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KERRY PROPERTIES LIMITED
ANNUAL REPORT



KERRY PROPERTIES LIMITED
嘉里建設有限公司

Stock Code : 683
(Incorporated in Bermuda with limited liability)



2012 ANNUAL REPORT

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

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
Mr CHANG Tso Tung, Stephen

AUDIT AND CORPORATE GOVERNANCE COMMITTEE

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

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
Mr CHANG Tso Tung, Stephen

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
Mr CHANG Tso Tung, Stephen

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
26 Burnaby Street, Hamilton HM11, 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

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

WEBSITE

www.kerryprops.com

STOCK CODES

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

KEY DATES

Annual General Meeting

3 May 2013

Closure of Registers of Members

2 May 2013, 3 May 2013 and 9 May 2013

Proposed Payment of Final Dividend

16 May 2013



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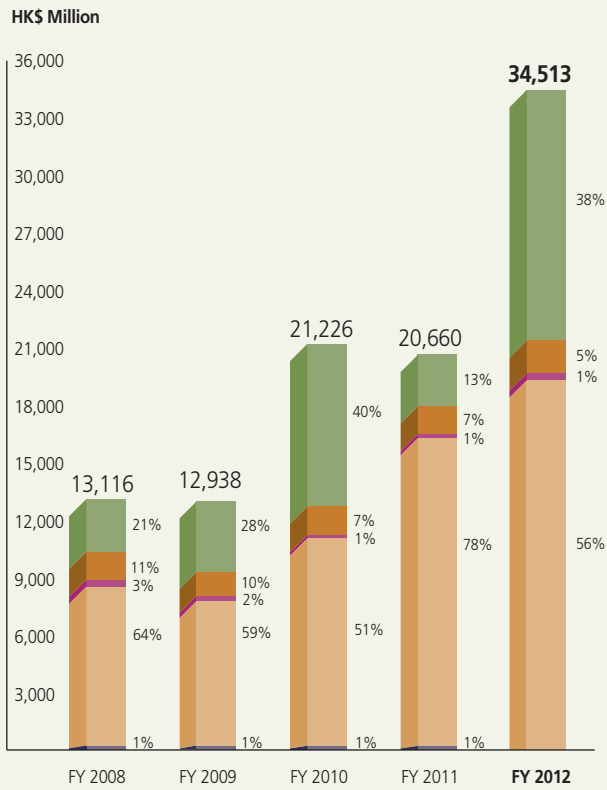
FINANCIAL HIGHLIGHTS

Two-year Overview		FY 2012	FY 2011	% Change
Turnover	(HK\$M)	34,513	20,660	+67%
Gross profit	(HK\$M)	8,785	4,999	+76%
Gross profit margin	(%)	25.5	24.2	
Operating profit	(HK\$M)	9,326	4,748	+96%
Operating profit margin	(%)	27.0	23.0	
Profit attributable to shareholders	(HK\$M)			
– before fair value change of properties		4,695	3,657	+28%
– after fair value change of properties		6,960	5,348	+30%
Net profit margin	(%)			
– before fair value change of properties		13.6	17.7	
– after fair value change of properties		20.2	25.9	
Earnings per share	(HK\$)			
– before fair value change of properties		3.26	2.54	+28%
– after fair value change of properties		4.84	3.72	+30%
Shareholders' equity	(HK\$M)	70,792	63,922	+11%
Net borrowings	(HK\$M)	15,867	11,921	+33%
Net asset value per share	(HK\$)	49.19	44.44	+11%
Share price as at 31 December	(HK\$)	40.25	25.70	+57%
Price earnings ratio [#]	(times)			
– before fair value change of properties		12.3	10.1	
– after fair value change of properties		8.3	6.9	
Market capitalization as at 31 December [#]	(HK\$M)	57,925	36,966	+57%
Dividend per share	(HK\$)	0.95	0.87	+9%
Dividend payout ratio	(%)			
– before fair value change of properties		29.1	34.3	
– after fair value change of properties		19.6	23.4	
Dividend cover	(times)			
– before fair value change of properties		3.4	2.9	
– after fair value change of properties		5.1	4.3	
Dividend yield [#]	(%)	2.4	3.4	
Return on shareholders' equity	(%)			
– before fair value change of properties		6.6	5.7	
– after fair value change of properties		9.8	8.4	
Gearing	(%)	22.4	18.6	
Interest cover	(times)			
– before fair value change of properties		8.7	9.9	
– after fair value change of properties		12.3	13.3	
Current ratio	(times)	2.2	1.8	
Liquidity ratio	(times)	1.5	1.2	
Discount to net asset value [#]	(%)	(18.2)	(42.2)	

[#] Based on share prices as at 31 December 2012 and 31 December 2011, respectively.

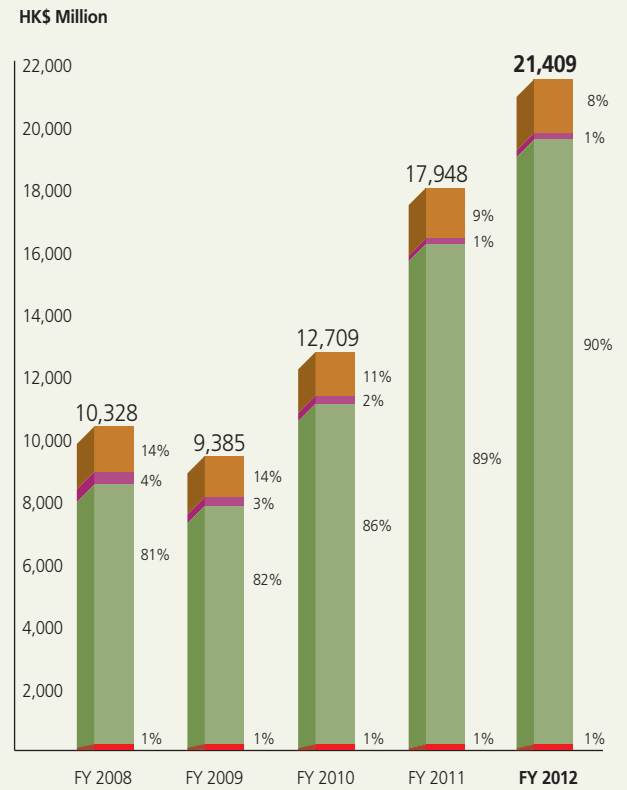


Breakdown of Total Turnover



- Proceeds from sales of properties
- Rental income
- Hotel revenue
- Logistics income
- Others

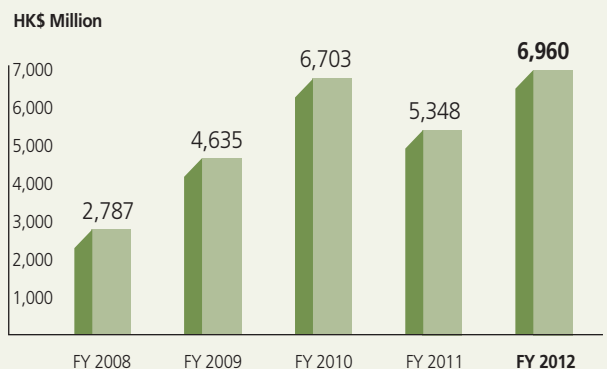
Breakdown of Recurrent Income



- Rental income
- Hotel revenue
- Logistics income
- Others

The Group recorded a 67% increase in total turnover for FY 2012 to **HK\$34,513 million** (2011: HK\$20,660 million).

Profit Attributable to Shareholders



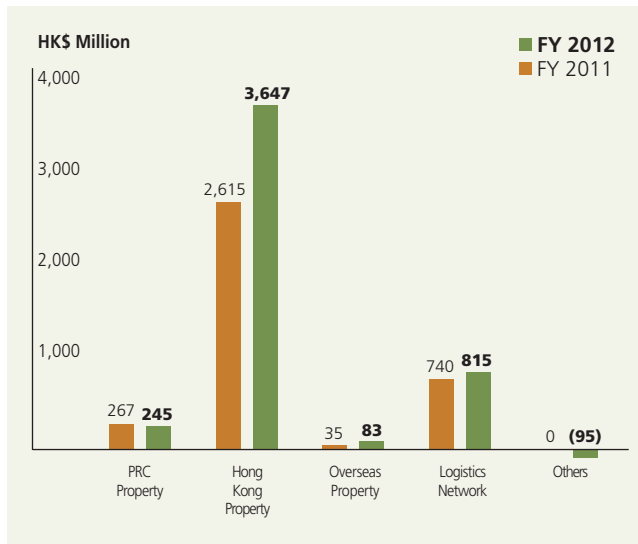
	Total Turnover HK\$ Million	Recurrent Income HK\$ Million	% Weighting	Net Profit before fair value change of properties HK\$ Million	Net Profit after fair value change of properties HK\$ Million
FY 2008	13,116	10,328	79%	2,246	2,787
FY 2009	12,938	9,385	73%	2,163	4,635
FY 2010	21,226	12,709	60%	3,419	6,703
FY 2011	20,660	17,948	87%	3,657	5,348
FY 2012	34,513	21,409	62%	4,695	6,960

The Group's net profit attributable to shareholders for FY 2012 increased by 30% to **HK\$6,960 million** (2011: HK\$5,348 million).

FINANCIAL HIGHLIGHTS

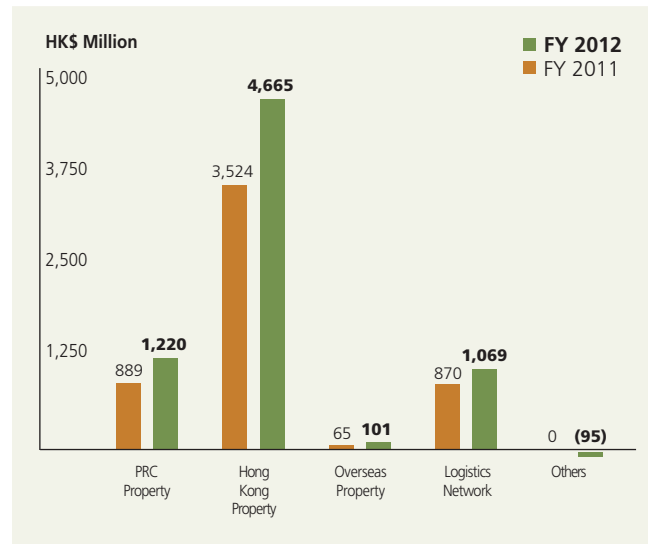
Profit Attributable to Shareholders by Division

(before fair value change of properties)



Profit Attributable to Shareholders by Division

(after fair value change of properties)



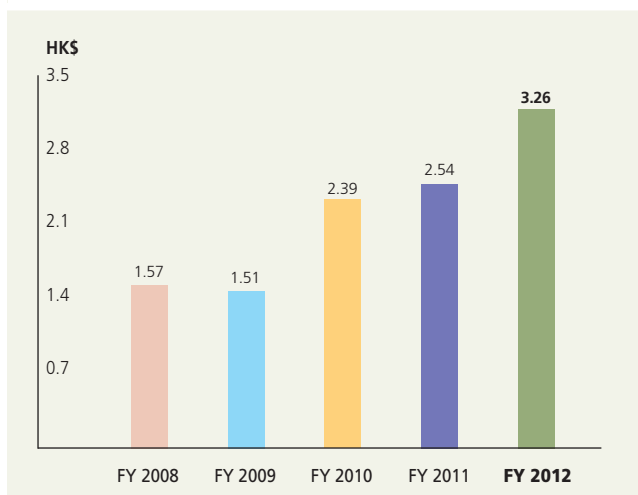
Profit Attributable to Shareholders (before fair value change of properties) (by division)	2012	2011	
	HK\$ Million	HK\$ Million	% Change
PRC Property	245	267	-8%
Hong Kong Property	3,647	2,615	+39%
Overseas Property	83	35	+137%
Logistics Network	815	740	+10%
Others	(95)	-	N/A
	4,695	3,657	+28%

Profit Attributable to Shareholders (after fair value change of properties) (by division)	2012	2011	
	HK\$ Million	HK\$ Million	% Change
PRC Property	1,220	889	+37%
Hong Kong Property	4,665	3,524	+32%
Overseas Property	101	65	+55%
Logistics Network	1,069	870	+23%
Others	(95)	-	N/A
	6,960	5,348	+30%

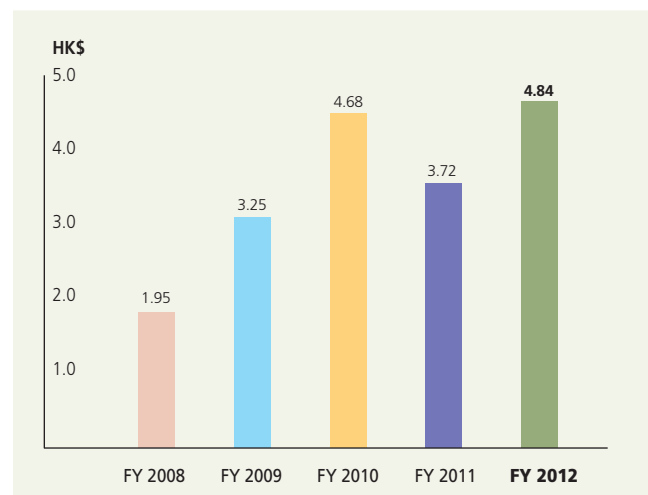
N/A – not applicable

N/A – not applicable

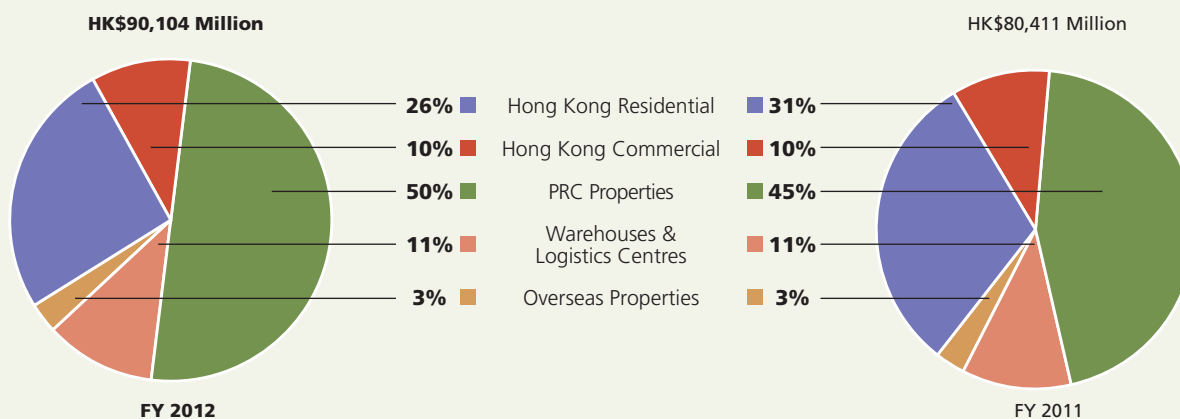
Earnings per Share (before fair value change of properties)



Earnings per Share (after fair value change of properties)

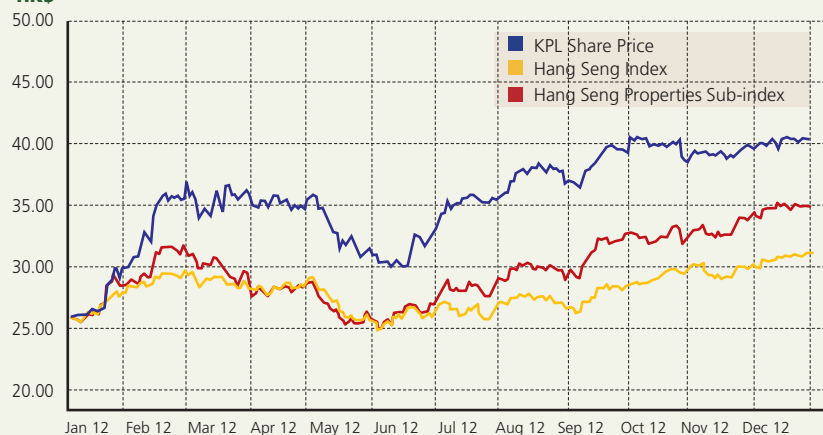


Gross Asset Value of Properties



Share Price Performances

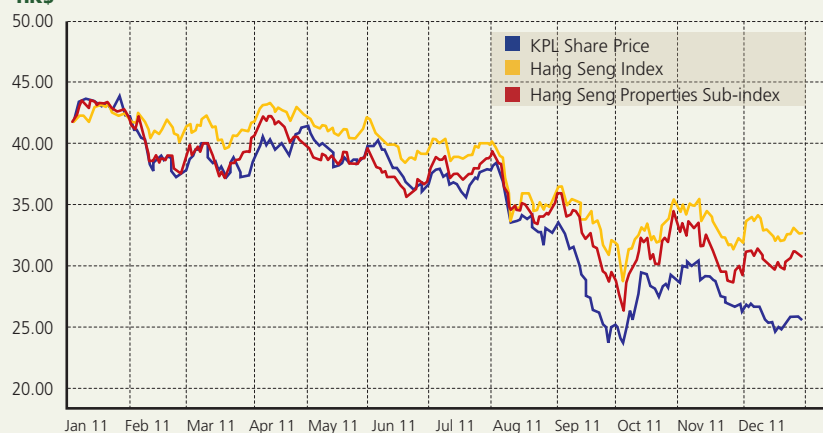
FY 2012
HK\$



KPL Share Price 2012

High:	HK\$40.50
Low:	HK\$25.85
Average:	HK\$35.50
Year's High PE:	10.31x
Year's Low PE:	6.95x
Average PE:	9.26x
Hang Seng Index Average PE:	10.27x
Hang Seng Properties Sub-index Average PE:	7.27x

FY 2011
HK\$



KPL Share Price 2011

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

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board, I am pleased to report the annual results of Kerry Properties Limited (the “**Company**”), its subsidiaries and associates (collectively, the “**Group**”) for the year ended 31 December 2012. The Group's consolidated net profit attributable to shareholders for the year ended 31 December 2012 before taking into account the effects of the increase in fair value of investment properties was HK\$4,695 million, representing an increase of 28% compared with HK\$3,657 million reported for 2011. Profit attributable to shareholders for the year ended 31 December 2012 after taking into account the effects of the increase in fair value of investment properties was HK\$6,960 million (2011: HK\$5,348 million). Earnings per share for the year were HK\$4.84, representing an increase of 30% compared with HK\$3.72 per share in 2011.

The Board has recommended the payment of a final dividend of HK\$0.55 per share for the year. Together with the interim dividend of HK\$0.4 per share, the total dividend for the year ended 31 December 2012 will be HK\$0.95 per share (2011: HK\$0.87 per share).

Projects Forging Ahead

The Group's results in our core markets of Hong Kong and the People's Republic of China (the “**PRC**”) continue to reflect the strength of market fundamentals and the Group's proven and sustainable investment and development strategy in an environment of ongoing economic growth.

In Hong Kong, our portfolio of developments performed satisfactorily in 2012, demonstrating the effectiveness of our high quality standards and our attention to environmental best practices, targeted pricing and brand positioning. All our completed investment projects in Hong Kong are enjoying close to full occupancy and rentals have risen. The Kerry Centre in Hong Kong with its extensive Grade-A office space together with the Group's portfolio of residential projects in the city's most exclusive areas both made a good contribution to our Hong Kong portfolio.

Our investment in mixed-use projects in major cities of the PRC forged ahead during the year, with the Kerry Parkside project in Pudong District, Shanghai completed and open for business. We also continued leasing activities of Jing An Kerry Centre, Shanghai, which will be completed and operational in the third quarter of 2013.

We remain optimistic that the economies of both Hong Kong and the PRC will continue their upward trend. The Group will therefore maintain a positive approach to our investments in both of these markets and we will continue our acquisition activities to take advantage of opportunities as they arise.



Logistics Maintains Growth

Our logistics business delivered solid results in 2012 despite slackening global demand and a relative slowdown in the PRC's economic expansion. The international freight forwarding business, which the Division developed strategically in recent years, was the major engine of growth. The Division's integrated logistics operations in the PRC and Southeast Asia continued to contribute robustly to results.

Looking forward, the Division will continue to seek organic growth of its businesses and new drivers through mergers and acquisitions. With a diversified business and market portfolio, a solid foundation in Asia and clear international expansion strategy, the Division is confident of maintaining a sustainable pace of growth in the coming years.

Strong Sustainability Record

The Group firmly believes that the long-term success of the company depends on how effectively we can positively impact the lives of our employees and the community, as well as making a proactive contribution to preserving and improving the environment. The Group will also continue to strive to be a responsible corporate citizen.

In 2012, the Hong Kong Council of Social Service extended its Caring Company recognition to the Group for a further two years. Our series of training initiatives included an ongoing leadership development programme to develop the strategic vision and leadership versatility of our senior and managerial grade staff. Throughout the year we continued with a broad series of initiatives that reflect our firm commitment to developing a greener and more socially aware community.

I would like to thank my Board colleagues, the senior management team, our partners and everyone who worked with us for their strength of purpose, support and devotion to teamwork. I believe that their commitment, forward vision and loyalty will continue to sustain the future growth of Kerry Properties Limited and its subsidiaries in the years to come.

Sincerely,

Kuok Khoon Chen

Chairman

Hong Kong, 14 March 2013

PRESIDENT & CHIEF EXECUTIVE OFFICER'S STATEMENT

Dear Shareholders,

2012 was a year of continuation of our core strategy, strengthening of our foundations, and steady development. As the Group enters 2013, it will continue to uphold its innovative spirit and proven management philosophy and strategy. Through continued furtherance of management efforts, the Group will forge ahead to complete all missions on target, and achieve steady growth against a backdrop of challenging global economic conditions.

Macro control measures on the property market remained in force in the PRC during 2012 amidst global inflationary pressures and more severe livelihood concerns. However, the Group was able to maintain a strong competitive position in this stringent market environment, leveraging on the prime locations of the majority of its properties and its premium-quality brand equity. This resulted in a significant improvement in the Group's property sales in the PRC during the year. In Hong Kong, a satisfactory sales performance was also achieved.

The Group attaches equal importance to its developments in the PRC and those in Hong Kong. Development in the PRC is focused on an investment portfolio incorporating large-scale mixed-use properties, supplemented by a number of premium residential projects. Growth in Hong Kong is driven mainly by sales of luxury residences. Although we will maintain a balanced investment strategy for our developments in the PRC and Hong Kong, the weight of PRC properties in the Group's business portfolio will gradually expand, with large-scale projects in major PRC cities coming on stream in the future.

Strengthening of Our Investment Property Portfolio and Foundations

The Group achieved satisfactory results in 2012. Going forward, we will build further on our experience and proven strategy. Leveraging the focused management of our property investments in the PRC and Hong Kong, the Group will remain dedicated to property development and professional property management.

We will actively expedite project construction and delivery in order to accelerate the development of mixed-use investment properties in core locations in PRC cities. With the completion and opening of major projects including Kerry Parkside Shanghai Pudong, Shenzhen Kerry Plaza and Jing An Kerry Centre, Shanghai, the Group is further strengthening its investment property foundations, both in terms of quality and quantity. This will help secure steady returns for shareholders amidst market changes.

Due to excellent architecture and quality management, the Group has created a strong brand position for its "Kerry Centre" investment property developments. Kerry Centres have become landmark buildings in many major PRC cities. These large-scale mixed-use properties developed by the Group are now prominent additions to the skylines of Beijing, Shanghai, Hong Kong, Shenzhen, Tianjin, Hangzhou and Shenyang.

MegaBox, on the other hand, has pioneered a new concept for retail and entertainment properties in Hong Kong. It was ranked in 2012 as one of Hong Kong residents' favourite shopping malls, in addition to being the proud winner of numerous awards in recognition of its outstanding management service, barrier-free design and sophisticated use of social media.

Flexible Sales Strategy to Accommodate Market Demands and Policy Challenges

The Group's properties for sale will continue to increase in number in 2013. We are confident of our sales performance in this coming year since a genuine increase in demand is being witnessed in the market.

In the PRC, sales activities will include those of Kerry Everbright City Phases I and II in Shanghai, Tianjin Arcadia Court, Parkview Residence Phase II in Hangzhou, The Metropolis-Arcadia Court Phase I in Chengdu, as well as projects in Changsha, Qinhuangdao, and Tangshan.



Premium-quality residences have continued to be introduced to an enthusiastic response in Hong Kong. The coming year will see the continued sales of The Altitude and Lions Rise. Bayview in To Kwa Wan and the residential project on Hing Hon Road, Mid-Levels West will also be launched this year, adding to the sales momentum of the Hong Kong segment.

The Group will continue to face challenges arising from the stringent macro control measures imposed on the property markets in the PRC and Hong Kong. We take such challenges as the “new norm” and use rigorous studies and a flexible sales strategy to manage them. The Group has established and maintained a prestigious reputation and position in the luxury residential market in Hong Kong, while in the PRC it has built a quality brand for its “Arcadia Court” developments. We are confident of achieving another year of strong sales on the back of our solid brand advantage.

Diversified Logistics Business to Ensure Steady Growth amidst Adverse Conditions

Logistics remains a core business of the Group. In 2012, the Logistics Network Division was able to achieve encouraging double-digit profit growth despite severe economic conditions as a result of the global slowdown. Since the second half of last year, worldwide demand experienced an overall decline, but the Division outperformed its peers due to its sound fundamentals and a diversified business portfolio. In the coming year, the Logistics Network Division will continue its strategy of “innovating new products and exploring new markets”. It will also further strengthen its global logistics network with a view to maintaining resilience in the face of the worldwide economic slowdown. Its goals remain to sustain steady growth in the midst of an adverse environment.

Focus on Investment, Building and Scientific Management to Secure Steady Development

In addition to focusing on design and building quality, the Group also places emphasis on scientific management. We regard management as a means to achieve innovation and productivity, and as an operational capability to secure quality, sustainable development. In line with the Group’s strategy to develop core investment properties, we have strengthened employee training with the aim of enhancing staff quality and expanding our property management staff’s capabilities. With a dual business focus in the PRC and Hong Kong, the Group’s talent teams in the two territories enjoy the convenience of mutual exchanges, experience sharing and complementary synergies.

As a socially responsible enterprise, the Group will maintain its policy of caring for and helping the less privileged in different communities. We also strive to raise our employees’ environmental awareness as part of our commitment to contributing to a greener Earth for the next generation.

The Group’s decision-making, operations and management processes facilitate the focused development of our property businesses in the PRC and Hong Kong, as well as investments in and development of a global logistics network. We hold a long-term view of our investments, and are fully confident of the prospects of the PRC market. Looking forward, the Group will forge ahead steadily towards a set of well-established goals, with the ultimate mission of bringing visionary concepts and breathing new life into the market.

Finally, I would like to take this opportunity to express my sincere gratitude to all our staff and partners who have contributed to the Group’s success.

Sincerely,

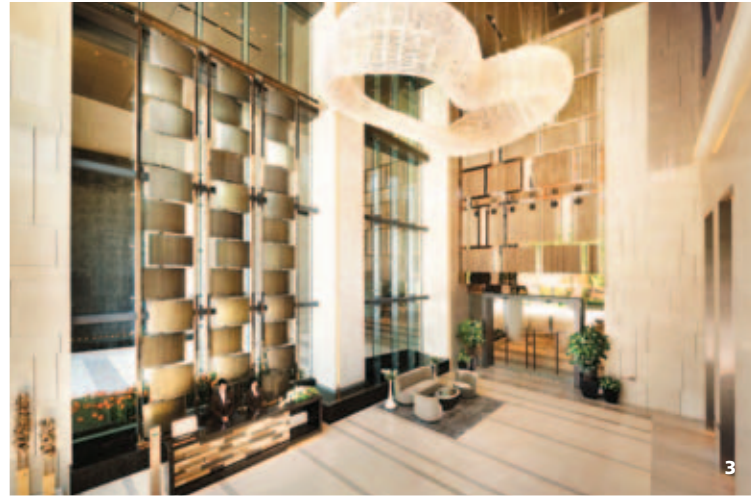
Wong Siu Kong

President and Chief Executive Officer

Hong Kong, 14 March 2013

MANAGEMENT DISCUSSION & ANALYSIS

OVERALL RESULTS



■ 1. Jing An Kerry Centre, Shanghai, PRC ■ 2. New 105,000-square-foot facility of Kerry Logistics in Hanoi, Vietnam
■ 3. Lobby of Lions Rise, Wong Tai Sin, Hong Kong ■ 4. Kerry Parkside, Shanghai, PRC

The Group's consolidated net profit attributable to shareholders for the year ended 31 December 2012 was HK\$6,960 million, representing an increase of 30% compared with HK\$5,348 million reported for 2011. In accordance with Hong Kong Accounting Standard 40 "Investment Property", the Group measured its investment property portfolio on a fair value basis and recorded an increase in fair value of investment properties (net of deferred taxation) of HK\$2,265 million for the year ended 31 December 2012 (2011: HK\$1,691 million). Profit attributable to shareholders for the year ended 31 December 2012 before taking into account the effects of the aforementioned increase in fair value was HK\$4,695 million (2011: HK\$3,657 million).

Earnings per share for the year ended 31 December 2012 were HK\$4.84, representing an increase of 30% compared with HK\$3.72 per share in 2011.



■ 5. The Metropolis - Arcadia Court, Chengdu, PRC ■ 6. The Altitude, Happy Valley, Hong Kong ■ 7. Beijing Kerry Centre, Beijing, PRC
 ■ 8. Tianjin Kerry Centre, Tianjin, PRC* ■ 9. Shenzhen Kerry Plaza, Shenzhen, PRC

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

	Year ended 31 December		Change
	2012 HK\$ million	2011 HK\$ million	
Profit attributable to shareholders before taking into account the net increase in fair value of investment properties and related tax effects	4,695	3,657	28%
Add:			
Net increase in fair value of investment properties and related tax effects	2,265	1,691	
Profit attributable to shareholders after taking into account the net increase in fair value of investment properties and related tax effects	6,960	5,348	30%

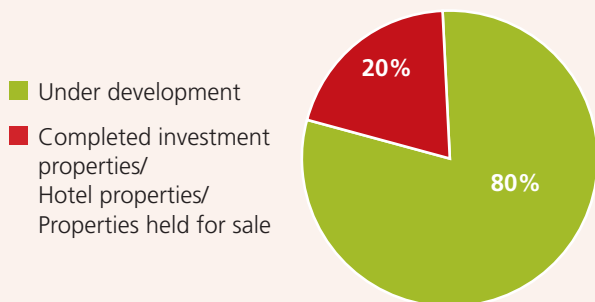
The Board has recommended the payment of a final dividend of HK\$0.55 per share for the year ended 31 December 2012 (the "Final Dividend"). Together with the interim dividend of HK\$0.4 per share, the total dividend for the year ended 31 December 2012 will be HK\$0.95 per share (2011: HK\$0.87 per share).

Presence in the PRC and Hong Kong



Property Portfolio Composition
 - By Type

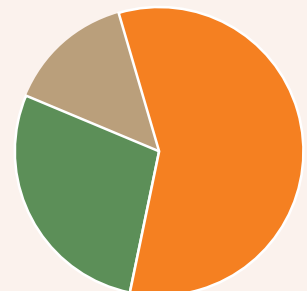
59.17 million square feet in attributable GFA



Completed investment properties/Hotel properties/Properties held for sale

12.08 million square feet in attributable GFA

- 58% PRC
- 28% Hong Kong
- 14% Overseas





OVERVIEW

The Group is encouraged to report another solid set of results for its property business despite various changes and challenges in the macroeconomic environment. During the year, the Group continued to invest for the future, moving ahead with its development projects in the PRC and Hong Kong and sustaining its competitive position at the premium end of the market.

As at 31 December 2012, the Group maintained a property portfolio comprising properties under development measuring a gross floor area ("GFA") of 47.09 million square feet (2011: 45.80 million square feet), completed investment properties of 9.85 million square feet (2011: 9.12 million square feet), hotel properties of 0.86 million square feet (2011: 0.87 million square feet) and properties held for sale of 1.37 million square feet (2011: 0.49 million square feet). Building on this premium asset base, the Group is committed to creating long-term value for its shareholders.

Property Portfolio Composition

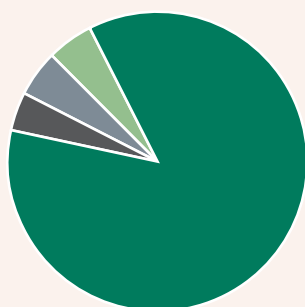
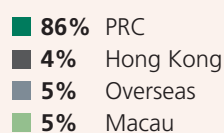
As at 31 December 2012:	Group's attributable GFA				
	The PRC	Hong Kong	Macau ⁽¹⁾	Overseas	Total
	('000 square feet)				
Completed Investment Properties	5,263	2,907	–	1,679	9,849
Hotel Properties	826	38	–	–	864
Properties Under Development	40,726	1,813	2,385	2,163	47,087
Properties Held for Sale	941	418	–	10	1,369
Total GFA	47,756	5,176	2,385	3,852	59,169

Note:

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

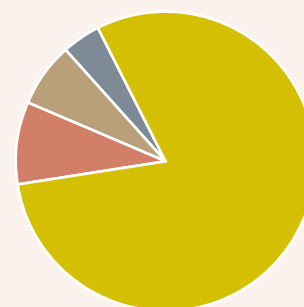
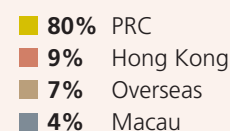
Under development

47.09 million square feet in attributable GFA



Property Portfolio Composition - By Location

59.17 million square feet in attributable GFA



MANAGEMENT DISCUSSION & ANALYSIS

REVIEW OF PROPERTY BUSINESS

PRC PROPERTY DIVISION

Although the PRC economy has been steadily on track towards a mild recovery, a large part of 2012 was marked by a relatively slow pace of activity. Responding to an overall easing in the property sector during the year, the Division has maintained prudence in the management of its business portfolio in the PRC. At the same time, the Division has proceeded with the development of its mixed-use property projects and sales activities in the PRC as planned.

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

During the year, the PRC Property Division recorded a turnover of HK\$2,785 million (2011: HK\$1,838 million), an increase of 52% year on year. Net profit attributable to the Company's shareholders was up by 37% year on year to HK\$1,220 million

(2011: HK\$889 million), after taking into account the increase in fair value of investment properties (after deferred taxation) of HK\$975 million (2011: HK\$622 million). Excluding the effect of the increase in fair value of investment properties (after deferred taxation), the Division's net profit attributable to the Company's shareholders was HK\$245 million (2011: HK\$267 million).

INVESTMENT PROPERTIES

During the year under review, the Group derived rental turnover and operating profit of HK\$965 million and HK\$595 million, respectively (2011: HK\$893 million and HK\$626 million, respectively) from its portfolio of completed investment properties in the PRC.

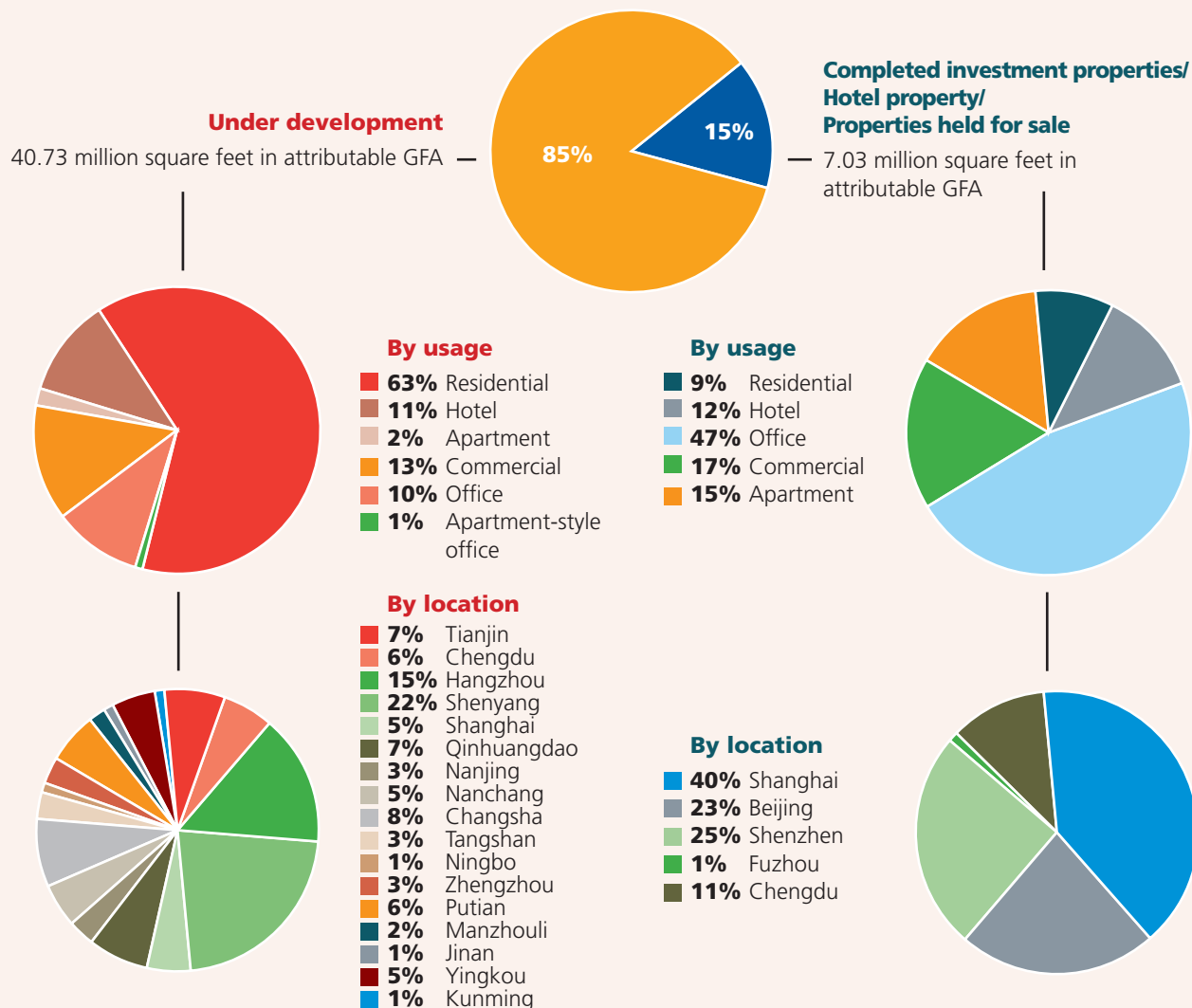
As at 31 December 2012, the Group held a completed investment property portfolio of apartment, commercial and office properties in the PRC with an aggregate GFA of 5.26 million square feet (2011: 4.46 million square feet). Their respective composition and occupancy rates were as follows:

As at 31 December 2012:	Group's attributable GFA					Occupancy rate
	Beijing	Shanghai	Shenzhen	Fuzhou	Total	
	('000 square feet)					
Office	711	917	1,552	–	3,180	86%
Commercial	98	651	212	64	1,025	98%
Apartment	277	781	–	–	1,058	80%
	1,086	2,349	1,764	64	5,263	

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%
Apartment	277	775	–	–	1,052	69%
	1,086	2,396	914	64	4,460	

PRC Properties

47.76 million square feet in attributable GFA



Comparative occupancy rates of key investment properties are outlined below:

Property	Occupancy rate as at 31 December 2012	Occupancy rate as at 31 December 2011
Beijing Kerry Centre	98% ⁽¹⁾	90%
Shanghai Kerry Centre	94% ⁽²⁾	90%
Kerry Parkside Shanghai Pudong	97%	78%
Kerry Everbright City Phase I	86%	85%
Central Residences Phase II Towers 1 and 3	79%	68%
Shenzhen Kerry Plaza Phase I	99%	100%
Shenzhen Kerry Plaza Phase II	57%	N/A

Notes:

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

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

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■ 1. Kerry Parkside, Shanghai, PRC ■ 2. Shenzhen Kerry Plaza, Shenzhen, PRC ■ 3. Shanghai Central Residences Phase II, Shanghai, PRC
 ■ 4. Le Loft / Kerry Everbright City Phase II, Shanghai, PRC ■ 5. Enterprise Square / Kerry Everbright City Phase II, Shanghai, PRC

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. Strong leasing performance was recorded for this development, with 100% (2011: 99%) of the retail space leased and 100% (2011: 83%) of the offices occupied as at 31 December 2012.

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 Shenzhen Kerry Plaza Phase I, comprises three office towers. Located at the core of the 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 57% leased as at 31 December 2012.

SALES OF PROPERTIES

The Group's sales of completed properties in the PRC during the year delivered a turnover of HK\$1,541 million (2011: HK\$719 million). Sales of completed investment properties generated proceeds of HK\$127 million (2011: HK\$305 million). An operating profit of HK\$340 million (2011: HK\$507 million) was derived during the year mainly from recognized sales of The Metropolis-Arcadia Court Phase I in Chengdu, Central Residences Phase II Tower 2 in Shanghai, and Kerry Everbright City Phases I & II (including residential property Le Loft and the Enterprise Square office tower) in Shanghai.

During the year ended 31 December 2012, the Metropolis-Arcadia Court Phase I in Chengdu recorded turnover of HK\$1,312 million (2011: nil) of which HK\$408 million was derived from the sales in 2012 and the remaining from pre-sale proceeds generated before 2012. As at 31 December 2012, 905 units, representing 49% of the total, had been sold. The Group holds a 55% interest in the project.

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 31 December 2012, 94% of the lot or 58 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. The Group holds a 74.25% interest in the project. As at 31 December 2012, all the Le Loft residential units had been sold. Enterprise Square, which offers 430 saleable office units, recorded sales of 350 units, representing 81% of the total.

PROPERTIES UNDER DEVELOPMENT

In line with the rising future economic indicators of the PRC, property transactions and prices have demonstrated a gradual upward trend since the last quarter of 2012. The PRC Property Division maintained a clear position amidst challenging operating conditions. Its premium property portfolio, with a focus on major mixed-use projects in key cities supplemented by selective investments in projects of strategic value, will continue to provide growth momentum for the Group over the medium to long term.

Shanghai

The landmark mixed-use development, Jing An Kerry Centre, is a 51% joint venture project with Shangri-La Asia Limited ("Shangri-La"). Located in the heart of Shanghai's Nanjing Road business district, the 2.74 million square-foot project incorporates a deluxe hotel/office tower, an international Grade-A office tower and an upscale shopping mall. The north site, comprising an office tower and retail podium, was completed at the end of 2012 with delivery to tenants scheduled for the first quarter of 2013. Handover of remaining



■6. Retail portion of Jing An Kerry Centre, Shanghai, PRC* ■7. Tianjin Kerry Centre, Tianjin, PRC*
 ■8. Hangzhou Kerry Centre, Hangzhou, PRC* ■9. Parkview Residence, Hangzhou, PRC*

areas is scheduled for the second quarter of 2013. Jing An Kerry Centre has been conceived as the pre-eminent shopping venue in the city, featuring signature stores and the world's leading brands, and is positioned as the most exclusive address to attract premium tenants. Market response to the leasing of space has been strong, with approximately 55% of the office space and 87% of the retail space pre-let as at 31 December 2012.

Piling works for Phase III of the Kerry Everbright City project in Zhabei District have completed 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 and enjoys a convenient transport network. The project will have a total GFA of approximately 5.37 million square feet. Construction is currently in progress and has been topped off in mid 2012. Phase I of the development includes a hotel, upscale residences and a shopping mall, which is scheduled to be completed and handed over in phases between the second quarter of 2014 and the second quarter of 2015. Pre-sale of the residential portion, Tianjin Arcadia Court, and pre-leasing activities for the mall have commenced in the third quarter of 2012 and are progressing well. As at 31 December 2012, 144 residential units, representing 48% of total units launched for pre-sale, had been sold.

Hangzhou

The Group is developing a site in the Xiacheng District of Hangzhou, located at the intersection of Yan'an Road and

Qingchun Road, adjacent to the Xihu (West Lake). This 2.1 million square-foot mixed-use property will comprise a luxury hotel, Grade-A offices, premium apartments and a large-scale retail mall complex. Piling works are in progress and the entire development is targeted for completion in phases by 2016. The Group holds a 75% stake in the project.

The Group has a second site in Xiacheng District 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 the first quarter of 2013. The first phase of Parkview Residence has been completed and delivered for occupation, while sales of additional residential blocks from Phases II & III are currently ongoing and well received. As at 31 December 2012, approximately 86% of the 1,310 units launched for pre-sale had been sold.

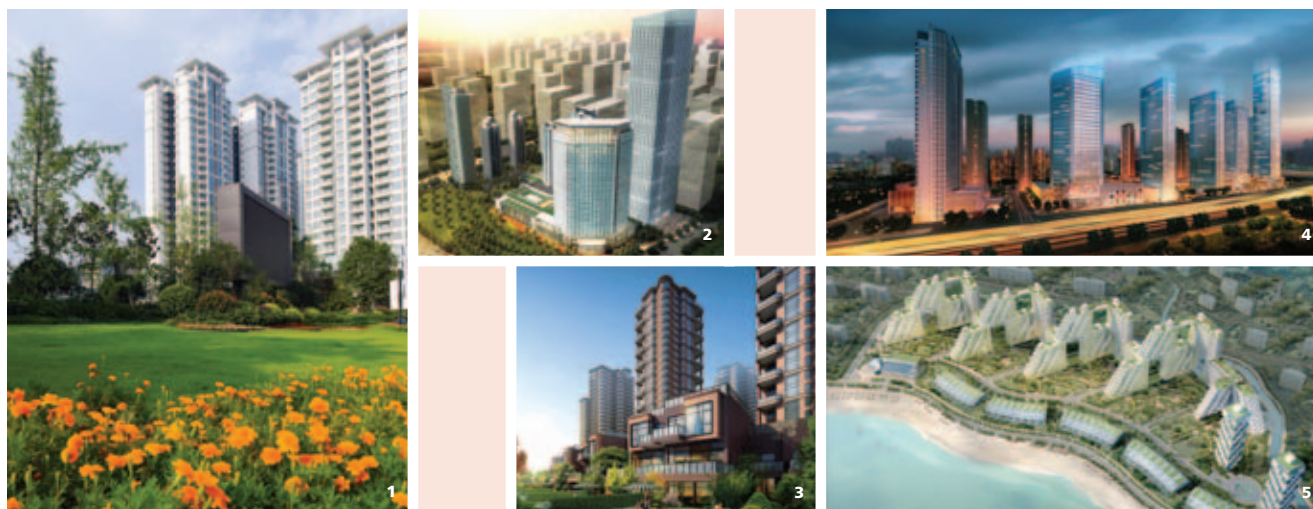
On 19 October 2012, the Group acquired five additional lots of land for residential and commercial development. This project is located in the core area of the Hangzhou Zhijiang National Tourist and Holiday Resort, and has an aggregate site area of approximately 1.53 million square feet, yielding a developable GFA of approximately 2.26 million square feet of residential properties and approximately 250,000 square feet of commercial space.

Nanjing

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

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■ 1. The Metropolis - Arcadia Court, Chengdu, PRC ■ 2. Nanchang Complex Development, Nanchang, PRC*
 ■ 3. Xiangjiang Arcadia Court, Changsha, PRC* ■ 4. Shenyang Complex Development, Shenyang, PRC* ■ 5. Habitat, Qinhuangdao, PRC*

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 384,000 square feet and a GFA of approximately 962,000 square feet. Project conceptual design is 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. Residential units of Phase I were handed over in the third quarter of 2012, while construction of Phases II and III are due for completion in several stages from 2015 onwards.

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. Situated 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 2.6 million square feet. Construction of the hotel tower has already reached the podium level, and piling works for the residential portion are completed. The development of hotel and residential portion is targeted for completion in phases by 2015.

Changsha

The wholly-owned residential 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-sale of the project were launched in the fourth quarter of

2012 with satisfactory results. As at 31 December 2012, 131 units, representing 47% of the units launched for pre-sale, had been sold.

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 will yield 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 and residences. Phase I of this development is at the construction stage, and the entire project is targeted for completion in phases between 2013 and 2022. Pre-sale of the Phase I residential portion, Arcadia Court, has commenced in the third quarter of 2012 and is progressing well. As at 31 December 2012, 158 units, representing 49% of the units launched for pre-sale, had been sold.

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 2015. The pre-sale of residential units already commenced in the third quarter of 2012. Up to 31 December 2012, 139 units, representing 36% of the units launched for sale, had been sold.

Manzhouli

The Group's wholly-owned project in Manzhouli, Inner Mongolia, is a residential and commercial property development. Phase I of the residential project has been



■ 6. Watch Lake, Manzhouli, PRC* ■ 7. Ningbo Residential Project, Ningbo, PRC* ■ 8. Arcadia Court, Tangshan, PRC*
 ■ 9. Hyades Residence, Yingkou, PRC* ■ 10. Jinan Lixia Complex Development, Jinan, PRC*
 ■ 11. Zhengzhou Complex Development, Zhengzhou, PRC* ■ 12. Putian Complex Development, Putian, PRC*

completed and delivered. Phase II has completed the topping out stage and has a GFA of approximately 616,000 square feet. Pre-sale of Phase II residential units were launched in July 2012. Up to 31 December 2012, 101 residential units, representing 28% of the total, had been pre-sold.

Tangshan

The Group's 40%-owned mixed-use project in this key Hebei city comprises a hotel and residential and ancillary 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-sale of the residential units already rolled out in the second quarter of 2012. As at 31 December 2012, 353 residential units, representing 65% of the total units launched for pre-sale, had been sold.

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 1.03 million square feet. The Group holds a 50% interest in the project. Piling works for Phase I (approximately 408,000 square feet) are in progress and the project is scheduled to be completed in phases by 2015.

Yingkou

The Group is the co-developer of 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 5.2 million square feet. Upon completion of the sales and purchase agreements entered into on 19 December 2012, the Group's interest in the project will be increased from 40% to 65%, while Shangri-La will cease to hold an interest in the project.

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 comprise a hotel and 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 2.4 million square feet and the project will comprise a hotel, residential, commercial and office properties, with completion expected in 2016. The Group holds a 55% interest in this project.

Putian

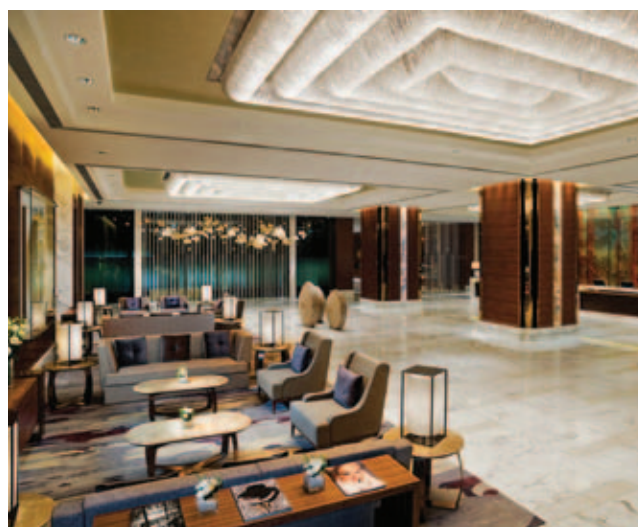
The Group and Shangri-La are jointly developing a site in Putian City, Fujian Province. The site, located at the junction of Jiuhua Road and Lihan Avenue, will generate a GFA of approximately 4.0 million square feet and is earmarked for the development of residential, hotel and ancillary commercial properties. Phase I of the development is scheduled to be completed by 2016. The Group holds a 60% interest in this project.

Kunming

On 13 June 2012, the Group, together with Shangri-La and Moneysay Holdings Limited, acquired two adjoining sites in Kunming City, Yunnan Province. The sites are designated for hotel, serviced apartment, office and commercial uses, with a GFA of approximately 920,000 square feet. The Group holds a 35% equity interest in the project.

Kerry Hotel, Beijing

During the year ended 31 December 2012, Kerry Hotel, Beijing, recorded turnover and operating loss of HK\$279 million and HK\$117 million, respectively (2011: HK\$226 million and operating loss of HK\$79 million, respectively). The hotel is undergoing a refurbishment programme, which has had an impact on its operating results during the year. The programme is expected to be completed by early 2013. An average occupancy rate of 42% (2011: 46%) was achieved during the year, while the average room tariff increased by 23% year on year. The Group holds a 71.25% interest in the hotel.



■ Lobby of Kerry Hotel, Beijing, PRC

Properties under development in the PRC

As at 31 December 2012:	Group's attributable GFA upon completion						
	Residential	Apartment	Apartment Style Office	Office	Commercial	Hotel	Total
	('000 square feet)						
Shanghai	–	–	247	1,102	446	404	2,199
Tianjin	926	116	–	635	586	369	2,632
Hangzhou	4,101	271	–	94	1,185	378	6,029
Shenyang	4,725	–	–	1,264	2,420	395	8,804
Nanjing	962	–	–	–	4	412	1,378
Chengdu	2,174	235	–	–	43	–	2,452
Nanchang	706	–	–	611	79	659	2,055
Changsha	3,154	–	–	–	53	–	3,207
Manzhouli	562	–	–	–	53	–	615
Qinhuangdao	2,823	–	–	–	36	–	2,859
Tangshan	998	–	–	–	79	243	1,320
Ningbo	516	–	–	–	–	–	516
Yingkou	1,767	–	–	–	82	228	2,077
Jinan	–	–	–	193	36	314	543
Zhengzhou	582	–	–	198	164	368	1,312
Putian	1,649	–	–	–	107	649	2,405
Kunming	–	80	–	71	2	170	323
Total	25,645	702	247	4,168	5,375	4,589	40,726

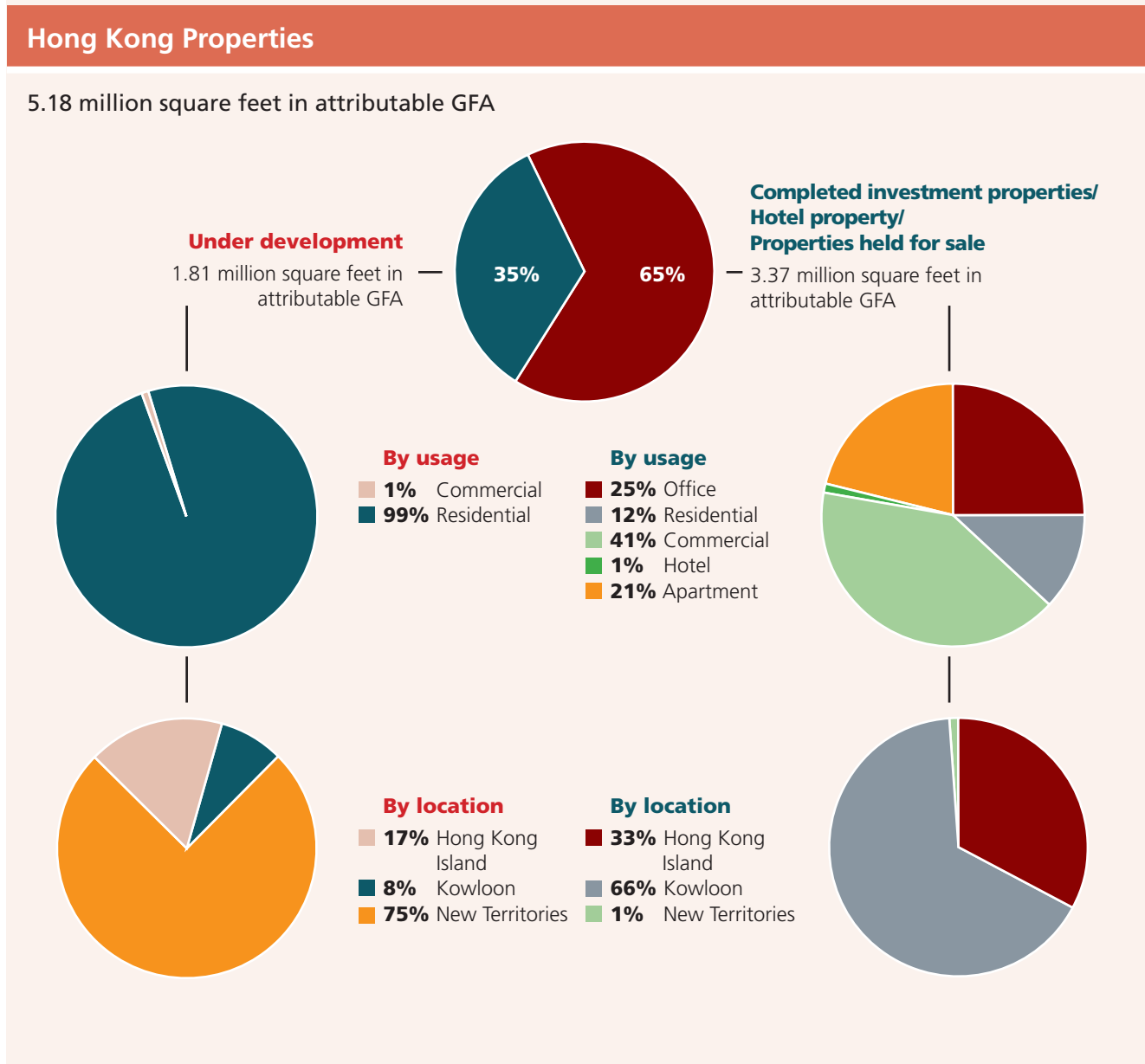
HONG KONG PROPERTY DIVISION

During the year ended 31 December 2012, the Hong Kong Property Division reported a turnover of HK\$12,274 million (2011: HK\$2,641 million). Net profit attributable to the Company's shareholders stood at HK\$4,665 million (2011: HK\$3,524 million), after taking into account the increase in fair value of investment properties (net of deferred taxation) of HK\$1,018 million (2011: HK\$909 million).

The Division's turnover was mainly derived from recognized sales of 15 Homantin Hill, Primrose Hill, Island Crest, The Altitude and Lions Rise. Continuing to develop and manage a portfolio

of high-quality assets, the Division was able to derive healthy returns from property sales activities, while earning a stable stream of recurrent income from its investment properties.

Luxury properties set in cosmopolitan locations are a key area of focus for the Hong Kong property business. The Division will continue to shape its future development by capitalizing on its operating skills and presence across the residential, office and commercial sectors. Its prime land bank in Hong Kong will also give it the capability to capture the opportunities presented by the market in order to deliver sustainable value to its shareholders.



MANAGEMENT DISCUSSION & ANALYSIS

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■ 1. MegaBox, Kowloon Bay, Hong Kong ■ 2. Kerry Centre, Quarry Bay, Hong Kong

INVESTMENT PROPERTIES

In Hong Kong, the Division maintains a strategic investment property portfolio which provides a long-term platform enabling it to derive a stable stream of recurrent earnings from across the residential, office and commercial sectors. An integral part of this rental asset base is a portfolio of exclusive homes in prestigious addresses, which has placed the Division in a pre-eminent position in the luxury residential sector in the city. During the year, rental turnover generated from the Group's completed investment properties in Hong Kong totalled HK\$711 million (2011: HK\$648 million), producing an operating profit of HK\$547 million (2011: HK\$459 million).

As at 31 December 2012, the Group held a completed investment property portfolio in Hong Kong with an aggregate GFA of 2.91 million square feet (2011: 2.77 million square feet). Set out below are the breakdown of GFA and the respective occupancy rates, together with comparative figures:

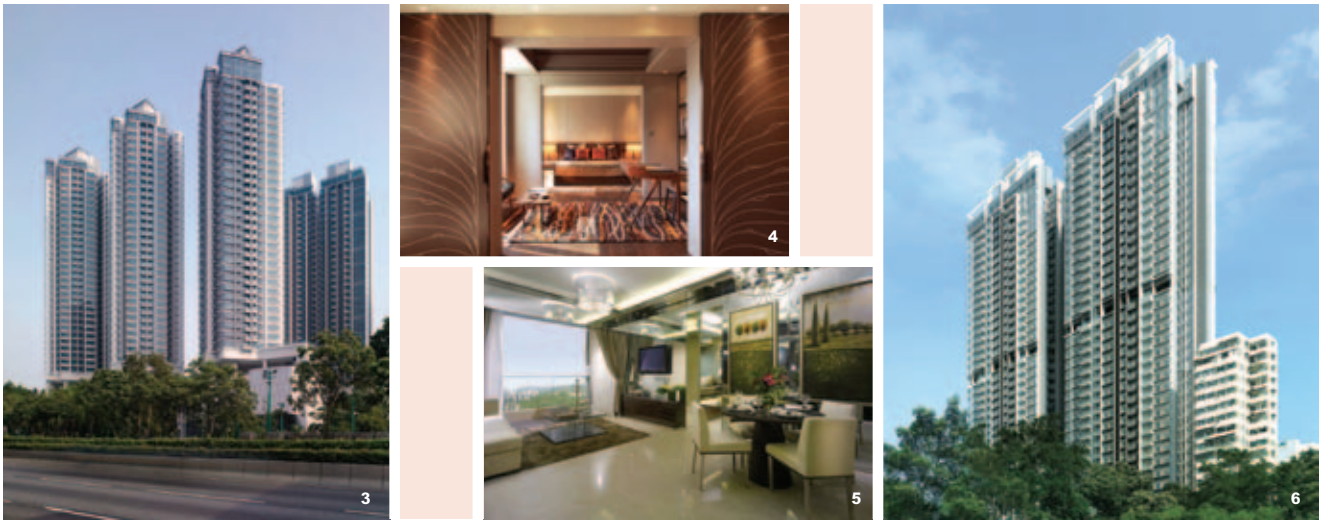
Enterprise Square Five/MegaBox

MegaBox is a pioneering shopping, dining and entertainment venue in East Kowloon, offering a unique mix of lifestyle attractions and shopping zones across a GFA of 1.1 million square feet. As at 31 December 2012, the mall had an occupancy rate of 99.98% (2011: 99%).

As at 31 December 2012, the two office towers of the Grade-A Enterprise Square Five, with a GFA of 519,000 square feet, recorded an occupancy rate of 100% (2011: 99%).

As the district is expected to develop further under the Hong Kong SAR Government's initiative of "Energising Kowloon East", the Group has full confidence in the strong ongoing potential of MegaBox and Enterprise Square Five.

	As at 31 December 2012		As at 31 December 2011	
	Group attributable GFA ('000 square feet)	Occupancy rate	Group attributable GFA ('000 square feet)	Occupancy rate
Apartment	722	94%	722	99%
Commercial	1,348	99%	1,205	99%
Office	837	97%	839	90%
	2,907		2,766	



■ 3. Lions Rise, Wong Tai Sin, Hong Kong ■ 4. Show Flat of The Altitude, Happy Valley, Hong Kong
 ■ 5. Show Flat of Primrose Hill, Tsuen Wan, Hong Kong ■ 6. Island Crest, First Street, Hong Kong

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 Grade-A office tower has 32 floors and a GFA of approximately 511,000 square feet. Leasing activity for Kerry Centre continued at a high level as a result of the office decentralization trend away from the city’s CBD. As at 31 December 2012, 94% (2011: 66%) of the office space was leased.

SALES OF PROPERTIES

During the year under review, sales of completed properties held for sale in Hong Kong contributed a turnover of HK\$11,563 million (2011: HK\$1,993 million) to the Group. Sales of completed investment properties generated proceeds of HK\$19 million (2011: HK\$865 million). An operating profit of HK\$4,134 million (2011: HK\$788 million) was derived during the year from the recognized sales of completed properties of Lions Rise, The Altitude, 15 Homantin Hill, Island Crest and Primrose Hill.

The events of the past year have had a significant bearing on Hong Kong’s property market. The upward trend in property prices has prompted the Hong Kong SAR Government to implement measures to rein in speculation in the market,

resulting in stagnating property transactions. At the same time, the administration has planned to increase the supply of homes as a long-term means of stabilizing the market. With economic fundamentals remaining broadly stable, the Hong Kong Property Division has been able to achieve its objectives.

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 31 December 2012, 825 units, representing 85.2% of the total, had been sold.

The Altitude, Happy Valley

The Altitude at No. 20 Shan Kwong Road, Happy Valley, offers 126 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 31 December 2012, 102 units, representing 81% of the total, had been sold.

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■ 1. Lobby of SOHO 189, Sheung Wan, Hong Kong ■ 2. Bayview, To Kwa Wan, Hong Kong*
■ 3. Hing Hon Road Project, Mid-Levels West, Hong Kong* ■ 4. Ede Road Project, Kowloon Tong, Hong Kong*

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. All the typical residential units had been pre-sold as at 31 December 2012.

Bayview, To Kwa Wan

The redevelopment project at No. 9 Yuk Yat Street, To Kwa Wan, obtained the occupation permit on 30 October 2012. This residential and commercial development is expected to deliver a GFA of approximately 174,000 square feet. Applications for pre-sale consent and the certificate of compliance have been submitted and 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.

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. This tranquil and prestigious location makes it an ideal site for the creation of an upscale living environment. 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 renowned schools in the neighbourhood. The project is planned to be completed in the second quarter of 2014, delivering 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 fourth quarter of 2014, the project will join The Altitude as another prominent addition to this exclusive neighbourhood. 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 2015.



■ 5. Prince Edward Road West Project, Ho Man Tin, Hong Kong* ■ 6. Shan Kwong Road Project, Happy Valley, Hong Kong*
 ■ 7. Kau To Shan Project, Sha Tin, Hong Kong* ■ 8. So Kwun Wat Project, Castle Peak Road, Hong Kong*

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 million square feet, the project will include ten blocks of upscale residences set amidst the greenery of the much sought-after Sha Tin mid-levels. The Group holds a 40% stake in this project, which is targeted for completion in the second quarter of 2015.

Castle Peak Road, So Kwun Wat

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 for completion by the end of 2016.

Sheung Lok Street, Ho Man Tin

In March 2013, the Group won a public tender for a site in Ho Man Tin. Occupying an area of approximately 259,000 square feet with a buildable GFA of approximately 1.142 million square feet, the site is planned to be developed into a luxurious residential development.

Properties under development in Hong Kong

As at 31 December 2012:	Group's attributable GFA upon completion ('000 square feet)
Residential	1,800
Commercial	13
	1,813

Macau

Development planning is currently underway for the Group's luxury apartment project at Nam Van Lake, yielding a GFA of approximately 400,000 square feet. 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 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 decided upon the finalization of the New City Master Plan by the Macau SAR Government.

MANAGEMENT DISCUSSION & ANALYSIS

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OVERSEAS PROPERTY DIVISION

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

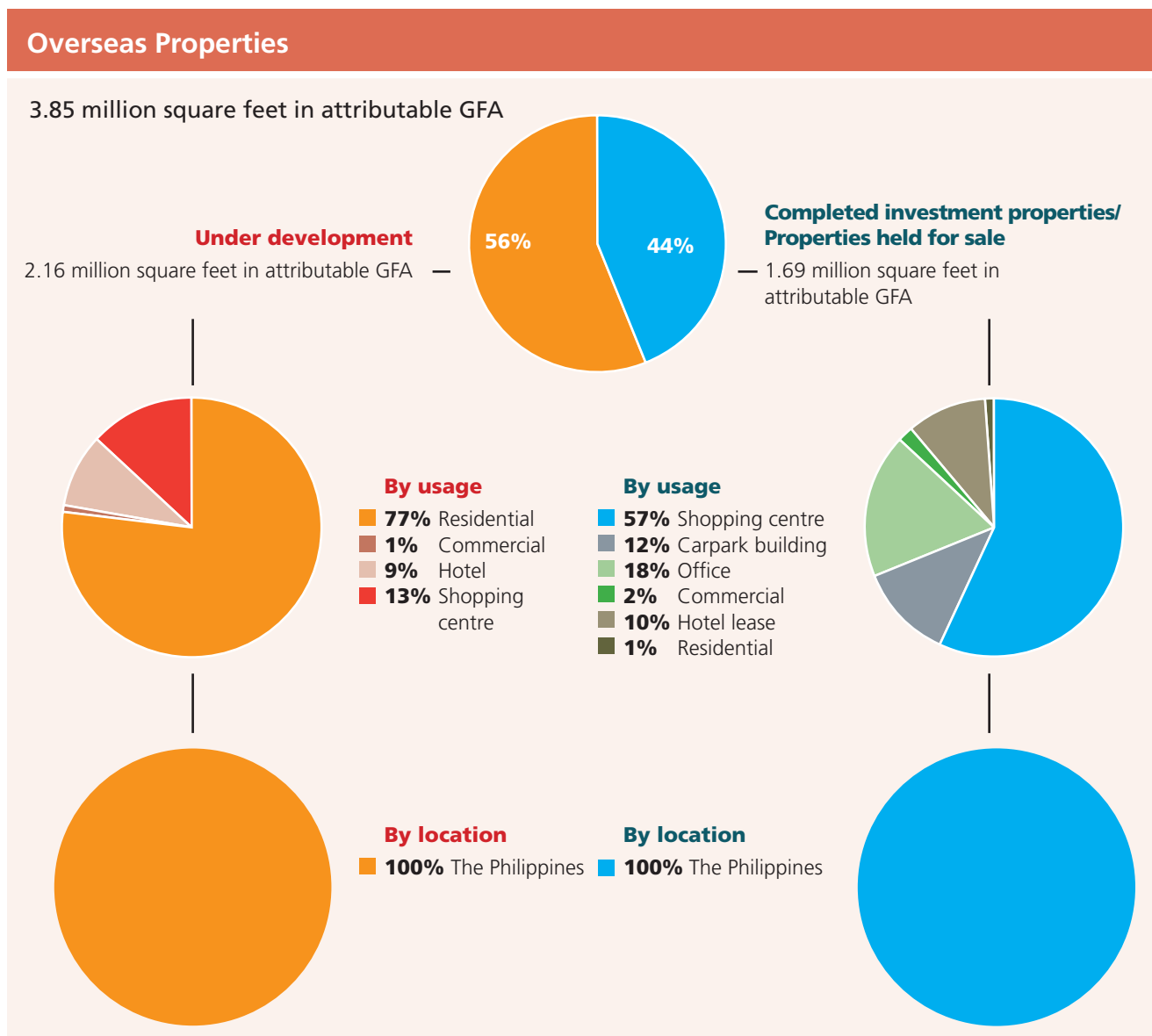
Australia

As at 31 December 2012, 1,339 units (2011: 1,324 units) of the Group's 25%-owned Jacksons Landing project were sold, representing 100% of the total units offered for sale. This residential and commercial development is situated on a 12-hectare site on the Pyrmont Peninsula in Sydney. The commercial-use segment of the project was sold during the year.

The Philippines

The Group's property investments in the Philippines are held through Shang Properties, Inc. ("SPI") in which it maintains a 34.61% equity interest and a 30.75% interest in its depository receipts. SPI holds (i) a 100% interest in the Shangri-La Plaza Mall, Manila, and (ii) indirect interests in The Enterprise Center, an office and commercial property in Makati, Manila's financial district. As at 31 December 2012, the occupancy rates of Shangri-La Plaza Mall and The Enterprise Center were 98% and 86%, respectively (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





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

development, is currently ongoing. Pre-sale of the residential units have been launched with a total of 858 units sold as at 31 December 2012, accounting for 66% of the total.

SPI is also a participant in the development of The St. Francis Shangri-La Place, a residential project located in Mandaluyong City, Manila. As at 31 December 2012, 1,149 units out of the total of 1,152 residential units in Towers 1 and 2 of the project had been 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.

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

Overseas Property Portfolio

As at 31 December 2012:	Group's attributable GFA The Philippines ('000 square feet)
Investment properties	
Hotel lease	170
Shopping centre	972
Commercial	29
Office	307
Car-park building	201
Sub-total	1,679
Properties under development	
Residential	1,676
Hotel	195
Shopping centre	280
Commercial	12
Sub-total	2,163
Properties held for sale	
Residential	10
Sub-total	10
	3,852

OUTLOOK

PRC PROPERTY DIVISION

Property sales and prices in the PRC have stabilized at a normal level since the latter part of 2012, and this positive momentum is expected to persist well into 2013. As the country's economy gradually recovers, the property sector will continue to see concrete trends towards a sustainable pace of development. At the same time, the Division remains alert to the potential impact of the macroeconomic controls that remain in force.

While home purchase restrictions have effectively reduced speculative activity in the market, the Division believes that the residential property sector will stay generally positive. Pent-up demand and a declining supply pipeline, due to clearing of inventories, will lead the market to a moderately upward trend. The coming year will see continued sales activities in Hangzhou, Tianjin, Chengdu, Shenyang, Qinhuangdao, Tangshan, Changsha and other cities, which will help meet the demand from the market for high-quality homes.

The Group is also on track to further build on its premier investment property portfolio. The Division will see more mixed-use projects coming on stream in the medium term, further strengthening the Group's recurrent income base. Recording strong occupancies across its office, retail and serviced apartment properties, this exclusive portfolio will continue to contribute significantly to the Group's revenues and profitability on solid ongoing rental performance.

Every market turn presents opportunities for developers endowed with solid business fundamentals and financial strength. Confident of the long-term prospects for the PRC market, the Group will continue to expand its land bank in locations with development potential at the right time. This prime land bank will provide a long-term platform for shareholders to participate in the growth of the country's property sector.

With a balanced asset base comprising a mix of projects under development for sale and major mixed-use properties to add to the investment portfolio, the Division is well positioned to meet any market challenges and to maximize the value of investments in new growth areas.

HONG KONG PROPERTY DIVISION

Capital flows and economic factors continue to be the two major themes for the property market. With solid economic fundamentals and stable social conditions, Hong Kong remains an attractive investment destination and a safe haven in the region. Capital flows into the local real estate sector are therefore expected to continue, reflecting healthy long-term demand and the favourable risk-averse profile of the asset class.

The Division's sales activities in Hong Kong will proceed as planned with the sales strategy constantly fine-tuned to respond to market changes. The Group is confident that its high-quality property developments hold a strong appeal for both investors and home seekers who look for long-term value and a quality living environment.

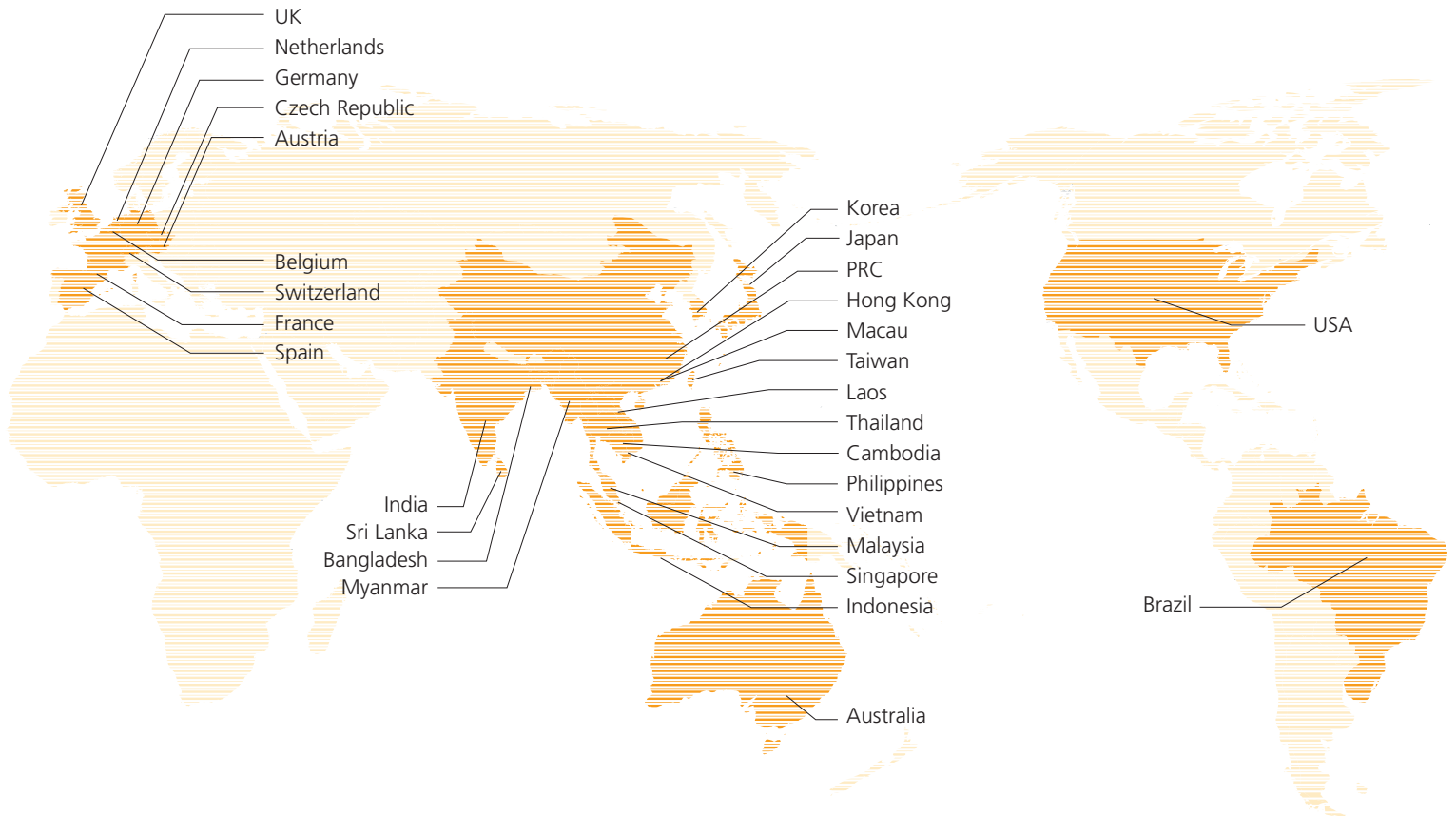
At the same time, the Group's portfolio of investment properties provides a long-term revenue-generating platform to safeguard the Group against the impact of some of the potential risks and challenges inherent in the market.

The Group's investment property portfolio now includes Grade-A office premises in Quarry Bay and Kowloon East and retail space at the lifestyle and entertainment mall MegaBox, as well as commercial properties developed to complement the Group's residential projects. The Group has full confidence in the ongoing leasing performance of its investment property portfolio across the office and retail sectors.

The local property market is susceptible to market forces as well as government measures, but the macro environment continues to be underpinned by such favourable factors as low interest rates, low unemployment rate and a tight residential property supply, leading to a healthy and stable future. As the Group continues to strengthen its presence in the market, management is confident of the prospects for its Hong Kong segment.



Asia Specialist, China Focus, Global Network



OVERVIEW

With the global destocking cycle underway, following a period of aggressive inventory building amidst widespread market optimism since the latter part of 2011, a downshift in worldwide demand was observed in the second half of last year. Global retail consumption, and consequently the demand for commodities further up the pipeline, has weakened due to a lower propensity to spend. This has had some effect upon the performance of the logistics sector during 2012.

Against this challenging backdrop, the Division is much encouraged to report a 10% growth year-on-year on profit attributable to the Company's shareholders (excluding fair value adjustment on investment properties) to HK\$815 million (2011: HK\$740 million). This was achieved by a strong turnover growth of 20% to HK\$19,295 million (2011: HK\$16,034 million). Including the HK\$254 million (2011: HK\$130 million)

in fair value adjustment on investment properties, net profit attributable to the Company's shareholders for the year improved 23% to 1,069 million (2011: 870 million).

As Asia's premier logistics solutions provider, Kerry Logistics is deeply vested in the success of its clients in both the regional and the wider global environment. As such, the Division has consistently invested in its own assets, and now utilizes more than 30 million square feet of logistics space in a far-reaching global network that stretches over 30 countries in five continents, including the largest distribution network and hub operations seen in Greater China and the ASEAN region. Serving hundreds of top international brands and Fortune 500 companies, the Division's solution-based capability is supported by a team of 20,000 industry experts and a proprietary information technology ("IT") platform.

INTEGRATED LOGISTICS

The integrated logistics (“IL”) services segment remained the Division’s core business and contributed HK\$580 million (2011: HK\$507 million) in net profit to the Group’s total earnings, a 14% increase year on year. Driven by growth achieved in the PRC and Southeast Asia, segment turnover increased 15% to HK\$7,898 million (2011: HK\$6,890 million).

The segment offers well-developed end-to-end supply chain management to manufacturers and retailers worldwide across a wide spectrum of industries, ranging from fashion and lifestyle, electronics and technology, food and beverage, and fast-moving consumer goods, to industrial and material sciences and automotive, as well as pharmaceuticals and healthcare.

Hong Kong

Leveraging its market-leading presence, a competitive service portfolio and a niche clientele, the Hong Kong business unit continued to perform well servicing a strong local retail sector. Apart from offering dedicated warehousing and distribution operations, the unit also provides a wide variety of value-added services that improve the performance of client supply chains.

During the year, the Division further expanded its business portfolio by entering into the insurance sector through the acquisition of Taishan Insurance Brokers Limited (“TIB”), a company offering a full range of insurance brokerage and consultancy services in Asia. TIB was a strategic addition to the Division and will provide its customers in the region with a broad range of insurance products and services. The acquisition will also enhance the coverage and competitiveness of the Division’s all-round services.

China Focus

Operating as Kerry EAS Logistics Limited, the Division remained the PRC’s leading logistics operator, with a portfolio of 9 million square feet of logistics facilities supported by a network of 135 branches serving more than 2,600 cities and townships.

Facing demand constraints in the world’s major markets, the PRC’s phenomenal export expansion began to ease off in 2012. However, as the Chinese economy seeks to rebalance away from over-reliance on investment and export-led production, domestic consumption has emerged as a more important engine of economic expansion. Committing ongoing investments to enhance its capability in strategic areas, the Division is able to capture new and sector-driven growth opportunities amidst structural economic change.

In seeking to expand its geographical and sector coverage, second-phase expansion of the logistics centres in Kunshan and Chongqing was ongoing during the year, with new facilities under construction in Zhengzhou, Wuxi and Xiamen.

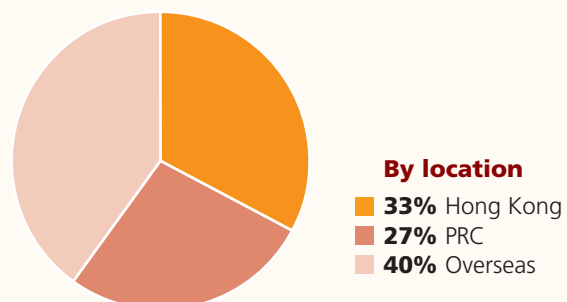
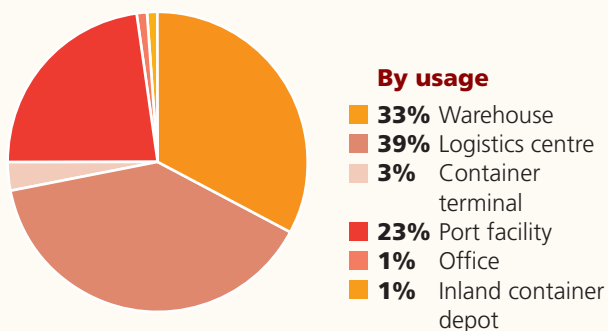
In terms of sector coverage, Kunshan’s second-phase facility was developed to serve the local requirements of the rapidly growing automotive industry. Included in the centre will be a 360,000-square-foot purpose-built logistics facility for automotive parts providing a hub for regional spare parts distribution throughout the PRC. This built-to-suit regional parts distribution centre will commence operations for a world-leading automotive enterprise in 2014.

Kerry TJ Logistics in Taiwan, a major component of Kerry Logistics’ “Three Links” cargo transportation network, continued to generate real value for clients’ businesses through constant service innovation and enhancement. The unit has gained access to Taiwan’s healthcare sector through the acquisition of a pharmaceuticals and healthcare logistics company which was subsequently re-branded as TS Logistics.

In the face of significant cost inflation pressures, the Division has continued to seek ways to enhance efficiencies in order to stay competitive. With expansion and business development activities in place, management is confident that the Division is well placed to continue to grow in Greater China.

Properties held for Logistics Operations

17.85 million square feet in attributable GFA





■ Phase 2 of logistics centre completed in Q4 2012, Chongqing, PRC

Asia Specialist

Asia continues to shape the world economic landscape as a leading source of goods and services. During the year, the Division achieved significant growth from this market by staying true to its mission of defining itself as an Asia Specialist.

With years of active development, Thailand and Vietnam have become the growth engines for the Division in the region.

In Thailand, cargo throughput continued to grow at Kerry Siam Seaport, where the Division has completed third-phase expansion works to double its container handling capacity. The company will be further developed into a key cargo gateway for ASEAN countries in the coming years.

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

The Division is building a network of warehouses across Vietnam and now has extensive coverage in the north, central and southern regions of the country. Another 110,000 square feet of GFA shall be added to the existing facility in Song Than area by the first half of 2013, increasing the total GFA of this facility to over 770,000 square feet.

Kerry Asia Road Transport ("**KART**"), an ASEAN-wide road transportation platform, has launched a new twice-weekly scheduled trucking service connecting Shenzhen and Hanoi. The emerging trade channels developing between China and ASEAN countries and KART's 'Less-than-Truckload' (LTL) service will initially connect the industrial cities in southern China and northern Vietnam, providing shipping companies and third-party logistics providers (3PLs) with a fixed-day dedicated service. KART will look to expand this service to other city pairs as new industrial and commercial centres develop along this road network.

During the year, the Division has also secured a majority stake in Tin Thanh Express, which has been renamed as Kerry TTC Express, a leading express company in Vietnam, to pioneer the provision of IL solutions across the country. Headquartered in Hanoi, the company has operations in more than 60 cities in the country, offering a comprehensive range of nationwide and international express services. It will be developed into a market leader in its field.

The Division's 371,000-square-foot regional logistics hub in Singapore has now been completed, which will further enhance the country as an ideal regional centre for Kerry Logistics to hone its competitive edge in supply chain and logistics activities.

MANAGEMENT DISCUSSION & ANALYSIS

REVIEW OF LOGISTICS BUSINESS



- 1. New 371,000-square-foot regional logistics hub opened in Q4 2012, Singapore
- 2. Our can-do attitude can be found in every employee across the globe

INTERNATIONAL FREIGHT FORWARDING

The international freight forwarding (“IFF”) segment ended the financial year posting impressive growth despite the generally lacklustre economic activity. Segment turnover increased 25%, year on year, to HK\$11,397 million (2011: HK\$9,144 million), producing a net profit generated from operations of HK\$104 million (2011: HK\$93 million), up 12%.

To further the segment’s intra-Asia and Asia-Europe cargo handling capabilities to capture new trade flows, the Division has engaged in active merger-and-acquisition initiatives over the past year to strengthen its foothold in strategic locations.

While economic conditions in Europe remained weak, the Division’s freight forwarding operations on the continent delivered a strong performance during the year. To complete its continental network, discussions are in the pipeline for several potential investment targets in several European countries.

The Division is currently operating offices in Los Angeles, New York and Miami in the United States, where signs of a more solid rebound have been witnessed. To capture the shift in the country’s outsourced manufacturing activities from the PRC to South America, the Division is also looking at acquisition opportunities in this part of the world.

On the other side of the globe, the Division’s IFF business has continued to grow in the PRC. Following the acquisition of Beijing Tengchang International Transportation Service Co., Ltd. and Shanghai TCI Freight Forwarding Co., Ltd., the Division has become a leading independent neutral-platform for airfreight cargoes at key airports.

In view of the growing importance of the Asian economic community, the Division is devising plans to make further inroads into new markets as the first steps in expanding its IFF and non-vessel-operating common carrier (NVOCC) operations in the region. To this end, the Division opened two new offices during the year, one in Myanmar and another in Sri Lanka. The new offices will complement the Division’s existing freight network covering Vietnam, Thailand, India and Bangladesh. The new establishment in Myanmar will help strengthen the Division’s growing capabilities in the Greater Mekong Delta, while Sri Lanka is one of the fastest growing shipping and logistics hubs in South Asia.

Kerry Logistics will continue to take forward its international expansion plan for the IFF segment to complement and support the Division’s expertise in IL business. With dedicated efforts, the IFF segment will continue to grow and contribute to the long-term sustainable development of the Division.

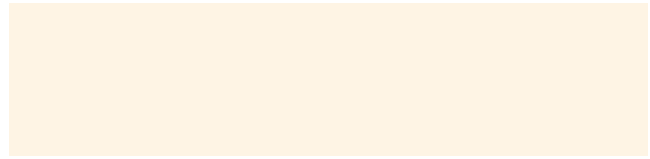
LOGISTICS INVESTMENTS

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

The profit contributed by the Division’s logistics investments for the year ended 31 December 2012 declined slightly to HK\$131 million (2011: HK\$140 million) due to the drop in export from the PRC.



3



4

- 3. We create real value for our clients through innovative solutions
- 4. Customized facility for international automotive company Daimler, Kunshan, PRC*

INFORMATION TECHNOLOGY

Following the Division's strategy set in 2011, the global freight forwarding system deployment is in full swing. Nine countries had begun using the new system by the end of 2012 and the majority will be rolled out in stages throughout the year of 2013. The target completion date of 2014 remains unchanged.

At the same time, the ground-breaking Virtual Buying Office (VBO) system has also been launched into production. This supply chain management platform is going to enable the Division to extend vertical penetration into customers' supply chains to tap the high end global logistics market.

In addition, two enterprise resource planning (ERP) systems have been successfully implemented for the Division's seaport operation in Thailand and Food & Beverage Trading unit in Hong Kong. This indicates progress to the next level of automation and efficiency gain. Meanwhile, a control tower platform has been put in place to facilitate the newly developed regional courier express operations.

OUTLOOK

Kerry Logistics will continue to grow both organically and through strategic mergers and acquisitions. As an asset-based organization, the Division has built a global network of logistics facilities and transportation fleets to support the continuing success and expansion goals of its customers. More importantly, the Division has embedded growth engines into its businesses across markets and segments to support its ongoing growth.

In the year ahead, the Division looks forward to more collaboration and will actively pursue acquisition opportunities. To achieve synergistic results from the acquisitions, the Division goes to some lengths to integrate the new businesses into its own system to ensure the seamless flow of goods, information and financial systems.

While the Division forges ahead with its international expansion, Asia will remain its home base and central to everything the Division does. Management is encouraged by the substantial growth from its Asia operations over the past year. As the region will continue to grow for the foreseeable future, the Division has incorporated expansion programmes and business plans to sustain the growth momentum in this market.

In an environment of slow growth and financial uncertainty, the logistics sector has to brace itself against deceleration from overall stagnant demand, on the one hand, and shocks from boom-bust cycles on the other. However, the Division will take all this as a positive challenge. With a solution-based mindset and 'can-do' attitude, its people will continue to lead the way through the constant paradigm shifts in the operating environment of the logistics sector.

It remains management's top priority to build a sustainable business that delivers steady growth and returns to shareholders.

*Artist's Impression

MANAGEMENT DISCUSSION & ANALYSIS

FINANCIAL REVIEW

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

The Group closely reviews and monitors its foreign exchange exposure. As at 31 December 2012, total foreign currency borrowings (excluding Renminbi (“RMB”) borrowings) amounted to the equivalence of HK\$11,297 million and RMB loans amounted to the equivalence of HK\$5,669 million. Therefore, non-RMB total foreign currency borrowings and RMB loans represented approximately 35% and 18% respectively, of the Group’s total borrowings of HK\$31,906 million as at 31 December 2012.

The non-RMB total foreign currency borrowings of HK\$11,297 million mainly include the Fixed Rate Bonds amounting to US\$1,320 million (approximately HK\$10,153 million (net of direct issue costs)). The Group has arranged cross currency swap and forward exchange contracts amounting to US\$637 million to hedge the exchange rate exposure between United States dollars and Hong Kong dollars.

Out of the Group’s total borrowings as at 31 December 2012, HK\$2,539 million (representing approximately 8%) was repayable within one year, HK\$1,231 million (representing approximately 4%) was repayable in the second year, HK\$23,987 million (representing approximately 75%) was repayable in the third to fifth years and HK\$4,149 million (representing approximately 13%) was repayable over five years. The Group continued to maintain most of its borrowings on an unsecured basis, with unsecured debt accounting for approximately 83% of total borrowings as at 31 December 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 31 December 2012, the gearing ratio for the Group was 22.4% (2011: 18.6%), calculated based on net debt of HK\$15,867 million and shareholders’ equity of HK\$70,792 million.

In terms of the Group’s available financial resources as at 31 December 2012, the Group had total undrawn bank loan and overdraft facilities of HK\$10,117 million and net cash on hand of HK\$16,039 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 17 December 2012, Standard & Poor’s affirmed a “BBB-” credit rating for Kerry Properties Limited with the outlook revised from stable to positive.

PARTICULARS OF PROPERTIES HELD



Particulars of major properties held by the Group as at 31 December 2012 are as follows:

Property name	Location	Type	%	Group's attributable interest		Lease term
				Approximate gross floor area (square feet)	Approximate number of carpark spaces	
PRC Properties						
A. Completed and held for investment						
1. Beijing Kerry Centre	1 Guang Hua Road Chaoyang District Beijing	Office Apartment Commercial	71.25	711,121 277,330 98,406 1,086,857	430	Medium lease
2. Shenzhen Kerry Plaza Phase II	1 Zhong Xin Si Road Futian CBD Shenzhen	Office Commercial	100.00	745,425 104,110 849,535	328	Medium lease
3. Shenzhen Kerry Plaza Phase I	1 Zhong Xin Si Road Futian CBD Shenzhen	Office	100.00	804,709	301	Medium lease
4. Kerry Parkside Shanghai Pudong	1155 and 1201 Fangdian Road 1378, 1388 and 1398 Hua Mu Road Pudong Shanghai	Office Commercial Apartment	40.80	417,189 216,592 153,300 787,081	475	Medium lease
5. Shanghai Kerry Centre	1515 Nanjing Road West Jing An District Shanghai	Office Apartment Commercial	74.25	308,584 142,355 103,971 554,910	180	Medium lease
6. Kerry Everbright City Phase I	218 Tianmu Road West Zhabei District Shanghai	Commercial Office Apartment	74.25	330,141 191,022 7,307 528,470	179	Medium lease
7. Shanghai Central Residences Phase II – Towers 1 and 3	166 and 168 Lane 1038 Huashan Road Changning District Shanghai	Apartment	100.00	478,286	211	Long lease
8. Shenzhen Kerry Centre	2008 Renminnan Road Lowu District Shenzhen	Commercial Office	100.00	107,256 1,641 108,897	193	Medium lease
9. Fuzhou Central Residences	139 Gutian Road Gu Lou District Fuzhou	Commercial	100.00	63,986	–	Long lease
Total PRC investment properties				5,262,731	2,297	

PARTICULARS OF PROPERTIES HELD

Property name	Location	Type	%	Group's attributable interest		Lease term
				Approximate gross floor area (square feet)	Approximate number of carpark spaces	
PRC Properties						
B. Hotel property						
1. Kerry Hotel, Beijing	1 Guang Hua Road Chaoyang District Beijing	Hotel	71.25	499,642	–	Medium lease
2. Kerry Hotel Pudong Shanghai	1388 Hua Mu Road Pudong Shanghai	Hotel	40.80	325,853	–	Medium lease
Total PRC hotel property				825,495	–	

Property name	Location	Type	%	Group's attributable interest		Stage of completion	Scheduled completion
				Approximate gross floor area (square feet)	Approximate site area (square feet)		
PRC Properties							
C. Under development							
1. Jing An Kerry Centre	1238 Yanan Zhong Road 1288 Yanan Zhong Road 1537 Nanjing Xi Road 1565 Nanjing Xi Road Jing An District Shanghai	Office Hotel Commercial	51.00	624,386 404,389 364,891	251,793	Completion verification in progress	2013
				1,393,666			
2. Parkview Residence Phases II and III	751 Hangbo Street Xia Cheng District Hangzhou	Residential Commercial	100.00	1,843,238 86,410	828,322	Phases II and III – Superstructure work completed, mechanical and engineering and external work in progress	In phases to 2013
				1,929,648			
3. Manzhouli Watch Lake Phase II	99 Liu Dao Street Manzhouli City Inner Mongolia	Residential Commercial	100.00	562,214 53,303	238,197	Superstructure work completed, external and internal work in progress	2013
				615,517			
4. Tangshan Complex Development	Da Li Road Changhong Street and Chaoyang Street Feng Huang Xin Cheng Tangshan	Residential Hotel Commercial	40.00	997,556 242,918 79,481	435,327	Residential – Superstructure work completed, mechanical and engineering and external work in progress Hotel – Superstructure work in progress	In phases between 2013 and 2014
				1,319,955			
Sub-total				5,258,786	1,753,639		

Property name	Location	Type	%	Group's attributable interest		Stage of completion	Scheduled completion	
				Approximate gross floor area (square feet)	Approximate site area (square feet)			
PRC Properties								
C. Under development (continued)								
5.	Nanjing Complex Development	331 Zhong Yang Road Gu Lou District Nanjing	Hotel Commercial	45.00	412,072 4,219	78,980	Superstructure work in progress	2014
					416,291			
6.	Tianjin Kerry Centre	Junction of Liuwei Road and Liujin Road Hedong District Tianjin	Residential Office Commercial Hotel Apartment	49.00	925,819 634,727 586,119 369,205 116,036	454,460	Phase I – Superstructure work in progress	Phase I In phases between 2014 and 2015
					2,631,906			
7.	Nanchang Complex Development	Lot No. B-7 Honggutan Central District Nanchang	Residential Hotel Office Commercial	80.00	706,101 658,542 611,491 79,261	411,081	Phase I – Hotel: Superstructure work in progress – Residential: Piling work in progress	Phase I In phases between 2014 and 2015
					2,055,395			
8.	Nanjing Residential Development ⁽¹⁾⁽²⁾	Site no. 2012G05 South of Daguang Road Bai Xia District Nanjing	Residential	100.00	961,882	383,408	Schematic design in progress	2015
					961,882			
9.	The Metropolis -Arcadia Court Phase II	Junction of middle of Jiannan Da Street and Desai San Street Hi-Tech Industrial Development Zone Chengdu	Residential Commercial	55.00	961,535 43,140	228,625	Piling and excavation work completed	2015
					1,004,675			
10.	Kerry Everbright City Phase III	Meiyuan Road Tianmu Road West Huakong Road and Gonghu Road Zhabei District Shanghai	Office Apartment style office Commercial	74.25	477,011 246,641 81,485	126,744	Piling work completed, excavation work in progress	2015
					805,137			
11.	Ningbo Residential Project	Core Region Eastern New Town Ningbo	Residential	50.00	515,822	354,071	Phase I – Piling work completed, schematic design in progress	In phases to 2015
12.	Jinan Complex Development ⁽¹⁾	Site no. 2011-G043 to G044 South of Luoyuan Main Street East of Nanjuanmen Lane Lixia District Jinan	Hotel Office Commercial	55.00	314,351 192,229 36,013	131,979	Schematic design in progress	2015
					542,593			
Sub-total					8,933,701	2,169,348		

PARTICULARS OF PROPERTIES HELD

Property name	Location	Type	Group's attributable interest		Stage of completion	Scheduled completion
			%	Approximate gross floor area (square feet)		
PRC Properties						
C. Under development (continued)						
13. Hangzhou Kerry Centre	Formerly Zhejiang University Hubin Campus East to Yan An Road South to Qing Chun Road West to Planned Chang Shou Road North to Hai Er Xiang Xia Cheng District Hangzhou	Commercial Hotel Apartment Office	75.00	848,803 377,518 270,542 94,212	543,910	Piling work in progress In phases to 2016
				1,591,075		
14. Changsha Xiangjiang Arcadia Court	25 Xin Kai Pu Road Tianxin District Changsha	Residential Commercial	100.00	3,154,067 52,744	1,268,225	Phase I – Superstructure work completed, external and internal work in progress In phases between 2014 and 2016
				3,206,811		
15. The Metropolis -Arcadia Court Phase III	Desai San Street Hi-Tech Industrial Development Zone Chengdu	Residential Apartment	55.00	1,213,037 234,564	336,957	Excavation work completed 2016
				1,447,601		
16. Zhengzhou Complex Development ⁽¹⁾⁽²⁾	East of Huayuan Road South of Weier Road Zhengzhou City	Residential Hotel Office Commercial	55.00	581,831 368,450 198,303 163,155	263,881	Schematic design in progress 2016
				1,311,739		
17. Putian Complex Development ⁽¹⁾⁽²⁾	Yanshou Village Longqiao Street Office Chengxiang District and Xibai Village Xitianwei Town Lincheng District Putian City	Residential Hotel Commercial	60.00	1,649,391 649,178 106,564	953,111	Schematic design in progress Phase I 2016
				2,405,133		
18. Kunming Hotel Development ⁽¹⁾⁽²⁾	88-96 Dong Feng Road Panlong District Kunming	Hotel Apartment Office Commercial	35.00	169,793 79,748 71,464 1,597	58,191	Schematic design in progress 2016
				322,602		
19. Hangzhou Zhijiang Residential Project ⁽¹⁾⁽²⁾	East of Planned Vertical Road 2 South of Planned Horizontal Road 3 West of Shanhusa River North of Planned Horizontal Road 1 West Lake District Hangzhou	Residential Commercial	100.00	2,258,373 250,252	1,534,828	Schematic design in progress In phases between 2016 and 2017
				2,508,625		
20. Qinhuangdao Habitat	Lot No. 253-3 and 272-2 Hebei Dao Jie Xi Duan Qinhuangdao	Residential Commercial	60.00	2,823,322 35,960	1,254,202	Phase I – Superstructure work in progress In phases between 2015 and 2018
				2,859,282		
Sub-total				15,652,868	6,213,305	

Property name	Location	Type	%	Group's attributable interest		Stage of completion	Scheduled completion
				Approximate gross floor area (square feet)	Approximate site area (square feet)		
PRC Properties							
C. Under development (continued)							
21. Shenyang Complex Development ⁽¹⁾⁽²⁾	Lot No. 2007-053 8 Golden Corridor 113 Qingnian Da Street Shenhe District Shenyang	Residential Commercial Office Hotel	60.00	4,725,616 2,419,480 1,264,117 394,524	1,115,327	Phase I – Hotel: Superstructure work completed, internal work in progress – Residential: Superstructure work in progress – Office: Superstructure work completed, engineering work in progress	In phases between 2013 and 2022
				8,803,737			
22. Yingkou Bayuquan Complex Development ⁽¹⁾⁽²⁾	Lot No. 14-16 North of Bincheng Road West of Liaodongwan Street Bayuquan Yingkou	Residential Hotel Commercial	40.00 ⁽³⁾	1,766,601 228,563 81,910	861,120	Design and preliminary work in progress	In phases between 2015 and 2024
				2,077,074			
Sub-total				10,880,811	1,976,447		
Total PRC properties under development				40,726,166	12,112,739		

PARTICULARS OF PROPERTIES HELD

Property name	Location	Type	%	Group's attributable interest		Lease term
				Approximate gross floor area (square feet)	Approximate number of carpark spaces	
PRC Properties						
D. Held for sale						
1. The Metropolis – Arcadia Court Phase I	299 Ronghua North Road Hi-tech Industrial Development Zone Chengdu	Residential Commercial	55.00	627,280 116,693	828	Long lease
				743,973		
2. Enterprise Square	216 and 228 Meiyuan Road Zabei District Shanghai	Office Commercial	74.25	92,557 26,992	59	Medium lease
				119,549		
3. Parkview Residence Phase I	756 Hangbo Street Xia Cheng District Hangzhou	Commercial Residential	100.00	24,642 9,522	29	Long lease
				34,164		
4. Gemini Grove	63 Xin Yuan Street Chaoyang District Beijing	Residential Commercial	71.00	15,462 9,542	29	Long lease
				25,004		
5. Shanghai Central Residences Phase II – Tower 2	170 Lane 1038 Huashan Road Changning District Shanghai	Residential	100.00	12,542	55	Long lease
6. Shenzhen Arcadia Court	1008 Haitian Road Futian District Shenzhen	Commercial	100.00	4,608	551	Long lease
7. Manzhouli Watch Lake Phase I	99 Liu Dao Street Manzhouli City Inner Mongolia	Residential	100.00	1,302	24	Long lease
Total PRC properties held for sale				941,142	1,575	
TOTAL PRC PROPERTY PORTFOLIO				47,755,534		

Property name	Location	Type	%	Group's attributable interest		Lease term
				Approximate gross floor area (square feet)	Approximate number of carpark spaces	
Hong Kong Properties						
A. Completed and held for investment						
I. Residential						
1. Branksome Grande	3 Tregunter Path Mid-Levels Hong Kong	Apartment	100.00	257,372	73	Long lease
2. Aigburth	12 Tregunter Path Mid-Levels Hong Kong	Apartment	100.00	204,940	63	Long lease
3. Branksome Crest	3A Tregunter Path Mid-Levels Hong Kong	Apartment	100.00	153,375	126	Long lease
4. Tavistock	10 Tregunter Path Mid-Levels Hong Kong	Apartment	100.00	104,460	24	Long lease
5. Gladdon	3 May Road Mid-Levels Hong Kong	Apartment	100.00	2,300	14	Long lease
Sub-total				722,447	300	
II. Commercial/office						
1. Enterprise Square Five/ MegaBox	38 Wang Chiu Road Kowloon Bay Kowloon	Commercial Office	100.00	1,145,537 ⁽⁴⁾ 519,316 1,664,853	748	Medium lease
2. Kerry Centre	683 King's Road Quarry Bay Hong Kong	Office Commercial	40.00	193,252 10,952 204,204	74	Medium lease
3. Lions Rise	8 Muk Lun Street Wong Tai Sin Kowloon	Commercial	100.00	126,319	69	Medium lease
4. Enterprise Square	9 Sheung Yuet Road Kowloon Bay Kowloon	Office	100.00	56,730	26	Medium lease
5. Hollywood Centre	233 Hollywood Road Sheung Wan Hong Kong	Office Commercial	45.00	34,231 10,256 44,487	–	Long lease
6. Harbour Centre	25 Harbour Road Wanchai Hong Kong	Office Commercial	15.00	32,944 ⁽⁵⁾ 6,135 ⁽⁶⁾ 39,079	43	Long lease
7. Enterprise Square Three	39 Wang Chiu Road Kowloon Bay Kowloon	Commercial	100.00	19,800	–	Medium lease
8. Island Crest	8 First Street Hong Kong	Commercial	100.00	15,891	6	Medium lease
9. South Seas Centre – various portions	75 Mody Road Tsimshatsui Kowloon	Commercial	100.00	6,341	–	Long lease
10. Belair Monte	3 Ma Sik Road Fanling New Territories	Commercial	8.00	3,820	–	Medium lease
Sub-total				2,181,524	966	

PARTICULARS OF PROPERTIES HELD

Property name	Location	Type	%	Group's attributable interest		Lease term
				Approximate gross floor area (square feet)	Approximate number of carpark spaces	
Hong Kong Properties						
A. Completed and held for investment (continued)						
II. Commercial/office (continued)						
11. Wing On Plaza	62 Mody Road Tsimshatsui Kowloon	Commercial	10.00	2,896	–	Long lease
12. Sherwood Court Public Carpark	12-20 Kwai Sing Lane Happy Valley Hong Kong	Carpark	100.00	–	200	Long lease
Sub-total				2,896	200	
Total Hong Kong completed investment properties				2,906,867	1,466	

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

Property name	Location	Type	%	Group's attributable interest		Stage of completion	Scheduled completion
				Approximate gross floor area ⁽⁷⁾ (square feet)	Approximate site area (square feet)		
Hong Kong Properties							
C. Under development							
1. SOHO 189	189 Queen's Road West Sheung Wan Hong Kong	Residential/ Commercial	71.00	100,581	9,425	Interior finishing work in progress	First quarter of 2013
2. Hing Hon Road Project	18-27 Hing Hon Road Mid-Levels West Hong Kong	Residential	71.00	126,568	12,656	Superstructure work in progress	Third quarter of 2013
3. Ede Road Project	1 Ede Road Kowloon Tong Kowloon	Residential	100.00	77,469	25,823	Foundation work completed	First quarter of 2014
4. Prince Edward Road West Project	298-300B Prince Edward Road West Ho Man Tin Kowloon	Residential	100.00	60,852	12,174	Foundation work completed	Second quarter of 2014
5. Shan Kwong Building Redevelopment Project	7C-7F Shan Kwong Road Happy Valley Hong Kong	Residential	100.00	81,324	8,122	Foundation work in progress	Fourth quarter of 2014
6. Kau To Shan Project	STL525 Area 56A Kau To Shan New Territories	Residential	40.00	412,588	99,270	Schematic design in progress	Second quarter of 2015
7. Sha Tin Heights Road Project	25-27A Sha Tin Heights Road Sha Tin New Territories	Residential	71.00	14,200	11,737	Conceptual design in progress	Fourth quarter of 2015
8. So Kwun Wat Project	Area 48, Castle Peak Road So Kwun Wat Tuen Mun New Territories	Residential	100.00	939,600	722,770	Conceptual design in progress	Fourth quarter of 2016
Total Hong Kong properties under development				1,813,182	901,977		

Property name	Location	Type	%	Group's attributable interest		Lease term
				Approximate gross floor area (square feet)	Approximate number of carpark spaces	
Hong Kong Properties						
D. Held for sale						
1. Lions Rise	8 Muk Lun Street Wong Tai Sin Kowloon	Residential	100.00	184,896	226	Medium lease
2. Bayview	9 Yuk Yat Street To Kwa Wan Kowloon	Residential/ Commercial	100.00	174,135	49	Medium lease
3. The Altitude	20 Shan Kwong Road Happy Valley Hong Kong	Residential	71.00	35,345	18	Long lease
4. Primrose Hill	168 Kwok Shui Road Tsuen Wan New Territories	Commercial	100.00	10,318	5	Medium lease
5. Larvotto	8 Ap Lei Chau Praya Road Hong Kong	Residential/ Commercial	35.00	6,129	28	Medium lease
6. Richwood Park	33 Lo Fai Road Tai Po New Territories	Commercial	50.00	7,893	–	Medium lease
Total Hong Kong properties held for sale				418,716	326	
TOTAL HONG KONG PROPERTY PORTFOLIO				5,176,282		

Property name	Location	Type	%	Group's attributable interest		Stage of completion	Scheduled completion
				Approximate gross floor area (square feet)	Approximate site area (square feet)		
Macau Properties							
A. Under development							
1. Nam Van Project	Lot C12 Nam Van Lake Macau	Residential	100.00	397,190	39,719	Schematic design in progress	Third quarter of 2016
TOTAL MACAU PROPERTY PORTFOLIO				397,190⁽⁸⁾	39,719		

PARTICULARS OF PROPERTIES HELD

Property name	Location	Type	%	Group's attributable interest		Lease term
				Approximate gross floor area (square feet)	Approximate number of carpark spaces	
Overseas Properties						
A. Completed and held for investment						
1. Shangri-La Plaza Mall	EDSA corner Shaw Blvd. Mandaluyong City Philippines	Shopping centre	65.36 ⁽⁹⁾	972,057	359	Freehold
2. The Enterprise Center	Ayala Avenue Cor. Paseo de Roxas Makati City Philippines	Office Commercial	34.58 ⁽¹⁰⁾	306,593 11,962	349	Freehold
				318,555		
3. Carpark Building	EDSA corner Shaw Blvd. Mandaluyong City Philippines	Carpark building	65.36 ⁽⁹⁾	200,558	324	Freehold
4. Land leased to EDSA Shangri-La Hotel	EDSA corner Shaw Blvd. Mandaluyong City Philippines	Hotel lease	65.36 ⁽⁹⁾	169,733 ⁽¹¹⁾	–	Freehold
5. The St. Francis Shangri-La Place	St. Francis St. corner Internal Road Shangri-La Place Mandaluyong City Philippines	Commercial	65.36 ⁽⁹⁾	16,937	–	Freehold
Total overseas completed investment properties				1,677,840	1,032	

Property name	Location	Type	%	Group's attributable interest		Stage of completion	Scheduled completion
				Approximate gross floor area (square feet)	Approximate site area (square feet)		
Overseas Properties							
B. Under development							
1. One Shangri-La Place	EDSA corner Shaw Blvd. Mandaluyong City Philippines	Residential Shopping centre	65.36 ⁽⁹⁾	1,064,502 279,909	68,670	Superstructure work in progress	Second quarter of 2014
				1,344,411			
2. Fort Bonifacio Shangri-La Hotel	Fort Bonifacio Taguig Philippines	Hotel Residential Commercial	26.15 ⁽¹²⁾	194,756 183,392 12,397	42,553	Substructure work in progress	Fourth quarter of 2014
				390,545			
3. Shang Salcedo Place	Sen. Gil Puyat Ave. Cor. Tordesillas St. and HV Dela Costa St., Makati City, Philippines	Residential	65.36 ⁽⁹⁾	428,486	21,423	Excavation work in progress	Third quarter of 2015
Total overseas properties under development				2,163,442	132,646		

Property name	Location	Type	%	Group's attributable interest		Lease term
				Approximate gross floor area (square feet)	Approximate number of carpark spaces	
Overseas Properties						
C. Held for sale						
1. The St. Francis Shangri-La Place	St. Francis St. corner Internal Road Shangri-La Place Mandaluyong City Philippines	Residential	65.36 ⁽⁹⁾	10,277	3	Freehold
Total overseas properties held for sale				10,277	3	
TOTAL OVERSEAS PROPERTY PORTFOLIO				3,851,559		

Property name	Location	Type	%	Group's attributable interest		Lease term
				Approximate gross floor area (square feet)	Approximate number of carpark spaces	
Properties held for logistics operations						
A. Completed warehouses and logistics centres						
1. Kerry Cargo Centre	55 Wing Kei Road Kwai Chung New Territories	Warehouse	100.00	1,443,356	777	Medium lease
2. Kerry Vietnam Logistics Centre	Song Than Industrial Zone II Di An District Binh Duong Province Vietnam	Logistics centre	100.00	670,576	–	Medium lease
3. Kerry Logistics (Australia) Pty Ltd Adelaide	4 Martin Avenue Gillman Adelaide South Australia 5013	Container terminal Logistics centre	100.00	482,587 186,230	–	Freehold
				668,817		
4. Kerry TC Warehouse 1	3 Kin Chuen Street Kwai Chung New Territories	Warehouse	100.00	659,783	57	Medium lease
5. Kerry Warehouse (Tsuen Wan)	3 Shing Yiu Street Kwai Chung New Territories	Warehouse	100.00	591,973	56	Medium lease
6. Kerry Warehouse (Chai Wan)	50 Ka Yip Street Chai Wan Hong Kong	Warehouse	100.00	535,037	53	Long lease
7. Kerry TC Warehouse 2	35 Wing Kei Road Kwai Chung New Territories	Warehouse	100.00	490,942	262	Medium lease
8. Kerry Warehouse (Shatin)	36-42 Shan Mei Street Shatin New Territories	Warehouse	100.00	431,530	64	Medium lease
9. Kerry Tampines Logistics Centre	Lot No. 0786A Pt Mk 30 Tampines Logistics Park Singapore	Logistics centre	100.00	371,462	–	Medium lease
10. Kerry Warehouse (Sheung Shui)	2 San Po Street Sheung Shui New Territories	Warehouse	100.00	356,253	37	Medium lease
11. Kerry Hung Kai Warehouse (Cheung Sha Wan)	3 Fat Tseung Street Cheung Sha Wan Kowloon	Warehouse	50.00	299,115	29	Medium lease
12. Kerry Warehouse (Kwai Chung)	4-6 Kwai Tai Road Kwai Chung New Territories	Warehouse	100.00	286,628	33	Medium lease
13. Kerry Warehouse (Fanling 1)	39 On Lok Mun Street On Lok Tsuen Fanling New Territories	Warehouse	100.00	283,580	30	Medium lease
14. Tai Po Product Customization and Consolidation Centre	12 Dai Kwai Street Tai Po Industrial Estate Tai Po New Territories	Warehouse	100.00	275,593	–	Medium lease
Sub-total				7,364,645	1,398	

PARTICULARS OF PROPERTIES HELD

Property name	Location	Type	%	Group's attributable interest		Lease term
				Approximate gross floor area (square feet)	Approximate number of carpark spaces	
Properties held for logistics operations						
A. Completed warehouses and logistics centres (continued)						
15. Shenzhen Kerry Futian Logistics Centre	15 Tao Hua Road Futian Free Trade Zone Shenzhen	Logistics centre	100.00	268,656	–	Medium lease
16. Kerry Chengdu Logistics Centre	Sichuan Chengdu Aviation Logistics Park District	Logistics centre	100.00	264,182	–	Medium lease
17. Shenzhen Kerry Yantian Port Logistics Centre	Lot No. 26 South Area of Yantian Port Free Trade Zone Shenzhen	Logistics centre	55.00	255,607	–	Medium lease
18. Kerry Chongqing Logistics Centre – Phase I	Lot No. A01-3 & 4 Shipan Hepian District Modern Agricultural Park District Chongqing	Logistics centre	100.00	224,242	–	Medium lease
19. Kerry Hefei Logistics Centre	2346 Shixin Road Hefei ETDZ Hefei	Logistics centre	100.00	213,127	–	Medium lease
20. Kerry Kunshan Logistics Centre	North of Yufeng Main Road Qiandeng Town Kunshan	Logistics centre	100.00	199,737	–	Medium lease
21. Shanghai Wisdom Waigaoqiao Logistics Centre	2008 Gongcheng Road Pudong District Shanghai	Logistics centre	70.00	192,491	–	Medium lease
22. Kerry D.G. Warehouse (Kowloon Bay)	7 Kai Hing Road Kowloon Bay Kowloon	Warehouse	100.00	181,902	19	Medium lease
23. Kerry Tianjin Logistics Centre	168 Jinbinda Road Baoshui District Tianjin Port Tianjin	Logistics centre	100.00	172,886	–	Medium lease
24. Laem Chabang Logistics Centre	Highway No. 7 (Bypass Laem Chabang) Nong-kham Sub-District Sriracha District Chonburi Province Thailand	Logistics centre	75.90	161,600	–	Freehold
25. Kerry Waigaoqiao Logistics Centre	268 De Lin Road Waigaoqiao Free Trade Zone Shanghai	Logistics centre	100.00	153,446	–	Medium lease
26. T. Join Gueishan Logistics Centre	58 Dinghu Road Gueishan Township Toayuan County Taiwan	Logistics centre	30.42	143,913	–	Freehold
27. Beijing Tianzhu Logistics Centre	18 Tianzhu Road Area A Beijing Tianzhu Airport Industrial Zone Shunyi District Beijing	Logistics centre	70.00	138,204	–	Medium lease
Sub-total				2,569,993	19	

Property name	Location	Type	%	Group's attributable interest		Lease term
				Approximate gross floor area (square feet)	Approximate number of carpark spaces	
Properties held for logistics operations						
A. Completed warehouses and logistics centres (continued)						
28. Kerry Beijing Chaoyang Inland Port Logistics Centre	1 South Road Jia Fourth Ring Road East Chaoyang District Beijing	Logistics centre	100.00	124,147	–	Medium lease
29. Vietnam Danang Logistics Centre	Road No. 3 Hoa Khanh Industrial Zone Lien Chien District Danang City Vietnam	Logistics centre	100.00	114,529	–	Medium lease
30. Kerry Fuzhou Logistic Centre	No. 24-1 Mawei District Bonded Zone Fuzhou ETDZ Mawei Fuzhou	Logistics centre	100.00	108,946	–	Medium lease
31. Kerry Hung Yen Logistics Centre	Minh Duc commune My Hao District Hung Yen Province Vietnam	Logistics centre	100.00	107,586	–	Medium lease
32. Shanghai Wisdom Baoshan Logistics Centre	168 Tieshan Road Baoshan Districts Shanghai	Logistics centre	70.00	104,726	–	Medium lease
33. Malaysia EAE Logistics Centre	Lot No. 212-213 Kawasan Perindustrian Bukit Kayu Hitam 06050 Kedah Malaysia	Logistics centre	55.00	103,787	–	Long lease
34. Indev Irungattukottai Inland Container Depot	SIPO Industrial Park Irungattukottai India	Inland container depot	30.00	91,516	–	Long lease
35. Kerry ITS Kandla ISO Tank Depot	G.I.D.C. – Mithirohar Ta. Gandhidham – Kachchh	ISO tank depot	60.00	72,657	–	Long lease
36. Singapore Kerry-ITS ISO Tank Depot	162 Gul Circle Singapore	ISO tank depot	60.00	66,002	–	Medium lease
37. T. Join Minsyoung Logistics Centre	No. 1-69 Niouchousi Fusing Village Minsyoung Township Chiayi County Taiwan	Logistics centre	30.42	59,317	–	Freehold
38. T. Join Changhua Logistics Centre	Nos 3, 6 and 11, Lane 170 Changshuei Road Changhua City Changhua County Taiwan	Logistics centre	30.42	51,335	–	Freehold
39. Kerry Intratainer Dongying Precision Metal Casting Factory	Zhongxing Road Kenli, Dongying City Shandong	Factory	60.00	48,431	–	Medium lease
40. Shanghai Huicheng Pudong New District Logistics Centre	4309 Hongqiao Village Zhoupu Town Pudong New District Shanghai	Logistics centre	70.00	45,209	–	Medium lease
41. Beijing Shunyi District Logistics Centre	Block 1 to 24 Jinmi Road East Shunyi District Beijing	Logistics centre	70.00	33,326	–	Medium lease
Sub-total				1,131,514	–	
Total completed warehouses and logistics centres				11,066,152	1,417	

PARTICULARS OF PROPERTIES HELD

Property name	Location	Type	Group's attributable interest		Lease term
			%	Approximate site area (square feet)	
Properties held for logistics operations					
B. Port facility					
1. Kerry Siam Seaport	113/1 Moo 1 Silo Road Tungsukha Sriracha District Chonburi Province Thailand	Port	79.52	4,234,880	Freehold
Total port facility				4,234,880	

Property name	Location	Type	Group's attributable interest		Lease term
			%	Approximate gross floor area (square feet)	
Properties held for logistics operations					
C. Office property					
1. EAS Building	21 Xiao Yun Road Chaoyang District Beijing	Office	70.00	104,727	– Medium lease
Total office property				104,727	–

Property name	Location	Type	Group's attributable interest		Stage of completion	Scheduled completion
			%	Approximate gross floor area (square feet)		
Properties held for logistics operations						
D. Warehouse and logistics centre under development						
1. Kerry Chongqing Logistics Centre Phase II	Lot No. A01-3 & 4 Shipan Hepian District Modern Agricultural Park District Chongqing	Logistics centre	100.00	707,929	310,003	Final inspection in progress First quarter of 2013
2. Kerry Wuxi Logistics Centre	Wangzhuang Industrial Zone Wuxi	Logistics centre	100.00	337,660	346,702	Final inspection in progress First quarter of 2013
3. Kerry Xiamen Haicang Logistics Centre	Export Processing Zone Haicang District Xiamen	Logistics centre	100.00	460,335	574,302	Interior work in progress First quarter of 2013
4. Kerry Vietnam Centre Point Logistics Centre	Song Than Industrial Zone II Di An District Binh Duong Province Vietnam	Logistics centre	100.00	116,553	173,074	Superstructure work in progress Second quarter of 2013
Sub-total				1,622,477	1,404,081	

Property name	Location	Type	%	Group's attributable interest		Stage of completion	Scheduled completion	
				Approximate gross floor area (square feet)	Approximate site area (square feet)			
Properties held for logistics operations								
D. Warehouse and logistics centre under development (continued)								
5.	Thailand Rayong Logistics Centre Phase I	Hemaraj Eastern Seaboard Industrial Estate Land Plot B13 Tambon Tasith Amphur Pluakdaeng Rayong Thailand	Logistics centre	75.90	81,699	449,466	Superstructure work in progress	Third quarter of 2013
6.	Kerry Zhengzhou Logistics Centre	Wuliu Road Zhengzhou International Logistics Park Zhengzhou	Logistics centre	100.00	375,616	506,354	Foundation work in progress	Fourth quarter of 2013
7.	Kerry Kunshan Logistics Centre Phase II	West of Xinhong Road Qiandeng Town Kunshan	Logistics centre	100.00	362,950	593,172	Piling work in progress	Third quarter of 2014
Sub-total					820,265	1,548,992		
Total warehouse and logistics centre under development					2,442,742	2,953,073		
TOTAL PORTFOLIO OF PROPERTIES HELD FOR LOGISTICS OPERATIONS					17,848,501			

Notes:

- (1) Application for land use certificate in progress.
- (2) Payment for land use right in progress.
- (3) Signed the sale and purchase agreement with Shangri-La China Limited on 19 December 2012, Kerry Properties (China) Ltd. agreed to acquire 25% of equity interests in the Yingkou Project Companies from Shangri-La China Limited. The transaction will be effective when all necessary approvals from the PRC authorities obtained.
- (4) Included other facility with gross floor area of approximately 65,000 square feet.
- (5) Being lettable floor area.
- (6) Being net floor area.
- (7) Subject to final Hong Kong SAR Government approval plans and documentations.
- (8) As regards the reclamation project in Macau, according to the Macau SAR Government Notice which was gazetted on 14 October 2009, a piece of land will be granted in exchange with location and size to be identified and agreed.
- (9) Including attributable interest of 30.75% held through Philippine Deposit Receipts.
- (10) Including attributable interest of 16.27% held through Philippine Deposit Receipts.
- (11) Being site area.
- (12) Including attributable interest of 12.30% held through Philippine Deposit Receipts.
- (13) Gross floor areas exclude carpark spaces.

CORPORATE SOCIAL RESPONSIBILITY REPORT



The Group believes that our success as a company is measured by more than just financial targets. The positive contribution we can make to lives, communities and the environment through good business practices and outstanding corporate citizenship is important to our long-term success. Over the years we have continued to strengthen our commitment to ethical business behaviour and economic development while improving the quality of life of our workforce and their families as well as of the local community and society at large. Our focus is on practical and realistic measures that help to conserve the environment and enhance the well being of all our stakeholders.

The passionate commitment and participation of our staff are essential to the successful implementation of these measures. By fostering the energy and creativity of our colleagues and their families, we aim to build a culture based on strong team spirit and caring for the community. The Group believes that sustainable business growth is based on sustainable business practices. As the world becomes increasingly globalized, even the smallest actions we take to improve society can have a widespread effect. This belief underpins our employees' commitment to a broad spectrum of worthwhile causes in the areas of charitable support, caring for the elderly and disadvantaged, education, environmental pollution and climate change.

CARING COMPANY

The principle of good corporate citizenship is the driving force behind the Group's many caring programmes for the broader community, for the environment, and for our employees. In 2012, as a long-time recipient of the Caring Company logo

awarded by the Hong Kong Council of Social Service, the Group became eligible to extend the commendation until February 2014. During the year, the Group also continued our membership of the Caring Company Patron's Club as a Coral Member to support the Caring Company nomination activities. Since its launch in 2005, the Caring Company Patron's Club has brought together business leaders that are committed to a common vision of encouraging corporate social responsibility ("CSR"). The Club consists of over 50 corporate members.

ENVIRONMENTAL PROTECTION

The Group believes that to ensure a better and cleaner environment for future generations it is not enough to declare a general commitment to the principles of environmental protection. This principle must be underpinned by specific and measurable programmes that have a clear impact on our community and on the way our business is run. Accordingly, we have established an environmental management system ("EMS") to guide the development, management and maintenance of green buildings as well as to build awareness of environmental and ecological issues among our staff. During 2012, the EMS system further expanded to our property management business.

The Group first achieved ISO 14001 Certification for our EMS last year. During 2012, ISO 14001 Certificates were obtained for seven of the Group's properties (see below). These Certificates reaffirmed the Group's efforts to promote the sustainability of the community, to improve staff environmental awareness and to achieve cost efficiency through savings on energy and resources.



The Group is pleased to announce that all environmental protection targets were successfully achieved in 2012, especially in energy saving. Electricity consumption of the Group's head office at Kerry Centre, for example, was reduced by 5% in comparison to the previous year. With the installation of an access card system in each printing and copying terminal at the head office, paper consumption had a significant reduction of 18% in comparison to 2011. Construction and demolition waste in our development projects was minimized. Indoor Air Quality Certificates (Good Class) were awarded for the Group's head office, Enterprise Square and Enterprise Square Three. A number of the Group's projects achieved the requisite standards for the BEAM Society's Building Environmental Assessment Method ("BEAM") for new buildings (see below). We also took part in an increasing number of environmental activities and CSR campaigns.

ISO 14001 Certification for Environmental Management System

The Group first achieved ISO 14001 Certification for our Environmental Management System last year. During 2012, a number of the Group's properties achieved ISO 14001 Certification for our EMS. Developed by the International Organization for Standardization, the ISO 14001 standard benchmarks the performance of the Group in minimizing our environmental footprint and achieving continual improvement of our environmental performance. The awardee buildings were Aigburth, Branksome Crest, Branksome Grande, Enterprise Square Five, MegaBox, Tavistock and Tavistock II.

BEAM Gold and LEED Gold Certifications

BEAM is one of the leading schemes in the world for assessing, certifying and improving the environmental performance of buildings. BEAM Gold compliance, granted by the BEAM

Society, signifies that the building has been assessed as meeting a high standard of environmental performance. In March 2012, The Altitude in Happy Valley was awarded the BEAM Eco Building Gold Standard for new buildings. In October 2012, Lions Rise in Wong Tai Sin was also awarded the BEAM Eco Building Gold Standard for new buildings.

In June 2012, Shenzhen Kerry Plaza Tower 3 was awarded LEED (Gold) certification by the Green Building Certification Institute, signifying that the design and construction of the building incorporated green technology features such as energy saving lighting and low-e double glazed curtain walls positioned to maximize natural light.

Hong Kong Green Building Council

With effect from 15 March 2012, Kerry Property Management Services Limited was invited to delegate a representative to become a member of the Public Education Committee of the Hong Kong Green Building Council. This two-year voting membership allows the Group to participate in the activities of the committee, which aims to drive green building education in Hong Kong and to develop awareness of how Hong Kong citizens can contribute to positive changes in green attitudes and behaviour.

Green Power Hike 2012

On 14 January 2012, four teams comprising 13 staff members of Kerry Logistics participated in the 50km and 25km "Corporate/Organization Cup" organized by Green Power Hike 2012. Our Corporate Team A of three runners was the first runner-up in the 25km race. The funds raised from the event were devoted to the implementation of environmental education programmes in schools and the community.

CORPORATE SOCIAL RESPONSIBILITY REPORT



Earth Hour 2012

On the evening of 31 March 2012, the exterior lighting of MegaBox and various other buildings under the Group's management was temporarily extinguished for an hour to support "Earth Hour 2012". During the one-hour event, Kerry Logistics also switched off all lighting at outdoor billboards in five locations throughout Hong Kong. The World Wide Fund for Nature (WWF) organizes this global campaign annually to draw attention to the threat posed by climate change to people and wildlife. The idea behind the campaign is that every individual should try to live each day as if it's "Earth Hour" day by nurturing a low-carbon lifestyle.

Organic Farming Day

Every Saturday for six weeks from March to May 2012, the Group's staff members were given an opportunity to grow their own crops at farms of the Produce Green Foundation by using organic farming processes that ensure food safety, healthy nutrition, the welfare of animals and the local ecological system.

BEC EnviroSeries Conferences

The Group sponsored the BEC EnviroSeries Conferences as the bronze sponsor of the event in May and November 2012. Since their inception in 1992, the conferences have brought together distinguished local and international speakers to share their perspective on a broad range of sustainability topics. The theme for May's conference was "Transcending the green built environment: sustainable planning & innovations" and that for November's conference was "Mastering Hong Kong's sustainability challenges and opportunities".

Used Clothes Recycling Scheme

Between 28 June and 3 July 2012, Group staff and family members collected 40 kg of used clothes to donate to Friends of the Earth for reuse or to be sold in charity sales.

Construction Industry Council ("CIC") Conference

In September 2012, MegaBox sponsored the Construction Industry Council Conference entitled "Manpower Sustainability of the Construction Industry cum Zero Carbon Building Development". A major focus of the conference was the development of the CIC's Zero Carbon Building, the first in Hong Kong. Experts from around the world shared their experience of the construction and maintenance of zero carbon projects.

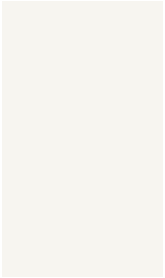
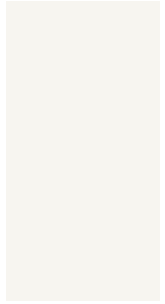
Visit Tai Po Fung Yuen Butterfly Reserve

On 16 September 2012, staff and family members were invited to visit the Fung Yuen Butterfly Reserve to learn more about nature's fragile eco-systems and the need for careful conservation of delicate species.

International Coastal Cleanup 2012 Hong Kong

In November 2012, the volunteer team of Kerry Property Management Services Limited, with more than 30 members, participated in the "International Coastal Cleanup 2012 Hong Kong" organized by the Ocean Conservancy, an international non-governmental organization focusing on marine conservation. The Green Council was the official coordinator for the activity.

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



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

Offsetting Greenhouse Gas Emissions

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

COMMUNITY SERVICES

The Group believes that the health and well being of the less fortunate, the elderly, and the mentally and physically disadvantaged should be a core concern of a responsible, community-rooted enterprise. The energy and commitment shown by our management and employees to initiatives and programmes that aim to help various groups and people in need inspire us and give us reason to be proud.

Enjoying the Products and Services of the Non-Profit Making Organizations

The Hong Chi Association is a non-profit making organization in Hong Kong dedicated to serving 7,000 people of all ages and all grades of intellectual disabilities and their families.

Reflecting our support to the community, the Group continued to employ the Hong Chi Association to provide lettershopping services for our corporate magazine on a regular basis. During Christmas, Hong Chi Gourmet Cookies were purchased as one of the food items for our Christmas Hampers. Trainees from

Hong Chi Gourmet Bakery Workshop baked the cookies. The Group also used the floral services of Hong Chi Kwong Fuk Wai Yin Workshop.

In a further initiative, the Group employed the Hong Kong Outlying Islands Women's Association to tailor-make welcome baskets for new tenants of the Group's Mid-Levels residential leasing properties. The Association teaches women living on the outlying islands the craft of basket-weaving and creates work opportunities for them.

The Community Chest Corporate Challenge

On 15 January 2012, colleagues from the Group and Kerry Logistics participated in "The Community Chest Corporate Challenge" at Pak Tam Chun Park, Sai Kung. The event aimed to raise funds to improve services for the elderly.

Standard Chartered Hong Kong Marathon – Corporate Challenge 2012

"Standard Chartered Hong Kong Marathon – Corporate Challenge 2012" is the largest marathon event of the year. On 5 February 2012, seven teams comprising 28 staff members of Kerry Logistics participated in the Half Marathon and 10km Run. The funds raised from the event were donated to helping the disabled.

Knit-a-square Campaign

In March 2012, Kerry Logistics joined Jigsaw, the UK's leading apparel company, to support the "Knit-a-square" campaign, a children's charity. Under the programme, the public was asked to knit 20cm squares and take them to Jigsaw or Kew retail stores in the UK and US. Combining the efforts of both countries, Kerry Logistics shipped a total of eight tightly packed pallets of knitted squares from the UK to South Africa, where the squares were sown into blankets for local AIDS orphans.

CORPORATE SOCIAL RESPONSIBILITY REPORT



Big Friend Scheme

Beginning in March, 17 volunteers from Kerry Logistics wrote to Form 1 students at Dandelion School, a school for children of migrant workers, on a one-on-one basis to prepare them to participate in city life. Through the exchange of letters, the students aged 12-17 came to understand more about living and working in large cities, thereby preparing them for a new way of life in the years ahead.

Supporting Watoto Children's Choir

In April 2012, Kerry Logistics sponsored the Watoto Children's Choir from Uganda for the "Watoto Concert of Hope Asia Tour" by providing daily transportation of all musical instruments for the choir's concerts in Taiwan. The Choir also toured Hong Kong, Indonesia, Singapore and Japan between February and July. Since 1994, the Watoto Children's Choir has toured the world with the aim of raising awareness of some 500 million African orphans who suffer from HIV, war, poverty and health problems.

ORBIS Charity Sales

In May 2012, colleagues from Kerry Logistics participated in the "ORBIS – Pendant Charity Sales" to celebrate the 30th anniversary of ORBIS, a non-profit humanitarian organization dedicated to saving sight worldwide. The funds raised will help the 39 million needlessly blind to see the world again.

Magic Classes for Hong Chi Association

In October and November 2012, the Group arranged for several of our magicians to conduct classes in magic for approximately 40 students from the Hong Chi Association. The magicians shared the techniques for students to use when facing the public and taught them various magic tricks to perform at parties and other events.

Supporting ECSAF for the Seventh Year

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

Supporting Hong Kong Invention Association

Kerry Logistics supported the Hong Kong Invention Association ("HKIA") by offering an office space at Kerry Hung Kai Warehouse (Cheung Sha Wan) in Hong Kong since 2005. Founded in 1996, the HKIA aims to encourage, support and protect local invention.

CHARITABLE DONATIONS AND SPONSORSHIPS

During the past year, the Group continued to raise donations and organize sponsorships for deserving causes in the communities where we operate. These causes included support for the elderly and disadvantaged, for children's education, for academic activities and for victims of natural disasters.

Community Chest Skip Lunch Day

In March 2012, colleagues from the Group supported the "Skip Lunch Day", donating their lunch money to support this excellent cause. The Community Chest organized the event and allocated the funds raised to services for the needy and vulnerable.

Lok Sin Tong Charity Candy

In March 2012, Kerry Property Management Services Limited supported the "Lok Sin Tong Charity Candy Campaign" by providing booths for the sale of charity candy and placing donation boxes in various properties under the Group's management.



Walk for Water 2012

In May 2012, Kerry Logistics participated in the “Walk for Water 2012” for the second time and one of our teams won the championship in the Challenge Team category. The event required each participant to carry 4.5 litres of bottled water for 23km. Walk for Water is an annual charity event organized by A Drop of Life Ltd, a non-profit making charity organization founded in 1998. This year’s event aimed to raise more than HK\$1.8 million to improve access to safe water and sanitation in schools located in arid regions in the PRC.

Tung Wah Flag Day 2012

In June 2012, a number of properties managed by Kerry Property Management Services Limited supported the “Tung Wah Flag Day 2012” by distributing leaflets in their buildings. Organized by the Tung Wah Group of Hospitals, donations raised by the Flag Day were devoted to providing holistic care services to the disadvantaged.

12th Community Chest Green Day

The Group’s staff members made donations to the “12th Community Chest Green Day” on 17 and 18 June 2012. The event aimed to encourage the public to act green and live green by taking a greener form of transport, saving energy, water and food, supporting recycling programmes, and by growing potted plants. All donations received were allocated to support medical and health services provided by the Chest’s member agencies.

Donation to Confucius Virtue Hospital

On 29 July 2012, staff members attended the opening ceremony of the new Confucius Virtue Hospital in Beijing, to which Kerry Logistics donated a color ultrasound diagnostic apparatus for the benefit of the patients. Founded in 2006, Beijing Confucius Virtue Hospital is a private modern general hospital funded by foreign enterprises.

Charity Event for Dayinpan Primary School, Liangshan

The Group organized a charity event in August 2012 at The Metropolis – Arcadia Court sales centre aimed at raising money for Dayingpan Primary School in Liangshan Autonomous Prefecture, Sichuan Province. The school is located in Dayingpan leprosy rehabilitation village in the north of Yuxi County and provides special services for children of leper patients. The funds raised by the charity event will be used for an afforestation project and construction of an environmentally friendly schoolyard.

Community Chest Dress Special Day

In September 2012, staff members showed they cared by what they wore for the Community Chest’s “Dress Special Day”. While enjoying all the fun of dressing down, dressing up, and dressing in a special theme, they were able to donate to various good causes.

Supporting ORBIS World Sight Day 2012

In October 2012, Kerry Logistics supported the ORBIS World Sight Day 2012 campaign by making donations to its fundraising event “Sight for All”. For every donation of HK\$100 or over, our staff received a special pin made from the fuselage of an airplane that has served the organization over the past years. The ultimate aim of the campaign was to upgrade to a new generation Flying Eye Hospital in 2013 that will greatly expand ORBIS’ sight saving footprint and ability to bring hope to the needy.

Wu Zhi Xing Charity Walk 2012 – Gold Sponsor

In November 2012, the Group was a Gold Sponsor of the “Wu Zhi Xing Charity Walk”. The Wu Zhi Qiao (Bridge to China) Charitable Foundation was established in 2007. It aims to raise funds for building footbridges in remote and underprivileged parts of the PRC with the help of Hong Kong and PRC university students. The overall intention is to build bridges of mutual understanding through inter-university initiatives.

CORPORATE SOCIAL RESPONSIBILITY REPORT



Rebuilding Sichuan Schools

On 15 November 2012, Kerry Logistics donated RMB100,000 to rebuild schools in Sichuan and also donated resources such as stationery, food, daily necessities and solar-panel batteries to provide electricity for the area.

Supporting Children's Village

On 22 November 2012, Kerry Logistics donated RMB50,000 to ensure the continuing supply of food and daily necessities for the Shepherd's Field Children's Village located between Beijing and Tianjin.

UNICEF Charity Run 2012

On 25 November 2012, staff members participated in the "UNICEF Charity Run 2012 – Run for Zero HIV/AIDS". The UNICEF Charity Run has been successfully held for six consecutive years at Hong Kong Disneyland. The event is co-organized by the Hong Kong Committee for UNICEF ("UNICEF HK") and the Hong Kong Amateur Athletic Association. It is not only the flagship annual fundraising event for UNICEF HK, but also the second largest distance running event in Hong Kong.

Community Chest Love Teeth Day

The Community Chest of Hong Kong, the Hong Kong Dental Association and the Oral Health Education Unit of the Department of Health jointly organized "Love Teeth Day", with all donations being allocated to oral health services for the needy. By joining in "Love Teeth Day" in December 2012, colleagues reminded themselves to cherish their teeth whilst showing their care to those less fortunate than themselves.

11th Annual Blood Cancer Foundation Christmas Tree Campaign

In December 2012, the Group made a donation to the Blood Cancer Foundation Christmas Tree fund-raising campaign. The

six-foot tall ribbon-like Christmas tree was displayed at the Gateway Arcade, Harbour City.

Donations and Sponsorships to The Kuok Foundation

In 2012, the Group continued to offer support to the Kuok Foundation including donating funds to poverty alleviation projects throughout China from Yunnan to Inner Mongolia, and providing sponsorships to the Foundation's Mid-Autumn Festival Family Fun Day.

CARING FOR OUR PEOPLE

Our people are at the heart of our company and the bedrock of our success. Their professional development, their ability to manage a fruitful balance between work and recreation, the involvement of their families in Group activities, are all part of the same nurturing culture that the Group has developed to ensure a caring and energetic workplace. The Group believes that by implementing family-friendly employment practices and adopting a holistic approach to staff welfare and staff performance, our people are encouraged to reach their full potential, becoming more productive, more capable of innovative and original thinking, and contributing more to the dynamic and forward-looking work ethic of the Group as a whole.

Leadership Development Programme

In 2012, the Group continued to run three comprehensive programmes designed to enable our senior staff and managers to enhance their strategic vision and leadership versatility through 11 workshops over 24 months. The objectives of these programmes are to develop the knowledge, skills and leadership practices that are essential for creating long-term value for the organization, for leading dynamic teams and for delivering strong results. Leadership flexibility and forward



career planning are encouraged through the understanding and implementation of a broad spectrum of strategic, networking and management training.

Experiencing Dialogue in the Dark

On 7 February 2012, colleagues from Kerry Logistics, Hong Kong participated in a "Dialogue in the Dark" leadership workshop to sharpen their team and communication skills. They were required to accomplish eating and drinking tasks during a three-course dinner held in complete darkness.

Work-related Training and Seminars

In addition to leadership skills training, strengthening of professional expertise continues to be one of our top priorities. During the year, in order to keep our staff updated of the most recent technology advances and practices in the industry, we have organized a series of technical seminars on different professional topics, these include seminars on New Development Areas and increasing land supply in Hong Kong, engineering and mechanical issues in construction contracts, and sustainable building design.

Team Building and Effectiveness

Team-building workshops were organized to strengthen the bonds and communication among team members of our Group. Time management workshops were held to furnish the participants with the tools and skills to help them enhance their personal effectiveness and performance at work, and a number of creative problem solving workshops were also provided to increase the participants' analytical and problem solving ability.

Environment-related Training

One of the Group's core principles is that environmental awareness and practices should be extended to all areas of our operations. Every member of staff must undertake mandatory environmental awareness training. This training is intended to raise the level of staff awareness and to show what specific actions should be taken in the office to help protect the environment. In August 2012, we invited CLP to give a talk to staff on how to use appliances at home efficiently to save energy. We also sponsored staff members to attend a number of external environmental training courses, such as the BEAM Professional Training and Green Building Assessment Method.

Customer Service and Language Training

One of the pillars of the Group's reputation is quality service. To ensure a high standard and comprehensive customer service to residents, a number of different service training programmes were held for both Hong Kong and PRC staff throughout the year, which include Putonghua and English enhancement workshops.

Work-Life Balance Week

On 15-19 October 2012, staff members of Kerry Logistics participated in the "Work-Life Balance Week" organized by Community Business for the fifth consecutive year. The activity provides a platform for organizations to demonstrate their commitment to work-life balance and raises awareness of the necessity for a good work-life balance. This year, for the first time, companies in the wider Asia region were invited to participate with the aim of driving change across borders. Community Business is a non-profit organization dedicated to advancing CSR principles in Asia.

CORPORATE SOCIAL RESPONSIBILITY REPORT



Work-Life Balance in Action

Throughout the year, to promote work-life balance and encourage team spirit, a number of highly enjoyable staff activities were held. These ranged from culinary classes such as how to make Belgian chocolates, moon cakes and Christmas dessert, to singing and Chinese chess contests and to outdoor pursuits such as soccer and basketball competitions.

MEGA SUPPORT OF SOCIETY CAUSES

During 2012, MegaBox continued to support a broad range of community, environmental protection and charitable events, such as the Tai Chi Fundraising Activity organized by the Hong Kong Parkinson's Disease Foundation in May 2012. These events encouraged participants and shoppers to enjoy themselves while filling the mall with an atmosphere of communal solidarity and concern for society. During the year, the mall hosted visits by around 80 groups of elderly, children, students and the disadvantaged.

In addition, as part of our "Community Concern Programme" to show care for the wider community, MegaBox arranged tours to the mall for a number of non-profit organizations including Tung Wah Group of Hospitals, Helping Hand, Fu Hong Society and Heep Hong Society. Participants were invited to enjoy various MegaBox facilities and the mall partnered with tenants to offer a unique and worthwhile experience to our visitors.

Venue Sponsor for Elderly Charitable Foundation Event

On 8 February 2012, Mega Ice sponsored the venue for the opening ceremony of a charity fund-raising programme organized by the Home of the Elderly Charitable Foundation.

MegaBox Volunteer Team Activities

In May 2012, the MegaBox volunteer team participated in the Tai Chi Fundraising Activity organized by the Hong Kong Parkinson's Disease Foundation. On 9 June, the team made extensive visits to the elderly and distributed rice dumplings during the Tuen Ng Festival. The event was organized by The Neighborhood Advice-Action Council.

Energy Saving Measures

MegaBox is committed to the principles of environmental conservation through specific and measurable actions that impact on the community and its way of life. In support of the Government's Energy Saving Charter, MegaBox maintained an average indoor temperature of 24-26°C in the shopping mall between June and September 2012.

The Energy Savings Charter draws attention to the fact that electricity consumption accounts for more than two-thirds of greenhouse gas emissions and invites property developers and property management companies in Hong Kong to maintain a reasonable average indoor temperature at their shopping malls for three core summer months.

MegaBox has developed a widespread reputation for its commitment to deserving and charitable causes since its opening in 2007. Through its devotion to promoting a sense of compassion and of the ties that bind us, the mall has contributed significantly to the wellbeing of the community beyond its walls. MegaBox looks forward to reaching out further into the community in the years to come and to hosting many more such activities.

2012 AWARDS AND CITATIONS



The Group's commitment to quality in every sphere of its business operations and social responsibilities is an inherent part of its corporate culture and a beacon that guides its forward planning and strategies. The strenuous and ongoing efforts made by the Group to be both an outstanding corporate citizen and a ground breaking industry leader were reflected in the broad spectrum of prestigious local and international accolades that the Group received in 2012. These awards from a range of trade, professional, governmental and media bodies continue to motivate and inspire the entire team and to make them strive for even higher standards of excellence.

PROPERTY DIVISION

International Mercury 2011/2012 Awards – Bronze Award

The Group is pleased to report that in February 2012 its SOHO 189 project "At Home in the City" won the Bronze Award in the category "Campaigns – Corporate/Commercial: Media Relations" in the "International Mercury 2011/2012 Awards" organized by MerComm Inc., the 25th such annual competition sponsored by this globally recognized award organization. The "Mercury Awards" received 790 entries from 21 countries, honouring professionals who have made an outstanding contribution in the fields of public relations and corporate communications.

ERB Manpower Developer Award Scheme – Manpower Developer 1st

The Group was honoured to receive the "ERB Manpower Developer Award – Manpower Developer 1st" in March 2012 for the second time in a row since the establishment of the award in 2009, in recognition of the success of its corporate mission to nurture staff's self-enhancement. Organized by the Employees Retraining Board ("ERB"), the Awards aim to

recognize companies in Hong Kong for the quality of their staff development programmes and their commitment to promoting a manpower training culture.

Security Services Best Training Award 2011- Gold Award

In March 2012, Kerry Property Management Services Limited was honoured to receive a Gold Award in the "Security Services Best Training Award 2011", organized by the Vocational Training Centre and the Hong Kong Police Force Crime Prevention Bureau. The Awards Scheme aims to motivate the security services industry to enhance standards of security and property management, to provide all citizens with quality security services and to help the Police to combat crime.

12th CAPITAL Outstanding Enterprise Awards – Best Developer

Once again the Group received the title of Best Developer in the "12th CAPITAL Outstanding Enterprise Awards" in March 2012 in recognition of its outstanding performance and achievements throughout the year. *Capital Magazine*, an influential business magazine featuring financial and property related stories with wide circulation in Hong Kong and China, organized the awards.

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

In April 2012, the Group's head office at Kerry Centre, MegaBox and 19 properties under Kerry Property Management Services Limited fulfilled the requirement for the "Class of Excellence" Wastewi\$e Label in the "Hong Kong Awards for Environmental Excellence 2011".

2012 AWARDS AND CITATIONS



22nd International ASTRID Awards – Excellence in Design Silver Award

The Group's excellence in creativity and professionalism was honoured in the "22nd International ASTRID Awards" in May 2012 when the promotion booklet of The Altitude won a Silver Award in the category of "Brochure: Promotion". The "ASTRID Awards", organized by MerComm Inc., is one of the largest worldwide competitions celebrating achievements in the field of design and is open to a wide range of corporations, government agencies, non-profit organizations and associations. This year more than 550 entrants from 12 countries around the globe participated.

CAPITAL and CAPITAL WEEKLY Corporate Social Responsibility Awards 2012

In May 2012, the Group was honoured in the "Corporate Social Responsibility Awards 2012" sponsored by *Capital Magazine* and *Capital Weekly*, two prestigious magazines that feature financial and property related stories of listed companies and large corporations in Hong Kong and China. The award gave special recognition to the Group's consideration of environmental and social factors in forward business planning.

Prime Awards for Eco-Business 2012 – Platinum Award

The Group received a Platinum Award in June 2012 in the "Prime Awards for Eco-Business 2012", following four consecutive years of winning the Gold Award. The award reflected the Group's focus on green measures that positively impact the environment and maintain the sustainability of the community. The award was organized by *metroBox*, one of the most authoritative financial magazines in Hong Kong.

26th International ARC Awards – Honors Award

In August 2012, the Group's 2011 Annual Report received an Honors Award in the category of "Overall Annual Report: Real Estate Investment Trust – Various and Multi-Use" in the "26th International ARC Awards" for its design creativity, clarity and outstanding content. Organized by MerComm Inc., the "International ARC Awards" is a world-renowned annual

report design and printing competition honouring the highest standards in the annual report industry. 2,200 entrants from 31 countries around the world participated.

LACP 2011 Vision Awards Annual Report Competition – Gold Award and Top 25 Chinese Annual Reports Award

In July 2012, the Group was delighted to win a Gold Award within its industry sector for its 2011 Annual Report in the LACP "Vision Awards". The 2011 Annual Report was also awarded "Top 25 Chinese Annual Reports of 2011" with a global ranking of 175 out of 5,500 entries, earning a total score of 98 out of 100 points. First organized in 2001 by the League of American Communications Professionals ("LACP"), the "Vision Awards" is one of the nation's most prestigious annual report competitions.

2012 Galaxy Awards – Gold, Bronze and Honors Awards

The annual "Galaxy Awards" recognize works that are outstanding in the marketplace and promote image building. The Group was pleased to receive an Honors Award for our 2011 Annual Report in the category of "Design: Annual Reports – Traditional – Asia/Pacific" in October 2012. In the same awards, the Group's "An Advantage Above All" of Shenzhen Kerry Plaza Phase II won a Gold Award in the "Promotion: Brand Identity" category while The Metropolis – Arcadia Court in Chengdu received a Bronze Award in the "Public Relations: Special Events – Building/Construction" category. The Group's corporate communications were judged on how effectively the material met the stated objectives, how well the material was communicated to the audience, the use of imaginative and original solutions, and overall expression of message.

Prime Awards for Brand Excellence 2012 – Platinum Award

Reflecting the Group's commitment to brand excellence and high quality, in November 2012 the Group won a Platinum Award in the "Property Developer" category of the "Prime Awards for Brand Excellence 2012" organized by *metroBox*. The "Prime Awards" recognize outstanding brands from over



15 sectors and the panel of judges includes professionals from the government, commercial and academic sectors.

Hong Kong Island Best Security Services Awards 2011-2012 – Outstanding Industrial/Commercial Property Management Award

In November 2012, Kerry Centre won the Outstanding Industrial/Commercial Property Management Award at the “Hong Kong Island Best Security Services Awards 2011-12”. The Hong Kong Police Force Regional Crime Prevention Office organized the competition.

MIPIM Asia Awards 2012 – Best Mixed-Use Development – Bronze Award

In November 2012, the Group was proud to receive the Bronze Award in the category of “Best Mixed-Use Development” in the “MIPIM Asia Awards 2012” for the Kerry Parkside development in Pudong, Shanghai. Launched in Hong Kong in 2006 to serve high-level real estate professionals, MIPIM Asia has become the leading annual property event in the Asia Pacific region.

Hong Kong Green Awards 2012: Green Management (Corporate) – Silver Award

For the second consecutive year, the Group was pleased to receive the Silver Award in December 2012 in the “Green Management (Corporate)” category of the “Hong Kong Green Awards 2012” organized by the Green Council with support from the Environmental Protection Department, among others. The award reflects the Group’s strenuous efforts to incorporate green initiatives in all aspects of its operations in order to make a positive impact on the environment.

MEGABOX

Security Services Best Training Award 2011 – Bronze Award

In March 2012, MegaBox Management Services Limited was honoured to receive a Bronze Award in the “Security Services Best Training Award 2011”, organized by the Vocational

Training Centre and the Hong Kong Police Force Crime Prevention Bureau. The Awards recognize those Hong Kong enterprises that have shown a strong commitment to the quality training programme and have enhanced the professional competence and required knowledge of their security services personnel during the year.

Hong Kong Barrier Free Shopping Malls Appreciation Awards 2011-2012 – Role Model Barrier-Free Shopping Mall Award

In May 2012, MegaBox was proud to be awarded a “Role Model Barrier-Free Shopping Mall Award” in the Hong Kong Barrier Free Shopping Malls Appreciation Awards 2011-2012 organized by Hong Kong Rehabilitation Power. The assessment was based on the “Design Manual – Barrier Free Access 2008” published by the Buildings Department and the votes were cast by disabled people on their site visits.

iNOVA Awards – Honors Award in the Mobile App category

In December 2012, in recognition of the mall’s innovative social media marketing strategy, MegaBox’s newly-launched mobile app received an Honors Award in the “iNOVA Awards” organized by MerComm Inc. The “iNova Awards” pay tribute to the creative force of online promotion channels and company websites that incorporate outstanding concepts, content, creativity, ease of navigation, functionality and design.

Love to Vote: Shopping Mall Awards 2012-13 – Top 10 Favourite Shopping Malls in Hong Kong

In recognition of the mall’s effective brand-building and creative promotion strategy, MegaBox is voted to be one of the winners of the “Top 10 Favourite Shopping Malls in Hong Kong” of the “Love to Vote: Shopping Mall Awards 2012-13” organized by a few notable local media, including *Hong Kong Economic Times*, *U Magazine* and *Sky Post* in December 2012.

2012 AWARDS AND CITATIONS



KERRY LOGISTICS

China Quality Credit Enterprise Award

China Entry-Exit Inspection and Quarantine Association launched a nationwide campaign to recognize enterprises that demonstrate the highest standards of quality and integrity. Kerry EAS Logistics was chosen as one of the 345 "China Quality Integrity Enterprises". Kerry EAS Logistics also became a member of the China Entry-Exit Inspection and Quarantine Association.

Accreditation as AA Class Management Enterprise by Tianjin Customs

In February 2012, Kerry EAS Logistics Tianjin Branch was awarded "AA" certification by Tianjin Customs General Administration and obtained the "Customs AA Class Management Certificate", thereby becoming an "AA" enterprise. The Customs House divides enterprise management into five classes, of which AA ranks highest in integrity, revealing the excellent operational capacity and high reputation of the company in the field of customs and commodities inspection clearance.

12th CAPITAL Outstanding Enterprise Awards – Best Logistics Company

For the fifth consecutive year, the Division was honoured in March 2012 to receive the award of "Best Logistics Company" in the "12th CAPITAL Outstanding Enterprise Awards" sponsored by *Capital Magazine*. The award recognized the Division's premier position in Hong Kong's logistics industry, impeccable reputation and industry-leading services.

ERB Manpower Developer Award Scheme – Manpower Developer 1st

In March 2012, Kerry Logistics was delighted to receive the "ERB Manpower Development Award – Manpower Developer 1st" in recognition of the Division's outstanding achievement in

staff training and development and commitment to promoting a manpower training culture. Organized by the Employees Retraining Board, the scheme is the only one in Hong Kong to monitor development practices in local organizations and to give awards for the depth and maturity of manpower training.

Certified Supplier by Eastman Kodak

In March 2012, Kerry Logistics was re-certified as a Certified Supplier to Eastman Kodak Company. The re-certification signifies another year of consistently achieving outstanding performance to the client in the areas of quality, delivery, lead time, and productivity. Kerry Logistics was also certified in 2008, 2009 and 2010.

2011 Excellent Customs Clearance Quality Enterprise

Kerry EAS Logistics was rated the "2011 Excellent Customs Clearance Quality Enterprise" in April 2012 by Beijing Customs Brokers Association. Kerry EAS Logistics Beijing Branch obtained this honour for its third place in customs clearance business volume in Beijing during 2011 with an error rate of below 0.86%.

Louis Vuitton Best Logistics Partner 2011 Award

In May 2012, Kerry Logistics received the accolade of the "Best Logistics Partner 2011" from the Division's long-term client Louis Vuitton ("LV") in Hong Kong. The award was presented at a meeting held in Hong Kong attended by LV's global supply chain and logistics team. The award reflects the Division's outstanding achievements in supporting LV's growth in the region.

Outstanding Brand Awards 2012 – Best Logistics Company Award

Kerry Logistics was honoured in June 2012 to receive the "Best Logistics Company Award" in the "Outstanding Brand Awards" organized by the *Economic Digest*, a respected business magazine published in Hong Kong. The award was presented to the Division in recognition of its strong brand reputation in



the logistics sector. The panel of judges encompassed specialists from trade associations, professional organizations and the academic field.

The 6th Prime Awards for Eco Business 2012 – Green Logistics Service Provider

In June 2012, Kerry Logistics was awarded “Green Logistics Service Provider” in the “6th Prime Awards for Eco Business 2012” organized by *metroBox*, one of the most influential finance-oriented magazines in Hong Kong. The “Prime Awards for Eco Business” pay tribute to enterprises that have taken environmental factors into account in their operational and planning procedures.

Top 100 Logistics Companies

The Division was pleased to announce in July 2012 that Kerry EAS Logistics was ranked ninth in the Top 100 Logistics Companies, third in warehousing and transportation, and was one of the Top 50 companies in sea transportation in the “2011 Top 100 Logistics Companies in International Freight Forwarding in China” organized by the China International Freight Forwarders Association.

Payload Asia Awards 2012 – Freight Forwarder of the Year Award

In September 2012, Kerry Logistics won the “Freight Forwarder of the Year Award” at the “Payload Asia Awards 2012” in Singapore. It was the very first time that a logistics company headquartered in Hong Kong won an award in this category in an international competition. The judges’ criteria included demonstrating the company’s global network and coverage, growth and development strategy, operational performance, customer service and product innovations.

Best Logistics Supplier 2011 of ZF Services (China)

In September 2012, HC Logistics, a member company of Kerry Logistics, was named Best Logistics Supplier by ZF Services (China) for its excellent logistics services.

Employer of Choice

In October 2012, Kerry Logistics was voted “Employer of Choice” by Multiple Solutions, a local workforce organization in Australia to recognize its efforts to support local employment and provide assistance to young people returning to the workforce after accidents.

2012 National Advanced Logistics Enterprises and China’s Top 100 Logistics Enterprises Award

In October 2012, Kerry EAS Logistics was proud to receive an award as one of the “2012 National Advanced Logistics Enterprises and China’s Top 100 Logistics Enterprises” in a national logistics industry competition launched by China Communications and Transportation Association. Held every two years, these awards have far-reaching influence within the logistics industry nationwide.

Top National Customs Brokerage Company

In October 2012, Kerry EAS Logistics was named “Top National Customs Brokerage Company” by the China Customs Brokers Association in Shanghai, China.

Excellent Qualifications and Credibility Service

In November 2012, Kerry EAS Logistics was proud to receive the “Excellent Qualifications and Credibility Service” award from the Shanghai Shipping Exchange in Shanghai, China.

2012 Asian 3PL of the Year Award

In December 2012, Kerry Logistics was delighted to win the “Asian 3PL of the Year” Award for the second consecutive year at the “Supply Chain Asia Logistics Awards 2012” held in Singapore. “Supply Chain Asia Logistics Awards” is an annual world-class international event attended by more than 300 supply chain leaders.

CORPORATE GOVERNANCE REPORT

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 (the “**Former Code**”) contained in the former Appendix 14 of the Rules (the “**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). For the period from 1 April 2012 to 31 December 2012, the Company has complied with the new code provisions set out in the Corporate Governance Code (the “**New Code**”) and Corporate Governance Report contained in Appendix 14 of the Listing Rules. The following sections set out how the principles under the Former Code and the New Code (collectively, the “**Code**”) have been complied with by the Company during the financial year ended 31 December 2012.

A. DIRECTORS

A.1 The Board of Directors of the Company (the “Board”)

1. The Board is responsible for:
 - (i) the leadership and control of the Company;
 - (ii) overseeing the Group’s businesses, strategic directions and financial performance;
 - (iii) setting the Company’s values and standards;
 - (iv) ensuring that its obligations to the Company’s shareholders (the “**Shareholders**”) are understood and met; and
 - (v) strategy formulation, corporate governance and performance monitoring.

2. Proposed Board meeting dates for a financial year are agreed in the final Board meeting of the preceding year. The Board has four scheduled meetings a year at approximately quarterly interval and meets more frequently as and when required. Notice of more than 14 days was given to all Directors to attend a regular Board meeting. For all other Board meetings, reasonable notice will be given to the Directors. During the financial year ended 31 December 2012, the Board held four meetings and the attendance record, on a named basis, is set out in the table below.

Directors	Attendance/Number of Board Meetings during the Directors’ tenure of office
Executive Directors:	
Kuok Khoon Chen	4/4
Wong Siu Kong	4/4
Ho Shut Kan	4/4
Ma Wing Kai, William	4/4
Qian Shaohua	4/4
Chan Wai Ming, William	4/4
Bryan Pallop Gaw <i>(appointed as a Director on 22 February 2012)</i>	4/4
Independent Non-executive Directors:	
Lau Ling Fai, Herald	4/4
Ku Moon Lun	4/4
Wong Yu Pok, Marina, JP	4/4
Chang Tso Tung, Stephen <i>(appointed as a Director on 20 December 2012)</i>	0/0
Non-executive Director:	
Tse Kai Chi <i>(resigned as a Director on 22 February 2012)</i>	0/0



3. During the year, the Board has regularly reviewed the contributions from the Directors and confirmed that they have spent sufficient time performing their responsibilities.
4. Board and Board Committees minutes kept by the Company Secretary are sent to the Directors of the Company (the “**Directors**”) for records and are open for inspection by the Directors.
5. The Company has arranged appropriate insurance cover for the Directors.

A.2 Division of Responsibilities

1. Mr Kuok Khoon Chen, the Chairman of the Board (the “**Chairman**”), has executive responsibilities and provides leadership to the Board in terms of establishing policies and business directions. He ensures that the Board works effectively and performs its responsibilities, and that all key and appropriate issues are discussed by the Board in a timely manner. He also ensures all Directors are properly briefed on issues to be discussed at Board meetings. He takes primary responsibility for ensuring that good corporate governance practices and procedures are established. He has encouraged all Directors to make a full and active contributions to the Board’s affairs and takes the lead to ensure that the Board acts in the best interest of the Company.
2. Mr Wong Siu Kong, the President & Chief Executive Officer, is responsible for the day-to-day management of the Company’s business.
3. During the financial year ended 31 December 2012, the Chairman has held two meetings with the Independent Non-executive Directors (“**INED**”) without the other Executive Directors present. The Chairman has encouraged Directors with different views to voice their concerns, allowed sufficient time for discussion of issues and ensured that Board decisions fairly reflect Board consensus.
4. The Board comprises four INED who bring strong independent judgement, knowledge and experience to the Board’s deliberations. Apart from their appointments as INED, none of them has any form of service contract with the Company or any of its subsidiaries.
5. Each Executive Director is delegated individual responsibility to oversee and monitor the operations of a specific business unit, and to implement the strategies and policies set by the Board.
6. The Chairman has promoted a culture of openness and debate by facilitating the effective contribution of INED and ensuring constructive relations between Executive Directors and INED. Accordingly, the Board operates in a functional manner with clearly defined objectives, strategies and responsibilities.

CORPORATE GOVERNANCE REPORT

A.3 Board Composition

1. The composition of the Board is stated in the section headed "Corporate Information & Key Dates" of this annual report. Apart from the family relationship between Mr. Kuok Khoon Chen and Mr. Bryan Pallop Gaw, the Board members have no financial, business, family or other material/relevant relationships with each other. The Board has a balanced composition and strong independent element. The biographies of the Directors are set out in the section headed "Directors and Senior Management" of this annual report, which demonstrate a diversity of skills, expertise, experience and qualifications.
2. The Company has complied with Rules 3.10 and 3.10A of the Listing Rules in the following manner:
 - (i) the Board includes four INED;
 - (ii) three of the INED have appropriate profession qualifications, accounting and related financial management expertise; and
 - (iii) INED represent more than one-third of the Board.
3. The Company has received annual confirmation of independence from all the INED in accordance with Rule 3.13 of the Listing Rules. The Nomination Committee has assessed their independence and concluded that all the INED are independent within the definition of the Listing Rules.
4. A list of all the Directors identifying their roles, functions and titles is available on the websites of the Stock Exchange and the Company.

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

1. Pursuant to the Company's bye-laws (the "**Bye-laws**") and the Code, each Director shall retire from office no later than the third annual general meeting of the Company after he/she was last elected or re-elected (i.e. the term of appointment of all Directors, including the Non-executive Directors, is effectively three years) and each Director appointed to fill a casual vacancy or as an additional Director is subject to re-election at the next general meeting following his/her appointment.
2. For INED who has served the Company for more than nine years, his/her further appointment will be subject to a separate resolution to be approved by the Shareholders at the general meeting and the papers to the Shareholders accompanying that resolution will include the reasons why the Board believes he/she is still independent and should be re-elected.

A.5 Nomination Committee

The Company established a Nomination Committee (“NC”) on 30 March 2012. Details of the NC and the work performed by it during the year are set out in the section headed “Nomination Committee Report” of this annual report. A NC meeting was held on 17 January 2013 and the attendance record, on a named basis, is set out in the table below.

Directors		Attendance/Number of NC Meeting during the NC members’ tenure of office
Executive Directors:	Kuok Khoon Chen	1/1
	Wong Siu Kong	1/1
INED:	Lau Ling Fai, Herald	1/1
	Ku Moon Lun	1/1
	Wong Yu Pok, Marina, JP	1/1
	Chang Tso Tung, Stephen <i>(appointed as a NC member on 20 February 2013)</i>	0/0

A.6 Responsibilities of Directors

1. Every newly appointed Director will be given a comprehensive, formal and tailored induction on appointment and continually updated with legal and regulatory requirements, business and market changes and development of the Company to facilitate him/her in discharging his/her responsibilities.
2. The INED of the Company take an active role in Board meetings, contribute to the development of strategies and policies and make sound judgement in various aspects. They will take lead when potential conflicts of interest arise. Independent Board Committee comprising all INED will be formed to advise the independent Shareholders on those connected transactions to be approved by the independent Shareholders at the special general meeting of the Company. The INED are also members of various Board committees and devote sufficient amount of time and attention to the affairs of the Company.
3. The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules as the code for securities transactions by Directors of the Company (the “**Model Code**”). The Directors have confirmed compliance with the required standards set out in the Model Code throughout the financial year ended 31 December 2012. Employees of the Company, who are likely to be in possession of unpublished inside information, have been requested to comply with provisions similar to those terms in the Model Code.

CORPORATE GOVERNANCE REPORT

4. In order to ensure the Directors' contribution to the Board remains informed and relevant and to develop and refresh knowledge and skills of the Directors, the Company has encouraged and funded suitable trainings for Directors to participate in continuous professional developments. During the financial year ended 31 December 2012, the record of the trainings of the Directors, on a named basis, is set out in the table below.

Directors	Reading journals, written training materials and/or updates	Attending courses, seminars, conferences and/or forums	Receiving briefings from Chief Financial Controller, Company Secretary and/or other executives
Executive Directors: Kuok Khoon Chen	✓	✓	✓
Wong Siu Kong	✓	✓	✓
Ho Shut Kan	✓	✓	✓
Ma Wing Kai, William	✓	✓	✓
Qian Shaohua	✓	✓	✓
Chan Wai Ming, William	✓	✓	✓
Bryan Pallop Gaw <i>(appointed as a Director on 22 February 2012)</i>	✓	✓	✓
INED: Lau Ling Fai, Herald	✓	✓	✓
Ku Moon Lun	✓	✓	✓
Wong Yu Pok, Marina, JP	✓	✓	✓
Chang Tso Tung, Stephen <i>(appointed as a Director on 20 December 2012)</i>	✓	✓	✓
Non-executive Director: Tse Kai Chi <i>(resigned as a Director on 22 February 2012)</i>	✓	–	✓

Note: All of the abovementioned trainings are relevant to the Group's business, the economy, corporate governance, rules and regulations, accounting, financial or professional skills and/or directors' duties and responsibilities.

A.7 Supply of and Access to Information

- The Board members are supplied with comprehensive board papers and relevant materials within a reasonable period of time in advance of the intended meeting date (in any event no less than 3 days before the date of the meeting). All Directors are given opportunity to include matters in the agenda for regular Board meetings. To facilitate the decision-making process, the Directors are free to have access to the management for enquiries and to obtain further information, when required.
- All Directors have unrestricted access to the advice and services of the Company Secretary, who ensures that the Board receives appropriate and timely information for its decision-making and that Board procedures, and all applicable rules and regulations, are being followed. The Directors can obtain independent professional advice at the Company's expense.

B. REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT AND BOARD EVALUATION

B.1 Remuneration Committee

Details of the Remuneration Committee ("RC") and the work performed by it during the year are set out in the section headed "Remuneration Committee Report" of this annual report. A RC meeting was held on 5 January 2012 and the attendance record, on a named basis, is set out in the table below.

Directors		Attendance/Number of RC Meeting during the RC members' tenure of office
Executive Directors:	Kuok Khoon Chen	1/1
	Wong Siu Kong	1/1
INED:	Lau Ling Fai, Herald	1/1
	Ku Moon Lun	1/1
	Wong Yu Pok, Marina, JP	1/1
	Chang Tso Tung, Stephen <i>(appointed as a RC member on 20 February 2013)</i>	0/0

B.2 Remuneration Package for Executive Directors

1. The remuneration for the Executive Directors comprises basic salary, discretionary bonus, pensions and share options.
2. Salaries are reviewed annually. Salary increases are made where the RC believes that adjustments are appropriate to reflect the performance, contribution and increased responsibilities of each Executive Director and/or by reference to market/sector trends. Executive Directors are also eligible to receive a discretionary bonus taking into consideration factors such as market conditions as well as corporate and individual performances.
3. The RC will annually review and recommend (if appropriate) to the Board for approval the grant of share options to the Executive Directors under the Company's share option scheme. Such scheme enables the Executive Directors to obtain an ownership interest in the Company and, thus motivating them to optimize their contributions to the Group.
4. Details of the amount of the Directors' emoluments (including the Executive Directors who are members of senior management of the Group) during the financial year ended 31 December 2012 are set out in note 13(a) to the financial statements of this annual report. Details of the Company's share option scheme are set out in the Directors' Report and note 35 to the financial statements of this annual report.

CORPORATE GOVERNANCE REPORT

C. ACCOUNTABILITY AND AUDIT

C.1 Financial Reporting

1. The Board is responsible for the preparation of the financial statements. In preparing the financial statements, the generally accepted accounting standards in Hong Kong have been adopted, appropriate accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made. The external auditor has a primary responsibility for auditing and reporting on the financial statements and the Auditor's Report to the Shareholders is included in this annual report.
2. Towards the end of 2012, the Board has reviewed the financial projections of the Group in respect of the eight financial years ending 31 December 2020. On the basis of this review, the Board is not aware of any material uncertainties relating to events or conditions which may cast significant doubt over the Group's ability to continue as a going concern. Accordingly, the Board has continued to adopt the going concern basis in preparing the financial statements.
3. Since April 2012, all members of the Board have been provided with monthly updates to enable them to discharge their duties.

C.2 Internal Controls

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

C.3 Audit and Corporate Governance Committee

The Audit Committee of the Company was renamed as Audit and Corporate Governance Committee (the "ACGC") on 30 March 2012. Details of the ACGC and the works performed by it during the year are set out in the section headed "Audit and Corporate Governance Committee Report" of this annual report. The ACGC met four times during the financial year ended 31 December 2012 and the attendance record, on a named basis, is set out in the table below.

Directors		Attendance/Number of ACGC Meeting during the ACGC members' tenure of office
INED:	Lau Ling Fai, Herald	4/4
	Ku Moon Lun	4/4
	Wong Yu Po, Marina, JP	4/4
	Chang Tso Tung, Stephen (appointed as a ACGC member on 20 February 2013)	0/0
Non-executive Director:	Tse Kai Chi (resigned as a ACGC member on 22 February 2012)	0/0

The Board has delegated duties regarding the corporate governance to the ACGC as set out in the New Code.

C.4 Auditors' Remuneration

The Company's external auditor is PricewaterhouseCoopers, Hong Kong ("PwC, Hong Kong"). During the financial year ended 31 December 2012, the fees paid/payable to PwC, Hong Kong and other firms of the worldwide network of PricewaterhouseCoopers in respect of audit and non-audit services provided to the Group were as follows:-

Nature of services	HK\$'000
Audit services	17,419
Non-audit services: (i) Tax services	2,414
(ii) Other services	1,215

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

D. DELEGATION BY THE BOARD

D.1 Management Functions

The responsibilities, accountabilities and contributions of the Chairman and Executive Directors of the Company are set out in A.2 of this Corporate Governance Report. The day-to-day running of the Company is delegated to the management, with divisional heads responsible for different aspects of the Group's businesses.

D.2 Board Committees

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

D.3 Executive Committee

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

CORPORATE GOVERNANCE REPORT

E. INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

E.1 Communication Channels

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

- (i) Shareholders can raise any comments on the performance and future directions of the Company with the Directors at the annual general meeting of the Company ("**AGM**").
- (ii) Press and analysts' conferences are held twice a year in relation to the interim and final results announcements, at which the Executive Directors are available to answer questions regarding the Group's operational and financial performances.
- (iii) The Company also avails itself of opportunities to communicate and explain its strategies to Shareholders and the investor community, through active participation in investors' conferences and regular meetings with financial analysts, fund managers and potential investors. The Group had participated in a number of roadshows and investors' conferences during the year ended 31 December 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
Citi HK/China Mini Property Conference	Hong Kong
UBS HK/China Property Conference	Hong Kong
Bank of America Merrill Lynch Global Real Estate Conference	New York
Standard Chartered Credit Investor Roadshow	Hong Kong
Bank of America Merrill Lynch Greater China Property Corporate Day	Hong Kong

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

- (iv) The Company's website at www.kerryprops.com contains important corporate information, annual and interim reports, as well as announcements and circulars issued by the Company to enable the Shareholders and the investor community to have timely access to updated information about the Group.
- (v) The Board has established a shareholders' communication policy since 30 March 2012 and will review it on a regular basis to ensure its effectiveness.

E.2 Shareholders' Rights

1. Shareholders should direct their questions about their shareholdings to the Company's Hong Kong branch registrar and transfer office, namely, Tricor Abacus Limited, whose contact details are stated in the section headed "Corporate Information & Key Dates" of this annual report.
2. Shareholders and members of the investor community are welcome to send their enquiries to the Company's Corporate Communication and Investor Relations Departments, whose contact details are stated in the section headed "Corporate Information & Key Dates" of this annual report.
3. Shareholders who wish to put enquiries to the Board can send their enquiries to the Company Secretary who will ensure these enquiries to be properly directed to the Board.
4. Shareholders may at any time make a request for the Company's information to the extent such information is publicly available.
5. Corporate communication of the Company will be provided to Shareholders in plain language and in both English and Chinese versions to facilitate Shareholders' understanding. Shareholders have the right to choose the language (either English or Chinese) or means of receipt of the corporate communications (in hard copy or through electronic means).
6. Shareholders holding not less than one-tenth of the paid-up capital of the Company may deposit a requisition to convene a special general meeting and state the purpose therefor at the Company's registered office in Bermuda at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda.
7. Shareholders who wish to put forward proposals for the Company's consideration at the general meetings can send their proposals to the Company Secretary.

E.3 General Meeting

1. The general meeting provides a forum for the Board to communicate with the Shareholders. To facilitate enforcement of Shareholders' rights, significant issues, including the election of Directors, are dealt with under separate resolutions at general meetings.
2. The members of the Board, including the chairman of the Board Committees and any other committees of the Company or their duly appointed delegates, are available at AGM to answer questions raised by the Shareholders. The chairman of the independent board committee is also present to answer questions at any general meeting which is convened to approve a connected transaction or any other transaction that requires independent Shareholders' approval.
3. The Board will ensure the external auditor attends the AGM to answer questions relating to the conduct of the audit, the preparation and content of the auditor's report, the accounting policy and auditor independence.
4. Relevant resolutions were passed at the 2012 AGM by way of poll. Shareholders who are unable to attend the AGM can appoint proxies to attend and vote at the AGM. The chairman of the 2012 AGM had provided explanation of the detailed procedures for conducting a poll and then answered questions (if any) from the Shareholders regarding voting by way of poll. The Company had sent the 2012 AGM notice to Shareholders more than 20 clear business days before the 2012 AGM.

CORPORATE GOVERNANCE REPORT

5. During the financial year ended 31 December 2012, the Company held an AGM on 3 May 2012 and the attendance record of the Directors, on a named basis, is set out in the table below.

Directors	Attendance/Number of General Meeting during the Directors' tenure of office
Executive Directors:	
Kuok Khoon Chen	0/1
Wong Siu Kong	1/1
Ho Shut Kan	1/1
Ma Wing Kai, William	1/1
Qian Shaohua	1/1
Chan Wai Ming, William	1/1
Bryan Pallop Gaw <i>(appointed as a Director on 22 February 2012)</i>	1/1
INED:	
Lau Ling Fai, Herald	1/1
Ku Moon Lun	1/1
Wong Yu Pok, Marina, JP	1/1
Chang Tso Tung, Stephen <i>(appointed as a Director on 20 December 2012)</i>	0/0
Non-executive Director:	
Tse Kai Chi <i>(resigned as a Director on 22 February 2012)</i>	0/0

F. COMPANY SECRETARY

1. The Company Secretary is a full-time employee of the Company and have day-to-day knowledge of the Company's affairs. She is reporting to the Chairman and the Chief Executive Officer.
2. All Directors have access to the advice and services of the Company Secretary to ensure the Board procedures, and all applicable law, rules and regulations, are followed.
3. For the financial year ended 31 December 2012, the Company Secretary has complied with paragraph 3.29 of the Listing Rules by taking no less than 15 hours of relevant professional training.



The Audit Committee of the Board was established in 1998. With effect from 30 March 2012, the Audit Committee was renamed as Audit and Corporate Governance Committee (“**ACGC**”) to also monitor and carry out the corporate governance duties as set out in the Rules (the “**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). Currently, the ACGC comprises four Independent Non-executive Directors of the Company, who among themselves possess a wealth of experience in the accounting profession, finance and commercial sectors.

The ACGC operates pursuant to written terms of reference which are available on the websites of the Stock Exchange and the Company. Set out below is a summary of the audit work performed by the ACGC during the financial year ended 31 December 2012:–

- (i) The ACGC reviewed the draft annual and interim financial statements and the draft results announcements of the Company, focusing on main areas of judgement, consistency of and changes in accounting policies and adequacy of information disclosure prior to recommending them to the Board for approval.
- (ii) The ACGC reviewed, in conjunction with the external auditor, the developments of accounting standards and assessed their potential impacts on the Group’s financial statements.
- (iii) The ACGC reviewed and monitored the external auditor’s independence and objectivity and the effectiveness of audit process in accordance with applicable standards.
- (iv) The ACGC assessed the independence of the Company’s external auditor, prior to formally engaging the external auditor to carry out the audit for the Company’s financial statements for the year ended 31 December 2012.
- (v) Prior to the actual commencement of the audit, the ACGC discussed the proposed scope of work and approach of the audit with the external auditor. Upon completion of the audit, the ACGC reviewed the results of the external audit, and discussed with the external auditor on any significant findings and audit issues.
- (vi) The ACGC recommended to the Board regarding the appointment and remuneration of the external auditor.
- (vii) The ACGC reviewed and approved the internal audit programme, reviewed the internal audit reports and discussed any significant issues with the internal audit team and the Group’s senior management.
- (viii) The ACGC reviewed the independence of the internal audit function and the level of support and co-operation given by the Group’s management to the internal audit team, as well as the resources of the internal audit team when undertaking its duties and responsibilities.
- (ix) The ACGC reviewed the adequacy and effectiveness of the Group’s systems of internal controls through a review of the work undertaken by the Group’s internal and external auditor, written representations by the senior management of each of the Group’s business divisions and discussions with the Board.
- (x) The ACGC reviewed the adequacy of resources, qualifications and experience of staff of the Group’s accounting and financial reporting function and their training programmes and budget through a review of the work undertaken by the Group’s senior financial management and internal audit, as well as the questionnaire report by the financial head of each of the Group’s business divisions and discussions with the Board.

AUDIT AND CORPORATE GOVERNANCE COMMITTEE REPORT

Set out below is a summary of the corporate governance work performed by the ACGC during the financial year ended 31 December 2012:–

- (a) The ACGC reviewed the Company's policies and practices on corporate governance and made recommendations to the Board.
- (b) The ACGC reviewed and monitored the Company's policies and practices on compliance with legal and regulatory requirements.
- (c) The ACGC reviewed the Company's compliance with the code provisions of the Corporate Governance Code issued by the Stock Exchange.
- (d) The ACGC ensured that good corporate governance practices and procedures are established.

During the financial year ended 31 December 2012, the ACGC met four times and the ACGC also conducted meetings with the Group's senior management, the external auditor and the internal audit team from time to time. Minutes of the ACGC Meetings were documented and circulated to the Board for information. The ACGC also reported and presented its findings and made recommendations for consideration and discussion at Board Meetings.

On 5 March 2013, the ACGC also reviewed the financial statements of the Group for the year ended 31 December 2012 prior to recommending them to the Board for approval.

MEMBERS OF THE AUDIT AND CORPORATE GOVERNANCE COMMITTEE

LAU Ling Fai, Herald (Chairman)

KU Moon Lun

WONG Yu Pok, Marina, JP

CHANG Tso Tung, Stephen (*appointed on 20 February 2013*)

Hong Kong, 14 March 2013

REMUNERATION COMMITTEE REPORT



The Company established the Remuneration Committee (“**RC**”) in 1997 with the Independent Non-executive Directors of the Company (“**INED**”) constituting the majority of the RC. With effect from 30 March 2012, the chairman of the RC is an INED. The other members of the RC comprise the Chairman, President & Chief Executive Officer and three INED.

The RC operates pursuant to the written terms of reference which are available on the websites of the Stock Exchange and the Company. The primary responsibilities of the RC are, *inter alia*, the recommendations on the Company’s policy and structure for the remuneration of all Directors and the determination, with delegated responsibility, the remuneration packages of Executive Directors of the Company (“**ED**”). The RC also administers and makes determinations with respect to the Company’s share option scheme. When the remuneration package of an individual Director is under review, such Director will abstain from voting.

A RC meeting was held on 5 January 2012 during which the following matters were reviewed and approved:–

- (i) the salaries and pension contributions of the ED for the financial year ended 31 December 2012; and
- (ii) the payment of bonuses to the ED, which amounted to HK\$77,680,000 in respect of the financial year ended 31 December 2011.

During the year, the RC reviewed and recommended to the Board for approval the grant of 8,300,000 share options to the ED under the 2011 Share Option Scheme of the Company. The RC has also approved and adopted a Directors’ Remuneration Policy (the “**Policy**”) for the Company. The Policy aims to provide remuneration levels which shall be sufficient to attract and retain Directors to run the Company successfully.

Pursuant to the Policy, the following key principles have been established for the ED remuneration and non-executive directors’ (“**NED**”) fees:–

- (a) ED’s salaries shall be reviewed annually by the RC;
- (b) revision to the ED’s salaries shall be made to reflect the performance, contribution and responsibilities of each ED and/or by reference to market/sector trends;
- (c) ED shall be eligible to receive a discretionary bonus taking into consideration factors such as market conditions as well as corporate and individual performances;
- (d) the RC shall annually review and recommend (if appropriate) to the Board for approval the grant of share options to the ED under the Company’s share option scheme;
- (e) the NED’s fees shall be reviewed annually by the Board; and
- (f) recommendations shall be made by the Board to the Company’s shareholders (the “**Shareholders**”) to approve at the Shareholders’ meeting any revision (if appropriate) to the NED’s fees according to their responsibilities and/or by reference to market/sector trends.

MEMBERS OF THE REMUNERATION COMMITTEE

LAU Ling Fai, Herald (Chairman)

KUOK Khoon Chen

WONG Siu Kong

KU Moon Lun

WONG Yu Pok, Marina, JP

CHANG Tso Tung, Stephen (*appointed on 20 February 2013*)

Hong Kong, 14 March 2013

NOMINATION COMMITTEE REPORT

The Company established the Nomination Committee (“**NC**”) in March 2012 with the Independent Non-executive Directors (“**INED**”) constituting the majority of the NC. The chairman of the NC is the Chairman of the Board and the other members comprise the President & Chief Executive Officer and four INED.

The NC operates pursuant to written terms of reference which are available on the websites of the Stock Exchange and the Company. The primary responsibilities of the NC are, *inter alia*, the review of the structure, size and composition of the Board, the recommendation to the Board on any proposed changes to the Board, the identification of individual suitably qualified to become Board members and the assessment of the independence of the INED.

During the year, the NC has recommended the appointment of an INED, namely, Mr. Chang Tso Tung, Stephen, to the Board for approval.

A NC meeting was held on 17 January 2013 during which the following matters were reviewed and approved:–

- (i) after review of the structure, size and composition of the Board, it was agreed that the Board has a strong independent element and balanced composition of skills, expertise, experience and qualifications to contribute to the corporate strategy and the development of the businesses of the Company; and
- (ii) after taking into consideration of the fact that the INED have not been engaged in any executive management positions of the Group since their appointment and each of them has confirmed his/her independence by issuing an annual confirmation to the Company pursuant to the requirements of the Listing Rules, it was agreed that each of the INED is considered to be independent under the Listing Rules.

MEMBERS OF THE NOMINATION COMMITTEE

KUOK Khoon Chen (Chairman)

WONG Siu Kong

LAU Ling Fai, Herald

KU Moon Lun

WONG Yu Pok, Marina, JP

CHANG Tso Tung, Stephen (*appointed on 20 February 2013*)

Hong Kong, 14 March 2013

INTERNAL CONTROLS



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

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

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

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

In order to better review and evaluate the adequacy and effectiveness of the Group's existing system of internal controls, an internal self-assessment and certification process was formulated during the financial year ended 31 December 2012. Under this process, each division of the Group was requested to assess the effectiveness of their fundamental operating controls over all aspects of their operations, financial controls, risk management controls and contingency measures. Each division of the Group then submitted to the Audit and Corporate Governance Committee ("**ACGC**") a written report on the adequacy and effectiveness of its internal controls, which were discussed at the ACGC Meeting of 14 November 2012.

A review of the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function and their training programmes and budget was conducted during the financial year ended 31 December 2012. Under this review process, each business division of the Group was requested to assess such adequacy at its own level by submitting an internal questionnaire report to the ACGC, which was discussed at the ACGC Meeting of 14 November 2012.

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

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

During the financial year ended 31 December 2012, there were no significant control failings, weaknesses or significant areas of concern identified which might affect the shareholders' stakes in the Company.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

EXECUTIVE DIRECTORS



Mr KUOK Khoon Chen, aged 58, has been an Executive Director of the Company, the Chairman of the Board of the Company since 2008. He is the chairman of the Nomination Committee of the Company and a member of the Remuneration Committee, the Finance Committee and the Executive Committee of the Company. He has been a senior executive of the Kuok Group since 1978. He is currently the deputy chairman and managing director of Kerry Group Limited, the chairman and managing director of Kerry Holdings Limited and a director of a number of Kuok Group companies. Both Kerry Group Limited and Kerry Holdings Limited are the controlling shareholders of the Company. Mr Kuok is a non-executive director of Wilmar International Limited (a listed company in Singapore) and an executive director of China World Trade Center Co., Ltd. (a listed company in Shanghai). Mr Kuok holds a Bachelor's degree in Economics from Monash University in Australia. Mr Kuok is the brother-in-law of Mr Bryan Pallop Gaw, an Executive Director of the Company.



Mr WONG Siu Kong, aged 61, is the President & Chief Executive Officer of the Company and a member of the Remuneration Committee, the Nomination Committee, the Finance Committee and the Executive Committee of the Company. Mr Wong has been an Executive Director of the Company since 1996. He was a Joint Managing Director of the Company from 1999 to 2003. In 2003, he was elected as the Deputy Chairman of the Board and the Managing Director of the Company and subsequently re-designated as President & Chief Executive Officer in 2008. Mr Wong is a director of Kerry Holdings Limited, the controlling shareholder of the Company. He is also a director of China World Trade Center Co., Ltd. (a listed company in Shanghai). In addition, Mr Wong is the chairman of a number of the Group's companies in the PRC. He joined the Kuok Group in 1991 with responsibilities for the Group's developments in the PRC. Mr Wong graduated from the South China Normal University in the PRC.



DIRECTORS (Continued)

EXECUTIVE DIRECTORS (Continued)



Mr HO Shut Kan, aged 64, has been an Executive Director of the Company since 1998. Mr Ho is also a member of the Finance Committee and the Executive Committee of the Company. Mr Ho is an executive director of Kerry Properties (H.K.) Limited, the principal Hong Kong property company of the Group, and is responsible for the Group's project development and management of investment portfolio. Mr Ho is a non-executive director of Eagle Asset Management (CP) Limited which is the manager of the Hong Kong listed Champion Real Estate Investment Trust. He is also a director of Shang Properties, Inc. (a listed company in the Philippines).



Mr MA Wing Kai, William, aged 51, has been an Executive Director of the Company since 2004. Mr Ma is also a member of the Executive Committee of the Company. Mr Ma is the deputy chairman and the managing director of Kerry Logistics Network Limited ("**KLN**"), the divisional holding company of the integrated logistics and international freight forwarding businesses of the Group. He joined the Group in 1990 and was appointed to KLN in 1999. Mr Ma is also a director of Kerry TJ Logistics Company Limited (a listed company in Taiwan). Currently, Mr Ma serves in the Logistics Development Council, the Aviation Development Advisory Committee and the Advisory Committee on Admission of Quality Migrants and Professionals of the HKSAR Government. He is also a member of the Logistics Services Advisory Committee of the Hong Kong Trade Development Council. Mr Ma holds a Bachelor of Science (Management Sciences) degree from the University of Lancaster in the United Kingdom and completed an executive education programme at Harvard Business School.



Mr QIAN Shaohua, aged 56, is an Executive Director of the Company and a member of the Executive Committee of the Company. He has been a Director of the Company since 2007 and was subsequently re-designated as an Executive Director of the Company in 2009. Mr Qian is responsible for the Group's business development and human resources administration in the PRC. Mr Qian received his tertiary education in the PRC and completed an international advanced management programme at Harvard Business School.



Mr CHAN Wai Ming, William, aged 58, is an Executive Director of the Company and a member of the Executive Committee of the Company. He has been a Director of the Company since 2007 and was subsequently re-designated as an Executive Director of the Company in 2010. Mr Chan has over 30 years of experience in project and estate management in both private and public sectors, over 10 years of which were in the PRC projects. Mr Chan is a Fellow Member of both the Royal Institution of Chartered Surveyors and the Hong Kong Institute of Surveyors and a Registered Real Estate Appraiser in the PRC. Mr Chan holds a Master of Science degree in International Real Estate from the Hong Kong Polytechnic University.



Mr Bryan Pallop GAW, aged 36, has been an Executive Director of the Company since February 2012 and is a member of the Executive Committee of the Company. He is also a director of Kerry Logistics Network Limited since 2008. Mr Gaw has previous experience in private equity, management consulting, strategic planning and business development. He holds a Bachelor of Arts in Political Science from Princeton University and a Master of Business Administration from Stanford's Graduate School of Business. Mr Gaw is the brother-in-law of Mr Kuok Khoon Chen, the Chairman of the Company.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS (Continued)

INDEPENDENT NON-EXECUTIVE DIRECTORS



Mr LAU Ling Fai, Herald, aged 72, has been an Independent Non-executive Director of the Company since 2003. He is now the chairman of the Audit and Corporate Governance Committee and the Remuneration Committee of the Company and also a member of the Nomination Committee of the Company. Mr Lau has been practising as a certified public accountant in Hong Kong for over 30 years and has extensive experience in auditing, finance, taxation and management. He was a partner in PricewaterhouseCoopers, Hong Kong until his retirement in 2001. He is an independent non-executive director of Wheelock and Company Limited (a listed company in Hong Kong). Mr Lau was formerly an independent non-executive director of Wheelock Properties Limited (a former listed company in Hong Kong) and an independent director of China World Trade Center Co., Ltd. (a listed company in Shanghai). Mr Lau is a Fellow Member of each of The Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants.



Mr KU Moon Lun, aged 62, has been an Independent Non-executive Director of the Company since 2007. He is now a member of the Audit and Corporate Governance Committee, the Remuneration Committee and the Nomination Committee of the Company. Mr Ku has over 35 years of experience in the real estate industry. He was the executive director of Davis Langdon and Seah International and chairman of Davis Langdon and Seah Hong Kong Limited, Premas Hong Kong Limited and icFox International. Mr Ku is now an independent non-executive director of Ascott Residence Trust Management Limited in Singapore and Lai Fung Holdings Limited (a listed company in Hong Kong). He is a member of the Hospital Governing Committee of Tuen Mun Hospital, Hong Kong Hospital Authority. Mr Ku is a Fellow of the Hong Kong Institute of Surveyors.



Ms WONG Yu Pok, Marina, JP, aged 64, has been an Independent Non-executive Director since 2008. She is now a member of the Audit and Corporate Governance Committee, the Remuneration Committee and the Nomination Committee of the Company. She had been with PricewaterhouseCoopers for over 30 years specializing in the PRC tax and business advisory services, and has extensive experience in advising both Hong Kong and foreign investors in the structuring of their businesses and investments in the PRC. Ms Wong joined Tricor Services Limited as a director from 2004 to 2006 after her retirement as a partner from PricewaterhouseCoopers in 2004. Ms Wong is now an independent non-executive director of Hong Kong Ferry (Holdings) Company Limited (a listed company in Hong Kong) and an independent director of China World Trade Center Co., Ltd. (a listed company in Shanghai). She is a Fellow Member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants.



Mr CHANG Tso Tung, Stephen, aged 64, has been an independent Non-executive Director of the Company since December 2012. He is now a member of the Audit and Corporate Governance Committee, the Remuneration Committee and the Nomination Committee of the Company. He has been practising as a certified public accountant in Hong Kong for around 30 years and has extensive experience in accounting, auditing and financial management. He was the deputy chairman of Ernst & Young Hong Kong and China until his retirement in 2004. He is a member of the Investment Committee of Shanghai Fudan University Education Development Foundation and Shanghai Fudan University Overseas Education Development Foundation. Mr Chang is also an independent non-executive director of China Pacific Insurance (Group) Co., Ltd. (a listed company in Hong Kong). He was formerly an independent director of China World Trade Center Co., Ltd. (a listed company in Shanghai). Mr Chang holds a Bachelor of Science degree from the University of London. He is a Fellow Member of each of The Institute of Chartered Accountants in England and Wales and The Hong Kong Institute of Certified Public Accountants.

SENIOR MANAGEMENT

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

REPORT OF DIRECTORS



The Directors submit their report together with the audited financial statements for the year ended 31 December 2012.

Principal Activities and Segmental Analysis of Operations

The principal activity of the Company is investment holding.

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

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

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

Results and Appropriations

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

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

Reserves

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

Donations

Charitable donations made by the Group during the year amounted to HK\$588,000.

Property, Plant and Equipment

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

Investment, Hotel and Development Properties

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

Distributable Reserves

As at 31 December 2012, the reserves of the Company available for distribution amounted to approximately HK\$19,197,322,000 (2011: HK\$18,710,075,000).

Share Capital

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

REPORT OF DIRECTORS

Bonds

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

Capitalised Interest

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

Subsidiaries and Associates

Particulars of the Company's principal subsidiaries and the Group's principal associates as at 31 December 2012 are set out in note 46 to the financial statements.

Particulars of Bank Loans and Other Borrowings

Particulars of bank loans and other borrowings of the Group and the Company as at 31 December 2012 are set out in notes 28 and 43 to the financial statements.

Five-Year Financial Summary

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

Directors

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

Executive Directors

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

Independent Non-executive Directors

Mr LAU Ling Fai, Herald
Mr KU Moon Lun
Ms WONG Yu Pok, Marina, JP
Mr CHANG Tso Tung, Stephen (*appointed on 20 December 2012*)

Non-executive Directors

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

Directors (Continued)

Messrs WONG Siu Kong, QIAN Shaohua and KU Moon Lun are due to retire from the Board by rotation in accordance with bye-law 99 of the Company's bye-laws ("**Bye-laws**") and Mr CHANG Tso Tung, Stephen, who was appointed as an Independent Non-executive Director of the Company on 20 December 2012, is also due to retire from the Board in accordance with Bye-law 102 at the forthcoming Annual General Meeting to be held on 3 May 2013 (the "**2013 AGM**"). All the retiring Directors, being eligible, offer themselves for re-election.

Biography of Directors and Senior Management

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

Directors' Interests in Shares, Underlying Shares and Debentures

As at 31 December 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 of Hong Kong Limited (the "**Stock Exchange**") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Rules (the "**Listing Rules**") Governing the Listing of Securities on the Stock Exchange were as follows:

(i) Company

Directors	Number of ordinary shares				Total	Approximate % of shareholding ⁶
	Personal interests ¹	Family interests ²	Corporate interests ³	Other interests ⁴		
KUOK Khoon Chen	501,004	–	464,307	6,889,897	7,855,208	0.55
WONG Siu Kong	200,000	–	–	50,000	250,000	0.02
HO Shut Kan	–	–	–	50,000	50,000	0.00
MA Wing Kai, William	181,020	–	–	50,000	231,020	0.02
QIAN Shaohua	140,500	–	–	50,000	190,500	0.01
CHAN Wai Ming, William	–	–	–	50,000	50,000	0.00
Bryan Pallop GAW	–	2,000	–	1,272,048	1,274,048	0.09

REPORT OF DIRECTORS

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

(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	130,342,275	8,000,000	207,183,978	13.52 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 5% Notes due 2017	–	–	N/A	US\$4,000,000 5% Notes due 2017	N/A
	HO Shut Kan	US\$1,000,000 5% Notes due 2017	–	–	N/A	US\$1,000,000 5% Notes due 2017	N/A
	MA Wing Kai, William	–	US\$1,000,000 5% Notes due 2017	–	N/A	US\$1,000,000 5% Notes due 2017	N/A
	QIAN Shaohua	US\$1,000,000 5% Notes due 2017	–	–	N/A	US\$1,000,000 5% Notes due 2017	N/A

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 31 December 2012 (i.e. 1,439,130,728 ordinary shares).
7. The percentage has been compiled based on the total number of ordinary shares of KGL in issue as at 31 December 2012 (i.e. 1,532,742,740 ordinary shares).
8. The percentage has been compiled based on the total number of ordinary shares of SCMP Group Limited in issue as at 31 December 2012 (i.e. 1,560,945,596 ordinary shares).

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

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

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

Save as aforesaid, as at 31 December 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.

Directors' Interests in Contracts

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

Directors' Rights to Acquire Shares or Debentures

As at 31 December 2012, the number of outstanding Share Options granted by the Company to the Directors to subscribe for shares of the Company (the "**Shares**"), as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code is set out in the section headed "Share Options" of this report of Directors.

Apart from the aforesaid, at no time during the year ended 31 December 2012 was the Company, its subsidiaries, its fellow subsidiaries or its holding companies a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Substantial Interests in the Share Capital of the Company

As at 31 December 2012, the interests of those persons (other than the Directors) in the Shares as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name	Capacity in which ordinary shares were held	Number of ordinary shares	Long position/ Short position/ Lending pool	Approximate % of shareholding ⁱⁱ
Kerry Group Limited	Interest of controlled corporations	791,514,649 ⁱ	Long position	55.00
Kerry Holdings Limited	Interest of controlled corporations	750,600,676 ⁱ	Long position	52.16
Caninco Investments Limited	Beneficial owner	312,248,193 ⁱ	Long position	21.70
Darmex Holdings Limited	Beneficial owner	256,899,261 ⁱ	Long position	17.85
Moslane Limited	Beneficial owner	73,821,498 ⁱ	Long position	5.13

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 Shares in issue as at 31 December 2012 (i.e. 1,439,130,728 Shares).

REPORT OF DIRECTORS

Substantial Interests in the Share Capital of the Company (Continued)

Apart from the aforesaid, as at 31 December 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.

Public Float

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

Pre-Emptive Rights

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

Staff

As at 31 December 2012, the Company and its subsidiaries had approximately 23,750 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

On 5 May 2011, the shareholders of the Company (the "Shareholders") approved the adoption of a new share option scheme (the "2011 Share Option Scheme") and the termination of a share option scheme adopted in 2002 (the "2002 Share Option Scheme") to the effect that no further share options of the Company (the "Share Options") shall be offered under the 2002 Share Option Scheme but the Share Options which had been granted during the life of the 2002 Share Option Scheme should continue to be valid and exercisable.

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

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.

The maximum number of Shares which may be issued upon exercise of all Share Options to be granted under the 2011 Share Option Scheme (and under any other scheme of the Company) shall not in aggregate exceed 10% of the Shares in issue as at the date of the adoption of the 2011 Share Option Scheme provided that the Company may seek approval from Shareholders to refresh such limit. Moreover, the maximum number of Shares which may be issued upon exercise of all outstanding Share Options granted and yet to be exercised under the 2011 Share Option Scheme (and under any other scheme of the Company) shall not exceed 30% of the Shares in issue from time to time. As at 31 December 2012, a total of 119,400,348 Shares (representing approximately 8.30% of the existing issued share capital of the Company) are available for issue under the 2011 Share Option Scheme. The maximum entitlement of each participant under the 2011 Share Option Scheme in any 12-month period is 1% of the Shares in issue from time to time.

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

Share Options (Continued)

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

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

Movement of the Share Options, which were granted under the share option scheme adopted in 1997 (the "1997 Share Option Scheme"), the 2002 Share Option Scheme and the 2011 Share Option Scheme, during the year ended 31 December 2012 are listed below in accordance with Rule 17.07 of the Listing Rules:

Category	Date of grant (Note e)	Tranche	Number of Share Options				Exercised (Notes a to c)	As at 31/12/2012	Exercise price HK\$	Exercise Period
			As at 01/01/2012	Transfer to other category during the year	Transfer from other category during the year					
(i) 1997 Share Option Scheme:										
Continuous Contract Employees	16/04/2002	I	26,276	-	-	(26,276)	-	6.85	16/04/2003 – 15/04/2012	
	16/04/2002	II	36,276	-	-	(36,276)	-	6.85	16/04/2004 – 15/04/2012	
Total:			62,552	-	-	(62,552)	-			
(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	
	HO Shut Kan	02/04/2008	I	300,000	-	-	-	300,000	47.70	02/04/2009 – 01/04/2018
	02/04/2008	II	300,000	-	-	-	300,000	47.70	02/04/2010 – 01/04/2018	
	02/04/2008	III	600,000	-	-	-	600,000	47.70	02/04/2011 – 01/04/2018	
	06/02/2009	I	250,000	-	-	-	250,000	17.58	06/02/2010 – 05/02/2019	
	06/02/2009	II	250,000	-	-	-	250,000	17.58	06/02/2011 – 05/02/2019	
MA Wing Kai, William	17/03/2005	II	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	

REPORT OF DIRECTORS

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 year	Transfer from other category during the year	Exercised (Notes a to c)	As at 31/12/2012		
(ii) 2002 Share Option Scheme:									
(Continued)									
1. Directors (Continued)									
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	-	-	(62,500)	195,000	18.74	17/03/2006 - 16/03/2015
	17/03/2005	II	477,500	-	-	(70,000)	407,500	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)	-	(90,000)	760,000	17.58	06/02/2010 - 05/02/2019
	06/02/2009	II	1,230,000	(50,000)	-	(180,000)	1,000,000	17.58	06/02/2011 - 05/02/2019
	06/02/2009	III	1,230,000	(50,000)	-	(180,000)	1,000,000	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	-	-	(100,000)	250,000	17.58	06/02/2010 - 05/02/2019
	06/02/2009	II	400,000	-	-	(150,000)	250,000	17.58	06/02/2011 - 05/02/2019
Total:			18,315,000	(400,000)	400,000	(652,500)	17,662,500		

Share Options (Continued)

Category	Date of grant (Note e)	Tranche	Number of Share Options				Exercise price HK\$	Exercise Period	
			As at 01/01/2012	Granted during the year	Exercised (Notes d)	Lapsed			As at 31/12/2012
(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	(50,000)	(65,000)	7,205,000	35.45	31/10/2012 – 29/04/2022
	30/04/2012	II	-	7,320,000	-	(65,000)	7,255,000	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)	(130,000)	24,160,000		

Notes:

- During the year, the weighted average closing price of the shares of the Company immediately before the dates on which the Share Options were exercised was HK\$36.26.
- During the year, no Share Option was granted/granted for adjustment, transferred from/to other category, cancelled or lapsed under the 1997 Share Option Scheme.
- During the year, no Share Option was granted/granted for adjustment, cancelled or lapsed under the 2002 Share Option Scheme.
- During the year, no Share Option was 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.

REPORT OF DIRECTORS

Service Contracts

There is no service contract, which is not determinable by the Company within one year without payment of compensation (other than statutory compensation), in respect of any Director proposed for re-election at the 2013 AGM.

Management Contracts

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

Major Customers and Suppliers

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

Director's Interests in Competing Business

Pursuant to Rule 8.10 of the Listing Rules, the Company disclosed below that during the year ended 31 December 2012, the following Directors are considered to have interests in the following businesses ("**Excluded Businesses**"), being businesses which competed or are likely to compete, either directly or indirectly, with the businesses of the Group, other than those businesses in which (a) the Group was interested and (b) the Directors' only interests are as directors appointed to represent the interests of the Group.

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

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

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

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

Connected Transactions

(i) On 13 June 2012, a joint venture company (the "**Kunming JVCO**") formed pursuant to a shareholders' agreement dated 4 June 2012 between Kerry Properties (China) Limited ("**KPCL**"), a wholly-owned subsidiary of the Company, Shangri-La China Limited ("**SACL**"), a wholly-owned subsidiary of SA, and Moneysay Holdings Limited ("**MHL**"), which is independent of the Company and its connected persons, in the proportion of 35%, 45% and 20% respectively, won the land bids to acquire two adjoining sites in Panlong District, Kunming City, Yunnan Province, the PRC at a consideration of RMB214.07 million.

On 14 June 2012, following the successful bidding, KPCL, SACL and MHL together with their respective shareholders entered into a supplemental shareholders' agreement (the "**Transaction**") setting out their agreement on the maximum funding commitment. The maximum funding commitment to be contributed by the Group to the Kunming JVCO is expected to be RMB374.5 million.

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

Connected Transactions (Continued)

- (ii) On 19 December 2012, KPCL and SACL entered into two sale and purchase agreements whereby KPCL agreed to acquire from SACL 25% of the equity interests each in Zhanfeng Real Estate (Yingkou) Co., Ltd. and Zhanye Real Estate (Yingkou) Co., Ltd. (together, the “**JVCOs**”), being the joint venture companies for the property development at Bayuquan, Yingkou City, Liaoning Province, the PRC, at an aggregate consideration of RMB100.27 million.

Upon completion of the two sale and purchase agreements, the Company's interest in each of the JVCOs will be increased from 40% to 65%.

SA is a connected person of the Company. Accordingly, the entering into of the two sale and purchase agreements constituted connected transactions for the Company under the Listing Rules.

Continuing Connected Transactions

(i) Hotel Management Agreements

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

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

During the remaining tenure of the Beijing Hotel Management Agreements, the annual aggregate fees payable by the Group pursuant to the Beijing Hotel Management Agreements for each of the financial years of the Company ending 31 December 2019 are not expected to exceed HK\$75,000,000 (“**Cap A**”). The fees paid by the Group under the Beijing Hotel Management Agreements for the year ended 31 December 2012 amount to approximately HK\$16,448,000, which is within Cap A.

- (b) SLIM would also provide the Hotel Management Services to Jing An Shangri-La Hotel pursuant to the hotel management agreement (the “**Jing An Hotel Management Agreement**”) entered into between Shanghai Ji Xiang Properties Co., Ltd. (“**SJXP**”) and SLIM on 17 October 2012. The Jing An Hotel Management Agreement was entered for a term of 20 years commencing from the opening date of Jing An Shangri-La Hotel.

SJXP, being the owner of Jing An Shangri-La Hotel, is owned as to 51% by the Group and 49% by the SA group. SA and SLIM are connected persons of the Company. Accordingly, the provision of the Hotel Management Services by SLIM to SJXP is treated as a continuing connected transaction of the Company under the Listing Rules.

During the remaining tenure of the Jing An Hotel Management Agreement, the annual aggregate fees payable by the Group pursuant to the Jing An Hotel Management Agreement for each of the financial years of the Company ending 31 December 2033 are not expected to exceed US\$14,000,000. No fee has been paid by the Group under the Jing An Hotel Management Agreement for the year ended 31 December 2012.

(ii) Tenancy and Licence Agreements

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

REPORT OF DIRECTORS

Continuing Connected Transactions (Continued)

(ii) Tenancy and Licence Agreements (Continued)

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

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

The maximum aggregate annual amounts payable by the Group under the said tenancy and licence agreements for the financial year ended 31 December 2012 are not expected to exceed HK\$36,000,000 (“**Cap B**”). The aggregate fees paid by the Group under the said tenancy and licence agreements for the year ended 31 December 2012 amount to approximately HK\$33,262,000 which is within Cap B.

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

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

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

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

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

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

Auditor

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

On behalf of the Board
Kuok Khoon Chen
Chairman

Hong Kong, 14 March 2013



羅兵咸永道

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

(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Kerry Properties Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 99 to 207, which comprise the consolidated and company statements of financial position as at 31 December 2012, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

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

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INDEPENDENT AUDITOR'S REPORT

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2012, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 14 March 2013

CONSOLIDATED INCOME STATEMENT



For the year ended 31 December 2012

	Note	2012 HK\$'000	2011 HK\$'000
Turnover	5	34,513,046	20,660,363
Cost of sales		(7,724,918)	(1,230,480)
Direct operating expenses		(18,003,498)	(14,430,579)
Gross profit		8,784,630	4,999,304
Other income and net gains	6	391,685	475,524
Administrative and other operating expenses		(2,233,981)	(1,998,907)
Increase in fair value of investment properties		2,943,032	1,605,932
Operating profit before finance costs	7	9,885,366	5,081,853
Finance costs	8	(559,572)	(333,771)
Operating profit		9,325,794	4,748,082
Share of results of associates		573,443	2,354,901
Profit before taxation		9,899,237	7,102,983
Taxation	9	(1,791,285)	(1,233,962)
Profit for the year		8,107,952	5,869,021
Profit attributable to:			
Company's shareholders		6,960,216	5,347,715
Non-controlling interests		1,147,736	521,306
		8,107,952	5,869,021
Dividends	11	1,367,139	1,252,063
Earnings per share			
– Basic	12	HK\$4.84	HK\$3.72
– Diluted	12	HK\$4.82	HK\$3.68

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	Note	2012 HK\$'000	2011 HK\$'000
Profit for the year		8,107,952	5,869,021
Other comprehensive income			
Fair value gain recognised upon the transfer from leasehold land and buildings to investment properties, net of tax	37	9,598	–
Cash flow hedges	37	18,192	64,748
Fair value gain/(loss) on available-for-sale investments	37	240,479	(152,617)
Share of other comprehensive income of associates	37	1,387	1,440
Net translation differences on foreign operations		582,345	1,752,562
Other comprehensive income for the year (net of tax)		852,001	1,666,133
Total comprehensive income for the year		8,959,953	7,535,154
Total comprehensive income attributable to:			
Company's shareholders		7,675,589	6,674,951
Non-controlling interests		1,284,364	860,203
		8,959,953	7,535,154

CONSOLIDATED STATEMENT OF FINANCIAL POSITION



As at 31 December 2012

	Note	2012 HK\$'000	2011 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	6,626,304	5,873,592
Investment properties	15	47,484,425	42,329,689
Leasehold land and land use rights	16	531,796	537,461
Properties under development	17	23,970,147	20,947,855
Land deposits		6,586,754	1,606,545
Associates	19	12,422,764	11,717,054
Derivative financial instruments	20	186,172	177,004
Available-for-sale investments	21	1,964,267	1,714,316
Long-term receivables	22	237,346	55,004
Intangible assets	23	1,896,333	1,308,243
		101,906,308	86,266,763
Current assets			
Properties under development	17	5,474,181	9,509,349
Completed properties held for sale	24	5,062,792	2,700,146
Accounts receivable, prepayments and deposits	22	8,074,448	6,836,082
Tax recoverable		261,909	247,214
Tax reserve certificates		102,448	92,231
Listed securities at fair value through profit or loss	25	182,458	143,617
Restricted and pledged bank deposits	26	6,066	28,535
Cash and bank balances	26	16,059,515	17,545,286
		35,223,817	37,102,460
Current liabilities			
Accounts payable, deposits received and accrued charges	27	11,323,887	10,444,163
Taxation		2,312,403	1,934,946
Short-term bank loans and current portion of long-term bank loans	28	2,539,081	5,362,156
Convertible bonds	29	-	2,734,151
Secured bank overdrafts	26	23,960	15,215
Unsecured bank overdrafts	26	2,129	297
		16,201,460	20,490,928
Net current assets		19,022,357	16,611,532
Total assets less current liabilities		120,928,665	102,878,295
Non-current liabilities			
Long-term bank loans	28	19,214,077	15,821,823
Fixed rate bonds	30	10,153,100	5,561,518
Amounts due to non-controlling interests	31	2,548,464	3,002,414
Deferred taxation	32	4,501,832	3,875,123
Retirement benefit obligations	33	157,310	168,329
		36,574,783	28,429,207
ASSETS LESS LIABILITIES		84,353,882	74,449,088
EQUITY			
Capital and reserves attributable to the Company's shareholders			
Share capital	34	1,439,131	1,438,366
Share premium	36	12,208,679	12,190,587
Other reserves	37	15,548,181	14,600,337
Retained profits		40,804,293	35,017,137
Proposed final dividend	11	791,522	676,032
		70,791,806	63,922,459
Non-controlling interests		13,562,076	10,526,629
TOTAL EQUITY		84,353,882	74,449,088

On behalf of the Board

Kuok Khoon Chen
Director

Wong Siu Kong
Director

STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

	Note	2012 HK\$'000	2011 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	8,890	12,201
Subsidiaries	18	34,714,156	29,265,774
Derivative financial instruments	20	106,830	109,188
		34,829,876	29,387,163
Current assets			
Dividends receivable		1,600,000	1,000,000
Accounts receivable, prepayments and deposits		18,667	28,382
Cash and bank balances	26	3,411,045	7,863,748
		5,029,712	8,892,130
Current liabilities			
Accounts payable and accrued charges		118,445	105,718
Short-term bank loans and current portion of long-term bank loans	28	500,000	–
Amount due to a subsidiary	18	5,659,613	4,580,182
		6,278,058	4,685,900
Net current (liabilities)/assets		(1,248,346)	4,206,230
Total assets less current liabilities		33,581,530	33,593,393
Non-current liabilities			
Long-term bank loans	28	329,318	809,805
ASSETS LESS LIABILITIES		33,252,212	32,783,588
EQUITY			
Capital and reserves attributable to the Company's shareholders			
Share capital	34	1,439,131	1,438,366
Share premium	36	12,208,679	12,190,587
Other reserves	37	18,207,214	18,242,759
Retained profits		605,666	235,844
Proposed final dividend	11	791,522	676,032
TOTAL EQUITY		33,252,212	32,783,588

On behalf of the Board

Kuok Khoon Chen
Director

Wong Siu Kong
Director

CONSOLIDATED STATEMENT OF CASH FLOWS



For the year ended 31 December 2012

	Note	2012 HK\$'000	2011 HK\$'000
Operating activities			
Net cash generated from operations	38(a)	13,151,164	3,610,141
Interest paid		(1,041,831)	(661,403)
Income tax paid		(927,556)	(1,214,484)
Net cash generated from operating activities		11,181,777	1,734,254
Investing activities			
Additions of property, plant and equipment		(878,746)	(877,403)
Additions of investment properties		(1,530,005)	(1,323,199)
Additions of properties under development		(7,850,983)	(1,880,261)
Increase in land deposits		(4,959,906)	(1,121,551)
Acquisition of subsidiaries	38(b),(c)	(492,356)	(469,047)
Acquisition of additional interest in subsidiaries	38(d)	(256,073)	(495,483)
Disposal of subsidiaries	38(e)	–	1,233,252
Disposal of partial interest in subsidiaries	38(d)	1,182,419	71
Increase in investments in associates		(350,016)	(1,015,049)
Proceeds from sale of investment in associates		2,458	5,377
Dividends received from associates		298,540	2,327,854
Proceeds from liquidation of investment in associates		136,598	–
Additional loans to associates		(89,505)	(735,027)
Purchase of available-for-sale investments		(204)	(3,324)
Increase in long-term receivables		(187,469)	(39,571)
Interest received		306,716	228,372
Decrease in restricted and pledged bank deposits		22,860	108,777
Increase in short-term bank deposits maturing after more than three months		(444,890)	(1,427,821)
Dividends received from listed and unlisted investments		80,378	69,926
Proceeds from sale of property, plant and equipment		85,668	92,861
Proceeds from sale of investment properties		219,079	1,097,333
Net cash used in investing activities		(14,705,437)	(4,223,913)
Financing activities			
Proceeds from issue of shares		13,826	41,253
Proceeds from issue of fixed rate bonds, net of direct issue costs		4,590,554	2,314,653
Redemption of convertible bonds		(2,754,271)	–
Repayment of bank loans		(18,429,170)	(12,103,067)
Drawdown of bank loans		18,898,507	18,510,945
Dividends paid		(1,251,649)	(1,322,767)
Capital injection from non-controlling interests		1,121,305	494,675
Dividends of subsidiaries paid to non-controlling interests		(238,261)	(137,810)
Return of capital to non-controlling interests		(5,445)	(98)
(Decrease)/increase in loans from non-controlling interests		(462,189)	103,482
Net cash generated from financing activities		1,483,207	7,901,266
(Decrease)/increase in cash and cash equivalents		(2,040,453)	5,411,607
Effect of exchange rate changes		93,012	246,831
Cash and cash equivalents at 1 January		16,101,953	10,443,515
Cash and cash equivalents at 31 December	26(b)	14,154,512	16,101,953

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012

	Attributable to the shareholders of the Company								
	Note	Share capital HK\$'000	Share premium HK\$'000	Other reserves HK\$'000	Retained profits HK\$'000	Proposed final dividend HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
Balance 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 year		-	-	-	6,960,216	-	6,960,216	1,147,736	8,107,952
Fair value gain recognised upon the transfer from leasehold land and buildings to investment properties, net of tax		-	-	9,598	-	-	9,598	-	9,598
Cash flow hedges	37	-	-	18,192	-	-	18,192	-	18,192
Fair value gain on available-for-sale investments	37	-	-	240,479	-	-	240,479	-	240,479
Share of fair value gain on cash flow hedge of an associate	37	-	-	949	-	-	949	-	949
Share of exchange reserve of associates	37	-	-	438	-	-	438	-	438
Net translation differences on foreign operations	37	-	-	445,717	-	-	445,717	136,628	582,345
Total comprehensive income for the year ended 31 December 2012		-	-	715,373	6,960,216	-	7,675,589	1,284,364	8,959,953
Issue of share capital		765	18,092	(5,031)	-	-	13,826	-	13,826
- exercise of share options									
Employee share option scheme		-	-	173,103	-	-	173,103	-	173,103
- value of employee services									
Dividends paid		-	-	-	(575,617)	(676,032)	(1,251,649)	(238,261)	(1,489,910)
2012 proposed final dividend		-	-	-	(791,522)	791,522	-	-	-
Transfer		-	-	(194,079)	194,079	-	-	-	-
Dissolution and reduction of capital of subsidiaries		-	-	-	-	-	-	(5,445)	(5,445)
Acquisition of subsidiaries (note 39)		-	-	-	-	-	-	113,385	113,385
Acquisition of additional interest in subsidiaries (note 38(d))		-	-	(176,182)	-	-	(176,182)	(79,891)	(256,073)
Disposal of partial interest in a subsidiary (note 38(d))		-	-	434,660	-	-	434,660	839,990	1,274,650
Capital injection from non-controlling interests		-	-	-	-	-	-	1,121,305	1,121,305
Total transactions with owners		765	18,092	232,471	(1,173,060)	115,490	(806,242)	1,751,083	944,841
Balance at 31 December 2012		1,439,131	12,208,679	15,548,181	40,804,293	791,522	70,791,806	13,562,076	84,353,882



For the year ended 31 December 2012

	Attributable to the shareholders of the Company								
	Note	Share capital HK\$'000	Share premium HK\$'000	Other reserves HK\$'000	Retained profits HK\$'000	Proposed final dividend HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
Balance 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 year		-	-	-	5,347,715	-	5,347,715	521,306	5,869,021
Cash flow hedges	37	-	-	64,748	-	-	64,748	-	64,748
Fair value loss on available-for-sale investments	37	-	-	(152,617)	-	-	(152,617)	-	(152,617)
Share of fair value gain on cash flow hedge of an associate	37	-	-	2,995	-	-	2,995	-	2,995
Share of exchange reserve of associates	37	-	-	(1,555)	-	-	(1,555)	-	(1,555)
Net translation differences on foreign operations	37	-	-	1,413,665	-	-	1,413,665	338,897	1,752,562
Total comprehensive income for the year ended 31 December 2011		-	-	1,327,236	5,347,715	-	6,674,951	860,203	7,535,154
Issue of share capital									
– exercise of share options		2,335	63,067	(24,149)	-	-	41,253	-	41,253
Employee share option scheme – value of employee services		-	-	10,296	-	-	10,296	-	10,296
Dividends paid		-	-	-	(576,031)	(746,736)	(1,322,767)	(137,810)	(1,460,577)
2011 proposed final dividend		-	-	-	(676,032)	676,032	-	-	-
Transfer		-	-	4,321	(4,321)	-	-	-	-
Dissolution of a subsidiary		-	-	-	-	-	-	(98)	(98)
Acquisition of subsidiaries		-	-	-	-	-	-	87,069	87,069
Acquisition of additional interest in subsidiaries		-	-	(155,206)	-	-	(155,206)	(340,277)	(495,483)
Disposal of partial interest in subsidiaries		-	-	-	-	-	-	71	71
Capital injection from non-controlling interests		-	-	-	-	-	-	494,675	494,675
Total transactions with owners		2,335	63,067	(164,738)	(1,256,384)	(70,704)	(1,426,424)	103,630	(1,322,794)
Balance at 31 December 2011		1,438,366	12,190,587	14,600,337	35,017,137	676,032	63,922,459	10,526,629	74,449,088

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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

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

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

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

These financial statements have been approved for issue by the Board of Directors on 14 March 2013.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

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

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

(i) Adoption of amendment

The following amendment has been published that is effective for the accounting period of the Group beginning on 1 January 2012:

- HKFRS 7 (amendment), 'Disclosures – Transfers of financial assets'

The adoption of the above amendment had no material financial impact on the consolidated financial statements of the Group.



2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of preparation (Continued)

(ii) Standards and amendments which are not yet effective

The following standards and amendments to existing standards, which are relevant to the operations of the Group, have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2013, but the Group has not early adopted them:

	Applicable for accounting periods beginning on/after
HKAS 1 (amendment), 'Presentation of items of other comprehensive income'	1 July 2012
HKAS 19 (2011), 'Employee benefits'	1 January 2013
HKAS 27 (2011), 'Separate financial statements'	1 January 2013
HKAS 28 (2011), 'Investments in associates and joint ventures'	1 January 2013
HKAS 32 (amendment), 'Offsetting financial assets and financial liabilities'	1 January 2014
HKFRS 7 (amendment), 'Disclosures – offsetting financial assets and financial liabilities'	1 January 2013
HKFRS 9, 'Financial instruments'	1 January 2015
HKFRS 10, 'Consolidated financial statements'	1 January 2013
HKFRS 11, 'Joint arrangements'	1 January 2013
HKFRS 12, 'Disclosure of interests in other entities'	1 January 2013
HKFRS 13, 'Fair value measurement'	1 January 2013
Annual improvements 2009-2011 cycle	1 January 2013
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12, 'Consolidated financial statements, Joint arrangements and Disclosure of interests in other entities: Transition guidance'	1 January 2013
Amendments to HKAS 27 (2011), HKFRS 10 and HKFRS 12, 'Investment entities'	1 January 2014

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

(b) Consolidation

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

(i) Subsidiaries

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

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

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Consolidation (Continued)

(i) *Subsidiaries* (Continued)

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

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

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

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

(ii) *Transactions with non-controlling interests*

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

(iii) *Associates*

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Consolidation (Continued)

(iv) *Partial disposal*

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

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

(v) *Jointly controlled operations*

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

(c) Segment reporting

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

(d) Foreign currency translation

(i) *Functional and presentation currency*

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

(ii) *Transactions and balances*

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Foreign currency translation (Continued)

(iii) Group companies

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

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

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

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

(e) Property, plant and equipment

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

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

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

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

No amortisation is provided for freehold land.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Property, plant and equipment (Continued)

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

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

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

(f) Investment properties

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Investment properties (Continued)

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

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

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

(g) Properties under development

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Completed properties held for sale

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

(i) Intangible assets

(i) *Goodwill*

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

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

(ii) *Customer relationships*

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

(iii) *Non-compete agreements*

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

(iv) *Trademark*

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

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

(k) Investments

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

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

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

(ii) Loans and receivables

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

(iii) Available-for-sale investments

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Investments (Continued)

(iv) Recognition and measurement

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(I) Impairment of financial assets

(i) *Assets carried at amortised cost*

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

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

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

The Group first assesses whether objective evidence of impairment exists.

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Impairment of financial assets (Continued)

(ii) *Assets classified as available-for-sale*

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

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

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

(n) Derivative financial instruments and hedging activities

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

(i) Fair value hedge

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

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

(ii) Cash flow hedge

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

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

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

(iii) Net investment hedge

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

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

(iv) Derivatives that do not qualify for hedge accounting

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

(o) Cash and cash equivalents

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Accounts payable

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

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

(q) Borrowings

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

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

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

(r) Current and deferred income tax

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Employee benefits

(i) *Employee leave entitlements*

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

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

(ii) *Defined contribution plan*

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

(iii) *Defined benefit plan*

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

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

(iv) *Share-based payments*

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Employee benefits (Continued)

(v) Termination benefits

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

(vi) Bonus plans

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

(t) Provisions

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

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

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

(u) Financial guarantees

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

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Revenue recognition

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

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

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

(w) Leases

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

(i) *The Group is the lessee*

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) Leases (Continued)

(ii) *The Group is the lessor*

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

(x) Leasehold land and land use rights

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

(y) Borrowing costs

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

(z) Dividend distribution

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

(aa) Contingent liabilities and contingent assets

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

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

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

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

(i) Market risk

(1) Foreign exchange risk

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

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

During the year, the currencies of certain countries where the Group has overseas operations, including the United States dollar, Taiwan dollar, Pound Sterling as well as Renminbi, fluctuated against the Hong Kong dollar. This gave rise to an unrealised gain of approximately HK\$446,155,000 (2011: HK\$1,412,110,000) on translation of these operations' net assets to the Group's Hong Kong dollar reporting currency, including the Group's share of the translation gains and losses of associates. This unrealised gain is reflected as a movement in other reserves under the heading of exchange fluctuation reserve.

The Group's major financial instruments in foreign currencies (other than the functional currencies of the Group's entities), that are exposed to foreign exchange risk, are denominated in United States dollar, Renminbi and New Zealand dollar.

Under the Linked Exchange Rate System in Hong Kong, Hong Kong dollar is pegged to the United States dollar. Furthermore, the Group has entered into cross currency swap and forward exchange contracts to manage its exposure to United States dollar from recognised liabilities.

The Group has also entered into a cross currency swap contract to manage its exposure to New Zealand dollar from recognised liabilities.

Therefore, the management considers that there are no significant foreign exchange risks with respect to the United States dollar and New Zealand dollar.

3 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(i) Market risk (Continued)

(I) Foreign exchange risk (Continued)

At 31 December 2012, the Group had certain Renminbi deposits placed in Hong Kong, that were exposed to foreign exchange risk. If Hong Kong dollar had weakened/strengthened by 5% against the Renminbi with all other variables held constant as at 31 December 2012, post-tax profit for the year would have been HK\$19,332,000 (2011: HK\$44,196,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of Renminbi denominated cash and bank balances.

(II) Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing liabilities and assets. Cash flow interest rate risk is the risk that changes in market interest rates will impact cash flows arising from variable rate financial instruments. The Group's interest bearing assets mainly include deposits at bank and amounts due from associates. The Group's floating rate borrowings will be affected by fluctuation of prevailing market interest rates and will expose the Group to cash flow interest rate risk. The Group's borrowings if issued at fixed rates will expose the Group to fair value interest rate risk.

To mitigate the risk, the Group has maintained fixed and floating rate debts. To match with underlying risk faced by the Group, the level of fixed rate debt for the Group is decided after taking into consideration the potential impact of higher interest rates, interest cover and the cash flow cycles of the Group's businesses and investments.

At the end of the reporting periods, if interest rates had been increased/decreased by 25 (2011: 25) basis points and all other variables were held constant, the profit of the Group would have decreased/increased by approximately HK\$6,464,000 (2011: increased/decreased by approximately HK\$1,782,000) resulting from the change in interest income on bank deposits and the borrowing costs of bank borrowings after capitalisation of interest expenses.

(III) Price risk

The Group is exposed to equity securities price risk arising from the listed equity investments held by the Group. Gains and losses arising from changes in the fair value of available-for-sale financial assets and financial assets at fair value through profit or loss are dealt with in equity and income statement respectively. The performance of the Group's listed and unlisted equity investments are monitored regularly, together with an assessment of their relevance to the Group's strategic plans. The Group is not exposed to commodity price risk.

The carrying amount of listed portion of available-for-sale investments would be an estimated HK\$101,920,000 (2011: HK\$80,956,000) lower or higher if the year end share prices of the above-mentioned investments were to differ by 20% (2011: 20%).

The carrying amount of unlisted portion of available-for-sale investments would be an estimated HK\$90,530,000 (2011: HK\$82,076,000) lower or higher if the year end underlying fair value of the above-mentioned investments were to differ by 20% (2011:20%)

The carrying amount of listed securities at fair value through profit or loss would be an estimated HK\$36,492,000 (2011: HK\$28,723,000) lower or higher if the year end share prices of the above-mentioned investments were to differ by 20% (2011: 20%).

NOTES TO THE FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(ii) Credit risk

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

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

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

The credit risk on liquid funds is limited because approximately 91% of the funds are placed in banks with high credit rankings, ranging from BBB to AA, and the remaining 9% in local banks in different countries with close monitoring by the management and there is no concentration in any particular bank.

(iii) Liquidity risk

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

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

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

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

3 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(iii) Liquidity risk (Continued)

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

	Group				Total HK\$'000
	Less than 1 year HK\$'000	Between 1 and 2 years HK\$'000	Between 2 and 5 years HK\$'000	Over 5 years HK\$'000	
At 31 December 2012					
Amounts due to associates	–	59,124	–	–	59,124
Bank loans	3,144,693	1,774,735	16,989,103	1,983,912	23,892,443
Fixed rate bonds	576,600	576,600	9,311,044	2,803,078	13,267,322
Amounts due to non-controlling interests	–	2,573,857	–	–	2,573,857
Accounts payable, deposits received and accrued charges	7,743,814	–	–	–	7,743,814
Secured bank overdrafts	23,960	–	–	–	23,960
Unsecured bank overdrafts	2,129	–	–	–	2,129
Total	11,491,196	4,984,316	26,300,147	4,786,990	47,562,649

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

NOTES TO THE FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(iii) Liquidity risk (Continued)

	Company				
	Less than 1 year HK\$'000	Between 1 and 2 years HK\$'000	Between 2 and 5 years HK\$'000	Over 5 years HK\$'000	Total HK\$'000
At 31 December 2012					
Bank loans	515,199	11,823	332,136	–	859,158
Accounts payable and accrued charges	118,445	–	–	–	118,445
Amount due to a subsidiary	5,659,613	–	–	–	5,659,613
Total	6,293,257	11,823	332,136	–	6,637,216

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

(b) Capital risk management

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

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

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

3 FINANCIAL RISK MANAGEMENT (Continued)

(b) Capital risk management (Continued)

The gearing ratios at 31 December 2012 and 2011 were as follows:

	2012	2011
Net debt (HK\$ million)	15,867	11,921
Equity attributable to the Company's shareholders (HK\$ million)	70,792	63,922
Gearing ratio	22.4%	18.6%

(c) Fair value estimation

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

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

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2012.

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Assets				
Derivative financial instruments	–	186,172	–	186,172
Available-for-sale investments	509,599	–	1,454,668	1,964,267
Listed securities at fair value through profit or loss	182,458	–	–	182,458
Total assets	692,057	186,172	1,454,668	2,332,897

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

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

NOTES TO THE FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Continued)

(c) Fair value estimation (Continued)

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

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

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

Specific valuation techniques used to value financial instruments include:

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

The following table presents the changes in level 3 instruments.

	Available-for-sale investments	
	2012 HK\$'000	2011 HK\$'000
Opening balance	1,309,535	1,261,043
Gains recognised in comprehensive income	137,532	45,683
Acquisition of a subsidiary (note 39)	7,479	–
Additions	204	3,324
Impairment	(82)	(515)
Closing balance	1,454,668	1,309,535

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(a) Critical accounting estimates and assumptions

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(a) Critical accounting estimates and assumptions (Continued)

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

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

(iii) Income taxes

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

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

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

(iv) Estimated impairment of goodwill

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

(v) Useful lives of property, plant and equipment

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

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

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(a) Critical accounting estimates and assumptions (Continued)

(vii) Retirement benefit obligations

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

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

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

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

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

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

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

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

(ii) Revenue recognition

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

NOTES TO THE FINANCIAL STATEMENTS

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

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

(iii) Financial implication of regulations of idle land

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

In making this judgement, the Group evaluates the extent of development of the whole tracts of land, status of negotiation with the government authorities as to the extension of time of commencement or revision of development plans.

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

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

The investments in associates are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amount of investments is evaluated based on the financial position of associates, historical and expected future performance by management judgement. A considerable amount of judgement is required in assessing the ultimate recoverability of the investments.

(v) Impairment of property, plant and equipment

The Group regularly reviews whether there are any indications of impairment and will recognise an impairment loss if the carrying amount of an asset is lower than its recoverable amount which is the greater of its net selling price or its value in use. In determining the value in use, the Group assesses the present value of the estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life. Estimates and judgements are applied in determining these future cash flows and the discount rate. The Group estimates the future cash flows based on certain assumptions, such as market competition and development and the expected growth in business.

(vi) Impairment of trade receivables

The Group assesses whether there is objective evidence as stated in note 2(m) that trade receivables are impaired. It recognises impairment based on estimates of the extent and timing of future cash flows using applicable discount rates. The final outcome of the recoverability and cash flows of these receivables will impact the amount of impairment required.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

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

(vii) Control in Kerry TJ Logistics Company Limited ("Kerry TJ")

The Group has obtained de facto control over Kerry TJ since mid 2010 and the Group's interest in Kerry TJ (39.27% as at 31 December 2012) is accounted for and consolidated into the consolidated financial statements of the Group as a subsidiary. Key judgements adopted in concluding the Group has obtained de facto control in Kerry TJ are as follows:

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

5 PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATIONS

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

	2012 HK\$'000	2011 HK\$'000
Turnover		
Sale of properties	13,104,339	2,711,423
Rental income	1,675,724	1,541,330
Hotel revenue	279,574	225,784
Logistics services income	19,294,775	16,034,311
Others	158,634	147,515
	34,513,046	20,660,363

NOTES TO THE FINANCIAL STATEMENTS

5 PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATIONS (Continued)

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

	Turnover		Operating profit	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Principal activities:				
Property rental				
– PRC property	964,515	892,927	595,500	625,714
– Hong Kong property	711,209	648,403	546,611	458,787
	1,675,724	1,541,330	1,142,111	1,084,501
Property sales (Note)				
– PRC property	1,541,288	718,896	340,490	507,156
– Hong Kong property	11,563,051	1,992,527	4,133,909	788,251
	13,104,339	2,711,423	4,474,399	1,295,407
Hotel operations				
– PRC property	279,574	225,784	(117,350)	(79,291)
Logistics operations	19,294,775	16,034,311	1,305,092	1,091,645
Others	158,634	147,515	(421,490)	(250,112)
	34,513,046	20,660,363	6,382,762	3,142,150
Increase in fair value of investment properties	–	–	2,943,032	1,605,932
	34,513,046	20,660,363	9,325,794	4,748,082
Principal markets:				
PRC	11,493,077	8,974,003	2,764,756	1,869,671
Hong Kong	14,867,909	5,070,486	6,069,529	2,486,638
Taiwan	2,016,915	1,919,180	225,209	214,445
United Kingdom	1,036,422	996,603	45,665	48,744
Others	5,098,723	3,700,091	220,635	128,584
	34,513,046	20,660,363	9,325,794	4,748,082

Note: Sales of investment properties for the year ended 31 December 2012 amounting to HK\$146,179,000 (2011: HK\$1,170,233,000), comprising sales from PRC investment properties of HK\$127,179,000 (2011: HK\$305,323,000) and sales from Hong Kong investment properties of HK\$19,000,000 (2011: HK\$864,910,000), are excluded from turnover.

5 PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATIONS (Continued)

(c) Information about operating segment:

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

5 PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATIONS (Continued)

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

	2012							
	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	2,785,377	12,274,260	-	19,294,775	34,354,412	158,634	-	34,513,046
Inter-segment revenue	-	-	-	-	-	120,322	(120,322)	-
Inter-segment interest income	-	-	-	-	-	461,930	(461,930)	-
	2,785,377	12,274,260	-	19,294,775	34,354,412	740,886	(582,252)	34,513,046
Results								
Segment results before increase in fair value of investment properties	521,779	4,807,090	896	1,283,430	6,613,195	418,148	(461,930)	6,569,413
Increase in fair value of investment properties	1,759,310	918,567	-	265,155	2,943,032	-	-	2,943,032
Segment results	2,281,089	5,725,657	896	1,548,585	9,556,227	418,148	(461,930)	9,512,445
Dividend income	-	58,329	22,028	21	80,378	-	-	80,378
Interest income	103,248	19,644	41	28,330	151,263	141,280	-	292,543
Interest expenses	(38,406)	(184,353)	-	(63,124)	(285,883)	(735,619)	461,930	(559,572)
Operating profit	2,345,931	5,619,277	22,965	1,513,812	9,501,985	(176,191)	-	9,325,794
Share of results of associates	71,205	164,328	107,368	136,421	479,322	94,121	-	573,443
Profit before taxation	2,417,136	5,783,605	130,333	1,650,233	9,981,307	(82,070)	-	9,899,237
Taxation	(691,219)	(758,069)	(29,216)	(300,711)	(1,779,215)	(12,070)	-	(1,791,285)
Profit for the year	1,725,917	5,025,536	101,117	1,349,522	8,202,092	(94,140)	-	8,107,952
Profit attributable to:								
Company's shareholders	1,219,723	4,664,853	101,117	1,068,661	7,054,354	(94,138)	-	6,960,216
Non-controlling interests	506,194	360,683	-	280,861	1,147,738	(2)	-	1,147,736
	1,725,917	5,025,536	101,117	1,349,522	8,202,092	(94,140)	-	8,107,952
Depreciation and amortisation	44,720	13,343	-	367,351	425,414	3,907	-	429,321

5 PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATIONS (Continued)

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

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

NOTES TO THE FINANCIAL STATEMENTS

5 PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATIONS (Continued)

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

	2012							
	PRC Property HK\$'000	Hong Kong Property HK\$'000	Overseas Property HK\$'000	Logistics HK\$'000	Total Operating Segments HK\$'000	Others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Segment assets	61,925,557	34,900,258	140,351	21,459,620	118,425,786	46,179,978	(42,833,003)	121,772,761
Associates	5,727,943	1,648,977	1,234,767	935,243	9,546,930	2,875,834	-	12,422,764
Derivative financial instruments	-	-	-	-	-	186,172	-	186,172
Available-for-sale investments	470	900,322	1,002,016	61,459	1,964,267	-	-	1,964,267
Long-term receivables	-	237,346	-	-	237,346	-	-	237,346
Tax recoverable	233,516	4,244	14,856	9,279	261,895	14	-	261,909
Tax reserve certificates	-	1,082	-	-	1,082	101,366	-	102,448
Listed securities at fair value through profit or loss	-	182,310	148	-	182,458	-	-	182,458
Total assets	67,887,486	37,874,539	2,392,138	22,465,601	130,619,764	49,343,364	(42,833,003)	137,130,125
Segment liabilities	27,515,061	10,399,513	5,692	8,410,970	46,331,236	8,009,053	(42,833,003)	11,507,286
Bank loans	6,167,838	833,000	-	1,965,085	8,965,923	12,787,235	-	21,753,158
Fixed rate bonds	-	-	-	-	-	10,153,100	-	10,153,100
Taxation and deferred taxation	4,641,946	1,248,065	112,671	666,194	6,668,876	145,359	-	6,814,235
Amounts due to non-controlling interests	1,152,000	1,174,728	-	222,361	2,549,089	(625)	-	2,548,464
Total liabilities	39,476,845	13,655,306	118,363	11,264,610	64,515,124	31,094,122	(42,833,003)	52,776,243
Segment non-current assets*	53,046,548	27,337,221	1,234,767	15,014,085	96,632,621	2,885,902	-	99,518,523

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

5 PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATIONS (Continued)

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

5 PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATIONS (Continued)

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

	Segment revenue		Segment non-current assets*	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
PRC	11,468,196	8,949,286	56,510,476	46,199,040
Hong Kong	14,734,156	4,947,688	31,482,960	27,687,580
Taiwan	2,016,915	1,919,180	2,702,071	2,565,951
United Kingdom	1,036,422	996,603	145,545	138,157
Others	5,098,723	3,700,091	5,791,569	4,965,798
	34,354,412	20,512,848	96,632,621	81,556,526

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

6 OTHER INCOME AND NET GAINS

	Group	
	2012 HK\$'000	2011 HK\$'000
Dividend income		
– listed investments	40,012	39,496
– unlisted investments	40,366	30,430
	80,378	69,926
Interest income	292,543	228,372
Loss on disposal of property, plant and equipment	(71,459)	(53,935)
Gain on sale of investment properties net of selling expenses	36,987	232,024
Gain on disposal of subsidiaries (note 38(e))	–	28,808
Gain on disposal of associates	–	3,482
Fair value gain/(loss) on listed securities at fair value through profit or loss	38,837	(82,053)
Impairment loss on available-for-sale investments	(82)	(515)
Impairment of goodwill (note 23)	(7,000)	(7,303)
Exchange (loss)/gain, net	(24,842)	29,171
Others	46,323	27,547
	391,685	475,524

7 OPERATING PROFIT BEFORE FINANCE COSTS

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

	Group	
	2012 HK\$'000	2011 HK\$'000
Cost of sales of properties	7,724,918	1,230,480
Direct operating expenses in respect of investment properties		
– PRC	235,913	184,985
– Hong Kong	171,984	159,656
	407,897	344,641
Direct operating expenses for logistics operations	16,613,459	13,613,795
Depreciation of property, plant and equipment and amortisation of leasehold land and land use rights	391,278	349,017
Amortisation of intangible assets	38,043	3,721
Hotel operating expenses	223,740	190,597
Operating lease charges – land and buildings	383,416	459,233
Provision for impairment of receivables	22,097	4,440
Auditors' remuneration	22,406	21,748

8 FINANCE COSTS

	Group	
	2012 HK\$'000	2011 HK\$'000
Interest expense		
– bank borrowings: bank loans and overdrafts	563,958	360,514
– convertible bonds (note 29)	20,120	139,516
– fixed rate bonds (note 30)	562,464	313,465
– derivative financial instruments	(36,287)	(29,543)
– others (Note)	54,750	53,155
Total finance costs incurred	1,165,005	837,107
Less: amount capitalised in properties under development and investment properties under construction	(614,457)	(471,689)
	550,548	365,418
Fair value loss/(gain) on derivative financial instruments		
– cash flow hedge, transfer from equity (note 37)	(14,762)	(9,940)
– not applying hedge accounting	23,786	(21,707)
Total finance costs expensed during the year	559,572	333,771

The capitalised interest rate applied to funds borrowed and used for the development of properties is between 1.3% and 7.8% per annum (2011: between 0.4% and 7.8% per annum).

Note: The amount included net exchange losses from financing activities of HK\$4,866,000 for the year (2011: net exchange gains of HK\$6,442,000).

NOTES TO THE FINANCIAL STATEMENTS

9 TAXATION

Hong Kong and overseas profits tax

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profit for the year. Income tax on the overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the overseas countries in which the Group operates.

PRC enterprise income tax

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

Withholding tax on distributed/undistributed profits

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

PRC land appreciation tax

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

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

	Group	
	2012 HK\$'000	2011 HK\$'000
PRC taxation		
– Current	(340,343)	(534,567)
– Over/(under)-provision in prior years	68,205	(5,160)
– Deferred	(512,884)	(209,000)
	(785,022)	(748,727)
Hong Kong profits tax		
– Current	(794,526)	(304,212)
– Over/(under)-provision in prior years	505	(48,557)
– Deferred	(62,667)	(2,283)
	(856,688)	(355,052)
Overseas taxation		
– Current	(127,724)	(120,125)
– (Under)/over-provision in prior years	(10,090)	382
– Deferred	(11,761)	(10,440)
	(149,575)	(130,183)
	(1,791,285)	(1,233,962)

9 TAXATION (Continued)

The Group's share of associates' taxation for the year of HK\$146,530,000 (2011: HK\$554,350,000) is included in the share of results of associates in the consolidated income statement.

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

	Group	
	2012 HK\$'000	2011 HK\$'000
Profit before taxation	9,899,237	7,102,983
Less: Share of results of associates	(573,443)	(2,354,901)
	9,325,794	4,748,082
Calculated at Hong Kong profits tax rate of 16.5% (2011: 16.5%)	1,538,756	783,434
Tax effect of different taxation rates in other countries	274,386	183,788
Utilisation of previously unrecognised tax losses	(42,829)	(9,479)
Tax effect of net income/expenses that are not taxable/deductible in determining taxable profit	(120,550)	(72,161)
Tax loss not recognised	103,049	68,721
(Over)/under-provision of taxation in prior years	(58,620)	53,335
	1,694,192	1,007,638
Withholding tax on distributed/undistributed profits	38,170	49,817
Withholding tax on capital gains	6,862	7,966
Land appreciation tax	69,415	224,677
Tax effect of deduction of land appreciation tax	(17,354)	(56,136)
Taxation charge	1,791,285	1,233,962

10 PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders dealt with in the financial statements of the Company is HK\$1,531,409,000 (2011: HK\$978,382,000).

NOTES TO THE FINANCIAL STATEMENTS

11 DIVIDENDS

	Company	
	2012 HK\$'000	2011 HK\$'000
Interim, paid, of HK\$0.40 (2011: HK\$0.40) per ordinary share (note (a))	575,545	575,317
Final, proposed, of HK\$0.55 (2011: HK\$0.47) per ordinary share (note (b))	791,522	676,032
Additional prior year final dividend arising from the increase in number of ordinary shares in issue on the related record date (note (b))	72	714
	1,367,139	1,252,063

- (a) Amounts shown in respect of the interim dividend for the year ended 31 December 2012 reflect the cash dividend of HK\$0.40 (2011: HK\$0.40) per ordinary share.
- (b) At a meeting held on 14 March 2013, the directors proposed a final dividend of HK\$0.55 per ordinary share. This proposed dividend is not reflected as a dividend payable in these financial statements. The proposed final dividend for the year ended 31 December 2012, as referred to above, is calculated on the basis of 1,439,130,728 ordinary shares in issue as at 31 December 2012, and at a final dividend of HK\$0.55 per ordinary share. The actual amount of final dividend payable in respect of the year ended 31 December 2012 will be subject to the actual number of ordinary shares in issue on the record date, which is expected to be on or about 9 May 2013.

12 EARNINGS PER SHARE

Basic

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

	2012	2011
Weighted average number of ordinary shares in issue	1,438,703,882	1,437,737,140

	2012 HK\$'000	2011 HK\$'000
Profit attributable to shareholders	6,960,216	5,347,715
Basic earnings per share	HK\$4.84	HK\$3.72

12 EARNINGS PER SHARE (Continued)

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding assuming conversion of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: convertible bonds and share options. The convertible bonds are assumed to have been converted into ordinary shares and the net profit is adjusted to eliminate the interest expense less the tax effect. For the share options, a calculation is made to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	2012	2011
Weighted average number of ordinary shares in issue	1,438,703,882	1,437,737,140
Adjustment for convertible bonds	6,341,496	44,634,377
Adjustment for share options	3,123,426	3,551,392
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	1,448,168,804	1,485,922,909

	2012 HK\$'000	2011 HK\$'000
Profit attributable to shareholders	6,960,216	5,347,715
Adjustment for finance cost on convertible bonds	16,800	116,496
Profit used to determine diluted earnings per share	6,977,016	5,464,211
Diluted earnings per share	HK\$4.82	HK\$3.68

13 EMPLOYEE BENEFIT EXPENSE

	Group	
	2012 HK\$'000	2011 HK\$'000
Staff costs, including directors' emoluments	3,055,969	2,526,807
Share options granted to directors and employees	173,103	10,296
Pension costs		
– defined contribution plans (note 33(a))	232,403	182,844
– defined benefit plans (note 33(b))	17,253	17,932
	3,478,728	2,737,879

NOTES TO THE FINANCIAL STATEMENTS

13 EMPLOYEE BENEFIT EXPENSE (Continued)

(a) Directors' and senior management's emoluments

The remuneration of the Directors for the year ended 31 December 2012 is set out below:

Name of Director	Fees HK\$'000	Salary HK\$'000	Discretionary bonuses HK\$'000	Other benefits (note) HK\$'000	Employer's contribution to pension scheme HK\$'000	Total HK\$'000
Mr KUOK Khoon Chen	–	4,200	14,000	14,268	120	32,588
Mr WONG Siu Kong*	–	6,360	30,000	21,403	120	57,883
Mr HO Shut Kan	–	4,560	19,060	7,134	120	30,874
Mr MA Wing Kai, William	–	4,020	9,560	3,567	120	17,267
Mr QIAN Shaohua	–	4,320	17,060	7,134	120	28,634
Mr CHAN Wai Ming, William	–	3,480	6,000	3,567	120	13,167
Mr Bryan Pallop GAW ¹	–	2,363	3,560	2,140	103	8,166
Mr KU Moon Lun	390	–	–	–	–	390
Mr LAU Ling Fai, Herald	428	–	–	–	–	428
Ms WONG Yu Pok, Marina, JP	390	–	–	–	–	390
Mr CHANG Tso Tung, Stephen ¹	8	–	–	–	–	8
Mr TSE Kai Chi ²	44	–	–	–	–	44

¹ Appointed during the year 2012

² Resigned during the year 2012

The remuneration of the Directors for the year ended 31 December 2011 is set out below:

Name of Director	Fees HK\$'000	Salary HK\$'000	Discretionary bonuses HK\$'000	Other benefits (note) HK\$'000	Employer's contribution to pension scheme HK\$'000	Total HK\$'000
Mr KUOK Khoon Chen	–	4,680	12,000	83	120	16,883
Mr WONG Siu Kong*	–	6,000	22,000	2,347	120	30,467
Mr HO Shut Kan	–	4,200	16,060	955	120	21,335
Mr MA Wing Kai, William	–	3,780	7,560	615	120	12,075
Mr QIAN Shaohua	–	3,840	15,060	664	120	19,684
Mr CHAN Wai Ming, William	–	3,240	5,000	664	120	9,024
Mr KU Moon Lun	380	–	–	–	–	380
Mr LAU Ling Fai, Herald	410	–	–	–	–	410
Ms WONG Yu Pok, Marina, JP	380	–	–	–	–	380
Mr TSE Kai Chi	350	–	–	–	–	350

Note:

Other benefits represent fair value of share options granted to the relevant Director which was charged to the consolidated income statement in accordance with HKFRS 2.

* Chief Executive Officer

13 EMPLOYEE BENEFIT EXPENSE (Continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year are Directors. The emoluments payable to the five highest paid individuals during the year are as follows:

	2012 HK\$'000	2011 HK\$'000
Basic salaries, housing allowances, share options, other allowances and benefits in kind	76,966	27,164
Discretionary bonuses	89,680	72,680
Pension contributions	600	600
	167,246	100,444

The emoluments fell within the following bands:

	Number of individuals	
	2012	2011
HK\$12,000,001 – HK\$12,500,000	–	1
HK\$16,500,001 – HK\$17,000,000	–	1
HK\$17,000,001 – HK\$17,500,000	1	–
HK\$19,500,001 – HK\$20,000,000	–	1
HK\$21,000,001 – HK\$21,500,000	–	1
HK\$28,500,001 – HK\$29,000,000	1	–
HK\$30,000,001 – HK\$30,500,000	–	1
HK\$30,500,001 – HK\$31,000,000	1	–
HK\$32,500,001 – HK\$33,000,000	1	–
HK\$57,500,001 – HK\$58,000,000	1	–
	5	5

NOTES TO THE FINANCIAL STATEMENTS

14 PROPERTY, PLANT AND EQUIPMENT

	Group								
	Hotel property HK\$'000	Warehouses and logistics centres HK\$'000	Staff quarters HK\$'000	Freehold land and buildings HK\$'000	Port facilities HK\$'000	Leasehold improvements HK\$'000	Warehouse operating equipment HK\$'000	Motor vehicles, furniture, fixtures and office equipment HK\$'000	Total HK\$'000
Cost									
At 1 January 2012	1,105,597	1,309,454	48,562	2,569,248	298,778	425,352	1,013,585	686,907	7,457,483
Additions, at cost	202,592	44,116	-	63,308	-	94,311	289,085	185,334	878,746
Acquisition of subsidiaries (note 38(c),39)	-	1,801	-	-	-	1,776	42,563	9,174	55,314
Disposals	(229,334)	-	(3,273)	(12,355)	-	(21,519)	(86,205)	(101,408)	(454,094)
Transfer and reclassification	-	135,171	-	103,987	-	251	-	2,697	242,106
Exchange adjustment	9,490	4,889	544	88,169	8,738	17,183	43,836	3,849	176,698
At 31 December 2012	1,088,345	1,495,431	45,833	2,812,357	307,516	517,354	1,302,864	786,553	8,356,253
Aggregate depreciation and accumulated impairment losses									
At 1 January 2012	140,686	225,219	12,707	127,998	85,155	149,826	458,717	383,583	1,583,891
Charge for the year	33,110	34,477	2,213	40,953	7,793	42,387	122,554	99,197	382,684
Disposals	(149,391)	-	(2,085)	(30)	-	(18,417)	(55,744)	(71,300)	(296,967)
Transfer and reclassification	-	(903)	-	-	-	-	-	2,089	1,186
Exchange adjustment	1,197	757	184	5,297	2,591	11,001	33,294	4,834	59,155
At 31 December 2012	25,602	259,550	13,019	174,218	95,539	184,797	558,821	418,403	1,729,949
Net book value as at 31 December 2012	1,062,743	1,235,881	32,814	2,638,139	211,977	332,557	744,043	368,150	6,626,304
Net book value as at 1 January 2012	964,911	1,084,235	35,855	2,441,250	213,623	275,526	554,868	303,324	5,873,592

14 PROPERTY, PLANT AND EQUIPMENT (Continued)

	Group								
	Hotel property HK\$'000	Warehouses and logistics centres HK\$'000	Staff quarters HK\$'000	Freehold land and buildings HK\$'000	Port facilities HK\$'000	Leasehold improvements HK\$'000	Warehouse operating equipment HK\$'000	Motor vehicles, furniture, fixtures and office equipment HK\$'000	Total HK\$'000
Cost									
At 1 January 2011	981,282	1,166,906	46,419	2,432,610	314,312	313,056	680,928	938,304	6,873,817
Additions, at cost	170,130	8,867	123	217,810	-	73,422	264,742	142,309	877,403
Acquisition of subsidiaries	-	73,282	-	-	-	1,186	21,600	30,267	126,335
Disposal of subsidiaries (note 38(e))	-	-	-	-	-	-	-	(1,081)	(1,081)
Disposals	(94,473)	(258)	-	(30,973)	-	(23,948)	(137,857)	(126,399)	(413,908)
Transfer and reclassification	-	57,355	-	48,890	-	72,821	209,637	(282,458)	106,245
Exchange adjustment	48,658	3,302	2,020	(99,089)	(15,534)	(11,185)	(25,465)	(14,035)	(111,328)
At 31 December 2011	1,105,597	1,309,454	48,562	2,569,248	298,778	425,352	1,013,585	686,907	7,457,483
Aggregate depreciation and accumulated impairment losses									
At 1 January 2011	148,839	187,547	10,007	94,971	81,515	95,486	356,020	570,429	1,544,814
Charge for the year	28,532	34,240	2,222	40,186	7,942	34,731	106,354	86,254	340,461
Disposal of subsidiaries (note 38(e))	-	-	-	-	-	-	-	(411)	(411)
Disposals	(44,774)	-	-	(2,009)	-	(18,994)	(94,657)	(106,678)	(267,112)
Reclassification	-	-	-	-	-	46,886	102,455	(149,341)	-
Exchange adjustment	8,089	3,432	478	(5,150)	(4,302)	(8,283)	(11,455)	(16,670)	(33,861)
At 31 December 2011	140,686	225,219	12,707	127,998	85,155	149,826	458,717	383,583	1,583,891
Net book value as at									
31 December 2011	964,911	1,084,235	35,855	2,441,250	213,623	275,526	554,868	303,324	5,873,592
Net book value as at									
1 January 2011	832,443	979,359	36,412	2,337,639	232,797	217,570	324,908	367,875	5,329,003

NOTES TO THE FINANCIAL STATEMENTS

14 PROPERTY, PLANT AND EQUIPMENT (Continued)

- (a) As at 31 December 2012, property, plant and equipment and port facilities with an aggregate net book value of HK\$1,700,498,000 (2011: HK\$1,499,790,000) and HK\$211,977,000 (2011: HK\$213,623,000) respectively, were pledged as security for bank loan facilities granted to the Group (note 43).

	Company		
	Leasehold improvements HK\$'000	Motor vehicles, furniture, fixtures and office equipment HK\$'000	Total HK\$'000
Cost			
At 1 January 2012	8,330	13,053	21,383
Additions, at cost	–	377	377
At 31 December 2012	8,330	13,430	21,760
Aggregate depreciation			
At 1 January 2012	1,944	7,238	9,182
Charge for the year	1,666	2,022	3,688
At 31 December 2012	3,610	9,260	12,870
Net book value			
As at 31 December 2012	4,720	4,170	8,890

	Company		
	Leasehold improvements HK\$'000	Motor vehicles, furniture, fixtures and office equipment HK\$'000	Total HK\$'000
Cost			
At 1 January 2011	–	9,188	9,188
Additions, at cost	8,330	5,436	13,766
Disposals	–	(1,571)	(1,571)
At 31 December 2011	8,330	13,053	21,383
Aggregate depreciation			
At 1 January 2011	–	6,595	6,595
Charge for the year	1,944	2,214	4,158
Disposals	–	(1,571)	(1,571)
At 31 December 2011	1,944	7,238	9,182
Net book value			
As at 31 December 2011	6,386	5,815	12,201

14 PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) The Group's warehouses and logistic centres at their net book values are analysed as follows:

	2012 HK\$'000	2011 HK\$'000
In Hong Kong, held on:		
Leases of between 10 to 50 years	471,061	484,764
Outside Hong Kong, held on:		
Leases of over 50 years	78,727	58,672
Leases of between 10 to 50 years	684,084	540,799
Leases of less than 10 years	2,009	–
	1,235,881	1,084,235

15 INVESTMENT PROPERTIES

	Group	
	2012 HK\$'000	2011 HK\$'000
At 1 January	42,329,689	38,848,997
Additions	1,530,053	1,323,199
Acquisition of subsidiaries (note 38(c))	59,048	170,000
Increase in fair value	2,943,032	1,605,932
Disposals	(101,266)	(896,280)
Transfer	517,085	333,089
Exchange adjustment	206,784	944,752
At 31 December	47,484,425	42,329,689

(a) As at 31 December 2012, investment properties amounting to HK\$7,716,118,000 (2011: HK\$5,569,261,000) were pledged as securities for bank loan facilities granted to the Group (note 43).

(b) Investment properties were valued by DTZ Debenham Tie Leung Limited, Savills Valuation and Professional Services Limited and ECG Consultancy Pte Ltd, independent professional valuers, on an open market value basis as at 31 December 2012.

NOTES TO THE FINANCIAL STATEMENTS

15 INVESTMENT PROPERTIES (Continued)

(c) The Group's investment properties at their net book values are analysed as follows:

	2012 HK\$'000	2011 HK\$'000
In Hong Kong, held on:		
Leases of over 50 years	10,450,500	10,093,000
Leases of between 10 to 50 years	11,911,130	10,848,100
Outside Hong Kong, held on:		
Leases of over 50 years	1,853,446	1,834,957
Leases of between 10 to 50 years	23,269,349	19,553,632
	47,484,425	42,329,689

16 LEASEHOLD LAND AND LAND USE RIGHTS

	2012 HK\$'000	2011 HK\$'000
At 1 January	537,461	422,447
Acquisition of a subsidiary	–	73,775
Amortisation	(11,017)	(10,458)
Transfer	3,716	44,779
Exchange adjustment	1,636	6,918
At 31 December	531,796	537,461

The Group's leasehold land and land use rights represent prepaid operating lease payments and their net book values are analysed as follows:

	2012 HK\$'000	2011 HK\$'000
Outside Hong Kong, held on:		
Leases of over 50 years	81,528	78,098
Leases of between 10 to 50 years	450,268	459,363
	531,796	537,461

As at 31 December 2012, leasehold land and land use rights amounting to HK\$110,526,000 (2011: HK\$144,001,000) were pledged as securities for bank loan facilities granted to the Group (note 43).

17 PROPERTIES UNDER DEVELOPMENT

	2012 HK\$'000	2011 HK\$'000
At 1 January	30,457,204	27,083,244
Additions	9,536,860	4,283,131
Acquisition of subsidiaries (note 38(c))	–	150,000
Disposal of subsidiaries (note 38(e))	–	(262,158)
Transfer	(10,737,278)	(1,500,205)
Exchange adjustment	187,542	703,192
At 31 December	29,444,328	30,457,204

	2012 HK\$'000	2011 HK\$'000
The above are represented by:		
Amount included in non-current assets		
Hong Kong	6,380,053	3,935,633
Outside Hong Kong (note (a))	17,590,094	17,012,222
	23,970,147	20,947,855
Amount included in current assets		
Hong Kong	2,383,395	7,907,351
Outside Hong Kong	3,090,786	1,601,998
	5,474,181	9,509,349
	29,444,328	30,457,204

- (a) As at 31 December 2012, the balance included land use rights amounting to HK\$4,474,118,000 (2011: HK\$5,573,570,000) that the respective development plans were subject to approval from relevant government authorities. Upon approval of the plans, certain portion of these land use rights would be transferred to investment properties (note 2(g)).

NOTES TO THE FINANCIAL STATEMENTS

17 PROPERTIES UNDER DEVELOPMENT (Continued)

The Group's properties under development at their net book values are analysed as follows:

	2012 HK\$'000	2011 HK\$'000
In Hong Kong, held on:		
Leases of over 50 years	4,159,533	4,434,957
Leases of between 10 to 50 years	4,603,915	7,408,027
Outside Hong Kong, held on:		
Leases of over 50 years	6,511,608	7,140,505
Leases of between 10 to 50 years	14,158,000	11,408,928
Leases of less than 10 years	10,698	–
Freehold land and buildings	574	64,787
	29,444,328	30,457,204
Leasehold land classified as operating lease included as above	12,784,959	13,447,043

As at 31 December 2012, properties under development amounting to HK\$7,338,441,000 (2011: HK\$2,568,243,000) were pledged as securities for bank loan facilities granted to the Group (note 43).

18 SUBSIDIARIES

	Company	
	2012 HK\$'000	2011 HK\$'000
Unlisted shares, at cost (note (a))	18,643,700	18,643,700
Amounts due from subsidiaries (note (b))	16,070,456	10,622,074
	34,714,156	29,265,774
Amount due to a subsidiary (note (c))	5,659,613	4,580,182

- (a) Details of principal subsidiaries of the Group are set out in note 46 to the financial statements. Kerry TJ is a listed company in Taiwan Stock Exchange Corporation. The market value of the Group's investment as at 31 December 2012 in Kerry TJ amounted to HK\$2,482,711,000 (2011: HK\$1,330,839,000).
- (b) The amounts due from subsidiaries are unsecured, have no fixed terms of repayment and are interest-free.
- (c) The amount due to a subsidiary is unsecured, has no fixed terms of repayment and bears interest at prevailing market rates.

19 ASSOCIATES

	Group	
	2012 HK\$'000	2011 HK\$'000
Unlisted investments	7,775,374	7,318,781
Listed equity securities, outside Hong Kong	1,186,044	1,055,046
Share of net assets, including goodwill (note (a))	8,961,418	8,373,827
Amounts due from associates (note (b))	3,520,470	3,404,030
Amounts due to associates (note (c))	(59,124)	(60,803)
	12,422,764	11,717,054
Market value of listed securities	947,876	640,235

- (a) Details of principal associates are set out in note 46 to the financial statements.
- (b) The amounts due from associates are unsecured, have no fixed terms of repayment and are interest-free except for amounts totalling HK\$2,806,242,000 (2011: HK\$2,520,568,000) which bear interest at prevailing market rates.
- (c) The amounts due to associates are unsecured, interest-free and not repayable within twelve months from the end of each reporting period.
- (d) The Group's share of results of its associates and its aggregate assets and liabilities are as follows:

	Group	
	2012 HK\$'000	2011 HK\$'000
Aggregate attributable amounts of total assets	18,703,177	18,338,051
Aggregate attributable amounts of total liabilities	9,741,759	9,964,224
Aggregate attributable amounts of total revenue	1,740,218	9,507,777
Aggregate attributable amounts of net profit after tax	573,443	2,354,901

NOTES TO THE FINANCIAL STATEMENTS

20 DERIVATIVE FINANCIAL INSTRUMENTS

	Group		Company	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Non-current assets				
Cash flow hedges				
Cross currency swap contracts, at fair value (note (a))	107,642	74,688	28,300	6,872
Derivative financial instruments not applying hedge accounting				
Cross currency swap and forward exchange contracts, at fair value (note (b))	78,530	102,316	78,530	102,316
Total	186,172	177,004	106,830	109,188

Derivatives holding for trading purpose are classified as a current asset or liability. The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and, as a current asset or liability, if the maturity of the hedged item is less than 12 months.

(a) Cross currency swap contracts that qualify for hedge accounting – cash flow hedges

The changes in fair value of cross currency swap contracts that are designated and qualified as cash flow hedges amounting to HK\$32,954,000 (2011: HK\$74,688,000) are recognised in hedging reserve in equity. Under cash flow hedges, the amount of HK\$14,762,000 (2011: HK\$9,940,000) was reclassified from hedging reserve to finance costs in the consolidated income statement.

(i) Hedge for fixed rate bonds

During the year ended 31 December 2011, an indirect wholly-owned subsidiary of the Company entered into cross-currency swap contracts amounting to US\$297,000,000, under which the principal amounts were exchanged at inception and will be re-exchanged on expiring date in April 2021 at an average exchange rate of US\$1 to HK\$7.776. Under these contracts, the fixed interest rates ranging from 5.26% to 5.275% per annum on the exchanged Hong Kong dollar principal amounts would be paid and the fixed interest rate of 5.875% per annum on the United States dollar principal amounts would be received.

(ii) Hedge for New Zealand dollar bank borrowings

During the year ended 31 December 2011, the Company entered into cross currency swap contract amounting to NZD 51,282,000, under which the principal amount was exchanged at inception in March 2011 and will be re-exchanged on expiring date in March 2015 at an exchange rate of NZD 1 to HK\$5.85. Under the contract, the floating Hong Kong dollar interest rate on the exchanged Hong Kong dollar principal amount would be paid and the floating New Zealand dollar interest rate on the New Zealand dollar principal amount would be received.

20 DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

(b) Cross currency swap and forward exchange contracts not applying hedge accounting

The total principal amounts of the outstanding cross currency swap and forward exchange contracts not applying hedge accounting as at 31 December 2012 are US\$310,000,000 (2011: US\$310,000,000) and US\$30,000,000 (2011: nil) respectively.

During the year ended 31 December 2012, the Company entered into a forward exchange contract to buy US\$30,000,000 (equivalent to HK\$232,335,000) at the exchange rate of 7.7445 in August 2016.

During the year ended 31 December 2010, the Company entered into cross currency swap contracts amounting to US\$220,000,000 (equivalent to HK\$1,710,661,000). There were no principal exchange at inception but will have principal exchange upon the expiration of these contracts in August 2016 at an average exchange rate of approximately US\$1 to HK\$7.776. Under these contracts, the fixed interest rates ranging from 5.63% to 5.74% per annum on the HK dollar principal amount would be paid and the fixed rate of 6.375% per annum on the United States dollar principal amounts would be received.

During the year ended 31 December 2009, the Company entered into cross currency swap contracts amounting to US\$90,000,000, under which the principal amounts were exchanged at inception in August 2009 and will be re-exchanged on expiry date in August 2014 at an average exchange rate of US\$1 to HK\$7.75. Under these contracts, the fixed interest rates ranging from 5.85% to 5.90% per annum on the exchanged Hong Kong dollar principal amounts would be paid and the fixed interest rate at 6.375% per annum on the United States dollar principal amounts would be received.

The maximum exposure to credit risk at the reporting date is the fair value of the derivative assets in the statement of financial position.

21 AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	2012 HK\$'000	2011 HK\$'000
Listed equity securities, at fair value	509,599	404,780
Unlisted equity securities, at fair value	1,454,668	1,309,536
	1,964,267	1,714,316
Market value of listed securities in Hong Kong	509,599	404,780

NOTES TO THE FINANCIAL STATEMENTS

22 LONG-TERM RECEIVABLES AND ACCOUNTS RECEIVABLE, PREPAYMENTS AND DEPOSITS

	Group	
	2012 HK\$'000	2011 HK\$'000
Trade receivables	5,056,883	3,367,592
Less: Provision for impairment of receivables (note (b))	(47,390)	(31,062)
Trade receivables – net (note (a))	5,009,493	3,336,530
Second mortgage loans receivable	243,201	55,733
Others	3,059,100	3,498,823
	8,311,794	6,891,086
Less: long-term receivables (note (c))	(237,346)	(55,004)
Current portion	8,074,448	6,836,082

The carrying amounts of accounts receivable approximate the fair value of these balances.

The carrying amounts of the Group's long-term receivable and accounts receivable, prepayments and deposits are denominated in the following currencies:

	2012 HK\$'000	2011 HK\$'000
Hong Kong dollar	3,606,079	3,271,017
Renminbi	2,808,762	2,043,763
United States dollar	248,678	169,703
Pound sterling	180,269	137,520
Other currencies	1,468,006	1,269,083
	8,311,794	6,891,086

- (a) The Group maintains defined credit policies and applies those appropriate to the particular business circumstances of the Group. At 31 December 2012, the ageing analysis of the trade receivables based on date of the invoice or the terms of the related sales and purchase agreements and net of provision for impairment of the Group were as follows:

	2012 HK\$'000	2011 HK\$'000
Below 1 month	3,666,376	2,426,583
Between 1 month and 3 months	1,152,523	788,636
Over 3 months	190,594	121,311
	5,009,493	3,336,530

22 LONG-TERM RECEIVABLES AND ACCOUNTS RECEIVABLE, PREPAYMENTS AND DEPOSITS (Continued)

(a) (Continued)

There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers. As of 31 December 2012, trade receivables of HK\$700,256,000 (2011: HK\$763,417,000) were past due but not impaired. These relate to a number of independent customers for whom there is no significant financial difficulty and based on past experience, the overdue amounts can be recovered. The ageing analysis of these trade receivables is as follows:

	2012 HK\$'000	2011 HK\$'000
Up to 3 months	662,564	761,557
Over 3 months	37,692	1,860

(b) As of 31 December 2012, trade receivables of HK\$47,390,000 (2011: HK\$31,062,000) were impaired and fully provided. The individually impaired receivables mainly relate to those customers which are in unexpected difficult economic situations.

Movements on the provision for impairment of receivables are as follows:

	2012 HK\$'000	2011 HK\$'000
At 1 January	31,062	47,057
Provision for impairment of receivables	22,097	4,440
Receivables written off during the year as uncollectible	(8,228)	(15,881)
Release of provision	(236)	(5,149)
Exchange differences	2,695	595
At 31 December	47,390	31,062

The creation and release of provision for impaired receivables have been included in administrative expenses in the consolidated income statement. Amounts charged to the allowance account are written off when there is no expectation of recovery.

(c) The amount represents non-current portion of second mortgage loans to buyers of certain properties developed by the Group at prevailing market rate.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above. Except for the second mortgage loans receivable, the Group does not hold any collateral as security.

The second mortgage loans receivable, other receivables and deposits do not contain impaired asset.

NOTES TO THE FINANCIAL STATEMENTS

23 INTANGIBLE ASSETS

	Group				
	Goodwill HK\$'000	Customer relationships HK\$'000	Non-compete agreements HK\$'000	Trademark HK\$'000	Total HK\$'000
At 1 January 2011					
Cost	1,015,866	–	–	–	1,015,866
Accumulated amortisation and impairment	(57,917)	–	–	–	(57,917)
	957,949	–	–	–	957,949
At 1 January 2011	957,949	–	–	–	957,949
Acquisition of subsidiaries	270,904	42,005	37,017	12,275	362,201
Impairment	(7,303)	–	–	–	(7,303)
Amortisation	–	(1,813)	(1,702)	(206)	(3,721)
Exchange adjustment	–	(1,225)	277	65	(883)
At 31 December 2011	1,221,550	38,967	35,592	12,134	1,308,243
At 31 December 2011					
Cost	1,286,770	40,813	37,326	12,340	1,377,249
Accumulated amortisation and impairment	(65,220)	(1,846)	(1,734)	(206)	(69,006)
	1,221,550	38,967	35,592	12,134	1,308,243
At 1 January 2012	1,221,550	38,967	35,592	12,134	1,308,243
Acquisition of subsidiaries (note 39)	533,354	74,930	9,244	14,466	631,994
Impairment	(7,000)	–	–	–	(7,000)
Amortisation	–	(28,335)	(6,966)	(2,742)	(38,043)
Exchange adjustment	–	768	358	13	1,139
At 31 December 2012	1,747,904	86,330	38,228	23,871	1,896,333
At 31 December 2012					
Cost	1,820,124	116,841	47,037	26,833	2,010,835
Accumulated amortisation and impairment	(72,220)	(30,511)	(8,809)	(2,962)	(114,502)
	1,747,904	86,330	38,228	23,871	1,896,333

23 INTANGIBLE ASSETS (Continued)

Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to place of operation and operating segment.

A segment-level summary of the goodwill allocation is presented below:

	2012 HK\$'000	2011 HK\$'000
PRC	745,034	416,747
Taiwan	327,009	309,103
India	148,289	152,289
Hong Kong	49,732	17,320
United Kingdom	114,966	114,966
Others	362,874	211,125
	1,747,904	1,221,550

The recoverable amount of a CGU is determined based on higher of an asset's fair value less costs to sell and value-in-use calculations. As 31 December 2012, the recoverable amount of all CGUs were determined based on value-in-use calculation except that for Taiwan which was determined based on fair value less costs to sell with reference to its market share price. The value-in-use calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below:

Key assumptions used for value-in-use calculations

For the year ended 31 December 2012

	Logistics				
	PRC	India	Hong Kong	United Kingdom	Others
Gross margin	2% – 6%	4% – 7%	4% – 8%	5% – 6%	2% – 32%
Growth rate	2% – 3%	5%	2% – 3%	2%	2% – 5%
Discount rate	13%	15%	12%	9%	9% – 20%

For the year ended 31 December 2011

	Logistics				
	PRC	India	Hong Kong	United Kingdom	Others
Gross margin	3% – 10%	3% – 13%	5%	4% – 14%	2% – 44%
Growth rate	3%	5%	2%	2%	2% – 5%
Discount rate	13%	15%	12%	9%	9% – 15%

These assumptions have been used for the analysis of each CGU within the operating segment of logistics.

Management determined budgeted gross margin and growth rates based on past performance and its expectations of the market development. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments. Assuming growth rate decreased by 50 basis points and discount rate increased by 50 basis points, further impairment charge of HK\$5,504,000 is required for the goodwill at 31 December 2012.

NOTES TO THE FINANCIAL STATEMENTS

24 COMPLETED PROPERTIES HELD FOR SALE

	Group	
	2012 HK\$'000	2011 HK\$'000
Leasehold land and land use rights	2,423,153	1,599,618
Other development costs	2,639,639	1,100,528
	5,062,792	2,700,146

These completed properties held for sale are located in Hong Kong and the PRC.

25 LISTED SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2012 HK\$'000	2011 HK\$'000
Listed securities		
– Hong Kong	182,310	143,489
– Malaysia	148	128
Market value of listed securities	182,458	143,617

26 RESTRICTED AND PLEDGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

(a) Restricted and pledged bank deposits

	Group		Company	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Restricted bank deposits (i)	6,054	25,256	–	–
Pledged bank deposits (note 43)	12	3,279	–	–
	6,066	28,535	–	–

- (i) As at 31 December 2012, the Group's bank balances amounting to approximately HK\$6,054,000 (2011: HK\$25,256,000) were deposited in certain banks respectively as guarantee deposits for bank facilities of the Group, including mortgage loan facilities (note 42(a)(iii)) granted by the banks to the purchasers of the Group's certain properties.

26 RESTRICTED AND PLEDGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS (Continued)

(b) Cash and cash equivalents

	Group		Company	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Cash at bank and in hand	6,899,157	6,702,199	67,249	97,440
Short-term bank deposits (i)	9,160,358	10,843,087	3,343,796	7,766,308
Cash and bank balances	16,059,515	17,545,286	3,411,045	7,863,748
Secured bank overdrafts (note 43)	(23,960)	(15,215)	–	–
Unsecured bank overdrafts	(2,129)	(297)	–	–
Cash and bank balances less bank overdrafts	16,033,426	17,529,774	3,411,045	7,863,748
Less: short-term bank deposits maturing after more than three months	(1,878,914)	(1,427,821)	(150,000)	(1,025,003)
Cash and cash equivalents	14,154,512	16,101,953	3,261,045	6,838,745

Cash and bank balances less bank overdrafts are denominated in the following currencies:

	Group		Company	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Renminbi	7,563,478	7,227,752	23	883,921
Hong Kong dollar	3,837,933	8,762,961	409,089	6,887,825
United States dollar	3,650,318	629,678	2,868,479	91,960
Other currencies	981,697	909,383	133,454	42
	16,033,426	17,529,774	3,411,045	7,863,748

- (i) The effective interest rate on short-term bank deposits was 1.73% (2011: 1.97%) per annum; these deposits have an average maturity of less than 3 months.

NOTES TO THE FINANCIAL STATEMENTS

27 ACCOUNTS PAYABLE, DEPOSITS RECEIVED AND ACCRUED CHARGES

	Group	
	2012 HK\$'000	2011 HK\$'000
Trade payables	1,772,219	1,500,920
Construction costs payable	1,894,323	1,285,788
Rental deposits	680,818	578,267
Sales deposits	3,580,073	4,232,531
Consideration payable for acquisition of subsidiaries	424,827	300,903
Others	2,971,627	2,545,754
	11,323,887	10,444,163

The ageing analysis of trade payables of the Group as at 31 December 2012 was as follows:

	2012 HK\$'000	2011 HK\$'000
Below 1 month	1,036,628	746,615
Between 1 month and 3 months	551,519	416,846
Over 3 months	184,072	337,459
	1,772,219	1,500,920

The carrying amounts of the Group's accounts payables, deposits received and accrued charges are denominated in the following currencies:

	2012 HK\$'000	2011 HK\$'000
Renminbi	6,894,941	4,744,083
Hong Kong dollar	2,893,387	4,289,183
United States dollar	271,277	143,496
Pound Sterling	180,812	182,730
Other currencies	1,083,470	1,084,671
	11,323,887	10,444,163

28 BANK LOANS

	Group		Company	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Non-current				
Bank loans				
– unsecured	14,181,190	12,835,254	329,318	809,805
– secured (note 43)	5,032,887	2,986,569	–	–
	19,214,077	15,821,823	329,318	809,805
Current				
Bank loans				
– unsecured	2,103,220	5,187,193	500,000	–
– secured (note 43)	435,861	174,963	–	–
	2,539,081	5,362,156	500,000	–
Total bank loans	21,753,158	21,183,979	829,318	809,805

The maturity of bank loans is as follows:

	Group		Company	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Within 1 year	2,539,081	5,362,156	500,000	–
Between 1 and 2 years	1,230,535	2,876,427	–	500,000
Between 2 and 5 years	16,142,345	11,503,330	329,318	309,805
Repayable within 5 years	19,911,961	19,741,913	829,318	809,805
Over 5 years	1,841,197	1,442,066	–	–
	21,753,158	21,183,979	829,318	809,805

The effective annual interest rates of the major bank borrowings at the end of the reporting period were as follows:

	2012			2011		
	HK\$	US\$	RMB	HK\$	US\$	RMB
Bank loans	1.30%	3.29%	6.97%	1.35%	3.18%	7.00%

The carrying amounts of all bank loans approximate their fair value.

NOTES TO THE FINANCIAL STATEMENTS

28 BANK LOANS (Continued)

The carrying amounts of the bank loans are denominated in the following currencies:

	Group		Company	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Hong Kong dollar	14,939,617	16,503,717	500,000	500,000
United States dollar	93,455	104,551	–	–
Renminbi	5,669,450	3,793,364	–	–
Other currencies	1,050,636	782,347	329,318	309,805
	21,753,158	21,183,979	829,318	809,805

29 CONVERTIBLE BONDS

On 22 February 2007, Gainlead International Limited, a wholly-owned subsidiary of the Company, issued an aggregate principal amount of HK\$2,350,000,000 zero-coupon guaranteed convertible bonds which are due in February 2012 at a redemption price of 117.203% of the principal amount. The bonds are guaranteed by the Company as to repayments, and are convertible into ordinary shares of HK\$1 per share in the Company at an initial conversion price of HK\$52.65 per share. The conversion price is subject to adjustment in certain events set out in the Trust Deed dated 22 February 2007.

In February 2012, all convertible bonds were fully redeemed.

The fair value of the liability component was determined upon the issuance of the convertible bonds and the difference between the face value (net of transaction costs) and the fair value of the liability component is recognised as equity.

The fair value of the liability component was calculated using a market interest rate for a bond with the same tenure but with no conversion features. The residual amount, representing the value of the equity component, is credited to a convertible bonds reserve under equity attributable to the Company's shareholders.

29 CONVERTIBLE BONDS (Continued)

The convertible bonds recognised in the consolidated statement of financial position are calculated as follows:

	HK\$'000
Face value of convertible bonds at issue date	2,350,000
Less: equity component	(207,740)
Liability component on initial recognition	2,142,260
Less: direct issue costs attributable to liability component	(22,555)
Liability component on initial recognition, net of direct issue costs	2,119,705
	HK\$'000
Liability component on initial recognition net of direct issue costs	2,119,705
Add: imputed finance cost in 2010 or before	474,930
Liability component at 31 December 2010	2,594,635
Add: imputed finance cost in 2011 (note 8)	139,516
Liability component at 31 December 2011	2,734,151
Add: imputed finance cost in 2012 (note 8)	20,120
Less: redeemed during the year	(2,754,271)
Liability component at 31 December 2012	–

Imputed finance cost on the bonds is calculated using the effective interest method by applying the effective interest rate of 5.38% per annum.

30 FIXED RATE BONDS

On 25 August 2006, Gain Silver Finance Limited, a wholly-owned subsidiary of the Company, issued fixed rate bonds in the aggregate principal amount of US\$420,000,000. The fixed rate bonds are guaranteed by the Company as to repayment, and carry a coupon rate of 6.375% per annum and have a maturity term of 10 years.

On 6 April 2011, Wiseyear Holdings Limited ("Wiseyear"), a wholly-owned subsidiary of the Company, issued fixed rate bonds in the aggregate principal amount of US\$300,000,000. The fixed rate bonds are guaranteed by the Company as to repayment, and carry a coupon rate of 5.875% per annum and have a maturity term of 10 years.

In February 2012, Wiseyear issued fixed rate bonds in the aggregate principal amount of US\$600,000,000. The fixed rate bonds are guaranteed by the Company as to repayment, and carry a coupon rate of 5% per annum and have a maturity term of 5 years.

The fixed rate bonds are listed on the Singapore Exchange Securities Trading Limited. The market value of the fixed rate bonds as at 31 December 2012 was HK\$11,302,141,000 (2011: HK\$5,837,650,000).

NOTES TO THE FINANCIAL STATEMENTS

31 AMOUNTS DUE TO NON-CONTROLLING INTERESTS

The amounts due to non-controlling interests represent proportionate funding from the non-controlling interests of joint venture projects including an amount of approximately HK\$637,505,000 (2011: HK\$595,256,000) due to certain subsidiaries of Shangri-La Asia Limited ("SA"), a related company whose shares are listed on The Stock Exchange of Hong Kong Limited and an amount of approximately HK\$241,698,000 (2011: HK\$241,698,000) due to certain subsidiaries of Kerry Holdings Limited, an indirect holding company of the Company. These loans are unsecured, subordinated to the bank loans of the relevant subsidiaries, not repayable within twelve months from the end of reporting period, and interest-free except for an amount of HK\$602,610,000 (2011: HK\$987,257,000) which bears interest at prevailing market rates.

The carrying values of the Group's amounts due to non-controlling interests are denominated in the following currencies:

	2012 HK\$'000	2011 HK\$'000
Hong Kong dollar	2,158,355	2,732,883
United States dollar	198,490	199,847
Other currencies	191,619	69,684
	2,548,464	3,002,414

32 DEFERRED TAXATION

	Group	
	2012 HK\$'000	2011 HK\$'000
At 1 January	3,875,123	3,547,989
Acquisition of subsidiaries (note 39)	25,684	(72)
Deferred taxation charged to income statement	587,312	221,723
Deferred taxation charged to other comprehensive income	3,199	–
Exchange adjustment	10,514	105,483
At 31 December	4,501,832	3,875,123

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through the future taxable profits is probable. The Group has unrecognised tax losses of HK\$2,590,745,000 (2011: HK\$2,202,289,000) to be carried forward in offsetting the future taxable income. These tax losses have no expiry dates except for the tax losses of HK\$723,212,000 (2011: HK\$325,274,000) which will expire at various dates up to and including year 2021 (2011: year 2020).

As at 31 December 2012, the aggregate amount of unrecognised deferred tax liabilities associated with investments in subsidiaries and associates totalled approximately HK\$586,968,000 (2011: HK\$505,659,000), as the Directors consider that the timing of reversal of the related temporary differences can be controlled and the temporary differences will not reverse in the foreseeable future.

32 DEFERRED TAXATION (Continued)

The movements in deferred tax (assets) and liabilities during the year were as follows:

	Group				
	Revaluation HK\$'000	Accelerated depreciation allowances HK\$'000	Tax losses HK\$'000	Others HK\$'000	Total HK\$'000
At 1 January 2012	3,109,089	547,186	(61,785)	280,633	3,875,123
Acquisition of subsidiaries (note 39)	–	25,684	–	–	25,684
Deferred taxation charged to income statement	512,884	25,686	19,426	29,316	587,312
Deferred taxation charged to other comprehensive income	3,199	–	–	–	3,199
Exchange adjustment	25,460	2,028	–	(16,974)	10,514
At 31 December 2012	3,650,632	600,584	(42,359)	292,975	4,501,832

	Group				
	Revaluation HK\$'000	Accelerated depreciation allowances HK\$'000	Tax losses HK\$'000	Others HK\$'000	Total HK\$'000
At 1 January 2011	2,862,417	554,732	(111,550)	242,390	3,547,989
Acquisition of subsidiaries	–	(72)	–	–	(72)
Deferred taxation charged to income statement	120,294	11,538	49,765	40,126	221,723
Exchange adjustment	126,378	(19,012)	–	(1,883)	105,483
At 31 December 2011	3,109,089	547,186	(61,785)	280,633	3,875,123

33 RETIREMENT BENEFITS

Group companies operate various pension schemes. The schemes are funded through payments to independent trustee-administered funds. The Group has both defined contribution and defined benefit plans.

(a) Defined contribution plans

Pursuant to the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) (the "MPF Ordinance"), companies within the Group in Hong Kong have enrolled all employees in Hong Kong aged between 18 and 65 into a mandatory provident fund scheme (the "MPF Scheme") from 1 December 2000.

The MPF Scheme is a master trust scheme established under a trust arrangement and governed by laws in Hong Kong. The assets of the MPF Scheme are held separately from the assets of the employer, the trustees and other service providers. Contributions are made to the MPF Scheme by the employers at 5% of the employees' relevant income as defined in the MPF Ordinance up to a maximum of HK\$1,250 (prior to 1 June 2012: HK\$1,000) per employee per month (the "MPF Contribution"). The employees also contribute a corresponding amount to the MPF Scheme if their relevant income is HK\$6,500 (prior to 1 June 2012: HK\$5,000) per month or more. The MPF Contributions are fully and immediately vested in the employees as accrued benefits once they are paid to the approved trustees of the MPF Scheme. Investment income or profit derived from the investment of accrued benefits (after taking into account any loss arising from such investment) is also immediately vested in the employees.

NOTES TO THE FINANCIAL STATEMENTS

33 RETIREMENT BENEFITS (Continued)

(a) Defined contribution plans (Continued)

Certain companies within the Group are also participants of the Kerry Trading Co. Limited – Provident Fund Scheme (the “Fund”) which is a defined contribution scheme as defined in the Occupational Retirement Schemes Ordinance (Chapter 426 of the Laws of Hong Kong). The Fund is for certain salaried persons (the “Fund Members”) under the employment of the companies participating in the Fund. The assets of the Fund are managed by the trustees of the Fund. Contributions are made to the Fund by companies participating in the Fund at 10% of the Fund Members’ monthly basic salaries up to a maximum of HK\$10,000 (2011: HK\$10,000) per Fund Member per month (the “Basic Contribution”) less the MPF Contribution if the Basic Contribution is higher than the MPF Contribution. Fund Members are entitled to 100% of the employers’ contributions to the Fund plus investment earnings upon leaving employment after completing ten years of service or more, or upon retirement after attaining the retirement age after any number of years of service, or upon retirement due to ill health. Fund Members are also entitled to the employers’ contributions to the Fund plus investment earnings calculated at a reduced scale of between 20% and 90% after completing a period of service of at least two but less than ten years. The unvested benefits of employees terminating employment forfeited in accordance with the terms of the Fund can be utilised by the companies participating in the Fund to reduce future contributions. During the year, forfeited contributions totalling HK\$956,000 (2011: HK\$1,160,000) were utilised leaving HK\$472,000 (2011: HK\$241,000) available at the year end to reduce future contributions.

The Group also made defined contributions to pension plans as required by the relevant municipality or provincial governments in the PRC. The rates of contributions for the relevant periods ranged from 10% to 22% of the staff’s salary. For overseas subsidiaries, the Group made contributions to defined contribution pension schemes in accordance with the schemes set up by the overseas subsidiaries and/or under statutory requirements.

(b) Defined benefit plans

The Group operates defined benefit pension plans in Taiwan which are final salary defined benefit plans. The assets of the funded plans are held independently of the Group’s assets. The contributions are placed with a government institution. The plans are valued by an independent qualified actuary, Hsu Mao-Chin Actuary, annually using the projected unit credit method.

The amounts recognised in the consolidated statement of financial position are as follows:

	2012 HK\$'000	2011 HK\$'000
Fair value of plan assets	3,646	5,173
Present value of funded obligations	(352,344)	(325,331)
Unrecognised actuarial losses	191,388	151,829
Total pension liabilities	(157,310)	(168,329)

33 RETIREMENT BENEFITS (Continued)

(b) Defined benefit plans (Continued)

The movements in the fair value of plan assets for the year are as follows:

	2012 HK\$'000	2011 HK\$'000
At 1 January	5,173	1,652
Acquisition of subsidiaries	–	408
Actuarial gains	40	58
Employer contributions	36,997	33,278
Expected return on plan asset	(1,496)	–
Benefits paid	(37,698)	(29,754)
Exchange adjustment	630	(469)
At 31 December	3,646	5,173

The movements in the present value of defined benefit obligations recognised in the consolidated statement of financial position are as follows:

	2012 HK\$'000	2011 HK\$'000
At 1 January	325,331	312,737
Acquisition of subsidiaries	–	925
Current service cost	4,849	8,165
Interest cost	5,907	5,272
Actuarial losses	40,061	40,529
Benefits paid	(37,698)	(29,754)
Exchange adjustment	13,894	(12,543)
At 31 December	352,344	325,331

The amounts recognised in the consolidated income statement were as follows:

	2012 HK\$'000	2011 HK\$'000
Current service cost	4,849	8,165
Interest cost	5,907	5,272
Net actuarial losses recognised during the year	6,497	4,495
Total, included in staff costs (note 13)	17,253	17,932

Out of the total charge, HK\$13,132,000 (2011: HK\$12,318,000) and HK\$4,121,000 (2011: HK\$5,614,000) were included in direct operating expenses and administrative and other operating expenses respectively.

	2012 HK\$'000	2011 HK\$'000
Actual return on plan assets in the year	40	58

NOTES TO THE FINANCIAL STATEMENTS

33 RETIREMENT BENEFITS (Continued)

(b) Defined benefit plans (Continued)

The principal actuarial assumptions used are as follows:

	2012	2011
Discount rate applied to pension obligations	1.50%	1.75%
Expected return on plan assets	1.75%	1.75%
Future salary increases	1.00%	1.00% – 2.00%

The plan assets comprise 100% (2011: 100%) cash deposits.

The history of experience adjustments of 2010, 2011 and 2012 are as follows:

	2012 HK\$'000	2011 HK\$'000	2010 HK\$'000
Fair value of plan assets	3,646	5,173	1,652
Present value of pension obligations	(352,344)	(325,331)	(312,737)
Deficit	(348,698)	(320,158)	(311,085)
Experience adjustment on pension obligations	40,061	40,529	(3,067)
Experience adjustment on plan assets	40	58	66

Expected employer contribution to the plans of the Group for the year ending 31 December 2013 is HK\$37,069,000.

34 SHARE CAPITAL

	Authorised Ordinary shares of HK\$1 each	
	No. of shares	HK\$'000
At 31 December 2011 and 2012	10,000,000,000	10,000,000

	Issued and fully paid Ordinary shares of HK\$1 each			
	2012		2011	
	No. of shares	HK\$'000	No. of shares	HK\$'000
At 1 January	1,438,365,676	1,438,366	1,436,031,280	1,436,031
Issue of shares as a result of exercise of share options (note (a))	765,052	765	2,334,396	2,335
At 31 December	1,439,130,728	1,439,131	1,438,365,676	1,438,366

Notes:

- During the year, a total of 765,052 share options were exercised at exercise prices of HK\$6.85, HK\$18.74, HK\$17.58 and HK\$35.45 per share. Details of movements in share options during the year are set out in note 35.
- Proceeds received in respect of the shares issued following the exercise of the share options were used as additional working capital for the Group.

35 SHARE OPTIONS

(a) 1997 Share Option Scheme

Under the 1997 Share Option Scheme, the Directors of the Company were authorised, at their discretion, to invite executive directors and key employees of the Company or its subsidiaries to subscribe for shares in the Company subject to terms and conditions stipulated therein. The exercise price for any particular share option was determined by the Board of Directors of the Company in its absolute discretion subject to the compliance with the Listing Rules.

The 1997 Share Option Scheme was terminated on 17 April 2002 such that no further share options shall be offered but the share options which had been granted during its life shall continue to be valid and exercisable in accordance with their terms of issue and in all other respects its provisions shall remain in full force and effect.

Details of the movement of the share options under the 1997 Share Option Scheme are as follows:

	2012		2011	
	Weighted average exercise price in HK\$ per share	Number	Weighted average exercise price in HK\$ per share	Number
At 1 January	6.85	62,552	7.98	176,948
Exercised during the year (note (i))	6.85	(62,552)	8.60	(114,396)
At 31 December (note (ii))	–	–	6.85	62,552

As at 31 December 2012, all the outstanding share options granted under the 1997 Share Option Scheme were exercisable. For the share options exercised during the year, the related weighted average share price at the time of exercise was HK\$33.93 (2011: HK\$31.84) and the total amount of proceeds received was HK\$428,481 (2011: HK\$983,679). No share option was granted, or granted for adjustment, cancelled or lapsed during the year (2011: nil).

Notes:

(i) Details of share options exercised:

Exercise price per share (HK\$)	Number of share options	
	2012	2011
11.59	–	42,208
6.85	62,552	72,188
	62,552	114,396

NOTES TO THE FINANCIAL STATEMENTS

35 SHARE OPTIONS (Continued)

(a) 1997 Share Option Scheme (Continued)

Notes: (Continued)

(ii) Terms of share options at the end of the reporting period were as follows:

Expiry date	Exercise price per share	Number of share options	
	(HK\$)	2012	2011
15/04/2012	6.85	–	62,552
		–	62,552

(b) 2002 Share Option Scheme

Under the 2002 Share Option Scheme, the Directors of the Company may, at their discretion, grant share options to executives and key employees in the service of any member of the Group and other persons who may make a contribution to the Group subject to terms and conditions stipulated therein. The exercise price for any particular share option shall be such price as the Board of Directors of the Company may in its absolute discretion determine at the time of grant of the relevant share option subject to the compliance with the Listing Rules.

The 2002 Share Option Scheme was terminated on 5 May 2011 such that no further share options shall be offered but the share options which had been granted during its life shall continue to be valid and exercisable in accordance with their terms of issue and in all other respects its provisions shall remain in full force and effect.

Details of the movement of the share options under the 2002 Share Option Scheme are as follows:

	2012		2011	
	Weighted average exercise price in HK\$ per share	Number	Weighted average exercise price in HK\$ per share	Number
At 1 January	37.09	18,315,000	35.40	21,135,000
Exercised during the year (note (i))	17.82	(652,500)	18.14	(2,220,000)
Lapsed during the year	–	–	47.70	(600,000)
At 31 December (note (ii))	37.80	17,662,500	37.09	18,315,000

As at 31 December 2012, 17,662,500 (2011: 18,315,000) outstanding options granted under the 2002 Share Option Scheme were exercisable (note (ii)). For the share options exercised during the year, the related weighted average share price at the time of exercise was HK\$36.41 (2011: HK\$38.74) and the total amount of proceeds received was HK\$11,624,650 (2011: HK\$40,268,800). No share option was granted or granted for adjustment, cancelled or lapsed during the year (2011: nil).

35 SHARE OPTIONS (Continued)

(b) 2002 Share Option Scheme (Continued)

Notes:

(i) Details of share options exercised:

Exercise price per share (HK\$)	Number of share options	
	2012	2011
18.74	132,500	1,070,000
17.58	520,000	1,150,000
	652,500	2,220,000

(ii) Terms of share options at the end of the reporting period were as follows:

Exercise period	Exercise price per share (HK\$)	Number of share options	
		2012	2011
17/03/2006 – 16/03/2015	18.74	195,000	257,500
17/03/2007 – 16/03/2015	18.74	1,307,500	1,377,500
02/04/2009 – 01/04/2018	47.70	2,950,000	2,950,000
02/04/2010 – 01/04/2018	47.70	2,950,000	2,950,000
02/04/2011 – 01/04/2018	47.70	5,900,000	5,900,000
06/02/2010 – 05/02/2019	17.58	1,960,000	2,150,000
06/02/2011 – 05/02/2019	17.58	2,400,000	2,730,000
		17,662,500	18,315,000

(c) 2011 Share Option Scheme

The 2011 Share Option Scheme was adopted by the Company on 5 May 2011. Under the 2011 Share Option Scheme, the Directors of the Company may, at their absolute discretion, grant share options to motivate executives and key employees and other persons who may make a contribution to the Group, and enables the Group to attract and retain individuals with experience and ability and to reward them for their contributions. The exercise price for any particular share options shall be such price as the Board of Directors of the Company may in its absolute discretion determine at the time of grant of the relevant share options subject to the compliance with the Listing Rules.

NOTES TO THE FINANCIAL STATEMENTS

35 SHARE OPTIONS (Continued)

(c) 2011 Share Option Scheme (Continued)

Details of the movement of the share options under the 2011 Share Option Scheme are as follows:

	2012		2011	
	Weighted average exercise price in HK\$ per share	Number	Weighted average exercise price in HK\$ per share	Number
At 1 January	–	–	–	–
Granted during the year (note (ii))	35.45	24,340,000	–	–
Exercised during the year	35.45	(50,000)	–	–
Lapsed during the year	35.45	(130,000)	–	–
At 31 December (note (i))	35.45	24,160,000	–	–

As at 31 December 2012, 11,955,000 (2011: nil) outstanding share options granted under the 2011 Share Option Scheme were exercised (note (i)). For the share options exercised during the year, the exercise price per share was HK\$35.45, the related weighted average share price at the time of exercise was HK\$39.63 and the total amount of proceeds received was HK\$1,772,500 (2011: nil). No share option was granted for adjustment or cancelled during the year (2011: nil).

Notes:

(i) Terms of share options at the end of the reporting period were as follows:

Exercise period	Exercise price per share	Number of share options	
	(HK\$)	2012	2011
31/10/2012 – 29/04/2022	35.45	11,955,000*	–
15/02/2013 – 29/04/2022	35.45	50,000	–
01/04/2013 – 29/04/2022	35.45	50,000	–
31/10/2013 – 29/04/2022	35.45	12,105,000	–
		24,160,000	–

* Outstanding options that were exercisable at the end of the reporting period.

35 SHARE OPTIONS (Continued)

(c) 2011 Share Option Scheme (Continued)

Notes: (Continued)

- (ii) As at 31 December 2012, 12,205,000 outstanding share options granted on 30 April 2012 remained unvested. 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 was 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:	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.

36 SHARE PREMIUM

	2012 HK\$'000	2011 HK\$'000
At 1 January	12,190,587	12,127,520
Arising from exercise of share options (note 34(a))	13,061	38,918
Transfer from share options reserve (note 37(f))	5,031	24,149
At 31 December	12,208,679	12,190,587

NOTES TO THE FINANCIAL STATEMENTS

37 OTHER RESERVES

	Group					
	Other properties revaluation reserve HK\$'000	Available-for-sale investments revaluation reserve HK\$'000	Convertible bonds reserve HK\$'000	Hedging reserve HK\$'000	Others (note (a)) HK\$'000	Total HK\$'000
At 1 January 2012	31,638	1,051,758	205,552	63,797	13,247,592	14,600,337
Fair value gain recognised upon the transfer from leasehold land and buildings to investment properties, net of tax	9,598	-	-	-	-	9,598
Cash flow hedges:						
– Fair value gains	-	-	-	32,954	-	32,954
– Transfer to finance costs (note 8)	-	-	-	(14,762)	-	(14,762)
Fair value gain on available-for-sale investments	-	240,479	-	-	-	240,479
Share of fair value gain on cash flow hedge of an associate	-	-	-	949	-	949
Share of exchange reserve of associates	-	-	-	-	438	438
Net translation differences on foreign operations	-	-	-	-	445,717	445,717
Transfer to share premium	-	-	-	-	(5,031)	(5,031)
Value of employee services	-	-	-	-	173,103	173,103
Transfer (to)/from retained profits	-	-	(205,552)	-	11,473	(194,079)
Acquisition of additional interest in subsidiaries	-	-	-	-	(176,182)	(176,182)
Disposal of partial interest in a subsidiary	-	-	-	-	434,660	434,660
At 31 December 2012	41,236	1,292,237	-	82,938	14,131,770	15,548,181

37 OTHER RESERVES (Continued)

	Group					
	Other properties revaluation reserve HK\$'000	Available-for-sale investments revaluation reserve HK\$'000	Convertible bonds reserve HK\$'000	Hedging reserve HK\$'000	Others (note (a)) HK\$'000	Total HK\$'000
At 1 January 2011	31,638	1,204,375	205,552	(3,946)	12,000,220	13,437,839
Cash flow hedges:						
– Fair value gains	–	–	–	74,688	–	74,688
– Transfer to finance costs (note 8)	–	–	–	(9,940)	–	(9,940)
Fair value loss on available-for-sale investments	–	(152,617)	–	–	–	(152,617)
Share of fair value gain on cash flow hedge of an associate	–	–	–	2,995	–	2,995
Share of exchange reserve of associates	–	–	–	–	(1,555)	(1,555)
Net translation differences on foreign operations	–	–	–	–	1,413,665	1,413,665
Transfer to share premium	–	–	–	–	(24,149)	(24,149)
Value of employee services	–	–	–	–	10,296	10,296
Transfer from retained profits	–	–	–	–	4,321	4,321
Acquisition of additional interest in subsidiaries	–	–	–	–	(155,206)	(155,206)
At 31 December 2011	31,638	1,051,758	205,552	63,797	13,247,592	14,600,337

NOTES TO THE FINANCIAL STATEMENTS

37 OTHER RESERVES (Continued)

(a) Others

	Group						Total HK\$'000
	Capital reserve (note (b)) HK\$'000	Share options reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Enterprise expansion and general reserve funds (note (c)) HK\$'000	Capital redemption reserve (note (d)) HK\$'000	Acquisition reserve (note (e)) HK\$'000	
At 1 January 2011	8,298,842	252,861	3,432,708	20,172	7,868	(12,231)	12,000,220
Share of exchange reserve of associates	-	-	(1,555)	-	-	-	(1,555)
Net translation differences on foreign operations	-	-	1,413,665	-	-	-	1,413,665
Transfer to share premium (note 36)	-	(24,149)	-	-	-	-	(24,149)
Value of employee services	-	10,296	-	-	-	-	10,296
Transfer from retained profits	-	-	-	4,321	-	-	4,321
Acquisition of additional interest in a subsidiary	-	-	-	-	-	(155,206)	(155,206)
At 31 December 2011	8,298,842	239,008	4,844,818	24,493	7,868	(167,437)	13,247,592
At 1 January 2012	8,298,842	239,008	4,844,818	24,493	7,868	(167,437)	13,247,592
Share of exchange reserve of associates	-	-	438	-	-	-	438
Net translation differences on foreign operations	-	-	445,717	-	-	-	445,717
Transfer to share premium (note 36)	-	(5,031)	-	-	-	-	(5,031)
Value of employee services	-	173,103	-	-	-	-	173,103
Transfer from retained profits	-	-	-	11,473	-	-	11,473
Acquisition of additional interest in subsidiaries	-	-	-	-	-	(176,182)	(176,182)
Disposal of partial interest in a subsidiary	-	-	-	-	-	434,660	434,660
At 31 December 2012	8,298,842	407,080	5,290,973	35,966	7,868	91,041	14,131,770

- (b) Capital reserve of the Group arose from the Group's reorganisation in preparation for its listing on The Stock Exchange of Hong Kong Limited in August 1996, adjusted by the excess or deficit of the fair values of the net assets of subsidiaries and associates subsequently acquired over the cost of investment at the date of acquisition before 1 January 2001.
- (c) Enterprise expansion and general reserve funds are set up by subsidiaries and associates established and operating in the PRC. According to the PRC Foreign Enterprise Accounting Standards, upon approval, the enterprise expansion reserve fund may be used for increasing capital while the general reserve fund may be used for making up losses and increasing capital.

37 OTHER RESERVES (Continued)

- (d) The capital redemption reserve arose from the purchase of the Company's shares for cancellation during 1998 and 2002 and represents a transfer from the Company's retained profits equivalent to the nominal value of the shares purchased for cancellation.
- (e) The acquisition reserve arose from the acquisition of additional interest or disposal of interest in subsidiaries that do not result in a loss of control by the Group, and represents any differences between the amount by which the non-controlling interests are adjusted (to reflect the changes in the interests in the subsidiaries) and the fair value of the consideration paid or received.
- (f) Other reserves of the Company

	Contributed surplus HK\$'000	Convertible bonds reserve HK\$'000	Share options reserve HK\$'000	Capital redemption reserve (note (d)) HK\$'000	Hedging reserve HK\$'000	Total HK\$'000
At 1 January 2011	17,793,308	205,552	252,861	7,868	-	18,259,589
Transfer to share premium (note 36)	-	-	(24,149)	-	-	(24,149)
Value of employee services	-	-	10,296	-	-	10,296
Cash flow hedge						
– Fair value gain	-	-	-	-	6,872	6,872
– Transfer to finance costs	-	-	-	-	(9,849)	(9,849)
At 31 December 2011	17,793,308	205,552	239,008	7,868	(2,977)	18,242,759
At 1 January 2012	17,793,308	205,552	239,008	7,868	(2,977)	18,242,759
Transfer to share premium (note 36)	-	-	(5,031)	-	-	(5,031)
Value of employee services	-	-	173,103	-	-	173,103
Cash flow hedge						
– Fair value gain	-	-	-	-	21,428	21,428
– Transfer to finance costs	-	-	-	-	(19,493)	(19,493)
Transfer to retained profits	-	(205,552)	-	-	-	(205,552)
At 31 December 2012	17,793,308	-	407,080	7,868	(1,042)	18,207,214

The contributed surplus of the Company arose when the Company issued shares in exchange for the shares of companies being acquired, and represents the difference between the nominal value of the Company's shares issued and the value of net assets of the companies acquired. At Group level, the contributed surplus is reclassified into its components of reserves of the underlying subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS

38 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of profit before taxation to net cash generated from operations

	Group	
	2012 HK\$'000	2011 HK\$'000
Profit before taxation	9,899,237	7,102,983
Depreciation of property, plant and equipment and amortisation of leasehold land and land use rights	391,278	349,017
Amortisation of intangible assets	38,043	3,721
Dividend income from listed and unlisted investments	(80,378)	(69,926)
Interest income	(292,543)	(228,372)
Loss on disposal of property, plant and equipment	71,459	53,935
Gain on sale of investment properties	(44,913)	(273,954)
Gain on disposal of subsidiaries	–	(28,808)
Gain on disposal of associates	–	(3,482)
Fair value (gain)/loss on listed securities at fair value through profit or loss	(38,837)	82,053
Fair value (gain)/loss on contingent payment for acquisition of subsidiaries	(8,068)	9,973
Impairment of available-for-sale investments	82	515
Impairment of goodwill	7,000	7,303
Change in net pension liabilities	(19,744)	(19,841)
Increase in fair value of investment properties	(2,943,032)	(1,605,932)
Finance costs	559,572	333,771
Share of results of associates	(573,443)	(2,354,901)
Operating profit before working capital changes	6,965,713	3,358,055
Decrease/(increase) in properties under development, completed properties held for sale and accounts receivable, prepayments and deposits	5,445,291	(3,427,823)
Increase in accounts payable, deposits received and accrued charges	740,160	3,679,909
Net cash generated from operations	13,151,164	3,610,141

(b) Analysis of the net cash outflow in respect of the acquisition of subsidiaries – business combinations

	2012 HK\$'000	2011 HK\$'000
Cash consideration paid	(414,416)	(439,599)
Cash consideration paid for prior year's acquisition	(125,122)	(24,699)
Cash and bank balances acquired	106,156	101,751
Net cash outflow in respect of the acquisition of subsidiaries	(433,382)	(362,547)

38 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(c) Analysis of the net cash outflow in respect of the acquisition of subsidiaries – acquisition of assets

In January 2012, the Group acquired 100% of the equity interest in Kerry Logistics Anhui Co., Ltd. (formerly known as Hefei Huaxing Automobile Parts Co., Ltd.), which owned a warehouse in Hefei Economic and Technological Development Zone.

	HK\$'000
Cash consideration paid	(59,208)
Cash and bank balances acquired	234
Net cash outflow in respect of the acquisition of subsidiary	(58,974)

The recognised amounts of identifiable assets acquired and liabilities assumed as at the date of acquisition are as follows:

	HK\$'000
Property, plant and equipment	86
Investment properties	59,048
Accounts receivable, prepayments and deposits	13,198
Cash and bank balances	234
Accounts payable, deposits received and accrued charges	(13,299)
Taxation	(59)
Total identifiable net assets	59,208

NOTES TO THE FINANCIAL STATEMENTS

38 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(d) Transactions with non-controlling interests

During the year, the Group completed several transactions with non-controlling interests as follows:

During 2012, the Group acquired additional effective interests of 4% and 4.77% in EAE Logistics Holding Limited ("EAE") and Kerry TJ at cash consideration of HK\$3,917,000 and HK\$252,156,000 respectively. The carrying amounts of the non-controlling interests in EAE and Kerry TJ being acquired were HK\$1,324,000 and HK\$78,567,000 on the dates of acquisitions respectively. The effect of these transactions are summarised as follows:

	HK\$'000
Consideration paid to non-controlling interests	(256,073)
Decrease in non-controlling interests	79,891
Excess of consideration paid recognised in equity	(176,182)

In September 2012, the Group disposed 25% equity interests in Kerry Real Estate (Hangzhou) Co. Ltd. ("Hangzhou Company") at a consideration of HK\$1,182,419,000 to Shangri-La China Limited, a wholly-owned subsidiary of Shangri-La Asia Limited. The carrying amount of the interests in Hangzhou Company being disposed was HK\$839,990,000 on the date of disposal. The effect of the transaction is summarised as follows:

	HK\$'000
Consideration received from non-controlling interests	1,182,419
Tax paid	(42,722)
Increase in non-controlling interests	(839,990)
Release of exchange reserve	134,953
Excess of consideration received recognised in equity	434,660

38 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(e) Analysis of the net cash inflow in respect of the disposal of subsidiaries

	2012 HK\$'000	2011 HK\$'000
Net assets disposed of:		
Property, plant and equipment	–	670
Properties under development	–	262,158
Land deposits	–	2,046,970
Completed properties held for sale	–	93,788
Accounts receivables, prepayments and deposits	–	19,173
Cash and bank balances	–	60,772
Accounts payable, deposits received and accrued charges	–	(31,937)
Taxation	–	(5,304)
Bank loan	–	(157,625)
	–	2,288,665
Interest in an associate	–	(1,023,449)
	–	1,265,216
Gain on disposal of subsidiaries	–	28,808
	–	1,294,024
Total consideration	–	1,294,024
Cash and bank balances disposed of	–	(60,772)
Net cash inflow in respect of the disposal of subsidiaries	–	1,233,252

39 BUSINESS COMBINATIONS

During the year, the Group completed several acquisitions of subsidiaries as follows:

In January, the Group acquired an additional 50% interest in 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, the Group acquired 100% interest in Zhongshan Dajindun Trading Limited which is engaging in food trading and wholesaling business in the PRC.

In January, the Group acquired 51% interest in Beijing Tengchang International Logistics Co., Ltd., a Non-Vessel Operating Common Carrier (“NVOCC”) which operates one of the major air freight consolidation platforms in Beijing.

In January, the Group acquired 51% interest in Shanghai Tenglong International Freight Agency Co., another NVOCC which operates one of the major air freight consolidation platforms in Shanghai.

NOTES TO THE FINANCIAL STATEMENTS

39 BUSINESS COMBINATIONS (Continued)

In January, the Group acquired 60% interest in Hang Fung Supply Chain Limited, which is engaging in trading, sales and distribution of food and beverage products and catering supplies in Hong Kong.

In March, the Group acquired 70% effective interest in Tin Thanh Express Joint Stock Company (subsequently renamed as Kerry TTC Express Joint Stock Company) which is engaging in domestic express delivery services in Vietnam.

In June, the Group acquired 100% interest in Taishan Insurance Brokers Limited which is engaging in insurance broking services mainly in Hong Kong and the PRC.

In June, the Group acquired 60% interest in Kerry Logistics Cold Chain (Australia) Pty Ltd. which is engaging in cold chain distribution services in Australia.

In July, the Group acquired 48.3% effective interest in CF Express Co Ltd which is engaging in domestic same-day delivery service in Taiwan.

In July, the Group acquired 60% effective interest in TGX Group which is engaging in local express delivery service in Hong Kong as well as international express delivery service to the PRC, Taiwan, Macau and Germany.

In August, the Group acquired 60% interest in Fast Forward Logistics Sdn. Bhd. and Able Meridian Logistics Sdn. Bhd. which are engaging in custom brokerage and container haulage business in Malaysia.

Aggregate consideration of the above transactions is as follows:

	HK\$'000
Cash consideration paid	414,416
Consideration to be paid	257,114
Total	671,530

39 BUSINESS COMBINATIONS (Continued)

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

	HK\$'000
Property, plant and equipment	55,228
Intangible assets	
– Customer relationships	74,930
– Non-compete agreements	9,244
– Trademark	14,466
Available-for-sale investments	7,479
Accounts receivable, prepayments and deposits	219,348
Cash and bank balances	106,156
Accounts payable, deposits received and accrued charges	(189,253)
Bank loans	(14,212)
Taxation	(2,158)
Deferred taxation	(25,684)
Total identifiable net assets	255,544
Goodwill	533,354
Non-controlling interests	(113,385)
Interest in an associate	(3,983)
Total	671,530

The goodwill of HK\$533,354,000 arising from these acquisitions is attributable to the profitability and the synergies expected to arise from the acquired businesses.

The acquired businesses contributed revenues of HK\$2,103,447,000 and net profit of HK\$42,293,000 to the Company's shareholders for the period from their respective acquisition up to 31 December 2012. If the acquisitions had occurred on 1 January 2012, the contributed revenues and profit attributable to Company's shareholders for the year ended 31 December 2012 would have been HK\$2,280,011,000 and HK\$30,923,000 respectively.

The contingent consideration arrangement required the Group to pay former owners undiscounted amount up to maximum of HK\$266,465,000 based on multiple of the profit before taxation of the businesses for certain years. The fair value of the contingent consideration of HK\$252,655,000 has been provided in the consolidated financial statements of the Group.

NOTES TO THE FINANCIAL STATEMENTS

40 RELATED PARTY TRANSACTIONS

The following significant transactions were carried out with related parties during the year:

(a) Purchases of services

	2012 HK\$'000	2011 HK\$'000
Marketing, consultancy and administrative management fees expense (note (i))	16,448	15,226
Rental expense (note (ii))	35,738	36,888

- (i) This represents payment of services fees to Shangri-La International Hotel Management Limited, a subsidiary of SA, which provided marketing, consultancy and administrative management services to a member of the Group. The service fees payable during the year were determined at either a fixed amount or a certain percentage of the gross operating revenue of the relevant company in accordance with the agreement for the provision of the above services.
- (ii) This represents payment of rental expenses to Ubagan Limited, an associate of the Group, in respect of leasing of several units and floors of Kerry Centre as corporate offices and several car parking spaces for the use by the Group in conjunction with such offices.

(b) Key management compensation

	2012 HK\$'000	2011 HK\$'000
Salaries and other short-term benefits	128,543	103,420
Share-based payments	59,213	5,328
Post-employment benefits	823	720
	188,579	109,468

(c) Year-end balances

	2012 HK\$'000	2011 HK\$'000
Receivables from related parties:		
Associates (note 19)	3,520,470	3,404,030
Payables to related parties:		
Included under amounts due to non-controlling interests (note 31)		
– Subsidiaries of SA	637,505	595,256
– Subsidiaries of Kerry Holdings Limited	241,698	241,698
Associates (note 19)	59,124	60,803

40 RELATED PARTY TRANSACTIONS (Continued)

(d) Guarantees for banking and other facilities of certain associates

The Group has executed guarantees for banking and other facilities granted to certain associates. The utilised amount of such facilities covered by the Group's guarantees which also represented the financial exposure of the Group as at 31 December 2012 amounted to approximately HK\$1,496,416,000 (2011: HK\$1,576,413,000). The total amount of such facilities covered by the Group's guarantees as at 31 December 2012 amounted to approximately HK\$2,360,790,000 (2011: HK\$2,594,570,000). The above-mentioned amounts are also reflected in the guarantees given by the Group for banking and other facilities disclosed in note 42(a).

(e) Other related party transactions

During the year, certain subsidiaries of the Group entered into sale and purchase agreements with certain related parties for sale of properties in Hong Kong for a total consideration of HK\$146,956,000. The sales of property units to related parties were in the ordinary course of business of the Group.

41 COMMITMENTS

- (a) At 31 December 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:

	2012 HK\$'000	2011 HK\$'000
Contracted but not provided for	9,090,849	7,743,340
Authorised but not contracted for	371,143	440,599
	9,461,992	8,183,939

- (b) At 31 December 2012, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	2012 HK\$'000	2011 HK\$'000
Land and buildings:		
Within one year	316,324	326,670
In the second to fifth year, inclusive	379,917	450,242
Over five years	183,517	153,517
	879,758	930,429

- (c) At 31 December 2012, the Group had future aggregate minimum lease rental receivable under non-cancellable operating leases as follows:

	2012 HK\$'000	2011 HK\$'000
Land and buildings:		
Within one year	1,486,209	1,455,148
In the second to fifth year, inclusive	1,615,595	1,386,512
Over five years	426,219	415,818
	3,528,023	3,257,478

NOTES TO THE FINANCIAL STATEMENTS

42 CONTINGENT LIABILITIES

(a) Guarantees for banking and other facilities

	Group		Company	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Guarantees for banking and other facilities of certain subsidiaries and associates (notes (i) and (ii))	1,496,416	1,576,413	18,027,852	19,302,484
Guarantees to certain banks for mortgage facilities granted to first buyers of certain properties in the PRC (note (iii))	722,885	765,187	–	–
Guarantees to convertible bondholders (note (iv))	–	–	–	2,734,151
Guarantees to fixed rate bondholders (note (v))	–	–	10,153,100	5,561,518
	2,219,301	2,341,600	28,180,952	27,598,153

- (i) The Group has executed guarantees for banking and other facilities granted to certain associates. The utilised amount of such facilities covered by the Group's guarantees which also represented the financial exposure of the Group as at 31 December 2012 amounted to approximately HK\$1,496,416,000 (2011: HK\$1,576,413,000). The total amount of such facilities covered by the Group's guarantees as at 31 December 2012 amounted to approximately HK\$2,360,790,000 (2011: HK\$2,594,570,000).
- (ii) The Company has executed guarantees to banks for facilities granted to certain subsidiaries and associates. The utilised amount of such facilities covered by the Company's guarantees which also represented the financial exposure of the Company as at 31 December 2012 amounted to approximately HK\$18,027,852,000 (2011: HK\$19,302,484,000). The total amount of such facilities covered by the Company's guarantees as at 31 December 2012 amounted to approximately HK\$24,401,420,000 (2011: HK\$26,532,566,000).
- (iii) The Group has executed guarantees to certain banks for mortgage facilities granted to first buyers of certain properties developed by the Group in the PRC. The utilised amount of such facilities covered by the Group's guarantees which also represented the financial exposure of the Group as at 31 December 2012 amounted to approximately HK\$722,885,000 (2011: HK\$765,187,000). The total amount of such facilities covered by the Group's guarantees as at 31 December 2012 amounted to approximately HK\$8,100,318,000 (2011: HK\$8,887,153,000).
- (iv) The Company has executed guarantees in favour of convertible bondholders in respect of the outstanding convertible bonds issued by the Group (note 29).
- (v) The Company has executed guarantees in favour of fixed rate bondholders in respect of the outstanding fixed rate bonds issued by the Group (note 30).

42 CONTINGENT LIABILITIES (Continued)

(b) Other guarantees and undertakings

- (i) A wholly-owned subsidiary of the Company, through its associate, has a 40% interest in a company which is engaged in the development of a site at the Hang Hau Mass Transit Railway Station Development (the "Hang Hau Developer"). The Hang Hau Developer was granted exclusive rights to develop the site pursuant to a development agreement (the "Hang Hau Development Agreement") entered into by the Hang Hau Developer with, amongst others, MTR Corporation Limited ("MTRC").

Pursuant to a deed of guarantee in relation to the above development, the Company has provided several guarantees in favour of MTRC for the due and punctual performance and observance by the Hang Hau Developer of 40% of its obligations, liabilities, stipulations, acts and duties under or in connection with the Hang Hau Development Agreement and the due and punctual payment of 40% of all monies and liabilities due, owing or payable to MTRC from the Hang Hau Developer under or in connection with the Hang Hau Development Agreement.

- (ii) The Group has a 50% interest in a company ("Party 1") which owns a piece of land in Cheung Sha Wan while another company ("Party 2") owns an adjacent piece of land. Party 1 and Party 2 are negotiating the joint redevelopment of the two pieces of land. Prior to the joint redevelopment, the parties need to surrender the existing two pieces of land to the Government in exchange for the grant of a new lot for commercial/residential development with public car park facilities (the "Proposed Land Exchange"). The Proposed Land Exchange involves the grant of a street and its associated footpaths as part of the new lot and requires the permanent closure of the abovementioned street and its associated footpaths.

Pursuant to an undertaking (the "Undertaking") dated 6 January 2006, in consideration of the Government entering into and continuing the negotiations with Party 1 and Party 2 on the Proposed Land Exchange, the Company and other parties, including the holding companies of the shareholders of Party 1 and Party 2, have jointly and severally undertaken, covenanted and agreed that they shall indemnify and keep indemnified the Government and any of its officers from and against all and any actions (including judicial reviews), liabilities, demands, claims, expenses, costs and losses arising directly or indirectly out of or in connection with the gazetting of the permanent closure of the abovementioned street and its associated footpaths under the Roads (Works, Use and Compensation) Ordinance and the authorisation of such closure.

Pursuant to a deed of cross indemnity and a collateral deed of cross indemnity, both dated 6 January 2006, the Group's liabilities under the Undertaking shall be several and shall be determined based on its share of interest in the joint redevelopment.

- (iii) A wholly-owned subsidiary of the Company, Wealthy State Investments Limited ("Wealthy State"), has been granted the right to jointly develop a site in Sai Ying Pun, Hong Kong pursuant to a development agreement (the "SYP Development Agreement") entered into between Wealthy State and the Urban Renewal Authority ("URA").

Pursuant to a guarantee in relation to the above development, the Company has provided guarantees in favour of URA for the due and punctual performance and fulfilment of all Wealthy State's obligations under the SYP Development Agreement or arising out of or in connection with the SYP Development Agreement (including Wealthy State's obligations to make payments under the terms of the SYP Development Agreement).

42 CONTINGENT LIABILITIES (Continued)

(c) Litigation

Kerry EAS Logistics Limited ("KEAS"), a company in which the Group has a 70% interest, is involved in a legal case in which an airline operator, together with five other plaintiffs, including the insurers of the aircraft concerned, are claiming damages, costs and interest, against six defendants, including KEAS, on a joint and several basis in relation to the alleged damages, amounting to approximately US\$65.6 million (approximately HK\$511.7 million at the exchange rate of US\$1 = HK\$7.8) caused to an aircraft in 2000 in respect of the transportation of certain chemical substance.

The alleged damages of approximately US\$65.6 million sought by the plaintiffs represent the market value of their aircraft at the time when the damage occurred less the resale value of the aircraft after repairs.

In the Court judgment given by Beijing High Level People's Court (the "Court") on 5 December 2007 (the "Judgment"), it was stated that KEAS had fulfilled all its obligations in this case and it had no liability to any of the plaintiffs. All claims brought by the airline operator together with the other five plaintiffs against KEAS, and the other three defendants were all dismissed by the Court. Judgment was entered by the Court in favour of all plaintiffs against the other two defendants for the amount of US\$65.1 million. All the six plaintiffs and one of the defendants ("Principal Defendant") had lodged their appeal. Subsequently, the Principal Defendant withdrew its appeal, leaving only the plaintiffs' appeal to be heard.

The appeal was heard by The Supreme People's Court of the People's Republic of China (the "Appeal Court") on 30 July 2009. By a judgment dated 25 December 2012 handed down on 28 January 2013 (the "Appeal Judgment"), the Appeal Court reaffirmed that the Principal Defendant should be primarily and fully liable for the plaintiffs' claims and revised the judgment sum upward to approximately US\$65.8 million, including certain experts' fees. On the other hand, the Appeal Court partially overturned the Judgment and held that in the event the plaintiffs are not able to fully recover the judgment sum from the Principal Defendant, KEAS and another defendant shall each be liable towards the plaintiffs to the extent of 5% of the part of judgment sum unrecoverable from the Principal Defendant. The Principal Defendant is in bankruptcy process and the prospect of recovery against it is in doubt.

The Appeal Judgment takes effect and is enforceable immediately upon issuance under the laws of the People's Republic of China ("PRC"). However, the parties to the appeal are entitled to apply for retrial of the case within 6 months from the Appeal Judgment if any errors in the Appeal Judgment are identified. If no parties seek for retrial of the case within 6 months, the maximum amount payable by KEAS to the plaintiffs under the Appeal Judgment is approximately US\$3.3 million. If any parties apply for retrial of the case within the prescribed time and if the Appeal Court decides to retry the case, KEAS' liabilities (if any) will be reassessed by the Appeal Court during the retrial.

Save as disclosed above, as at the reporting date of the Group's consolidated financial statements, the Company was not aware of any further development of this legal action. Pursuant to the sale and purchase agreement for the acquisition of KEAS, the vendor of KEAS, who has retained 30% interest in KEAS, has undertaken to indemnify the Group in full in respect of all losses, costs, expenses and other responsibilities and liabilities arising from the above legal action against KEAS. Accordingly, no provision has been made in the financial statements.

43 PLEDGE OF ASSETS – GROUP

At 31 December 2012, the Group's total bank loans and overdrafts of HK\$21,779,247,000 (2011: HK\$21,199,491,000) included an aggregate amount of HK\$16,286,539,000 (2011: HK\$18,022,744,000) which is unsecured and an aggregate amount of HK\$5,492,708,000 (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 (notes 14 to 17);
- (ii) charges on bank balances amounting to HK\$12,000 (2011: HK\$3,279,000) (note 26) of certain subsidiaries; and
- (iii) assignments of insurance proceeds of certain properties.

44 EVENT AFTER THE REPORTING PERIOD

In March 2013, the Group acquired a site in Ho Man Tin, Kowloon, Hong Kong for HK\$11,687,880,000 through public tender.

45 ULTIMATE HOLDING COMPANY

The directors regard Kerry Group Limited, a company incorporated in the Cook Islands, as being the ultimate holding company.

NOTES TO THE FINANCIAL STATEMENTS

46 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES

(i) Principal Subsidiaries

As at 31 December 2012, the Company held interests in the following subsidiaries which are categorised according to the business divisions of the Group, namely, Property Division, Logistics Network Division and Other Divisions as listed below:

Name	Place of incorporation/ establishment	Principal activities	Issued share capital ⁽¹⁾ / Registered capital		Indirect interest held unless denoted with*	Notes
			Number/ Amount	Par value per share		
Property Division – PRC						
Beijing Jia Ao Real Estate Development Co., Ltd.	PRC	Property investment	US\$77,967,600	–	71.25%	(6)(9)
Beijing Kerry Hotel Co., Ltd.	PRC	Hotel ownership and operation	US\$33,000,000	–	71.25%	(6)(9)
Beijing Kerry Huayuan Real Estate Development Co., Ltd.	PRC	Property trading	RMB178,500,000	–	71%	(5)(6)(9)
Changsha Guang Yue Real Estate Co., Ltd.	PRC	Property development	RMB218,000,000	–	100%	(5)(6)(8)
Full Fortune Real Estate (Putian) Co., Ltd.	PRC	Property development	RMB500,000,000	–	60%	(5)(8)
Hong Kong Shanghai Development Co Limited	HK	Investment holding	8,000,000	HK\$1	75%	
Huiyao Real Estate (Hangzhou) Co., Ltd.	PRC	Property development	RMB1,240,000,000	–	100%	(5)(6)(8)
Kerry Cao Jia Yan Properties (Shanghai) Co., Ltd.	PRC	Property investment and trading	US\$13,400,000	–	100%	(5)(8)
Kerry Centre Real Estate (Shenzhen) Co. Ltd.	PRC	Property investment	HK\$142,000,000	–	100%	(5)(6)(8)
Kerry Development (Chengdu) Ltd.	PRC	Property trading	RMB675,000,000	–	55%	(5)(6)(8)
Kerry Development (Manzhouli) Co., Ltd.	PRC	Property trading and development	US\$6,800,000	–	100%	(5)(8)
Kerry Development (Shanghai) Co., Ltd.	PRC	Property investment	US\$5,000,000	–	100%	(8)
Kerry Development (Shenzhen) Co., Ltd.	PRC	Property investment	HK\$708,350,000	–	100%	(5)(6)(8)
Kerry Huafeng Property Development (Hangzhou) Co., Ltd.	PRC	Property trading and development	HK\$680,000,000	–	100%	(5)(8)
Kerry Properties (China) Investment Co., Ltd.	PRC	Provision of consultancy services	RMB208,000,000	–	100%	(5)(8)
Kerry Properties (China) Limited	BVI	Investment holding	4,554,642,958	HK\$1	100%*	
Kerry Properties (China) Limited	HK	Investment holding and provision of administrative support services	100,000	HK\$1	100%	
Kerry Properties (Shenzhen) Co., Ltd.	PRC	Property trading	HK\$112,082,975	–	100%	(5)(6)(8)
Kerry Properties Development Management (Shanghai) Co., Ltd.	PRC	Real estate and project management	RMB8,962,190	–	100%	(6)(8)
Kerry Real Estate (Hangzhou) Co. Ltd.	PRC	Property development	US\$425,750,000	–	75%	(5)(8)
Kerry Real Estate (Nanchang) Co., Ltd.	PRC	Property development	RMB600,000,000	–	80%	(5)(8)
Kerry Shanghai (Hongkou) Ltd.	Samoa	Investment holding	6,000,000	HK\$1	60%	
Kerry (Shenyang) Real Estate Development Co., Ltd.	PRC	Property development	RMB4,287,500,000	–	60%	(8)
Lucky Billion Development (Qinhuangdao) Co., Ltd.	PRC	Property development	RMB882,000,000	–	60%	(5)(6)(8)
Million Palace Development (Chengdu) Co., Ltd.	PRC	Property development	RMB1,085,000,000	–	55%	(5)(6)(8)
Risenland Development (Fuzhou) Co., Ltd.	PRC	Property investment	HK\$44,000,000	–	100%	(5)(8)
Shanghai Gang Hu Properties Co., Ltd.	PRC	Property investment, trading and development	US\$155,300,000	–	74.25%	(5)(9)
Shanghai Ji Xiang Properties Co., Ltd.	PRC	Property development	US\$311,250,000	–	51%	(5)(8)
Shanghai Kerry Real Estate Development Co., Ltd.	PRC	Property investment	US\$250,000	–	55.20%	(5)(9)
Shanghai Xin Ci Hou Properties Co., Ltd.	PRC	Property investment	US\$60,000,000	–	74.25%	(9)
Sky Fair Development (Qinhuangdao) Co., Ltd.	PRC	Property development	RMB735,000,000	–	60%	(5)(6)(8)
Wealthy Plaza Development (Chengdu) Ltd.	PRC	Property development	RMB750,000,000	–	55%	(5)(6)(8)
Well Fortune Real Estate (Putian) Co., Ltd.	PRC	Property development	RMB300,000,000	–	60%	(5)(8)
Xiang Heng Real Estate (Jinan) Co., Ltd.	PRC	Property development	RMB600,000,000	–	55%	(5)(8)
Ying He Company Limited	HK	Investment holding	10 21,000,000 ⁽³⁾	HK\$1 HK\$1	100%	
Yong Yu Real Estate (Nanjing) Co., Ltd.	PRC	Property development	RMB1,100,000,000	–	100%	(5)(6)(8)
Zhengzhou Yuheng Real Estate Co., Ltd.	PRC	Property development	RMB600,000,000	–	55%	(5)(8)

46 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (Continued)

(i) Principal Subsidiaries (Continued)

Name	Place of incorporation/ establishment	Principal activities	Issued share capital ⁽¹⁾ / Registered capital		Indirect interest held unless denoted with*	Notes
			Number/ Amount	Par value per share		
Property Division – Hong Kong						
All First Investments Limited	BVI	Property investment	2	US\$1	100%	
Asia Insight Investments Limited	HK	Restaurant operation	1	HK\$1	100%	
Asian Profit Limited	HK	Property development	1	HK\$1	71%	
Best Insight Limited	HK	Property development	1	HK\$1	100%	
Bethan Company Limited	HK	Property development	2	HK\$1	100%	
Capital Rise Investments Limited	HK	Property trading	1	HK\$1	71%	
Chain Base Limited	HK	Property trading	1	HK\$1	71%	
Chester Profit Limited	HK	Property development	10,000	HK\$1	71%	
Crown On Investment Limited	HK	Property development	10,000	HK\$1	71%	
Crystal Link Holdings Limited	HK	Property development	1	HK\$1	100%	
Fine Century Holdings Limited	HK	Restaurant operation	1	HK\$1	100%	
Fortune Mega Investments Limited	BVI	Investment holding in HK	1	US\$1	100%	
Golden Concord Properties Limited	HK	Property development	1	HK\$1	100%	
Haily Investments Limited	HK	Property development	1	HK\$1	71%	
Hugo Vantage Limited	HK	Property development	1	HK\$1	71%	
Interseed Company Limited	HK	Property trading	2	HK\$1	100%	
Jadway Limited	HK	Investment holding and property development	10,000	HK\$1	71%	
Join Sky Investment Limited	HK	Property trading	1	HK\$1	71%	
Kerry Project Management (Macau) Limited	Macau	Project management and construction management	MOP1,000,000	–	100%	
Kerry Properties (H.K.) Limited	HK	Investment holding and provision of administrative support services	1,000 200,000,000 ⁽³⁾	HK\$1 HK\$1	100%	
Kerry Properties (Hong Kong) Limited	BVI	Investment holding	41,317,948	HK\$0.01	100%*	
Kerry Properties (Macau) Limited	Macau	Property development	MOP1,000,000	–	71%	
Kildare Limited	HK	Property development	2	HK\$1	100%	
Leading Well Limited	HK	Property development	1	HK\$1	71%	
Mable Road Company Limited	HK	Property investment	10 10,000 ⁽³⁾	HK\$1 HK\$1	100%	
Magnifair Company Limited	HK	Property trading	10,000	HK\$1	100%	
Maple Crest Development Limited	BVI	Provision of finance services and recreation park operation	120	US\$1	75%	
Maxtime International Limited	HK	Property development	1	HK\$1	71%	
MegaBox Development Company Limited	HK	Property investment	2	HK\$1	100%	
MegaBox Management Services Limited	HK	Property management	2	HK\$1	100%	
Metro Cosmos Limited	HK	Property development	1	HK\$1	71%	

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46 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (Continued)

(i) Principal Subsidiaries (Continued)

Name	Place of incorporation/ establishment	Principal activities	Issued share capital ⁽¹⁾ / Registered capital		Indirect interest held unless denoted with*	Notes
			Number/ Amount	Par value per share		
Property Division – Hong Kong (Continued)						
Mid-Levels Portfolio (Aigburth) Limited	Cook Islands	Property investment in HK	9	US\$1	100%	
Mid-Levels Portfolio (Branksome) Limited	HK	Property investment	100	HK\$10	100%	
Mid-Levels Portfolio (Gladdon) Limited	HK	Property investment	100	HK\$10	100%	
Mid-Levels Portfolio (Tavistock) Limited	HK	Property investment	100	HK\$10	100%	
Mid-Levels Portfolio (Valverde) Limited	HK	Property investment and trading	100	HK\$10	100%	
Newick Limited	HK	Property trading	1	HK\$1	71%	
Panawin Limited	HK	Property trading	1	HK\$1	71%	
Peak Universe Limited	HK	Provision of financial services	1	HK\$1	71%	
Pettico Limited	HK	Provision of financial services	2	HK\$10	100%	
Precise Skill Investments Limited	HK	Provision of financial services	1	HK\$1	71%	
Prismatic Limited	HK	Property trading	2	HK\$10	100%	
Rayhay Company Limited	HK	Provision of financial services	2	HK\$1	100%	
Right Century Investments Limited	HK	Property development	1	HK\$1	100%	
Rink Management Group Limited	HK	Ice rink operation	1,000,000	HK\$1	100%	
Rodder Holdings Limited	BVI	Investment holding in HK	1	US\$1	100%	
Shun On Properties Limited	HK	Property trading	1	HK\$1	71%	
Sociedade de Investimento Imobiliário Tim Keng Van, S.A.	Macau	Property development	10,000	MOP100	100%	(5)
Taskin Limited	HK	Property trading	2	HK\$1	100%	
Trebanos Investment Company Limited	HK	Investment holding	2	HK\$1	100%	
Vickon Limited	HK	Property development	1	HK\$1	71%	
Wealthline Properties Limited	BVI	Investment holding and property development	US\$1	–	71%	
Wealthy State Investments Limited	HK	Property trading	1	HK\$1	100%	
Widemax Limited	HK	Property development	1	HK\$1	71%	
Property Division – Overseas						
Amble Aim Sdn. Bhd.	Malaysia	Investment holding	2	MYR1	100%	(5)
Kerry Properties (Sydney) Pty Ltd	Australia	Investment holding	1	AU\$1	100%	
Kerry Properties International Limited	BVI	Investment holding	1	HK\$1	100%*	
Travel Aim Investment B.V.	Netherlands	Investment holding	40,000	EURO.45	100%	(5)
Wirabay Limited	BVI	Provision of trustee services	1	US\$1	100%	

46 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (Continued)

(i) Principal Subsidiaries (Continued)

Name	Place of incorporation/ establishment	Principal activities	Issued share capital ⁽¹⁾ / Registered capital		Indirect interest held unless denoted with*	Notes
			Number/ Amount	Par value per share		
Logistics Network Division						
ABLE MERIDIAN LOGISTICS SDN. BHD.	Malaysia	Freight forwarding	4,317,000	MYR1	60%	(5)
ADN BERKAT SDN. BHD.	Malaysia	Freight forwarding	250,000	MYR1	55%	(5)
Arie van Donge & Co. Holding B.V.	Netherlands	Freight forwarding	1,500	EUR46	85%	
Beijing Jia Jia Investment Consultancy Co., Ltd.	PRC	Property investment	RMB93,000,000	–	70%	(5)(6)(7)
Beijing Kerry EAS Real Estate Management Limited	PRC	Property management	RMB500,000	–	70%	(5)(6)(7)
Beijing Kerry Logistics Ltd.	PRC	Logistics business	US\$12,000,000	–	100%	(5)(6)(8)
Beijing Kong Gang Kerry EAS Logistics Ltd.	PRC	Logistics business	RMB5,000,000	–	70%	(5)(6)(7)
Beijing Tengchang International Transportation Service Co., Ltd.	PRC	Logistics business	RMB30,000,000	–	51%	(6)(9)
Beijing Yi Zhuang Kerry EAS Logistics Limited	PRC	Freight forwarding	RMB5,000,000	–	70%	(5)(6)(7)
BERGEN FREIGHT FORWARDING LIMITED	United Kingdom	Freight forwarding	1	GBP1	91%	(5)(12)
Chengdu Kerry EAS Logistics Limited	PRC	Logistics business	RMB5,000,000	–	70%	(5)(6)(7)
Chengdu Kerry Shudu Logistics Co., Ltd.	PRC	Logistics business	RMB50,000,000	–	100%	(5)(6)(8)
Chongqing Kerry EAS Customs Declaration Services Limited	PRC	Logistics business	RMB2,000,000	–	70%	(5)(6)(7)
Chongqing Lingxian Industry Development Limited	PRC	Logistics business	RMB112,500,000	–	100%	(5)(8)
Chongqing Tengchang Logistics Co., Ltd.	PRC	Logistics business	RMB5,000,000	–	51%	(5)(6)(7)
CV Global Logistics (Beijing) Limited	PRC	Logistics business	RMB50,000,000	–	100%	(5)(6)(7)
E.A.E. Freight & Forwarding Sdn. Bhd.	Malaysia	Freight forwarding and transportation	500,000	MYR1	55%	(5)
E.A.E. TRANSPORT SDN. BHD.	Malaysia	Transportation and distribution services	500,000	MYR1	55%	(5)
EAS CROSS BORDER TRUCKING LIMITED	HK	Transportation and distribution services	1	HK\$1	100%	
EAS DA TONG INTERNATIONAL TRUCKING COMPANY LIMITED	HK	Transportation and distribution services	1,000,000	HK\$1	100%	
EAS INTERNATIONAL LOGISTICS (SHANGHAI) CO., LTD	PRC	Logistics business	US\$6,000,000	–	70%	(5)(9)
Eas Logistics (Shenzhen) Co., Ltd.	PRC	Logistics business	US\$400,000	–	70%	(5)(6)(8)
East Asiatic Enterprise Sdn. Bhd.	Malaysia	Freight forwarding	500,000	MYR1	55%	(5)
F.D.I COMMERCIAL AND FORWARDING SERVICES COMPANY LIMITED	Vietnam	Freight forwarding	VND3,333,330,000	–	70%	(5)
FAST FORWARD LOGISTICS SDN. BHD.	Malaysia	Freight forwarding	100,000	MYR1	60%	(5)
Feng Cheng Hui Cheng Chemical Logistics Co., Ltd.	PRC	Logistics business	RMB5,000,000	–	66.50%	(5)(6)(7)
Guangzhou KART Automobile Freight Co., Ltd.	PRC	Freight forwarding	RMB1,000,000	–	70%	(5)(6)(7)
Guangzhou KerryFlex Trading Limited	PRC	Trading	RMB4,500,000	–	100%	(5)(6)(8)
INDEV LOGISTICS PRIVATE LIMITED	India	Logistics business	129,500	INR100	30%	(5)(12)(13)
INDEX MANAGEMENT LIMITED	HK	General trading	1	HK\$1	60%	(5)
K.A.S. Services Limited	HK	General sales agent	1	HK\$1	100%	(5)
KART (THAILAND) LIMITED	Thailand	Cross border transportation and custom clearance agent	400,000	THB100	55%	(5)(6)

NOTES TO THE FINANCIAL STATEMENTS

46 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (Continued)

(i) Principal Subsidiaries (Continued)

Name	Place of incorporation/ establishment	Principal activities	Issued share capital ⁽¹⁾ / Registered capital		Indirect interest held unless denoted with*	Notes
			Number/ Amount	Par value per share		
Logistics Network Division (Continued)						
KART (VIET NAM) COMPANY LIMITED	Vietnam	Transportation and distribution services	VND4,173,000,000	–	100%	(5)
Kerry Business Outsourcing Solutions Limited	HK	Documents storage	2	HK\$1	100%	
KERRY CARGO CENTRE LIMITED	HK	Warehouse ownership	2	HK\$1	100%	
Kerry Cargo Transportation Co Ltd	PRC	Transportation and distribution services	HK\$9,850,000	–	100%	(5)(9)
KERRY COLD STORE (HONG KONG) LIMITED	HK	Logistics business	2	HK\$10	100%	
KERRY D.G. WAREHOUSE (KOWLOON BAY) LIMITED	HK	Warehouse ownership	20,000,000	HK\$1	100%	
KERRY DISTRIBUTION (HONG KONG) LIMITED	HK	Transportation and distribution services	500,000	HK\$1	100%	
Kerry Distribution (Thailand) Limited	Thailand	Transportation and distribution services	250,000 ⁽²⁾	THB100	100%	(5)(6)
Kerry Distribution Services (Hong Kong) Limited	HK	Transportation and distribution services	10,000	HK\$1	100%	
Kerry EAS (Shanghai) Freight Agency Co., Ltd.	PRC	Freight forwarding agency	HK\$20,000,000	–	70%	(5)(6)(9)
Kerry EAS Logistics (SHENZHEN) Ltd.	PRC	Freight forwarding	RMB30,000,000	–	70%	(5)(6)(7)
KERRY EAS LOGISTICS (XIAMEN) CO., LTD.	PRC	Logistics business	US\$1,500,000	–	70%	(5)(8)
Kerry EAS Logistics Limited	PRC	Freight forwarding and logistics business	RMB270,000,000	–	70%	(9)
KERRY FACILITIES MANAGEMENT (HONG KONG) LIMITED	HK	Building management	2	HK\$1	100%	
KERRY FACILITIES MANAGEMENT SERVICES LIMITED	HK	Building management	2	HK\$1	100%	
Kerry Far East Logistics (Bangladesh) Limited	Bangladesh	Freight forwarding	100,000	BDT100	70%	(5)
Kerry Far East Logistics (Hong Kong) Limited	HK	Freight forwarding	100	HK\$1	100%	
Kerry FFTZ Warehouse (Shenzhen) Ltd.	PRC	Logistics business	HK\$70,000,000	–	100%	(5)(6)(8)
KERRY FREIGHT (AUSTRALIA) PTY LTD	Australia	Freight forwarding	500,000	AUD1	100%	
KERRY FREIGHT (HONG KONG) LIMITED	HK	Freight forwarding	100 27,500 ⁽³⁾	HK\$100 HK\$100	100%	
Kerry Freight (Korea) Inc.	South Korea	Freight forwarding	100,000 ⁽²⁾	KRW5,000	50.99%	(6)
KERRY FREIGHT (SINGAPORE) PTE. LTD. (Formerly known as Kerry Logistics (Singapore) Pte. Ltd.)	Singapore	Freight forwarding	500,000	SGD1	100%	(5)
Kerry Freight (Taiwan) Limited	Taiwan	Freight forwarding	6,000,000	TWD10	56.47%	(5)(6)
Kerry Freight (Thailand) Limited	Thailand	Freight forwarding	115,000 ⁽²⁾	THB100	100%	(5)(6)
Kerry Freight (USA) Incorporated	United States	Freight forwarding	1,000,000	US\$1	51%	(5)
KERRY FREIGHT INTERNATIONAL LIMITED	HK	Freight forwarding	2	HK\$1	100%	
KERRY FREIGHT MYANMAR LIMITED	Myanmar	Freight forwarding	50,000	US\$1	60%	(5)
KERRY FREIGHT SERVICES (ASIA) PTE. LTD.	Singapore	Investment holding	4,500,000	SGD1	100%	(5)
KERRY FREIGHT SERVICES (SOUTH ASIA) PTE. LTD.	Singapore	Investment holding	170,000	SGD1	100%	(5)
Kerry Freight Services Limited	BVI	Investment holding	1	HK\$1	100%	
Kerry Huicheng (Shanghai) Logistics Co., Ltd. (Formerly known as Shanghai Hui Cheng Investment Consultancy Co., Ltd.)	PRC	Logistics business	RMB30,000,000	–	70%	(5)(6)(9)
KERRY INTEGRATED LOGISTICS (HUNG YEN) JOINT STOCK COMPANY	Vietnam	Logistics business	1,280,000 ⁽²⁾	VND100,000	100%	(5)
KERRY INTEGRATED LOGISTICS (VIET NAM) CO., LTD	Vietnam	Logistics business	US\$7,900,000	–	100%	(5)

46 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (Continued)

(i) Principal Subsidiaries (Continued)

Name	Place of incorporation/ establishment	Principal activities	Issued share capital ⁽¹⁾ / Registered capital		Indirect interest held unless denoted with*	Notes
			Number/ Amount	Par value per share		
Logistics Network Division (Continued)						
KERRY LOGISTICS (AUSTRALIA) PTY LTD	Australia	Operation of logistics business, rail terminal and container depot	1,000,000	AUD2	100%	
KERRY LOGISTICS (BELGIUM) BVBA	Belgium	Freight forwarding	EUR18,600	–	100%	
KERRY LOGISTICS (CAMBODIA) PTE. LTD.	Cambodia	Freight forwarding	1,000	KHR20,000	100%	(5)
Kerry Logistics (Chengdu) Ltd	PRC	Logistics business	RMB27,000,000	–	100%	(5)(6)(8)
Kerry Logistics (China) Investment Limited	PRC	Investment holding	US\$120,000,000	–	100%	(5)(6)(8)
Kerry Logistics (Czech Republic) s.r.o.	Czech Republic	Freight forwarding	CZK200,000	–	100%	(5)
Kerry Logistics (Fuzhou) Co., Ltd.	PRC	Logistics business	US\$2,820,000	–	100%	(5)(8)
Kerry Logistics (Germany) GmbH	Germany	Freight forwarding	EUR50,000	–	100%	(5)
KERRY LOGISTICS (HONG KONG) LIMITED	HK	Logistics business	10,000,000	HK\$1	100%	
Kerry Logistics (Japan) Limited	Japan	Freight forwarding	2,000	JPY50,000	100%	(5)
Kerry Logistics (Kunshan) Ltd.	PRC	Logistics business	HK\$178,000,000	–	100%	(5)(6)(8)
KERRY LOGISTICS (MACAU) LIMITED	Macau	Logistics business	MOP100,000	–	51%	(5)
KERRY LOGISTICS (MALAYSIA) SDN. BHD.	Malaysia	Freight forwarding and logistics business	1,000,000	MYR1	100%	(5)
Kerry Logistics (Netherlands) B.V.	Netherlands	Freight forwarding	140 ^(4a) 61 ^(4b)	EUR100 EUR100	89.55%	(5)
Kerry Logistics (Shanghai Waigaoqiao) Co., Ltd.	PRC	Logistics business	HK\$44,000,000	–	100%	(5)(6)(8)
KERRY LOGISTICS (SPAIN), S.A.U. (Formerly known as KERRY SALVAT LOGISTICS, S.A.)	Spain	Freight forwarding	20,000	EUR6.01	100%	(5)
Kerry Logistics (Switzerland) GmbH	Switzerland	Freight forwarding	CHF20,000	–	100%	(5)
Kerry Logistics (Thailand) Limited	Thailand	Logistics business	1,600,000	THB100	75.90%	(5)(6)
Kerry Logistics (Tianjin) Co., Ltd.	PRC	Logistics business	HK\$20,000,000	–	100%	(5)(8)
KERRY LOGISTICS (UK) LIMITED	United Kingdom	Freight forwarding	20,000	GBP1	91%	
Kerry Logistics (Wuxi) Co., Ltd	PRC	Logistics business	HK\$70,000,000	–	100%	(5)(8)
KERRY LOGISTICS (XIAMEN) CO., LTD.	PRC	Logistics business	RMB78,000,000	–	100%	(5)(8)
Kerry Logistics (Zhengzhou) Limited	PRC	Logistics business	RMB50,000,000	–	100%	(5)(8)
Kerry Logistics Anhui Co., Ltd.	PRC	Logistics business	RMB36,000,000	–	100%	(5)(8)
KERRY LOGISTICS CENTRE (TAMPINES) PTE. LTD. (Formerly known as KERRY LOGISTICS HUB (SINGAPORE) PTE. LTD.)	Singapore	Provision of warehouse and logistics services	1	SGD1	100%	(5)
KERRY LOGISTICS COLD CHAIN (AUSTRALIA) PTY. LTD.	Australia	Cold chain distribution services	1,000,000	AUD1	60%	
KERRY LOGISTICS FRANCE SARL	France	Freight forwarding	1,500	EUR10	100%	(5)
Kerry Logistics GmbH	Austria	Freight forwarding	EUR35,000	–	100%	(5)
KERRY LOGISTICS HOLDINGS (AUSTRALIA) PTY LTD	Australia	Investment holding	100	AUD1	100%	(5)
Kerry Logistics Infrastructure Limited	BVI	Investment holding	10,000	HK\$1	100%	
KERRY LOGISTICS LIMITED	BVI	Investment holding	42,430,000	HK\$1	100%	
KERRY LOGISTICS MANAGEMENT (ASIA) PTE. LTD.	Singapore	Investment holding	1	SGD1	100%	(5)
Kerry Logistics Network Limited	Bermuda	Investment holding	500,000	HK\$1	100%*	
Kerry Logistics Services (Asia) Limited	BVI	Investment holding	1	HK\$1	100%	

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46 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (Continued)

(i) Principal Subsidiaries (Continued)

Name	Place of incorporation/ establishment	Principal activities	Issued share capital ⁽¹⁾ / Registered capital		Indirect interest held unless denoted with*	Notes
			Number/ Amount	Par value per share		
Logistics Network Division (Continued)						
Kerry Logistics Services Limited	BVI	Investment holding	2	US\$1	100%	
KERRY MALSHIP LOGISTICS LANKA (PRIVATE) LIMITED	Sri Lanka	Freight forwarding	250,000	US\$1	51%	(5)
KERRY PACIFIC (THAILAND) LIMITED	Thailand	Non-vessel operating common carrier (NVOCC)	100,000	THB100	100%	(5)(6)
Kerry PC3 Limited	HK	Logistics business	1	HK\$1	100%	
KERRY RELIABLE LOGISTICS PRIVATE LIMITED	India	Freight forwarding and logistics business	16,000	INR10	100%	(5)(12)
Kerry Siam Seaport Limited	Thailand	Operating deep-sea wharf and depots	65,000,000	THB10	79.52%	(6)
Kerry TC Warehouse 1 (Block A) Limited	BVI	Warehouse ownership	1	US\$1	100%	
Kerry TC Warehouse 1 (Block B) Limited	BVI	Warehouse ownership	1	US\$1	100%	
Kerry TC Warehouse 2 Limited	HK	Warehouse ownership	10,000	HK\$1	100%	
Kerry TJ Logistics Company Limited	Taiwan	Transportation and logistics business	483,582,498	NTD10	30.42%	(5)(6)(10)(13)
KERRY TTC EXPRESS JOINT STOCK COMPANY	Vietnam	Express services	8,600,000	VND10,000	70%	(5)
KERRY WAREHOUSE (CHAI WAN) LIMITED	HK	Warehouse ownership	10,000,000	HK\$1	100%	
KERRY WAREHOUSE (FANLING 1) LIMITED	HK	Warehouse ownership	2	HK\$1	100%	
KERRY WAREHOUSE (HONG KONG) LIMITED	HK	Logistics business	25,000,000	HK\$1	100%	
KERRY WAREHOUSE (KWAI CHUNG) LIMITED	HK	Warehouse ownership	30,000	HK\$1	100%	
KERRY WAREHOUSE (SHATIN) LIMITED	HK	Warehouse ownership	10,000,000	HK\$1	100%	
KERRY WAREHOUSE (SHEUNG SHUI) LIMITED	HK	Warehouse ownership	5,000,000	HK\$1	100%	
KERRY WAREHOUSE (TSUEN WAN) LIMITED	HK	Warehouse ownership	2	HK\$1	100%	
KERRY-ATS LOGISTICS, INC.	Philippines	Freight forwarding	16,000,000	PHP1	51%	(5)
KERRYFLEX SUPPLY CHAIN SOLUTIONS (MACAU) LIMITED	Macau	Provision of supply chain solutions, import and export services	MOP100,000	–	100%	(5)
KerryFlex Supply Chain Solutions (Thailand) Limited	Thailand	Rice exporter	1,000,000	THB10	100%	(5)(6)
KerryFlex Supply Chain Solutions Limited	HK	Provision of supply chain solutions service	5,000,000	HK\$1	100%	
Kerry-IntraTainer Precision Metal (Dongying) Co. Ltd	PRC	Manufacturing and trading	US\$2,500,000	–	60%	(5)(6)(8)
KERRY-INTRATAINER PTE. LTD.	Singapore	Trading	350,000	SGD1	60%	(5)
Kerry-ITS (Thailand) Limited	Thailand	ISO tank cleaning and repairing	50,000	THB100	60%	(5)(6)
KERRY-ITS (VIETNAM) CO., LTD	Vietnam	ISO tank cleaning and repairing	US\$200,000	–	60%	(5)
KERRY-ITS TERMINAL (KANDLA) PRIVATE LIMITED	India	ISO tank cleaning and repairing	1,597,007	INR10	60%	(5)
Kerry-ITS Terminal (Shanghai) Co., Ltd	PRC	ISO tank cleaning and repairing	US\$450,000	–	60%	(5)(6)(8)
KERRY-ITS TERMINAL PTE. LTD.	Singapore	ISO tank cleaning and repairing	1,800,000	SGD1	60%	(5)

46 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (Continued)

(i) Principal Subsidiaries (Continued)

Name	Place of incorporation/ establishment	Principal activities	Issued share capital ⁽¹⁾ / Registered capital		Indirect interest held unless denoted with*	Notes
			Number/ Amount	Par value per share		
Logistics Network Division (Continued)						
KLCH Limited	Thailand	Operation of inland container transportation	10,000	THB100	79.52%	(5)(6)
KLN (SINGAPORE) PTE. LTD.	Singapore	Investment holding	2	SGD1	100%	(5)
KLN Container Line Limited	BVI	Freight forwarding	1,200,000	HK\$1	100%	
KLN Corporate Services Limited	HK	Provision of corporate services	1	HK\$1	100%	
KLN Insurance Consultants Limited	HK	Insurance Consultants	200,000	HK\$1	100%	
KLN INVESTMENT (VIET NAM) CO., LTD.	Vietnam	Provision of services in office for lease, exhibition center, conference center, and commercial center	VND35,000,000,000	-	100%	(5)
KLN Nominees Limited	BVI	Provision of nominee services	1	US\$1	100%	
Kunshan Wisdom Logistics Co., Ltd	PRC	Investment holding	RMB121,400,000	-	70%	(6)(9)
Le Ping Hui Cheng Chemical Logistics Co., Ltd.	PRC	Logistics business	RMB5,000,000	-	66.50%	(5)(6)(7)
Magnet Logistics Kabushiki Kaishya	Japan	Logistics business	180	JPY50,000	70%	(5)(6)
MAINCO MANAGEMENT LIMITED	HK	Building management	10,000	HK\$1	100%	
Mark VII International GmbH	Germany	Freight Forwarding	EUR25,000	-	100%	(5)
MCMC PTE. LTD.	Singapore	ISO tank cleaning and repairing	3	SGD1	60%	(5)
NINE TO FIVE LIMITED	HK	Food production	2	HK\$1	100%	
PT. KERRY LOGISTICS INDONESIA	Indonesia	Freight forwarding and logistics business	50,000	US\$1	90%	(5)
Qingdao Bonded Logistics Park Kerry EAS Logistics Limited	PRC	Logistics business	US\$200,000	-	70%	(5)(9)
Qingdao Qianwan Kerry EAS Logistics Limited	PRC	Logistics business	RMB5,000,000	-	70%	(5)(6)(7)
Shandong D-Express Logistics Co., Ltd.	PRC	Express service	RMB20,000,000	-	70%	(5)(6)(7)
Shandong D-Express Management Consultancy Co., Ltd.	PRC	Investment holding	RMB43,000,000	-	70%	(5)(6)(9)
Shandong D-Express Network Management Co., Ltd.	PRC	Express service	RMB20,000,000	-	70%	(5)(6)(7)
Shanghai Heng Yu International Container Service Centre Co., Ltd.	PRC	Logistics business	RMB5,000,000	-	70%	(6)(7)
Shanghai Hui Cheng Logistics Co., Ltd.	PRC	Logistics business	RMB10,500,000	-	70%	(5)(6)(7)
Shanghai Jia Cheng Logistics Co., Ltd. (Formerly known as Shanghai Hui Cheng Supply Chain Management Co., Ltd.)	PRC	Logistics business	RMB500,000	-	70%	(5)(6)(7)
Shanghai Jia Jia Trading Ltd.	PRC	Trading	RMB5,000,000	-	70%	(5)(6)(7)
SHANGHAI KERRY CHJ LOGISTICS LIMITED	PRC	Logistics business	HK\$40,000,000	-	100%	(5)(8)
Shanghai Lingang Kerry EAS Logistics Limited	PRC	Logistics business	RMB5,000,000	-	70%	(5)(6)(7)
Shanghai Magnet Global Logistics Co., Ltd. (Formerly known as Shanghai Magnet International Freight Agency Co., Ltd.)	PRC	Freight forwarding	RMB23,000,000	-	70%	(6)(7)
SHANGHAI MAGNET LOGISTICS (HK) COMPANY LIMITED	HK	Freight forwarding	10,000	HK\$1	70%	(5)
Shanghai Pudong Airport Integrated FTZ Kerry EAS Logistics Limited	PRC	Logistics business	RMB5,000,000	-	70%	(5)(6)(7)

NOTES TO THE FINANCIAL STATEMENTS

46 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (Continued)

(i) Principal Subsidiaries (Continued)

Name	Place of incorporation/ establishment	Principal activities	Issued share capital ⁽¹⁾ / Registered capital		Indirect interest held unless denoted with*	Notes
			Number/ Amount	Par value per share		
Logistics Network Division (Continued)						
Shanghai Shen Gao International Container Service Centre Co., Ltd.	PRC	Logistics business	RMB36,000,000	–	70%	(6)(7)
Shanghai Song Jiang Kerry EAS Transportation Limited	PRC	Logistics business	RMB2,500,000	–	70%	(5)(6)(7)
Shanghai TCI Freight Forwarding Co., Ltd.	PRC	Freight forwarding	RMB70,000,000	–	51%	(6)(9)
Shanghai WFTZ Kerry EAS Logistics Limited	PRC	Logistics business	RMB5,000,000	–	70%	(5)(6)(7)
Shanghai Wisdom Global Logistics Co., Ltd. (Formerly known as Shanghai Wisdom International Freight Agency Co., Ltd.)	PRC	Freight forwarding	RMB23,000,000	–	70%	(6)(7)
Shenzhen Dong Meng Logistics Limited	PRC	Investment holding	RMB1,000,000	–	100%	(5)(6)(7)
Shenzhen Kerry Yantian Port Logistics Company Limited	PRC	Logistics business	RMB88,000,000	–	55%	(5)(6)(9)
SINAR HAULAGE SDN. BHD.	Malaysia	Logistics business	1,000,000	MYR1	55%	(5)
Suzhou Industrial Park District Kerry Eas Logistics Co., Ltd.	PRC	Logistics business	RMB5,000,000	–	70%	(5)(6)(7)
Synergy Golden Limited	BVI	Group financing	1	US\$1	100%	
TAISHAN INSURANCE BROKERS LIMITED	HK	Insurance brokers	1,000,000	HK\$1	100%	(5)
TCI International Freight Forwarding Limited	HK	Freight forwarding	120,000	HK\$100	51%	
TG DELIVERY SERVICE LIMITED	HK	Courier services	1	HK\$1	60%	(5)
Tianjin Kerry Eas Customs Declaration Limited	PRC	Import and export agent	RMB1,500,000	–	70%	(5)(6)(7)
Tianjin Kerry EAS International Trading Co., Ltd.	PRC	Trading	RMB100,000	–	70%	(5)(6)(7)
TOP GUN COURIER LIMITED	HK	Courier services	10,000	HK\$1	60%	(5)
TOP GUN EXPRESS CENTRE (ASIA) LIMITED	HK	Courier services and logistics	10,000	HK\$1	60%	(5)
TOP GUN EXPRESS CENTRE LIMITED	HK	Courier services	1,000	HK\$1	60%	(5)
TOP TRANSMODE OVERSEAS PARTNERS (MY) SDN. BHD.	Malaysia	Freight forwarding	2	MYR1	100%	(5)
Transmode Overseas Transportgesellschaft mbH	Germany	Freight forwarding	DEM50,000	–	100%	(5)
WAH CHEONG COMPANY, LIMITED	HK	General merchants	150,000	HK\$100	100%	
Xiamen Haicang Kerry EAS Logistics Limited	PRC	Logistics business	RMB1,000,000	–	70%	(5)(6)(7)
Xian Kerry EAS Logistics Co., Ltd.	PRC	Logistics business	RMB5,000,000	–	70%	(5)(6)(7)
Xinjiang Kerry EAS Logistics Limited	PRC	Logistics business	RMB3,000,000	–	70%	(5)(6)(7)
Zhongshan Dajindun Trading Limited	PRC	General trading	RMB600,000	–	100%	(5)(6)(7)

46 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (Continued)

(i) Principal Subsidiaries (Continued)

Name	Place of incorporation/ establishment	Principal activities	Issued share capital ⁽¹⁾ / Registered capital		Indirect interest held unless denoted with*	Notes
			Number/ Amount	Par value per share		
Other Divisions						
Alpine Project Management Ltd.	Samoa	Project management in Asia	1	US\$1	100%	
Apex Ally Limited	HK	Group financing	1	HK\$1	100%	
Dragon Fame Limited	HK	Group financing	1	HK\$1	100%	
Gain Silver Finance Limited	BVI	Group financing	1	US\$1	100%	
Gainlead International Limited	BVI	Group financing	1	US\$1	100%	
iBe-Tech Investments Limited	BVI	Investment holding	1	US\$1	100%*	
ISA Investments Limited	BVI	Investment holding	1	US\$1	100%	
Kerry Communication Limited	HK	Advertising agency	1	HK\$1	100%	
Kerry Corporate Services Limited	HK	Provision of corporate services	1	HK\$1	100%	
Kerry Estate Management Limited	BVI	Investment holding	10,000	HK\$1	100%*	
Kerry Infrastructure Limited	BVI	Investment holding	595,026,381	HK\$1	100%*	
Kerry Project Management (H.K.) Limited	HK	Project management	300,000	HK\$1	100%	
Kerry Properties (North China) Development Co. Ltd.	PRC	Project management	RMB5,000,000	–	100%	(5)(6)(8)
Kerry Properties Nominees Limited	BVI	Provision of nominee services	1,000	HK\$1	100%	
Kerry Properties Treasury Limited	BVI	Investment holding and group financing	4,670,665,187	HK\$1	100%*	
Kerry Property Management Services Limited	HK	Property management	20	HK\$1	100%	
Kerry Real Estate Agency Limited	HK	Estate agency	2	HK\$1	100%	
Upsmart Investments Limited	HK	Provision of administrative support services	2	HK\$1	100%	
Win House Industries Limited	HK	Provision of construction work	1,000,000	HK\$1	100%	
Wing Tsing Financial Services Limited	BVI	Group financing	1	US\$1	100%	
Wiseyear Holdings Limited	BVI	Group financing	1	US\$1	100%	

NOTES TO THE FINANCIAL STATEMENTS

46 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (Continued)

(ii) Principal Associates

As at 31 December 2012, the Company held interests in the following associates which are categorised according to the business divisions of the Group, namely, Property Division, Logistics Network Division and Other Divisions as listed below:

Name	Place of incorporation/ establishment	Principal activities	Class of shares/ Registered capital	Interest held indirectly	Notes
Property Division – PRC					
Hengyun Real Estate (Tangshan) Co., Ltd.	PRC	Property development	RMB561,000,000	40%	(5)(8)
Ji Xiang Real Estate (Nanjing) Co., Ltd.	PRC	Property development	RMB750,000,000	45%	(5)(8)
Jian'an Real Estate (Kunming) Co., Ltd.	PRC	Property development	RMB400,000,000	35%	(5)(6)(8)
Ningbo Ruifeng Real Estate Co., Ltd.	PRC	Property development	RMB1,836,575,900	50%	(5)(8)
Ruihe Real Estate (Tangshan) Co., Ltd.	PRC	Property development	RMB600,000,000	40%	(5)(8)
Shanghai Pudong Kerry City Properties Co., Ltd.	PRC	Property investment, hotel ownership and operation	US\$171,361,400	40.80%	(5)(6)(9)
Tianjin Kerry Real Estate Development Co., Ltd.	PRC	Property development	RMB2,261,250,000	49%	(5)(8)
Zhanfeng Real Estate (Yingkou) Co., Ltd.	PRC	Property development	RMB250,000,000	40%	(5)(6)(8)
Zhanye Real Estate (Yingkou) Co., Ltd.	PRC	Property development	RMB330,000,000	40%	(5)(6)(8)
Property Division – Hong Kong					
Brisbane Trading Company Limited	HK	Investment holding and property trading	Ordinary Non-voting deferred	50%	
Cardiff Investments Limited	HK	Investment holding	Ordinary	30%	(5)
Century Link (Hong Kong) Limited	HK	Property investment	Ordinary	45%	
Cheerjoy Development Limited	HK	Property development and trading	Ordinary	35%	
Enterprico Investment Limited	HK	Loan financing	Ordinary	45%	(5)
Fine Winner Holdings Limited	HK	Hotel ownership and operation	Ordinary	30%	
Grand Rise Investments Limited	HK	Property investment	Ordinary	45%	(5)
Jet Fame (Hong Kong) Limited	HK	Property investment	Ordinary	45%	(5)
Kerry Hung Kai Warehouse (Cheung Sha Wan) Limited	HK	Warehouse operation	Ordinary	50%	(5)
Orient Field Holdings Limited	HK	Property investment	Ordinary	45%	(5)
Pembroke Development Investments Limited	BVI	Property development	Ordinary Non-voting deferred	40%	
Time Rank Limited	HK	Property trading	Ordinary	50%	(12)
Ubagan Limited	HK	Property investment	Ordinary	40%	
Union Top Properties Limited	HK	Property investment	Ordinary	45%	(5)
Victory Top Properties Limited	HK	Property investment	Ordinary	45%	
Win Chanford Enterprises Limited	HK	Investment holding and property investment	Ordinary	45%	(5)
Wolver Hollow Company Limited	HK	Warehouse ownership	Ordinary	50%	(5)
Wu Wing International Company, Limited	HK	Property trading and investment	Ordinary	45%	(5)(12)
Property Division – Overseas					
Jacksons Landing Development Pty. Limited	Australia	Property development	Ordinary	25%	(5)(12)
Jacksons Landing Estate Management Pty Limited	Australia	Property management	Ordinary	25%	(5)(12)
Shang Properties, Inc.	Philippines	Property development, real estate management and investment holding	Common	34.61%	(5)(10)

46 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (Continued)

(ii) Principal Associates (Continued)

Name	Place of incorporation/ establishment	Principal activities	Class of shares/ Registered capital	Interest held indirectly	Notes
Logistics Network Division					
ASIA AIRFREIGHT SERVICES LIMITED	HK	Provision of air cargo services	Ordinary	15%	(5)(12)
ASIA AIRFREIGHT TERMINAL COMPANY LIMITED	HK	Air cargo handling terminal operation	Ordinary	15%	(5)(12)
Beijing Bei Jian Tong Cheng International Logistics Co., Ltd	PRC	Logistics business	RMB500,000,000	24%	(5)(6)(9)
CF Express Co Ltd	Taiwan	Express services	Ordinary	48.30%	(5)(6)
CHIWAN CONTAINER TERMINAL CO., LTD.	PRC	Port terminal operation	US\$95,300,000	25%	(9)
Hanjin Kerry Logistics Co., Ltd.	South Korea	Logistics business	Ordinary	35%	(5)(6)
Kerry Samyoung Logistics (Korea) Ltd.	South Korea	Logistics business	Common	30.60%	(5)(6)
KUOK PENGANGKUTAN SDN. BHD.	Malaysia	Distribution and logistics business	Ordinary	46.60%	(5)
Shanghai Xiang Ming Clothings Co., Ltd.	PRC	Logistics business	US\$1,100,000	42%	(5)(6)(7)
Other Divisions					
Hohhot Chunhua KVV Water Treatment Company Limited	PRC	Water treatment facilities ownership and management	RMB192,329,200	13%	(5)(6)(9)(11)
Hohhot Chunhua VWK Water Operation Company Limited	PRC	Water treatment facilities operation and maintenance	RMB14,000,000	19.50%	(5)(6)(9)(11)
Kerry CQ Water (Hohhot) Limited	HK	Investment holding	Ordinary	50%	(5)
KVV Investment Company Limited	HK	Investment holding	Ordinary	25.50%	(5)
Western Harbour Tunnel Company Limited	HK	Tunnel operation and management	Ordinary	15%	(11)(12)

Notes:

- (1) all being ordinary shares and fully paid up except otherwise stated
- (2) common shares
- (3) non-voting deferred shares
- (4) preference shares
- (4a) class A ordinary shares
- (4b) class B ordinary shares
- (5) companies not audited by PricewaterhouseCoopers
- (6) English translation of name only
- (7) domestic corporation
- (8) wholly foreign-owned enterprise
- (9) sino-foreign equity joint venture enterprise
- (10) listed company
- (11) significant influence is obtained by the Group through participation in the board of directors of these associates
- (12) companies having a financial accounting period which is not coterminous with the Group
- (13) control is obtained by the Group through obtaining power to govern the financial and operating policies of these subsidiaries

BVI British Virgin Islands

HK Hong Kong

PRC The People's Republic of China

FIVE-YEAR FINANCIAL SUMMARY

The results, assets and liabilities of the Group for the last five financial years are as follows:

	2012 HK\$'000	2011 HK\$'000	2010 HK\$'000	2009 HK\$'000	2008 HK\$'000
Results					
Turnover	34,513,046	20,660,363	21,225,990	12,938,283	13,115,698
Operating profit	9,325,794	4,748,082	7,363,235	5,936,069	4,183,979
Share of results of associates	573,443	2,354,901	1,374,451	934,953	298,805
Profit before taxation	9,899,237	7,102,983	8,737,686	6,871,022	4,482,784
Taxation	(1,791,285)	(1,233,962)	(1,582,911)	(1,710,049)	(1,373,597)
Profit after taxation	8,107,952	5,869,021	7,154,775	5,160,973	3,109,187
Non-controlling interests	(1,147,736)	(521,306)	(452,118)	(525,993)	(322,363)
Profit attributable to shareholders	6,960,216	5,347,715	6,702,657	4,634,980	2,786,824
Breakdown of profit attributable to shareholders by division:					
PRC Property Division	1,219,723	889,228	1,444,659	1,486,856	1,719,162
Hong Kong Property Division	4,664,853	3,524,017	4,269,116	2,320,128	435,776
Overseas Property Division	101,117	65,154	67,434	95,271	(12,514)
Logistics Network Division	1,068,661	870,002	832,870	635,071	604,422
Others	(94,138)	(686)	88,578	97,654	39,978
	6,960,216	5,347,715	6,702,657	4,634,980	2,786,824
Assets and liabilities					
Non-current assets	101,906,308	86,266,763	76,889,374	63,069,196	63,844,760
Net current assets	19,022,357	16,611,532	10,664,298	16,356,262	8,710,942
Total assets less current liabilities	120,928,665	102,878,295	87,553,672	79,425,458	72,555,702
Long-term liabilities and non-controlling interests	(50,136,859)	(38,955,836)	(28,879,740)	(28,013,716)	(25,291,025)
Shareholders' funds	70,791,806	63,922,459	58,673,932	51,411,742	47,264,677

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