

2012



INTERIM REPORT

For the six months ended 30 June 2012



KERRY PROPERTIES LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code : 683

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 AND CORPORATE GOVERNANCE COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION 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

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
 Telephone: (852) 2967 2200
 Facsimile: (852) 2967 2900
 Email: communication@kerryprops.com

INVESTOR RELATIONS DEPARTMENT

Kerry Properties Limited
 25/F, Kerry Centre, 683 King's Road
 Quarry Bay, Hong Kong
 Telephone: (852) 2967 2200
 Facsimile: (852) 2967 2900
 Email: ir@kerryprops.com

WEBSITE

www.kerryprops.com

KEY DATES**Closure of Registers of Members**

7 September 2012

Proposed Payment of Interim Dividend

13 September 2012

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2012

The Board of Directors (the "Board") of Kerry Properties Limited (the "Company") report the unaudited interim results of the Company, its subsidiaries and associates (the "Group") for the six months ended 30 June 2012. The Audit and Corporate Governance Committee of the Company has met to review the results and the financial statements of the Group for the six months ended 30 June 2012 prior to recommending them to the Board for approval.

The Group's consolidated net profit attributable to shareholders for the six months ended 30 June 2012 was HK\$3,386 million, representing an increase of 10% compared with HK\$3,071 million reported for the same period in 2011. 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\$471 million for the six months ended 30 June 2012 (2011: HK\$306 million). Before taking into account the effects of the aforementioned increase in fair value, the Group recorded an increase of 5% in profit attributable to shareholders to HK\$2,915 million for the six months ended 30 June 2012 (2011: HK\$2,765 million).

Earnings per share for the six months ended 30 June 2012 were HK\$2.35, representing an increase of 10% compared with HK\$2.14 per share for the same period in 2011. The basis of calculating the earnings per share is detailed in note 5 below.

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:

	Six months ended 30 June		
	2012	2011	
	HK\$ million	HK\$ million	Change
Profit attributable to shareholders before taking into account the net increase in fair value of investment properties and related tax effects	2,915	2,765	+5%
Add:			
Net increase in fair value of investment properties and related tax effects	<u>471</u>	<u>306</u>	
Profit attributable to shareholders after taking into account the net increase in fair value of investment properties and related tax effects	<u>3,386</u>	<u>3,071</u>	+10%

The Directors have declared an interim dividend of HK\$0.4 per share for the six months ended 30 June 2012 (the "Interim Dividend") (2011: HK\$0.4), which is payable on Thursday, 13 September 2012 to shareholders whose names appear on the Registers of Members of the Company on Friday, 7 September 2012.

At the Company's Annual General Meeting held on 3 May 2012, shareholders approved the final dividend of HK\$0.47 per share for the year ended 31 December 2011 which amounted to a total of approximately HK\$676 million and was paid on 17 May 2012.

CONSOLIDATED INCOME STATEMENT

	Note	Unaudited	
		Six months ended 30 June	
		2012	2011
		HK\$'000	HK\$'000
Turnover	2	17,958,131	9,317,892
Cost of sales		(4,691,979)	(638,507)
Direct operating expenses		(8,352,084)	(6,373,666)
Gross profit		4,914,068	2,305,719
Other income and net gains		234,853	341,471
Administrative and other operating expenses		(1,013,406)	(857,870)
Increase in fair value of investment properties		683,069	324,335
Operating profit before finance costs		4,818,584	2,113,655
Finance costs		(263,035)	(115,654)
Operating profit	2, 3	4,555,549	1,998,001
Share of results of associates		246,493	1,972,310
Profit before taxation		4,802,042	3,970,311
Taxation	4	(971,188)	(665,715)
Profit for the period		3,830,854	3,304,596
Profit attributable to:			
Company's shareholders		3,386,155	3,070,825
Non-controlling interests		444,699	233,771
		3,830,854	3,304,596
Interim dividend		575,427	575,311
Interim dividend per share		HK\$0.40	HK\$0.40
Earnings per share	5		
– Basic		HK\$2.35	HK\$2.14
– Diluted		HK\$2.34	HK\$2.10

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	
	Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
Profit for the period	3,830,854	3,304,596
Other comprehensive income		
Fair value gain/(loss) on available-for-sale investments	94,453	(16,990)
Share of other comprehensive income of associates	(37)	3,103
Cash flow hedges	45,234	(16,051)
Net translation differences on foreign operations	(386,682)	916,370
Other comprehensive income for the period (net of tax)	(247,032)	886,432
Total comprehensive income for the period	3,583,822	4,191,028
Total comprehensive income attributable to:		
Company's shareholders	3,242,371	3,724,880
Non-controlling interests	341,451	466,148
	3,583,822	4,191,028

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Unaudited	Audited
		As at	As at
		30 June	31 December
		2012	2011
	Note	HK\$'000	HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		6,146,620	5,873,592
Investment properties		43,468,750	42,329,689
Leasehold land and land use rights		547,976	537,461
Properties under development		25,063,831	20,947,855
Land deposits		1,820,459	1,606,545
Associates		12,034,436	11,717,054
Derivative financial instruments		218,693	177,004
Available-for-sale investments		1,809,539	1,714,316
Long-term receivables		91,702	55,004
Intangible assets		1,739,167	1,308,243
		92,941,173	86,266,763
Current assets			
Properties under development		4,177,122	9,509,349
Completed properties held for sale		4,411,077	2,700,146
Accounts receivable, prepayments and deposits	6	10,839,113	6,836,082
Tax recoverable		309,352	247,214
Tax reserve certificates		101,366	92,231
Listed securities at fair value through profit or loss		157,863	143,617
Restricted and pledged bank deposits		10,261	28,535
Cash and bank balances		13,259,824	17,545,286
		33,265,978	37,102,460
Current liabilities			
Accounts payable, deposits received and accrued charges	7	9,148,810	10,444,163
Taxation		2,280,735	1,934,946
Short-term bank loans and current portion of long-term bank loans	8	2,381,611	5,362,156
Convertible bonds		–	2,734,151
Secured bank overdrafts		16,631	15,215
Unsecured bank overdrafts		1,728	297
		13,829,515	20,490,928
Net current assets		19,436,463	16,611,532
Total assets less current liabilities		112,377,636	102,878,295

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

		Unaudited As at 30 June 2012 <i>HK\$'000</i>	Audited As at 31 December 2011 <i>HK\$'000</i>
	Note		
Non-current liabilities			
Long-term bank loans	8	17,135,468	15,821,823
Fixed rate bonds	9	10,154,120	5,561,518
Amounts due to non-controlling interests		2,737,623	3,002,414
Deferred taxation		4,084,283	3,875,123
Retirement benefit obligations		164,383	168,329
		34,275,877	28,429,207
ASSETS LESS LIABILITIES		78,101,759	74,449,088
EQUITY			
Capital and reserves attributable to the Company's shareholders			
Share capital		1,438,568	1,438,366
Share premium		12,194,168	12,190,587
Other reserves		14,285,885	14,600,337
Retained profits		38,028,411	35,017,137
Proposed dividend		575,427	676,032
		66,522,459	63,922,459
Non-controlling interests		11,579,300	10,526,629
TOTAL EQUITY		78,101,759	74,449,088

FINANCIAL HIGHLIGHTS

	30 June 2012	31 December 2011
Equity attributable to the Company's shareholders (<i>HK\$ million</i>)	66,522	63,922
Net borrowings (including bonds) (<i>HK\$ million</i>)	16,419	11,921
Net asset value (attributable to the Company's shareholders) per share	HK\$46.24	HK\$44.44
Gearing (Net borrowings/Equity attributable to the Company's shareholders)	24.7%	18.6%

CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited	
	2012	2011
	HK\$'000	HK\$'000
Operating activities		
Net cash generated from operations	2,533,436	1,130,303
Interest paid	(458,132)	(257,568)
Income tax paid	(471,099)	(701,322)
Net cash generated from operating activities	1,604,205	171,413
Investing activities		
Additions of property, plant and equipment, investment properties and properties under development	(5,482,162)	(1,409,423)
Purchase of leasehold land and land use rights	(11,379)	(5,161)
Increase in land deposits	(222,053)	(284,078)
Acquisition of subsidiaries and businesses	(265,821)	(251,108)
Acquisition of additional interest in subsidiaries	(54,174)	(463,267)
Disposal of subsidiaries	–	974,405
Increase in investments in associates	(168,951)	(569,893)
Proceeds from sale of investment in an associate	1,196	–
Repayment of loans from associates	7,680	1,869,267
Purchase of available-for-sale investments	(195)	(1,445)
(Increase)/decrease in long-term receivables	(38,031)	5,217
Interest received	148,546	78,875
Decrease in restricted and pledged bank deposits	18,103	105,313
Decrease/(increase) in short-term bank deposits maturing after more than 3 months	1,057,245	(870,270)
Dividends received from associates	101,291	1,867,770
Dividends received from listed and unlisted investments	41,420	34,288
Proceeds from sale of property, plant and equipment and investment properties	193,864	493,774
Net cash (used in)/generated from investing activities	(4,673,421)	1,574,264
Financing activities		
Proceeds from issue of shares	2,901	40,477
Proceeds from issue of fixed rate bonds, net of direct issue costs	4,590,554	2,314,654
Redemption of convertible bonds	(2,754,271)	–
Repayment of bank loans	(11,780,042)	(7,477,017)
Drawdown of bank loans	10,147,916	10,805,563
Dividends paid	(676,104)	(747,450)
Capital injection from non-controlling interests	685,664	365,538
Dividends of subsidiaries paid to non-controlling interests	(42,158)	(68,411)
(Decrease)/increase in loans from non-controlling interests	(273,032)	27,614
Net cash (used in)/generated from financing activities	(98,572)	5,260,968
(Decrease)/increase in cash and cash equivalents	(3,167,788)	7,006,645
Effect of exchange rate changes	(63,626)	149,286
Cash and cash equivalents at 1 January	16,101,953	10,443,515
Cash and cash equivalents at 30 June	12,870,539	17,599,446
Analysis of balances of cash and cash equivalents		
Cash and bank balances (excluding bank deposits maturing after more than 3 months)	12,888,898	17,618,126
Secured bank overdrafts	(16,631)	–
Unsecured bank overdrafts	(1,728)	(18,680)
	12,870,539	17,599,446

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – UNAUDITED

	Attributable to shareholders of the Company					Total	Non-controlling interests	Total equity
	Share capital	Share premium	Other reserves	Retained profits	Proposed dividend			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance as at 1 January 2012	1,438,366	12,190,587	14,600,337	35,017,137	676,032	63,922,459	10,526,629	74,449,088
Profit for the period	-	-	-	3,386,155	-	3,386,155	444,699	3,830,854
Fair value gain on available-for-sale investments	-	-	94,453	-	-	94,453	-	94,453
Share of fair value gain on cash flow hedge of an associate	-	-	563	-	-	563	-	563
Share of exchange reserve of an associate	-	-	(600)	-	-	(600)	-	(600)
Cash flow hedges	-	-	45,234	-	-	45,234	-	45,234
Net translation differences on foreign operations	-	-	(283,434)	-	-	(283,434)	(103,248)	(386,682)
Total comprehensive income for the six months ended 30 June 2012	-	-	(143,784)	3,386,155	-	3,242,371	341,451	3,583,822
Issue of share capital								
– exercise of share options	202	3,581	(882)	-	-	2,901	-	2,901
Employee share option scheme – value of employee services	-	-	64,475	-	-	64,475	-	64,475
Dividends paid	-	-	-	(72)	(676,032)	(676,104)	(42,158)	(718,262)
2012 proposed interim dividend	-	-	-	(575,427)	575,427	-	-	-
Transfer	-	-	(200,618)	200,618	-	-	-	-
Acquisition of subsidiaries	-	-	-	-	-	-	88,245	88,245
Acquisition of additional interest in subsidiaries	-	-	(33,643)	-	-	(33,643)	(20,531)	(54,174)
Capital injection from non-controlling interests	-	-	-	-	-	-	685,664	685,664
	<u>202</u>	<u>3,581</u>	<u>(170,668)</u>	<u>(374,881)</u>	<u>(100,605)</u>	<u>(642,371)</u>	<u>711,220</u>	<u>68,849</u>
Balance as at 30 June 2012	<u>1,438,568</u>	<u>12,194,168</u>	<u>14,285,885</u>	<u>38,028,411</u>	<u>575,427</u>	<u>66,522,459</u>	<u>11,579,300</u>	<u>78,101,759</u>

Attributable to shareholders of the Company

	Share capital HK\$'000	Share premium HK\$'000	Other reserves HK\$'000	Retained profits HK\$'000	Proposed dividend HK\$'000	Total HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
Balance as at 1 January 2011	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 period	-	-	-	3,070,825	-	3,070,825	233,771	3,304,596
Fair value loss on available-for-sale investments	-	-	(16,990)	-	-	(16,990)	-	(16,990)
Share of fair value gain on cash flow hedge of an associate	-	-	1,952	-	-	1,952	-	1,952
Share of exchange reserve of an associate	-	-	1,151	-	-	1,151	-	1,151
Cash flow hedges	-	-	(16,051)	-	-	(16,051)	-	(16,051)
Net translation differences on foreign operations	-	-	683,993	-	-	683,993	232,377	916,370
Total comprehensive income for the six months ended 30 June 2011	-	-	654,055	3,070,825	-	3,724,880	466,148	4,191,028
Issue of share capital								
- exercise of share options	2,247	58,101	(19,871)	-	-	40,477	-	40,477
Employee share option scheme - value of employee services	-	-	10,296	-	-	10,296	-	10,296
Dividends paid	-	-	-	(714)	(746,736)	(747,450)	(68,411)	(815,861)
2011 proposed interim dividend	-	-	-	(575,311)	575,311	-	-	-
Transfer	-	-	415	(415)	-	-	-	-
Acquisition of subsidiaries	-	-	-	-	-	-	63,929	63,929
Acquisition of additional interest in subsidiaries	-	-	(138,915)	-	-	(138,915)	(331,300)	(470,215)
Disposal of subsidiaries	-	-	-	-	-	-	3,064	3,064
Capital injection from non-controlling interests	-	-	-	-	-	-	365,538	365,538
	<u>2,247</u>	<u>58,101</u>	<u>(148,075)</u>	<u>(576,440)</u>	<u>(171,425)</u>	<u>(835,592)</u>	<u>32,820</u>	<u>(802,772)</u>
Balance as at 30 June 2011	<u>1,438,278</u>	<u>12,185,621</u>	<u>13,943,819</u>	<u>33,420,191</u>	<u>575,311</u>	<u>61,563,220</u>	<u>10,061,764</u>	<u>71,624,984</u>

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

1. Basis of preparation and accounting policies

These unaudited condensed consolidated interim financial statements are prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

These condensed consolidated interim financial statements should be read in conjunction with the 2011 annual financial statements. The accounting policies and bases of accounting estimates used in the preparation of these condensed interim financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2011.

The following standards and amendments to existing standards have been published but are not mandatory for the financial year beginning 1 January 2012. The Group has not early adopted them:

- Amendments to HKAS 1 (revised), ‘Presentation of financial statements – presentation of items of other comprehensive income’
- HKAS 19 (2011), ‘Employee benefits’
- HKAS 27 (2011), ‘Separate financial statements’
- HKAS 28 (2011), ‘Investments in associates and joint ventures’
- HKAS 32 (amendment), ‘Offsetting financial assets and financial liabilities’
- HKFRS 7 (amendment), ‘Disclosures – offsetting financial assets and financial liabilities’
- HKFRS 9, ‘Financial instruments’
- HKFRS 10, ‘Consolidated financial statements’
- HKFRS 11, ‘Joint arrangements’
- HKFRS 12, ‘Disclosure of interests in other entities’
- HKFRS 13, ‘Fair value measurement’
- Annual Improvements 2009-2011 Cycle

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.

2. Principal activities and segmental analysis of operations

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

	Turnover		Operating profit	
	Six months ended 30 June		Six months ended 30 June	
	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Principal activities:				
Property rental				
– People's Republic of China ("PRC") property	471,188	434,261	325,218	300,776
– Hong Kong property	348,603	303,907	275,123	217,670
	819,791	738,168	600,341	518,446
Property sales (Note)				
– PRC property	119,507	424,523	87,048	274,636
– Hong Kong property	7,843,925	848,297	2,741,465	360,585
	7,963,432	1,272,820	2,828,513	635,221
Hotel operations – PRC property	145,850	101,046	(23,828)	(11,712)
Logistics operations	8,954,237	7,141,569	627,573	583,022
Project, property management and others	74,821	64,289	(160,119)	(51,311)
	17,958,131	9,317,892	3,872,480	1,673,666
Increase in fair value of investment properties	–	–	683,069	324,335
	17,958,131	9,317,892	4,555,549	1,998,001
Principal markets:				
PRC	4,635,688	4,212,764	1,145,948	1,033,525
Hong Kong	9,442,852	2,344,758	3,174,383	716,990
Taiwan	933,262	928,876	107,209	121,982
United Kingdom	479,551	477,759	20,864	23,713
Europe	998,505	383,922	10,992	(10,717)
Others	1,468,273	969,813	96,153	112,508
	17,958,131	9,317,892	4,555,549	1,998,001

Note: Sales of investment properties for the six months ended 30 June 2012 amounting to HK\$71,019,000 (2011: HK\$905,831,000), comprising sales from PRC investment properties of HK\$71,019,000 (2011: HK\$123,421,000) and sales from Hong Kong investment properties of HK\$ nil (2011: HK\$782,410,000), are excluded from turnover.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)

2. Principal activities and segmental analysis of operations (Continued)

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

	Six months ended 30 June 2012							Consolidated HK\$'000
	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	
Revenue								
Turnover	736,545	8,192,528	-	8,954,237	17,883,310	74,821	-	17,958,131
Inter-segment revenue	-	-	-	-	-	42,545	(42,545)	-
Inter-segment interest income	-	-	-	-	-	248,391	(248,391)	-
	<u>736,545</u>	<u>8,192,528</u>	<u>-</u>	<u>8,954,237</u>	<u>17,883,310</u>	<u>365,757</u>	<u>(290,936)</u>	<u>17,958,131</u>
Results								
Segment results before increase in fair value of investment properties	240,038	3,089,373	729	645,438	3,975,578	218,362	(248,391)	3,945,549
Increase in fair value of investment properties	<u>683,069</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>683,069</u>	<u>-</u>	<u>-</u>	<u>683,069</u>
Segment results	923,107	3,089,373	729	645,438	4,658,647	218,362	(248,391)	4,628,618
Dividend income	-	30,347	11,073	-	41,420	-	-	41,420
Interest income	51,983	7,277	-	9,567	68,827	79,719	-	148,546
Interest expenses	<u>(12,195)</u>	<u>(98,764)</u>	<u>-</u>	<u>(27,432)</u>	<u>(138,391)</u>	<u>(373,035)</u>	<u>248,391</u>	<u>(263,035)</u>
Operating profit	962,895	3,028,233	11,802	627,573	4,630,503	(74,954)	-	4,555,549
Share of results of associates	<u>51,352</u>	<u>42,270</u>	<u>48,006</u>	<u>69,123</u>	<u>210,751</u>	<u>35,742</u>	<u>-</u>	<u>246,493</u>
Profit before taxation	1,014,247	3,070,503	59,808	696,696	4,841,254	(39,212)	-	4,802,042
Taxation	<u>(317,405)</u>	<u>(487,611)</u>	<u>(19,268)</u>	<u>(150,859)</u>	<u>(975,143)</u>	<u>3,955</u>	<u>-</u>	<u>(971,188)</u>
Profit for the period	<u>696,842</u>	<u>2,582,892</u>	<u>40,540</u>	<u>545,837</u>	<u>3,866,111</u>	<u>(35,257)</u>	<u>-</u>	<u>3,830,854</u>
Profit attributable to:								
Company's shareholders	578,446	2,372,702	40,540	429,718	3,421,406	(35,251)	-	3,386,155
Non-controlling interests	<u>118,396</u>	<u>210,190</u>	<u>-</u>	<u>116,119</u>	<u>444,705</u>	<u>(6)</u>	<u>-</u>	<u>444,699</u>
	<u>696,842</u>	<u>2,582,892</u>	<u>40,540</u>	<u>545,837</u>	<u>3,866,111</u>	<u>(35,257)</u>	<u>-</u>	<u>3,830,854</u>
Depreciation and amortisation	<u>21,394</u>	<u>6,589</u>	<u>-</u>	<u>171,049</u>	<u>199,032</u>	<u>3,754</u>	<u>-</u>	<u>202,786</u>

Six months ended 30 June 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	959,830	1,152,204	-	7,141,569	9,253,603	64,289	-	9,317,892
Inter-segment revenue	-	-	-	-	-	30,065	(30,065)	-
Inter-segment interest income	-	-	-	-	-	222,851	(222,851)	-
	<u>959,830</u>	<u>1,152,204</u>	<u>-</u>	<u>7,141,569</u>	<u>9,253,603</u>	<u>317,205</u>	<u>(252,916)</u>	<u>9,317,892</u>
Results								
Segment results before increase in fair value of investment properties	534,408	578,424	(750)	593,521	1,705,603	193,405	(222,851)	1,676,157
Increase in fair value of investment properties	<u>324,335</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>324,335</u>	<u>-</u>	<u>-</u>	<u>324,335</u>
Segment results	858,743	578,424	(750)	593,521	2,029,938	193,405	(222,851)	2,000,492
Dividend income	-	24,105	10,183	-	34,288	-	-	34,288
Interest income	34,666	3,901	107	4,628	43,302	35,573	-	78,875
Interest expenses	<u>(5,057)</u>	<u>(28,833)</u>	<u>-</u>	<u>(15,127)</u>	<u>(49,017)</u>	<u>(289,488)</u>	<u>222,851</u>	<u>(115,654)</u>
Operating profit	888,352	577,597	9,540	583,022	2,058,511	(60,510)	-	1,998,001
Share of results of associates	<u>67,009</u>	<u>1,773,325</u>	<u>32,337</u>	<u>65,622</u>	<u>1,938,293</u>	<u>34,017</u>	<u>-</u>	<u>1,972,310</u>
Profit before taxation	955,361	2,350,922	41,877	648,644	3,996,804	(26,493)	-	3,970,311
Taxation	<u>(357,858)</u>	<u>(156,448)</u>	<u>(11,550)</u>	<u>(132,128)</u>	<u>(657,984)</u>	<u>(7,731)</u>	<u>-</u>	<u>(665,715)</u>
Profit for the period	<u>597,503</u>	<u>2,194,474</u>	<u>30,327</u>	<u>516,516</u>	<u>3,338,820</u>	<u>(34,224)</u>	<u>-</u>	<u>3,304,596</u>
Profit attributable to:								
Company's shareholders	491,833	2,194,499	30,327	388,390	3,105,049	(34,224)	-	3,070,825
Non-controlling interests	<u>105,670</u>	<u>(25)</u>	<u>-</u>	<u>128,126</u>	<u>233,771</u>	<u>-</u>	<u>-</u>	<u>233,771</u>
	<u>597,503</u>	<u>2,194,474</u>	<u>30,327</u>	<u>516,516</u>	<u>3,338,820</u>	<u>(34,224)</u>	<u>-</u>	<u>3,304,596</u>
Depreciation and amortisation	<u>21,339</u>	<u>5,064</u>	<u>-</u>	<u>135,567</u>	<u>161,970</u>	<u>4,064</u>	<u>-</u>	<u>166,034</u>

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)

2. Principal activities and segmental analysis of operations (Continued)

(c) An analysis of the Group's total assets by operating segment is as follows:

	As at 30 June 2012							Consolidated HK\$'000
	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	
Total assets	<u>56,788,500</u>	<u>39,842,895</u>	<u>2,286,090</u>	<u>20,572,294</u>	<u>119,489,779</u>	<u>45,623,591</u>	<u>(38,906,219)</u>	<u>126,207,151</u>

	As at 31 December 2011							Consolidated HK\$'000
	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	
Total assets	<u>53,230,398</u>	<u>37,826,059</u>	<u>2,144,867</u>	<u>19,334,299</u>	<u>112,535,623</u>	<u>48,485,365</u>	<u>(37,651,765)</u>	<u>123,369,223</u>

3. Operating profit

Six months ended 30 June
2012 2011
HK\$'000 **HK\$'000**

Operating profit is stated after crediting/charging the following:

Crediting

Dividend income from listed and unlisted investments	41,420	34,288
Interest income	148,546	78,875
Gain on sale of investment properties, net	16,472	161,686

Charging

Depreciation and amortisation	202,786	166,034
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Total finance costs incurred	573,260	360,264
Less: amount capitalised in properties under development	(310,795)	(263,020)
	262,465	97,244
Fair value gain on derivative financial instruments	570	18,410
	263,035	115,654

4. Taxation

	Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
The taxation (charge)/credit comprises:		
PRC taxation		
Current	(172,825)	(298,003)
Under-provision in prior years	(1,591)	(527)
Deferred	(192,486)	(97,856)
	(366,902)	(396,386)
Hong Kong profits tax		
Current	(512,706)	(176,811)
Over/(under)-provision in prior years	10,074	(48,946)
Deferred	(21,786)	25,497
	(524,418)	(200,260)
Overseas taxation		
Current	(66,696)	(60,906)
Under-provision in prior years	(10,004)	(3,996)
Deferred	(3,168)	(4,167)
	(79,868)	(69,069)
	(971,188)	(665,715)

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profit for the six months ended 30 June 2012. Income tax on PRC and overseas profits has been calculated on the estimated assessable profit for the six months ended 30 June 2012 at the respective rates of taxation prevailing in the PRC and the overseas countries in which the Group operates.

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.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)

5. 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 shares in issue during the period.

	Six months ended 30 June	
	2012	2011
Weighted average number of shares in issue	<u>1,438,465,447</u>	<u>1,437,136,880</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit attributable to shareholders	<u>3,386,155</u>	<u>3,070,825</u>
Basic earnings per share	<u>HK\$2.35</u>	<u>HK\$2.14</u>

Diluted

Diluted earnings per share is calculated by adjusting the profit attributable to shareholders of the Company and the weighted average number of shares outstanding for the effects of all dilutive potential shares.

	Six months ended 30 June	
	2012	2011
Weighted average number of shares in issue	1,438,465,447	1,437,136,880
Adjustment for convertible bonds	12,752,679	44,634,377
Adjustment for share options	<u>2,933,447</u>	<u>4,320,888</u>
Weighted average number of shares for the purpose of calculating diluted earnings per share	<u>1,454,151,573</u>	<u>1,486,092,145</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit attributable to shareholders	3,386,155	3,070,825
Adjustment for finance cost on convertible bonds	<u>16,800</u>	<u>57,214</u>
Profit used to determine diluted earnings per share	<u>3,402,955</u>	<u>3,128,039</u>
Diluted earnings per share	<u>HK\$2.34</u>	<u>HK\$2.10</u>

6. Accounts receivable, prepayments and deposits

Included in accounts receivable, prepayments and deposits are trade receivables. The Group maintains a defined credit policy. The ageing analysis of trade receivables as at 30 June 2012 is as follows:

	As at 30 June 2012 HK\$'000	As at 31 December 2011 HK\$'000
Below 1 month	5,694,013	2,426,583
Between 1 month and 3 months	1,016,811	788,636
Over 3 months	346,954	121,311
	<u>7,057,778</u>	<u>3,336,530</u>

7. Accounts payable, deposits received and accrued charges

Included in accounts payable, deposits received and accrued charges are trade payables. The ageing analysis of trade payables as at 30 June 2012 is as follows:

	As at 30 June 2012 HK\$'000	As at 31 December 2011 HK\$'000
Below 1 month	1,133,980	746,615
Between 1 month and 3 months	365,686	416,846
Over 3 months	84,043	337,459
	<u>1,583,709</u>	<u>1,500,920</u>

8. Bank loans

	As at 30 June 2012 HK\$'000	As at 31 December 2011 HK\$'000
Bank loans – unsecured	15,719,574	18,022,447
Bank loans – secured	3,797,505	3,161,532
Total bank loans (note (i))	19,517,079	21,183,979
Less: Short-term bank loans and current portion of long-term bank loans	(2,381,611)	(5,362,156)
	<u>17,135,468</u>	<u>15,821,823</u>

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)

8. Bank loans (continued)

(i) As at 30 June 2012, the Group's bank loans were repayable as follows:

	As at 30 June 2012 HK\$'000	As at 31 December 2011 HK\$'000
Within one year	2,381,611	5,362,156
In the second to fifth year		
– In the second year	1,829,993	2,876,427
– In the third year	1,712,645	685,520
– In the fourth year	10,188,371	1,174,971
– In the fifth year	1,731,361	9,642,839
	15,462,370	14,379,757
Repayable within five years	17,843,981	19,741,913
Over five years	1,673,098	1,442,066
	19,517,079	21,183,979

9. Fixed rate bonds

In February 2012, Wiseyear Holdings Limited, a wholly-owned subsidiary of the Company, issued fixed rate bonds in the aggregate principal amount of US\$600,000,000. 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.

10. Business combinations

Details of business combinations during the six months ended 30 June 2012 are as follows:

In January 2012, the Group acquired an additional 50% interest of Kerry Logistics (Spain), S.A.U. (formerly known as Kerry Salvat Logistics, S.A.), an international freight forwarding company in Spain, which became a wholly-owned subsidiary of the Group.

In January 2012, the Group acquired 51% interest of Beijing Tengchang International Logistics Co., Ltd., a non-vessel operating common carrier which operates one of the major air freight consolidation platforms in Beijing.

In January 2012, the Group acquired 51% interest of Shanghai Tenglong International Freight Agency Co., Ltd., another non-vessel operating common carrier which operates one of the major air freight consolidation platforms in Shanghai.

In June 2012, the Group acquired 100% interest of Taishan Insurance Brokers Limited, an insurance broking firm in Hong Kong.

Aggregate consideration of the above transactions is as follows:

	<i>HK\$'000</i>
Cash consideration paid	190,123
Consideration to be paid	<u>248,307</u>
 Total	 <u><u>438,430</u></u>

The recognized amounts of identifiable assets acquired and liabilities assumed as at the respective dates of acquisition are as follows:

	<i>HK\$'000</i>
Property, plant and equipment	7,198
Intangible assets	
– Customer relationships	67,668
– Non-compete agreements	8,134
Accounts receivable, prepayments and deposits	140,405
Cash and bank balances	92,188
Accounts payable, deposits received and accrued charges	(105,318)
Taxation	(633)
Deferred taxation	<u>(19,290)</u>
 Total identifiable net assets	 190,352
Goodwill	340,306
Non-controlling interests	(88,245)
Interest in an associate	<u>(3,983)</u>
 Total	 <u><u>438,430</u></u>

The goodwill of HK\$340,306,000 arising from these acquisitions is attributable to the future profitability of the acquired businesses.

The acquired businesses contributed revenues of HK\$736,303,000 and net profit of HK\$22,331,000 to the Company's shareholders for the period from their respective acquisition up to 30 June 2012. If the acquisitions had occurred on 1 January 2012, the contributed revenues and profit attributable to Company's shareholders for the six months ended 30 June 2012 would have been HK\$740,974,000 and HK\$23,626,000 respectively.

The contingent consideration arrangement required the Group to pay former owners undiscounted amount up to maximum of HK\$264,216,000 based on multiple of the profit before taxation of the businesses for certain years. The fair value of the contingent consideration of HK\$248,307,000 has been provided in the consolidated financial statements of the Group.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)

11. Commitments

At 30 June 2012, 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:

	As at 30 June 2012 HK\$'000	As at 31 December 2011 HK\$'000
Contracted but not provided for	10,296,032	7,743,340
Authorised but not contracted for	485,909	440,599
	<u>10,781,941</u>	<u>8,183,939</u>

12. Contingent liabilities

Guarantees for banking and other facilities

	As at 30 June 2012 HK\$'000	As at 31 December 2011 HK\$'000
Guarantees for banking and other facilities of certain associates (note (i))	1,709,760	1,576,413
Guarantees to certain banks for mortgage facilities granted to first buyers of certain properties in the PRC (note (ii))	538,283	765,187
	<u>2,248,043</u>	<u>2,341,600</u>

(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 30 June 2012 amounted to approximately HK\$1,709,760,000 (31 December 2011: HK\$1,576,413,000). The total amount of such facilities covered by the Group's guarantees as at 30 June 2012 amounted to approximately HK\$2,619,517,000 (31 December 2011: HK\$2,594,570,000).

(ii) 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 30 June 2012 amounted to approximately HK\$538,283,000 (31 December 2011: HK\$765,187,000). The total amount of such facilities covered by the Group's guarantees as at 30 June 2012 amounted to approximately HK\$8,797,538,000 (31 December 2011: HK\$8,887,153,000).

Apart from the above, there are no material changes in contingent liabilities of the Group since 31 December 2011.

13. Pledge of assets

As at 30 June 2012, the Group's total bank loans and overdrafts of HK\$19,535,438,000 (31 December 2011: HK\$21,199,491,000) included an aggregate amount of HK\$15,721,302,000 (31 December 2011: HK\$18,022,744,000) which is unsecured and an aggregate amount of HK\$3,814,136,000 (31 December 2011: HK\$3,176,747,000) 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 of the Group with an aggregate net book value of HK\$11,116,705,000 (31 December 2011: HK\$9,994,918,000);
- (ii) charges on bank balances amounting to HK\$782,000 (31 December 2011: HK\$3,279,000) of certain subsidiaries of the Group; and
- (iii) assignments of insurance proceeds of certain properties of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

(A) Overall Results

Turnover of the Group for the six months ended 30 June 2012 was HK\$17,958 million, which registered an increase of 93% when compared with the turnover of HK\$9,318 million for the corresponding six months ended 30 June 2011. The Group's turnover mainly comprises proceeds from the sales of properties, rental income as well as revenue from hotel and logistics operations. The increase in turnover during the period was mainly due to the increase in property sales in Hong Kong.

Profit attributable to shareholders before taking into account the net increase in fair value of investment properties and related tax effects for the six months ended 30 June 2012 was HK\$2,915 million (2011: HK\$2,765 million), representing an increase of 5% over the period.

During the six months ended 30 June 2012, the net increase in fair value of the Group's investment properties and related tax effects in the aggregate amount of HK\$471 million (2011: HK\$306 million) was recognised in the Group's consolidated income statement.

The effect of 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:

	Six months ended 30 June		Change
	2012	2011	
	HK\$ million	HK\$ million	
Profit attributable to shareholders before taking into account the net increase in fair value of investment properties and related tax effects	2,915	2,765	+5%
Add:			
Net increase in fair value of investment properties and related tax effects	<u>471</u>	<u>306</u>	
Profit attributable to shareholders after taking into account the net increase in fair value of investment properties and related tax effects	<u>3,386</u>	<u>3,071</u>	+10%

(B) PRC Property Division

The Group's PRC Property Division reported a turnover of HK\$737 million (2011: HK\$960 million) for the first six months of 2012. Net profit attributable to the Group was HK\$578 million (2011: HK\$492 million) after taking into account an increase in fair value of investment properties (net of deferred taxation) of HK\$471 million (2011: HK\$306 million).

At the start of the year, the Division faced a series of operating challenges on top of a controlled market correction in the PRC. Under these circumstances, the Division has continued to manage its portfolio of developments prudently, and has taken decisive steps to overcome the ongoing challenges. During the first half year, the development work on mixed-use property projects and scheduled sales activities were carried out as planned.

(i) Investment Properties

During the six months ended 30 June 2012, the Group's completed investment property portfolio in the PRC generated rental income and operating profit of HK\$471 million and HK\$325 million, respectively (2011: HK\$434 million and HK\$301 million, respectively).

As at 30 June 2012, the Group held a completed investment property portfolio of residential, commercial and office properties in the PRC with an aggregate gross floor area ("GFA") of 5.29 million square feet (as at 31 December 2011: 4.46 million square feet). Their respective composition and occupancy rates were as follows:

As at 30 June 2012:

	Group's attributable GFA					Occupancy rate
	Beijing	Shanghai	Shenzhen	Fuzhou	Total	
	('000 square feet)					
Office	711	942	1,552	–	3,205	82%
Commercial	98	659	211	64	1,032	92%
Residential	277	775	–	–	1,052	70%
	1,086	2,376	1,763	64	5,289	

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	

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

(B) PRC Property Division (continued)

(i) Investment Properties (continued)

Comparative occupancy rates of key completed investment properties in the PRC are set out below:

Property	Occupancy rate as at 30 June 2012	Occupancy rate as at 31 December 2011
Beijing Kerry Centre ⁽¹⁾	84%	90%
Shanghai Kerry Centre ⁽²⁾	98%	90%
Kerry Parkside Shanghai Pudong	97%	78%
Kerry Everbright City Phase I	82%	85%
Central Residences Phase II Towers 1 & 3	78%	68%
Shenzhen Kerry Plaza Phase I	99%	100%
Shenzhen Kerry Plaza Phase II	37%	N/A

Notes:

(1) Excluding Kerry Hotel, Beijing and retail which are undergoing renovation

(2) Excluding serviced apartments and retail podium which are undergoing renovation

The 40.8%-held mixed-use property project, Kerry Parkside, in the Pudong District of Shanghai, includes a hotel, offices, serviced apartments, commercial properties and related ancillary facilities. As at 30 June 2012, 100% (as at 31 December 2011: 99%) of the retail space were leased while the offices were 97% (as at 31 December 2011: 83%) occupied.

Shenzhen Kerry Plaza Phase II, with a GFA of approximately 850,000 square feet, was completed in the first quarter of 2012. This Grade-A office project, together with Phase I, comprises three office towers. Located in the core of Futian CBD, it is conveniently connected to Futian railway station on the Guangzhou-Shenzhen-Hong Kong Express Rail Link now under construction. The Phase II development was 37% leased as at 30 June 2012.

(ii) Sales of Properties

During the six months ended 30 June 2012, turnover of HK\$120 million (2011: HK\$425 million) was derived from the sales of completed properties in the PRC. Sales of completed investment properties generated proceeds of HK\$71 million (2011: HK\$123 million).

An operating profit of HK\$87 million (2011: HK\$275 million) was posted during the period mainly from recognised sales of Central Residences Phase II Tower 2 in Shanghai and Kerry Everbright City Phases I and II, also in Shanghai (including residential property Le Loft and the Enterprise Square office tower).

Ideally located in the upscale Huashan Road residential neighbourhood in Shanghai, Central Residences Phase II has earmarked 62 units from Tower 2 for sale. As of 30 June 2012, 92% of the lot or 57 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 30 June 2012, all of the Le Loft residential units had been sold. Enterprise Square, which offers 430 saleable office units, recorded sales of 288 units, representing 67% of the total. The Group holds a 74.25% interest in the project.

(iii) Properties under Development

Following signs of strengthening property sales and rallying prices, the Central Government reaffirmed continuing market controls as it continued to place priority on stabilizing the property market. The PRC Property Division remained focused on developing major mixed-use projects in key cities in order to maintain a premium property portfolio appropriate to securing long-term growth momentum. This has been supplemented by selective investments in projects in strategic locations.

Shanghai

The mixed-use development, Jing An Kerry Centre, is a joint project of the Group with Shangri-La Asia Limited (“Shangri-La”), their respective shareholdings being 51% and 49%. Lying in the heart of Shanghai’s Nanjing Road business centre, 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 target for completion in 2012. Responses on the leasing of space are strong with substantiated intent to lease received for approximately 53% of the office space and 66% of the retail space as at 30 June 2012.

Piling works for Phase III of the Kerry Everbright City project in Zhabei District have commenced and the project is expected to be completed by 2015. This new project, comprising office premises and some supporting retail spaces, will add a GFA of approximately 1.1 million square feet to the entire development. The Group holds a 74.25% interest in the project.

Tianjin

The Group’s 49%-owned mixed-use property project, Tianjin Kerry Centre in Hedong District, Tianjin, is located on the east bank of the Haihe CBD enjoying a convenient transport network. Phase I of the development includes a hotel, upscale residential apartments, and a shopping mall. Phase II of the project 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 completed in phases between the second quarter of 2013 and second quarter of 2014. Pre-sales of the residential portion, Tianjin Arcadia Court, and pre-leasing activities for the mall are expected to commence in the third quarter of 2012.

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. Piling work is in progress and the entire development is targeted for completion in phases by 2015. The Group will transfer 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 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 30 June 2012, approximately 62% of the 500 units launched were sold.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

(B) PRC Property Division (continued)

(iii) Properties under Development (continued)

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.

On 26 April 2012, the Group acquired a residential site at Da Guang Road, Bai Xia District, Nanjing. This project, wholly owned by the Group, has a site area of approximately 383,400 square feet and a GFA of approximately 962,000 square feet. Project company formation and design planning are in progress.

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 GFA of approximately 6.8 million square feet. Construction work of Phase I has been completed and are expected to be handed over by the third quarter of 2012, with Phases II and III due for completion in several stages from 2015 onwards. Phase I of The Metropolis-Arcadia Court consists of eight towers of high quality homes. Up to 30 June 2012, a total of 900 units from four towers had been launched with 92% pre-sold.

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 GFA of approximately 2.57 million square feet. Substructure works are currently underway for Phase I of the project including the hotel and residences, and the entire project is targeted for completion in phases by 2014.

Changsha

The wholly-owned residential and commercial property project in the Tianxin District of Changsha, the provincial capital of Hunan Province, 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 2014 and 2016. Pre-sales of the project are expected to be launched in the fourth 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 on 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 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 has completed the topping out stage. With the completion of Phase I, the site has remaining GFA of approximately 616,000 square feet. The pre-sales of Phase II residential has been launched in July 2012.

Tangshan

The Group's 40%-owned mixed-use project in this key Hebei city comprises the development of a hotel and residential and complementary commercial properties, with a GFA of approximately 3.3 million square feet. The project is scheduled to be completed in phases between 2013 and 2014, with pre-sales of the residential units already rolled out in the second quarter of 2012. Up to 30 June 2012, 130 units were launched for sale.

Ningbo

The site in Ningbo is located in the Eastern New Town Core Region and is earmarked for the development of high-end residences with a GFA of approximately 1.04 million square feet. The Group holds a 50% interest in the project, the phase I (approximately 408,000 square feet) of which is currently at the construction drawing stage with piling works being targeted to commence in the third 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 GFA of approximately 5.29 million square feet. The project is scheduled to be completed in phases between 2015 and 2019. The Group holds a 40% equity interest in the project.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

(B) PRC Property Division (continued)

(iii) *Properties under Development (continued)*

Jinan

The Group is co-developing a mixed-use project located in Lixia District, Jinan City with Shangri-La. The Group holds a 55% stake in this project. With a GFA of approximately 1.0 million square feet, the project will incorporate the development of a hotel, office and commercial spaces, and is scheduled to be completed in 2015.

Zhengzhou

The Group and Shangri-La are jointly developing a site located at the east of Huayuan Road and the south of Weier Road in Zhengzhou City, Henan Province. The site will yield a GFA of approximately 2.35 million square feet and the project will incorporate the development of hotel, residential, commercial and office properties, with completion expected in 2016. The Group holds a 55% interest in this project.

Putian

The Group and Shangri-La are jointly developing a site in Putian City, Fujian Province. The site, located at the junction of Jiuhua Road and Lihan Avenue, will generate a GFA of approximately 3.9 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.

Kunming

On 13 June 2012, the Group, together with Shangri-La and Moneyeasy Holdings Limited, acquired two adjoining sites in Kunming City, Yunnan Province. The sites are designated for hotel and commercial uses, with a GFA of approximately 915,000 square feet. The Group holds a 35% equity interest in the project.

(iv) **Kerry Hotel, Beijing**

During the six months ended 30 June 2012, Kerry Hotel, Beijing, generated turnover and operating loss of HK\$146 million and HK\$24 million respectively (2011: HK\$101 million and HK\$12 million respectively). Renovation works are expected to be completed in early 2013. An average occupancy rate of 42% (2011: 45%) was achieved during the first half of 2012, while the average room tariff increased by 31% year on year. The Group holds a 71.25% interest in the hotel.

(C) Hong Kong Property Division

The Hong Kong Property Division recorded a turnover of HK\$8,193 million during the six months ended 30 June 2012 (2011: HK\$1,152 million), generating a net profit attributable to the Group of HK\$2,373 million (2011: HK\$2,194 million).

The Division's turnover was mainly derived from the recognised sales of Primrose Hill, Island Crest, The Altitude and Lions Rise. The Division maintains and manages a portfolio of high-quality assets, with a focus on luxury properties occupying prime locations in the city. While deriving healthy returns from property sales, the Division also earns a stable stream of recurrent income from its investment properties.

(i) Investment Properties

During the six months ended 30 June 2012, the Group generated rental turnover and operating profit of HK\$349 million and HK\$275 million, respectively (2011: HK\$304 million and HK\$217 million, respectively) from its completed investment property portfolio in Hong Kong.

As at 30 June 2012, the Group held a completed property portfolio comprising residential, commercial and office assets in Hong Kong with an aggregate GFA of 2.90 million square feet (as at 31 December 2011: 2.77 million square feet). The GFA breakdown and the respective occupancy rates were as follows:

	As at 30 June 2012		As at 31 December 2011	
	Group attributable GFA (<i>'000 square feet</i>)	Occupancy rate	Group attributable GFA (<i>'000 square feet</i>)	Occupancy rate
Residential	722	99%	722	99%
Commercial ⁽³⁾	1,334 ⁽³⁾	94%	1,205	99%
Office	839	95%	839	90%
	<u>2,895</u>		<u>2,766</u>	

Note:

(3) Including pre-lease of the new lifestyle mall in Lions Rise

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

(C) Hong Kong Property Division (continued)

(i) *Investment Properties (continued)*

Enterprise Square Five/MegaBox

MegaBox is a pioneering shopping, dining and entertainment venue in East Kowloon with a GFA of approximately 1.1 million square feet. By providing a total experience, alongside a unique mix of mega stores and lifestyle attractions, MegaBox has become a must-visit family and tourist destination in the territory. As at 30 June 2012, the occupancy rate of the mall stood at 99.8% (as at 31 December 2011: 99%).

The two office towers of the landmark Grade-A Enterprise Square Five, with a GFA of 519,316 square feet, were 100% (as at 31 December 2011: 99%) occupied as at 30 June 2012.

Kerry Centre, Quarry Bay

Kerry Centre at 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. Leasing activity for Kerry Centre continued to be active as a result of the office decentralization trend away from the CBD. As at 30 June 2012, 84.4% (as at 31 December 2011: 66%) of the office space was leased.

(ii) *Sales of Properties*

During the six months ended 30 June 2012, turnover of HK\$7,844 million (2011: HK\$848 million) was achieved from the sales of completed properties in Hong Kong. Sales of completed investment properties generated proceeds of HK\$ nil (2011: HK\$782 million). An operating profit of HK\$2,742 million (2011: HK\$361 million) was derived during the period mainly from the recognised sales of completed properties of Primrose Hill, Island Crest, The Altitude and Lions Rise.

Hong Kong continued to have a highly segregated property market. Propelled by new, high-quality projects and a shortage of supply, as well as by interested investors and home buyers, the luxury property market has remained solid amidst a generally lacklustre first half. Overall, property transactions have slowed despite relatively steady prices. Against this challenging backdrop, the Hong Kong Property Division has met forecast sales and delivered satisfactory results on the back of the successive rollout of premium urban projects.

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. Set amidst prestigious colleges and international schools, the development occupies an excellent location in the city. As at 30 June 2012, 487 units had been sold, accounting for 99.8% of the total.

Primrose Hill, Tsuen Wan

The Group's landscaped-garden luxury residence in Tsuen Wan, Primrose Hill, offers 548 units with a total GFA of approximately 450,000 square feet. The development offers residents modern luxury living in a picturesque natural environment. As at 30 June 2012, 548 units were all sold.

The Altitude, Happy Valley

The Altitude at No. 20 Shan Kwong Road, Happy Valley, offers 126 typical units across a total GFA of approximately 245,000 square feet. The Group holds a 71% interest in this luxury residential project, which showcases contemporary living with elegance. As at 30 June 2012, 66 units, representing 52.4% of the total, had been sold.

Lions Rise, Wong Tai Sin

Conveniently situated near the MTR Wong Tai Sin Station, Lions Rise is a premium residence with a residential GFA of approximately 893,000 square feet. Five contemporary-design residential blocks offer a total of 968 units, all spaciouly laid out and complemented by comprehensive luxury club facilities and landscaped gardens, and a lifestyle mall. The occupation permit for the project was issued in April 2012. As at 30 June 2012, 653 units, representing 67.5% of the total, had been sold.

(iii) Properties under Development*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. Only minutes away from the CBD, this 71%-owned project consists of deluxe urban residences and retail units, with a total GFA of approximately 142,000 square feet. With sales launched to an overwhelming market response, 144 units, representing 96.6% of the total, had been sold as at 30 June 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 162,000 square feet upon its completion. Pre-sale consent application has been submitted and is now pending for approval.

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 total GFA of approximately 178,000 square feet. Construction works are in progress, with completion expected in the third quarter of 2013.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

(C) Hong Kong Property Division (continued)

(iii) Properties under Development (continued)

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 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, a prestigious location for the development of luxury residences enhanced by a number of reputable schools in the neighbourhood. The project is planned to be completed in the second quarter of 2014, providing a GFA of approximately 61,000 square feet.

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 GFA of approximately 81,000 square feet.

Sha Tin Heights Road, Sha Tin

An equally distinctive project is under development on a site at Nos. 25-27A Sha Tin Heights Road, Sha Tin, with a 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

Kerry Properties, jointly with Sino Group and Manhattan Group, is developing a luxury residential project in Kau To Shan. With a GFA of approximately 1,031,000 square feet, the project will include ten blocks of upscale residences set amidst the greenery of the much sought-after Shatin mid-levels. The Group holds a 40% stake in this project, which is targeted for completion in the second quarter of 2015.

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 723,000 square feet and with a GFA of approximately 940,000 square feet, the site is planned to be developed into a large-scale premium residential property of not less than 1,100 units. The project is scheduled to be completed by end of 2016.

Macau

The Group's luxury residential apartment project at Nam Van Lake will yield a GFA of approximately 400,000 square feet. Development planning is currently underway. The project will occupy a prime city location graced with unobstructed panoramas of the Macau Peninsula and Nam Van Lake itself.

The exchange procedure in respect of another residential site owned by the Group in Macau is currently under discussion. The proposed new site is expected to be within one of Macau's new land reclamation projects, with the precise location to be finalized once the New City Master Plan is finalized by the Macau SAR Government. It is expected that the site will be secured in 2013.

(D) Overseas Property Division

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

(i) Australia

As at 30 June 2012, 1,331 units (as at 31 December 2011: 1,324 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. This residential and commercial development is situated on a 12-hectare site on the Pymont Peninsula in Sydney.

(ii) 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 30 June 2012, the occupancy rates of Shangri-La Plaza Mall and The Enterprise Center were 99% and 84%, respectively (at 31 December 2011: 99% and 87%, respectively).

The development of One Shangri-La Place, comprising approximately 428,000 square feet of retail space and approximately 1.63 million square feet of residential development, is currently ongoing. Pre-sales of the residential units have been launched with a total of 764 units sold as at 30 June 2012, accounting for 59% 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 30 June 2012, 1,147 units (as at 31 December 2011: 1,140 units) out of the total of 1,152 residential units in Towers 1 and 2 of the project were sold. In addition, SPI holds a 40% interest in a hotel and luxury residential development in Fort Bonifacio, Taguig, Manila, and has invested in a new residential redevelopment project, Shang Salcedo Place in Makati City, Manila.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

(E) Logistics Network Division

The Division is pleased to report encouraging results for the first half of 2012, despite a challenging year for the global economy and, in particular, the logistics industry.

Recording across-the-board growth in contributions from the integrated logistics (“IL”) and international freight forwarding (“IFF”) businesses, the Division’s turnover increased 25% year on year to HK\$8,954 million (2011: HK\$7,142 million) for the six months ended 30 June 2012. Net profit attributable to the Group also grew 11% year on year to HK\$430 million (2011: HK\$388 million).

(i) Integrated Logistics

The network built by the Division in Greater China and across Asia provides a solid base on which it can operate efficiently in today’s increasingly complex demand and supply chains environment. Specialized expertise and presence in strategic end-user sectors, including fashion, electronics and industrial products have been developed to serve a broader client base.

During the first half of 2012, IL segment turnover went up by 8% year on year to HK\$3,652 million (2011: HK\$3,388 million), contributed by the Division’s investments in expanding its capabilities in the PRC and Southeast Asia.

Hong Kong

The Division’s local warehousing and logistics business remained stable during the period. To strengthen its competence and to expand its scope of services, the Division acquired a Hong Kong insurance broking company in June. The acquisition shall enable the Division to provide more all-rounded services to its customers and to build a new source of growth.

China Focus

The PRC’s export expansion eased in the first half of 2012, with commodity imports also slowing after a period of exceptional growth. For domestic consumption, the country’s burgeoning middle-class has begun to drive the growth of mass-affordable branded goods. Acting proactively on these momentum-gathering trends, the Division has fine-tuned its business mix and strategy while continuing to expand and realign its national network of facilities, which has resulted in an encouraging profit growth of over 30% on a year on year basis.

The Division maintained its lead in the PRC logistics sector with a portfolio of 9 million square feet of logistics facilities supported by a network of 135 branches serving 2,600 cities and townships. Second-phase expansions of the logistics centres in Kunshan and Chongqing were ongoing during the period, and new facilities were under construction in Zhengzhou, Wuxi, and Xiamen.

Growth in the market was driven both by the expansion of capacity and development of niche service capabilities. The new logistics hub in Kunshan, for example, has been developed into a nationwide spare parts centre serving the local requirements of one of the world's major automobile enterprises.

Across the Strait, economic growth has slowed as impact was felt from the weakening in the output of electronics products, Taiwan's most important industrial export sector. The government's decision to raise fuel and electricity rates also put further pressure on the operating costs of Kerry TJ Logistics Company Limited ("Kerry TJ"). To strengthen the local unit's capabilities in niche logistics sector, Kerry TJ has acquired a pharmaceuticals and healthcare logistics company in Taiwan which was subsequently re-branded as TS Logistics.

Asia Specialist

Asia remained a focus market for the IL segment, with Thailand and Vietnam exhibiting the strongest growth in the first half. During the period, Asia continued to benefit from the diversion of manufacturing activities away from the PRC, underlining the region's role as an engine of the global economic recovery.

With years of active development, Thailand has become the most important Asian market for the Division. Cargo throughput continued to grow at Kerry Siam Seaport, where the Division has commenced third-phase expansion works to add new berths container rotation systems. Upon completion in the fourth quarter of 2012, Kerry Siam Seaport will double its container handling capability to serve as a key cargo gateway for ASEAN countries in the coming years.

One key target of the Thailand business unit is to develop itself into a major logistics hub for the country's automotive industry. To this end, the Division has acquired land at the Eastern Seaboard Industrial Estate in Rayong Province for the construction of a 380,000-square-foot logistics centre customized for the automotive sector. Close to the Laemchabang Seaport, this specialized logistics centre is strategically located in a cluster of more than 500 automotive related factories. The new facility is scheduled for completion in the second quarter of 2013.

Expansion and business development were also underway in another growth market: Vietnam. A new logistics facility, located in Hung Yen, with a total GFA of 105,000 square feet was added to the local network during the first half of 2012. Together with another two facilities now under construction in Da Nang in Central Vietnam and Ho Chi Minh City, the Division will command a comprehensive network of IL facilities serving this increasingly important market.

The Division will continue to develop new IL facilities in the ASEAN countries in order to capture the coming demand growth.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

(E) Logistics Network Division (continued)

(ii) *International Freight Forwarding*

As the Division takes forward its international expansion strategy, the IFF segment continued to demonstrate strong growth in the six months ended 30 June 2012. During the period, segment turnover rose 41% year on year to HK\$5,302 million (2011: HK\$3,754 million), reflecting the positive momentum in Asia and the result of the business reorganization exercise to strategize operations in Europe.

The European unit has shown improvement in its overall performance after a series of restructuring efforts. Looking to the medium term, the Division has been in active negotiations to expand its network in the Americas. This part of the world, which is witnessing a slow but steady recovery, will be the Division's focus of active development in order to fully integrate its global IFF capability.

Business in the PRC has been hindered by the decrease in global demand and thus the drop in export activities. The Division has successfully mitigated such negative impact by actively expanding its co-loading capability. The acquisition of Beijing Tengchang International Logistics Co., Ltd. and Shanghai Tenglong International Freight Agency Co., Ltd. was completed in early 2012. The two companies have positioned the Division as a leading independent neutral-platform import/export booking agency for air transport in key airports. The unit has already made a full-period earnings contribution to the Division.

The acquisition of a 70% interest in Kunshan Wisdom Logistics Co., Ltd in 2011 has also provided a solid platform for the Division to take part in the country's sea freight business as a non-vessel-operating common carrier ("NVOCC"). In view of the ongoing strength of the Asian market, the Division is devising plans to make further inroads into Myanmar and Sri Lanka as the first steps in expanding its IFF and NVOCC operations in the region.

(iii) *Logistics Investments*

The Division's logistics investments mainly include a 15% interest in Asia Airfreight Terminal and another 25% interest in Chiwan Container Terminal. The profit contributed by such investments remained stable during the period.

(iv) *Information Technology*

With the strategy of global system convergence set in 2011 for the Division's IFF business, a proof of concept deployment of the new generation freight management system has been successfully completed for Hong Kong and two other pilot countries in the first half of the year. The project has now gone into a twenty four months intensive international roll out schedule for the Division's offices around the globe. The whole exercise is expected to be finished in early 2014.

At the same time, the ground breaking Virtual Buying Office (VBO) system is under development. It is a part of the flagship KerrierVISION product suite to help customers to perform various supply chain planning and execution functions remotely from destinations even without a physical existence in the head stream. This product is going to enable the Division to extend vertical penetration into customers' supply chain beyond traditional transportation services and will be a powerful tool for the Division to tap the high end global logistics market.

(F) 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 30 June 2012, total foreign currency borrowings (excluding Renminbi (“RMB”) borrowings) amounted to the equivalence of HK\$11,075 million and RMB loans amounted to the equivalence of HK\$4,483 million. Therefore, non-RMB total foreign currency borrowings and RMB loans represented approximately 37% and 15% respectively, of the Group’s total borrowings of HK\$29,671 million as at 30 June 2012.

The non-RMB total foreign currency borrowings of HK\$11,075 million mainly include the Fixed Rate Bonds amounting to US\$1,320 million (approximately HK\$10,154 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 30 June 2012, HK\$2,382 million (representing approximately 8%) was repayable within one year, HK\$1,830 million (representing approximately 6%) was repayable in the second year, HK\$21,477 million (representing approximately 72%) was repayable in the third to fifth years and HK\$3,982 million (representing approximately 14%) was repayable over five years. The Group continued to maintain most of its borrowings on an unsecured basis, with unsecured debt accounting for approximately 87% of total borrowings as at 30 June 2012. 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 30 June 2012, the gearing ratio for the Group was 24.7% (as at 31 December 2011: 18.6%), calculated based on net debt of HK\$16,419 million and shareholders’ equity of HK\$66,522 million.

In terms of the Group’s available financial resources as at 30 June 2012, the Group had total undrawn bank loan and overdraft facilities of HK\$8,656 million and net cash on hand of HK\$13,252 million. In addition, the generation of strong recurrent cashflows from the Group’s investment property portfolio, hotel and logistics operations provides the Group with a strong financial position, and enables the Group to reap the benefits of investment opportunities as and when they arise.

In February 2012, Wiseyear Holdings Limited, a wholly-owned subsidiary of the Company, issued US\$600 million fixed rate bonds under the Medium Term Note Programme. 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.

In February 2012, the Group redeemed all the outstanding convertible bonds.

On 7 June 2012, Standard & Poor’s affirmed a “BBB-” credit rating for Kerry Properties Limited with a stable outlook.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

(G) Outlook

(i) *PRC Property Division*

After a tightening-induced correction in the first half of 2012, the property market in the PRC has shown signs of bottoming out as sales and prices begin to strengthen. However, there have been mixed views in the market as to the ongoing direction of the country's macroeconomic adjustment and control policies.

With gross domestic product growth slowing, the Central Government is indeed presented with a dilemma over the need to rein in real estate speculation and the risk of depriving the economy of an important growth engine. Therefore, despite the reiteration of the authorities that they will maintain property regulation policies unwaveringly, the market anticipates the surfacing of intermittent easing policies to a certain extent at the local level.

While the tightening policies have provided a challenging backdrop for the Group's PRC operations, management is of the view that the long-term goal of the Central Government is to ensure a healthy property market to support the country's sustainable development. This will help make a solid case for the Group's long-term commitment to the market.

Going forward, the Group will continue to move ahead with the development of its mixed-use projects in key cities. These large-scale integrated developments, comprising a mix of commercial, residential, hotel and office components, will form the cornerstone of the Group's balanced property portfolio to ensure a healthy stream of recurrent income on top of returns to be generated from sales activities. The completion of Jing An Kerry Centre in Nanjing Road, Shanghai this year will represent a major milestone for the Division.

At times of uncertainty, the Group deeply understands the importance of continuity, both in terms of the execution of the established long-term growth strategy and its firm dedication to the quality that supports the Group's premium brand.

(ii) *Hong Kong Property Division*

As the economic outlook remains uncertain, some key factors, including the prevailing low interest rates, affecting Hong Kong's property market continue to be positive. Not least of these is that properties in prime urban locations find strong support from the ongoing supply-and-demand dynamics.

The Group's sales activities in Hong Kong will continue for the remainder of the year as scheduled. At the same time, the Group will stay alert to market changes in order to constantly fine-tune its sales strategy. More importantly, it is committed to delivering on its brand promise of quality and value as it continues to bring to the market standard-setting property projects.

The leasing market has continued to be stable and healthy. As Hong Kong remains a vibrant world business centre, the demand for luxury rental properties will continue to be strong. Commanding a portfolio of uniquely exclusive luxury residences, the Group anticipates further upside to be enjoyed on this asset base.

The retail segment has also performed well. In addition to full occupation of MegaBox, the pre-leasing of the new lifestyle mall at Lions Rise has also met with a welcome response. The Group will continue to formulate unique and appealing tenant mixes to support the ongoing performance of its retail properties. While office rentals are experiencing something of a correction in the CBD, the Group's office properties in Island East and Kowloon East are expected to sustain good rental performance on the back of the business sector's trend towards decentralization.

Overall, the Group maintains a stable outlook for its Hong Kong segment. It has in place a proven business strategy and a strong management team to effectively execute this strategy as it charts its course in challenging times.

(iii) Logistics Network Division

The Division is well attuned to the slowdown in the broader global economy and the cyclical fluctuations in consumption patterns. It is, however, of the view that the situation will urge companies to review their supply chains which will create more business opportunities for the Division. While engines for growth have already been embedded in various markets and business segments through carefully planned investments, the Division will continue to make solid progress and achieve positive results.

Current business achievements are the results of the Division's continuous forward planning. To sustain growth momentum, the Division is actively studying a range of investment options to enhance its global network and business strength. Such investments will, in turn, sow the seeds for the Division's growth in the near future.

The strategy for the coming year has been well mapped out and is being implemented according to plan. With a near-term focus on Southeast Asia and the PRC, the Division is taking forward business expansion and merger-and-acquisition initiatives in these markets. It is the Division's ultimate goal to seek excellence in its network coverage so as to provide efficient products and services for clients worldwide. By delivering on this promise to clients, the Division will ensure long-term business success and returns for shareholders.

INVESTOR RELATIONS

The Group actively participates in meetings and conferences to maintain regular communications with financial analysts, fund managers and the investor community. The Group had participated a number of roadshows and investors' conferences during the six months ended 30 June 2012 and some of them are set out below:

Event	Venue
Credit Suisse Asian Real Estate Conference	Hong Kong
Nomura Bento Lunch	Hong Kong
Deutsche Bank Access China Conference	Beijing
UBS Greater China Conference	Shanghai
Credit Suisse Asian Investment Conference	Hong Kong
HSBC Asian Property Conference	Hong Kong
Macquarie Greater China Conference	Hong Kong
Deutsche Bank Access Asia Conference	Singapore
HSBC Asian Financials Conference	London
Non-deal roadshow	Amsterdam

STAFF

As at 30 June 2012, the Company and its subsidiaries had approximately 22,000 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 of the Company (the "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.

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. On 30 April 2012, a total of 24,340,000 Share Options were granted under the 2011 Share Option Scheme.

As at 30 June 2012, a total of 42,465,000 Share Options were outstanding which comprised 18,175,000 and 24,290,000 Share Options granted under the 2002 Share Option Scheme and the 2011 Share Option Scheme respectively.

Valuation of Share Options granted during the six months ended 30 June 2012

The fair value of the employee services received in exchange for the grant of the Share 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 Share Options granted. The weighted average fair value of the Share Options granted on 30 April 2012 is HK\$9.96 per share. The valuation was based on a Binomial Model with the following data and assumptions:

Closing share price at grant date:	HK\$35.45
Exercise price:	HK\$35.45
Expected volatility ^I :	36% per annum
Share options life:	10 years
Average risk-free interest rate ^{II} :	1.21% per annum
Expected dividend yield:	2.5% per annum

Notes:

- I. It was determined based on historical share price movement.
- II. It is taken to be equal to the yield of Hong Kong government bonds over the exercise period.

The valuation has also taken into account the assumed rate of leaving service of 10% per annum and the assumption of early exercise of the Share Options by the optionholders when the share price is at least 200% of the exercise price.

The value of the Share Options varies with different values of certain subjective assumptions. Any change in the variables so adopted may materially affect the estimation of the fair value of the Share Options.

Movement of Share Options

Movement of the Share Options, which were granted under the 1997 Share Option Scheme, the 2002 Share Option Scheme and the 2011 Share Option Scheme, during the six months ended 30 June 2012 are listed below in accordance with Rule 17.07 of the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"):

Category	Date of grant (Note e)	Tranche	Number of Share Options				Exercise price HK\$	Exercise Period	
			As at 01/01/2012	Transfer to other category during the period	Transfer from other category during the period	Exercised (Notes a to c)			As at 30/06/2012
(i) 1997 Share Option Scheme:									
Continuous Contract	16/04/2002	I	26,276	-	-	(26,276)	-	6.85	16/04/2003 – 15/04/2012
Employees	16/04/2002	II	36,276	-	-	(36,276)	-	6.85	16/04/2004 – 15/04/2012
Total:			<u>62,552</u>	<u>-</u>	<u>-</u>	<u>(62,552)</u>	<u>-</u>		

SHARE OPTIONS (continued)

Movement of Share Options (continued)

Category	Date of grant (Note e)	Tranche	Number of Share Options				Exercise price HK\$	Exercise Period	
			As at 01/01/2012	Transfer to other category during the period	Transfer from other category during the period	Exercised (Notes a to c)			As at 30/06/2012
(ii) 2002 Share Option Scheme:									
1. Directors									
WONG Siu Kong	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
	06/02/2009	III	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
	06/02/2009	III	250,000	-	-	-	250,000	17.58	06/02/2011 – 05/02/2019
MA Wing Kai, William	17/03/2005	II	200,000	-	-	-	200,000	18.74	17/03/2007 – 16/03/2015
	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
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
Bryan Pallop, GAW	02/04/2008	I	-	-	75,000	-	75,000	47.70	02/04/2009 – 01/04/2018
	02/04/2008	II	-	-	75,000	-	75,000	47.70	02/04/2010 – 01/04/2018
	02/04/2008	III	-	-	150,000	-	150,000	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	-	-	50,000	-	50,000	17.58	06/02/2011 – 05/02/2019
2. Continuous Contract Employees	17/03/2005	I	257,500	-	-	(10,000)	247,500	18.74	17/03/2006 – 16/03/2015
	17/03/2005	II	477,500	-	-	-	477,500	18.74	17/03/2007 – 16/03/2015
	02/04/2008	I	1,150,000	(75,000)	-	-	1,075,000	47.70	02/04/2009 – 01/04/2018
	02/04/2008	II	1,150,000	(75,000)	-	-	1,075,000	47.70	02/04/2010 – 01/04/2018
	02/04/2008	III	2,300,000	(150,000)	-	-	2,150,000	47.70	02/04/2011 – 01/04/2018
	06/02/2009	I	900,000	(50,000)	-	(40,000)	810,000	17.58	06/02/2010 – 05/02/2019
	06/02/2009	II	1,230,000	(50,000)	-	(40,000)	1,140,000	17.58	06/02/2011 – 05/02/2019
3. Others	17/03/2005	II	700,000	-	-	-	700,000	18.74	17/03/2007 – 16/03/2015
	02/04/2008	I	150,000	-	-	-	150,000	47.70	02/04/2009 – 01/04/2018
	02/04/2008	II	150,000	-	-	-	150,000	47.70	02/04/2010 – 01/04/2018
	02/04/2008	III	300,000	-	-	-	300,000	47.70	02/04/2011 – 01/04/2018
	06/02/2009	I	350,000	-	-	(50,000)	300,000	17.58	06/02/2010 – 05/02/2019
	06/02/2009	II	400,000	-	-	-	400,000	17.58	06/02/2011 – 05/02/2019
Total:			18,315,000	(400,000)	400,000	(140,000)	18,175,000		

Category	Date of grant (Note e)	Tranche	Number of Share Options			Exercise price HK\$	Exercise Period
			As at 01/01/2012	Granted during the period (Note d)	Lapsed		
(iii) 2011 Share Option Scheme:							
1. Directors							
KUOK Khoon Chen	30/04/2012	I	-	1,000,000	-	1,000,000	35.45 31/10/2012 – 29/04/2022
	30/04/2012	II	-	1,000,000	-	1,000,000	35.45 31/10/2013 – 29/04/2022
WONG Siu Kong	30/04/2012	I	-	1,500,000	-	1,500,000	35.45 31/10/2012 – 29/04/2022
	30/04/2012	II	-	1,500,000	-	1,500,000	35.45 31/10/2013 – 29/04/2022
HO Shut Kan	30/04/2012	I	-	500,000	-	500,000	35.45 31/10/2012 – 29/04/2022
	30/04/2012	II	-	500,000	-	500,000	35.45 31/10/2013 – 29/04/2022
MA Wing Kai, William	30/04/2012	I	-	250,000	-	250,000	35.45 31/10/2012 – 29/04/2022
	30/04/2012	II	-	250,000	-	250,000	35.45 31/10/2013 – 29/04/2022
QIAN Shaohua	30/04/2012	I	-	500,000	-	500,000	35.45 31/10/2012 – 29/04/2022
	30/04/2012	II	-	500,000	-	500,000	35.45 31/10/2013 – 29/04/2022
CHAN Wai Ming, William	30/04/2012	I	-	250,000	-	250,000	35.45 31/10/2012 – 29/04/2022
	30/04/2012	II	-	250,000	-	250,000	35.45 31/10/2013 – 29/04/2022
Bryan Pallop, GAW	30/04/2012	I	-	150,000	-	150,000	35.45 31/10/2012 – 29/04/2022
	30/04/2012	II	-	150,000	-	150,000	35.45 31/10/2013 – 29/04/2022
2. Continuous Contract Employees	30/04/2012	I	-	7,320,000	(25,000)	7,295,000	35.45 31/10/2012 – 29/04/2022
	30/04/2012	II	-	7,320,000	(25,000)	7,295,000	35.45 31/10/2013 – 29/04/2022
	30/04/2012	III	-	50,000	-	50,000	35.45 15/02/2013 – 29/04/2022
	30/04/2012	IV	-	50,000	-	50,000	35.45 31/10/2013 – 29/04/2022
	30/04/2012	V	-	50,000	-	50,000	35.45 01/04/2013 – 29/04/2022
	30/04/2012	VI	-	50,000	-	50,000	35.45 31/10/2013 – 29/04/2022
3. Others	30/04/2012	I	-	600,000	-	600,000	35.45 31/10/2012 – 29/04/2022
	30/04/2012	II	-	600,000	-	600,000	35.45 31/10/2013 – 29/04/2022
Total:			-	24,340,000	(50,000)	24,290,000	

Notes:

- The weighted average closing price of the shares of the Company immediately before the dates on which the Share Options were exercised was HK\$34.09.
- During the period, no Share Options were granted/granted for adjustment, transferred from/to other category, cancelled or lapsed under the 1997 Share Option Scheme.
- During the period, no Share Options were granted/granted for adjustment, cancelled or lapsed under the 2002 Share Option Scheme.
- During the period, no Share Options were granted for adjustment, transferred from/to other category or cancelled under the 2011 Share Option Scheme.
- The vesting period of the Share Options is from the date of grant until the commencement of the exercise period.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2012, 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 pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

(i) Company

Directors	Number of ordinary shares				Total	Approximate % of shareholding ⁶
	Personal interests ¹	Family interests ²	Corporate interests ³	Other interests ⁴		
KUOK Khoon Chen	501,004	–	464,307	6,814,400	7,779,711	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
Bryan Pallop GAW	–	17,000	–	1,302,048	1,319,048	0.09

(ii) Associated Corporations

Associated Corporations	Directors	Number of ordinary shares/ Amount of debentures			Number of underlying ordinary shares held under equity derivatives ⁵	Total	Approximate % of shareholding
		Personal interests ¹	Corporate interests ³	Other interests ⁴			
Kerry Group Limited	KUOK Khoon Chen	1,688,428	67,153,275	133,430,350	8,000,000	210,272,053	13.71 ⁷
	WONG Siu Kong	4,617,263	8,504,300	–	3,000,000	16,121,563	1.05 ⁷
	HO Shut Kan	1,888,452	–	–	1,000,000	2,888,452	0.19 ⁷
	MA Wing Kai, William	1,310,620	–	–	500,000	1,810,620	0.12 ⁷
	QIAN Shaohua	1,000,000	500,000	–	1,000,000	2,500,000	0.16 ⁷
	CHAN Wai Ming, William	600,000	–	–	300,000	900,000	0.06 ⁷
	Bryan Pallop GAW	1,500,000	–	45,899,988	2,000,000	49,399,988	3.22 ⁷
Kerry Siam Seaport Limited	MA Wing Kai, William	1	–	–	–	1	0.00
SCMP Group Limited	KUOK Khoon Chen	8,000	–	–	–	8,000	0.00 ⁸
Shang Properties, Inc.	HO Shut Kan	1,570	–	–	–	1,570	0.00
Wiseyear Holdings Limited	WONG Siu Kong	US\$4,000,000	–	–	N/A	US\$4,000,000	N/A
		5% Notes due 2017				5% Notes due 2017	
	HO Shut Kan	US\$1,000,000	–	–	N/A	US\$1,000,000	N/A
		5% Notes due 2017				5% Notes due 2017	
	MA Wing Kai, William	–	US\$1,000,000	–	N/A	US\$1,000,000	N/A
	5% Notes due 2017				5% Notes due 2017		
	QIAN Shaohua	US\$1,000,000	–	–	N/A	US\$1,000,000	N/A
	5% Notes due 2017					5% Notes due 2017	

Notes:

1. This represents interests held by the relevant Director as beneficial owner.
2. This represents interests held by the spouse of the relevant Director.
3. This represents interests held by the relevant Director through his controlled corporation(s).
4. This represents interests held by the relevant Director through discretionary trust(s) of which the relevant Director is a contingent beneficiary.
5. This represents interests in options held by the relevant Director and/or his spouse as a beneficial owner to subscribe for the relevant underlying ordinary shares in respect of the option shares granted by Kerry Group Limited ("KGL").
6. The percentage has been compiled based on the total number of ordinary shares of the Company in issue as at 30 June 2012 (i.e. 1,438,568,228 ordinary shares).
7. The percentage has been compiled based on the total number of ordinary shares of KGL in issue as at 30 June 2012 (i.e. 1,533,345,792 ordinary shares).
8. The percentage has been compiled based on the total number of ordinary shares of SCMP Group Limited in issue as at 30 June 2012 (i.e. 1,560,945,596 ordinary shares).

Details of the Share Options, duly granted to the Directors pursuant to the share options 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 30 June 2012, 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.

SUBSTANTIAL INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

As at 30 June 2012, the interests of those persons (other than the Directors) in the shares of the Company 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 ⁽ⁱⁱ⁾
Kerry Group Limited	Interest of controlled corporations	791,514,649 ⁽ⁱ⁾	Long position	55.02
Kerry Holdings Limited	Interest of controlled corporations	750,600,676 ⁽ⁱ⁾	Long position	52.18
Caninco Investments Limited	Beneficial owner	312,248,193 ⁽ⁱ⁾	Long position	21.71
Darmex Holdings Limited	Beneficial owner	256,899,261 ⁽ⁱ⁾	Long position	17.86
Moslane Limited	Beneficial owner	73,821,498 ⁽ⁱ⁾	Long position	5.13
JPMorgan Chase & Co.	Interest of controlled corporations	80,734,551	Long position	5.61
		1,780,843	Short position	0.12
		58,641,239	Lending pool	4.08

Notes:

- (i) 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.
- (ii) The percentage has been compiled based on the total number of ordinary shares of the Company in issue as at 30 June 2012 (i.e. 1,438,568,228 ordinary shares).

Apart from the aforesaid, as at 30 June 2012, 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.

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Board has adopted the Model Code and that the Directors have confirmed their compliance with the required standards set out in the Model Code during the six months ended 30 June 2012.

CORPORATE GOVERNANCE

For the period from 1 January 2012 to 31 March 2012, the Company has complied with the former code provisions set out in the Code on Corporate Governance Practices contained in the former Appendix 14 of the Listing Rules. For the period from 1 April 2012 to 30 June 2012, the Company has complied with the new code provisions set out in the Corporate Governance Code and Corporate Governance Report contained in the new Appendix 14 of the Listing Rules.

CLOSURE OF REGISTERS OF MEMBERS

The registers of members of the Company (the "Registers of Members") will be closed on Friday, 7 September 2012 for the purpose of determining Shareholders' entitlement to the Interim Dividend and no transfer of shares will be effected on that date. In order to qualify for the Interim Dividend, all share transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Abacus Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:00 p.m. on Thursday, 6 September 2012. The Interim Dividend is payable on Thursday, 13 September 2012 to Shareholders whose names appear on the Registers of Members on Friday, 7 September 2012.

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 six months ended 30 June 2012.

DIRECTORS

As at the date of this report, the Directors of the Company are:

Executive Directors:

Messrs. Kuok Khoon Chen, Wong Siu Kong, Ho Shut Kan, Ma Wing Kai, William, Qian Shaohua, Chan Wai Ming, William and Bryan Pallop Gaw.

Independent Non-executive Directors:

Mr. Lau Ling Fai, Herald, Mr. Ku Moon Lun and Ms. Wong Yu Pok, Marina, JP.

By Order of the Board
Kuok Khoon Chen
Chairman

Hong Kong, 23 August 2012