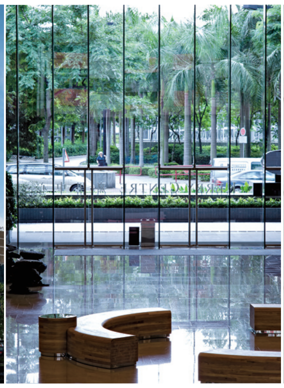
2013




INTERIM REPORT

For the six months ended 30 June 2013

KERRY PROPERTIES LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code : 683

CORPORATE INFORMATION & KEY DATES

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

Independent Non-executive Directors
Mr LAU Ling Fai, Herald
Mr KU Moon Lun
Ms WONG Yu Pok, Marina, JP
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
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INVESTOR RELATIONS DEPARTMENT
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Email: ir@kerryprops.com

WEBSITE
www.kerryprops.com

KEY DATES
Closure of Registers of Members
5 September 2013

Proposed Payment of Interim Dividend
13 September 2013

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2013

The Board of Directors (the "**Board**") of Kerry Properties Limited (the "**Company**") report the unaudited interim results of the Company, its subsidiaries and associates (the "**Group**") for the six months ended 30 June 2013. The unaudited condensed consolidated interim financial statements have been reviewed by the Company's independent auditor, PricewaterhouseCoopers, in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" and by the Audit and Corporate Governance Committee of the Company. The review report of the independent auditor is set out on page 3.

The Group's consolidated net profit attributable to shareholders for the six months ended 30 June 2013 was HK$5,375 million, representing an increase of 59% compared with HK$3,386 million reported for the same period in 2012. 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$3,080 million for the six months ended 30 June 2013 (2012: HK$471 million). Before taking into account the effects of the aforementioned increase in fair value, the Group recorded a decrease of 21% in profit attributable to shareholders to HK$2,295 million for the six months ended 30 June 2013 (2012: HK$2,915 million).

Earnings per share for the six months ended 30 June 2013 was HK$3.73, representing an increase of 59% compared with HK$2.35 per share for the same period in 2012. The basis of calculating the earnings per share is detailed in Note 6 below.

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

	Six months ended 30 June		
	2013	2012	
	HK$ million	*HK$ million*	Change
Profit attributable to shareholders before taking into account the net increase in fair value of investment properties and related tax effects	**2,295**	2,915	-21%
Add:			
Net increase in fair value of investment properties and related tax effects	**3,080**	471	
Profit attributable to shareholders after taking into account the net increase in fair value of investment properties and related tax effects	**5,375**	3,386	+59%

The Directors have declared an interim dividend of HK$0.35 per share for the six months ended 30 June 2013 (the "**Interim Dividend**") (2012: HK$0.4), which is payable on Friday, 13 September 2013 to shareholders whose names appear on the registers of members of the Company (the "**Registers of Members**") on Thursday, 5 September 2013.

At the Company's Annual General Meeting held on 3 May 2013, shareholders approved the final dividend of HK$0.55 per share for the year ended 31 December 2012 which amounted to a total of approximately HK$792 million and was paid on 16 May 2013.

羅兵咸永道

REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
TO THE BOARD OF DIRECTORS OF KERRY PROPERTIES LIMITED
(incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated interim financial statements set out on pages 4 to 27, which comprise the condensed consolidated interim statement of financial position of Kerry Properties Limited (the "**Company**") and its subsidiaries (together, the "**Group**") as at 30 June 2013 and the related condensed consolidated interim income statement, condensed consolidated interim statement of comprehensive income, condensed consolidated interim statement of cash flows and condensed consolidated interim statement of changes in equity for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial statements to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". The comparative condensed consolidated interim income statement, condensed consolidated interim statement of comprehensive income, condensed consolidated interim statement of cash flows and condensed consolidated interim statement of changes in equity for the six-month period ended 30 June 2012 were not reviewed or audited. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 21 August 2013

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
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CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

	Note	Unaudited Six months ended 30 June **2013** ***HK$'000***	 2012 *HK$'000*
Turnover	3	**17,253,514**	17,958,131
Cost of sales		**(3,712,120)**	(4,691,979)
Direct operating expenses		**(8,825,220)**	(8,352,084)
Gross profit		**4,716,174**	4,914,068
Other income and net gains		**189,358**	234,853
Administrative and other operating expenses		**(1,243,484)**	(1,013,406)
Increase in fair value of investment properties		**5,925,257**	683,069
Operating profit before finance costs		**9,587,305**	4,818,584
Finance costs		**(228,675)**	(263,035)
Operating profit	3,4	**9,358,630**	4,555,549
Share of results of associates		**378,166**	246,493
Profit before taxation		**9,736,796**	4,802,042
Taxation	5	**(2,340,699)**	(971,188)
Profit for the period		**7,396,097**	3,830,854
Profit attributable to:			
Company's shareholders		**5,375,035**	3,386,155
Non-controlling interests		**2,021,062**	444,699
		7,396,097	3,830,854
Interim dividend		**503,964**	575,427
Interim dividend per share		**HK$0.35**	HK$0.40
Earnings per share	6		
– Basic		**HK$3.73**	HK$2.35
– Diluted		**HK$3.72**	HK$2.34

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
Profit for the period	**7,396,097**	3,830,854
Other comprehensive income		
Items that may be reclassified to profit or loss		
Fair value (loss)/gain on available-for-sale investments	**(50,932)**	94,453
Share of other comprehensive income of associates	**891**	(37)
Cash flow hedges	**131,425**	45,234
Net translation differences on foreign operations	**658,258**	(386,682)
Other comprehensive income for the period (net of tax)	**739,642**	(247,032)
Total comprehensive income for the period	**8,135,739**	3,583,822
Total comprehensive income attributable to:		
Company's shareholders	**5,964,226**	3,242,371
Non-controlling interests	**2,171,513**	341,451
	8,135,739	3,583,822

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

	Note	**Unaudited As at 30 June 2013 *HK$'000***	Restated As at 31 December 2012 *HK$'000*
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	7	**9,033,275**	6,626,304
Investment properties	7	**57,033,755**	47,484,425
Leasehold land and land use rights	7	**1,348,966**	531,796
Properties under development		**29,361,869**	23,970,147
Land deposits		**6,537,195**	6,586,754
Associates		**11,716,155**	12,422,764
Derivative financial instruments		**293,253**	186,172
Available-for-sale investments		**1,913,000**	1,964,267
Long-term receivables		**267,400**	237,346
Intangible assets	7	**2,044,972**	1,896,333
		119,549,840	101,906,308
Current assets			
Properties under development		**7,028,396**	5,474,181
Completed properties held for sale		**4,422,811**	5,062,792
Accounts receivable, prepayments and deposits	8	**8,196,517**	8,074,448
Tax recoverable		**279,307**	261,909
Tax reserve certificates		**115,183**	102,448
Listed securities at fair value through profit or loss		**175,079**	182,458
Restricted and pledged bank deposits		**9,307**	6,066
Cash and bank balances		**12,195,134**	16,059,515
		32,421,734	35,223,817
Current liabilities			
Accounts payable, deposits received and accrued charges	9	**9,296,934**	11,323,887
Taxation		**2,980,106**	2,312,403
Short-term bank loans and current portion of long-term bank loans	10	**6,168,449**	2,539,081
Secured bank overdrafts		**19,487**	23,960
Unsecured bank overdrafts		**7,312**	2,129
		18,472,288	16,201,460
Net current assets		**13,949,446**	19,022,357
Total assets less current liabilities		**133,499,286**	120,928,665

	Note	**Unaudited As at 30 June 2013** *HK$'000*	Restated As at 31 December 2012 *HK$'000*
Non-current liabilities			
Long-term bank loans	10	**23,353,067**	19,214,077
Fixed rate bonds		**10,169,504**	10,153,100
Amounts due to non-controlling interests		**2,248,971**	2,548,464
Deferred taxation		**5,863,283**	4,442,556
Retirement benefit obligations		**325,572**	348,698
Other non-current liabilities		**68,370**	–
		42,028,767	36,706,895
ASSETS LESS LIABILITIES		**91,470,519**	84,221,770
EQUITY			
Capital and reserves attributable to the Company's shareholders			
Share capital		**1,439,898**	1,439,131
Share premium		**12,236,971**	12,208,679
Other reserves		**16,051,125**	15,548,181
Retained profits		**45,633,299**	40,764,054
Proposed dividend		**503,964**	791,522
		75,865,257	70,751,567
Non-controlling interests		**15,605,262**	13,470,203
TOTAL EQUITY		**91,470,519**	84,221,770

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

	Unaudited Six months ended 30 June 2013 HK$'000	2012 HK$'000
Operating activities		
Net cash generated from operations	**4,628,897**	2,533,436
Interest paid	**(603,788)**	(458,132)
Income tax paid	**(341,156)**	(471,099)
Net cash generated from operating activities	**3,683,953**	1,604,205
Investing activities		
Additions of property, plant and equipment, investment properties and properties under development	**(13,923,450)**	(5,482,162)
Purchase of leasehold land and land use rights	**–**	(11,379)
Increase in land deposits	**(859,791)**	(222,053)
Acquisition of subsidiaries	**(580,215)**	(265,821)
Acquisition of additional interest in subsidiaries	**(179,050)**	(54,174)
Increase in investments in associates	**(295,480)**	(168,951)
Proceeds from sale of investment in an associate	**–**	1,196
Dividends received from associates	**91,056**	101,291
Repayment of loans from associates	**1,303,905**	7,680
Purchase of available-for-sale investments	**(579)**	(195)
Increase in long-term receivables	**(32,292)**	(38,031)
Interest received	**133,265**	148,546
(Increase)/decrease in restricted and pledged bank deposits	**(3,435)**	18,103
Decrease in short-term bank deposits maturing after more than 3 months	**1,269,928**	1,057,245
Dividends received from listed and unlisted investments	**43,902**	41,420
Proceeds from sale of property, plant and equipment and investment properties	**107,278**	193,864
Net cash used in investing activities	**(12,924,958)**	(4,673,421)
Financing activities		
Proceeds from issue of shares	**16,436**	2,901
Proceeds from issue of fixed rate bonds, net of direct issue costs	**–**	4,590,554
Redemption of convertible bonds	**–**	(2,754,271)
Repayment of bank loans	**(13,006,690)**	(11,780,042)
Drawdown of bank loans	**20,721,179**	10,147,916
Dividends paid	**(791,930)**	(676,104)
Capital injection from non-controlling interests	**58,952**	685,664
Dividends of subsidiaries paid to non-controlling interests	**(50,582)**	(42,158)
Increase in loans from non-controlling interests	**(380,896)**	(273,032)
Net cash generated from/(used in) financing activities	**6,566,469**	(98,572)
Decrease in cash and cash equivalents	**(2,674,536)**	(3,167,788)
Effect of exchange rate changes	**52,411**	(63,626)
Cash and cash equivalents at 1 January	**14,154,512**	16,101,953
Cash and cash equivalents at 30 June	**11,532,387**	12,870,539
Analysis of balances of cash and cash equivalents		
Cash and bank balances (excluding bank deposits maturing after more than 3 months)	**11,559,186**	12,888,898
Secured bank overdrafts	**(19,487)**	(16,631)
Unsecured bank overdrafts	**(7,312)**	(1,728)
	11,532,387	12,870,539

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY – UNAUDITED

	Attributable to shareholders of the Company							
	Share capital *HK$'000*	Share premium *HK$'000*	Other reserves *HK$'000*	Retained profits *HK$'000*	Proposed dividend *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
Balance as at 1 January 2013, as previously reported	**1,439,131**	**12,208,679**	**15,548,181**	**40,804,293**	**791,522**	**70,791,806**	**13,562,076**	**84,353,882**
Adjustment for change in accounting policies for adopting HKAS 19 (2011)	**–**	**–**	**–**	**(40,239)**	**–**	**(40,239)**	**(91,873)**	**(132,112)**
Balance as at 1 January 2013 (restated)	**1,439,131**	**12,208,679**	**15,548,181**	**40,764,054**	**791,522**	**70,751,567**	**13,470,203**	**84,221,770**
Profit for the period	**–**	**–**	**–**	**5,375,035**	**–**	**5,375,035**	**2,021,062**	**7,396,097**
Fair value loss on available-for-sale investments	**–**	**–**	**(50,932)**	**–**	**–**	**(50,932)**	**–**	**(50,932)**
Share of exchange reserve of an associate	**–**	**–**	**891**	**–**	**–**	**891**	**–**	**891**
Cash flow hedges	**–**	**–**	**131,425**	**–**	**–**	**131,425**	**–**	**131,425**
Net translation differences on foreign operations	**–**	**–**	**507,807**	**–**	**–**	**507,807**	**150,451**	**658,258**
Total comprehensive income for the six months ended 30 June 2013	**–**	**–**	**589,191**	**5,375,035**	**–**	**5,964,226**	**2,171,513**	**8,135,739**
Issue of share capital – exercise of share options	**767**	**28,292**	**(12,623)**	**–**	**–**	**16,436**	**–**	**16,436**
Employee share option scheme – value of employee services	**–**	**–**	**38,902**	**–**	**–**	**38,902**	**–**	**38,902**
Dividends paid	**–**	**–**	**–**	**(408)**	**(791,522)**	**(791,930)**	**(50,582)**	**(842,512)**
2013 proposed interim dividend	**–**	**–**	**–**	**(503,964)**	**503,964**	**–**	**–**	**–**
Transfer	**–**	**–**	**1,418**	**(1,418)**	**–**	**–**	**–**	**–**
Acquisition of subsidiaries – business combinations (Note 11)	**–**	**–**	**–**	**–**	**–**	**–**	**1,061**	**1,061**
– acquisition of assets	**–**	**–**	**–**	**–**	**–**	**–**	**19,221**	**19,221**
Acquisition of additional interest in subsidiaries (Note 12)	**–**	**–**	**(113,944)**	**–**	**–**	**(113,944)**	**(65,106)**	**(179,050)**
Capital injection from non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**58,952**	**58,952**
	767	**28,292**	**(86,247)**	**(505,790)**	**(287,558)**	**(850,536)**	**(36,454)**	**(886,990)**
Balance as at 30 June 2013	**1,439,898**	**12,236,971**	**16,051,125**	**45,633,299**	**503,964**	**75,865,257**	**15,605,262**	**91,470,519**

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY – UNAUDITED (continued)

	Attributable to shareholders of the Company							
	Share capital *HK$'000*	Share premium *HK$'000*	Other reserves *HK$'000*	Retained profits *HK$'000*	Proposed dividend *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
Balance as at 1 January 2012, as previously reported	1,438,366	12,190,587	14,600,337	35,017,137	676,032	63,922,459	10,526,629	74,449,088
Adjustment for change in accounting policies for adopting HKAS 19 (2011)	–	–	–	(25,002)	–	(25,002)	(72,311)	(97,313)
Balance as at 1 January 2012 (restated)	1,438,366	12,190,587	14,600,337	34,992,135	676,032	63,897,457	10,454,318	74,351,775
Profit for the period	–	–	–	3,386,155	–	3,386,155	444,699	3,830,854
Fair value gain on available-for-sale investments	–	–	94,453	–	–	94,453	–	94,453
Share of fair value gain on cash flow hedge of an associate	–	–	563	–	–	563	–	563
Share of exchange reserve of an associate	–	–	(600)	–	–	(600)	–	(600)
Cash flow hedges	–	–	45,234	–	–	45,234	–	45,234
Net translation differences on foreign operations	–	–	(283,434)	–	–	(283,434)	(103,248)	(386,682)
Total comprehensive income for the six months ended 30 June 2012	–	–	(143,784)	3,386,155	–	3,242,371	341,451	3,583,822
Issue of share capital – exercise of share options	202	3,581	(882)	–	–	2,901	–	2,901
Employee share option scheme – value of employee services	–	–	64,475	–	–	64,475	–	64,475
Dividends paid	–	–	–	(72)	(676,032)	(676,104)	(42,158)	(718,262)
2012 proposed interim dividend	–	–	–	(575,427)	575,427	–	–	–
Transfer	–	–	(200,618)	200,618	–	–	–	–
Acquisition of subsidiaries – business combinations	–	–	–	–	–	–	88,245	88,245
Acquisition of additional interest in subsidiaries	–	–	(33,643)	–	–	(33,643)	(20,531)	(54,174)
Capital injection from non-controlling interests	–	–	–	–	–	–	685,664	685,664
	202	3,581	(170,668)	(374,881)	(100,605)	(642,371)	711,220	68,849
Balance as at 30 June 2012	1,438,568	12,194,168	14,285,885	38,003,409	575,427	66,497,457	11,506,989	78,004,446

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Basis of preparation and accounting policies

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

These unaudited condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2012. Except as described below, the accounting policies used in the preparation of these condensed consolidated interim financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2012.

The following standards and amendments to existing standards, which are relevant to the operations of the Group, are mandatory for the first time for Group's accounting period beginning on 1 January 2013:

– HKAS 1 (amendment), 'Presentation of items of other comprehensive income'
– HKAS 19 (2011), 'Employee benefits'
– HKAS 27 (2011), 'Separate financial statements'
– HKAS 28 (2011), 'Investments in associates and joint ventures'
– HKFRS 7 (amendment), 'Disclosures – offsetting financial assets and financial liabilities'
– HKFRS 10, 'Consolidated financial statements'
– HKFRS 11, 'Joint arrangements'
– HKFRS 12, 'Disclosure of interests in other entities'
– HKFRS 13, 'Fair value measurement'
– Annual improvements 2009-2011 cycle
– Amendments to HKFRS 10, HKFRS 11 and HKFRS 12, 'Consolidated financial statements, Joint arrangements and Disclosure of interests in other entities: Transition guidance'

In particular, HKAS 19 (2011), 'Employee benefits' amends the accounting for employment benefits. The Group has applied the standard retrospectively in accordance with the transition provisions of the standard. The impact on the Group has been in the following areas:

The standard replaces the interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost based on the net defined benefit asset or liability using the discount rate, measured at the beginning of the year. There is no change to determining the discount rate; this continues to reflect the yield on government bonds.

There is a new term "remeasurements". This is made up of actuarial gains and losses. In the past, 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. However, the standard replaced this approach and all the actuarial gains and losses are recognised in other comprehensive income and ultimately recognised in retained profits.

1. **Basis of preparation and accounting policies (continued)**

The effect of the change in accounting policy on the consolidated statement of financial position is as follows:

	As at 30 June 2013	As at 31 December 2012
	HK$'000	*HK$'000*
Decrease in retained profits	**40,239**	40,239
Decrease in non-controlling interests	**91,873**	91,873
Increase in retirement benefit obligations	**191,388**	191,388
Decrease in deferred taxation	**59,276**	59,276

The effect of the change in accounting policy on the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of cash flows and on earnings per share was immaterial.

The revised accounting policies for employment benefits – defined benefit plan is as follows:

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. When there is significant change to the plan and key assumptions, the defined benefit obligation will be re-calculated by independent actuaries for the purpose of interim reporting. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using government bonds yield 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.

Remeasurements arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income and immediate recognised in retained profits in the period in which they arise.

In relation to HKFRS 13, 'Fair value measurement', the Group has included the disclosures under Note 2.

The following standard, amendments to existing standards and interpretation have been published but are not mandatory for the financial year beginning 1 January 2013. The Group has not early adopted them:

– HKAS 32 (amendment), 'Offsetting financial assets and financial liabilities'
– Amendments to HKAS 36, 'Recoverable amount disclosures for non-financial assets'
– Amendments to HKAS 27 (2011), HKFRS 10 and HKFRS 12, 'Investment entities'
– HKFRS 9, 'Financial instruments'
– HKFRS 7 and HKFRS 9 (amendments) 'Mandatory effective date and transition disclosures'
– HK(IFRIC) Interpretation 21 'Levies'

The Group will adopt the above standard, amendments to existing standards and interpretation 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.

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2012.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

2. Financial risk management and fair value measurement

(i) Financial risk factors

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.

These condensed consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; and should be read in conjunction with the Group's annual financial statements as at 31 December 2012. There have been no changes in the Group's financial risk management structure and policies since the year end.

(ii) Fair value estimation of financial instruments

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 financial assets that are measured at fair value at 30 June 2013:

	Level 1 *HK$'000*	**Level 2** *HK$'000*	**Level 3** *HK$'000*	**Total** *HK$'000*
Assets				
Derivative financial instruments	**–**	**293,253**	**–**	**293,253**
Available-for-sale investments	**491,707**	**–**	**1,421,293**	**1,913,000**
Listed securities at fair value through profit or loss	**175,079**	**–**	**–**	**175,079**
Total assets	**666,786**	**293,253**	**1,421,293**	**2,381,332**

2. Financial risk management and fair value measurement (continued)

(ii) Fair value estimation of financial instruments (continued)

The following table presents the Group's financial assets that are measured at fair value at 31 December 2012:

	Level 1	Level 2	Level 3	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'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

There were no transfers between Levels during the period.

(iii) Valuation techniques used to derive fair values of Level 2 financial instruments

Level 2 financial instruments comprise forward exchange, cross currency swap and interest rate swap contracts. The fair value is calculated as the present value of the estimated future cash flows based on forward exchanges rates that are quoted in an active market and/or forward interest rates extracted from observable yield curves.

(iv) Fair value measurements of financial instruments using significant unobservable inputs (Level 3)

The following table presents the changes in Level 3 instruments:

	Available-for-sale investments
	2013
	HK$'000
Opening balance as at 1 January	**1,454,668**
Losses recognised in comprehensive income	**(33,039)**
Additions	**1,294**
Disposals	**(715)**
Exchange adjustments	**(915)**
Closing balance as at 30 June	**1,421,293**

The Group established fair value of unlisted available-for-sale investments 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.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

There were no changes in valuation techniques during the period.

(v) Group's valuation processes for financial instruments

The Group's finance department includes a team that performs the valuation of financial assets required for financial reporting purposes, including Level 3 fair values. Discussions of valuation processes and results are held between the management and the valuation team at each reporting date. Reasons for the fair value movements will be explained during the discussions.

(vi) Fair value of financial assets and liabilities measured at amortised cost

The fair value of the listed fixed rate bonds as at 30 June 2013 was HK$10,935,447,000 (31 December 2012: HK$11,302,141,000).

The fair value of the following financial assets and liabilities approximate their carrying amount:

– Trade and other receivables
– Other current financial assets
– Cash and cash equivalents
– Trade and other payables
– Bank loans

(vii) Valuation of investment properties

The fair value measurement information for investment properties in accordance with HKFRS 13 'Fair value measurement' are given below:

	Fair value measurement at 30 June 2013			
	Quoted prices in active markets for identical assets (Level 1)	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Recurring fair value measurement				
Investment properties	**–**	**41,237,496**	**15,796,259**	**57,033,755**

There were no transfers among Level 1, Level 2 and Level 3 during the period.

Level 2 fair values of completed investment properties have been generally derived using the sales comparison approach and wherever appropriate, by investment approach. Sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size for sales comparison approach, while investment approach considered the capitalized average achieved rental with due provision for the reversionary rental potential of the property interest. The most significant input into this valuation approach is price or rental charge per square foot or square meter.

2. **Financial risk management and fair value measurement (continued)**

(vii) Valuation of investment properties (continued)

The fair value measurement of investment properties under construction uses significant unobservable inputs (Level 3).

	Investment properties under construction 2013 *HK$'000*
Opening balance as at 1 January	**7,544,165**
Additions and transfers	**3,174,101**
Unrealised gains recognised in profit and loss	**4,955,697**
Exchange adjustments	**122,296**
Closing balance as at 30 June	**15,796,259**

Level 3 fair values of investment properties under construction have been derived using the adjusted sale comparison approach, which basically uses the sales comparison approach to derive the fair value of the completed property and, wherever appropriate, by adjusted investment approach and then deducted the following items:

– Estimated construction and other costs to completion that would be incurred by a market participant; and

– Estimated profit margin that a market participant would require to hold and develop the property to completion, based on the state of the property as at 30 June 2013.

The main Level 3 inputs used by the Group are as follows:

– Estimated costs to completion and profit margins required

The estimates are largely consistent with the budgets developed internally by the Group based on management's experience and knowledge of market conditions. The higher the estimated costs or profit margin, the lower the fair value of investment properties under construction.

There were no changes in valuation techniques during the period.

3. Principal activities and segmental analysis of operations

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

	Turnover		Operating profit	
	Six months ended 30 June		Six months ended 30 June	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Principal activities:				
Property rental				
– People's Republic of China ("**PRC**") property	**521,016**	471,188	**382,102**	325,218
– Hong Kong property	**373,732**	348,603	**284,373**	275,123
	894,748	819,791	**666,475**	600,341
Property sales				
– PRC property (Note)	**2,710,129**	119,507	**1,096,541**	87,048
– Hong Kong property	**3,901,427**	7,843,925	**1,355,905**	2,741,465
	6,611,556	7,963,432	**2,452,446**	2,828,513
Hotel operations – PRC property	**143,392**	145,850	**5,147**	(23,828)
Logistics operations	**9,521,789**	8,954,237	**686,203**	627,573
Others	**82,029**	74,821	**(376,898)**	(160,119)
	17,253,514	17,958,131	**3,433,373**	3,872,480
Increase in fair value of investment properties	**–**	–	**5,925,257**	683,069
	17,253,514	17,958,131	**9,358,630**	4,555,549
Principal markets:				
PRC	**7,604,860**	4,635,688	**6,566,259**	1,145,948
Hong Kong	**5,646,160**	9,442,852	**2,472,868**	3,174,383
Taiwan	**989,975**	933,262	**122,404**	107,209
United Kingdom	**409,331**	479,551	**10,841**	20,864
Others	**2,603,188**	2,466,778	**186,258**	107,145
	17,253,514	17,958,131	**9,358,630**	4,555,549

Note: Sales of investment properties for the six months ended 30 June 2013 amounting to HK$73,653,000 (2012: HK$71,019,000) are excluded from turnover.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

3. Principal activities and segmental analysis of operations (continued)

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

	Six months ended 30 June 2013							
	PRC Property *HK$'000*	Hong Kong Property *HK$'000*	Overseas Property *HK$'000*	Logistics *HK$'000*	Total Operating Segments *HK$'000*	Others *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
Revenue								
Turnover	3,374,537	4,275,159	–	9,521,789	17,171,485	82,029	–	17,253,514
Inter-segment revenue	–	–	–	–	–	41,200	(41,200)	–
Inter-segment interest income	–	–	–	–	–	266,161	(266,161)	–
	3,374,537	4,275,159	–	9,521,789	17,171,485	389,390	(307,361)	17,253,514
Results								
Segment results before increase in fair value of investment properties	1,220,900	1,615,599	(769)	697,149	3,532,879	221,212	(266,161)	3,487,930
Increase in fair value of investment properties	5,089,875	377,079	–	458,303	5,925,257	–	–	5,925,257
Segment results	6,310,775	1,992,678	(769)	1,155,452	9,458,136	221,212	(266,161)	9,413,187
Dividend income	–	26,497	16,567	838	43,902	–	–	43,902
Interest income	66,159	13,631	29	19,704	99,523	30,693	–	130,216
Interest expenses	(588)	(59,521)	–	(45,096)	(105,205)	(389,631)	266,161	(228,675)
Operating profit	6,376,346	1,973,285	15,827	1,130,898	9,496,356	(137,726)	–	9,358,630
Share of results of associates	124,352	90,955	37,541	71,626	324,474	53,692	–	378,166
Profit before taxation	6,500,698	2,064,240	53,368	1,202,524	9,820,830	(84,034)	–	9,736,796
Taxation	(1,904,664)	(276,416)	(7,070)	(146,511)	(2,334,661)	(6,038)	–	(2,340,699)
Profit for the period	4,596,034	1,787,824	46,298	1,056,013	7,486,169	(90,072)	–	7,396,097
Profit attributable to:								
Company's shareholders	2,936,983	1,578,272	46,298	903,554	5,465,107	(90,072)	–	5,375,035
Non-controlling interests	1,659,051	209,552	–	152,459	2,021,062	–	–	2,021,062
	4,596,034	1,787,824	46,298	1,056,013	7,486,169	(90,072)	–	7,396,097
Depreciation and amortisation	25,499	6,471	–	215,797	247,767	3,336	–	251,103

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

3. Principal activities and segmental analysis of operations (continued)

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

	As at 30 June 2013							
	PRC Property	Hong Kong Property	Overseas Property	Logistics	Total Operating Segments	Others	Eliminations	Consolidated
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**74,439,213**	**48,580,556**	**2,294,657**	**23,646,304**	**148,960,730**	**55,957,654**	**(52,946,810)**	**151,971,574**
Total liabilities	**40,511,290**	**24,119,105**	**110,608**	**11,761,648**	**76,502,651**	**36,945,214**	**(52,946,810)**	**60,501,055**

	As at 31 December 2012 (Restated)							
	PRC Property	Hong Kong Property	Overseas Property	Logistics	Total Operating Segments	Others	Eliminations	Consolidated
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
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
Total liabilities	39,476,845	13,655,306	118,363	11,396,722	64,647,236	31,094,122	(42,833,003)	52,908,355

4. Operating profit

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
Operating profit is stated after crediting/charging the following:		
Crediting		
Dividend income from listed and unlisted investments	**43,902**	41,420
Interest income	**130,216**	148,546
Gain on sale of investment properties, net	**20,747**	16,472
Charging		
Depreciation and amortisation	**251,103**	202,786
Total finance costs incurred	**612,551**	573,260
Less: amount capitalised in properties under development and investment properties under construction	**(408,220)**	(310,795)
	204,331	262,465
Fair value loss on derivative financial instruments	**24,344**	570
	228,675	263,035

5. Taxation

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
The taxation (charge)/credit comprises:		
PRC taxation		
Current	**(599,170)**	(172,825)
Under-provision in prior years	**(351)**	(1,591)
Deferred	**(1,354,279)**	(192,486)
	(1,953,800)	(366,902)
Hong Kong profits tax		
Current	**(315,207)**	(512,706)
Over-provision in prior years	**5,586**	10,074
Deferred	**(11,569)**	(21,786)
	(321,190)	(524,418)
Overseas taxation		
Current	**(60,531)**	(66,696)
Over/(under)-provision in prior years	**2,972**	(10,004)
Deferred	**(8,150)**	(3,168)
	(65,709)	(79,868)
	(2,340,699)	(971,188)

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 16.5%) on the estimated assessable profit for the six months ended 30 June 2013. Income tax on PRC and overseas profits has been calculated on the estimated assessable profit for the six months ended 30 June 2013 at the respective rates of taxation prevailing in the PRC and the overseas countries in which the Group operates.

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

6. Earnings per share

Basic

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

	Six months ended 30 June	
	2013	2012
Weighted average number of shares in issue	**1,439,822,057**	1,438,465,447
	HK$'000	*HK$'000*
Profit attributable to shareholders	**5,375,035**	3,386,155
Basic earnings per share	**HK$3.73**	HK$2.35

Diluted

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

	Six months ended 30 June	
	2013	2012
Weighted average number of shares in issue	**1,439,822,057**	1,438,465,447
Adjustment for convertible bonds	**–**	12,752,679
Adjustment for share options	**3,171,854**	2,933,447
Weighted average number of shares for the purpose of calculating diluted earnings per share	**1,442,993,911**	1,454,151,573
	HK$'000	*HK$'000*
Profit attributable to shareholders	**5,375,035**	3,386,155
Adjustment for finance cost on convertible bonds	**–**	16,800
Profit used to determine diluted earnings per share	**5,375,035**	3,402,955
Diluted earnings per share	**HK$3.72**	HK$2.34

7. Capital expenditure

	Property, plant and equipment HK$'000	Investment properties HK$'000	Leasehold land and land use rights HK$'000	Intangible assets HK$'000
Opening net book value at 1 January 2013	**6,626,304**	**47,484,425**	**531,796**	**1,896,333**
Additions	**392,668**	**491,586**	**–**	**–**
Acquisition of subsidiaries	**53,071**	**–**	**–**	**167,244**
Fair value gains	**–**	**5,925,257**	**–**	**–**
Disposals	**(28,197)**	**(47,657)**	**–**	**–**
Transfer	**2,324,579**	**2,789,562**	**823,537**	**–**
Depreciation and amortisation	**(226,862)**	**–**	**(6,164)**	**(19,503)**
Exchange adjustment	**(108,288)**	**390,582**	**(203)**	**898**
Closing net book value at 30 June 2013	**9,033,275**	**57,033,755**	**1,348,966**	**2,044,972**
Opening net book value at 1 January 2012	5,873,592	42,329,689	537,461	1,308,243
Additions	433,061	696,580	11,379	–
Acquisition of subsidiaries	40,088	–	7,406	452,034
Fair value gains	–	683,069	–	–
Disposals	(62,502)	(49,777)	–	–
Transfer	41,360	24,220	4,948	–
Depreciation and amortisation	(186,257)	–	(5,336)	(12,081)
Impairment	–	–	–	(7,000)
Exchange adjustment	7,278	(215,031)	(7,882)	(2,029)
Closing net book value at 30 June 2012	6,146,620	43,468,750	547,976	1,739,167

8. Accounts receivable, prepayments and deposits

Included in accounts receivable, prepayments and deposits are trade receivables. The Group maintains a defined credit policy. The ageing analysis of trade receivables as at 30 June 2013 is as follows:

	As at 30 June 2013 ***HK$'000***	As at 31 December 2012 *HK$'000*
Below 1 month	**4,125,824**	3,666,376
Between 1 month and 3 months	**1,219,943**	1,152,523
Over 3 months	**223,997**	190,594
	5,569,764	5,009,493

9. Accounts payable, deposits received and accrued charges

Included in accounts payable, deposits received and accrued charges are trade payables. The ageing analysis of trade payables as at 30 June 2013 is as follows:

	As at 30 June 2013 *HK$'000*	As at 31 December 2012 *HK$'000*
Below 1 month	**842,292**	1,036,628
Between 1 month and 3 months	**514,872**	551,519
Over 3 months	**388,601**	184,072
	1,745,765	1,772,219

10. Bank loans

	As at 30 June 2013 *HK$'000*	As at 31 December 2012 *HK$'000*
Bank loans – unsecured	**23,747,765**	16,284,410
Bank loans – secured	**5,773,751**	5,468,748
Total bank loans (note (i))	**29,521,516**	21,753,158
Less: Short-term bank loans and current portion of long-term bank loans	**(6,168,449)**	(2,539,081)
	23,353,067	19,214,077

(i) As at 30 June 2013, the Group's bank loans were repayable as follows:

	As at 30 June 2013 *HK$'000*	As at 31 December 2012 *HK$'000*
Within one year	**6,168,449**	2,539,081
In the second to fifth year		
– In the second year	**1,964,856**	1,230,535
– In the third year	**12,002,125**	4,186,392
– In the fourth year	**2,215,365**	10,816,734
– In the fifth year	**5,578,098**	1,139,219
	21,760,444	17,372,880
Repayable within five years	**27,928,893**	19,911,961
Over five years	**1,592,623**	1,841,197
	29,521,516	21,753,158

11. Business combinations

Details of business combinations during the six months ended 30 June 2013 are as follows:

In May 2013, the Group acquired 50% interest in Albini & Pitigliani Sverige AB which is engaging in road transportation business within the European Continent as well as international freight forwarding business. Pursuant to the sale and purchase agreement and a put and call option agreement, the vendors were given put options to sell the remaining 50% equity interest to the Group over a period of time and in case the vendors do not exercise the put options, the Group has plan to purchase the remaining 50% equity interest from the vendors by exercising its call options under the agreements. Therefore, Albini & Pitigliani Sverige AB has been consolidated as a subsidiary of the Group and the consideration payable for this company's 50% remaining equity interest has been accounted for as a deferred consideration payable.

In June 2013, the Group acquired 51% interest in Braservice – Transportes Internacionais Ltda and Braservice Cargo – Transportes, Armazenagem e Logistica Ltda (collectively as "**Braservice**") which are engaging in international freight forwarding, customs brokerage and other related logistics services in Brazil.

Aggregate consideration of the above transactions is as follows:

	HK$'000
Cash consideration paid	**114,066**
Consideration to be paid	**117,544**
	231,610

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

	HK$'000
Property, plant and equipment	**53,071**
Properties under development	**29,827**
Accounts receivable, prepayments and deposits	**34,790**
Cash and bank balances	**12,013**
Accounts payable, deposits received and accrued charges	**(40,677)**
Bank loans	**(17,872)**
Deferred taxation	**(5,725)**
Total identifiable net assets	**65,427**
Goodwill	**167,244**
Non-controlling interests	**(1,061)**
Total	**231,610**

The goodwill of HK$167,244,000 arising from these acquisitions is attributable to the future profitability of the acquired businesses.

11. Business combinations (continued)

The acquired businesses contributed revenues of HK$36,123,000 and net profit of HK$2,204,000 to the Company's shareholders for the period from their respective acquisition up to 30 June 2013. If the acquisitions had occurred on 1 January 2013, the contributed revenues and profit attributable to Company's shareholders for the six months ended 30 June 2013 would have been HK$84,368,000 and HK$9,429,000 respectively.

The fair value of the deferred consideration of HK$117,544,000 has been provided in the consolidated financial statements of the Group and shall be subject to fair value change in the consolidated income statement at each period end.

12. Transactions with non-controlling interests

During the six months ended 30 June 2013, the Group completed the following transactions with non-controlling interests:

During the period, the Group acquired additional effective interests of 49% in Kerry Freight (USA) Incorporated, 2.73% in Kerry TJ Logistics Company Limited and 2% in K.A.S Services Company Limited.

The aggregate effect of these transactions is summarised as follows:

	HK$'000
Consideration paid to non-controlling interests	**(179,050)**
Decrease in non-controlling interests	**65,106**
Excess of consideration paid recognised in equity	**(113,944)**

13. Commitments

At 30 June 2013, the Group had capital commitments in respect of interests in leasehold land, properties under development, property, plant and equipment and equity interests in certain companies not provided for in these financial statements as follows:

	As at 30 June 2013 ***HK$'000***	As at 31 December 2012 *HK$'000*
Contracted but not provided for	**8,797,069**	9,090,849
Authorised but not contracted for	**265,160**	371,143
	9,062,229	9,461,992

14. Contingent liabilities

Guarantees for banking and other facilities

	As at 30 June 2013 *HK$'000*	As at 31 December 2012 *HK$'000*
Guarantees for banking and other facilities of certain associates (note (i))	**2,550,847**	1,496,416
Guarantees to certain banks for mortgage facilities granted to first buyers of certain properties in the PRC (note (ii))	**1,076,674**	722,885
	3,627,521	2,219,301

(i) The Group has executed guarantees for banking and other facilities granted to certain associates. The utilised amount of such facilities covered by the Group's guarantees which also represented the financial exposure of the Group as at 30 June 2013 amounted to approximately HK$2,550,847,000 (31 December 2012: HK$1,496,416,000). The total amount of such facilities covered by the Group's guarantees as at 30 June 2013 amounted to approximately HK$4,832,567,000 (31 December 2012: HK$2,360,790,000).

(ii) The Group has executed guarantees to certain banks for mortgage facilities granted to first buyers of certain properties developed by the Group in the PRC. The utilised amount of such facilities covered by the Group's guarantees which also represented the financial exposure of the Group as at 30 June 2013 amounted to approximately HK$1,076,674,000 (31 December 2012: HK$722,885,000). The total amount of such facilities covered by the Group's guarantees as at 30 June 2013 amounted to approximately HK$8,605,968,000 (31 December 2012: HK$8,100,318,000).

Apart from the above, there are no material changes in contingent liabilities of the Group since 31 December 2012.

15. Pledge of assets

As at 30 June 2013, the Group's total bank loans and overdrafts of HK$29,548,315,000 (31 December 2012: HK$21,779,247,000) included an aggregate amount of HK$23,755,077,000 (31 December 2012: HK$16,286,539,000) which is unsecured and an aggregate amount of HK$5,793,238,000 (31 December 2012: HK$5,492,708,000) which is secured. The securities provided for the secured banking facilities available to the Group are as follows:

(i) legal charges over certain properties and port facilities of the Group with an aggregate net book value of HK$21,827,890,000 (31 December 2012: HK$17,077,560,000); and

(ii) assignments of insurance proceeds of certain properties of the Group.

16. Event after the reporting period

On 31 July 2013, the Company announced that it was considering a possible separate listing ("**Possible Listing**") on the main board of The Stock Exchange of Hong Kong Limited of the shares in Kerry Logistics Network Limited, which is wholly owned by the Company. The Possible Listing would be achieved by way of a spin-off in compliance with Practice Note 15 of the Listing Rules. Up to 21 August 2013, being the approval date of this condensed consolidated interim financial statements by the board of directors of the Company, no decision has yet been made to proceed with the Possible Listing or as to the timing or transaction structure of such listing.

MANAGEMENT DISCUSSION AND ANALYSIS

(A) Overall Results

Turnover of the Group for the six months ended 30 June 2013 was HK$17,254 million, which registered a decrease of 4% when compared with the turnover of HK$17,958 million for the corresponding six months ended 30 June 2012. The Group's turnover mainly comprises proceeds from the sales of properties, rental income as well as revenue from hotel and logistics operations.

Profit attributable to shareholders before taking into account the net increase in fair value of investment properties and related tax effects for the six months ended 30 June 2013 was HK$2,295 million (2012: HK$2,915 million), representing a decrease of 21% over the period.

During the six months ended 30 June 2013, the net increase in fair value of the Group's investment properties and related tax effects in the aggregate amount of HK$3,080 million (2012: HK$471 million) was recognised in the Group's consolidated income statement.

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

	Six months ended 30 June		
	2013	2012	
	HK$ million	*HK$ million*	Change
Profit attributable to shareholders before taking into account the net increase in fair value of investment properties and related tax effects	**2,295**	2,915	-21%
Add:			
Net increase in fair value of investment properties and related tax effects	**3,080**	471	
Profit attributable to shareholders after taking into account the net increase in fair value of investment properties and related tax effects	**5,375**	3,386	+59%

(B) PRC Property Division

The Group's PRC Property Division reported a turnover of HK$3,375 million (2012: HK$737 million) for the first six months of 2013. Net profit attributable to the Group was HK$2,937 million (2012: HK$578 million) after taking into account the increase in fair value of investment properties (net of deferred taxation) of HK$2,255 million (2012: HK$471 million).

The PRC Government has renewed tightening efforts during the first half of the year to bring stability to the country's property sector. This has led to some short-term impact on the number of transactions in the market. However, the Division was able to achieve satisfactory performance in property sales for its quality developments. Leasing activities also remained solid. The Division continued to see sustained demand for its premier commercial, office and serviced residential space in prime cosmopolitan locations.

(i) Investment Properties

During the six months ended 30 June 2013, the Group's completed investment property portfolio in the PRC generated rental income and operating profit of HK$521 million and HK$382 million, respectively (2012: HK$471 million and HK$325 million, respectively).

As at 30 June 2013, the Group held a completed investment property portfolio of apartment, commercial and office properties in the PRC with an aggregate gross floor area ("**GFA**") of 5.24 million square feet (as at 31 December 2012: 5.26 million square feet). Their respective composition and occupancy rates were as follows:

As at 30 June 2013:

	Group's attributable GFA					
	Beijing	**Shanghai**	**Shenzhen**	**Fuzhou**	**Total**	**Occupancy rate**
			('000 square feet)			
Office	**711**	**902**	**1,552**	**–**	**3,165**	**88%**
Commercial	**98**	**651**	**212**	**64**	**1,025**	**93%**
Apartment	**277**	**775**	**–**	**–**	**1,052**	**81%**
	1,086	**2,328**	**1,764**	**64**	**5,242**	

As at 31 December 2012:

	Group's attributable GFA					
	Beijing	Shanghai	Shenzhen	Fuzhou	Total	Occupancy rate
			('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	

(B) PRC Property Division (continued)

(i) Investment Properties (continued)

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

Property	**Occupancy rate as at 30 June 2013**	Occupancy rate as at 31 December 2012
Beijing Kerry Centre[(1)]	**99%**	98%
Shanghai Kerry Centre[(2)]	**92%**	94%
Kerry Parkside Shanghai Pudong	**98%**	97%
Kerry Everbright City Phase I	**85%**	86%
Central Residences Phase II Towers 1 & 3	**79%**	79%
Shenzhen Kerry Plaza Phase I	**97%**	99%
Shenzhen Kerry Plaza Phase II	**69%**	57%

Notes:

(1) Excluding retail and serviced apartments.

(2) Excluding serviced apartments and retail podium.

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. Recording strong leasing performance, this property was 100% leased (as at 31 December 2012: 100%) for the retail space and 100% occupied (as at 31 December 2012: 100%) for the offices as at 30 June 2013.

Shenzhen Kerry Plaza Phase II is a Grade-A office project. The entire development, including Shenzhen Kerry Plaza Phase I, comprises three office towers with a GFA of approximately 1.65 million square feet. 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. As at 30 June 2013, Phase I development was 97% leased (as at 31 December 2012: 99%) and Phase II development was 69% leased (as at 31 December 2012: 57%).

(ii) Sales of Properties

During the six months ended 30 June 2013, turnover of HK$2,710 million (2012: HK$120 million) was derived from the sales of completed properties in the PRC. Sales of completed investment properties generated proceeds of HK$74 million (2012: HK$71 million).

An operating profit of HK$1,097 million (2012: HK$87 million) was posted during the period, mainly from recognized sales of Parkview Residence Phase II in Hangzhou, The Metropolis-Arcadia Court Phase I in Chengdu, Central Residences Phase II Tower 2 in Shanghai, and Kerry Everbright City Phases I & II (including the Enterprise Square office tower) in Shanghai.

The Group's residential project in Xiacheng District, Hangzhou, Parkview Residence, with a GFA of approximately 2.63 million square feet, was completed and delivered for occupation. Sales of remaining units of Phase II are currently ongoing. As at 30 June 2013, approximately 84% of the total 1,632 units launched from Phase II had been sold. The project recorded turnover of HK$2,159 million during the first half of 2013 (2012: HK$ nil).

Up to 30 June 2013, the Metropolis-Arcadia Court Phase I in Chengdu with 1,734 units from seven towers available for sale had been 78% sold. The Group holds a 55% interest in the project.

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. All the Le Loft residential units have been sold. Of the 430 saleable office units of Enterprise Square, 363 units representing 84% of the total have been sold.

(iii) Properties under Development

The PRC Property Division continues to focus on the development of its mixed-use projects in major cities.

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 2.73 million square-foot project incorporates a deluxe hotel/office tower, an international Grade-A office tower and an upscale shopping mall. Delivery of the units at the office tower began during the first half of 2013, while the retail mall had its soft opening in early July. Jing An Kerry Centre is positioned as the pre-eminent shopping venue in the city, featuring signature stores and the world's leading brands, as well as the most exclusive office address, to command premium rental rates. Market response to the leasing of space has been strong, with approximately 56% of the office units and 74% of the retail space leased as at 30 June 2013.

Phase III of the Kerry Everbright City project in Zhabei District is expected to be completed by the second quarter of 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 entails a total GFA of approximately 5.37 million square feet. Phase I of the development includes a hotel, upscale residences and a shopping mall, and is scheduled to be completed and handed over in phases between the second quarter of 2014 and the second quarter of 2015. The pre-sale of the residential portion, Tianjin Arcadia Court, and pre-leasing activities for the mall have progressed smoothly. As at 30 June 2013, 273 residential units, representing 60% of total units launched for pre-sale, had been sold.

(B) PRC Property Division (continued)

(iii) Properties under Development (continued)

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 have been completed while excavation and shoring works are now underway. The entire development is targeted for completion in phases from 2015 onwards. The Group holds a 75% stake in the project.

The Group acquired five additional lots of land in October 2012 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 2.29 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 hotel and commercial properties with a total GFA of approximately 916,000 square feet. With construction works currently underway, the project is targeted for completion in 2014. The Group holds a 45% interest in this project.

The Group has acquired an additional site at Da Guang Road, Bai Xia District, Nanjing. This residential project, wholly owned by the Group, has a site area of approximately 384,000 square feet and a GFA of approximately 955,000 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 have been handed over, while construction of Phases II and III is due for completion in several stages from 2017 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 and the residential portion is ongoing, and is targeted for completion in phases from 2014 onwards.

Changsha

The Group's 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 2017. Pre-sale of the project was launched in the fourth quarter of 2012 with satisfactory results. As at 30 June 2013, 189 units, representing 45% 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 met with strong market response. As at 30 June 2013, 184 units, representing 57% 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 Phase I residential units commenced in the third quarter of 2012 and, as at 30 June 2013, 139 units, representing 36% of the units launched for pre-sale, had been sold.

Manzhouli

The Group's wholly-owned project in Manzhouli, Inner Mongolia, is a residential and commercial property development. Construction of Phase II, with a GFA of approximately 616,000 square feet, is nearing completion. The pre-sale of Phase II residential units was launched in July 2012. Up to 30 June 2013, 114 residential units, representing 33% of the total, had been pre-sold.

Tangshan

The Group's 40%-owned mixed-use project in Tangshan 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 2015, with the pre-sale of the residential units already rolled out. As at 30 June 2013, 599 residential units, representing 75% of the total units launched for pre-sale, had been sold.

(B) PRC Property Division (continued)

(iii) Properties under Development (continued)

Ningbo

The site being developed in Ningbo is located in the Eastern New Town Core Region and is earmarked for high-end residences with a GFA of approximately 1.03 million square feet. The Group holds a 50% interest in the project. Construction works for Phase I, with a GFA of approximately 402,000 square feet, are in progress. The project is scheduled to be completed in 2016.

Yingkou

The Group is developing seaside sites in Bayuquan District in Yingkou City, Liaoning Province, which are primarily designated for residential and commercial use, with a GFA of approximately 4.5 million square feet. The sales and purchase agreements were completed in July this year, and the Group's interest in the project has been increased from 40% to 65%, with Shangri-La ceasing to hold any interest in the project.

Jinan

With Shangri-La, the Group is co-developing a mixed-use project located in Lixia District, Jinan City. The Group holds a 55% stake in this project, which has 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 2016.

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 for development into a hotel, residential, commercial and office properties, with completion expected in phases between 2016 and 2017. The Group holds a 55% interest in this project.

Putian

The Group and Shangri-La are co-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

The Group, together with Shangri-La and Moneyeasy Holdings Limited, is co-developing two adjoining sites in Kunming City, Yunnan Province. The sites are designated for hotel, serviced apartment, office and commercial use, with a GFA of approximately 920,000 square feet. The Group holds a 35% equity interest in the project.

(iv) *Kerry Hotel, Beijing*

During the six months ended 30 June 2013, Kerry Hotel, Beijing, recorded turnover and operating profit of HK$144 million and HK$5 million, respectively (2012: HK$146 million and operating loss of HK$24 million, respectively). The hotel's refurbishment programme led to a temporary impact on operating results during the period. The programme will be completed before the end of 2013. An average occupancy rate of 48% (2012: 42%) was achieved during the first half of 2013, while the average room tariff was down by 9% year on year. The Group holds a 71.25% interest in the hotel.

(C) Hong Kong Property Division

During the six months ended 30 June 2013, the Hong Kong Property Division recorded a turnover of HK$4,275 million (2012: HK$8,193 million). Net profit attributable to the Company's shareholders was HK$1,578 million (2012: HK$2,373 million) after taking into account the increase in fair value of investment properties of HK$377 million (2012: HK$ nil).

The Division's turnover was mainly derived from recognized sales of Lions Rise, The Altitude and SOHO 189. Continuing to develop and manage a portfolio of high-quality assets, the Division was able to generate healthy returns from property sales activities, while earning a stable stream of recurrent income from its investment properties.

The development of the Hong Kong property business were driven by location and design with a special emphasis of providing quality accommodation for city living. The Division will continue to push the frontiers of its capability to derive sustainable value from its premium asset portfolio. By building further on its quality track record, the Division seeks stable and consistent growth.

(i) *Investment Properties*

During the six months ended 30 June 2013, the Group generated rental turnover and operating profit of HK$374 million and HK$284 million, respectively (2012: HK$349 million and HK$275 million, respectively) from its completed investment property portfolio in Hong Kong.

As at 30 June 2013, the Group held a completed property portfolio comprising apartment, commercial and office assets in Hong Kong with an aggregate GFA of 2.91 million square feet (as at 31 December 2012: 2.91 million square feet). The GFA breakdown and the respective occupancy rates were as follows:

	As at 30 June 2013		As at 31 December 2012	
	Group attributable GFA *('000 square feet)*	**Occupancy rate**	Group attributable GFA *('000 square feet)*	Occupancy rate
Apartment	**722**	**94%**	722	94%
Commercial	**1,349**	**97%**	1,348	99%
Office	**838**	**98%**	837	97%
	2,909		2,907	

(C) Hong Kong Property Division (continued)

(i) Investment Properties (continued)

Enterprise Square Five/MegaBox

MegaBox is a pioneering shopping, dining and entertainment venue in East Kowloon, offering a unique mix of lifestyle attractions and shopping zones across a GFA of 1.1 million square feet. As at 30 June 2013, the mall was 99.8% (as at 31 December 2012: 99.98%) leased.

The mall has continued to change its tenant mix and marketing strategy to constantly enhance visitor experience. The ice skating rink in the mall continues to host Mega Ice Hockey 5's Tournament which has established itself firmly in the Asian hockey tournament itinerary.

As at 30 June 2013, the two Grade-A office towers of Enterprise Square Five, with a GFA of 519,000 square feet, recorded an occupancy rate of 100% (as at 31 December 2012: 100%). As the office decentralization trend continues, the Group maintains an optimistic outlook for the ongoing rental performance of Enterprise Square Five.

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. Occupancy at Kerry Centre remained at a high level and, as at 30 June 2013, 99.4% (as at 31 December 2012: 94%) of its office space was leased.

(ii) Sales of Properties

During the first six months of 2013, turnover of HK$3,901 million (2012: HK$7,844 million) was derived from the sales of completed properties in Hong Kong. An operating profit of HK$1,356 million (2012: HK$2,742 million) was generated during the period mainly from the recognized sales of completed properties of Lions Rise, The Altitude and SOHO 189.

Market conditions have spurred the government to rein in speculative activities in the local property market. However, as the supply of quality residential properties continued to be scarce in Hong Kong, prices for such premium-quality homes remained quite resilient over the period under review. With a portfolio of quality urban residential developments, the Hong Kong Property Division's sale activities have continued to receive warm market response.

Lions Rise, Tsz Wan Shan, Diamond Hill and San Po Kong

Lions Rise is located at No. 8 Muk Lun Street, Kowloon, with five residential blocks offering a total of 968 units. The project is complemented with club facilities and landscaped gardens, and a shopping mall. As at 30 June 2013, 937 units, representing 96.8% of the total, had been sold.

The Altitude, Wong Nai Chung

The Altitude at No. 20 Shan Kwong Road, Hong Kong, offers 126 residential units. The Group holds a 71% interest in this project. As at 30 June 2013, 104 units, representing 82.5% of the total, had been sold.

SOHO 189, Sai Ying Pun and Sheung Wan

Located at No. 189 Queen's Road West, Hong Kong, SOHO 189 is a 71%-owned redevelopment project consisting of urban residences and retail units. As at 30 June 2013, 149 units were all sold.

Bayview, Ma Tau Kok

The redevelopment project at No. 9 Yuk Yat Street, Kowloon, has already obtained its occupation permit and certificate of compliance. This residential and commercial development, offering 175 units, has recorded good sales performance since being launched.

(iii) Properties under Development

Hing Hon Road, Sai Ying Pun and Sheung Wan

The 71%-owned joint-venture project at No. 23 Hing Hon Road, Hong Kong, is located in proximity to the University of Hong Kong and a number of schools. The project will yield a buildable GFA of approximately 178,000 square feet. Construction works are currently in progress.

The Group is developing a new residential project at Nos. 5-6 Hing Hon Road, Hong Kong. This redevelopment project, in which the Group holds a 71% interest, will deliver a buildable GFA of approximately 39,000 square feet.

Ede Road, Kowloon Tong

The site at No. 1 Ede Road, Kowloon, will be used for the development of another residential project with a buildable GFA of approximately 77,000 square feet.

Prince Edward Road West, Ho Man Tin

This redevelopment project is situated at Nos. 298-300B Prince Edward Road West, Kowloon, a neighbourhood offering a network of primary and secondary schools. The project is planned to deliver a buildable GFA of approximately 61,000 square feet.

Shan Kwong Building Redevelopment, Wong Nai Chung

The Group is developing a new residential project at Nos. 7C-7F Shan Kwong Road, Tsui Man Street and Village Road, Hong Kong. Subject to building plans approval, the project will yield a buildable GFA of approximately 81,000 square feet.

(C) Hong Kong Property Division (continued)

(iii) Properties under Development (continued)

Sha Tin Heights Road, Sha Tin

A residential project is now under development at Nos. 25-27A Sha Tin Heights Road, with a buildable GFA of approximately 17,000 square feet. The Group holds a 71% interest in this project.

Kau To, Sha Tin

Together with Sino Group and Manhattan Group, the Group is co-developing a residential project, with a buildable GFA of approximately 1.031 million square feet, at STTL No. 525, Area 56A, Kau To, Sha Tin. The Group holds a 40% stake in this project.

So Kwun Wat, Tuen Mun

The Group is developing a residential project at TMTL 423, So Kwun Wat, Castle Peak Road, with a buildable GFA of approximately 940,000 square feet. The site is planned to be developed into a large-scale residential property of not less than 1,100 units.

Sheung Lok Street, Ho Man Tin

In March 2013, the Group won a public tender for a site at Sheung Lok Street, Ho Man Tin. Occupying an area of approximately 259,000 square feet with a buildable GFA of approximately 1.142 million square feet, plans for a residential development are underway.

Macau

Development planning is now underway on the Group's luxury apartment project situated at Nam Van Lake, yielding a GFA of approximately 400,000 square feet. The project will occupy an unmatched prime city location affording unobstructed panoramas of the Macau Peninsula and Nam Van Lake itself.

Also under discussion is the exchange procedure in respect of a residential site owned by the Group in Macau. The proposed site is intended to lie within one of Macau's new land reclamation projects, with the precise location to be decided upon after finalization of the New City Master Plan by the Macau SAR Government.

(D) Overseas Property Division

The Group's Overseas Property Division holds a portfolio of properties in the Philippines. Such investments are held through Shang Properties, Inc. ("**SPI**") in which the Division maintains a 34.61% equity interest and a 30.75% interest in its depository receipts. SPI holds (i) a 100% interest in the Shangri-La Plaza Mall, Manila, and (ii) indirect interests in The Enterprise Center, an office and commercial property in Makati, Manila's financial district. As at 30 June 2013, the occupancy rates of Shangri-La Plaza Mall and The Enterprise Center were 98% and 95%, respectively (as at 31 December 2012: 98% and 86%, 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 properties, is currently ongoing. The pre-sale of the residential units has been launched with a total of 1,060 units (as at 31 December 2012: 858) sold as at 30 June 2013, accounting for 81% of the total.

SPI is also a participant in the development of The St. Francis Shangri-La Place, a residential project located in Mandaluyong City, Manila. As at 30 June 2013, 1,150 units (as at 31 December 2012: 1,149) 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.

In view of the strong performance of its property portfolio in Manila, SPI has also committed itself to investment in a new residential redevelopment 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. The pre-sale of the residential units was launched in 2012 and as at 30 June 2013, 199 units (as at 31 December 2012: 106) out of the total of 773 residential units of the project had been sold.

(E) Logistics Network Division

The Division is pleased to report the results for the first half of 2013, a period during which the global logistics sector was negatively impacted by slower-than-expected trade growth. Contributions from the integrated logistics ("**IL**") segment was a key driver of the Division's steady growth, backed by efforts made to go beyond customer requirements to provide an expanding array of higher-margin value-added services.

The Division's turnover increased 6% year on year to HK$9,522 million (2012: HK$8,954 million) for the six months ended 30 June 2013. Net profit attributable to the Group (excluding fair value adjustment on investment properties) also improved 6% year on year to HK$455 million (2012: HK$430 million). Including the HK$448 million (2012: HK$ nil) in fair value adjustment on investment properties, net profit attributable to the Group for the period increased 110% to HK$903 million (2012: HK$430 million).

(E) Logistics Network Division (continued)

(i) Integrated Logistics

Continuing globalization and economic swings are presenting new competitive challenges that are constantly changing the shape of the logistics industry. With a solid network based in Greater China and across Asia together with a global capability, Kerry Logistics Network Limited ("**Kerry Logistics**") offers well-developed end-to-end supply chain services to manufacturers and retailers worldwide across a wide spectrum of industries.

During the first half of 2013, IL segment turnover increased 15% year on year to HK$4,193 million (2012: HK$3,652 million), driven by strong performance of the Hong Kong, Taiwan and Asian operations.

Hong Kong

The Hong Kong business unit has completed a successful first half, with several major new clients commencing operations during the period. To address the changes occurring in modern supply chains, the unit has completed a re-organization of its operations structure to enhance overall efficiency. Through this exercise, the unit has defined a number of key areas for improving delivery performance, thereby better positioning it to fulfill high customer service requirements from the time and cost perspectives.

Consistent with Kerry Logistics' green efforts worldwide, the Hong Kong operation has deployed three hybrid electric vehicles (HEVs) under a government scheme to promote a green logistics industry. Working with the Hong Kong Polytechnic University, the Division will consider further expanding the use of HEVs into its fleet.

China Focus

In the PRC, the Division operates as Kerry EAS Logistics Limited which holds a strong sectoral lead, managing 9 million square feet of logistics facilities supported by a network of 130 branches serving more than 2,600 cities and townships.

The PRC trade data during the first half of 2013 continued to trail market estimates, reflecting weaker global demand. As export-led growth began to lose pace, the country has sought to refocus the economy on domestic consumption. However, following a period of phenomenal growth, local spending has been tapering off with an accelerated shift in customer preference from big-ticket purchases towards middle-range offerings.

At the same time, rapid cost increases and a stronger Renminbi have been eroding the PRC's manufacturing competitiveness, evidenced by relocation of manufacturing activities out of the country. The unit was able to maintain resilience against this backdrop owing to its state-of-the-art facilities offering customers real competitive advantage through improved efficiency and reduced inventory costs.

Committed to serving its customers' business plans across China, the Division completed the construction of three new logistics centres during the first half, with a combined total GFA of 1.5 million square feet: in Chongqing (Phase 2), Wuxi and Xiamen. Operations will commence in the second half of the year. Second-phase expansion is ongoing in Kushan and new facilities are under construction in Zhengzhou and Chengdu as well.

Phase 2 of the Chongqing logistics centre was completed in February this year. Upon its commencement of business, it shall bring the total area of the facility to 934,000 square feet, being the largest of the unit's 17 facilities in the PRC. The new centre will serve as an important hub for the western China market and offer a full range of logistics services for multiple industry sectors, including automotive parts, pharmaceutical, electronics and technology.

In Wuxi, another new 338,000-square-foot logistics centre was unveiled in February. Close to the highway with direct access to Wuxi Shoufang Airport and the Shanghai-Nanjing Expressway, the centre will provide a complete portfolio of innovative solutions from order management and vendor-managed inventory (VMI) to materials and parts management and reverse logistics.

In Xiamen, construction of the new 461,000-square-foot logistics centre was completed in April in the Haicang Export Processing Zone to tap into the booming trade across the strait. The facility will support electronics and technology customers with in-transit assembling, postponement logistics and return-merchandise authorization (RMA); retail brands with garments on hanger (GOH), price/security tagging and gift packing; and food and beverage customers with expiry-date printing, quality control and stock-taking, etc.

Across the strait, Kerry TJ Logistics Company Limited ("**Kerry TJ Logistics**") in Taiwan delivered a strong performance during the period. This unit has continued to leverage its niche expertise in industrial logistics after the acquisition of TS Logistics with a specialty in pharmaceuticals and healthcare logistics. Kerry TJ Logistics will remain a major component of the Division's business plan for Greater China.

Asia Specialist

Offering a low-cost and resource-rich environment, the ASEAN region has witnessed the continued relocation of manufacturing activities to its member countries. This trend of 'industry transfer' has been further helped by the AFTA-CEPT Scheme promoting free trade within the region, thereby encouraging specialization of production for each country exploiting its respective comparative advantage.

Thailand and Vietnam continued to drive growth for the Division during the period. Cargo throughput grew further at Kerry Siam Seaport, Thailand, upon completion of third-phase expansion works. The seaport will be further developed into a key cargo gateway for ASEAN trade in the years ahead.

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. This specialized logistics centre, comprising of two phases, will become fully operational during the first half of 2014 and will serve the requirements of the cluster of automotive-related factories in the area.

(E) Logistics Network Division (continued)

(i) Integrated Logistics (continued)

In April 2013, a further plot of land was acquired at Bang Na near Suvarnabhum International Airport for the building of a distribution centre. This new centre will be developed into the Bangkok hub to facilitate the local unit's business expansion initiatives for Thailand.

The Division is also building a network of warehouses across Vietnam which now covers the northern, central and southern regions with a total GFA of 890,000 square feet. Another 110,000 square feet of GFA will be added to the existing facility in the Song Than areas before end of 2013.

The operations of the rebranded Kerry TTC Express have been in full force. This market-leading express operation in Vietnam provides extensive IL coverage across the country. Headquartered in Hanoi, the company operates in more than 60 cities offering a comprehensive range of nationwide and international express services. During the first half of 2013, Kerry TTC Express set up its first 'less-than-truckload' (LTL) hub in the Song Than area with a total GFA of 21,000 square feet. Currently under planning is another logistics hub to be established with a total GFA of 46,000 square feet located strategically near Tan Son Nhat International Airport in Ho Chi Minh City in order to cater for the expanding express services for parcels and documents moving between Ho Chi Minh City and other provinces in Vietnam.

The Division's new 371,000-square-foot regional headquarters and logistics hub in Singapore is now in full operation. This new hub supports regional clients with a full range of IL services and has been designed with special areas designated for the handling of time-sensitive and valuable products with a high level of security, facilitating the needs of high-end customers in the fashion, lifestyle and electronics industries.

(ii) International Freight Forwarding

The first six months of 2013 witnessed plummeting yields for the global freight industry as it became negatively impacted by slower-than-expected trade growth. The Division's international freight forwarding ("**IFF**") segment recorded a segment turnover of HK$5,329 million (2012: HK$5,302 million), a slight increase of 1% year on year.

With a large part of the euro zone sinking further into recession, the Division's European segment reported a weaker set of results for the first half. To address the drop in business volume caused by intense competition due to overcapacity in the freight industry, in particular airfreight, the Division has downsized the operations on the European Continent to reduce costs while refocusing on serving niche segments and locations.

During the period, the Division acquired a subsidiary in Sweden. The company is mainly operating road transportation business within the European Continent as well as air and sea freight between Sweden and the Far East. The move enables the Division to position itself closer to the expanding service requirements of targeted clients.

To capture the new trade flows in Latin America, during the first half of 2013, the Division acquired a majority stake in a leading Brazil-based logistics and customs-brokerage company, with a domestic network of 17 offices throughout the country. The Brazilian operation will provide Kerry Logistics with a solid base in a market with dynamic economic growth and strengthening trade ties with the PRC and the Asian region.

(iii) Logistics Investments

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

(iv) Information Technology

In the first half of the year, as part of the Division's enhanced global system-alignment strategy, the new freight management system extended its coverage to 48 offices in 17 countries. This progress is encouraging and the target completion date of early to mid-2014 remains unchanged.

At the same time, the Division ensures it stays abreast of the latest developments in information technology ("**IT**"). At the Hong Kong Internet of Things Centre of Excellence opened in April, the Division has been honoured as a platinum sponsor and advisory council member. The centre was established by GS1 Hong Kong at the Hong Kong Science Park, is supported by the Innovation and Technology Commission of the Hong Kong SAR Government, and was designed as an industry support platform that enables Hong Kong's development of the Internet of Things to boost industry's continuous development and increased competitiveness.

(F) Financial Review

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

The Group closely reviews and monitors its foreign exchange exposure. As at 30 June 2013, total foreign currency borrowings (excluding Renminbi ("**RMB**") borrowings) amounted to the equivalence of HK$11,364 million and RMB loans amounted to the equivalence of HK$4,934 million. Therefore, non-RMB total foreign currency borrowings and RMB loans represented approximately 29% and 12% respectively, of the Group's total borrowings of HK$39,691 million as at 30 June 2013.

The non-RMB total foreign currency borrowings of HK$11,364 million mainly include the Fixed Rate Bonds amounting to US$1,320 million (approximately HK$10,169 million (net of direct issue costs)). The Group has arranged cross currency swap contracts and forward exchange contracts amounting to US$607 million and US$342 million, respectively, to hedge the exchange rate exposure between United States dollars and Hong Kong dollars.

(F) Financial Review (continued)

Out of the Group's total borrowings as at 30 June 2013, HK$6,168 million (representing approximately 16%) was repayable within one year, HK$1,965 million (representing approximately 5%) was repayable in the second year, HK$27,654 million (representing approximately 69%) was repayable in the third to fifth years and HK$3,904 million (representing approximately 10%) was repayable over five years. The Group continued to maintain most of its borrowings on an unsecured basis, with unsecured debt accounting for approximately 85% of total borrowings as at 30 June 2013. The Group will continue to obtain financing on an unsecured basis whenever possible, and supplement such borrowings with secured project financing as and when the need arises.

As at 30 June 2013, the gearing ratio for the Group was 36.3% (as at 31 December 2012: 22.4%), calculated based on net debt of HK$27,513 million and shareholders' equity of HK$75,865 million. The increase in net debt and gearing ratio was due to the payment for Ho Man Tin land premium amounting to HK$11,688 million in April 2013.

As at 30 June 2013, the Group had outstanding interest rate swap contracts which amounted to HK$4,000 million in total, enabling the Group to hedge its interest rate exposure and to have a more stable interest rate profile.

In terms of the Group's available financial resources as at 30 June 2013, the Group had total undrawn bank loan and overdraft facilities of HK$11,181 million and net cash on hand of HK$12,178 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.

On 1 August 2013, Standard & Poor's reaffirmed a "BBB-" credit rating for Kerry Properties Limited with a positive outlook.

(G) Outlook

(i) PRC Property Division

The world economy is on track for a mild recovery, with economic and employment conditions in the United States steadily improving. However, uncertainties remain, arising from the weak euro zone economy, possible adjustments to the macroeconomic policies of major economies, and downward pressures from emerging markets.

The PRC's economic growth has softened to a full-year target of 7.5%. The Central Government has announced measures to stimulate market vitality, and has eased administrative controls to give enterprises greater autonomy in their business operations. The country is also staging a transition from an aggressive, export-led Gross Domestic Product growth policy to a more "sustainable and progressive" development model.

Property development continues to be an important pillar and pivot in the PRC's economic progress. Last year's rebound in the real estate market has been sustained well into the first half of this year, and the sector signals a firm upward trend. Reaffirmed control policies have effectively reined in speculative activity in residential property investments. At the same time, the furtherance of "urbanization" and the scheme to "double per-capita income levels" will drive home ownership and improvement demands. Future government policies are expected to move towards a long-term coherent mechanism to stabilize growth and deflate the property bubble. This is a healthy trend conducive to the steady development of the property market.

The Group faces a complex and uncertain international economic environment, as well as continued controls over property markets in the PRC and Hong Kong. In these circumstances, it will maintain its operating strategy of "stabilizing growth, controlling risks and sustaining earnings". The Group will proceed with the active development and sales launches of high-quality projects, in order to increase sales revenue to expedite cash inflow and further lower its debt ratio. It will also closely monitor the delivery of mixed-use projects in major cities. These will provide a steady stream of rental income and returns on capital, forming a solid foundation for the Group's sustainable growth.

(ii) Hong Kong Property Division

During the period under review, Hong Kong has moved on steadily with the support of a robust money market and a generally healthy economic prospect.

However, Hong Kong's property market is faced with a different set of challenges, mainly as a result of government intervention. In addition to increasing the supply of land, the Hong Kong SAR Government has also introduced measures to rein in speculative demand. These administrative measures are expected to subdue transactions over the short term.

The Group's sales launches during the first half were well received despite such uncertain market conditions. While the Group will constantly adjust its sales strategy to cope with market changes, it is confident in the results of its ongoing sale of properties through consistently delivering quality and value, and leveraging our strong brand franchise.

The leasing market, on the other hand, is expected to remain stable and healthy. As a dynamic international business hub, Hong Kong will continue to see genuine demand for office, retail and quality residential rental properties. The Group's portfolio of investment properties is expected to enjoy high occupancies and upward reversionary incomes.

In view of the somewhat uneventful market outlook for the latter part of the year, the Group's proven business strategy will provide resilience against market adversities. The Division's quality asset base will provide a stabilizing force for the business going forward.

(G) Outlook (continued)

(iii) Logistics Network Division

While remaining committed to building a sustainable business and delivering growth, the Division is preparing to slow down the pace of mergers and acquisitions for the medium term in the face of the wider uncertainty currently weighing on the world's economic outlook.

Despite the impact of external adversities, the Division is confident of growing its revenue and earnings steadily in the second half on the back of its diversified portfolio of businesses. The Division will continue to guard against economic constraints, particularly reduced demand and high public debt, while seeking quality growth in higher-margin services. It will also make selective investments in markets that provide windows of opportunity to capture new manufacturing activity and trade flows.

The evolving operating landscape has driven the Division to constantly look out for ways to improve on efficiency and expand its array of solutions. To deliver in line with the evolving paradigm for success, the Division is always ready to embrace new technologies. Following the implementation of a two-year programme for global standardization of IFF and accounting systems, the Division looks forward to deriving further efficiency gains from the new private cloud environment.

The new business environment has made it imperative that logistics partners align their expertise and infrastructure with the shifting goals and strategies of clients. Kerry Logistics has the right mindset and facilities network to become an integral part in the success formula of clients of all industries and business scales.

Overall, the world's freight traffic stabilized in June, but the path to recovery remains unsteady. The quarters ahead will continue to be challenging, but the Division has the resolve to overcome the short-term difficulties and achieve sustainable growth.

INVESTOR RELATIONS

The Group actively participates in meetings and conferences to maintain regular communications with financial analysts, fund managers and the investor community. The Group had participated a number of roadshows and investors' conferences during the six months ended 30 June 2013 and some of them are set out below:

Event	***Venue***
Nomura HK Property Bento Lunch Series	Hong Kong
Credit Suisse Asia Real Estate Conference	Hong Kong
Deutsche Bank Access China Conference	Beijing
Credit Suisse Asian Investment Conference	Hong Kong
DBS HK Property Conference	Hong Kong
HSBC Asian Property Conference	Hong Kong
UBS HK China Property Conference	Hong Kong
Morgan Stanley HK Investor Summit	Hong Kong
Citi Asia Pacific Property Conference	Hong Kong
Post-results Non-deal Roadshow	Hong Kong and Singapore

STAFF

As at 30 June 2013, the Company and its subsidiaries had approximately 24,000 employees. Salaries of employees are maintained at competitive levels while bonuses are granted on a discretionary basis. Other employee benefits include provident fund, insurance, medical cover, subsidised educational and training programmes as well as share option schemes.

SHARE OPTIONS

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 an executive 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.

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.

As at 30 June 2013, a total of 40,305,000 Share Options were outstanding which comprised 16,705,000 and 23,600,000 Share Options granted under the 2002 Share Option Scheme and the 2011 Share Option Scheme respectively.

SHARE OPTIONS (continued)

Movement of Share Options

Movement of the Share Options, which were granted under the 2002 Share Option Scheme and the 2011 Share Option Scheme, during the six months ended 30 June 2013 are listed below in accordance with Rule 17.07 of the Rules (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"):

			Number of Share Options					
Category	Date of grant (Note c)	Tranche	As at 01/01/2013	Exercised (Notes a and b)	Lapsed	As at 30/06/2013	Exercise price HK$	Exercise Period
(i) 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)	–	0	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
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

Category		Date of grant (Note c)	Tranche	Number of Share Options: As at 01/01/2013	Exercised (Notes a and b)	Lapsed	As at 30/06/2013	Exercise price HK$	Exercise Period
2.	**Continuous Contract Employees**	17/03/2005	I	195,000	(25,000)	–	170,000	18.74	17/03/2006 – 16/03/2015
		17/03/2005	II	407,500	(47,500)	–	360,000	18.74	17/03/2007 – 16/03/2015
		02/04/2008	I	1,075,000	–	(87,500)	987,500	47.70	02/04/2009 – 01/04/2018
		02/04/2008	II	1,075,000	–	(87,500)	987,500	47.70	02/04/2010 – 01/04/2018
		02/04/2008	III	2,150,000	–	(175,000)	1,975,000	47.70	02/04/2011 – 01/04/2018
		06/02/2009	I	760,000	–	–	760,000	17.58	06/02/2010 – 05/02/2019
		06/02/2009	II	1,000,000	(35,000)	–	965,000	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	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
	Total:			**17,662,500**	**(607,500)**	**(350,000)**	**16,705,000**		
(ii)	**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	7,205,000	(160,000)	(150,000)	6,895,000	35.45	31/10/2012 – 29/04/2022
		30/04/2012	II	7,255,000	–	(250,000)	7,005,000	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:			**24,160,000**	**(160,000)**	**(400,000)**	**23,600,000**		

SHARE OPTIONS (continued)

Movement of Share Options (continued)

Notes:

a. The weighted average closing price of the shares of the Company immediately before the dates on which the Share Options were exercised was HK$40.96.

b. During the period, no Share Option was granted/granted for adjustment, transferred from/to other category or cancelled under both the 2002 Share Option Scheme and the 2011 Share Option Scheme.

c. The vesting period of the Share Options is from the date of grant until the commencement of the exercise period.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2013, the interests of the Directors in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) (the "**Associated Corporations**") as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") were as follows:

(i) Company

	Number of ordinary shares					Approximate
Directors	Personal interests[1]	Family interests[2]	Corporate interests[3]	Other interests[4]	Total	% of shareholding[6]
KUOK Khoon Chen	501,004	–	464,307	6,949,897	7,915,208	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	–	–	–	50,000	50,000	0.00
CHAN Wai Ming, William	–	–	–	50,000	50,000	0.00
Bryan Pallop GAW	–	6,941,897	–	1,232,048	8,173,945	0.57

(ii) Associated Corporations

Associated Corporations	Directors	Number of ordinary shares/ Amount of debentures Personal interests[1]	Family interests[2]	Corporate interests[3]	Other interests[4]	Number of underlying ordinary shares held under equity derivatives[5]	Total	Approximate % of shareholding
Kerry Group Limited	KUOK Khoon Chen	2,148,428	–	66,689,023	132,342,275	7,540,000	208,719,726	13.63[7]
	WONG Siu Kong	4,617,263	–	8,504,300	–	3,000,000	16,121,563	1.05[7]
	HO Shut Kan	2,888,452	–	–	–	–	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	132,342,275	–	45,899,988	2,000,000	181,742,263	11.87[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 and/or deemed to be held by the spouse of the relevant Director.
3. This represents interests deemed to be held by the relevant Director through his controlled corporation(s).
4. This represents interests deemed to be held by the relevant Director through discretionary trust(s) of which the relevant Director is a contingent beneficiary.
5. This represents interests in options held by the relevant Director and/or his spouse as a beneficial owner to subscribe for the relevant underlying ordinary shares in respect of the option shares granted by Kerry Group Limited ("**KGL**").
6. The percentage has been compiled based on the total number of ordinary shares of the Company in issue as at 30 June 2013 (i.e. 1,439,898,228 ordinary shares).
7. The percentage has been compiled based on the total number of ordinary shares of KGL in issue as at 30 June 2013 (i.e. 1,531,443,133 ordinary shares).
8. The percentage has been compiled based on the total number of ordinary shares of SCMP Group Limited in issue as at 30 June 2013 (i.e. 1,561,057,596 ordinary shares).

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)

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

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

Save as aforesaid, as at 30 June 2013, none of the Directors had any other interests or short positions in the shares, underlying shares or debentures of the Company or any of its Associated Corporations which had been entered in the register kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

As at 30 June 2013, the interests of those persons (other than the Directors) in the shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name	Capacity in which ordinary shares were held	Number of ordinary shares	Long position/ Short position/ Lending pool	Approximate % of shareholding[(ii)]
Kerry Group Limited	Interest of controlled corporations	791,933,086[(i)]	Long position	55.00
Kerry Holdings Limited	Interest of controlled corporations	744,757,536[(i)]	Long position	51.72
Caninco Investments Limited	Beneficial owner	312,248,193[(i)]	Long position	21.69
Darmex Holdings Limited	Beneficial owner	256,899,261[(i)]	Long position	17.84
Moslane Limited	Beneficial owner	73,821,498[(i)]	Long position	5.13
Schroders Plc	Investment Manager	72,341,943	Long position	5.02

Notes:

(i) Caninco Investments Limited ("**Caninco**"), Darmex Holdings Limited ("**Darmex**") and Moslane Limited ("**Moslane**") are wholly-owned subsidiaries of Kerry Holdings Limited ("**KHL**"). KHL itself is a wholly-owned subsidiary of KGL and, accordingly, the shares in which Caninco, Darmex and Moslane are shown to be interested are also included in the shares in which KHL and KGL are shown to be interested.

(ii) The percentage has been compiled based on the total number of ordinary shares of the Company in issue as at 30 June 2013 (i.e. 1,439,898,228 ordinary shares).

Apart from the aforesaid, as at 30 June 2013, the Company had not been notified of any interests and short positions in the shares and underlying shares of the Company which had been recorded in the register required to be kept under Section 336 of the SFO.

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Board has adopted the Model Code and that the Directors have confirmed their compliance with the required standards set out in the Model Code during the six months ended 30 June 2013.

CORPORATE GOVERNANCE

During the six months ended 30 June 2013, the Company has complied with the code provisions set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 of the Listing Rules.

CHANGES IN THE INFORMATION OF THE DIRECTORS SINCE LAST ANNUAL REPORT

The changes in the information of the Directors as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules are set out below:

(i) Mr Lau Ling Fai, Herald, an Independent Non-executive Director of the Company, ceased to be an independent non-executive director of Wheelock and Company Limited (a listed company in Hong Kong) with effect from 7 June 2013.

(ii) Mr Chang Tso Tung, Stephen, an Independent Non-executive Director of the Company, ceased to be an independent non-executive director of China Pacific Insurance (Group) Co., Ltd. (a listed company in Hong Kong and Shanghai) with effect from 1 July 2013.

CLOSURE OF REGISTERS OF MEMBERS

The Registers of Members will be closed on Thursday, 5 September 2013 for the purpose of determining Shareholders' entitlement to the Interim Dividend and no transfer of shares will be effected on that date. In order to qualify for the Interim Dividend, all share transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Abacus Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:00 p.m. on Wednesday, 4 September 2013. The Interim Dividend is payable on Friday, 13 September 2013 to Shareholders whose names appear on the Registers of Members on Thursday, 5 September 2013.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2013.

DIRECTORS

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

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

Independent Non-executive Directors:
Mr Lau Ling Fai, Herald, Mr Ku Moon Lun, Ms Wong Yu Pok, Marina, JP and Mr Chang Tso Tung, Stephen.

By Order of the Board
Li Siu Ching, Liz
Company Secretary

Hong Kong, 21 August 2013