a CGU is determined based on higher of an asset's fair value less costs to sell and value-in-use calculations. As 31 December 2011, the recoverable amount of all CGUs were determined based on value-in-use calculation except that for Taiwan which was determined based on fair value less costs to sell with reference to its market share price. The value-in-use calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below:

Key assumptions used for value-in-use calculations

For the year ended 31 December 2011

	Logistics				
	PRC	India	Hong Kong	United Kingdom	Others
Gross margin	3% – 10%	3% – 13%	5%	4% – 14%	2% – 44%
Growth rate	3%	5%	2%	2%	2% – 5%
Discount rate	13%	15%	12%	9%	9% – 15%

For the year ended 31 December 2010

	Logistics				
	PRC	India	Hong Kong	United Kingdom	Others
Gross margin	4% – 5%	3% – 14%	5%	4% – 8%	3% – 42%
Growth rate	3%	5%	1%	1%	1% – 3%
Discount rate	12%	14%	10%	11%	10% – 13%

These assumptions have been used for the analysis of each CGU within the operating segment of logistics.

Management determined budgeted gross margin and growth rates based on past performance and its expectations of the market development. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments. Assuming growth rate decreased by 50 basis points and discount rate increased by 50 basis points, there is still sufficient headroom and no further impairment charge is required for the goodwill at 31 December 2011.

NOTES TO THE FINANCIAL STATEMENTS

24 COMPLETED PROPERTIES HELD FOR SALE

	Group	
	2011 HK\$'000	2010 HK\$'000
Leasehold land and land use rights	1,599,618	876,403
Other development costs	1,100,528	866,288
	2,700,146	1,742,691

These completed properties held for sale are located in Hong Kong and the PRC.

25 LISTED SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2011 HK\$'000	2010 HK\$'000
Listed securities		
– Hong Kong	143,489	225,553
– Malaysia	128	120
Market value of listed securities	143,617	225,673

26 RESTRICTED AND PLEDGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

(a) Restricted and pledged bank deposits

	Group		Company	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Restricted bank deposits (i)	25,256	135,040	–	–
Pledged bank deposits (note 43)	3,279	–	–	–
	28,535	135,040	–	–

- (i) As at 31 December 2011, the Group's bank balances amounting to approximately HK\$25,256,000 (2010: HK\$135,040,000) were deposited in certain banks respectively as guarantee deposits for bank facilities of the Group, including mortgage loan facilities (note 42(a)(iii)) granted by the banks to the purchasers of the Group's certain properties.

26 RESTRICTED AND PLEDGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS (Continued)

(b) Cash and cash equivalents

	Group		Company	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Cash at bank and in hand	6,702,199	4,777,052	97,440	19,446
Short-term bank deposits (i)	10,843,087	5,687,164	7,766,308	1,922,876
Cash and bank balances	17,545,286	10,464,216	7,863,748	1,942,322
Secured bank overdrafts (note 43)	(15,215)	–	–	–
Unsecured bank overdrafts	(297)	(20,701)	–	–
Cash and bank balances less bank overdrafts	17,529,774	10,443,515	7,863,748	1,942,322
Less: short-term bank deposits maturing after more than three months	(1,427,821)	–	(1,025,003)	–
Cash and cash equivalents	16,101,953	10,443,515	6,838,745	1,942,322

Cash and bank balances less bank overdrafts are denominated in the following currencies:

	Group		Company	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Renminbi	7,227,752	5,410,724	883,921	–
Hong Kong dollar	8,762,961	3,366,470	6,887,825	1,619,853
United States dollar	629,678	809,573	91,960	240,972
Other currencies	909,383	856,748	42	81,497
	17,529,774	10,443,515	7,863,748	1,942,322

- (i) The effective interest rate on short-term bank deposits was 1.97% (2010: 1.05%) per annum; these deposits have an average maturity of less than 3 months.

NOTES TO THE FINANCIAL STATEMENTS

27 ACCOUNTS PAYABLE, DEPOSITS RECEIVED AND ACCRUED CHARGES

	Group	
	2011 HK\$'000	2010 HK\$'000
Trade payables	1,500,920	992,639
Construction costs payable	1,285,788	1,068,533
Rental deposits	578,267	516,105
Sales deposits	4,232,531	878,842
Consideration payable for acquisition of subsidiaries	300,903	36,721
Others	2,545,754	2,489,626
	10,444,163	5,982,466

The ageing analysis of trade payables of the Group as at 31 December 2011 was as follows:

	2011 HK\$'000	2010 HK\$'000
Below 1 month	746,615	774,451
Between 1 month and 3 months	416,846	136,717
Over 3 months	337,459	81,471
	1,500,920	992,639

The carrying amounts of the Group's accounts payables, deposits received and accrued charges are denominated in the following currencies:

	2011 HK\$'000	2010 HK\$'000
Renminbi	4,744,083	2,640,411
Hong Kong dollar	4,289,183	2,176,115
United States dollar	143,496	31,586
Pound Sterling	182,730	225,415
Other currencies	1,084,671	908,939
	10,444,163	5,982,466

28 BANK LOANS

	Group		Company	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Non-current				
Bank loans				
– unsecured	12,835,254	5,956,700	809,805	–
– secured (note 43)	2,986,569	921,091	–	–
	15,821,823	6,877,791	809,805	–
Current				
Bank loans				
– unsecured	5,187,193	7,855,606	–	6,000,000
– secured (note 43)	174,963	75,554	–	–
	5,362,156	7,931,160	–	6,000,000
Total bank loans	21,183,979	14,808,951	809,805	6,000,000

The maturity of bank loans is as follows:

	Group		Company	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Within 1 year	5,362,156	7,931,160	–	6,000,000
Between 1 and 2 years	2,876,427	4,337,988	500,000	–
Between 2 and 5 years	11,503,330	2,025,600	309,805	–
Repayable within 5 years	19,741,913	14,294,748	809,805	6,000,000
Over 5 years	1,442,066	514,203	–	–
	21,183,979	14,808,951	809,805	6,000,000

The effective annual interest rates of the major bank borrowings at the end of the reporting period were as follows:

	2011			2010		
	HK\$	US\$	RMB	HK\$	US\$	RMB
Bank loans	1.35%	3.18%	7.00%	1.06%	0.87%	5.72%

The carrying amounts of all bank loans approximate their fair value.

The carrying amounts of the bank loans are denominated in the following currencies:

	Group		Company	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Hong Kong dollar	16,503,717	13,042,500	500,000	6,000,000
United States dollar	104,551	229,433	–	–
Renminbi	3,793,364	1,182,763	–	–
Other currencies	782,347	354,255	309,805	–
	21,183,979	14,808,951	809,805	6,000,000

NOTES TO THE FINANCIAL STATEMENTS

29 CONVERTIBLE BONDS

- (a) On 8 April 2005, Wise Insight Finance Limited, a wholly-owned subsidiary of the Company, issued an aggregate principal amount of HK\$2,500,000,000 zero-coupon guaranteed convertible bonds which are due in April 2010 at a redemption price of 119.354% of the principal amount. The bonds are guaranteed by the Company as to repayments, and are convertible into ordinary shares of HK\$1 per share in the Company at an initial conversion price of HK\$25.955 per share. The conversion price is subject to adjustment in certain events set out in the Trust Deed dated 8 April 2005.

During the year ended 31 December 2010, an aggregate principal amount of HK\$121,000,000 of the convertible bonds has been converted into an aggregate of 4,661,914 ordinary shares of HK\$1 each of the Company. Since the issue date, an aggregate principal amount of HK\$2,500,000,000 had been fully converted into an aggregate of 96,320,509 ordinary shares of the Company.

- (b) On 22 February 2007, Gainlead International Limited, a wholly-owned subsidiary of the Company, issued an aggregate principal amount of HK\$2,350,000,000 zero-coupon guaranteed convertible bonds which are due in February 2012 at a redemption price of 117.203% of the principal amount. The bonds are guaranteed by the Company as to repayments, and are convertible into ordinary shares of HK\$1 per share in the Company at an initial conversion price of HK\$52.65 per share. The conversion price is subject to adjustment in certain events set out in the Trust Deed dated 22 February 2007.

During the year ended 31 December 2011, there had been no conversion of the convertible bonds into shares of the Company by the bondholders and no redemption of the convertible bonds by Gainlead International Limited.

The fair value of the liability component was determined upon the issuance of the convertible bonds and the difference between the face value (net of transaction costs) and the fair value of the liability component is recognised as equity.

The fair value of the liability component was calculated using a market interest rate for a bond with the same tenure but with no conversion features. The residual amount, representing the value of the equity component, is credited to a convertible bonds reserve under equity attributable to the Company's shareholders.

The convertible bonds recognised in the consolidated statement of financial position are calculated as follows:

	Convertible bonds issued by Wise Insight Finance Limited HK\$'000	Convertible bonds issued by Gainlead International Limited HK\$'000
Face value of convertible bonds at issue date	2,500,000	2,350,000
Less: equity component	(145,250)	(207,740)
Liability component on initial recognition	2,354,750	2,142,260
Less: direct issue costs attributable to liability component	(28,356)	(22,555)
Liability component on initial recognition, net of direct issue costs	2,326,394	2,119,705

29 CONVERTIBLE BONDS (Continued)

	Convertible bonds issued by Wise Insight Finance Limited HK\$'000	Convertible bonds issued by Gainlead International Limited HK\$'000	Total HK\$'000
Liability component on initial recognition net of direct issue costs	2,326,394	2,119,705	4,446,099
Add: imputed finance cost in 2009 or before	267,463	342,533	609,996
Less: amount being converted in 2009 or before	(2,451,331)	–	(2,451,331)
Liability component at 31 December 2009	142,526	2,462,238	2,604,764
Add: imputed finance cost in 2010 (note 8)	1,756	132,397	134,153
Less: amount being converted	(144,282)	–	(144,282)
Liability component at 31 December 2010	–	2,594,635	2,594,635
Add: imputed finance cost in 2011 (note 8)	–	139,516	139,516
Liability component at 31 December 2011	–	2,734,151	2,734,151

The fair value of the liability component of the convertible bonds issued by Gainlead International Limited at 31 December 2011 amounted to approximately HK\$2,750,380,000 (2010: HK\$2,717,704,000). The fair value is calculated using cash flows discounted at a rate based on the borrowing rate of 1.00% per annum.

Imputed finance cost on the bonds is calculated using the effective interest method by applying the effective interest rate of 5.10% per annum for the convertible bonds issued by Wise Insight Finance Limited and 5.38% per annum for the convertible bonds issued by Gainlead International Limited.

30 FIXED RATE BONDS

On 25 August 2006, Gain Silver Finance Limited, a wholly-owned subsidiary of the Company, issued fixed rate bonds in the aggregate principal amount of US\$420,000,000. The fixed rate bonds are guaranteed by the Company as to repayment, and carry a coupon rate of 6.375% per annum and have a maturity term of 10 years.

On 6 April 2011, Wiseyear Holdings Limited, a wholly-owned subsidiary of the Company, issued fixed rate bonds in the aggregate principal amount of US\$300,000,000. The fixed rate bonds are guaranteed by the Company as to repayment, and carry a coupon rate of 5.875% per annum and have a maturity term of 10 years.

The fixed rate bonds are listed on the Singapore Exchange Securities Trading Limited. The market value of the fixed rate bonds as at 31 December 2011 was HK\$5,837,650,000 (2010: HK\$3,562,919,000).

NOTES TO THE FINANCIAL STATEMENTS

31 AMOUNTS DUE TO NON-CONTROLLING INTERESTS

The amounts due to non-controlling interests represent proportionate funding from the non-controlling interests of joint venture projects including an amount of approximately HK\$595,256,000 (2010: HK\$589,955,000) due to certain subsidiaries of Shangri-La Asia Limited ("SA"), a related company whose shares are listed on The Stock Exchange of Hong Kong Limited and an amount of approximately HK\$241,698,000 (2010: HK\$241,698,000) due to certain subsidiaries of Kerry Holdings Limited, an indirect holding company of the Company. These loans are unsecured, subordinated to the bank loans of the relevant subsidiaries, not repayable within twelve months from the end of reporting period, and interest-free except for an amount of HK\$987,257,000 (2010: HK\$889,783,000) which bears interest at prevailing market rates.

The carrying values of the Group's amounts due to non-controlling interests are denominated in the following currencies:

	2011 HK\$'000	2010 HK\$'000
Hong Kong dollar	2,732,883	2,585,871
United States dollar	199,847	198,911
Other currencies	69,684	69,903
	3,002,414	2,854,685

32 DEFERRED TAXATION

	Group	
	2011 HK\$'000	2010 HK\$'000 (restated)
At 1 January, as previously reported	5,426,557	4,318,642
Adjustments for change in accounting policies for		
– property, plant and equipment (note 2(a)(i))	(246,528)	(174,829)
– adoption of amendment to HKAS 12 (note 2(a)(ii))	(1,632,040)	(1,332,542)
At 1 January, as restated	3,547,989	2,811,271
Acquisition of subsidiaries (note 39)	(72)	246,145
Deferred taxation charged to income statement	221,723	381,267
Exchange adjustment	105,483	109,306
At 31 December	3,875,123	3,547,989

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through the future taxable profits is probable. The Group has unrecognised tax losses of HK\$2,202,289,000 (2010: HK\$2,111,137,000) to be carried forward in offsetting the future taxable income. These tax losses have no expiry dates except for the tax losses of HK\$325,274,000 (2010: HK\$174,779,000) which will expire at various dates up to and including year 2020 (2010: year 2019).

As at 31 December 2011, the aggregate amount of unrecognised deferred tax liabilities associated with investments in subsidiaries and associates totalled approximately HK\$505,659,000 (2010: HK\$432,869,000), as the Directors consider that the timing of reversal of the related temporary differences can be controlled and the temporary differences will not reverse in the foreseeable future.

32 DEFERRED TAXATION (Continued)

The movements in deferred tax (assets) and liabilities during the year were as follows:

	Group				
	Revaluation HK\$'000	Accelerated depreciation allowances HK\$'000	Tax losses HK\$'000	Others HK\$'000	Total HK\$'000
At 1 January 2011, as previously reported	4,864,043	431,674	(111,550)	242,390	5,426,557
Adjustments for change in accounting policies for					
– property, plant and equipment (note 2(a)(i))	(369,586)	123,058	–	–	(246,528)
– adoption of amendment to HKAS 12 (note 2(a)(ii))	(1,632,040)	–	–	–	(1,632,040)
At 1 January 2011, as restated	2,862,417	554,732	(111,550)	242,390	3,547,989
Acquisition of subsidiaries (note 39)	–	(72)	–	–	(72)
Deferred taxation charged to income statement	120,294	11,538	49,765	40,126	221,723
Exchange adjustment	126,378	(19,012)	–	(1,883)	105,483
At 31 December 2011	3,109,089	547,186	(61,785)	280,633	3,875,123

	Group				
	Revaluation HK\$'000	Accelerated depreciation allowances HK\$'000	Tax losses HK\$'000	Others HK\$'000	Total HK\$'000
At 1 January 2010, as previously reported	3,880,767	390,109	(145,168)	192,934	4,318,642
Adjustments for change in accounting policies for					
– property, plant and equipment (note 2(a)(i))	(295,485)	120,656	–	–	(174,829)
– adoption of amendment to HKAS 12 (note 2(a)(ii))	(1,332,542)	–	–	–	(1,332,542)
At 1 January 2010, as restated	2,252,740	510,765	(145,168)	192,934	2,811,271
Acquisition of subsidiaries	246,145	–	–	–	246,145
Deferred taxation charged to income statement	285,938	16,710	33,655	44,964	381,267
Exchange adjustment	77,594	27,257	(37)	4,492	109,306
At 31 December 2010, as restated	2,862,417	554,732	(111,550)	242,390	3,547,989

NOTES TO THE FINANCIAL STATEMENTS

33 RETIREMENT BENEFITS

Group companies operate various pension schemes. The schemes are funded through payments to independent trustee-administered funds. The Group has both defined contribution and defined benefit plans.

(a) Defined contribution plans

Pursuant to the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) (the "MPF Ordinance"), companies within the Group in Hong Kong have enrolled all employees in Hong Kong aged between 18 and 65 into a mandatory provident fund scheme (the "MPF Scheme") from 1 December 2000.

The MPF Scheme is a master trust scheme established under a trust arrangement and governed by laws in Hong Kong. The assets of the MPF Scheme are held separately from the assets of the employer, the trustees and other service providers. Contributions are made to the MPF Scheme by the employers at 5% of the employees' relevant income as defined in the MPF Ordinance up to a maximum of HK\$1,000 per employee per month (the "MPF Contribution"). The employees also contribute a corresponding amount to the MPF Scheme if their relevant income is HK\$5,000 per month or more. The MPF Contributions are fully and immediately vested in the employees as accrued benefits once they are paid to the approved trustees of the MPF Scheme. Investment income or profit derived from the investment of accrued benefits (after taking into account any loss arising from such investment) is also immediately vested in the employees.

Certain companies within the Group are also participants of the Kerry Trading Co. Limited – Provident Fund Scheme (the "Fund") which is a defined contribution scheme as defined in the Occupational Retirement Schemes Ordinance (Chapter 426 of the Laws of Hong Kong). The Fund is for certain salaried persons (the "Fund Members") under the employment of the companies participating in the Fund. The assets of the Fund are managed by the trustees of the Fund. Contributions are made to the Fund by companies participating in the Fund at 10% of the Fund Members' monthly basic salaries up to a maximum of HK\$10,000 (2010: HK\$10,000) per Fund Member per month (the "Basic Contribution") less the MPF Contribution if the Basic Contribution is higher than the MPF Contribution. Fund Members are entitled to 100% of the employers' contributions to the Fund plus investment earnings upon leaving employment after completing ten years of service or more, or upon retirement after attaining the retirement age after any number of years of service, or upon retirement due to ill health. Fund Members are also entitled to the employers' contributions to the Fund plus investment earnings calculated at a reduced scale of between 20% and 90% after completing a period of service of at least two but less than ten years. The unvested benefits of employees terminating employment forfeited in accordance with the terms of the Fund can be utilised by the companies participating in the Fund to reduce future contributions. During the year, forfeited contributions totalling HK\$1,160,000 (2010: HK\$1,424,000) were utilised leaving HK\$241,000 (2010: HK\$390,000) available at the year end to reduce future contributions.

The Group also made defined contributions to pension plans as required by the relevant municipality or provincial governments in the PRC. The rates of contributions for the relevant periods ranged from 10% to 22% of the staff's salary. For overseas subsidiaries, the Group made contributions to defined contribution pension schemes in accordance with the schemes set up by the overseas subsidiaries and/or under statutory requirements.

33 RETIREMENT BENEFITS (Continued)

(b) Defined benefit plans

The Group operates defined benefit pension plans in Taiwan which are final salary defined benefit plans. The assets of the funded plans are held independently of the Group's assets. The contributions are placed with a government institution. The plans are valued by an independent qualified actuary, Hsu Mao-Chin Actuary, annually using the projected unit credit method.

The amounts recognised in the consolidated statement of financial position are as follows:

	2011 HK\$'000	2010 HK\$'000
Fair value of plan assets	5,173	1,652
Present value of funded obligations	(325,331)	(312,737)
Unrecognised actuarial losses	151,829	120,323
Total pension liabilities	(168,329)	(190,762)

The movements in the fair value of plan assets for the year are as follows:

	2011 HK\$'000	2010 HK\$'000
At 1 January	1,652	–
Acquisition of subsidiaries (note 39)	408	32,841
Actuarial gains	58	66
Employer contributions	33,278	18,865
Benefits paid	(29,754)	(50,120)
Exchange adjustment	(469)	–
At 31 December	5,173	1,652

The movements in the present value of defined benefit obligations recognised in the consolidated statement of financial position are as follows:

	2011 HK\$'000	2010 HK\$'000
At 1 January	312,737	–
Acquisition of subsidiaries (note 39)	925	356,978
Current service cost	8,165	5,437
Interest cost	5,272	3,509
Actuarial losses/(gains)	40,529	(3,067)
Benefits paid	(29,754)	(50,120)
Exchange adjustment	(12,543)	–
At 31 December	325,331	312,737

NOTES TO THE FINANCIAL STATEMENTS

33 RETIREMENT BENEFITS (Continued)

(b) Defined benefit plans (Continued)

The amounts recognised in the consolidated income statement were as follows:

	2011 HK\$'000	2010 HK\$'000
Current service cost	8,165	5,437
Interest cost	5,272	3,509
Net actuarial losses recognised during the year	4,495	2,399
Total, included in staff costs (note 13)	17,932	11,345

Out of the total charge, HK\$12,318,000 (2010: HK\$8,037,000) and HK\$5,614,000 (2010: HK\$3,308,000) were included in direct operating expenses and administrative and other operating expenses respectively.

	2011 HK\$'000	2010 HK\$'000
Actual return on plan assets in the year	58	66

The principal actuarial assumptions used are as follows:

	2011	2010
Discount rate applied to pension obligations	1.75%	1.75% – 2.00%
Expected return on plan assets	1.75%	1.75% – 2.00%
Future salary increases	1.00% – 2.00%	1.00% – 2.00%

The plan assets comprise 100% (2010: 100%) cash deposits.

The history of experience adjustments of 2010 and 2011 are as follows:

	2011 HK\$'000	2010 HK\$'000
Fair value of plan assets	5,173	1,652
Present value of pension obligations	(325,331)	(312,737)
Deficit	(320,158)	(311,085)
Experience adjustment on pension obligations	40,529	(3,067)
Experience adjustment on plan assets	58	66

Expected employer contribution to the plans of the Group for the year ending 31 December 2012 is HK\$33,199,000.

34 SHARE CAPITAL

	Authorised Ordinary shares of HK\$1 each	
	No. of shares	HK\$'000
At 31 December 2010 and 2011	10,000,000,000	10,000,000

	Issued and fully paid Ordinary shares of HK\$1 each			
	2011		2010	
	No. of shares	HK\$'000	No. of shares	HK\$'000
At 1 January	1,436,031,280	1,436,031	1,428,953,442	1,428,953
Issue of shares as a result of exercise of share options (note (a))	2,334,396	2,335	2,415,924	2,416
Issue of shares as a result of conversion of convertible bonds (note 29)	–	–	4,661,914	4,662
At 31 December	1,438,365,676	1,438,366	1,436,031,280	1,436,031

- (a) During the year, a total of 2,334,396 share options were exercised at exercise prices of HK\$6.85, HK\$11.59, HK\$18.74 and HK\$17.58 per share. Details of movements in share options during the year are set out in note 35.
- (b) Proceeds received in respect of the shares issued following the exercise of the share options were used as additional working capital for the Group.

NOTES TO THE FINANCIAL STATEMENTS

35 SHARE OPTIONS

(a) 1997 Share Option Scheme

Under the 1997 Share Option Scheme, the Directors of the Company were authorised, at their discretion, to invite executive directors and key employees of the Company or its subsidiaries to subscribe for shares in the Company subject to terms and conditions stipulated therein. The exercise price for any particular share option was determined by the Board of Directors of the Company in its absolute discretion subject to the compliance with the Listing Rules.

The 1997 Share Option Scheme was terminated on 17 April 2002 such that no further share options shall be offered but the share options which had been granted during its life shall continue to be valid and exercisable in accordance with their terms of issue and in all other respects its provisions shall remain in full force and effect.

Details of the movement of the share options under the 1997 Share Option Scheme are as follows:

	2011		2010	
	Weighted average exercise price in HK\$ per share	Number	Weighted average exercise price in HK\$ per share	Number
At 1 January	7.98	176,948	8.61	280,872
Exercised during the year (note (i))	8.60	(114,396)	9.69	(103,924)
At 31 December (note (iii))	6.85	62,552	7.98	176,948

As at 31 December 2011, all the outstanding share options granted under the 1997 Share Option Scheme were exercisable. For the share options exercised during the year, the related weighted average share price at the time of exercise was HK\$31.84 (2010: HK\$38.18).

(i) Details of share options exercised:

Exercise price per share (HK\$)	Number of share options	
	2011	2010
6.70	–	40,302
11.59	42,208	63,622
6.85	72,188	–
	114,396	103,924

Total amount of proceeds received from the exercise of share options was HK\$983,679 (2010: HK\$1,007,402).

35 SHARE OPTIONS (Continued)

(a) 1997 Share Option Scheme (Continued)

(ii) Terms of share options at the end of the reporting period were as follows:

Expiry date	Exercise price per share (HK\$)	Number of share options	
		2011	2010
01/03/2011	11.59	–	42,208
15/04/2012	6.85	62,552	134,740
		62,552	176,948

(iii) No share options were granted or granted for adjustment, cancelled or lapsed during the year (2010: nil).

(b) 2002 Share Option Scheme

Under the 2002 Share Option Scheme, the Directors of the Company may, at their discretion, grant share options to executives and key employees in the service of any member of the Group and other persons who may make a contribution to the Group subject to terms and conditions stipulated therein. The exercise price for any particular share option shall be such price as the Board of Directors of the Company may in its absolute discretion determine at the time of grant of the relevant share option subject to the compliance with the Listing Rules.

The 2002 Share Option Scheme was terminated on 5 May 2011 such that no further share options shall be offered but the share options which had been granted during its life shall continue to be valid and exercisable in accordance with their terms of issue and in all other respects its provisions shall remain in full force and effect.

Details of the movement of the share options under the 2002 Share Option Scheme are as follows:

	2011		2010	
	Weighted average exercise price in HK\$ per share	Number	Weighted average exercise price in HK\$ per share	Number
At 1 January	35.40	21,135,000	33.66	23,467,000
Exercised during the year (note (i))	18.14	(2,220,000)	17.87	(2,312,000)
Lapsed during the year	47.70	(600,000)	17.58	(20,000)
At 31 December (note (ii))	37.09	18,315,000	35.40	21,135,000

As at 31 December 2011, 18,315,000 (2010: 11,065,000) outstanding options granted under the 2002 Share Option Scheme were exercisable (note (ii)). For the share options exercised during the year, the related weighted average share price at the time of exercise was HK\$38.74 (2010: HK\$41.07).

NOTES TO THE FINANCIAL STATEMENTS

35 SHARE OPTIONS (Continued)

(b) 2002 Share Option Scheme (Continued)

(i) Details of share options exercised:

Exercise price per share (HK\$)	Number of share options	
	2011	2010
18.74	1,070,000	582,000
17.58	1,150,000	1,730,000
	2,220,000	2,312,000

Total amount of proceeds received from the exercise of share options was HK\$40,268,800 (2010: HK\$41,320,080).

(ii) Terms of share options at the end of the reporting period were as follows:

Exercise period	Exercise price per share (HK\$)	Number of share options	
		2011	2010
17/03/2006 – 16/03/2015	18.74	257,500*	362,500*
17/03/2007 – 16/03/2015	18.74	1,377,500*	2,342,500*
02/04/2009 – 01/04/2018	47.70	2,950,000*	3,100,000*
02/04/2010 – 01/04/2018	47.70	2,950,000*	3,100,000*
02/04/2011 – 01/04/2018	47.70	5,900,000*	6,200,000
06/02/2010 – 05/02/2019	17.58	2,150,000*	2,160,000*
06/02/2011 – 05/02/2019	17.58	2,730,000*	3,870,000
		18,315,000	21,135,000

* Outstanding options that were exercisable at the end of the reporting periods of 2010 and 2011.

(iii) No share options were granted or granted for adjustment or cancelled during the year (2010: nil).

(c) 2011 Share Option Scheme

The 2011 Share Option Scheme was adopted by the Company on 5 May 2011. Under the 2011 Share Option Scheme, the Directors of the Company may, at their absolute discretion, grant share options to motivate executives and key employees and other persons who may make a contribution to the Group, and enables the Group to attract and retain individuals with experience and ability and to reward them for their contributions. The exercise price for any particular share options shall be such price as the Board of Directors of the Company may in its absolute discretion determine at the time of grant of the relevant share options subject to the compliance with the Listing Rules.

No option has been granted under the 2011 Share Option Scheme. The 2011 Share Option Scheme will expire on 4 May 2021.

36 SHARE PREMIUM

	2011 HK\$'000	2010 HK\$'000
At 1 January	12,127,520	11,926,986
Arising from exercise of share options (note 34(a))	38,918	39,911
Transfer from share options reserve (note 37(g))	24,149	14,057
Arising from conversion of convertible bonds	–	146,566
At 31 December	12,190,587	12,127,520

37 OTHER RESERVES

	Group							
	Hotel property revaluation reserve HK\$'000	Other properties revaluation reserve HK\$'000	Freehold land and buildings revaluation reserve HK\$'000	Available- for-sale investments revaluation reserve HK\$'000	Convertible bonds reserve HK\$'000	Hedging reserve HK\$'000	Others (note (a)) HK\$'000	Total HK\$'000
At 1 January 2011, as previously reported	200,245	1,249,370	89,479	1,204,375	205,552	(3,946)	11,723,303	14,668,378
Adjustments for change in accounting policies for property, plant and equipment (note 2(a)(i))	(200,245)	(1,217,732)	(89,479)	–	–	–	276,917	(1,230,539)
At 1 January 2011, as restated	–	31,638	–	1,204,375	205,552	(3,946)	12,000,220	13,437,839
Cash flow hedges:								
– Fair value gains	–	–	–	–	–	74,688	–	74,688
– Transfer to finance costs (note 8)	–	–	–	–	–	(9,940)	–	(9,940)
Fair value loss on available-for-sale investments (note (b))	–	–	–	(152,617)	–	–	–	(152,617)
Share of fair value gain on cash flow hedge of an associate	–	–	–	–	–	2,995	–	2,995
Share of exchange reserve of associates	–	–	–	–	–	–	(1,555)	(1,555)
Net translation differences on foreign operations	–	–	–	–	–	–	1,413,665	1,413,665
Transfer to share premium	–	–	–	–	–	–	(24,149)	(24,149)
Value of employee services	–	–	–	–	–	–	10,296	10,296
Transfer from retained profits	–	–	–	–	–	–	4,321	4,321
Acquisition of additional interest in subsidiaries	–	–	–	–	–	–	(155,206)	(155,206)
At 31 December 2011	–	31,638	–	1,051,758	205,552	63,797	13,247,592	14,600,337

NOTES TO THE FINANCIAL STATEMENTS

37 OTHER RESERVES (Continued)

	Group							Total HK\$'000
	Hotel property revaluation reserve HK\$'000	Other properties revaluation reserve HK\$'000	Freehold land and buildings revaluation reserve HK\$'000	Available- for-sale investments revaluation reserve HK\$'000	Convertible bonds reserve HK\$'000	Hedging reserve HK\$'000	Others (note (a)) HK\$'000	
At 1 January 2010, as previously reported	161,349	1,176,597	53,241	886,624	212,498	(5,585)	10,578,894	13,063,618
Adjustments for change in accounting policies for property, plant and equipment (note 2(a)(i))	(161,349)	(1,144,959)	(53,241)	-	-	-	304,925	(1,054,624)
At 1 January 2010, as restated	-	31,638	-	886,624	212,498	(5,585)	10,883,819	12,008,994
Fair value gain on available-for-sale investments (note (b))	-	-	-	317,751	-	-	-	317,751
Share of fair value gain on cash flow hedge of an associate	-	-	-	-	-	1,639	-	1,639
Share of exchange reserve of an associate	-	-	-	-	-	-	1,636	1,636
Net translation differences on foreign operations	-	-	-	-	-	-	1,082,206	1,082,206
Transfer to share premium	-	-	-	-	-	-	(14,057)	(14,057)
Conversion of convertible bonds – equity component	-	-	-	-	(6,946)	-	-	(6,946)
Value of employee services	-	-	-	-	-	-	57,864	57,864
Transfer from retained profits	-	-	-	-	-	-	982	982
Acquisition of additional interest in subsidiaries	-	-	-	-	-	-	(12,231)	(12,231)
Reversal of reserve on dissolution of a subsidiary	-	-	-	-	-	-	1	1
At 31 December 2010, as restated	-	31,638	-	1,204,375	205,552	(3,946)	12,000,220	13,437,839

37 OTHER RESERVES (Continued)

(a) Others

	Group						
	Capital reserve (note (c))	Share options reserve	Exchange fluctuation reserve	Enterprise expansion and general reserve funds (note (d))	Capital redemption reserve (note (e))	Acquisition reserve (note (f))	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2010, as previously reported	7,975,082	209,054	2,367,700	19,190	7,868	-	10,578,894
Adjustments for change in accounting policies for property, plant and equipment (note 2(a)(i))	323,759	-	(18,834)	-	-	-	304,925
At 1 January 2010, as restated	8,298,841	209,054	2,348,866	19,190	7,868	-	10,883,819
Share of exchange reserve of an associate	-	-	1,636	-	-	-	1,636
Net translation differences on foreign operations	-	-	1,082,206	-	-	-	1,082,206
Transfer to share premium	-	(14,057)	-	-	-	-	(14,057)
Value of employee services	-	57,864	-	-	-	-	57,864
Transfer from retained profits	-	-	-	982	-	-	982
Acquisition of additional interest in subsidiaries	-	-	-	-	-	(12,231)	(12,231)
Reversal of reserve on dissolution of a subsidiary	1	-	-	-	-	-	1
At 31 December 2010, as restated	8,298,842	252,861	3,432,708	20,172	7,868	(12,231)	12,000,220
At 1 January 2011, as previously reported	7,975,083	252,861	3,479,550	20,172	7,868	(12,231)	11,723,303
Adjustments for change in accounting policies for property, plant and equipment (note 2(a)(i))	323,759	-	(46,842)	-	-	-	276,917
At 1 January 2011, as restated	8,298,842	252,861	3,432,708	20,172	7,868	(12,231)	12,000,220
Share of exchange reserve of associates	-	-	(1,555)	-	-	-	(1,555)
Net translation differences on foreign operations	-	-	1,413,665	-	-	-	1,413,665
Transfer to share premium	-	(24,149)	-	-	-	-	(24,149)
Value of employee services	-	10,296	-	-	-	-	10,296
Transfer from retained profits	-	-	-	4,321	-	-	4,321
Acquisition of additional interest in subsidiaries	-	-	-	-	-	(155,206)	(155,206)
At 31 December 2011	8,298,842	239,008	4,844,818	24,493	7,868	(167,437)	13,247,592

- (b) This represents surplus arising from valuation of the Group's available-for-sale investments at the end of the reporting period. The accounting policy in respect of measurement of available-for-sale investments is set out in note 2(k).
- (c) Capital reserve of the Group arose from the Group's reorganisation in preparation for its listing on The Stock Exchange of Hong Kong Limited in August 1996, adjusted by the excess or deficit of the fair values of the net assets of subsidiaries and associates subsequently acquired over the cost of investment at the date of acquisition before 1 January 2001.
- (d) Enterprise expansion and general reserve funds are set up by subsidiaries and associates established and operating in the PRC. According to the PRC Foreign Enterprise Accounting Standards, upon approval, the enterprise expansion reserve fund may be used for increasing capital while the general reserve fund may be used for making up losses and increasing capital.

NOTES TO THE FINANCIAL STATEMENTS

37 OTHER RESERVES (Continued)

- (e) The capital redemption reserve arose from the purchase of the Company's shares for cancellation during 1998 and 2002 and represents a transfer from the Company's retained profits equivalent to the nominal value of the shares purchased for cancellation.
- (f) The acquisition reserve arose from the acquisition of additional interest or disposal of interest in subsidiaries that do not result in a loss of control by the Group, and represents any differences between the amount by which the non-controlling interests are adjusted (to reflect the changes in the interests in the subsidiaries) and the fair value of the consideration paid or received.
- (g) Other reserves of the Company

	Contributed surplus HK\$'000	Convertible bonds reserve HK\$'000	Share options reserve HK\$'000	Capital redemption reserve (note (e)) HK\$'000	Hedging reserve HK\$'000	Total HK\$'000
At 1 January 2010	17,793,308	212,498	209,054	7,868	–	18,222,728
Transfer to share premium (note 36)	–	–	(14,057)	–	–	(14,057)
Value of employee services	–	–	57,864	–	–	57,864
Conversion of convertible bonds – equity component	–	(6,946)	–	–	–	(6,946)
At 31 December 2010	17,793,308	205,552	252,861	7,868	–	18,259,589
At 1 January 2011	17,793,308	205,552	252,861	7,868	–	18,259,589
Transfer to share premium (note 36)	–	–	(24,149)	–	–	(24,149)
Value of employee services	–	–	10,296	–	–	10,296
Cash flow hedge						
– Fair value gain	–	–	–	–	6,872	6,872
– Transfer to finance costs	–	–	–	–	(9,849)	(9,849)
At 31 December 2011	17,793,308	205,552	239,008	7,868	(2,977)	18,242,759

The contributed surplus of the Company arose when the Company issued shares in exchange for the shares of companies being acquired, and represents the difference between the nominal value of the Company's shares issued and the value of net assets of the companies acquired. At Group level, the contributed surplus is reclassified into its components of reserves of the underlying subsidiaries.

38 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of profit before taxation to net cash generated from operations

	Group	
	2011 HK\$'000	2010 HK\$'000 (restated)
Profit before taxation	7,102,983	8,737,686
Depreciation of property, plant and equipment and amortisation of leasehold land and land use rights	349,017	257,537
Dividend income from listed and unlisted investments	(69,926)	(79,905)
Finance costs	333,771	38,973
Interest income	(228,372)	(69,086)
Loss on disposal of property, plant and equipment	53,935	4,710
Gain on sale of investment properties	(273,954)	(191,880)
Gain on disposal of subsidiaries	(28,808)	–
Gain on remeasurement of previously held equity interest in an acquiree company	–	(54,203)
(Gain)/loss on disposal of associates	(3,482)	1,486
Fair value loss/(gain) on listed securities at fair value through profit or loss	82,053	(63,410)
Fair value loss on contingent payment for acquisition of subsidiaries	9,973	–
Gain on sale of available-for-sale investments	–	(110)
Impairment of available-for-sale investments	515	1,247
Impairment of goodwill	7,303	40,407
Impairment of properties under development	–	11,888
Write-down of completed properties held for sale	–	2,150
Amortisation of intangible assets	3,721	–
Change in net pension liabilities	(19,841)	(9,919)
Increase in fair value of investment properties	(1,605,932)	(3,009,676)
Share of results of associates	(2,354,901)	(1,374,451)
Reversal of reserves on dissolution of a subsidiary	–	1
Operating profit before working capital changes	3,358,055	4,243,445
(Increase)/decrease in properties under development, completed properties held for sale and accounts receivable, prepayments and deposits	(3,427,823)	3,516,820
Increase/(decrease) in accounts payable, deposits received and accrued charges	3,679,909	(373,042)
Net cash generated from operations	3,610,141	7,387,223

(b) Analysis of the net cash (outflow)/inflow in respect of the acquisition of subsidiaries – business combinations

	2011 HK\$'000	2010 HK\$'000
Cash consideration paid	(439,599)	(224,593)
Cash consideration paid for prior year's acquisition	(24,699)	(59,129)
Cash and bank balances acquired	101,751	306,888
Bank overdrafts acquired	–	(17,587)
Net cash (outflow)/inflow in respect of the acquisition of subsidiaries	(362,547)	5,579

NOTES TO THE FINANCIAL STATEMENTS

38 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(c) Analysis of the net cash outflow in respect of the acquisition of subsidiaries – acquisition of assets

In November 2011, the Group acquired 71% of the share capital of Max Leader Limited and its subsidiary which own various properties located at 25-27A Sha Tin Heights Road, Sha Tin, Hong Kong for redevelopment purpose.

	HK\$'000
Cash consideration paid	106,500
Consideration to be paid	17
Total	106,517

The recognised amounts of identifiable assets acquired and liabilities assumed as at the date of acquisition are as follows:

	HK\$'000
Properties under development	150,000
Accounts receivable, prepayments and deposits	24
Total identifiable net assets	150,024
Non-controlling interests and loans	(43,507)
Total	106,517

38 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(d) Transactions with non-controlling interests

During January to December 2011, the Group acquired an additional 2.24% effective interest of Kerry TJ for a total purchase consideration of HK\$92,975,000. The average carrying amount of the non-controlling interests in Kerry TJ on the dates of acquisitions was HK\$44,368,000. The Group recognised a decrease in non-controlling interests of HK\$44,368,000 and a decrease in equity attributable to the shareholders of the Company of HK\$48,607,000.

In January 2011, the Group acquired an additional 11.64% effective interest of Kerry Siam Seaport Limited ("KSSP") for a purchase consideration of approximately HK\$49,984,000. The carrying amount of the non-controlling interests in KSSP on the date of acquisition was HK\$47,441,000. The Group recognised a decrease in non-controlling interests of HK\$47,441,000 and a decrease in equity attributable to the shareholders of the Company of HK\$2,543,000.

In March 2011, the Group acquired an additional 39% effective interest of Changsha Guang Yue Real Estate Company Limited ("Changsha") for a purchase consideration of HK\$344,402,000. The carrying amount of the non-controlling interests in Changsha on the date of acquisition was HK\$248,970,000. The Group recognised a decrease in non-controlling interests of HK\$248,970,000 and a decrease in equity attributable to the shareholders of the Company of HK\$95,432,000.

Besides, during the year, the Group completed several transactions with non-controlling interests as follows:

In January 2011, the Group acquired an additional 10% effective interest of Kerry Reliable Logistics Private Limited.

In October 2011, the Group acquired an additional 5% effective interest of KART Logistics (Thailand) Limited.

In December 2011, the Group acquired an additional 35% effective interest of Kerry Far East Logistics (HK) Limited.

The effect of changes in the ownership interest of the above transactions on the equity attributable to the shareholders of the Company during the year are summarised as follows:

	HK\$'000
Consideration paid to non-controlling interests	495,483
Carrying amount of non-controlling interests acquired	(340,277)
Excess of consideration paid recognised in the acquisition reserve within equity	155,206

NOTES TO THE FINANCIAL STATEMENTS

38 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(d) Transactions with non-controlling interests (Continued)

In April 2011, the Group disposed of 49% effective interest of Kerry Logistics (Macau) Limited ("KLM") for a consideration of HK\$47,000. The carrying amount of the disposed non-controlling interests in KLM on the date of acquisition was HK\$47,000. The Group recognised an increase in non-controlling interests of HK\$47,000 and no change in equity attributable to the shareholders of the Company.

In March 2011, the Group disposed of 2% effective interest of K.A.S Services Company Limited ("KAS") for a consideration of HK\$24,000. The carrying amount of the acquired non-controlling interests in KAS on the date of acquisition was HK\$24,000. The Group recognised an increase in non-controlling interests of HK\$24,000 and no change in equity attributable to the shareholders of the Company.

The effect of the above transactions are summarised as follows:

	HK\$'000
Consideration received from non-controlling interests	71
Carrying amount of non-controlling interests disposed	(71)
	-

(e) Analysis of the net cash inflow in respect of the disposal of subsidiaries

	2011 HK\$'000	2010 HK\$'000
Net assets disposed of:		
Property, plant and equipment	670	-
Properties under development	262,158	-
Land deposits	2,046,970	-
Completed properties held for sale	93,788	-
Accounts receivables, prepayments and deposits	19,173	-
Cash and bank balances	60,772	-
Accounts payable, deposits received and accrued charges	(31,937)	-
Taxation	(5,304)	-
Bank loan	(157,625)	-
	2,288,665	-
Interest in an associate	(1,023,449)	-
	1,265,216	-
Gain on disposal of subsidiaries	28,808	-
	1,294,024	-
Total consideration	1,294,024	-
Cash and bank balances disposed of	(60,772)	-
Net cash inflow in respect of the disposal of subsidiaries	1,233,252	-

39 BUSINESS COMBINATIONS

- (a) In January 2011, the Group acquired 70% interest of Kunshan Wisdom Logistics Co., Ltd. (“Wisdom”), which is a non-vessel operating common carrier and operates one of the major sea freight consolidation platforms in Shanghai serving mainly the Japan and Southeast Asia trade routes.

	HK\$'000
Cash consideration paid	100,522
Consideration to be paid	105,009
Total	205,531

The recognised amounts of identifiable assets acquired and liabilities assumed as at the date of acquisition are as follows:

	HK\$'000
Property, plant and equipment	72,748
Leasehold land and land use rights	73,775
Intangible assets	
– Customer relationships	2,490
– Non-compete agreements	11,517
Accounts receivable, prepayments and deposits	230,985
Cash and bank balances	41,410
Accounts payable, deposits received and accrued charges	(249,829)
Taxation	(2,836)
Bank loans	(17,628)
Deferred taxation	226
Total identifiable net assets	162,858
Goodwill	95,373
Non-controlling interests	(52,700)
Total	205,531

The goodwill of HK\$95,373,000 arising from the acquisition is attributable to the future profitability of the acquired business. The acquired business contributed revenues of HK\$1,523,065,000 and net profit of HK\$12,827,000 to the Company's shareholders for the period from acquisition up to 31 December 2011. The contingent consideration arrangement required the Group to pay the former owner of Wisdom an undiscounted amount in the range between HK\$50,099,000 and HK\$146,594,000 based on a multiple of the profit before taxation of Wisdom for three years from 2011 to 2013. The fair value of the contingent consideration of HK\$105,009,000 has been provided in the consolidated financial statements of the Group.

NOTES TO THE FINANCIAL STATEMENTS

39 BUSINESS COMBINATIONS (Continued)

- (b) In January 2011, the Group acquired 70% interest of Shanghai Hui Cheng Investment Consultancy Co., Ltd. ("HCL"), which is a third-party logistics company, specializing in integrated logistics in chemicals, with a special focus on dangerous goods, fast moving consumer goods, electromechanical and automotive industries.

	HK\$'000
Cash consideration paid	35,256
Consideration to be paid	48,279
Total	83,535

The recognised amounts of identifiable assets acquired and liabilities assumed as at the date of acquisition are as follows:

	HK\$'000
Property, plant and equipment	8,647
Intangible assets	
– Customer relationships	8,125
– Non-compete agreements	8,102
Accounts receivable, prepayments and deposits	56,045
Cash and bank balances	40,367
Accounts payable, deposits received and accrued charges	(60,242)
Bank loans	(9,049)
Taxation	(512)
Total identifiable net assets	51,483
Goodwill	47,497
Non-controlling interests	(15,445)
Total	83,535

The goodwill of HK\$47,497,000 arising from the acquisition is attributable to the future profitability of the acquired business. The acquired business contributed revenues of HK\$387,003,000 and net profit of HK\$9,457,000 to the Company's shareholders for the period from acquisition up to 31 December 2011. The contingent consideration arrangement required the Group to pay the former owner of HCL an undiscounted amount in the range between HK\$31,730,000 and HK\$63,461,000 based on a multiple of the profit for the year of HCL for two years from 2011 to 2012. The fair value of the contingent consideration of HK\$48,279,000 has been provided in the consolidated financial statements of the Group.

39 BUSINESS COMBINATIONS (Continued)

- (c) In October 2011, the Group acquired 100% interest of TOP Transmode Overseas Partners (MY) SDN. BHD., Transmode Overseas Transportgesellschaft mbH and Mark VII International GmbH (“Transmode”), which is a group of freight forwarding companies offering both import & export services as well as expertise in bulk shipments of commodities such as rubber. Its main markets are Asia, South America, USA and the Middle East.

	HK\$'000
Cash consideration paid	59,086
Consideration to be paid	82,351
Total	141,437

The recognised amounts of identifiable assets acquired and liabilities assumed as at the date of acquisition are as follows:

	HK\$'000
Property, plant and equipment	2,976
Intangible assets	
– Customer relationships	26,570
– Non-compete agreements	10,671
Accounts receivable, prepayments and deposits	219,551
Cash and bank balances	13,778
Accounts payable, deposits received and accrued charges	(203,724)
Taxation	(5,341)
Deferred taxation	13
Total identifiable net assets	64,494
Goodwill	77,050
Non-controlling interests	(107)
Total	141,437

The goodwill of HK\$77,050,000 arising from the acquisition is attributable to the future profitability of the acquired business. The acquired business contributed revenues of HK\$156,739,000 and net profit of HK\$3,322,000 to the Company's shareholders for the period from acquisition up to 31 December 2011. If the acquisition had occurred on 1 January 2011, the contributed revenues and profit attributable to Company's shareholders would have been HK\$1,103,980,000 and HK\$22,604,000 respectively. The contingent consideration arrangement required the Group to pay the former owner of Transmode an undiscounted amount up to a maximum of HK\$91,552,000 based on a multiple of profit before interest and tax and adjusted by the gross profit of Transmode for three years from 2011 to 2013. The fair value of the contingent consideration of HK\$82,351,000 has been provided in the consolidated financial statements of the Group.

NOTES TO THE FINANCIAL STATEMENTS

39 BUSINESS COMBINATIONS (Continued)

- (d) In December 2011, the Group acquired 70% interest of the business of Shandong D-Express Management Consultancy Co., Ltd. ("D-Express"), which is a Qingdao incorporated company engaged in courier express services of document and small items serving customers mainly in Shandong.

	HK\$'000
Cash consideration paid	36,933
Consideration to be paid	32,378
Total	69,311

The recognised amounts of identifiable assets acquired and liabilities assumed as at the date of acquisition are as follows:

	HK\$'000
Property, plant and equipment	22,976
Intangible assets	
– Customer relationships	4,820
– Non-compete agreements	6,727
– Trademark	12,275
Accounts receivable, prepayments and deposits	29,279
Cash and bank balances	2,518
Accounts payable, deposits received and accrued charges	(2,985)
Total identifiable net assets	75,610
Goodwill	16,384
Non-controlling interests	(22,683)
Total	69,311

The goodwill of HK\$16,384,000 arising from the acquisition is attributable to the future profitability of the acquired business. The acquired business contributed revenues of HK\$12,935,000 and net loss of HK\$1,307,000 to the Company's shareholders for the period from acquisition up to 31 December 2011. If the acquisition had occurred on 1 January 2011, the contributed revenues and profit attributable to Company's shareholders would have been HK\$143,441,000 and HK\$1,466,000 respectively. The contingent consideration arrangement required the Group to pay the former owner of D-Express an undiscounted amount up to a maximum of HK\$36,810,000 base on the profit for the year of D-Express for three years from 2012 to 2014. The fair value of the contingent consideration of HK\$32,378,000 has been provided in the consolidated financial statements of the Group.

39 BUSINESS COMBINATIONS (Continued)

- (e) In April 2011, the Group acquired 100% of the share capital of All First Investments Limited which owns a public carpark located at Kwai Sing Lane, Hong Kong.

	HK\$'000
Cash consideration paid	168,816

The recognised amounts of identifiable assets acquired and liabilities assumed as at the date of acquisition are as follows:

	HK\$'000
Investment properties	170,000
Accounts receivable, prepayments and deposits	68
Accounts payable, deposits received and accrued charges	(55)
Taxation	(1,197)
Total identifiable net assets	168,816

The acquired subsidiary did not contribute any significant results to the Group from acquisition up to 31 December 2011. If the acquisition had occurred on 1 January 2011, the contributed revenues and profit attributable to Company's shareholders were insignificant to the Group.

- (f) Besides, during the year, the Group completed several other acquisitions as follows:

In January 2011, the Group acquired 91% effective interest of Bergen Freight Forwarding Limited ("Bergen"), which is engaging in international freight forwarding business in the United Kingdom.

In January 2011, the Group acquired 100% interest of Nine To Five Limited, which is an established food processing and meal provider in Hong Kong. The acquisition includes an 18,500-square-foot food production centre in Tai Po.

In July 2011, the Group acquired 91% effective interest of Regency Forwarding Limited ("Regency"), which is engaging in international freight forwarding business in the United Kingdom.

In September 2011, the Group acquired 51% effective interest of ADN Berkat Sdn Bhd and Sinar Haulage Sdn Bhd, both of which are engaging in trucking business in Malaysia.

In December 2011, the Group acquired 17.96% effective interest of Trust Speed Group which comprises three companies operating pharmaceutical logistics business in Taiwan.

Aggregate consideration of the above transactions are as follows:

	HK\$'000
Cash consideration paid	38,986
Consideration to be paid	10,874
Fair value of equity interest in an associate	883
Total	50,743

NOTES TO THE FINANCIAL STATEMENTS

39 BUSINESS COMBINATIONS (Continued)

(f) (Continued)

The recognised amounts of identifiable assets acquired and liabilities assumed as at the respective dates of acquisition are as follows:

	HK\$'000
Property, plant and equipment	18,988
Accounts receivable, prepayments and deposits	26,987
Cash and bank balances	3,678
Accounts payable, deposits received and accrued charges	(26,234)
Taxation	(380)
Bank loans	(3,849)
Deferred taxation	(167)
Retirement benefit obligations	(517)
<hr/>	
Total identifiable net assets	18,506
Goodwill	34,600
Non-controlling interests	(2,363)
<hr/>	
Total	50,743

The acquired businesses above contributed revenues of HK\$92,187,000 and net loss of HK\$11,000 to the Company's shareholders for the period from their respective acquisition up to 31 December 2011. If all the acquisitions had occurred on 1 January 2011, the contributed revenues and profit attributable to Company's shareholders would have been HK\$169,541,000 and HK\$2,345,000 respectively.

The contingent consideration arrangement required the Group to pay the former owner of Bergen an undiscounted amount in the range between HK\$2,122,000 and HK\$6,366,000 based on a multiple of the gross profit of Bergen for two years from 2011 to 2012. The fair value of the contingent consideration of HK\$5,457,000 has been provided for in the consolidated financial statements of the Group.

The contingent consideration arrangement required the Group to pay the former owner of Regency an undiscounted amount in the range between HK\$999,000 and HK\$9,115,000 based on a multiple of the gross profit of Regency for two years from 2012 to 2013. The fair value of the contingent consideration of HK\$5,417,000 has been provided in the consolidated financial statements of the Group.

40 RELATED PARTY TRANSACTIONS

The following significant transactions were carried out with related parties during the year:

(a) Rendering and purchases of services

	2011 HK\$'000	2010 HK\$'000
Marketing, consultancy and administrative management fees expense (note (i))	15,226	14,869
Rental expense (note (ii))	36,888	597

- (i) This represents payment of services fees to Shangri-La International Hotel Management Limited, a subsidiary of SA, which provided marketing, consultancy and administrative management services to a member of the Group. The service fees payable during the year were determined at either a fixed amount or a certain percentage of the gross operating revenue of the relevant company in accordance with the agreement for the provision of the above services.
- (ii) This represents payment of rental expenses to Ubagan Limited, an associate of the Group, in respect of leasing of several units and floors of Kerry Centre as corporate offices and several car parking spaces for the use by the Group in conjunction with such offices.

(b) Key management compensation

	2011 HK\$'000	2010 HK\$'000
Salaries and other short-term benefits	103,420	88,820
Share-based payments	5,328	29,393
Post-employment benefits	720	810
	109,468	119,023

(c) Year-end balances

	2011 HK\$'000	2010 HK\$'000
Receivables from related parties:		
Associates (note 19)	3,404,030	2,663,477
Payables to related parties:		
Included under amounts due to non-controlling interests (note 31)		
– Subsidiaries of SA	595,256	589,955
– Subsidiaries of Kerry Holdings Limited	241,698	241,698
Associates (note 19)	60,803	63,145

NOTES TO THE FINANCIAL STATEMENTS

40 RELATED PARTY TRANSACTIONS (Continued)

(d) Guarantees for banking and other facilities of certain associates

The Group has executed guarantees for banking and other facilities granted to certain associates. The utilised amount of such facilities covered by the Group's guarantees which also represented the financial exposure of the Group as at 31 December 2011 amounted to approximately HK\$1,576,413,000 (2010: HK\$1,393,702,000). The total amount of such facilities covered by the Group's guarantees as at 31 December 2011 amounted to approximately HK\$2,594,570,000 (2010: HK\$2,473,752,000). The above-mentioned amounts are also reflected in the guarantees given by the Group for banking and other facilities disclosed in note 42(a).

(e) Other related party transactions

During the year, certain subsidiaries of the Group entered into sale and purchase agreements with certain related parties for sale of properties in Hong Kong for a total consideration of HK\$269,153,000. The sales of property units to related parties were in the ordinary course of business of the Group.

41 COMMITMENTS

- (a) At 31 December 2011, the Group had capital commitments in respect of interests in leasehold land, properties under development, property, plant and equipment and equity interests in certain companies not provided for in these financial statements as follows:

	2011 HK\$'000	2010 HK\$'000
Contracted but not provided for	7,743,340	6,651,347
Authorised but not contracted for	440,599	263,662
	8,183,939	6,915,009

- (b) At 31 December 2011, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	2011 HK\$'000	2010 HK\$'000
Land and buildings:		
Within one year	326,670	176,541
In the second to fifth year, inclusive	450,242	330,075
Over five years	153,517	106,312
	930,429	612,928

- (c) At 31 December 2011, the Group had future aggregate minimum lease rental receivable under non-cancellable operating leases as follows:

	2011 HK\$'000	2010 HK\$'000
Land and buildings:		
Within one year	1,455,148	1,289,696
In the second to fifth year, inclusive	1,386,512	1,363,082
Over five years	415,818	497,738
	3,257,478	3,150,516

42 CONTINGENT LIABILITIES

(a) Guarantees for banking and other facilities

	Group		Company	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Guarantees for banking and other facilities of certain subsidiaries and associates (notes (i) and (ii))	1,576,413	1,393,702	19,302,484	9,211,056
Guarantees to certain banks for mortgage facilities granted to first buyers of certain properties in the PRC (note (iii))	765,187	755,081	–	–
Guarantees to convertible bondholders (note (iv))	–	–	2,734,151	2,594,635
Guarantees to fixed rate bondholders (note (v))	–	–	5,561,518	3,251,082
	2,341,600	2,148,783	27,598,153	15,056,773

- (i) The Group has executed guarantees for banking and other facilities granted to certain associates. The utilised amount of such facilities covered by the Group's guarantees which also represented the financial exposure of the Group as at 31 December 2011 amounted to approximately HK\$1,576,413,000 (2010: HK\$1,393,702,000). The total amount of such facilities covered by the Group's guarantees as at 31 December 2011 amounted to approximately HK\$2,594,570,000 (2010: HK\$2,473,752,000).
- (ii) The Company has executed guarantees to banks for facilities granted to certain subsidiaries and associates. The utilised amount of such facilities covered by the Company's guarantees which also represented the financial exposure of the Company as at 31 December 2011 amounted to approximately HK\$19,302,484,000 (2010: HK\$9,211,056,000). The total amount of such facilities covered by the Company's guarantees as at 31 December 2011 amounted to approximately HK\$26,532,566,000 (2010: HK\$18,737,701,000).
- (iii) The Group has executed guarantees to certain banks for mortgage facilities granted to first buyers of certain properties developed by the Group in the PRC. The utilised amount of such facilities covered by the Group's guarantees which also represented the financial exposure of the Group as at 31 December 2011 amounted to approximately HK\$765,187,000 (2010: HK\$755,081,000). The total amount of such facilities covered by the Group's guarantees as at 31 December 2011 amounted to approximately HK\$8,887,153,000 (2010: HK\$4,825,058,000).
- (iv) The Company has executed guarantees in favour of convertible bondholders in respect of the outstanding convertible bonds issued by the Group for an aggregate outstanding principal value of HK\$2,350,000,000 (2010: HK\$2,350,000,000) (note 29).
- (v) The Company has executed guarantees in favour of fixed rate bondholders in respect of the outstanding fixed rate bonds issued by the Group (note 30).

NOTES TO THE FINANCIAL STATEMENTS

42 CONTINGENT LIABILITIES (Continued)

(b) Other guarantees and undertakings

- (i) A wholly-owned subsidiary of the Company, through its associate, has a 40% interest in a company which is engaged in the development of a site at the Hang Hau Mass Transit Railway Station Development (the "Hang Hau Developer"). The Hang Hau Developer was granted exclusive rights to develop the site pursuant to a development agreement (the "Hang Hau Development Agreement") entered into by the Hang Hau Developer with, amongst others, MTR Corporation Limited ("MTRC").

Pursuant to a deed of guarantee in relation to the above development, the Company has provided several guarantees in favour of MTRC for the due and punctual performance and observance by the Hang Hau Developer of 40% of its obligations, liabilities, stipulations, acts and duties under or in connection with the Hang Hau Development Agreement and the due and punctual payment of 40% of all monies and liabilities due, owing or payable to MTRC from the Hang Hau Developer under or in connection with the Hang Hau Development Agreement.

- (ii) The Group has a 50% interest in a company ("Party 1") which owns a piece of land in Cheung Sha Wan while another company ("Party 2") owns an adjacent piece of land. Party 1 and Party 2 are negotiating the joint redevelopment of the two pieces of land. Prior to the joint redevelopment, the parties need to surrender the existing two pieces of land to the Government in exchange for the grant of a new lot for commercial/residential development with public car park facilities (the "Proposed Land Exchange"). The Proposed Land Exchange involves the grant of a street and its associated footpaths as part of the new lot and requires the permanent closure of the abovementioned street and its associated footpaths.

Pursuant to an undertaking (the "Undertaking") dated 6 January 2006, in consideration of the Government entering into and continuing the negotiations with Party 1 and Party 2 on the Proposed Land Exchange, the Company and other parties, including the holding companies of the shareholders of Party 1 and Party 2, have jointly and severally undertaken, covenanted and agreed that they shall indemnify and keep indemnified the Government and any of its officers from and against all and any actions (including judicial reviews), liabilities, demands, claims, expenses, costs and losses arising directly or indirectly out of or in connection with the gazetting of the permanent closure of the abovementioned street and its associated footpaths under the Roads (Works, Use and Compensation) Ordinance and the authorisation of such closure.

Pursuant to a deed of cross indemnity and a collateral deed of cross indemnity, both dated 6 January 2006, the Group's liabilities under the Undertaking shall be several and shall be determined based on its share of interest in the joint redevelopment.

- (iii) A wholly-owned subsidiary of the Company, Wealthy State Investments Limited ("Wealthy State"), has been granted the right to jointly develop a site in Sai Ying Pun, Hong Kong pursuant to a development agreement (the "SYP Development Agreement") entered into between Wealthy State and the Urban Renewal Authority ("URA").

Pursuant to a guarantee in relation to the above development, the Company has provided guarantees in favour of URA for the due and punctual performance and fulfilment of all Wealthy State's obligations under the SYP Development Agreement or arising out of or in connection with the SYP Development Agreement (including Wealthy State's obligations to make payments under the terms of the SYP Development Agreement).

42 CONTINGENT LIABILITIES (Continued)

(c) Litigation

Kerry EAS Logistics Limited ("KEAS"), a company in which the Group has a 70% interest, is involved in a legal case in which an airline operator, together with five other plaintiffs, including the insurers of the aircraft, are claiming damages, costs and interest, against six defendants, including KEAS, on a joint and several basis in relation to the alleged damages amounting to approximately US\$65.6 million (approximately HK\$511.7 million at the exchange rate of US\$1 = HK\$7.8) caused to an aircraft in 2000 in respect of the transportation of certain chemical substance.

The alleged damages of approximately US\$65.6 million sought by the plaintiffs represent the market value of the aircraft at the time when the damage occurred less the resale value of the aircraft after repairs. According to the pleadings and the affidavits of the five other plaintiffs, the airline operator was compensated by these plaintiffs for 15% of the total loss. The remaining 85% of the total loss was compensated by other reinsurers. These reinsurers have not brought any legal action against the six defendants as at the reporting date of the Group's consolidated financial statements.

In the court judgment given by Beijing High Level People's Court (the "Court") on 5 December 2007, it was stated that KEAS had fulfilled all its obligations in this case and it had no liability to any of the plaintiffs. All claims brought by the airline operator together with the other five plaintiffs against KEAS, and the other three defendants were all dismissed by the Court. Judgment was entered by the Court in favour of all plaintiffs against the other two defendants for the amount of US\$65.1 million. All the six plaintiffs and one of the defendants had lodged their appeal.

Based on the opinion of the legal advisers to the Group, neither the allegation nor the said amount claimed by the plaintiffs against KEAS was substantiated and the legal advisers to the Group also advised that it is unlikely that KEAS will be found liable for the claimed damages and losses. Accordingly, no provision has been made in the financial statements.

Save as disclosed above, as at the reporting date of the Group's consolidated financial statements, the Company was not aware of any further development of this legal action. Pursuant to the sale and purchase agreement for the acquisition of KEAS, the vendor of KEAS has undertaken to indemnify the Group in full in respect of all losses, costs, expenses and other responsibilities and liabilities arising against KEAS.

43 PLEDGE OF ASSETS – GROUP

At 31 December 2011, the Group's total bank loans and overdrafts of HK\$21,199,491,000 (2010: HK\$14,829,652,000) included an aggregate amount of HK\$18,022,744,000 (2010: HK\$13,833,007,000) which is unsecured and an aggregate amount of HK\$3,176,747,000 (2010: HK\$996,645,000) which is secured. The securities provided for the secured banking facilities available to the Group are as follows:

- (i) legal charges over certain properties and port facilities (notes 14 to 17);
- (ii) charges on bank balances amounting to HK\$3,279,000 (2010: nil) of certain subsidiaries; and
- (iii) assignments of insurance proceeds of certain properties.

44 ULTIMATE HOLDING COMPANY

The directors regard Kerry Group Limited, a company incorporated in the Cook Islands, as being the ultimate holding company.

NOTES TO THE FINANCIAL STATEMENTS

45 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES

(i) Principal Subsidiaries

As at 31 December 2011, the Company held interests in the following subsidiaries which are categorised according to the business divisions of the Group, namely, Property Division, Logistics Network Division and Other Divisions as listed below:

Name	Place of incorporation/ establishment	Principal activities	Issued share capital ⁽¹⁾ / Registered capital		Indirect interest held unless denoted with*	Notes
			Number/ Amount	Par value per share		
Property Division – PRC						
Beijing Jia Ao Real Estate Development Co., Ltd.	PRC	Property investment	US\$77,967,600	–	71.25%	(6)(9)
Beijing Kerry Hotel Co., Ltd. (formerly, Beijing Kerry Centre Hotel Co., Ltd.)	PRC	Hotel ownership and operation	US\$33,000,000	–	71.25%	(6)(9)
Beijing Kerry Huayuan Real Estate Development Co., Ltd.	PRC	Property development	RMB178,500,000	–	71%	(5)(6)(9)
Changsha Guang Yue Real Estate Co., Ltd.	PRC	Property development	RMB218,000,000	–	100%	(5)(6)(8)
Hong Kong Shanghai Development Co Limited	HK	Investment holding	8,000,000	HK\$1	75%	
Kerry Cao Jia Yan Properties (Shanghai) Co., Ltd.	PRC	Property investment	US\$13,400,000	–	100%	(5)(8)
Kerry Centre Real Estate (Shenzhen) Co. Ltd.	PRC	Property investment	HK\$142,000,000	–	100%	(5)(6)(8)
Kerry Development (Chengdu) Ltd.	PRC	Property development	RMB675,000,000	–	55%	(5)(6)(8)
Kerry Development (Manzhouli) Co., Ltd.	PRC	Property investment and development	US\$6,800,000	–	100%	(5)(8)
Kerry Development (Shanghai) Co., Ltd.	PRC	Property investment	US\$5,000,000	–	100%	(8)
Kerry Development (Shenzhen) Co., Ltd.	PRC	Property investment and development	HK\$708,350,000	–	100%	(5)(6)(8)
Kerry Huafeng Property Development (Hangzhou) Co., Ltd.	PRC	Property investment and development	HK\$680,000,000	–	100%	(5)(8)
Kerry Properties (China) Limited	BVI	Investment holding	4,554,642,958	HK\$1	100%*	
Kerry Properties (China) Limited	HK	Investment holding and provision of administrative support services	100,000	HK\$1	100%	
Kerry Properties (China) Investment Co., Ltd.	PRC	Provision of consultancy services	RMB208,000,000	–	100%	(5)(8)
Kerry Properties (Shenzhen) Co., Ltd.	PRC	Property investment	HK\$112,082,975	–	100%	(5)(6)(8)
Kerry Properties Development Management (Shanghai) Co., Ltd.	PRC	Real estate and project management	RMB8,962,190	–	100%	(6)(8)
Kerry Real Estate (Hangzhou) Co. Ltd.	PRC	Property development	US\$365,750,000	–	100%	(5)(8)
Kerry Real Estate (Nanchang) Co., Ltd.	PRC	Property development	RMB350,000,000	–	80%	(5)(8)
Kerry (Shenyang) Real Estate Development Co., Ltd.	PRC	Property development	RMB3,447,500,000	–	60%	(5)(8)
Kerry Shanghai (Hongkou) Ltd.	Samoa	Investment holding	6,000,000	HK\$1	60%	
Lucky Billion Development (Qinhuangdao) Co., Ltd.	PRC	Property development	RMB882,000,000	–	60%	(5)(6)(8)
Million Palace Development (Chengdu) Co., Ltd.	PRC	Property development	RMB1,085,000,000	–	55%	(5)(6)(8)
Risenland Development (Fuzhou) Co., Ltd.	PRC	Property investment	HK\$44,000,000	–	100%	(5)(8)
Shanghai Gang Hu Properties Co., Ltd.	PRC	Property investment and development	US\$155,300,000	–	74.25%	(5)(9)
Shanghai Ji Xiang Properties Co., Ltd.	PRC	Property development	US\$311,250,000	–	51%	(5)(8)
Shanghai Kerry Real Estate Development Co., Ltd.	PRC	Property investment	US\$3,000,000	–	55.20%	(9)
Shanghai Xin Ci Hou Properties Co., Ltd.	PRC	Property investment	US\$60,000,000	–	74.25%	(9)
Sky Fair Development (Qinhuangdao) Co., Ltd.	PRC	Property development	RMB735,000,000	–	60%	(5)(6)(8)
Wealthy Plaza Development (Chengdu) Ltd.	PRC	Property development	RMB750,000,000	–	55%	(5)(6)(8)
Xiang Heng Real Estate (Jinan) Co., Ltd.	PRC	Property development	RMB340,000,000	–	55%	(5)(8)
Ying He Company Limited	HK	Investment holding	10 21,000,000 ⁽³⁾	HK\$1 HK\$1	100%	

45 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (Continued)

(i) Principal Subsidiaries (Continued)

Name	Place of incorporation/ establishment	Principal activities	Issued share capital ⁽¹⁾ / Registered capital		Indirect interest held unless denoted with*	Notes
			Number/ Amount	Par value per share		
Property Division – Hong Kong						
All First Investments Limited	BVI	Property investment	2	US\$1	100%	(12)
Asia Insight Investments Limited	HK	Restaurant operation	1	HK\$1	100%	
Asian Profit Limited	HK	Property development	1	HK\$1	71%	
Best Insight Limited	HK	Property development	1	HK\$1	100%	
Bethan Company Limited	HK	Property development	2	HK\$1	100%	
Capital Rise Investments Limited	HK	Property development	1	HK\$1	71%	
Chain Base Limited	HK	Property development	1	HK\$1	71%	
Chester Profit Limited	HK	Property development	10,000	HK\$1	71%	
Crown On Investment Limited	HK	Property development	10,000	HK\$1	71%	
Crystal Link Holdings Limited	HK	Property development	1	HK\$1	100%	
Fine Century Holdings Limited	HK	Restaurant operation	1	HK\$1	100%	
Fortune Mega Investments Limited	BVI	Investment holding in HK	1	US\$1	100%	
Golden Concord Properties Limited	HK	Property development	1	HK\$1	100%	
Haily Investments Limited	HK	Property development	1	HK\$1	71%	
Hugo Vantage Limited	HK	Property development	1	HK\$1	71%	
Interseed Company Limited	HK	Property trading	2	HK\$1	100%	
Jadway Limited	HK	Investment holding and property development	10,000	HK\$1	71%	
Join Sky Investment Limited	HK	Property development	1	HK\$1	71%	
Kerry Project Management (Macau) Limited	Macau	Project management and construction management	MOP1,000,000	–	100%	
Kerry Properties (H.K.) Limited	HK	Investment holding and provision of administrative support services	1,000 200,000,000 ⁽³⁾	HK\$1 HK\$1	100%	
Kerry Properties (Hong Kong) Limited	BVI	Investment holding	41,317,948	HK\$0.01	100%*	
Kerry Properties (Macau) Limited	Macau	Property development	MOP1,000,000	–	71%	
Kildare Limited	HK	Property development	2	HK\$1	100%	
Leading Well Limited	HK	Property development	1	HK\$1	71%	
Mable Road Company Limited	HK	Property investment	10 10,000 ⁽³⁾	HK\$1 HK\$1	100%	
Magnifair Company Limited	HK	Property trading	10,000	HK\$1	100%	
Maple Crest Development Limited	BVI	Provision of finance services and recreation park operation	120	US\$1	75%	
Maxtime International Limited	HK	Property development	1	HK\$1	71%	
MegaBox Development Company Limited	HK	Property investment	2	HK\$1	100%	
MegaBox Management Services Limited	HK	Property management	2	HK\$1	100%	
Metro Cosmos Limited	HK	Property development	1	HK\$1	71%	

NOTES TO THE FINANCIAL STATEMENTS

45 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (Continued)

(i) Principal Subsidiaries (Continued)

Name	Place of incorporation/ establishment	Principal activities	Issued share capital ⁽¹⁾ / Registered capital		Indirect interest held unless denoted with*	Notes
			Number/ Amount	Par value per share		
Property Division – Hong Kong (Continued)						
Mid-Levels Portfolio (Aigburth) Limited	Cook Islands	Property investment in HK	9	US\$1	100%	
Mid-Levels Portfolio (Branksome) Limited	HK	Property investment	100	HK\$10	100%	
Mid-Levels Portfolio (Gladdon) Limited	HK	Property investment	100	HK\$10	100%	
Mid-Levels Portfolio (Tavistock) Limited	HK	Property investment	100	HK\$10	100%	
Mid-Levels Portfolio (Valverde) Limited	HK	Property investment and trading	100	HK\$10	100%	
Newick Limited	HK	Property development	1	HK\$1	71%	
Panawin Limited	HK	Property development	1	HK\$1	71%	
Pettico Limited	HK	Provision of finance services	2	HK\$10	100%	
Prismatic Limited	HK	Property trading	2	HK\$10	100%	
Rayhay Company Limited	HK	Provision of financial services	2	HK\$1	100%	
Right Century Investments Limited	HK	Property development	1	HK\$1	100%	
Rink Management Group Limited	HK	Ice rink operation	1,000,000	HK\$1	100%	
Rodder Holdings Limited	BVI	Investment holding in HK	1	US\$1	100%	
Shun On Properties Limited	HK	Property development	1	HK\$1	71%	
Sociedade de Investimento Imobiliário Tim Keng Van, S.A.	Macau	Property development	10,000	MOP100	100%	(5)
Taskan Limited	HK	Property trading	2	HK\$1	100%	
Trebanos Investment Company Limited	HK	Investment holding	2	HK\$1	100%	
Vickon Limited	HK	Property development	1	HK\$1	71%	
Wealthline Properties Limited	BVI	Investment holding and property development	US\$1	–	71%	
Wealthy State Investments Limited	HK	Property trading	1	HK\$1	100%	
Widemax Limited	HK	Property development	1	HK\$1	71%	
Wing Tak Cheung Limited	HK	Property trading	1,000	HK\$10	100%	
Property Division – Overseas						
Amble Aim Sdn. Bhd.	Malaysia	Investment holding	2	MYR1	100%	(5)
Kerry Properties (Sydney) Pty Ltd	Australia	Investment holding	1	AU\$1	100%	
Kerry Properties International Limited	BVI	Investment holding	1	HK\$1	100%*	
Travel Aim Investment B.V.	Netherlands	Investment holding	40,000	EURO.45	100%	(5)
Wirabay Limited	BVI	Provision of trustee services	1	US\$1	100%	

45 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (Continued)

(i) Principal Subsidiaries (Continued)

Name	Place of incorporation/ establishment	Principal activities	Issued share capital ⁽¹⁾ / Registered capital		Indirect interest held unless denoted with*	Notes
			Number/ Amount	Par value per share		
Logistics Network Division						
ADN BERKAT SDN. BHD.	Malaysia	Freight forwarding	250,000	MYR1	51%	(5)
Arie van Donge & Co. Holding B.V.	Netherlands	Freight forwarding	1,000 500 ⁽⁴⁾	EUR46 EUR46	85%	
Beijing Jia Jia Investment Consultancy Co., Ltd.	PRC	Property investment	RMB93,000,000	–	70%	(5)(6)(7)
Beijing Kerry EAS Real Estate Management Limited	PRC	Property management	RMB500,000	–	70%	(5)(6)(7)
Beijing Kerry Logistics Ltd.	PRC	Logistics business	US\$12,000,000	–	100%	(5)(6)(8)
Beijing Kong Gang Kerry EAS Logistics Ltd.	PRC	Logistics business	RMB5,000,000	–	70%	(5)(6)(7)
BERGEN FREIGHT FORWARDING LIMITED	United Kingdom	Freight forwarding	1	GBP1	91%	(5)(12)
Chengdu Kerry EAS Logistics Limited	PRC	Logistics business	RMB5,000,000	–	70%	(5)(6)(7)
Chongqing Kerry EAS Customs Declaration Services Limited	PRC	Logistics business	RMB1,500,000	–	70%	(5)(6)(7)
Chongqing Lingxian Industry Development Limited	PRC	Logistics business	RMB38,000,000	–	100%	(5)(8)
CV Global Logistics (Beijing) Limited	PRC	Logistics business	RMB50,000,000	–	100%	(5)(6)(7)
E.A.E. Freight & Forwarding Sdn. Bhd.	Malaysia	Freight forwarding and transportation	500,000	MYR1	51%	(5)
E.A.E. TRANSPORT SDN. BHD.	Malaysia	Transportation services	500,000	MYR1	51%	(5)
EAE LOGISTICS SDN. BHD.	Malaysia	Investment holding	100,000	MYR1	51%	(5)
EAS CROSS BORDER TRUCKING LIMITED	HK	Transportation services	1	HK\$1	100%	
EAS DA TONG INTERNATIONAL TRUCKING COMPANY LIMITED	HK	Transportation services	1,000,000	HK\$1	100%	
EAS INTERNATIONAL LOGISTICS (SHANGHAI) CO., LTD	PRC	Logistics business	US\$6,000,000	–	70%	(5)(9)
Eas Logistics (Shenzhen) Co., Ltd.	PRC	Logistics business	US\$400,000	–	70%	(5)(6)(8)
East Asiatic Enterprise Sdn. Bhd.	Malaysia	Freight forwarding	500,000	MYR1	51%	(5)
F.D.I COMMERCIAL AND FORWARDING SERVICES COMPANY LIMITED	Vietnam	Freight forwarding	VND3,333,330,000	–	70%	(5)
Feng Cheng Hui Cheng Chemical Logistics Co., Ltd.	PRC	Logistics business	RMB5,000,000	–	66.50%	(5)(6)(7)
Guangzhou KerryFlex Trading Limited	PRC	Trading	RMB4,500,000	–	100%	(5)(6)(8)
INDEV LOGISTICS PRIVATE LIMITED	India	Logistics business	129,500	INR100	30%	(5)(12)(13)
K.A.S. Services Limited	HK	General sales agent	1	HK\$1	100%	(5)
KART Logistics (Thailand) Limited	Thailand	Transportation services	480,000 ⁽²⁾	THB100	66%	(5)(6)
Kerry Business Outsourcing Solutions Limited	HK	Documents storage	2	HK\$1	100%	
KERRY CARGO CENTRE LIMITED	HK	Warehouse ownership	2	HK\$1	100%	
Kerry Cargo Transportation Co Ltd	PRC	Transportation services	HK\$9,850,000	–	100%	(5)(9)
Kerry CGD Limited	HK	Trading business	1	HK\$1	100%	
KERRY COLD STORE (HONG KONG) LIMITED	HK	Logistics business	2	HK\$10	100%	
KERRY D.G. WAREHOUSE (KOWLOON BAY) LIMITED	HK	Warehouse ownership	20,000,000	HK\$1	100%	
KERRY DISTRIBUTION (HONG KONG) LIMITED	HK	Distribution services	500,000	HK\$1	100%	
Kerry Distribution (Thailand) Limited	Thailand	Distribution services	250,000 ⁽²⁾	THB100	100%	(5)(6)
Kerry Distribution Services (Hong Kong) Limited	HK	Transportation and distribution services	10,000	HK\$1	100%	
Kerry EAS (Shanghai) Freight Agency Co., Ltd.	PRC	Freight forwarding agency	HK\$20,000,000	–	70%	(5)(6)(9)
Kerry EAS Logistics (SHENZHEN) Ltd.	PRC	Freight forwarding	RMB30,000,000	–	70%	(5)(6)(7)
KERRY EAS LOGISTICS (XIAMEN) CO., LTD.	PRC	Logistics business	US\$1,500,000	–	70%	(5)(8)
Kerry EAS Logistics Limited	PRC	Freight forwarding and logistics business	RMB270,000,000	–	70%	(9)
Kerry EAS Warehouse (Zhuhai Free Trade Zone) Ltd.	PRC	Logistics business	HK\$1,000,000	–	70%	(5)(8)
KERRY FACILITIES MANAGEMENT (HONG KONG) LIMITED	HK	Building management	2	HK\$1	100%	

NOTES TO THE FINANCIAL STATEMENTS

45 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (Continued)

(i) Principal Subsidiaries (Continued)

Name	Place of incorporation/ establishment	Principal activities	Issued share capital ⁽¹⁾ / Registered capital		Indirect interest held unless denoted with*	Notes
			Number/ Amount	Par value per share		
Logistics Network Division (Continued)						
KERRY FACILITIES MANAGEMENT SERVICES LIMITED	HK	Building management	2	HK\$1	100%	
Kerry Far East Logistics (Bangladesh) Limited	Bangladesh	Freight forwarding	100,000	BDT100	70%	(5)
Kerry Far East Logistics (Hong Kong) Limited	HK	Freight forwarding	100	HK\$1	100%	
Kerry FFTZ Warehouse (Shenzhen) Ltd.	PRC	Logistics business	HK\$70,000,000	–	100%	(5)(6)(8)
KERRY FREIGHT (AUSTRALIA) PTY LTD	Australia	Freight forwarding	500,000	AUD1	100%	
KERRY FREIGHT (HONG KONG) LIMITED	HK	Freight forwarding	100 27,500 ⁽³⁾	HK\$100 HK\$100	100%	
Kerry Freight (Korea) Inc.	South Korea	Freight forwarding	100,000 ⁽²⁾	KRW5,000	50.99%	(6)
Kerry Freight (Taiwan) Limited	Taiwan	Freight forwarding	6,000,000	TWD10	55.62%	(5)(6)
Kerry Freight (Thailand) Limited	Thailand	Freight forwarding	115,000 ⁽²⁾	THB100	100%	(5)(6)
Kerry Freight (USA) Incorporated	United States	Freight forwarding	1,000,000	US\$1	51%	(5)
KERRY FREIGHT INTERNATIONAL LIMITED	HK	Freight forwarding	2	HK\$1	100%	
KERRY FREIGHT SERVICES (ASIA) PTE. LTD.	Singapore	Investment holding	4,500,000	SGD1	100%	(5)
KERRY FREIGHT SERVICES (SOUTH ASIA) PTE. LTD.	Singapore	Investment holding	170,000	SGD1	100%	(5)
Kerry Freight Services Limited	BVI	Investment holding	1	HK\$1	100%	
KERRY INTEGRATED LOGISTICS (HUNG YEN) JOINT STOCK COMPANY	Vietnam	Logistics business	629,760 ⁽²⁾	VND100,000	100%	(5)
KERRY INTEGRATED LOGISTICS (VIET NAM) CO.,LTD	Vietnam	Logistics business	US\$7,900,000	–	100%	(5)
KERRY LOGISTICS (AUSTRALIA) PTY LTD	Australia	Operation of logistics business, rail terminal and container depot	1,000,000	AUD2	100%	
KERRY LOGISTICS (BELGIUM)	Belgium	Freight forwarding	EUR18,600	–	100%	
KERRY LOGISTICS (CAMBODIA) PTE. LTD.	Cambodia	Freight forwarding	1,000	KHR20,000	100%	(5)
Kerry Logistics (Chengdu) Ltd	PRC	Logistics business	RMB27,000,000	–	100%	(5)(6)(8)
Kerry Logistics (China) Investment Limited	PRC	Investment holding	US\$80,000,000	–	100%	(5)(6)(8)
Kerry Logistics (Czech Republic) s.r.o.	Czech Republic	Freight forwarding	CZK200,000	–	100%	(5)
Kerry Logistics (Fuzhou) Co., Ltd.	PRC	Logistics business	US\$2,820,000	–	100%	(5)(8)
Kerry Logistics (Germany) GmbH	Germany	Freight forwarding	EUR50,000	–	100%	(5)
Kerry Logistics (HKSAR) Limited	BVI	Investment holding	1	US\$1	100%	
KERRY LOGISTICS (HONG KONG) LIMITED	HK	Logistics business	10,000,000	HK\$1	100%	
Kerry Logistics (Japan) Limited	Japan	Freight forwarding	2,000	JPY50,000	100%	(5)
Kerry Logistics (Kunshan) Ltd.	PRC	Logistics business	HK\$120,000,000	–	100%	(5)(6)(8)
KERRY LOGISTICS (MACAU) LIMITED	Macau	Logistics business	MOP100,000	–	51%	(5)
KERRY LOGISTICS (MALAYSIA) SDN. BHD.	Malaysia	Freight forwarding and logistics business	1,000,000	MYR1	100%	(5)
Kerry Logistics (Netherlands) B.V.	Netherlands	Freight forwarding	180	EUR100	100%	(5)
Kerry Logistics (Shanghai Waigaoqiao) Co., Ltd.	PRC	Logistics business	HK\$44,000,000	–	100%	(5)(6)(8)
Kerry Logistics (Singapore) Pte. Ltd.	Singapore	Freight forwarding	500,000	SGD1	100%	(5)
Kerry Logistics (Switzerland) GmbH	Switzerland	Freight forwarding	CHF20,000	–	100%	(5)
Kerry Logistics (Thailand) Limited	Thailand	Logistics business	1,600,000	THB100	75.90%	(5)(6)
Kerry Logistics (Tianjin) Co., Ltd.	PRC	Logistics business	HK\$20,000,000	–	100%	(5)(8)
KERRY LOGISTICS (UK) LIMITED	United Kingdom	Freight forwarding	20,000	GBP1	91%	
Kerry Logistics (Wuxi) Co., Ltd	PRC	Logistics business	HK\$70,000,000	–	100%	(5)(8)
KERRY LOGISTICS (XIAMEN) CO., LTD.	PRC	Logistics business	RMB40,000,000	–	100%	(5)(8)
Kerry Logistics (Zhengzhou) Limited	PRC	Logistics business	RMB50,000,000	–	100%	(5)(8)

45 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (Continued)

(i) Principal Subsidiaries (Continued)

Name	Place of incorporation/ establishment	Principal activities	Issued share capital ⁽¹⁾ / Registered capital		Indirect interest held unless denoted with*	Notes
			Number/ Amount	Par value per share		
Logistics Network Division (Continued)						
KERRY LOGISTICS COLD CHAIN (AUSTRALIA) PTY. LTD.	Australia	Cold chain distribution services	1,000,000	AUD1	60%	
KERRY LOGISTICS France	France	Freight forwarding	1,500	EUR10	100%	(5)
Kerry Logistics GmbH	Austria	Freight forwarding	EUR35,000	–	100%	(5)
KERRY LOGISTICS HUB (SINGAPORE) PTE. LTD.	Singapore	Provision of warehouse and logistics services	1	SGD1	100%	(5)
Kerry Logistics Infrastructure Limited	BVI	Investment holding	10,000	HK\$1	100%	
KERRY LOGISTICS LIMITED	BVI	Investment holding	42,430,000	HK\$1	100%	
KERRY LOGISTICS MANAGEMENT (ASIA) PTE. LTD.	Singapore	Investment holding	1	SGD1	100%	(5)
Kerry Logistics Network Limited	Bermuda	Investment holding	500,000	HK\$1	100%*	
Kerry Logistics Services (Asia) Limited	BVI	Investment holding	1	HK\$1	100%	
Kerry Logistics Services Limited	BVI	Investment holding	2	US\$1	100%	
Kerry PC3 Limited	HK	Logistics business	1	HK\$1	100%	
KERRY RELIABLE LOGISTICS PRIVATE LIMITED	India	Freight forwarding and logistics business	16,000	INR10	100%	(5)(12)
Kerry Siam Seaport Limited	Thailand	Operating deep-sea wharf and depots	65,000,000	THB10	79.52%	(6)
Kerry TC Warehouse 1 (Block A) Limited	BVI	Warehouse ownership	1	US\$1	100%	
Kerry TC Warehouse 1 (Block B) Limited	BVI	Warehouse ownership	1	US\$1	100%	
Kerry TC Warehouse 2 Limited	HK	Warehouse ownership	10,000	HK\$1	100%	
KERRY TEAMWORK LIMITED	United Kingdom	Freight forwarding	50,000	GBP1	91%	
Kerry TJ Logistics Company Limited (Formerly known as T.Join Transportation Co.,Ltd)	Taiwan	Transportation and logistics business	483,582,498	NTD10	25.65%	(5)(6)(10)(13)
KERRY WAREHOUSE (CHAI WAN) LIMITED	HK	Warehouse ownership	10,000,000	HK\$1	100%	
KERRY WAREHOUSE (FANLING 1) LIMITED	HK	Warehouse ownership	2	HK\$1	100%	
KERRY WAREHOUSE (HONG KONG) LIMITED	HK	Logistics business	25,000,000	HK\$1	100%	
KERRY WAREHOUSE (KWAI CHUNG) LIMITED	HK	Warehouse ownership	30,000	HK\$1	100%	
KERRY WAREHOUSE (SHATIN) LIMITED	HK	Warehouse ownership	10,000,000	HK\$1	100%	
KERRY WAREHOUSE (SHEUNG SHUI) LIMITED	HK	Warehouse ownership	5,000,000	HK\$1	100%	
KERRY WAREHOUSE (TSUEN WAN) LIMITED	HK	Warehouse ownership	2	HK\$1	100%	
KERRY-ATS LOGISTICS, INC. (Formerly known as KERRY-ABOITIZ LOGISTICS, INC.)	Philippines	Freight forwarding	16,000,000	PHP1	51%	(5)
KERRYFLEX SUPPLY CHAIN SOLUTIONS (MACAU) LIMITED	Macau	Provision of supply chain solutions, import and export services	MOP100,000	–	100%	(5)
KerryFlex Supply Chain Solutions (Thailand) Limited	Thailand	Rice exporter	500,000	THB10	100%	(5)(6)
KerryFlex Supply Chain Solutions Limited	HK	Provision of supply chain solutions service	5,000,000	HK\$1	100%	
Kerry-IntraTainer Precision Metal (Dongying) Co. Ltd	PRC	Manufacturing and trading	US\$2,500,000	–	60%	(5)(6)(8)
KERRY-INTRATAINER PTE. LTD.	Singapore	Trading	350,000	SGD1	60%	(5)
Kerry-ITS (Thailand) Limited	Thailand	ISO tank cleaning and repairing	50,000	THB100	60%	(5)(6)
KERRY-ITS (VIETNAM) CO., LTD	Vietnam	ISO tank cleaning and repairing	US\$200,000	–	60%	(5)
KERRY-ITS TERMINAL (KANDLA) PRIVATE LIMITED	India	ISO tank cleaning and repairing	10,000	INR10	60%	(5)
Kerry-ITS Terminal (Shanghai) Co., Ltd	PRC	ISO tank cleaning and repairing	US\$450,000	–	60%	(5)(6)(8)

NOTES TO THE FINANCIAL STATEMENTS

45 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (Continued)

(i) Principal Subsidiaries (Continued)

Name	Place of incorporation/ establishment	Principal activities	Issued share capital ⁽¹⁾ / Registered capital		Indirect interest held unless denoted with*	Notes
			Number/ Amount	Par value per share		
Logistics Network Division (Continued)						
KERRY-ITS TERMINAL PTE. LTD.	Singapore	ISO tank cleaning and repairing	1,800,000	SGD1	60%	(5)
KLCH Limited	Thailand	Operation of inland container transportation	10,000	THB100	79.52%	(5)(6)
KLN (SINGAPORE) PTE. LTD.	Singapore	Investment holding	2	SGD1	100%	(5)
KLN Container Line Limited	BVI	Freight forwarding	1,200,000	HK\$1	100%	
KLN Corporate Services Limited	HK	Provision of corporate services	1	HK\$1	100%	
KLN Nominees Limited	BVI	Provision of nominee services	1	US\$1	100%	
Kunshan Wisdom Logistics Co., Ltd	PRC	Investment holding	RMB121,400,000	–	70%	(5)(6)(9)
Le Ping Hui Cheng Chemical Logistics Co., Ltd.	PRC	Logistics business	RMB5,000,000	–	66.50%	(5)(6)(7)
Magnet Logistics Kabushiki Kaishya	Japan	Logistics business	180	JPY50,000	70%	(5)(6)
MAINCO MANAGEMENT LIMITED	HK	Building management	10,000	HK\$1	100%	
Mark VII International GmbH	Germany	Freight Forwarding	EUR25,000	–	100%	(5)
MCMC PTE. LTD.	Singapore	ISO tank cleaning and repairing	3	SGD1	60%	(5)
NINE TO FIVE LIMITED	HK	Food production	2	HK\$1	100%	
ORION SHIPPING AND FORWARDING LIMITED	United Kingdom	Freight forwarding	20,000	GBP1	91%	(5)
PT. KERRY LOGISTICS INDONESIA	Indonesia	Freight forwarding and logistics business	50,000	US\$1	90%	(5)
Qingdao Bonded Logistics Park Kerry EAS Logistics Limited	PRC	Logistics business	US\$200,000	–	70%	(5)(9)
Regency Forwarding Limited	United Kingdom	Freight forwarding	12,500	GBP1	91%	(5)(12)
Shandong D-Express Logistics Co., Ltd.	PRC	Express service	RMB20,000,000	–	70%	(5)(6)(7)
Shandong D-Express Management Consultancy Co., Ltd.	PRC	Express service	RMB43,000,000	–	70%	(5)(6)(9)
Shandong D-Express Network Management Co., Ltd.	PRC	Express service	RMB20,000,000	–	70%	(5)(6)(7)
Shanghai Heng Yu International Container Service Centre Co., Ltd.	PRC	Logistics business	RMB5,000,000	–	70%	(5)(6)(7)
Shanghai Hui Cheng Investment Consultancy Co., Ltd.	PRC	Logistics business	RMB30,000,000	–	70%	(5)(6)(9)
Shanghai Hui Cheng Logistics Co., Ltd.	PRC	Logistics business	RMB10,500,000	–	70%	(5)(6)(7)
Shanghai Hui Cheng Supply Chain Management Co., Ltd.	PRC	Logistics business	RMB500,000	–	70%	(5)(6)(7)
Shanghai Jia Jia Trading Ltd.	PRC	Trading	RMB5,000,000	–	70%	(5)(6)(7)
SHANGHAI KERRY CHJ LOGISTICS LIMITED	PRC	Logistics business	HK\$40,000,000	–	100%	(5)(8)
Shanghai Lingang Kerry EAS Logistics Limited	PRC	Logistics business	RMB5,000,000	–	70%	(5)(6)(7)
Shanghai Magnet International Freight Agency Co., Ltd.	PRC	Freight forwarding	RMB23,000,000	–	70%	(5)(6)(7)
SHANGHAI MAGNET LOGISTICS (HK) COMPANY LIMITED	HK	Freight forwarding	10,000	HK\$1	70%	(5)
Shanghai Pudong Airport Integrated FTZ Kerry EAS Logistics Limited	PRC	Logistics business	RMB5,000,000	–	70%	(5)(6)(7)
Shanghai Shen Gao International Container Service Centre Co., Ltd.	PRC	Logistics business	RMB36,000,000	–	70%	(5)(6)(7)
Shanghai Song Jiang Kerry EAS Transportation Limited	PRC	Logistics business	RMB2,500,000	–	70%	(5)(6)(7)
Shanghai WFTZ Kerry EAS Logistics Limited	PRC	Logistics business	RMB5,000,000	–	70%	(5)(6)(7)
Shanghai Wisdom International Freight Agency Co., Ltd.	PRC	Freight forwarding	RMB23,000,000	–	70%	(5)(6)(7)
Shenzhen Kerry Yantian Port Logistics Company Limited	PRC	Logistics business	RMB88,000,000	–	55%	(5)(6)(9)
SINAR HAULAGE SDN. BHD.	Malaysia	Logistics business	1,000,000	MYR1	51%	(5)
Suzhou Industrial Park District Kerry Eas Logistics Co., Ltd.	PRC	Logistics business	RMB5,000,000	–	70%	(5)(6)(7)
Synergy Golden Limited	BVI	Group financing	1	US\$1	100%	

45 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (Continued)

(i) Principal Subsidiaries (Continued)

Name	Place of incorporation/ establishment	Principal activities	Issued share capital ⁽¹⁾ / Registered capital		Indirect interest held unless denoted with*	Notes
			Number/ Amount	Par value per share		
Logistics Network Division (Continued)						
Tianjin Kerry Eas Customs Declaration Limited	PRC	Import and export agent	RMB1,500,000	–	70%	(5)(6)(7)
Tianjin Kerry EAS International Trading Co., Ltd.	PRC	Trading	RMB100,000	–	70%	(5)(6)(7)
TOP TRANSMODE OVERSEAS PARTNERS (MY) SDN. BHD.	Malaysia	Freight forwarding	2	MYR1	100%	(5)
Transmode Overseas Transportgesellschaft mbH	Germany	Freight forwarding	DEM50,000	–	100%	(5)
WAH CHEONG COMPANY, LIMITED	HK	General merchants	150,000	HK\$100	100%	
Xiamen Haicang Kerry EAS Logistics Limited	PRC	Logistics business	RMB1,000,000	–	70%	(5)(6)(7)
Xian Kerry EAS Logistics Co., Ltd.	PRC	Logistics business	RMB5,000,000	–	70%	(5)(6)(7)
Xinjiang Kerry EAS Logistics Limited	PRC	Logistics business	RMB3,000,000	–	70%	(5)(6)(7)
Other Divisions						
Alpine Project Management Ltd.	Samoa	Project management in Asia	1	US\$1	100%	
Dragon Fame Limited	HK	Group financing	1	HK\$1	100%	
Gain Silver Finance Limited	BVI	Group financing	1	US\$1	100%	
Gainlead International Limited	BVI	Group financing	1	US\$1	100%	
iBe-Tech Investments Limited	BVI	Investment holding	1	US\$1	100%*	
ISA Investments Limited	BVI	Investment holding	1	US\$1	100%	
Kerry Communication Limited	HK	Advertising agency	1	HK\$1	100%	
Kerry Corporate Services Limited	HK	Provision of corporate services	1	HK\$1	100%	
Kerry Estate Management Limited	BVI	Investment holding	10,000	HK\$1	100%*	
Kerry Infrastructure Limited	BVI	Investment holding	595,026,381	HK\$1	100%*	
Kerry Project Management (H.K.) Limited	HK	Project management	300,000	HK\$1	100%	
Kerry Properties Nominees Limited	BVI	Provision of nominee services	1,000	HK\$1	100%	
Kerry Properties Treasury Limited	BVI	Investment holding and group financing	4,670,665,187	HK\$1	100%*	
Kerry Property Management Services Limited	HK	Property management	20	HK\$1	100%	
Kerry Real Estate Agency Limited	HK	Estate agency	2	HK\$1	100%	
Upsmart Investments Limited	HK	Provision of administrative support services	2	HK\$1	100%	
Win House Industries Limited	HK	Provision of construction work	1,000,000	HK\$1	100%	
Wing Tsing Financial Services Limited	BVI	Group financing in HK	1	US\$1	100%	
Wiseyear Holdings Limited	BVI	Group financing	1	US\$1	100%	

NOTES TO THE FINANCIAL STATEMENTS

45 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (Continued)

(ii) Principal Associates

As at 31 December 2011, the Company held interests in the following associates which are categorised according to the business divisions of the Group, namely, Property Division, Logistics Network Division and Other Divisions as listed below:

Name	Place of incorporation/ establishment	Principal activities	Class of shares/ Registered capital	Interest held indirectly	Notes
Property Division – PRC					
Hengyun Real Estate (Tangshan) Co., Ltd.	PRC	Property development	RMB561,000,000	40%	(5)(8)
Ji Xiang Real Estate (Nanjing) Co., Ltd.	PRC	Property development	RMB750,000,000	45%	(5)(8)
Ningbo Ruifeng Real Estate Co., Ltd.	PRC	Property development	RMB1,730,000,000	50%	(5)(8)
Ruihe Real Estate (Tangshan) Co., Ltd.	PRC	Property development	RMB340,000,000	40%	(5)(8)
Shanghai Pudong Kerry City Properties Co., Ltd.	PRC	Property development	US\$171,361,400	40.80%	(5)(6)(9)
Tianjin Kerry Real Estate Development Co., Ltd.	PRC	Property development	RMB2,261,250,000	49%	(5)(8)
Zhanfeng Real Estate (Yingkou) Co., Ltd.	PRC	Property development	RMB250,000,000	40%	(5)(6)(8)
Zhanye Real Estate (Yingkou) Co., Ltd.	PRC	Property development	RMB330,000,000	40%	(5)(6)(8)
Property Division – Hong Kong					
Brisbane Trading Company Limited	HK	Investment holding and property trading	Ordinary Non-voting deferred	50%	
Cardiff Investments Limited	HK	Investment holding	Ordinary	30%	(5)
Cheerjoy Development Limited	HK	Property development and trading	Ordinary	35%	
Enterprico Investment Limited	HK	Loan financing	Ordinary	45%	(5)
Fine Winner Holdings Limited	HK	Hotel ownership and operation	Ordinary	30%	
Grand Rise Investments Limited	HK	Property investment	Ordinary	45%	(5)
Jet Fame (Hong Kong) Limited	HK	Property investment	Ordinary	45%	(5)
Kerry Hung Kai Warehouse (Cheung Sha Wan) Limited	HK	Warehouse operation	Ordinary	50%	(5)
Orient Field Holdings Limited	HK	Property investment	Ordinary	45%	(5)
Pembroke Development Investments Limited	BVI	Property development	Ordinary Non-voting deferred	40%	
Time Rank Limited	HK	Property trading	Ordinary	50%	(12)
Ubagan Limited	HK	Property investment	Ordinary	40%	
Union Top Properties Limited	HK	Property investment	Ordinary	45%	(5)
Win Chanford Enterprises Limited	HK	Investment holding and property investment	Ordinary	45%	(5)
Wolver Hollow Company Limited	HK	Warehouse ownership	Ordinary	50%	(5)
Wu Wing International Company, Limited	HK	Property trading and investment	Ordinary	45%	(5)(12)
Property Division – Overseas					
Jacksons Landing Development Pty. Limited	Australia	Property development	Ordinary	25%	(5)(12)
Jacksons Landing Estate Management Pty Limited	Australia	Property management	Ordinary	25%	(5)(12)
Shang Properties, Inc.	Philippines	Property development, real estate management and investment holding	Common	34.61%	(5)(10)

45 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (Continued)

(ii) Principal Associates (Continued)

Name	Place of incorporation/ establishment	Principal activities	Class of shares/ Registered capital	Interest held indirectly	Notes
Logistics Network Division					
ASIA AIRFREIGHT SERVICES LIMITED	HK	Provision of air cargo services	Ordinary	15%	(5)(12)
ASIA AIRFREIGHT TERMINAL COMPANY LIMITED	HK	Air cargo handling terminal operation	Ordinary	15%	(5)(12)
Beijing Bei Jian Tong Cheng International Logistics Co., Ltd	PRC	Logistics business	RMB15,000,000	24%	(5)(6)(9)
CHIWAN CONTAINER TERMINAL CO., LTD.	PRC	Port terminal operation	US\$95,300,000	25%	(9)
Hanjin Kerry Logistics Co., Ltd.	South Korea	Logistics business	Ordinary	35%	(5)(6)
KERRY SALVAT LOGISTICS, S.A.	Spain	Freight forwarding	Ordinary	50%	(5)
Kerry Samyoung Logistics (Korea) Ltd.	South Korea	Logistics business	Common	30.60%	(5)(6)
KUOK PENGANGKUTAN SDN. BHD.	Malaysia	Distribution and logistics business	Ordinary	46.60%	(5)
Other Divisions					
Hohhot Chunhua KVV Water Treatment Company Limited	PRC	Water treatment facilities ownership and management	RMB192,329,200	13%	(5)(6)(9)(11)
Hohhot Chunhua VVK Water Operation Company Limited	PRC	Water treatment facilities operation and maintenance	RMB14,000,000	19.50%	(5)(6)(9)(11)
Kerry CQ Water (Hohhot) Limited	HK	Investment holding	Ordinary	50%	
KVV Investment Company Limited	HK	Investment holding	Ordinary	25.50%	(5)
Western Harbour Tunnel Company Limited	HK	Tunnel operation and management	Ordinary	15%	(11)(12)
Shine Up Holdings Limited	Samoa	Aircraft holding	Ordinary	25%	

Notes:

- (1) all being ordinary shares and fully paid up except otherwise stated
- (2) common shares
- (3) non-voting deferred shares
- (4) preference shares
- (5) companies not audited by PricewaterhouseCoopers
- (6) English translation of name only
- (7) domestic corporation
- (8) wholly foreign-owned enterprise
- (9) sino-foreign equity joint venture enterprise
- (10) listed company
- (11) Significant influence is obtained by the Group through participation in the board of directors of these associates
- (12) companies having a financial accounting period which is not coterminous with the Group
- (13) control is obtained by the Group through obtaining power to govern the financial and operating policies of these subsidiaries

BVI British Virgin Islands

HK Hong Kong

PRC The People's Republic of China

FIVE-YEAR FINANCIAL SUMMARY

The results, assets and liabilities of the Group for the last five financial years are as follows:

	2011 HK\$'000	2010 HK\$'000 (restated)	2009 HK\$'000 (restated)	2008 HK\$'000 (restated)	2007 HK\$'000 (restated)
Results					
Turnover	20,660,363	21,225,990	12,938,283	13,115,698	11,272,388
Operating profit	4,748,082	7,363,235	5,936,069	4,183,979	7,478,556
Share of results of associates	2,354,901	1,374,451	934,953	298,805	435,187
Profit before taxation	7,102,983	8,737,686	6,871,022	4,482,784	7,913,743
Taxation	(1,233,962)	(1,582,911)	(1,710,049)	(1,373,597)	(373,154)
Profit after taxation	5,869,021	7,154,775	5,160,973	3,109,187	7,540,589
Non-controlling interests	(521,306)	(452,118)	(525,993)	(322,363)	(316,966)
Profit attributable to shareholders	5,347,715	6,702,657	4,634,980	2,786,824	7,223,623
Breakdown of profit attributable to shareholders by division:					
PRC Property Division	889,228	1,444,659	1,486,856	1,719,162	881,595
Hong Kong Property Division	3,524,017	4,269,116	2,320,128	435,776	5,317,700
Overseas Property Division	65,154	67,434	95,271	(12,514)	58,585
Logistics Network Division	870,002	832,870	635,071	604,422	875,066
Project, property management and others	(686)	88,578	97,654	39,978	90,677
	5,347,715	6,702,657	4,634,980	2,786,824	7,223,623
Assets and liabilities					
Non-current assets	86,266,763	76,889,374	63,069,196	63,844,760	56,682,960
Net current assets	16,611,532	10,664,298	16,356,262	8,710,942	7,738,183
Total assets less current liabilities	102,878,295	87,553,672	79,425,458	72,555,702	64,421,143
Long-term liabilities and non-controlling interests	(38,955,836)	(28,879,740)	(28,013,716)	(25,291,025)	(19,396,215)
Shareholders' funds	63,922,459	58,673,932	51,411,742	47,264,677	45,024,928

Note: Certain comparative figures have been restated to conform with current year's presentation.

