KERRY PROPERTIES LIMITED
嘉里建設有限公司

ANNUAL REPORT 2013

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





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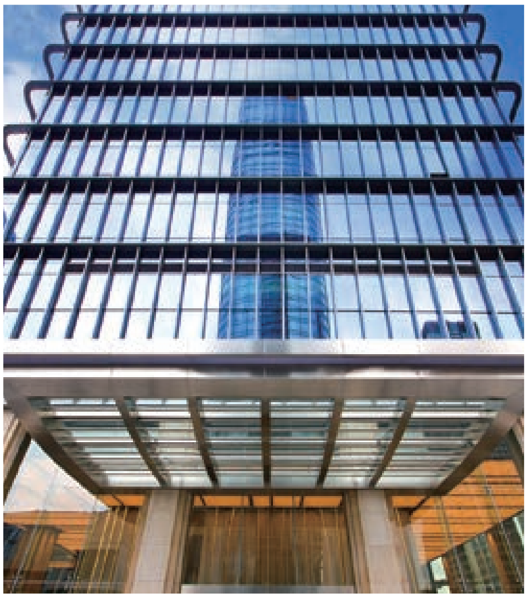
awards

益豐物業管理服務有限公司

One
Team
One
Goal



mega
BOX
IKEA
AEON



ANNUAL REPORT 2013

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

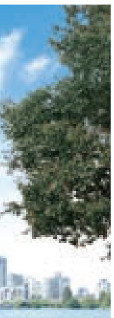




Image on Front Cover
Jing An Kerry Centre, Shanghai, PRC

CORPORATE INFORMATION & KEY DATES

BOARD OF DIRECTORS
Executive Directors
Mr WONG Siu Kong, *Chairman*
Mr HO Shut Kan, *Co-Managing Director*
Mr QIAN Shaohua, *Co-Managing Director*
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 WONG Siu Kong
Mr KU Moon Lun
Ms WONG Yu Pok, Marina, JP
Mr CHANG Tso Tung, Stephen

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

FINANCE COMMITTEE
Mr WONG Siu Kong
Mr HO Shut Kan

EXECUTIVE COMMITTEE
Mr WONG Siu Kong
Mr HO Shut Kan
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
MUFG Fund Services (Bermuda) Limited
26 Burnaby Street, Hamilton HM11, Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Tricor Abacus Limited
Level 22, Hopewell Centre, 183 Queen's Road East
Hong Kong

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

INVESTOR RELATIONS DEPARTMENT
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Facsimile: (852) 2967 2900
Email: ir@kerryprops.com

WEBSITE
www.kerryprops.com

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

KEY DATES
Annual General Meeting
5 May 2014

Closure of Registers of Members
2 May 2014 to 5 May 2014 and 12 May 2014

Proposed Payment of Final Dividend
20 May 2014

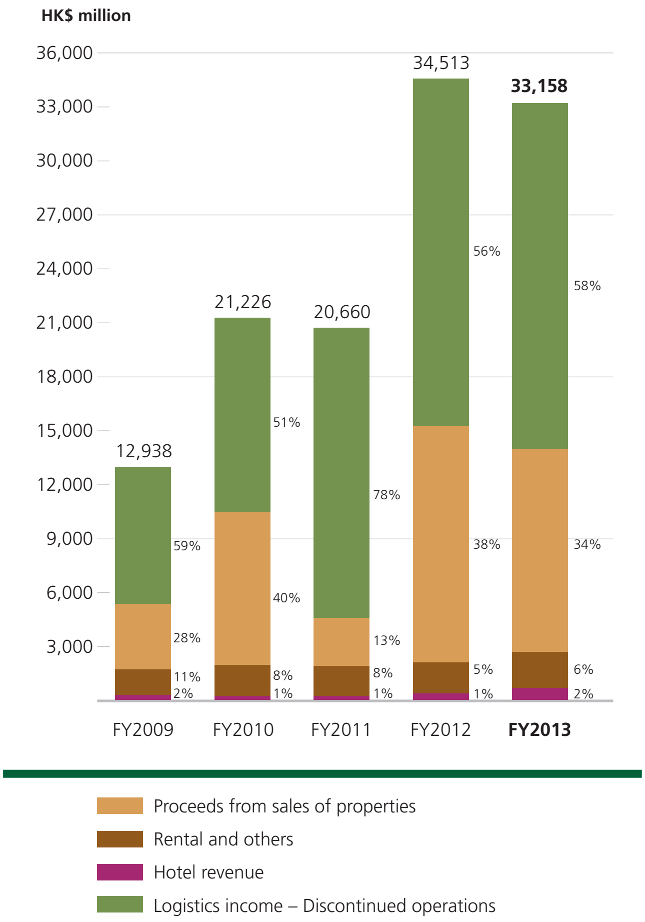
CONTENTS

FINANCIAL HIGHLIGHTS

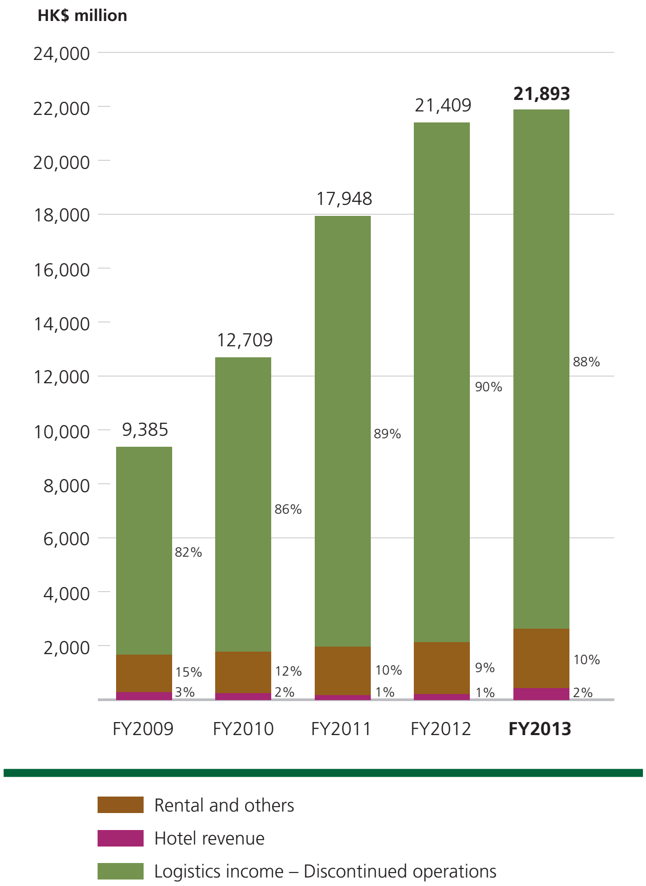
Two-year Overview		FY 2013	FY 2012	% Change
Turnover	(HK$M)			
Continuing operations		**13,970**	15,218	-8%
Discontinued operations		**19,188**	19,295	-1%
Total		**33,158**	34,513	-4%
Gross profit	(HK$M)			
Continuing operations		**6,057**	6,103	-1%
Discontinued operations		**2,897**	2,686	+8%
Total		**8,954**	8,789	+2%
Gross profit margin	(%)			
Continuing operations		**43.4**	40.1	
Discontinued operations		**15.1**	13.9	
Total		**27.0**	25.5	
Operating profit	(HK$M)			
Continuing operations		**11,745**	7,812	+50%
Discontinued operations		**1,918**	1,520	+26%
Total		**13,663**	9,332	+46%
Operating profit margin	(%)			
Continuing operations		**84.1**	51.3	
Discontinued operations		**10.0**	7.9	
Total		**41.2**	27.0	
Profit attributable to shareholders	(HK$M)			
– before fair value change of properties and spin-off gain		**4,413**	4,696	-6%
– after fair value change of properties and spin-off gain		**13,154**	6,961	+89%
Net profit margin	(%)			
– before fair value change of properties and spin-off gain		**13.3**	13.6	
– after fair value change of properties and spin-off gain		**39.7**	20.2	
Earnings per share	(HK$)			
– before fair value change of properties and spin-off gain		**3.06**	3.26	-6%
– after fair value change of properties and spin-off gain		**9.13**	4.84	+89%
Shareholders' equity	(HK$M)	**75,755**	70,752	+7%
Net borrowings	(HK$M)	**23,482**	15,867	+48%
Net asset value per share	(HK$)	**52.45**	49.16	+7%
Share price as at 31 December	(HK$)	**26.90**	40.25	-33%
Price earnings ratio#	(times)			
– before fair value change of properties and spin-off gain		**8.8**	12.3	
– after fair value change of properties and spin-off gain		**2.9**	8.3	
Market capitalization as at 31 December#	(HK$M)	**38,851**	57,925	-33%
Dividend per share	(HK$)	**0.90**	0.95	-5%
Dividend payout ratio	(%)			
– before fair value change of properties and spin-off gain		**29.4**	29.1	
– after fair value change of properties and spin-off gain		**9.9**	19.6	
Dividend cover	(times)			
– before fair value change of properties and spin-off gain		**3.4**	3.4	
– after fair value change of properties and spin-off gain		**10.1**	5.1	
Dividend yield#	(%)	**3.3**	2.4	
Return on shareholders' equity	(%)			
– before fair value change of properties and spin-off gain		**5.8**	6.6	
– after fair value change of properties and spin-off gain		**17.4**	9.8	
Gearing	(%)	**31.0**	22.4	
Interest cover – excluding discontinued operations	(times)			
– before fair value change of properties		**5.8**	7.0	
– after fair value change of properties		**13.4**	10.5	
Current ratio	(times)	**1.7**	2.2	
Liquidity ratio	(times)	**1.0**	1.5	
Discount to net asset value#	(%)	**(48.7)**	(18.1)	

Based on share prices as at 31 December 2013 and 31 December 2012, respectively.

Breakdown of Total Turnover

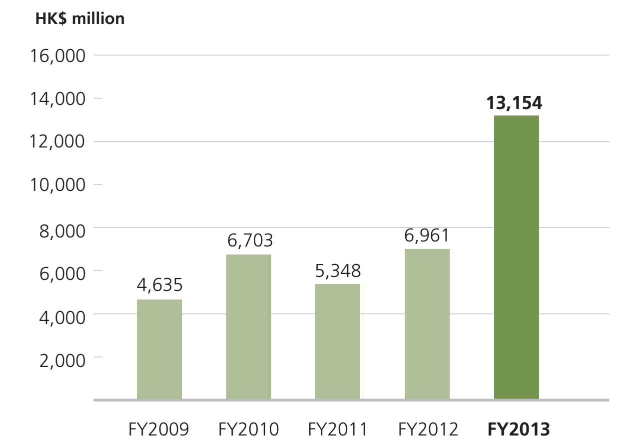


Breakdown of Recurrent Income



The Group recorded a 4% decrease in total turnover (including discontinued operations) for FY 2013 to **HK$33,158 million** (2012: HK$34,513 million).

Profit Attributable to Shareholders

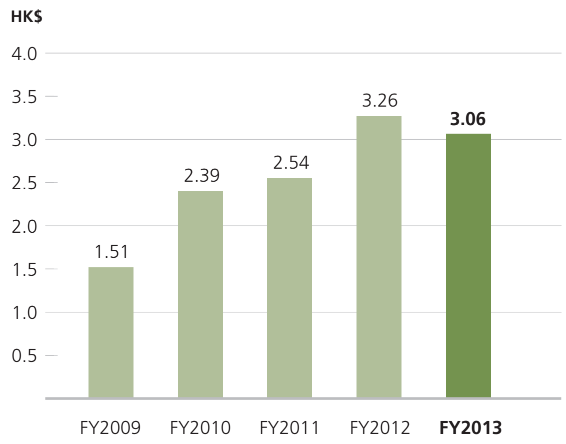


	Total Turnover (including discontinued operations) HK$ Million	Recurrent Income (including discontinued operations) HK$ Million	% Weighting	Net Profit before fair value change of properties and spin-off gain HK$ Million	Net Profit after fair value change of properties and spin-off gain HK$ Million
FY 2009	12,938	9,385	73%	2,163	4,635
FY 2010	21,226	12,709	60%	3,419	6,703
FY 2011	20,660	17,948	87%	3,657	5,348
FY 2012	34,513	21,409	62%	4,696	6,961
FY 2013	**33,158**	**21,893**	**66%**	**4,413**	**13,154**

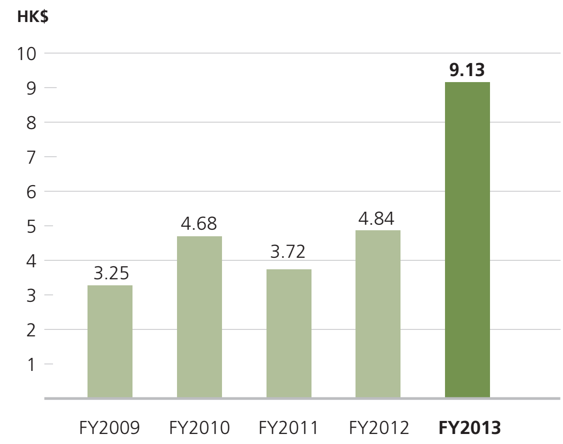
The Group's net profit attributable to shareholders for FY 2013 increased by 89% to **HK$13,154 million** (2012: HK$6,961 million).

Financial Highlights

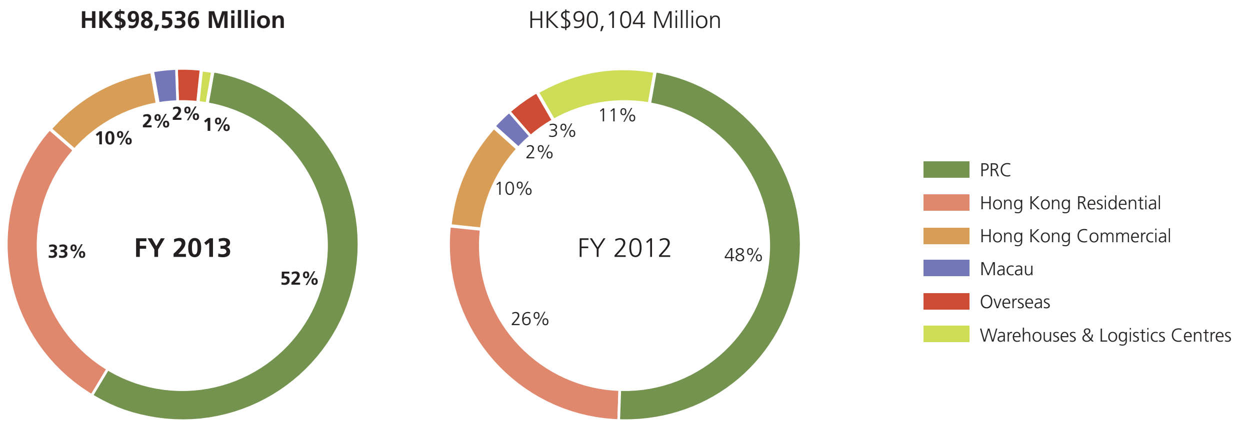
Earnings per Share
(before fair value change of properties and spin-off gain)



Earnings per Share
(after fair value change of properties and spin-off gain)



Gross Asset Value of Properties



CHAIRMAN'S STATEMENT

Mr Wong Siu Kong
Chairman

Dear Shareholders,

On behalf of the Board, I am delighted to report the annual results of the Group for the year ended 31 December 2013. The Group's consolidated net profit attributable to shareholders for the year ended 31 December 2013, before taking into account the effects of the increase in fair value of investment properties and the gain arising from the spin-off of Kerry Logistics Network Limited ("**Kerry Logistics**"), was HK$4,413 million, representing a decrease of 6% compared with HK$4,696 million reported for 2012. Profit attributable to shareholders for the year, after taking into account the effects of the increase in fair value of investment properties and the gain arising from the spin-off of Kerry Logistics, was HK$13,154 million (2012: HK6,961 million). Earnings per share for the year were HK$9.13, representing an increase of 89% compared with HK$4.84 per share in 2012.

The Board has recommended the payment of a final dividend of HK$0.55 per share for the year. Together with the interim dividend of HK$0.35 per share, the total cash dividend for the year ended 31 December 2013 will be HK$0.90 per share (2012: HK$0.95 per share). Pursuant to the spin-off of Kerry Logistics, the Board declared on 25 November 2013 a conditional dividend to qualifying shareholders. The conditional dividend was satisfied wholly by way of a distribution in specie of the Kerry Logistics Shares, under which the qualifying shareholders were entitled to one Kerry Logistics Share for every two shares in the Company held on 2 December 2013.

Broadly Positive Economic Fundamentals with Volatility Expected

Looking ahead to 2014, the macroeconomic environment will remain broadly positive but with volatility still in evidence. The Central Government is pursuing reforms designed to forge healthy development by stimulating intrinsic and balanced growth. For various reasons, the PRC is now facing the challenge of slowing growth, and in its turn the Hong Kong economy is also prone to turbulence caused by macroeconomic conditions. These factors, coupled with the implementation of property sector control measures, will continue to play a role in both markets.

Real estate, being a basic necessity and an important component in our economy and everyday lives, will stay on course for further development. Government policies will continue to exert pressure on the Hong Kong property market; and in the PRC, relatively stronger demand is being witnessed in the first- and second-tier cities with some third- and fourth-tier cities facing an over-supply. Based on detailed analyses of the specific development trends in different markets and cities, we will make appropriate moves and constantly adjust our strategy to deal effectively with the market demand.

Cash Flow: A Strategic Priority

We continue to rework our strategies in view of macroeconomic trends and demand changes to cope with uncertainty in the market. The underlying principle is to place top priority on cash flow. The Group considers cash flow generation a prime investment metric both for commercial and residential development. Investment decisions are made primarily on the basis of a healthy capital flow.

Landmark Properties Established in Core Metropolitan Locations

In line with our business strategy, we will remain focused on developing mixed-use properties on acquired sites in first- and second-tier cities in the PRC. Construction plans for these projects will be taken forward with the priority placed on timing and quality. The Group will also enhance the management of completed projects to maximize their competitive advantages and revenue generation capability. In addition to the residential, retail and office components, our mixed-use projects continue to be greatly enhanced by the inclusion of five-star hotels, which also help add strong recurring cash flows to the properties.

The Group will expand and consolidate its recurrent income base on the back of its landmark developments, which include Shanghai Jing An Kerry Centre, Pudong Kerry Parkside, Beijing Kerry Centre and Shenzhen Kerry Plaza. The development of Tianjin Kerry Centre, Hangzhou Kerry Central and Shenyang Kerry Centre will also be accelerated to ensure timely commencement of operations.

Prime Residential Properties Built on the Quality Premise

Residential projects in the pipeline in Hong Kong for completion and sale in the next few years will include properties in Ede Road, La Salle Road, Ho Man Tin, Kau To and So Kwun Wat. These luxury residences are conceived to premium standards. In the PRC, the Group's upmarket residential projects in Hangzhou, Nanjing, Ningbo, Shenyang, Qinhuangdao, Putian, Chengdu and Nanchang will be launched sequentially under our premium brand of Arcadia Court.

Expand Land Bank, Strengthen Governance and Sustain Momentum

The Group will continue to screen the market for opportunities to expand its land bank in Hong Kong and the PRC in order to secure future growth momentum. New site acquisitions will be determined based on timing, location and price considerations.

Coincident with the shifting supply-demand dynamics and intensified market competition, the cyclical development of the property sector will inevitably lead to a gradual reduction in overall margins. In response to this, the Group will gear up its internal operations and cost controls, while building and furthering its management system. Through professional management, the Group will continue to advance its governance standards. Forward-looking risk management measures will also be employed to ensure that Group operations remain on a firm footing.

Nurturing Talent and Social Responsibility the Way Forward

Over decades of development, we have nurtured a professional management team that has helped us advance towards new horizons. The Group will continue to invest in human capital and engage staff so as to open up their creativity and professional talent. We believe this is the way forward to sustained growth.

Our long-term success is founded on integrity, excellence and our commitment to corporate social responsibility. In support of sustainable development for society, the Group devotes full consideration to environmental protection in every aspect of its operations. The Group is honoured to have received from the Green Council a Silver Award in the category of Green Management Award (Corporate) under the widely recognized "Hong Kong Green Awards 2013" in appreciation of our outstanding achievements in green governance.

As an economic growth driver for the country and an industry catering for basic needs, the property sector is now facing a new set of opportunities and challenges. With a strong foothold in Hong Kong and the PRC, the Group is taking a very long-term view of its future development. Through furtherance of professional management and the enhanced development of our brand, we look forward to creating increasing value for our shareholders on the foundation of our enterprise strength and core competence.

The spin-off of Kerry Logistics for a separate listing has also brought a positive impact and extraordinary income for the Group. Upon listing, the logistics business will be able to pursue independent operations and a broader scope of development.

I would like to take this opportunity to thank the Group's Board members, the senior management team, our business partners and our colleagues for their insightful yet pragmatic input, teamwork and entrepreneurial spirit. These are the qualities that have cemented the success of the Group.

Sincerely,

Wong Siu Kong
Chairman
Hong Kong, 17 March 2014

OVERALL RESULTS


Jing An Kerry Centre, Shanghai, PRC

MegaBox, Kowloon Bay, Hong Kong

The Group's consolidated net profit attributable to shareholders for the year ended 31 December 2013 was HK$13,154 million, representing an increase of 89% compared with HK$6,961 million reported for 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) attributable to shareholders of HK$4,416 million for the year ended 31 December 2013 (2012: HK$2,265 million).

The Group also recorded a gain of HK$4,325 million arising from the spin-off of the shares of Kerry Logistics Network Limited ("**Kerry Logistics Shares**") in December 2013. The listing of Kerry Logistics Shares was achieved through a distribution in specie by the Company of approximately 50.1% of Kerry Logistics Shares in issue on 2 December 2013 and the Hong Kong Public Offering and the International Placing of Kerry Logistics Shares. The Group's interest in Kerry Logistics Network Limited ("**Kerry Logistics**") was reduced from 100% to approximately 43% as at 31 December 2013 following the listing of Kerry Logistics Shares.

Profit attributable to shareholders for the year ended 31 December 2013 before taking into account the effects of the aforementioned increase in fair value and the spin-off gain was HK$4,413 million (2012: HK$4,696 million).

Earnings per share for the year ended 31 December 2013 were HK$9.13, representing an increase of 89% compared with HK$4.84 per share in 2012.

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 and the gain arising from the spin-off of Kerry Logistics Shares is as follows:

	Year ended 31 December		
	2013	2012 (Restated)	
	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 and the gain arising from the spin-off of Kerry Logistics Shares	**4,413**	4,696	-6%
Add:			
Net increase in fair value of investment properties and related tax effects	**4,416**	2,265	
Gain arising from the spin-off of Kerry Logistics Shares	**4,325**	–	
Profit attributable to shareholders after taking into account the net increase in fair value of investment properties and related tax effects and the gain arising from the spin-off of Kerry Logistics Shares	**13,154**	6,961	+89%

The Board has recommended the payment of a final dividend of HK$0.55 per share for the year ended 31 December 2013 (the "**Final Dividend**"). Together with the interim dividend of HK$0.35 per share, the total cash dividend for the year ended 31 December 2013 will be HK$0.90 per share (2012: HK$0.95 per share).

On 25 November 2013, the Board declared conditional special dividend (the "**Conditional Dividend**") of 1 Kerry Logistics Shares for every 2 shares held in the Company to shareholders on the register of members at the close of business on 2 December 2013. The Conditional Dividend became unconditional upon the listing of the Kerry Logistics Shares under stock code 636 on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 19 December 2013 and was satisfied by way of a distribution in specie of an aggregate of 722,136,614 Kerry Logistics Shares, representing approximately 50.1% of the total of 1,440,477,612 Kerry Logistics Shares in issue on 2 December 2013.

REVIEW OF PROPERTY BUSINESS

Presence in the PRC and Hong Kong

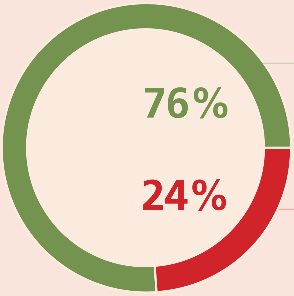
OVERVIEW

The Group recorded satisfactory performance during the year despite the prevailing economic uncertainty and challenges in the operating environment. The year saw healthy sales in the PRC and Hong Kong, supported by solid demand for the Group's premium-quality properties. The Group also continued to actively manage its investment property portfolio so as to maximize its earnings potential.

As at 31 December 2013, the Group maintained a property portfolio comprising properties under development measuring a gross floor area ("**GFA**") of 44.77 million square feet (2012: 47.09 million square feet), completed investment properties of 10.99 million square feet (2012: 9.85 million square feet), hotel properties of 1.67 million square feet (2012: 0.86 million square feet) and properties held for sale of 1.77 million square feet (2012: 1.37 million square feet). Building on this prime asset base, the Group remains well positioned to create long-term value for its shareholders.

Property Portfolio Composition - By Type

59.20 million square feet in attributable GFA

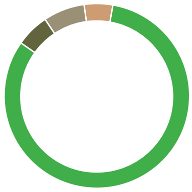


- Under development
- Completed investment properties/ Hotel properties/ Properties held for sale

Under development

44.77 million square feet in attributable GFA

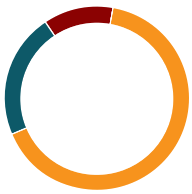
- 82% PRC
- 6% Hong Kong
- 7% Overseas
- 5% Macau



Completed investment properties/Hotel properties/Properties held for sale

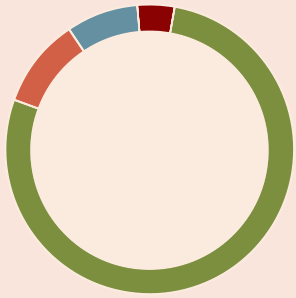
14.43 million square feet in attributable GFA

- 66% PRC
- 22% Hong Kong
- 12% Overseas



Property Portfolio Composition - By Location

59.20 million square feet in attributable GFA



- 78% PRC
- 10% Hong Kong
- 8% Overseas
- 4% Macau

Property Portfolio Composition

As at 31 December 2013:	Group's attributable GFA				
	The PRC	Hong Kong	Macau[(1)]	Overseas	Total
	('000 square feet)				
Completed Investment Properties	6,327	2,909	–	1,757	10,993
Hotel Properties	1,631	38	–	–	1,669
Properties Under Development	36,768	2,753	2,385	2,859	44,765
Properties Held for Sale	1,598	161	–	9	1,768
Total GFA	**46,324**	**5,861**	**2,385**	**4,625**	**59,195**

Note:

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

Jing An Kerry Centre, Shanghai, PRC

PRC PROPERTY DIVISION

The real estate market in the PRC maintained positive momentum in 2013 with the overall value of new home sales growing steadily. First-tier city demand was particularly strong despite the policy headwinds. During the year, the PRC Property Division has taken forward the development of its mixed-use property projects in first-tier cosmopolitan centres. Sales activities also proceeded smoothly as scheduled.

During the year under review, the Division recorded a turnover of HK$5,840 million (2012: HK$2,810 million), an increase of 108% year on year. Gross profit was up by 122% year on year to HK$2,476 million (2012: HK$1,113 million).

INVESTMENT PROPERTIES

During the year, the Group derived turnover, comprising rental and other fees, and gross profit of HK$1,211 million and HK$841 million, respectively (2012: HK$989 million and HK$687 million, respectively), from its portfolio of completed investment properties in the PRC.

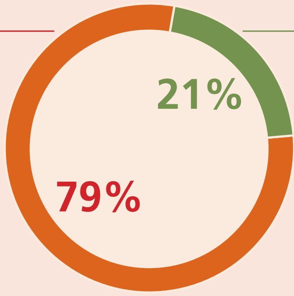
As at 31 December 2013, the Group held a completed investment property portfolio of apartment, commercial and office properties in the PRC with an aggregate GFA of 6.33 million square feet (2012: 5.26 million square feet). Their respective composition and occupancy rates were as follows:

As at 31 December 2013:	Group's attributable GFA					
	Beijing	Shanghai	Shenzhen ('000 square feet)	Fuzhou	Total	Occupancy rate
Office	**711**	**1,538**	**1,552**	**–**	**3,801**	**79%**
Commercial	**98**	**1,100**	**212**	**64**	**1,474**	**92%**
Apartment	**277**	**775**	**–**	**–**	**1,052**	**75%**
	1,086	**3,413**	**1,764**	**64**	**6,327**	

As at 31 December 2012:	Group's attributable GFA					
	Beijing	Shanghai	Shenzhen ('000 square feet)	Fuzhou	Total	Occupancy rate
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	

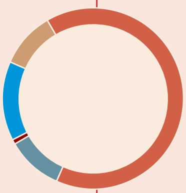
PRC Properties

46.32 million square feet in attributable GFA

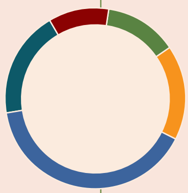


Under development
36.77 million square feet in attributable GFA

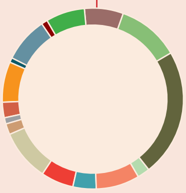
Completed investment properties/ Hotel properties/Properties held for sale
9.55 million square feet in attributable GFA



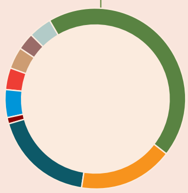
By usage
- **65%** Residential
- **10%** Hotel
- **1%** Apartment
- **14%** Commercial
- **10%** Office



By usage
- **13%** Residential
- **17%** Hotel
- **40%** Office
- **19%** Commercial
- **11%** Apartment



By location
- **7%** Tianjin
- **7%** Chengdu
- **11%** Hangzhou
- **23%** Shenyang
- **2%** Shanghai
- **8%** Qinhuangdao
- **4%** Nanjing
- **6%** Nanchang
- **9%** Changsha
- **2%** Tangshan
- **1%** Ningbo
- **3%** Zhengzhou
- **7%** Putian
- **1%** Jinan
- **8%** Yingkou
- **1%** Kunming



By location
- **44%** Shanghai
- **17%** Beijing
- **18%** Shenzhen
- **1%** Fuzhou
- **5%** Chengdu
- **4%** Hangzhou
- **4%** Manzhouli
- **3%** Tangshan
- **4%** Shenyang

Comparative occupancy rates of key investment properties are outlined below:

Property	Occupancy rate as at 31 December 2013	Occupancy rate as at 31 December 2012
Beijing Kerry Centre	**95%**(1)(2)	98%(1)(3)
Jing An Kerry Centre Phase I(6)	**73%**(4)	94%(5)
Jing An Kerry Centre Phase II	**53%**(1)	–
Kerry Parkside Shanghai Pudong	**97%**(1)	97%(1)
Kerry Everbright City Phase I	**88%**	86%
Central Residences Phase II Towers 1 and 3	**83%**	79%
Shenzhen Kerry Plaza Phase I	**97%**	99%
Shenzhen Kerry Plaza Phase II	**83%**	57%

Notes:
(1) Excluding hotel.
(2) Excluding serviced apartments which are undergoing renovation.
(3) Excluding retail and serviced apartments which were undergoing renovation.
(4) Excluding retail podium which was under renovation with completion in the fourth quarter of 2013.
(5) Excluding serviced apartments and retail podium which were undergoing renovation.
(6) Formerly known as Shanghai Kerry Centre.

Jing An Shangri-La Hotel, Jing An Kerry Centre, Shanghai, PRC

The landmark mixed-use development, Jing An Kerry Centre Phase II, 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 development integrates prime hotel, retail, office and residential space overlooking a beautifully landscaped piazza. The luxury of the Shangri-La hotel is a key feature of Jing An Kerry Centre, which is now the pre-eminent shopping venue and most exclusive office address in Shanghai. Delivery of the office units began during the first half of 2013, while the retail mall had its soft opening in mid-July. Market response to the leasing of space has been strong, with approximately 70% (2012: 55%) of the office units and 94% (2012: 87%) of the retail space committed as at 31 December 2013. Jing An Shangri-La Hotel, West Shanghai, had been soft-opened in June 2013.

Kerry Parkside, Shanghai, PRC

Kerry Parkside in the Pudong District of Shanghai is a 40.8%-held mixed-use property comprising a hotel, offices, serviced apartments, commercial properties and related ancillary facilities. As at 31 December 2013, both the retail space and offices were 100% leased (2012: 100% and 100%, respectively), and the occupancy rate of the serviced apartments was 89% (2012: 83%).

Shenzhen Kerry Plaza, Shenzhen, PRC

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 31 December 2013, Phases I and II of the development were 97% and 83% leased, respectively (2012: 99% and 57%, respectively).

Beijing Kerry Centre, Beijing, PRC

Beijing Kerry Centre continues to be an iconic presence at the heart of Beijing, combining prime office space, a shopping mall for top-tier brands, Kerry Hotel Beijing and serviced apartments with a world-class location. Upon completion of new facilities enhancements, Beijing Kerry Centre re-opened in September 2013. As at 31 December 2013, the occupancy rate of the retail portion was 79% (2012: Nil), while the offices were 97% occupied (2012: 98%) and the serviced apartments are under renovation in 2013. The refurbishment of Kerry Hotel, Beijing, which was completed in February 2013, had led to a temporary impact on its operating results during the year. An average occupancy rate of 56% (2012: 42%) was achieved.

SALES OF PROPERTIES

The Group's sales of completed properties in the PRC delivered a turnover of HK$4,071 million (2012: HK$1,541 million). Sales of completed investment properties generated proceeds of HK$92 million (2012: HK$127 million). A gross profit of HK$1,647 million (2012: HK$406 million) was generated during the year mainly by recognized sales of Parkview Residence Phase II in Hangzhou and the Metropolis-Arcadia Court Phase I in Chengdu.

Parkview Residence in Xiacheng District, Hangzhou, was completed and delivered for occupation during the year. This residential project has a GFA of approximately 2.63 million square feet. Sales of the remaining units of Phase II are currently ongoing. As at 31 December 2013, 1,513 units of the total 1,632 units launched from Phase II had been sold. The Group holds a 100% interest in this project.

The Metropolis-Arcadia Court Phase I in Chengdu has offered 1,830 residential units from eight towers for sale. Up to 31 December 2013, 1,542 units had been sold. The Group holds a 55% interest in this residential 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. As at 31 December 2013, 376 units out of the 430 saleable office units of Enterprise Square had been sold.

The Arcadia Court Phase I in Tangshan has offered 690 residential units and 451 car parks from six towers for sale. As at 31 December 2013, 651 residential units and 282 car park units had been sold. The Group holds a 40% interest in this residential project.

PROPERTIES UNDER DEVELOPMENT

The PRC Property Division continues to focus on the development of mixed-use projects in the CBD of major cities. Residential development activities are ongoing with project completions and further unit sales scheduled in the coming years.

Shanghai

Phase III of the Kerry Everbright City project in Zhabei District is expected to be completed in 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 Kerry Centre, Tianjin, PRC*

Tianjin

Tianjin Kerry Centre is located on the east bank of the Haihe CBD in Hedong District, Tianjin, where it enjoys a convenient transport network. This 49%-owned mixed-use project delivers 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 31 December 2013, 464 units launched for pre-sale had been sold.

*Artist's Impression

Kerry Central, Hangzhou, PRC*

Hangzhou

The Group is developing Kerry Central 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. Excavation and shoring works are now underway and the development is targeted for completion in phases from 2015 onwards. The Group holds a 75% stake in the project.

The Group has acquired five additional lots of land in the city for residential and commercial development. The new project is located in the core area of the Hangzhou Zhijiang National Tourist and Holiday Resort. With an aggregate site area of approximately 1.53 million square feet, the project will yield a developable GFA of approximately 2.27 million square feet of residential properties and approximately 250,000 square feet of commercial space. With construction works currently underway, the project is targeted for completion in phases from 2017 onwards.

Nanjing

The Group and Shangri-La are also 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.

In Nanjing, the Group has acquired an additional site at Da Guang Road in the Bai Xia District. 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 total GFA of approximately 6.8 million square feet. Residential units of Phase I have been handed over, while Phases II and III are 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 further joint venture with Shangri-La. This 80%-held project is situated on the west bank of the Ganjiang River at the heart of Honggutan Central District. Its development blueprint includes a hotel, office, commercial and high-end apartment properties, aggregating to 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 is proceeding with satisfactory results. As at 31 December 2013, 361 units had been pre-sold.

**Artist's Impression*

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. Lying at the core of the city's landmark Golden Corridor development, the site will yield a GFA of approximately 14.7 million square feet. This mixed-use project will include a hotel, offices, a shopping mall and residences. Phase I of the development is at the construction stage with the hotel portion completed in 2013. The remaining part of the project is targeted for completion in phases between 2014 and 2022. Pre-sale of the Phase I residential portion, Arcadia Court, has met with strong market response. As at 31 December 2013, 278 residential units and 79 office units for pre-sale had been sold. Shangri-La Hotel, Shenyang, had its soft-opening on 15 August 2013.

Qinhuangdao

Construction works are ongoing on Habitat, 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 4.7 million square feet, and is planned to be completed in phases. Phase I of the development is targeted for completion in 2015. As at 31 December 2013, 154 residential units of the Phase I development 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. Seven residential towers of Phase I have been completed and six towers have been handed over in smooth progress. The remainder of the project is scheduled to be completed in phases between 2014 and 2015, with the pre-sale of the residential units already rolled out. As at 31 December 2013, 97 units of the Phase II development had been pre-sold.

The Berylville, Ningbo, PRC*

Ningbo

The site being developed in Ningbo is located in the Eastern New Town Core Region and is earmarked for The Berylville, a high-end residential project 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 phases from 2015 onwards, with the pre-sale of Phase I already rolled out at 2013 year end. As at 31 December 2013, 9 units had been pre-sold.

Yingkou

The Group's seaside sites in Bayuquan District in Yingkou City, Liaoning Province, are primarily designated for residential and commercial use. The project will generate a GFA of approximately 4.5 million square feet. Phase I of the development is expected to be completed in 2015. The Group holds a 65% interest in this project.

Shenyang Kerry Centre, Shenyang, PRC*

*Artist's Impression

Jinan

The Group is co-developing a mixed-use project located in Lixia District, Jinan City, with Shangri-La. The Group holds a 55% stake in this project, which has a GFA of approximately 1.0 million square feet. The project will comprise a hotel, offices and commercial space, and is scheduled to be completed in 2016.

Zhengzhou

The Group and Shangri-La are jointly developing a site located on 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. The project is expected to be completed 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. It 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, apartment and commercial use, with a GFA of approximately 800,000 square feet. The Group holds a 35% equity interest in the project.

Properties under development in the PRC

As at 31 December 2013:	Group's attributable GFA upon completion ('000 square feet)					
	Residential	Apartment	Office	Commercial	Hotel	Total
Shanghai	–	–	724	81	–	805
Tianjin	1,105	157	317	683	370	2,632
Hangzhou	2,275	271	94	1,084	378	4,102
Shenyang	4,726	–	1,264	2,514	–	8,504
Nanjing	948	–	–	7	412	1,367
Chengdu	2,174	–	–	278	–	2,452
Nanchang	706	–	611	79	659	2,055
Changsha	3,154	–	–	53	–	3,207
Qinhuangdao	2,801	–	–	36	–	2,837
Tangshan	470	–	–	98	243	811
Ningbo	516	–	–	–	–	516
Yingkou	2,684	–	–	87	185	2,956
Jinan	–	–	213	28	299	540
Zhengzhou	581	–	346	21	344	1,292
Putian	1,722	–	–	38	649	2,409
Kunming	–	80	–	11	192	283
Total	**23,862**	**508**	**3,569**	**5,098**	**3,731**	**36,768**

Review of Property Business

Kerry Centre, Quarry Bay, Hong Kong

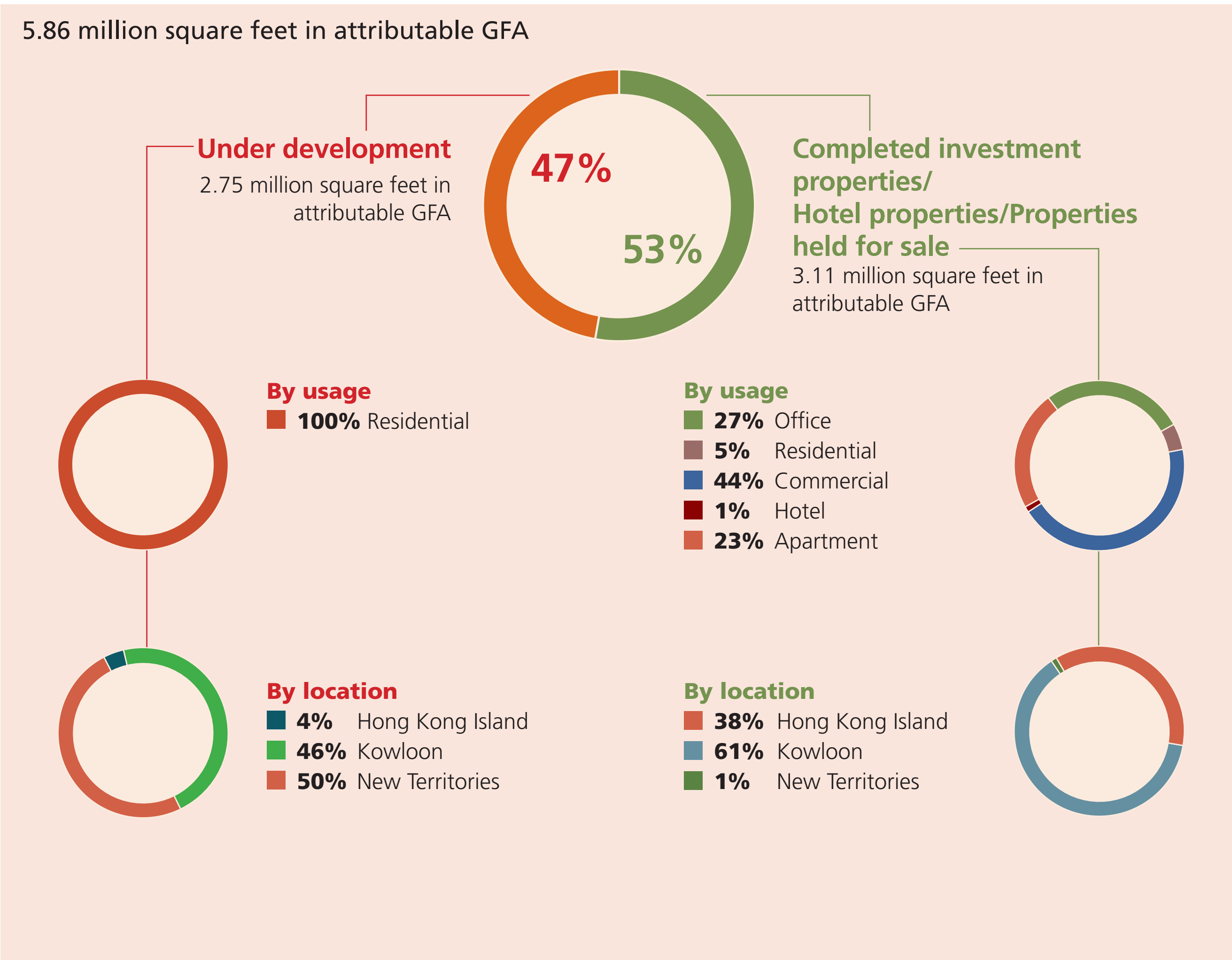
HONG KONG PROPERTY DIVISION

During the year ended 31 December 2013, the Hong Kong Property Division reported a turnover of HK$8,130 million (2012: HK$12,408 million) and gross profit of HK$3,581 million (2012: HK$4,990 million) respectively.

During the year, the Division's turnover was mainly derived from recognized sales of Bayview, SOHO 189, Lions Rise and The Altitude. Residential development activities in Hong Kong remain focused on cosmopolitan areas or locations enjoying unique advantages. This prime portfolio of projects under development will continue to contribute healthy sales revenue to the Division on a steady schedule of completions.

Strong leasing performance was also recorded in its portfolio of high-quality investment properties with positive rental reversions for commercial properties. Geared to deriving sustainable value from this premium asset base, the Division looks forward to consistent growth ahead.

Hong Kong Properties



INVESTMENT PROPERTIES

In Hong Kong, the Division manages a portfolio of prime residential, commercial and office properties. This rental asset base is instrumental to our strategy of deriving a stable and growing stream of recurrent income for the Group. During the year, turnover, comprising rental and other fees, generated from the Group's completed investment properties in Hong Kong aggregated to HK$936 million (2012: HK$845 million), producing a gross profit of HK$745 million (2012: HK$673 million).

Mid-Levels Portfolio, Mid-Levels, Hong Kong

As at 31 December 2013, the Group's completed investment property portfolio in Hong Kong had an aggregate GFA of 2.91 million square feet (2012: 2.91 million square feet). Set out below are the breakdown of GFA and the respective occupancy rates, together with comparative figures:

	As at 31 December 2013		As at 31 December 2012	
	Group's attributable GFA ('000 square feet)	Occupancy rate	Group's attributable GFA ('000 square feet)	Occupancy rate
Apartment	**722**	**93%***	722	94%
Commercial	**1,349**	**97%**	1,348	99%
Office	**838**	**98%**	837	97%
	2,909		2,907	

Note:

* *Excluding Branksome Grande with refurbishment works scheduled to commence in second quarter of 2014.*

Enterprise Square Five/MegaBox

MegaBox is a pioneering shopping, dining and entertainment venue in Kowloon East, offering a unique mix of lifestyle attractions and shopping zones across a GFA of 1.1 million square feet. As at 31 December 2013, the mall had an occupancy rate of 99% (2012: 99.98%).

The two office towers of the Grade-A Enterprise Square Five, with a GFA of 519,000 square feet, were 98% (2012: 100%) occupied.

Kowloon East is gathering momentum for a new wave of development as the district is set to be transformed into an alternative CBD of Hong Kong. MegaBox and Enterprise Square Five will continue to provide a strong competitive position for the Group to enjoy further growth potential.

MegaBox, Kowloon Bay, Hong Kong

Kerry Centre, Quarry Bay

Kerry Centre at 683 King's Road, Quarry Bay, is the Group's 40%-held flagship office tower in Hong Kong. This Grade-A office tower has 32 floors and a GFA of approximately 511,000 square feet. Occupancy at Kerry Centre remained at a high level and, as at 31 December 2013, 99% (2012: 94%) of its office space was leased.

Kerry Centre, Quarry Bay, Hong Kong

SALES OF PROPERTIES

During the year under review, sales of completed properties held for sale in Hong Kong contributed a turnover of HK$7,194 million (2012: HK$11,563 million) to the Group. No proceeds were derived from sales of completed investment properties (2012: HK$19 million) during the year. A gross profit of HK$2,836 million (2012: HK$4,317 million) was derived from the recognized sales of completed properties of Bayview, SOHO 189, Lions Rise and The Altitude.

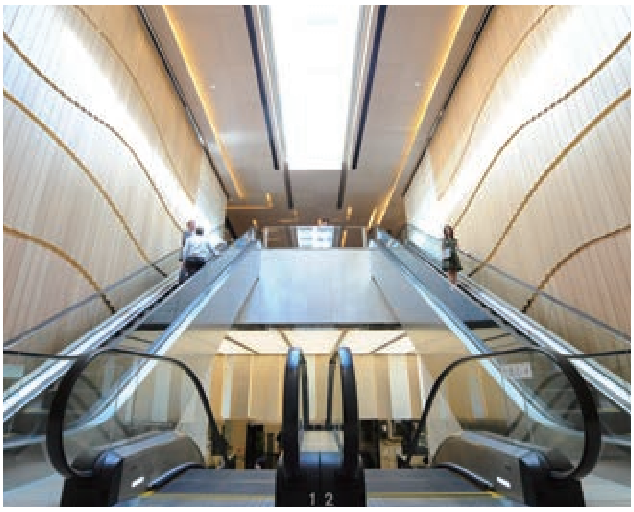
The Group's urban residential developments in Hong Kong continued to generate healthy returns despite the challenges brought by Government measures to regulate the market. The Division's resilient sales performance was underpinned by the shortage of urban land supply, and its portfolio of high-quality homes has continued to command a premium in the market. As a result, the Hong Kong Property Division has been able to achieve its contracted sales targets amidst a challenging market.

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 enhanced by club facilities, landscaped gardens and a shopping mall. As at 31 December 2013, 963 units, representing 99.5% 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 31 December 2013, 109 units, representing 86.5% 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 31 December 2013, all units had been 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 offers 175 residential units which were all sold.

PROPERTIES UNDER DEVELOPMENT

The Summa and a new redevelopment project at Hing Hon Road, Sai Ying Pun and Sheung Wan

The 71%-owned joint-venture project, The Summa, is located at No. 23 Hing Hon Road, Hong Kong, in proximity to the University of Hong Kong and a number of well-known schools. The project yields a saleable area of 149,399 square feet. Satisfactory sales performance has been recorded since the project's launch for sale in January 2014.

The Group is also 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. The project is scheduled to be completed in the first quarter of 2016.

Ede Road, Kowloon Tong

The site at No. 1 & No. 3 Ede Road, Kowloon, is for the development of another residential project with a buildable GFA of approximately 77,000 square feet. Project completion is expected in the second quarter of 2014.

La Salle Road, Ho Man Tin

This redevelopment project is situated at No. 8 La Salle Road, 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, with completion expected in the second quarter of 2014.

Shan Kwong Building Redevelopment, Wong Nai Chung

The Group is developing a new residential project at Nos. 7C-7F Shan Kwong Road, Wong Nai Chung, Hong Kong. Subject to building plans approval, the project will yield a buildable GFA of approximately 81,000 square feet. The project is planned to be completed in the fourth quarter of 2016.

Sha Tin Heights Road, Sha Tin

A residential project is now under planning at Nos. 25-27A Sha Tin Heights Road, with a buildable GFA of approximately 16,000 square feet. The Group holds a 71% interest in this project, which is planned to be completed in the third quarter of 2016.

Kau To, Sha Tin

Together with Sino Group and Manhattan Group, the Group is co-developing a residential project at 33 Lai Ping Road, Kau To, Sha Tin, with a buildable GFA of approximately 1.031 million square feet. The Group holds a 40% stake in this project, which is scheduled for completion in the second quarter of 2015.

So Kwun Wat, Tuen Mun

The Group is developing a residential project at Area 48, Castle Peak Road, So Kwun Wat, 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. The project is planned to be completed in the first quarter of 2017.

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 on the site are now underway. The project is planned to be completed in the first quarter of 2017.

Properties under development in Hong Kong

As at 31 December 2013:	Group's attributable GFA upon completion ('000 square feet)
Residential	**2,753**
	2,753

Macau

Development projects in Macau include a site at Nam Van Lake, designated for luxury apartment development, and another residential project currently under discussion with the Macau SAR Government on the land exchange issue.

OVERSEAS PROPERTY DIVISION

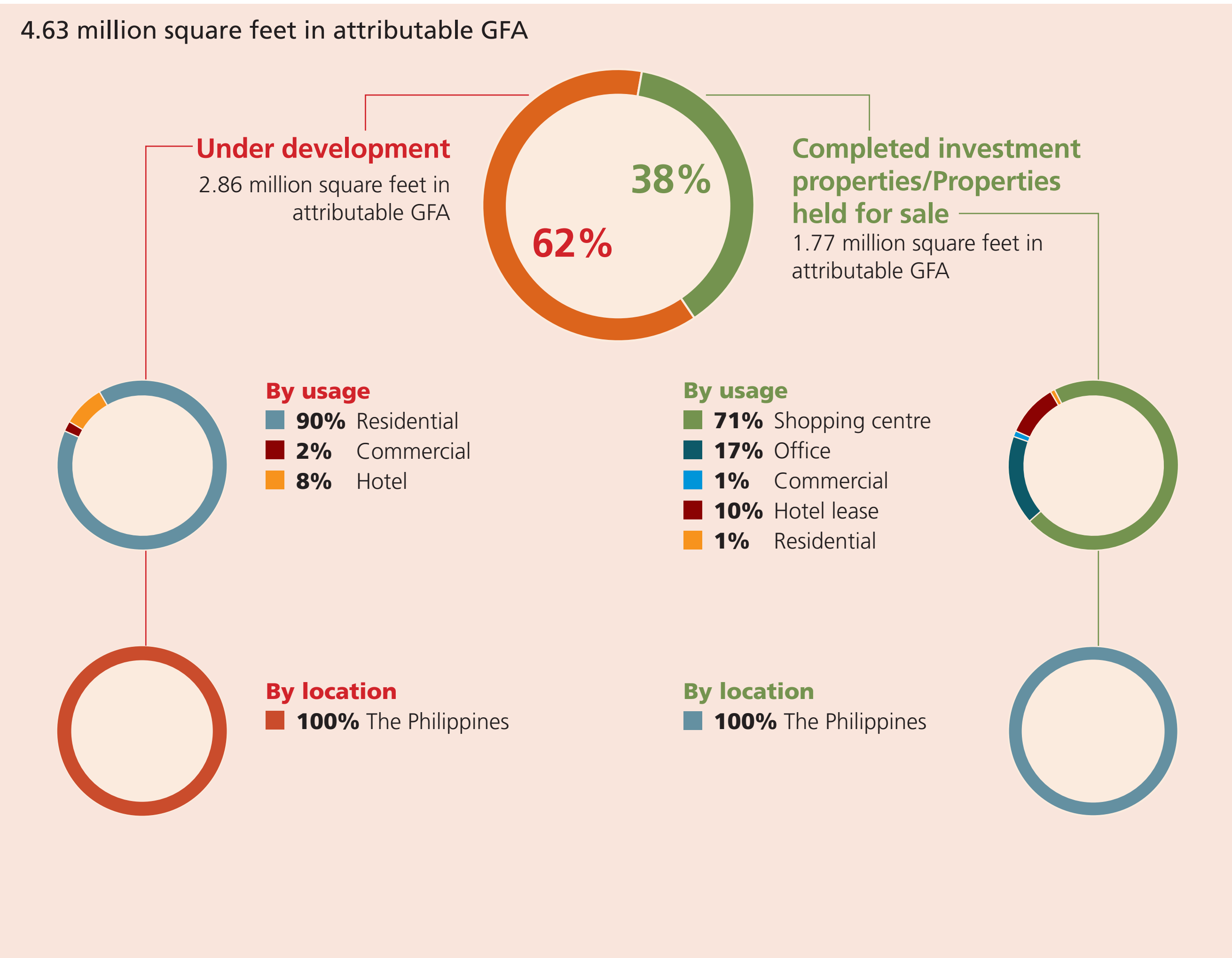
The Group holds a portfolio of properties in the Philippines. These investments are held through Shang Properties, Inc. ("**SPI**"), in which the Division maintains a 34.61% equity interest and a 30.75% interest in its depository receipts. SPI holds a 100% interest in the Shangri-La Plaza Mall, Manila, and indirect interests in The Enterprise Center, an office and commercial property in Makati, Manila's financial district. As at 31 December 2013, the occupancy rates of Shangri-La Plaza Mall and The Enterprise Center were 96% and 97%, respectively (2012: 98% and 86%, respectively).

The development of The St. Francis Shangri-La Place, a residential project located in Mandaluyong City, Manila has been completed and is almost fully sold out. As at 31 December 2013, 1,150 (2012: 1,149) units out of the total of 1,152 residential units in Towers 1 and 2 of the project had been sold.

SPI currently has four major projects under development:

The development of One Shangri-La Place covers approximately 1.63 million square feet of residential properties. The pre-sale of the residential units was launched in 2010, with a total of 1,102 (2012: 858) units sold as at 31 December 2013, accounting for 85% of the total.

Overseas Properties



SPI is also redeveloping a residential site in Makati City into a high-rise residential building with a GFA of approximately 655,000 square feet. Residential units in this Shang Salcedo Place have been launched and, as at 31 December 2013, 245 (2012: 106) units out of the total of 763 residential units had been sold.

The latest addition to the Group's property portfolio in Manila is the development of The Rise. SPI has acquired the rights to develop more than 116,000 square feet of land located in Malugay Street, Makati City. This property will be developed into a residential building with a GFA of approximately 1.58 million square feet, and comprising 2,822 residential units and 58,843 square feet of commercial space.

In addition, SPI holds a 40% interest in a hotel and luxury residential development in Fort Bonifacio, Taguig, Manila. The development includes a hotel with an area of more than 860,000 square feet, residential and serviced apartment units covering 580,565 square feet, and commercial spaces with a total area of 39,700 square feet.

Overseas Property Portfolio

As at 31 December 2013:	Group's attributable GFA The Philippines ('000 square feet)
Investment properties	
Hotel lease	170
Shopping centre	1,251
Commercial	29
Office	307
Sub-total	**1,757**
Properties under development	
Residential	2,565
Hotel	225
Commercial	69
Sub-total	**2,859**
Properties held for sale	
Residential	9
Sub-total	**9**
	4,625

The St. Francis Shangri-La Place, Manila, The Philippines

LOGISTICS INVESTMENTS

On 19 December 2013, Kerry Logistics achieved a public listing on the Stock Exchange through a distribution in specie by the Company of approximately 50.1% of the Kerry Logistics Shares on issue and an international placing of Kerry Logistics Shares. The Group's subsequent interest in Kerry Logistics was reduced from 100% to approximately 43%.

Kerry Logistics is principally engaged in the integrated logistics and international freight forwarding businesses.

Integrated Logistics

Kerry Logistics provides integrated logistics services, as a third-party logistics service provider, for manufacturers, retails and other customers worldwide. Their integrated logistics business comprises (i) logistics operations, which involve the provision of a wide range of logistics services, such as storage and value-added services, trucking and distribution, returns management and various ancillary services, primarily in Asia, and (ii) Hong Kong Warehouse, which involves the leasing of warehousing space in Hong Kong to customers.

International Freight Forwarding

Kerry Logistics provides the vast majority of their international freight forwarding services intra-Asia and between Asia and Europe. Its international freight forwarding business involves the provision of air freight, ocean freight and cross-border road freight forwarding services to transport cargo internationally.

OUTLOOK

PRC PROPERTY DIVISION

The high economic growth rate in the PRC is unlikely to continue in the coming year. Coupling with the ongoing control measures, the PRC property market is expected to face further challenges. The PRC Property Division will continue to grow its business and revenue base with added strategic focus on innovation and sustainability. The segment is on track to further expand its share of revenue and earnings contribution to the Group.

The Division will adjust its development and business strategy in accordance with the market situation in different districts and cities in the PRC. It will stay alert to potential investment opportunities in first- and second-tier cities, as well as in the more affluent districts. To sustain forward momentum, the Division will pursue further development of projects with profitability potential, continue land acquisitions based on timing, location and price considerations, and expedite project cycles.

Pursuant to the Group's business strategy, the Division will forge ahead with the development of major mixed-use projects in first-tier cities. These prime-quality landmark mixed-use projects in CBDs are designed to strengthen the premier brand position of Kerry Properties, while creating strong recurring income streams for the Group.

The Division will also adopt a proactive and adaptive sales strategy for forthcoming property launches. The Group targets to achieve healthy growth in contracted sales for 2014, with sales activities continuing in Hangzhou, Tianjin, Nanjing, Shenyang, Putian, Chengdu, Nanchang and Qinhuangdao.

With a view to securing further cost controls, enhancing service management quality, and consolidating efficiency gains, the Division will seek to strengthen its property and project management standards, maintain standardized construction and implement resources sharing for its management systems. Our promise of prestigious privilege for clients is realized through a range of optimum and customized services. These will help strengthen Kerry Properties' brand value built on the quality premise.

HONG KONG PROPERTY DIVISION

The local property market continues to be influenced by the Hong Kong SAR Government's market-stabilizing measures. Meanwhile, to address the supply shortage, the Government has also stepped up efforts to expand land availability. However, land prices in Hong Kong are not showing clear signs of change in line with market sentiments.

Despite the Government resolve to increase land supply, urban land remains a scarce resource. The Group's current projects under development are for the most part located in urban districts enjoying extensive transport networks and public facilities. This premium asset portfolio thus has strong potential for capital growth.

Building on its significant presence in the luxury residential segment, the Group is steadily moving forward with its sales plans for 2014. The Group has a well-established record of creating long-term value and a quality living environment for home buyers. Benefiting from a sales strategy that is well tuned to market trends, the Group's projects continue to be competitively positioned in the market.

Our portfolio of investment properties in Hong Kong comprises Grade-A offices in Quarry Bay and Kowloon East, retail space at the MegaBox lifestyle and entertainment mall, and prestigious city apartments at exclusive addresses. This valuable asset base is further complemented by a high level of service realized by our management expertise. Retail and office rents are expected to be steady with high occupancy in 2014.

At Kerry Properties, we remain committed to deriving and delivering premium value on our promise of quality.

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

The Group closely reviews and monitors its foreign exchange exposure. As at 31 December 2013, total foreign currency borrowings (excluding Renminbi ("**RMB**") borrowings) amounted to the equivalence of HK$10,590 million and RMB loans amounted to the equivalence of HK$5,075 million. Therefore, non-RMB total foreign currency borrowings and RMB loans represented approximately 30% and 15% respectively, of the Group's total borrowings of HK$34,976 million as at 31 December 2013.

The non-RMB total foreign currency borrowings of HK$10,590 million mainly include the Fixed Rate Bonds amounting to US$1,320 million (approximately HK$10,175 million (net of direct issue costs)). The Group has arranged cross currency swap and forward exchange contracts amounting to US$607 million and US$459 million, respectively, to hedge the exchange rate exposure between United States dollars and Hong Kong dollars.

Out of the Group's total borrowings as at 31 December 2013, HK$3,965 million (representing approximately 11%) was repayable within one year, HK$2,154 million (representing approximately 6%) was repayable in the second year, HK$25,378 million (representing approximately 73%) was repayable in the third to fifth years and HK$3,479 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 84% of total borrowings as at 31 December 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 31 December 2013, the gearing ratio for the Group was 31.0% (2012: 22.4%), calculated based on net debt of HK$23,482 million and shareholders' equity of HK$75,755 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 31 December 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 31 December 2013, the Group had total undrawn bank loan facilities of HK$11,181 million and net cash on hand of HK$11,494 million. In addition, the generation of strong recurrent cashflows from the Group's investment property portfolio and hotel 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 14 November 2013, Standard & Poor's affirmed a "BBB-" credit rating for Kerry Properties Limited with a positive outlook.

Particulars of major properties held by the Group as at 31 December 2013 are as follows:

	Property name	Location	Type	Group's attributable interest %	Approximate gross floor area (square feet)	Approximate number of carpark spaces	Lease term
PRC Properties							
A.	**Completed and held for investment**						
1.	Jing An Kerry Centre Phase II[(1)]	1218, 1228 and 1238 Yanan Zhong Road 1539, 1551 and 1563 Nanjing Xi Road Jing An District Shanghai	Office Commercial	51.00	640,600 449,694 **1,090,294**	546	Medium lease
2.	Beijing Kerry Centre	1 Guang Hua Road Chaoyang District Beijing	Office Apartment Commercial	71.25	711,121 277,330 98,406 **1,086,857**	423	Medium lease
3.	Shenzhen Kerry Plaza Phase II	1 Zhong Xin Si Road Futian CBD Shenzhen	Office Commercial	100.00	745,425 104,110 **849,535**	328	Medium lease
4.	Shenzhen Kerry Plaza Phase I	1 Zhong Xin Si Road Futian CBD Shenzhen	Office	100.00	**804,709**	301	Medium lease
5.	Kerry Parkside Shanghai Pudong	1155 and 1201 Fangdian Road 1378, 1388 and 1398 Hua Mu Road Pudong Shanghai	Office Commercial Apartment	40.80	417,189 216,592 153,300 **787,081**	475	Medium lease
6.	Jing An Kerry Centre Phase I (formerly known as Shanghai Kerry Centre)	1515 Nanjing Road West Jing An District Shanghai	Office Apartment Commercial	74.25	308,584 142,355 103,971 **554,910**	180	Medium lease
7.	Kerry Everbright City Phase I	218 Tianmu Road West Zhabei District Shanghai	Commercial Office Apartment	74.25	330,141 171,287 1,043 **502,471**	179	Medium lease
8.	Shanghai Central Residences Phase II – Towers 1 and 3	166 and 168 Lane 1038 Huashan Road Changning District Shanghai	Apartment	100.00	**478,286**	211	Long lease
9.	Shenzhen Kerry Centre	2008 Renminnan Road Lowu District Shenzhen	Commercial Office	100.00	107,256 1,641 **108,897**	193	Medium lease
10.	Fuzhou Central Residences	139 Gutian Road Gu Lou District Fuzhou	Commercial	100.00	**63,986**	–	Long lease
	Total PRC investment properties				**6,327,026**	**2,836**	

	Property name	Location	Type	Group's attributable interest %	Approximate gross floor area (square feet)	Approximate number of carpark spaces	Lease term
PRC Properties							
B.	**Hotel property**						
1.	Kerry Hotel, Beijing	1 Guang Hua Road Chaoyang District Beijing	Hotel	71.25	**499,642**	–	Medium lease
2.	Jing An Shangri-La Hotel, Shanghai[1]	1218 Yanan Zhong Road Jing An District Shanghai	Hotel	51.00	**411,172**	–	Medium lease
3.	Shangri-La Hotel, Shenyang	115 Qingnian Avenue Shenhe District Shenyang	Hotel	60.00	**394,524**	259	Medium lease
4.	Kerry Hotel Pudong Shanghai	1388 Hua Mu Road Pudong Shanghai	Hotel	40.80	**325,853**	–	Medium lease
	Total PRC hotel property				**1,631,191**	**259**	

	Property name	Location	Type	Group's attributable interest %	Approximate gross floor area (square feet)	Approximate site area (square feet)	Stage of completion	Scheduled completion
PRC Properties								
C.	**Under development**							
1.	Nanjing Hotel Development	331 Zhong Yang Road Gu Lou District Nanjing	Hotel	45.00	**412,072**	78,980	Superstructure work completed, mechanical and engineering and external work in progress	2014
2.	Tianjin Kerry Centre	Junction of Liuwei Road and Liujin Road Hedong District Tianjin	Residential Commercial Hotel Office Apartment	49.00	1,105,395 682,513 369,205 316,462 158,331 **2,631,906**	454,460	Phase I – Completion verification in progress	Phase I In phases between 2014 and 2015
3.	Tangshan Arcadia Court Phase II and Hotel Development	West of Da Li Road North of Changhong Street and South of Chaoyang Street Lubei District Tangshan	Residential Hotel Commercial	40.00	470,076 242,918 98,202 **811,196**	265,807	Structure topped out, Internal and external work in progress	In phases between 2014 and 2015
4.	Nanchang Complex Development	Lot No. B-7 Honggutan Central District Nanchang	Residential Hotel Office Commercial	80.00	706,101 658,542 611,491 79,261 **2,055,395**	411,081	Phase I Hotel and residential – Superstructure work in progress	Phase I In phases between 2014 and 2015
	Sub-total				**5,910,569**	**1,210,328**		

Property name	Location	Type	Group's attributable interest %	Group's attributable interest Approximate gross floor area (square feet)	Group's attributable interest Approximate site area (square feet)	Stage of completion	Scheduled completion
PRC Properties **C. Under development (continued)**							
5. Kerry Everbright City Phase III	Meiyuan Road Tianmu Road West Huakong Road and Gonghu Road Zhabei District Shanghai	Office Commercial	74.25	723,652 81,489	126,744	Piling work completed, basement construction work in progress	2015
				805,141			
6. Nanjing Residential Development	Site no. 2012G05 South of Daguang Road Bai Xia District Nanjing	Residential Commercial	100.00	947,555 7,427	383,408	Schematic design and piling work in progress	2015
				954,982			
7. Kerry Central, Hangzhou	Formerly Zhejiang University Hubin Campus East to Yan An Road South to Qing Chun Road West to Planned Chang Shou Road North to Hai Er Xiang Xia Cheng District Hangzhou	Commercial Hotel Apartment Office	75.00	834,272 377,518 270,542 94,212	543,910	Excavation work completed, basement construction work in progress	2015
				1,576,544			
8. Jinan Complex Development	Site no. 2011-G043 to G044 South of Luoyuan Main Street East of Nanjuanmen Lane Lixia District Jinan	Hotel Office Commercial	55.00	299,355 213,027 27,855	131,979	Excavation work in progress	2016
				540,237			
9. Putian Complex Development[2]	Tianwei Town Xibai Village and Licheng District Xi Yanshou Village Longqiao Street Office Chengxiang District Putian City	Residential Hotel Commercial	60.00	1,722,023 649,178 37,840	953,111	Phase I – Superstructure work in progress	Phase I 2016
				2,409,041			
10. Changsha Xiangjiang Arcadia Court	398 Xin Shao Xi Road Tianxin District Changsha	Residential Commercial	100.00	3,154,067 52,744	1,268,225	Phase I – Superstructure work completed, external and internal work in progress	In phases between 2014 and 2017
				3,206,811			
11. The Berylville, Ningbo	Core Region Eastern New Town Ningbo	Residential	50.00	**515,752**	354,071	Phase I – Superstructure work in progress	In phases to 2017
12. Zhengzhou Complex Development	East of Huayuan Road South of Weier Road Zhengzhou City	Residential Office Hotel Commercial	55.00	581,855 345,828 344,248 21,076 **1,293,007**	263,881	Schematic design in progress	In phases between 2016 and 2017
Sub-total				**11,301,515**	**4,025,329**		

Property name	Location	Type	%	Group's attributable interest: Approximate gross floor area (square feet)	Approximate site area (square feet)	Stage of completion	Scheduled completion
PRC Properties							
C. Under development (continued)							
13. Kunming Complex Development	88-96 Dong Feng Road Panlong District Kunming	Hotel Apartment Commercial	35.00	191,508 79,752 10,549 **281,809**	58,191	Schematic design in progress	2017
14. The Metropolis -Arcadia Court Phase II	Junction of middle of Jiannan Da Street and Desai San Street Hi-Tech Industrial Development Zone Chengdu	Residential Commercial	55.00	961,535 43,140 **1,004,675**	228,625	Excavation and piling work completed	2017
15. Qinhuangdao Habitat	North of Binhai Da Road South of Ling Qian Street Qinhuangdao	Residential Commercial	60.00	2,800,717 35,960 **2,836,677**	1,254,202	Phase I – Superstructure work in progress	In phases between 2015 and 2018
16. Hangzhou Zhijiang Residential Project	East of Planned Vertical Road 2 South of Planned Horizontal Road 3 West of Shanhusha River North of Planned Horizontal Road 1 West Lake District Hangzhou	Residential Commercial	100.00	2,274,724 250,252 **2,524,976**	1,534,828	Schematic design, excavation and piling work in progress	In phases between 2017 and 2018
17. The Metropolis -Arcadia Court Phase III	Desai San Street Hi-Tech Industrial Development Zone Chengdu	Residential Commercial	55.00	1,213,037 234,564 **1,447,601**	336,957	Excavation work in progress	2019
18. Shenyang Kerry Centre [2]	Lot No. 2007-053 8 Golden Corridor East of Qingnian Da Street Shenhe District Shenyang	Residential Commercial Office	60.00	4,725,618 2,513,603 1,264,116 **8,503,337**	1,019,316	Phase I – Superstructure work, completed Interior decoration and mechanical and engineering work in progress Phase II – Excavation work in progress	In phases between 2014 and 2022
19. Yingkou Haydes Residence and Hotel Development	Lot No. 14-16 North of Bincheng Road West of Liaodongwan Street Bayuquan Yingkou	Residential Hotel Commercial	65.00	2,683,812 186,229 87,010 **2,957,051**	1,399,320	Phase I Residential – Superstructure work in progress Hotel – Excavation and piling work completed	In phases between 2015 and 2023
Sub-total				**19,556,126**	**5,831,439**		
Total PRC properties under development				**36,768,210**	**11,067,096**		

	Property name	Location	Type	Group's attributable interest %	Approximate gross floor area (square feet)	Approximate number of carpark spaces	Lease term
PRC Properties							
D.	**Held for sale**						
1.	The Metropolis – Arcadia Court Phase I	299 Ronghua North Road Hi-tech Industrial Development Zone Chengdu	Residential Commercial	55.00	364,519 116,693 **481,212**	828	Long lease
2.	Manzhouli Watch Lake Phase II	99 Liu Dao Street Manzhouli City Inner Mongolia	Residential Commercial	100.00	361,405 32,238 **393,643**	189	Long lease
3.	Parkview Residence Phase II	751 Hangbo Street Xia Cheng District Hangzhou	Residential Commercial	100.00	258,869 58,514 **317,383**	534	Long lease
4.	Tangshan Arcadia Court Phase I	West of Da Li Road South of Chaoyang Street Lubei District Tangshan	Residential	40.00	**268,764**	332	Long lease
5.	Enterprise Square	216 and 228 Meiyuan Road Zhabei District Shanghai	Office Commercial	74.25	52,575 26,992 **79,567**	59	Medium lease
6.	Parkview Residence Phase I	756 Hangbo Street Xia Cheng District Hangzhou	Commercial Residential	100.00	24,642 9,522 **34,164**	9	Long lease
7.	Gemini Grove	63 Xin Yuan Street Chaoyang District Beijing	Commercial Residential	71.00	9,542 1,926 **11,468**	26	Long lease
8.	Shanghai Central Residences Phase II – Tower 2	170 Lane 1038 Huashan Road Changning District Shanghai	Residential	100.00	**5,200**	53	Long lease
9.	Shenzhen Arcadia Court	1008 Haitian Road Futian District Shenzhen	Commercial	100.00	**4,608**	551	Long lease
10.	Manzhouli Watch Lake Phase I	99 Liu Dao Street Manzhouli City Inner Mongolia	Residential	100.00	**1,302**	19	Long lease
	Total PRC properties held for sale				**1,597,311**	**2,600**	
	TOTAL PRC PROPERTY PORTFOLIO				**46,323,738**		

	Property name	Location	Type	%	Approximate gross floor area (square feet)	Approximate number of carpark spaces	Lease term
				Group's attributable interest			
Hong Kong Properties							
A. Completed and held for investment							
I. Residential							
1.	Branksome Grande	3 Tregunter Path Mid-Levels Hong Kong	Apartment	100.00	**257,372**	73	Long lease
2.	Aigburth	12 Tregunter Path Mid-Levels Hong Kong	Apartment	100.00	**204,940**	63	Long lease
3.	Branksome Crest	3A Tregunter Path Mid-Levels Hong Kong	Apartment	100.00	**153,375**	126	Long lease
4.	Tavistock	10 Tregunter Path Mid-Levels Hong Kong	Apartment	100.00	**104,460**	24	Long lease
5.	Gladdon	3 May Road Mid-Levels Hong Kong	Apartment	100.00	**2,300**	14	Long lease
Sub-total					**722,447**	**300**	
II. Commercial/office							
1.	Enterprise Square Five/ MegaBox	38 Wang Chiu Road Kowloon Bay Kowloon	Commercial Office	100.00	1,145,537 [(3)] 519,316 **1,664,853**	748	Medium lease
2.	Kerry Centre	683 King's Road Quarry Bay Hong Kong	Office Commercial	40.00	193,252 10,952 **204,204**	74	Medium lease
3.	Lions Rise Mall	8 Muk Lun Street Wong Tai Sin Kowloon	Commercial	100.00	**126,319**	69	Medium lease
4.	Enterprise Square	9 Sheung Yuet Road Kowloon Bay Kowloon	Office	100.00	**56,730**	26	Medium lease
5.	Hollywood Centre	233 Hollywood Road Sheung Wan Hong Kong	Office Commercial	47.37	36,034 10,796 **46,830**	–	Long lease
6.	Harbour Centre	25 Harbour Road Wanchai Hong Kong	Office Commercial	15.00	32,944 [(4)] 6,135 [(5)] **39,079**	43	Long lease
7.	Enterprise Square Three	39 Wang Chiu Road Kowloon Bay Kowloon	Commercial	100.00	**19,800**	–	Medium lease
8.	Island Crest	8 First Street Hong Kong	Commercial	100.00	**15,891**	6	Medium lease
9.	South Seas Centre – various portions	75 Mody Road Tsimshatsui Kowloon	Commercial	100.00	**6,341**	–	Long lease
10.	Belair Monte	3 Ma Sik Road Fanling New Territories	Commercial	8.00	**3,820**	–	Medium lease
Sub-total					**2,183,867**	**966**	

	Property name	Location	Type	%	Group's attributable interest: Approximate gross floor area (square feet)	Group's attributable interest: Approximate number of carpark spaces	Lease term
Hong Kong Properties							
A. Completed and held for investment (continued)							
II. Commercial/office (continued)							
11.	Wing On Plaza	62 Mody Road Tsimshatsui Kowloon	Commercial	10.00	**2,896**	–	Long lease
12.	Sherwood Court Public Carpark	12-20 Kwai Sing Lane Happy Valley Hong Kong	Carpark	100.00	**–**	200	Long lease
	Sub-total				**2,896**	**200**	
	Total Hong Kong completed investment properties				**2,909,210**	**1,466**	

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

	Property name	Location	Type	%	Group's attributable interest: Approximate gross floor area[6] (square feet)	Group's attributable interest: Approximate site area (square feet)	Stage of completion	Scheduled completion
Hong Kong Properties								
C. Under development								
1.	Ede Road Project	1&3 Ede Road Kowloon Tong Kowloon	Residential	100.00	**77,468**	25,823	Superstructure work in progress	Second quarter of 2014
2.	La Salle Road Project	8 La Salle Road Ho Man Tin Kowloon	Residential	100.00	**60,852**	12,174	Superstructure work in progress	Second quarter of 2014
3.	Kau To Project	33 Lai Ping Road Kau To, Sha Tin New Territories	Residential	40.00	**412,588**	99,270	Superstructure work in progress	Second quarter of 2015
4.	Hing Hon Road Project	5-6 Hing Hon Road Sai Ying Pun and Sheung Wan Hong Kong	Residential	71.00	**27,357**	3,040	Foundation work in progress	First quarter of 2016
5.	Sha Tin Heights Road Project	25-27A Sha Tin Heights Road Sha Tin New Territories	Residential	71.00	**11,727**	11,737	Conceptual design in progress	Third quarter of 2016
6.	Shan Kwong Building Redevelopment Project	7C-7F Shan Kwong Road Wong Nai Chung Hong Kong	Residential	100.00	**81,322**	8,122	Foundation work in progress	Fourth quarter of 2016
7.	Ho Man Tin Project	KIL 11227 Ho Man Tin Kowloon	Residential	100.00	**1,142,168**	259,165	Schematic design in progress	First quarter of 2017
8.	So Kwun Wat Project	Area 48, Castle Peak Road So Kwun Wat Tuen Mun New Territories	Residential	100.00	**939,600**	722,770	Site formation and foundation work in progress	First quarter of 2017
	Total Hong Kong properties under development				**2,753,082**	**1,142,101**		

Property name	Location	Type	%	Group's attributable interest: Approximate gross floor area (square feet)	Group's attributable interest: Approximate number of carpark spaces	Lease term
Hong Kong Properties						
D. Held for sale						
1. The Summa	23 Hing Hon Road Sai Ying Pun and Sheung Wan Hong Kong	Residential	71.00	**106,073** (5)	21	Long lease
2. The Altitude	20 Shan Kwong Road Wong Nai Chung Hong Kong	Residential	71.00	**18,126** (5)	16	Long lease
3. Primrose Hill	168 Kwok Shui Road Tsuen Wan New Territories	Commercial	100.00	**10,318**	5	Medium lease
4. Lions Rise	8 Muk Lun Street Tsz Wan Shan, Diamond Hill and San Po Kong Kowloon	Residential	100.00	**9,001** (5)	204	Medium lease
5. Richwood Park	33 Lo Fai Road Tai Po New Territories	Commercial	50.00	**7,893**	–	Medium lease
6. Bayview	9 Yuk Yat Street Ma Tau Kok Kowloon	Residential/ Commercial	100.00	**5,840** (5)	13	Medium lease
7. Larvotto	8 Ap Lei Chau Praya Road Aberdeen and Ap Lei Chau Hong Kong	Residential/ Commercial	35.00	**3,768**	26	Medium lease
Total Hong Kong properties held for sale				**161,019**	**285**	
TOTAL HONG KONG PROPERTY PORTFOLIO				**5,860,828**		

Property name	Location	Type	%	Group's attributable interest: Approximate gross floor area (square feet)	Group's attributable interest: Approximate site area (square feet)	Stage of completion	Scheduled completion
Macau Properties							
A. Under development							
1. Nam Van Project	Lot C12 Nam Van Lake Macau	Residential	100.00	**397,190**	39,719	Schematic design in progress	Third quarter of 2017
TOTAL MACAU PROPERTY PORTFOLIO				**397,190** (7)	**39,719**		

	Property name	Location	Type	Group's attributable interest %	Approximate gross floor area (square feet)	Approximate number of carpark spaces	Lease term
Overseas Properties							
A.	**Completed and held for investment**						
1.	Shangri-La Plaza Mall (Main Wing)	EDSA corner Shaw Blvd. Mandaluyong City Philippines	Shopping centre	65.36 (8)	**972,057**	359	Freehold
2.	The Enterprise Center	Ayala Avenue Cor. Paseo de Roxas Makati City Philippines	Office Commercial	34.58 (9)	306,593 11,962 **318,555**	349	Freehold
3.	Shangri-La Plaza Mall (East Wing)	EDSA corner Shaw Blvd. Mandaluyong City Philippines	Shopping centre	65.36 (8)	**279,909**	–	Freehold
4.	Carpark Building	EDSA corner Shaw Blvd. Mandaluyong City Philippines	Carpark building	65.36 (8)	**–**	324	Freehold
5.	Land leased to EDSA Shangri-La Hotel	EDSA corner Shaw Blvd. Mandaluyong City Philippines	Hotel lease	65.36 (8)	**169,733** (10)	–	Freehold
6.	The St. Francis Shangri-La Place	St. Francis St. corner Internal Road Shangri-La Place Mandaluyong City Philippines	Commercial	65.36 (8)	**16,937**	–	Freehold
	Total overseas completed investment properties				**1,757,191**	**1,032**	

	Property name	Location	Type	Group's attributable interest %	Approximate gross floor area (square feet)	Approximate site area (square feet)	Stage of completion	Scheduled completion
Overseas Properties								
B.	**Under development**							
1.	One Shangri-La Place	EDSA corner Shaw Blvd. Mandaluyong City Philippines	Residential	65.36 (8)	**1,064,502**	68,670	Superstructure work in progress	Fourth quarter of 2014
2.	Fort Bonifacio Shangri-La Hotel	Fort Bonifacio Taguig Philippines	Residential Hotel Commercial	26.15 (11)	151,795 224,970 10,393 **387,158**	42,553	Superstructure work in progress	First quarter of 2016
3.	Shang Salcedo Place	Sen. Gil Puyat Ave. Cor. Tordesillas St. and HV Dela Costa St., Makati City, Philippines	Residential	65.36 (8)	**428,486**	21,423	Substructure work in progress	First quarter of 2016
4.	The Rise	Malugay Street Makati City Philippines	Residential Commercial	58.18 (12)	920,201 58,843 **979,044**	67,785	Planning stage	First quarter of 2018
	Total overseas properties under development				**2,859,190**	**200,431**		

	Property name	Location	Type	Group's attributable interest %	Approximate gross floor area (square feet)	Approximate number of carpark spaces	Lease term
Overseas Properties							
C.	**Held for sale**						
1.	The St. Francis Shangri-La Place	St. Francis St. corner Internal Road Shangri-La Place Mandaluyong City Philippines	Residential	65.36 (8)	**8,777**	8	Freehold
	Total overseas properties held for sale				**8,777**	**8**	
	TOTAL OVERSEAS PROPERTY PORTFOLIO				**4,625,158**		

Notes:

(1) The gross floor area is based on preliminary real estate title and measurement report.

(2) Application for land use certificate in progress.

(3) Included other facility with gross floor area of approximately 65,000 square feet.

(4) Being lettable floor area.

(5) Being net floor area.

(6) Subject to final Hong Kong SAR Government approval plans and documentations.

(7) As regards the reclamation project in Macau, according to the Macau SAR Government Notice which was gazetted on 14 October 2009, a piece of land will be granted in exchange with location and size to be identified and agreed.

(8) Including attributable interest of 30.75% held through Philippine Deposit Receipts.

(9) Including attributable interest of 16.27% held through Philippine Deposit Receipts.

(10) Being site area.

(11) Including attributable interest of 12.30% held through Philippine Deposit Receipts.

(12) Including attributable interest of 27.37% held through Philippine Deposit Receipts.

(13) Gross floor areas exclude carpark spaces.

Kerry Properties consistently works at building a sustainable business by creating value for its customers, using resources responsibly, improving lives and by doing business with integrity and sound practice. We are committed to being a positive part of the communities we proudly serve and with which we are growing.

This report will give details of the Group's corporate social responsibility ("**CSR**") efforts over the past year as we think outside the enterprise and widen our commitment to stakeholders. Looking to ourselves, we continue to support our people in developing their skills, providing a fair and open workplace for all, helping them maintain a healthy work-life balance, and nurturing our talents to help them fulfil their aspirations.

In addition to supporting a variety of worthwhile causes at the enterprise level, we also encourage our team members to make a contribution through volunteer work. We are proud of our employees who have demonstrated a firm commitment which truly lives up to our Group's values in serving our society.

CARING COMPANY

The Group's many caring programmes for the environment, for the broader community, and for our employees reflect the depth of our commitment to the principle of good corporate citizenship. As a long-term recipient of the Caring Company logo awarded by the Hong Kong Council of Social Service, the Group became eligible in 2012 to extend the commendation until February 2014. The Group looks forward to receiving the "10 Years Plus Caring Company" logo in the coming year.

During the year, the Group maintained its membership of the Caring Company Patron's Club as a Coral Member to support Caring Company nomination activities. Patron companies are championing enhancement of the awareness of CSR in Hong Kong by contributing their resources and expertise to the community. The club now consists of over 50 corporate members.

We are also encouraged that MegaBox and MegaBox Management Services Limited ("**MMSL**") were awarded the "5 Years Plus Caring Company" logo in May 2013. They will continue their mission of building a cohesive society by promoting strategic partnerships with local social service partners.

The culture of caring is indeed a shared value of our staff teams. Together, our staff volunteers contributed hundreds of hours of service during the year to community programmes serving different charitable organizations and purposes.

ENVIRONMENTAL PROTECTION

The Group maintains an environmental management system ("**EMS**") to guide the development, management and maintenance of green buildings as well as to build awareness of environmental issues among our staff. This system provides a set of specific and measurable guidelines on the way our business is run. With consistent efforts, the Group is on track to reaching its target of expanding the EMS system to include all properties under our property management service by 2014. Energy savings were thus recorded at a broader level.

Almost all environmental protection targets, including construction waste reduction, were successfully achieved in 2013. Electricity consumption by the Group's head office at Kerry Centre, for example, was further reduced. Overall, the Group achieved a remarkable performance in carbon reduction.

ISO 14001 Certification for the Environmental Management System

Since the achievement of ISO 14001 Certification for the Company's EMS in 2011, we have expanded the accreditation to include Kerry Property Management Services Limited ("**KPMSL**") and MMSL. These certificates reaffirm the Group's efforts to promote sustainability throughout the enterprise and to achieve cost efficiencies through savings on energy and resources.

Indoor Air Quality Certificate (Good Class)

The Indoor Air Quality ("**IAQ**") Certificate (Good Class) was renewed for the Group's head office at Kerry Centre in January 2013. These certificates are awarded under the "IAQ Certification Scheme for Offices and Public Places" by the Environmental Protection Department and recognize premises owners and management for compliance with IAQ objectives.

Hong Kong Green Building Council

In support of the mission of the Hong Kong Green Building Council ("**HKGBC**") to lead a market transformation into a sustainable built environment, the Group became a Gold Patron in 2013. The Group is proud to be a part of HKGBC efforts to guide the development of industry standards, best practices, education, and research in green buildings.

In addition, KPMSL continued to delegate a representative as a member of the HKGBC Public Education Committee. This two-year voting membership, effective since March 2012, allows the Group to participate in the committee's drive to promote green building education and overall awareness in Hong Kong.

Business Environment Council

In January 2013, the Group became a Council Member of the Business Environment Council ("**BEC**"), an independent and a non-profit membership organization in Hong Kong promoting corporate social and environmental responsibility. Since its establishment in 1992, BEC has been at the forefront of promoting environmental excellence by advocating the uptake of clean technologies and practices which reduce waste, conserve resources and prevent pollution. As a member, the Group takes an active part in contributing to Hong Kong's transition to a low-carbon economy.

Green Power Hike 2013

16 staff members of KPMSL formed two teams to participate in the 10-kilometre walkathon of the "Green Power Hike 2013" event held in February 2013. The Group and KPMSL also made a donation towards the environmental goals of Green Power Hong Kong. All donations are used for environmental education in the community and schools. Green Power focuses on local ecological conservation and global environmental issues ranging from those affecting species, to entire habitats and the global environment.

Wood Recycling & Tree Conservation Scheme

The Group's headquarters at Kerry Centre, MegaBox, KPMSL and 27 other properties under Group management participated in the inaugural "Wood Recycling & Tree Conservation Scheme" organized by the Hong Kong Environmental Protection Association. The Christmas trees and peach blossom trees collected after the festive seasons were recycled to produce wood fuel pellets (a useful type of renewable energy) and composting materials.

Commendation Scheme on Source Separation of Commercial and Industrial Waste – Commendation Certificate

In February 2013, MMSL was privileged to receive a Commendation Certificate from the Environmental Protection Department. The commendation certifies MegaBox's fulfillment of all requirements for the "Program on Source Separation of Commercial and Industrial Waste" and recognizes its contribution towards environmental protection. By setting up

and implementing mechanisms to separate and recover waste within its premises, MegaBox enables its tenants to practice waste separation and recycling in the workplace.

Earth Hour 2013

On the evening of 23 March 2013, MegaBox and several of our properties managed by KPMSL joined other landmarks in 7,000 cities, towns and municipalities across more than 150 countries in turning off its exterior lighting for an hour in support of "Earth Hour 2013". Earth Hour is the world's largest collective environmental action organized by the World Wide Fund for Nature ("**WWF**"), and represents the bold concept that all of us pulling together can inspire action for a sustainable planet.

Energy Saving Charter on Indoor Temperature

Kerry Centre and MegaBox joined some 120 shopping malls, over 550 retail shops, 170 office buildings and 440 offices in Hong Kong to sign up to the "Energy Saving Charter on Indoor Temperature" and pledged to maintain the average indoor temperature at between 24℃ – 26℃ during June to September 2013. The charter is a Government-led and community-wide campaign designed to help combat climate change in Hong Kong where electricity consumption accounts for more than 60% of greenhouse gas emissions.

2013 Million Trees Project

The KPMSL staff volunteer team took part in the tree planting day held in April 2013 as part of the "2013 Million Trees Project". The Hong Kong project was organized by the Hong Kong Green Nature Union and The Himalayan Foundation in response to an international anti-desertification initiative. The tree planting activity gave our staff members a real opportunity to contribute to carbon emissions reduction through afforestation.

Order Less Waste Less – Light Banquets Campaign 2012-2013

KPMSL and MegaBox supported the "Order Less Waste Less – Light Banquets Campaign 2012-2013" by taking action to reduce food waste at source. Organized by Friends of the Earth (HK), the campaign echoes the mission of World Food Day to remind the world population of the need to cherish food. In support of the campaign, KPMSL and MegaBox served both green and light menus at their festive banquets.

Green Glass Green

Island Crest is delighted to be a part of the glass recycling programme, "Green Glass Green", initiated by The Hong Kong Dumper Truck Drivers Association. This glass collection and recycling project has been in operation since 2010 and is a step towards a greener and more sustainable Hong Kong.

DIY Green Plant Workshops

The Group's staff members were given an opportunity to plant their own potted plants at a number of DIY green plant workshops. Staff were educated in the features of different kinds of plants and were coached in planting techniques to help decorate their homes and office areas for a greener living experience.

Visit to Lions Nature Education Centre

In October 2013, staff and family members were invited to visit the Lions Nature Education Centre. The centre offers an introduction to the geological environment of Hong Kong and our various countryside resources. This activity helped remind our staff and family to cherish nature.

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

Building on the success of various Government-initiated awards to promote environmental awareness in the community, the Hong Kong Awards for Environmental Excellence ("**HKAEE**") is a merger and extension of three former environmental award schemes, namely the Hong Kong Eco-Business Awards, the Wastewi$e Scheme and the Hong Kong Energy Efficiency Awards. HKAEE is led by the Environmental Campaign Committee alongside the Environmental Protection Department. The "Wastewi$e Label" is a recognition scheme established to encourage Hong Kong businesses to adopt measures to reduce the amount of waste generated within their establishments. The Group's head office at Kerry Centre, MMSL and 25 properties under Group management were awarded "Class of Excellence" Wastewi$e Labels in 2013.

BEAM Eco Building Platinum Standard

In October 2013, Bayview in Hong Kong achieved the rating of "Eco Building Platinum Standard" in accordance with the Building Environmental Assessment Method ("**BEAM**") for new buildings. A growing number of Group projects have achieved the requisite standards for BEAM, which embraces a range of good practices in the planning, design and construction of buildings, as well as in their management, operation and maintenance.

Green Construction Site Award

The Group initiated its "Green Construction Site Award" in October 2013 to promote green and healthy construction practices at all its sites under development. An assessment panel was set up to evaluate each of the Group's construction sites in terms of law abidance, site management structure, consideration of neighbourhood and passers-by, environmental performance and innovation in green measures. In measuring the environmental performance of a site, a range of criteria are considered, including air, noise and water pollution control, waste and dangerous goods management, training, and emergency preparedness and response.

Greening Partner Charter
Organized by the Greening, Landscape and Tree Management Section of the Development Bureau, the "Be Our Greening Partner" campaign aims to engage Greening Partners in contributing to a green environment. MegaBox subscribed to the Greening Partner Charter in October 2013 and pledged its efforts towards this common goal. Community involvement not only fosters love and care for trees, but also enhances public knowledge of tree management and injects positive energy into the building and sustaining of a beautiful green environment in our community. MegaBox is delighted to be a partner of this campaign.

International Coastal Cleanup 2013 Hong Kong
In November 2013, the volunteer team of KPMSL participated in "International Coastal Cleanup 2013 Hong Kong" organized by the Ocean Conservancy, an international non-governmental organization focusing on marine conservation. The Green Council was the official coordinator for the activity.

The Green Council is a non-profit making organization formed by a group of academics and individuals from different sectors of industry sharing the collective vision of helping build Hong Kong into a world-class green city.

Offsetting Greenhouse Gas Emissions
To offset the greenhouse gas emissions associated with the Group's Christmas party in December 2013, the Group registered the party as a "CarbonCare Event" with three tonnes of carbon offset. Validated by the Clean Development Mechanism under the United Nations, such offsets are sourced from projects of the highest standard and offer strong sustainability benefits in the PRC.

COMMUNITY SERVICES

The Group's community involvement is well supported by the commitment of our management and enthusiastic participation of staff members. Our social services are centred on promoting care and help for the mentally and physically challenged, as well as disadvantaged segments of society.

Engaging the Lettershopping Services of Hong Chi Association
Reflecting our support to the community, the Group continued to employ the Hong Chi Association to provide lettershopping services for our corporate magazine on a regular basis. The Hong Chi Association is a non-profit making organization in Hong Kong dedicated to serving 7,000 people of all ages and all levels of intellectual disability and their families.

Community Chest Corporate Challenge
On 13 January 2013, colleagues from the Group participated in "The Community Chest Corporate Challenge" at Pak Tam Chun Park, Sai Kung. The event aimed to raise funds to enhance the rehabilitation and aftercare services supported by the Community Chest.

Volunteering at Serene Oasis

Staff teams from KPMSL and MegaBox participated in regular volunteer work between March and June 2013 at Serene Oasis, a horticultural therapy garden designed to help patients with early dementia and depression. Established by the Christian Family Service Centre, the garden also serves as a site for social service professionals to train themselves in horticultural therapy techniques.

Experiencing Dialogue in the Dark

In March 2013, staff members experienced "Dialogue in the Dark", an activity in which visitors are led by blind guides in groups through specially constructed dark rooms in which scent, sound, wind, temperature and texture convey the characteristics of everyday environments. By joining this activity, staff could experience how blind people live to better understand their needs and to themselves better contribute to the needy.

MegaBox Volunteer Team Activities

MegaBox continues to mobilize its staff teams and offer its venue in support of a diverse range of community, environmental protection and charitable causes, including the Society for the Prevention of Cruelty to Animals (Hong Kong) moon cake charity sale and Hong Chi Association cookies charity sale. During the year, the mall hosted visits by some 100 groups of elderly, children, students and the disadvantaged.

In addition to the joint efforts with the Group's other volunteer teams, MegaBox staff members also visited the elderly in an event held in June 2013 organized by the Neighbourhood Advice-Action Council. Staff members also prepared rice dumplings for the elderly to celebrate the Tuen Ng Festival with them.

The team participated in a Tai Chi fundraising activity held in June 2013 by the Hong Kong Parkinson's Disease Foundation. Funds raised go to support the Foundation's mission to educate patients, primary carers and the community on Parkinson's disease, fund self-help organizations to hold activities for the benefit of patients, and provide financial support for education programmes and medical research into various aspects of the disease.

In July 2013, the volunteer team organized a magic show at the Chi Lin Day Care Centre for the Elderly. The elderly enjoyed a fantastic performance and interactive games.

The MegaBox volunteer team provided over 200 hours of service in 2013. As a corporate member of the Hong Kong Community Volunteers, the volunteer team received a Certificate of Appreciation from the Agency for Volunteer Service at the "International Volunteer Day" recognition ceremony in December 2013.

Corporate Volunteer Training Course 2013

During October 2013, MegaBox staff members took part in the Corporate Volunteer Training Course organized by the Hong Kong Children & Youth Services. The course includes a workshop, visits and practice. Apart from experiencing true happiness in serving others, our staff volunteers can also utilize the skills they learned from the course to promote the volunteering culture at work.

Magic Classes for Hong Chi Association

From October to November 2013, the Group designated a magician on the staff at MegaBox to conduct magic classes for some 40 students from the Hong Chi Association. The magician shared techniques for students to use in public and taught them various magic tricks to perform at parties and other events.

CHARITABLE DONATIONS AND SPONSORSHIPS

Our CSR efforts also included donations towards deserving causes in the communities where we operate. These causes included support for children's education, for academic activities, as well as for the needy and victims of natural disasters.

Community Chest Corporate & Employee Contribution Programme

Retaining a high level of commitment in community development, the Group made a donation to the "Corporate & Employee Contribution Programme", to provide timely support to the more than 2.1 million needy and disadvantaged in Hong Kong.

Community Chest Skip Lunch Day

In March 2013, colleagues from the Group supported the "Skip Lunch Day", donating their lunch money to support this excellent cause. The Community Chest organized the event and allocated the funds raised to services for the needy and vulnerable.

Rescue Work for the Sichuan Earthquake

A powerful earthquake hit Ya'an in Sichuan Province, the PRC, on 20 April 2013. The management team and staff of the Metropolis-Arcadia Court in Chengdu took immediate action to donate funds towards rescue work and to the victims.

The Community Chest Green Day

Group staff members made donations to the "The Community Chest Green Day" in June 2013. This event aimed to encourage the public to act green and live green by taking a greener form of transport, saving energy, water and food, supporting recycling programmes, and by growing potted plants. All donations received were allocated to support medical and health services provided by the Chest's member agencies.

World Heart Day

The Group was a Gold Patron of "World Heart Day" organized by the Hong Kong College of Cardiology. Held in September 2013, the Hong Kong event is a part of a series of meaningful activities worldwide organized by national and regional cardiac societies and foundations to enhance public awareness of the threat of heart disease and stroke.

Community Chest Dress Casual Day

In September 2013, staff members showed how they cared by what they wore for the Community Chest's "Dress Casual Day". All funds raised through this event will be allocated to enhance the development of comprehensive social welfare services in Hong Kong.

Wu Zhi Xing Charity Walk 2013

The Group was a Gold Sponsor of the "Wu Zhi Xing Charity Walk" for the second time. The walk took place in November 2013 and helped raise funds in support of the work of the Wu Zhi Qiao (Bridge to China) Charitable Foundation. The project involved the building of footbridges in remote and underprivileged parts of the PRC with the help of Hong Kong and PRC university students. The overall intention is to build bridges to mutual understanding through inter-university initiatives.

Enlighten-Action for Epilepsy

Enlighten-Action for Epilepsy is an epilepsy-focused non-medical charity in Hong Kong. The organization runs a range of free, bi-lingual programmes to raise epilepsy awareness and serve those affected. The Group showed its support through advertisement sponsorship for its gala dinner.

Community Chest Love Teeth Day

The Community Chest of Hong Kong, the Hong Kong Dental Association and the Oral Health Education Unit of the Department of Health jointly organized "Love Teeth Day", with all donations being allocated to oral health services for the needy. By joining in "Love Teeth Day" in December 2013, colleagues were reminded to look after their teeth whilst showing their care for those less fortunate than themselves.

MegaBox Kowloon East Art Park

The Labour Department's Youth Employment Start ("**Y.E.S.**") partnered with MegaBox and organized "MegaBox Kowloon East Art Park", a self-employment experience day for young people to gain hands-on experience in the retail business. For two weekends in September 2013, MegaBox sponsored the venue enabling Y.E.S. business members to run booths and conduct different kinds of retail business. MegaBox's management team also provided full back-up support, including event promotion, decoration of the market area and equipment support. The aspiring entrepreneurs thus had the opportunity to learn valuable skills and use their creativity to sell their own products.

CARING FOR OUR PEOPLE

While we look to our employees to pioneer products and services for our customers, we also thank them for being a part of our journey together to contribute towards a promising and sustainable future. In addition to professional and career development, the Group takes an active role in promoting an appropriate work-life balance. The Group pledges continued efforts in building a happy and family-friendly workplace for all its staff members.

Leadership Development Programme

The Group continued to run two comprehensive programmes designed to enhance the strategic vision and leadership versatility of our senior staff and managers. Delivered through 11 workshops over 24 months, both programmes were successfully completed in late 2013. The objectives of these two programmes are to enable participants to understand core knowledge, skills and leadership practices that are crucial for creating long-term value for the organization, for leading effective teams and for achieving strong results. Leadership flexibility and resilience are encouraged through the appreciation and application of a broad range of strategic, leadership, networking and management skills.

Happy Company

In July 2013, the Group took home the Happiness-at-work Label from the Promoting Happiness Index Foundation and the Hong Kong Productivity Council in recognition of its commitment to creating a healthy and happy working environment for staff. The 152 companies being commended under the "Happiness-at-work Promotional Scheme" have integrated the happy workplace concept into management practices, thereby promoting a positive mindset and triggering innovative ideas among workers.

Work-Life Balance in Action

Throughout the year, to promote an appropriate work-life balance and encourage team spirit, a number of participatory staff activities were held. These ranged from culinary classes, such as how to make a soufflé and Christmas dessert, to card games and dart competitions, as well as sports activities such as bowling, basketball and badminton contests.

Environment-related Training

Extending environmental awareness and practices to all corners of our operations is one of the Group's core principles, and therefore environmental management awareness training is mandatory for all staff. Such training aims to raise staff awareness in general and teach them measures that can be taken in the office to help protect the environment. In addition, EMS implementation training is provided to our project management and property management departments to demonstrate how to implement the EMS system in our daily operations. In June, we also organized an enzyme cleanser DIY workshop in which participants learnt how to turn kitchen waste into an effective and environmentally friendly cleanser. We also sponsored our staff to attend a wide range of external environmental training courses, such as the BEAM professional training and examination and the Green Building Assessment Method.

Customer Service and Language Training

Quality service is one of the pillars of the Group's reputation. To reinforce this, a wide spectrum of customer service training programmes, Putonghua and English enhancement workshops were therefore held on a regular basis throughout the year to ensure we can continue to provide high-standard and comprehensive customer service to our residents.

Team Building

To strengthen the bonds and communication among team members in the Group, a cross-departmental team-building workshop was held in November with over 100 colleagues participating in the one-day programme.

Work-related Training and Seminars

Continuous strengthening of professional expertise has always been one of our top priorities. In order to keep our staff updated on the latest technology and practices in the industry, as well as on the related legal developments, 10 seminars on different topics were conducted during the year, ranging from waterproofing technology, the safety and maintenance of tempered glass, to the new Lifts and Escalators Ordinance.

Make Work Fun Programme

Organizing resident activities is one of the key duties of the club-house staff in our properties, and the quarterly "Make Work Fun Programme" is designed to teach them new skills and tricks, such as magic, balloon sculpturing, and so on, which they can apply directly in their activities for the benefit of residents. Most of the workshops are taught by our own staff who possess these talents and skills. These workshops not only enable staff to learn something new for their jobs and have fun at the same time, but also act as a platform where some of our staff can showcase their talents and feel appreciated by the company.

Art of Service

Art of Service is a quarterly magazine covering successful customer service stories and is circulated among front-line staff to share with them such outstanding examples. The magazine serves the purpose of inspiring our staff to strive for excellence as well as recognizing those who perform well in their jobs.

Cross-company Training

During the year, a group of seven staff members of the property management division were attached to Island Shangri-La Hotel and Kowloon Shangri-La Hotel for a five-day observation programme. They visited various departments in order to learn the best practices in hotel operation which are similar to their own in Kerry properties.

Buddy Programme

This brand new staff-care programme involves training a number of identified enthusiastic staff members to act as buddies to the new hires in our property management division. The objectives of the programme are to show the new members that they are welcome and valued by the company, and for the buddy to help them adapt to the new environment and establish their own network more easily. Through helping other people, the buddies themselves can also strengthen their sense of belonging to the company and their inter-personal communication skills.

AWARDS AND CITATIONS

In driving constant improvement to exceed expectations, we at Kerry Properties ensure we deliver quality and value to customers. And, as a responsible corporate citizen, we maintain our integrity to a high standard, dedicating ourselves to building solid stakeholder relations. We also take an active role in driving sustainability in our business and in the environment. We are proud to have been recognized by some of the most influential media, trade and professional organizations, as well as by government agencies, for our achievements and contributions over the past year.

PROPERTY DIVISION

The Innovator Awards of Commercial Property 2013

Jing An Kerry Centre, Shanghai was honoured to receive "The Innovator Awards of Commercial Property 2013" in January 2013. The awards were presented by *Shanghai Times* to eight commercial projects considered to have the potential to change the city.

MERCURY Excellence Awards 2012/2013 – Honors Award

In February 2013, the Group was delighted to receive an Honors Award for its corporate brochure in the "Brochures" category in the internationally acclaimed "MERCURY Excellence Awards". In this 26th annual competition organized by MerComm, Inc., the best work in the fields of public relations and corporate communications was selected out of more than 680 entries from 21 countries.

Chengdu Hi-Tech Zone Corporate Social Responsibility Award 2012

Kerry Development (Chengdu) Ltd. received the "Chengdu Hi-Tech Zone Corporate Social Responsibility Award 2012" in February 2013 from the CPC Chengdu Hi-Tech Zone Work Commission and Chengdu Hi-Tech Zone Management Commission. The company was commended for its donations to and volunteer work on behalf of the underprivileged children of Dayingpan Primary School in Liangshan Autonomous Prefecture, Sichuan Province.

The 13th CAPITAL Outstanding Enterprise Awards – Best Developer

In March 2013, the Group was honoured to be named Best Developer in the "The 13th CAPITAL Outstanding Enterprise Awards" organized by *Capital Magazine*, an influential business title with wide circulation in Hong Kong and the PRC. This annual award recognizes Hong Kong enterprises with outstanding performance and contributions throughout the year. This is the third consecutive year that the Group has received this award.

Power Smart Contest – Progress Award

A number of developments under our property management, including Branksome Crest, Branksome Grande, Camellia Court, Island Crest, Jupiter Terrace, Larvotto, Primrose Hill, Regency Park, Enterprise Square, Enterprise Square Two and Three, have been participating in the "Power Smart Contest" since 2011. As a result of its efforts, the Group received a Progress Award from Friends of the Earth (HK) in March 2013. This meaningful contest aims to encourage the private sector and households to develop green habits in order to reduce carbon emissions and energy wastage.

3rd Hong Kong Property Management and First Aid Competition

In recognition of its continuous efforts to achieve excellence in service standards, Kerry Property Management Services Limited won six awards in the "3rd Hong Kong Property Management and First Aid Competition" in March 2013. The competition was co-organized by the Institute of Registered Security Trainers, the St. John Ambulance Brigade and Lion Security Centre.

23rd International ASTRID Awards – Magazines: Community/Residents – Silver Award

Our corporate publication, *Dress Circle*, garnered a Silver Award in the "23rd International ASTRID Awards" in the category of "Magazines: Community/Residents". The publication was commended for its excellence in concept and production. The "ASTRID Awards", organized by MerComm, Inc., is one of the largest worldwide competitions celebrating achievements in the field of design and is open to a wide range of corporations, government agencies, non-profit organizations and associations. This year more than 590 entries were received from 16 countries around the globe.

International Property Awards 2013 (Asia Pacific Region) – Retail Interior China: Highly Commended

Kerry Parkside, Shanghai was Highly Commended in the "International Property Awards 2013 (Asia Pacific Region)" under the "Retail Interior China" category. The awards were presented in April 2013 to the world's finest developments and interior designs. This year's contest received a total of 641 entries from 23 countries across the region. Judging was carried out through a meticulous process involving a panel of over 70 industry experts. We are honoured to have received this world-renowned mark of excellence.

QUESTAR Awards 2013 – Corporations/Marketing: Bronze Award

For two decades, this international festival has given due recognition to the best work in commercials, media content, in-house videos and web-links. Our promotional video for Tianjin Arcadia Court took home the Corporations/Marketing: Bronze Award in May 2013 from MerComm, Inc. after intense competition alongside some 100 entries from eight countries around the world. Our video was among the top 30% scoring entries to be accredited.

Prime Awards for Eco-Business 2013 – Platinum Award

For the second consecutive year, the Group received a Platinum Award in June 2013 in the "Prime Awards for Eco-Business 2013", after being a four-time Gold Award winner. This award reaffirms our positive impact in conserving the environment and efforts in maintaining the sustainability of our community. The event was organized by *metroBox*, one of the most authoritative financial magazines in Hong Kong.

BCI Asia Top 10 Developers Award 2013 – Hong Kong

The accolade of the "BCI Asia Top 10 Developers Award 2013 – Hong Kong" was bestowed on the Group in June 2013 for scoring among the highest in the aggregate value of its projects under construction during the full year, weighted by the extent of their sustainability. Organized by BCI Group, the region's leading construction media group, the "BCI Asia Awards" were held in seven different Asian territories. The event is regarded as an annual pilgrimage for the region's top sector professionals and the awards are among the most coveted in the Asian building and design industry.

27th International ARC Awards – Traditional Annual Report: Property Development – Various and Multi-Use – Bronze Award

The Group's 2012 Annual Report received a Bronze Award in the category of "Traditional Annual Report: Property Development – Various and Multi-Use" in the "27th International ARC Awards". The award was presented to the Group in July 2013 for the work's success in communicating the company's story. Judging was based on the values of creativity, clarity, effectiveness and excellence. Organized by MerComm, Inc., the event is a world-renowned annual report design and printing competition honouring the highest standards in the industry. Some 2,200 entrants from 34 countries around the world participated this year.

LACP Vision Awards Annual Report Competition 2012 – Gold Award and Top 50 Chinese Annual Reports Award

Organized by the League of American Communications Professionals ("**LACP**"), the "Vision Awards" is one of the most prestigious annual report competitions in the United States. In August 2013, the Group was delighted to win a Gold Award within its industry sector recognizing its 2012 Annual Report for its exceptional characteristics and distinctive presentation. Our 2012 Annual Report was also ranked as one of the Top 50 Chinese Annual Reports with a global ranking of 183 out of more than 6,000 entries from 24 countries.

CLP GREEN^{PLUS} Recognition Award – Certificates of Recognition: Residential/Commercial

In October 2013, CLP Power Hong Kong Limited presented Certificates of Recognition to a number of developments under Kerry Properties management in its second "GREEN^{PLUS} Recognition Award" programme. After a very stringent selection process, judging panels honoured 38 organizations with awards. This year's programme drew the participation of more than 390 organizations that collectively covered a wider range of industries. Our award-winning properties under the "Residential/Commercial" category included Enterprise Square, Enterprise Square Two, Enterprise Square Three, Lions Rise, Ocean Pointe, 15 Homantin Hill, Constellation Cove, Camellia Court, Primrose Hill and Regency Park. They were recognized for their innovative energy-saving solutions and outstanding performance in protecting the environment.

MIPIM Asia Awards 2013 – Gold and Silver Awards

The Group is delighted that The Habitat, Qinhuangdao, received a Gold Award from "MIPIM Asia Awards 2013" in the "Best Chinese Futura Mega Project" category. Jing An Kerry Centre, Shanghai, also garnered a Silver Award in the "Best Mixed-Use Development" competition group. The awards were presented to the Group in November 2013. MIPIM Asia is the leading annual property competition designed to recognize outstanding projects in the Asia Pacific region.

Hong Kong Island Best Security Services Awards 2012-2013 – Outstanding Awards

In November 2013, the Group collected three Outstanding Awards at the "Hong Kong Island Best Security Services Awards 2012-13". The Hong Kong Police Force Regional Crime Prevention Office initiated the scheme to help raise the standard of security and property management services. The Group was commended for both our security personnel and management of residential and industrial/commercial properties.

Galaxy Awards 2013 – Bronze and Honors Awards

The Annual "Galaxy Awards" recognize works that are outstanding in the marketplace and promote image building. The Group was pleased to receive a Bronze Award for our 2012 Annual Report in the category of "Design: Annual Reports – Traditional – Hong Kong" in November 2013. In the same awards, the Group's Chengdu Metropolis-Arcadia Court won an Honors Award in the "Special Events: Customer" category. The Group's corporate communications were judged on how effectively the material met the stated objectives, how well the material was communicated to the audience, the use of imaginative and original solutions, and overall expression of message.

Hong Kong Green Awards 2013 – Green Management Award (Corporate) – Silver Award

The Group collected the Silver Award in the category of "Green Management Award (Corporate)" in the "Hong Kong Green Awards 2013" held in December 2013. This recognition came as a great encouragement for the Group as it reflects collective efforts in the day-to-day implementation of our green policy in order to make a positive impact on our environment. The programme was directed by the Green Council as a way of recognizing companies that have pursued and achieved outstanding performance and results in the areas of green purchasing, green management and green governance. The broader objective of this year's event was to encourage corporations in Hong Kong to include environmental responsibility, management, performance and leadership in their operations.

The National High Quality Project Award

Shenzhen Kerry Plaza II was awarded as winner of "The National High Quality Project Award" in December 2013. Organized by China Association of Construction Enterprise Management, this recognition is one of the highest honours in property industry of the PRC. This award recognized the quality of our development in terms of the design, advanced building technology, construction management and building quality.

MEGABOX

Kowloon East Best Security Services Election Awards 2012-2013 – Outstanding Partner and Outstanding Security Guard

MegaBox Management Services Limited ("**MMSL**") was named an Outstanding Partner in the "Kowloon East Best Security Services Election Awards 2012-2013" presentation ceremony held in October 2013. A MegaBox security guard was also presented with an Outstanding Security Guard award. The awards presentation was co-hosted by Kowloon East Regional Crime Prevention Office, the Security & Guarding Services Industry Authority, and the Hong Kong Association of Property Management Companies. Running for the eighth year, the award scheme aims to commend security personnel who help police fight crime, as well as recognize property management companies for their contribution to crime prevention.

Community Care Award 2013

In November 2013, MMSL was privileged to receive a Community Care Award from The Hong Kong Children and Youth Services. It recognizes MegaBox's achievement in organizing voluntary work with the Association in 2013.

My Favourite Shopping Mall Awards 2013-2014 – Top 25 My Favourite Shopping Mall Events

In recognition of the mall's popularity and creative promotional activities, MegaBox was voted to be one of the winners of the Top 25 My Favourite Shopping Mall Events of the "My Favourite Shopping Mall Awards 2013-2014" organized by *Hong Kong Economic Times*, *U Magazine* and *Sky Post* in December 2013.

Hong Kong Smoke-Free Leading Company Awards 2013 – Certificate of Merit

MMSL was awarded with a Certificate of Merit in "Hong Kong Smoke-Free Leading Company Awards 2013". Organized by the Hong Kong Council on Smoking and Health, the campaign aims to encourage businesses to promote smoke-free messages and smoking cessation to their employees, customers, the general public and other stakeholders for a smoke-free Hong Kong.

During the financial year ended 31 December 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 Rules (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The following sections set out how the principles of good governance and code provisions under the Listing Rules have been complied with by the Company during the financial year ended 31 December 2013.

A. DIRECTORS

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

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

2. Proposed Board meeting dates for a financial year are agreed in the final Board meeting of the preceding year. The Board has four scheduled meetings a year at approximately quarterly interval and meets more frequently as and when required. Notice of more than 14 days was given to all Directors to attend a regular Board meeting. For all other Board meetings, reasonable notice will be given to the Directors. During the financial year ended 31 December 2013, the Board held four meetings and the attendance record, on a named basis, is set out in the table below.

Directors		Attendance/Number of Board Meetings during the Directors' tenure of office
Executive Directors:	Wong Siu Kong	4/4
	Ho Shut Kan	4/4
	Qian Shaohua	4/4
	Chan Wai Ming, William	3/4
	Bryan Pallop Gaw	4/4
	Kuok Khoon Chen *(resigned on 22 August 2013)*	3/3
	Ma Wing Kai, William *(resigned on 25 November 2013)*	3/3
Independent Non-executive Directors:	Lau Ling Fai, Herald	4/4
	Ku Moon Lun	4/4
	Wong Yu Pok, Marina, JP	4/4
	Chang Tso Tung, Stephen	3/4

3. Board and Board Committees minutes kept by the Company Secretary are sent to the Directors of the Company (the "**Directors**") for records and are open for inspection by the Directors.

4. The Company has arranged appropriate insurance cover for the Directors.

A.2 Division of Responsibilities

1. Mr Wong Siu Kong, the Chairman of the Board (the "**Chairman**"), provides leadership to the Board in terms of establishing policies and business directions and ensures that the Board discharges its responsibilities. He is also responsible for formulating, approving, organizing and implementing the Group's strategy.

2. The Board comprises two Co-Managing Directors. Mr Ho Shut Kan is responsible for the Group's project development and management of investment portfolio in Hong Kong, Macau and overseas. Mr Qian Shaohua is responsible for the Group's property development in the PRC. The two Co-Managing Directors are responsible for the day-to-day management of the Group's business and have actually performed the duties of the chief executive officer. Therefore, there is a clear division of the responsibilities of the Chairman and the Co-Managing Directors to ensure a balance of power and authority.

3. The other Executive Directors of the Company are delegated with responsibility to oversee and monitor the operations of specific business areas and to implement the strategies and policies set by the Board.

4. The Board comprises four Independent Non-executive Directors ("**INED**") who bring strong independent judgement, knowledge and experience to the Board's deliberations. Apart from their appointments as INED, none of them has any form of service contract with the Company or any of its subsidiaries.

5. The Chairman has encouraged all Directors to make a full and active contributions to the Board's affairs and takes the lead to ensure that the Board acts in the best interest of the Company. He has promoted a culture of openness and debate by facilitating the effective contribution of INED and ensuring constructive relations between Executive Directors and INED. Accordingly, the Board operates in a functional manner with clearly defined objectives, strategies and responsibilities.

6. During the financial year ended 31 December 2013, the former Chairman has held two meetings with the INED without the other Executive Directors present.

A.3 Board Composition

1. The composition of the Board is stated in the section headed "Corporate Information & Key Dates" of this annual report. The Board has a balanced composition and strong independent element. The biographies of the Directors are set out in the section headed "Directors and Senior Management" of this annual report, which demonstrate a diversity of skills, expertise, experience and qualifications.

2. The Company has complied with Rules 3.10 and 3.10A of the Listing Rules in the following manner:

   (i) the Board includes four INED;
   (ii) three of the INED have appropriate profession qualifications, accounting and related financial management expertise; and
   (iii) INED represent more than one-third of the Board.

3. The Company has received annual confirmation of independence from all the INED in accordance with Rule 3.13 of the Listing Rules. The Nomination Committee has assessed their independence and concluded that all the INED are independent within the definition of the Listing Rules.

4. A list of all the Directors identifying their roles, functions and titles is available on the websites of the Stock Exchange and the Company.

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

1. Pursuant to the Company's bye-laws (the "**Bye-laws**") and the code provisions of the Listing Rules, each Director shall retire from office no later than the third annual general meeting of the Company after he/she was last elected or re-elected (i.e. the term of appointment of all Directors, including the Non-executive Directors, is effectively three years) and each Director appointed to fill a casual vacancy or as an additional Director is subject to re-election at the next general meeting following his/her appointment.

2. For INED who has served the Company for more than nine years, his/her further appointment will be subject to a separate resolution to be approved by the Shareholders at the general meeting and the papers to the Shareholders accompanying that resolution will include the reasons why the Board believes he/she is still independent and should be re-elected.

A.5 Nomination Committee

The Company established a Nomination Committee ("**NC**") in 2012. Details of the NC and the work performed by it during the year are set out in the section headed "Nomination Committee Report" of this annual report. During the financial year ended 31 December 2013, a NC meeting was held on 17 January 2013 and the attendance record, on a named basis, is set out in the table below.

Directors		Attendance/Number of NC Meeting during the NC members' tenure of office
Executive Directors:	Wong Siu Kong	1/1
	Kuok Khoon Chen *(resigned on 22 August 2013)*	1/1
INED:	Lau Ling Fai, Herald	1/1
	Ku Moon Lun	1/1
	Wong Yu Pok, Marina, JP	1/1
	Chang Tso Tung, Stephen *(appointed as a NC member on 20 February 2013)*	0/0

The Board has adopted a board diversity policy (the "**Policy**") in August 2013. A summary of the Policy is set out in the section headed "Nomination Committee Report" of this annual report.

A.6 Responsibilities of Directors

1. Every newly appointed Director will be given a comprehensive, formal and tailored induction on appointment and continually updated with legal and regulatory requirements, business and market changes and development of the Company to facilitate him/her in discharging his/her responsibilities.

2. The INED take an active role in Board meetings, contribute to the development of strategies and policies and make sound judgement in various aspects. They will take lead when potential conflicts of interest arise. Independent Board Committee comprising all INED will be formed to advise the independent Shareholders on those connected transactions to be approved by the independent Shareholders at the special general meeting of the Company. The INED are also members of various Board committees and devote sufficient amount of time and attention to the affairs of the Company.

3. The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules as the code for securities transactions by Directors of the Company (the "**Model Code**"). The Directors have confirmed compliance with the required standards set out in the Model Code throughout the financial year ended 31 December 2013. Employees of the Company, who are likely to be in possession of unpublished inside information, have been requested to comply with provisions similar to those terms in the Model Code.

4. In order to ensure the Directors' contribution to the Board remains informed and relevant and to develop and refresh knowledge and skills of the Directors, the Company has encouraged and funded suitable trainings for Directors to participate in continuous professional developments. During the financial year ended 31 December 2013, the record of the trainings of the Directors, on a named basis, is set out in the table below.

Directors		Reading journals, written training materials and/or updates	Attending courses, seminars, conferences and/or forums	Receiving briefings from Chief Financial Officer, Company Secretary and/or other executives
Executive Directors:	Wong Siu Kong	✓	✓	✓
	Ho Shut Kan	✓	✓	✓
	Qian Shaohua	✓	✓	✓
	Chan Wai Ming, William	✓	✓	✓
	Bryan Pallop Gaw	✓	✓	✓
	Kuok Khoon Chen *(resigned on 22 August 2013)*	✓	✓	✓
	Ma Wing Kai, William *(resigned on 25 November 2013)*	✓	✓	✓
INED:	Lau Ling Fai, Herald	✓	✓	✓
	Ku Moon Lun	✓	✓	✓
	Wong Yu Pok, Marina, JP	✓	✓	✓
	Chang Tso Tung, Stephen	✓	✓	✓

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

A.7 Supply of and Access to Information

1. The Board members are supplied with comprehensive board papers and relevant materials within a reasonable period of time in advance of the intended meeting date (in any event no less than 3 days before the date of the meeting). All Directors are given opportunity to include matters in the agenda for regular Board meetings. To facilitate the decision-making process, the Directors are free to have access to the management for enquiries and to obtain further information, when required.

2. All Directors have unrestricted access to the advice and services of the Company Secretary, who ensures that the Board receives appropriate and timely information for its decision-making and that Board procedures, and all applicable rules and regulations, are being followed. The Directors can obtain independent professional advice at the Company's expense.

B. REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT AND BOARD EVALUATION

B.1 Remuneration Committee

Details of the Remuneration Committee ("**RC**") and the work performed by it during the year are set out in the section headed "Remuneration Committee Report" of this annual report. During the financial year ended 31 December 2013, two RC meetings were held on 17 January 2013 and 23 September 2013 and the attendance record, on a named basis, is set out in the table below.

Directors		Attendance/Number of RC Meeting during the RC members' tenure of office
Executive Directors:	Wong Siu Kong	2/2
	Kuok Khoon Chen *(resigned on 22 August 2013)*	1/1
INED:	Lau Ling Fai, Herald	2/2
	Ku Moon Lun	2/2
	Wong Yu Pok, Marina, JP	2/2
	Chang Tso Tung, Stephen *(appointed as a RC member on 20 February 2013)*	1/1

B.2 Remuneration of Directors and Senior Management

Details of the amount of the Directors' emoluments (including the Executive Directors who are members of senior management of the Group) during the financial year ended 31 December 2013 are set out in note 14(a) to the financial statements of this annual report. Details of the Company's share option scheme are set out in the Directors' Report and note 35 to the financial statements of this annual report.

B.3 Board Evaluation

During the year, the Board has regularly reviewed the contributions from the Directors and confirmed that they have spent sufficient time performing their responsibilities.

C. ACCOUNTABILITY AND AUDIT

C.1 Financial Reporting

1. The Board is responsible for the preparation of the financial statements. In preparing the financial statements, the generally accepted accounting standards in Hong Kong have been adopted, appropriate accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made. The external auditor has a primary responsibility for auditing and reporting on the financial statements and the Auditor's Report to the Shareholders is included in this annual report.

2. Towards the end of 2013, the Board has reviewed the financial projections of the Group in respect of the eight financial years ending 31 December 2021. On the basis of this review, the Board is not aware of any material uncertainties relating to events or conditions which may cast significant doubt over the Group's ability to continue as a going concern. Accordingly, the Board has continued to adopt the going concern basis in preparing the financial statements.

3. During the financial year ended 31 December 2013, all members of the Board have been provided with monthly updates to enable them to discharge their duties.

C.2 Internal Controls

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

C.3 Audit and Corporate Governance Committee

The Audit Committee of the Company was renamed as Audit and Corporate Governance Committee (the "**ACGC**") on 30 March 2012. Details of the ACGC and the works performed by it during the year are set out in the section headed "Audit and Corporate Governance Committee Report" of this annual report. The ACGC met four times during the financial year ended 31 December 2013 and the attendance record, on a named basis, is set out in the table below.

Directors		Attendance/Number of ACGC Meeting during the ACGC members' tenure of office
INED:	Lau Ling Fai, Herald	4/4
	Ku Moon Lun	4/4
	Wong Yu Pok, Marina, JP	3/4
	Chang Tso Tung, Stephen	4/4

The Board has delegated duties regarding the corporate governance to the ACGC as set out in the code provisions of the Listing Rules.

C.4 Auditors' Remuneration

The Company's external auditor is PricewaterhouseCoopers, Hong Kong ("**PwC, HK**"). During the financial year ended 31 December 2013, the fees paid/payable to PwC, HK and other firms of the worldwide network of PricewaterhouseCoopers in respect of the audit of Group's consolidated financial statements and non-audit services provided to the Group (excluded the fees in respect of Kerry Logistics which became an associate of the Group upon its separate listing) were as follows:–

Nature of services		HK$'000
Audit services		9,191
Non-audit services:	(i) Tax services	1,814
	(ii) Other services	525

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

D. DELEGATION BY THE BOARD

D.1 Management Functions

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

D.2 Board Committees

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

D.3 Executive Committee

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

E. INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

E.1 Communication Channels

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

(i) Shareholders can raise any comments on the performance and future directions of the Company with the Directors at the annual general meeting of the Company ("**AGM**").

(ii) Press and analysts' conferences are held twice a year in relation to the interim and final results announcements, at which the Executive Directors are available to answer questions regarding the Group's operational and financial performances.

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

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

(iv) The Company's website at www.kerryprops.com contains important corporate information, annual and interim reports, as well as announcements and circulars issued by the Company to enable the Shareholders and the investor community to have timely access to updated information about the Group.

(v) The Board has established a shareholders' communication policy since 2012 and will review it on a regular basis to ensure its effectiveness.

E.2 Shareholders' Rights

1. Shareholders should direct their questions about their shareholdings to the Company's Hong Kong branch registrar and transfer office, namely, Tricor Abacus Limited, whose contact details are stated in the section headed "Corporate Information & Key Dates" of this annual report.

2. Shareholders and members of the investor community are welcome to send their enquiries to the Company's Corporate Communication and Investor Relations Departments, whose contact details are stated in the section headed "Corporate Information & Key Dates" of this annual report.

3. Shareholders who wish to put enquiries to the Board can send their enquiries to the Company Secretary who will ensure these enquiries to be properly directed to the Board.

4. Shareholders may at any time make a request for the Company's information to the extent such information is publicly available.

5. Corporate communication of the Company will be provided to Shareholders in plain language and in both English and Chinese versions to facilitate Shareholders' understanding. Shareholders have the right to choose the language (either English or Chinese) or means of receipt of the corporate communications (in hard copy or through electronic means).

6. Shareholders holding not less than one-tenth of the paid-up capital of the Company may deposit a requisition to convene a special general meeting and state the purpose therefor at the Company's registered office in Bermuda at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda.

7. Shareholders who wish to put forward proposals for the Company's consideration at the general meetings can send their proposals to the Company Secretary.

E.3 General Meetings

1. The general meeting provides a forum for the Board to communicate with the Shareholders. To facilitate enforcement of Shareholders' rights, significant issues, including the election of Directors, are dealt with under separate resolutions at general meetings.

2. The members of the Board, including the chairman of the Board Committees and any other committees of the Company or their duly appointed delegates, are available at AGM to answer questions raised by the Shareholders. The chairman of the independent board committee is also present to answer questions at any general meeting which is convened to approve a connected transaction or any other transaction that requires independent Shareholders' approval.

3. The Board will ensure the external auditor attends the AGM to answer questions relating to the conduct of the audit, the preparation and content of the auditor's report, the accounting policy and auditor independence.

4. Relevant resolutions were passed by way of poll at the AGM and the Special General Meeting ("**SGM**") held in 2013. Shareholders who are unable to attend the AGM and SGM can appoint proxies to attend and vote at the AGM and SGM. The chairman of the AGM and SGM had provided explanation of the detailed procedures for conducting a poll and then answered questions (if any) from the Shareholders regarding voting by way of poll. The Company had sent the AGM notice to Shareholders more than 20 clear business days before the AGM and the SGM notice to shareholders more than 10 clear business days before the SGM.

5. During the financial year ended 31 December 2013, the Company held an AGM on 3 May 2013 and a SGM on 1 November 2013 and the attendance record of the Directors, on a named basis, is set out in the table below.

Directors		Attendance/Number of General Meetings during the Directors' tenure of office
Executive Directors:	Wong Siu Kong	2/2
	Ho Shut Kan	2/2
	Qian Shaohua	2/2
	Chan Wai Ming, William	2/2
	Bryan Pallop Gaw	0/2
	Kuok Khoon Chen *(resigned on 22 August 2013)*	1/1
	Ma Wing Kai, William *(resigned on 25 November 2013)*	1/2
INED:	Lau Ling Fai, Herald	2/2
	Ku Moon Lun	2/2
	Wong Yu Pok, Marina, JP	2/2
	Chang Tso Tung, Stephen	2/2

F. COMPANY SECRETARY

1. The Company Secretary is a full-time employee of the Company and have day-to-day knowledge of the Company's affairs. She is reporting to the Chairman.

2. All Directors have access to the advice and services of the Company Secretary to ensure the Board procedures, and all applicable law, rules and regulations, are followed.

3. For the financial year ended 31 December 2013, the Company Secretary has complied with paragraph 3.29 of the Listing Rules by taking no less than 15 hours of relevant professional training.

AUDIT AND CORPORATE GOVERNANCE COMMITTEE REPORT

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

The ACGC operates pursuant to written terms of reference which are available on the websites of the Stock Exchange and the Company. Set out below is a summary of the audit work performed by the ACGC during the financial year ended 31 December 2013:–

(i) The ACGC reviewed the draft annual and interim financial statements and the draft results announcements of the Company, focusing on main areas of judgement, consistency of and changes in accounting policies and adequacy of information disclosure prior to recommending them to the Board for approval.

(ii) The ACGC reviewed, in conjunction with the external auditor, the developments of accounting standards and assessed their potential impacts on the Group's financial statements.

(iii) The ACGC reviewed and monitored the external auditor's independence and objectivity and the effectiveness of audit process in accordance with applicable standards.

(iv) The ACGC assessed the independence of the Company's external auditor, prior to formally engaging the external auditor to carry out the audit for the Company's financial statements for the year ended 31 December 2013.

(v) Prior to the actual commencement of the audit, the ACGC discussed the proposed scope of work and approach of the audit with the external auditor. Upon completion of the audit, the ACGC reviewed the results of the external audit, and discussed with the external auditor on any significant findings and audit issues.

(vi) The ACGC recommended to the Board regarding the appointment and remuneration of the external auditor.

(vii) The ACGC reviewed and approved the internal audit programme, reviewed the internal audit reports and discussed any significant issues with the internal audit team and the Group's senior management.

(viii) The ACGC reviewed the independence of the internal audit function and the level of support and co-operation given by the Group's management to the internal audit team, as well as the resources of the internal audit team when undertaking its duties and responsibilities.

(ix) The ACGC reviewed the adequacy and effectiveness of the Group's systems of internal controls through a review of the work undertaken by the Group's internal and external auditor, written representations by the senior management of each of the Group's business divisions and discussions with the Board.

(x) The ACGC reviewed the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function and their training programmes and budget through a review of the work undertaken by the Group's senior financial management and internal audit, as well as the questionnaire report by the financial head of each of the Group's business divisions and discussions with the Board.

Set out below is a summary of the corporate governance work performed by the ACGC during the financial year ended 31 December 2013:–

(a) The ACGC reviewed the Company's policies and practices on corporate governance and made recommendations to the Board.

(b) The ACGC reviewed and monitored the Company's policies and practices on compliance with legal and regulatory requirements.

(c) The ACGC reviewed the Company's compliance with the code provisions of the Corporate Governance Code and Corporate Governance Report issued by the Stock Exchange.

(d) The ACGC ensured that good corporate governance practices and procedures are established.

During the financial year ended 31 December 2013, the ACGC met four times and the ACGC also conducted meetings with the Group's senior management, the external auditor and the internal audit team from time to time. Minutes of the ACGC Meetings were documented and circulated to the Board for information. The ACGC also reported and presented its findings and made recommendations for consideration and discussion at Board Meetings.

On 7 March 2014, the ACGC also reviewed the financial statements of the Group for the year ended 31 December 2013 prior to recommending them to the Board for approval.

MEMBERS OF THE AUDIT AND CORPORATE GOVERNANCE COMMITTEE
LAU Ling Fai, Herald (Chairman)
KU Moon Lun
WONG Yu Pok, Marina, JP
CHANG Tso Tung, Stephen

Hong Kong, 17 March 2014

REMUNERATION COMMITTEE REPORT

The Company established the Remuneration Committee ("**RC**") in 1997 with the Independent Non-executive Directors of the Company ("**INEDs**") constituting the majority of the RC. The chairman of the RC is an INED and the other members comprise the Chairman of the Board and three INEDs.

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

The RC adopted a Directors' Remuneration Policy (the "**Policy**") for the Company in 2012. The Policy aims to provide remuneration levels which shall be sufficient to attract and retain Directors to run the Company successfully. Pursuant to the Policy, the following key principles have been established for the ED remuneration and non-executive directors' ("**NED**") fees:–

(a) ED's salaries shall be reviewed annually by the RC;

(b) revision to the ED's salaries shall be made to reflect the performance, contribution and responsibilities of each ED and/or by reference to market/sector trends;

(c) ED shall be eligible to receive a discretionary bonus taking into consideration factors such as market conditions as well as corporate and individual performances;

(d) the RC shall annually review and recommend (if appropriate) to the Board for approval the grant of share options to the ED under the Company's share option scheme;

(e) the NED's fees shall be reviewed annually by the Board; and

(f) recommendations shall be made by the Board to the Company's shareholders (the "**Shareholders**") to approve at the Shareholders' meeting any revision (if appropriate) to the NED's fees according to their responsibilities and/or by reference to market/sector trends.

During the financial year ended 31 December 2013, the RC held two meetings and the following matters were reviewed and approved at the meetings:–

(i) the salaries and pension contributions of the ED for the financial year ended 31 December 2013;

(ii) the payment of bonuses to the ED, which amounted to HK$99,240,000 in respect of the financial year ended 31 December 2012; and

(iii) the revision of monthly salary payable to the Co-Managing Directors of the Company with effect from 1 September 2013.

On 8 January 2014, the RC reviewed and recommended to the Board for approval the grant of 6,500,000 share options to the ED under the 2011 Share Option Scheme of the Company.

MEMBERS OF THE REMUNERATION COMMITTEE
LAU Ling Fai, Herald (Chairman)
WONG Siu Kong
KU Moon Lun
WONG Yu Pok, Marina, JP
CHANG Tso Tung, Stephen

Hong Kong, 17 March 2014

NOMINATION COMMITTEE REPORT

The Company established the Nomination Committee ("**NC**") in 2012 with the Independent Non-executive Directors ("**INEDs**") constituting the majority of the NC. The chairman of the NC is the Chairman of the Board and the other members comprise the four INEDs.

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

The Company adopted a board diversity policy ("**Policy**") in August 2013 which sets out the approach to achieve diversity on the Board. The Policy is summarized below:–

(a) In reviewing the Board's composition, the NC will consider a number of aspects of the Board diversity, including but not limited to gender, age, cultural, educational background, ethnicity, professional experience, skills, knowledge and length of services (the "**Board Diversity Criteria**") and consider the appropriate balance of skills, experience and knowledge of the Board members that are required to complement the Company's corporate strategy.

(b) In identifying qualified individuals to become Board members, the NC will consider the Board Diversity Criteria and take into account factors based on the Company's own business needs.

(c) Selection of Board members to ensure diversity will be, in part, dependent on the pool of such candidates with the necessary skills, knowledge and experience. All Board appointments will be based on merit and contribution the chosen candidate will bring to the Board.

(d) The ultimate decision on the appointment of the Board members will be made by the Board after consideration of the recommendation made by the NC.

(e) The NC will consider measurable objectives (if any) for implementing Board diversity and recommend them to the Board for adoption.

During the financial year ended 31 December 2013, the NC held a meeting and the following matters were reviewed and approved: -

(i) after review of the structure, size and composition of the Board, it was agreed that the Board has a strong independent element and balanced composition of skills, expertise, experience and qualifications to contribute to the corporate strategy and the development of the businesses of the Company; and

(ii) after taking into consideration of the fact that the INEDs have not been engaged in any executive management positions of the Group since their appointment and each of them has confirmed his/her independence by issuing an annual confirmation to the Company pursuant to the requirements of the Listing Rules, it was agreed that each of the INEDs is considered to be independent under the Listing Rules.

MEMBERS OF THE NOMINATION COMMITTEE
WONG Siu Kong (Chairman)
LAU Ling Fai, Herald
KU Moon Lun
WONG Yu Pok, Marina, JP
CHANG Tso Tung, Stephen

Hong Kong, 17 March 2014

INTERNAL CONTROLS

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

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

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

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

In order to better review and evaluate the adequacy and effectiveness of the Group's existing system of internal controls, an internal self-assessment and certification process was formulated during the financial year ended 31 December 2013. Under this process, each division of the Group was requested to assess the effectiveness of their fundamental operating controls over all aspects of their operations, financial controls, risk management controls and contingency measures. Each division of the Group then submitted to the Audit and Corporate Governance Committee ("**ACGC**") a written report on the adequacy and effectiveness of its internal controls, which were discussed at the ACGC Meeting of 15 November 2013.

A review of the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function and their training programmes and budget was conducted during the financial year ended 31 December 2013. Under this review process, each business division of the Group was requested to assess such adequacy at its own level by submitting an internal questionnaire report to the ACGC, which was discussed at the ACGC Meeting of 15 November 2013.

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

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

During the financial year ended 31 December 2013, there were no significant control failings, weaknesses or significant areas of concern identified which might affect the shareholders' stakes in the Company.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

EXECUTIVE DIRECTORS

Mr WONG Siu Kong

Aged 62, is the Chairman of the Board of the Company, the chairman of the Nomination Committee of the Company and a member of the Remuneration Committee, the Finance Committee and the Executive Committee of the Company. Mr Wong joined the Kuok Group in 1991 with responsibilities for the Group's developments in the PRC. He has been an Executive Director of the Company since 1996. Mr Wong was a Joint Managing Director of the Company from 1999 to 2003, the Deputy Chairman of the Board and the Managing Director of the Company from 2003 to 2008 and President & Chief Executive Officer of the Company from 2008 to 2013. In August 2013, he was re-designated and elected as the Chairman of the Board of the Company. Mr Wong is also a director of Kerry Holdings Limited (the controlling shareholder of the Company), a director of China World Trade Center Co., Ltd. (a listed company in Shanghai) and the chairman of a number of the Group's companies in the PRC. Mr Wong graduated from the South China Normal University in the PRC.

Mr HO Shut Kan

Aged 65, is the Co-Managing Director of the Company, and is responsible for the Group's project development and management of investment portfolio in Hong Kong, Macau and overseas. Mr Ho is also a member of the Finance Committee and the Executive Committee of the Company. He has been an Executive Director of the Company since 1998 and re-designated as a Co-Managing Director of the Company in August 2013. Mr Ho is also an executive director of Kerry Properties (H.K.) Limited (the principal Hong Kong property company of the Group), a non-executive director of Eagle Asset Management (CP) Limited (the manager of the Hong Kong listed Champion Real Estate Investment Trust) and a director of Shang Properties, Inc. (a listed company in the Philippines).

Mr QIAN Shaohua

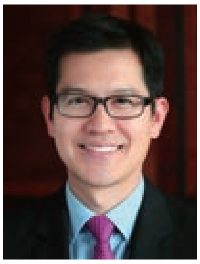
Aged 57, is the Co-Managing Director of the Company, and is responsible for the Group's property development in the PRC. Mr Qian is a member of the Executive Committee of the Company. He has been a Director of the Company since 2007, re-designated as an Executive Director of the Company in 2009 and further re-designated as a Co-Managing Director of the Company in August 2013. Mr Qian is also a non-executive director of Kerry Logistics Network Limited (a listed company in Hong Kong). Mr Qian received his tertiary education in the PRC and completed an international advanced management programme at Harvard Business School.

DIRECTORS (Continued)

EXECUTIVE DIRECTORS (Continued)

Mr CHAN Wai Ming, William

Aged 59, is an Executive Director of the Company and a member of the Executive Committee of the Company. He has been a Director of the Company since 2007 and was re-designated as an Executive Director of the Company in 2010. Mr Chan has over 30 years of experience in project and estate management in both private and public sectors, over 10 years of which were in the PRC projects. Mr Chan is a Fellow Member of both the Royal Institution of Chartered Surveyors and the Hong Kong Institute of Surveyors and a Registered Real Estate Appraiser in the PRC. Mr Chan holds a Master of Science degree in International Real Estate from the Hong Kong Polytechnic University.



Mr Bryan Pallop GAW

Aged 37, has been an Executive Director of the Company since 2012 and is a member of the Executive Committee of the Company. Mr Gaw has previous experience in private equity, management consulting, strategic planning and business development. He holds a Bachelor of Arts in Political Science from Princeton University and a Master of Business Administration from Stanford's Graduate School of Business.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr LAU Ling Fai, Herald

Aged 73, has been an Independent Non-executive Director of the Company since 2003. He is now the chairman of the Audit and Corporate Governance Committee and the Remuneration Committee of the Company and also a member of the Nomination Committee of the Company. Mr Lau has been practising as a certified public accountant in Hong Kong for over 30 years and has extensive experience in auditing, finance, taxation and management. He was a partner in PricewaterhouseCoopers, Hong Kong until his retirement in 2001. Mr Lau was formerly an independent non-executive director of Wheelock and Company Limited (a listed company in Hong Kong). Mr Lau is a Fellow Member of each of The Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants.

Mr KU Moon Lun

Aged 63, has been an Independent Non-executive Director of the Company since 2007. He is now a member of the Audit and Corporate Governance Committee, the Remuneration Committee and the Nomination Committee of the Company. Mr Ku has over 35 years of experience in the real estate industry. He was the executive director of Davis Langdon and Seah International and chairman of Davis Langdon and Seah Hong Kong Limited, Premas Hong Kong Limited and icFox International. Mr Ku is now an independent non-executive director of Ascott Residence Trust Management Limited in Singapore and Lai Fung Holdings Limited (a listed company in Hong Kong). He is a member of the Hospital Governing Committee of Tuen Mun Hospital, Hong Kong Hospital Authority. Mr Ku is a Fellow of the Hong Kong Institute of Surveyors.

DIRECTORS (Continued)

INDEPENDENT NON-EXECUTIVE DIRECTORS (Continued)

Ms WONG Yu Pok, Marina, JP

Aged 65, has been an Independent Non-executive Director of the Company since 2008. She is now a member of the Audit and Corporate Governance Committee, the Remuneration Committee and the Nomination Committee of the Company. She had been with PricewaterhouseCoopers for over 30 years specializing in the PRC tax and business advisory services, and has extensive experience in advising both Hong Kong and foreign investors in the structuring of their businesses and investments in the PRC. Ms Wong joined Tricor Services Limited as a director from 2004 to 2006 after her retirement as a partner from PricewaterhouseCoopers in 2004. Ms Wong is now an independent non-executive director of Kerry Logistics Network Limited, Hong Kong Ferry (Holdings) Company Limited and Luk Fook Holdings (International) Limited (all of which are listed companies in Hong Kong) and an independent director of China World Trade Center Co., Ltd. (a listed company in Shanghai). She is a Fellow Member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants.

Mr CHANG Tso Tung, Stephen

Aged 65, has been an independent Non-executive Director of the Company since 2012. He is now a member of the Audit and Corporate Governance Committee, the Remuneration Committee and the Nomination Committee of the Company. He has been practising as a certified public accountant in Hong Kong for around 30 years and has extensive experience in accounting, auditing and financial management. He was the deputy chairman of Ernst & Young Hong Kong and China until his retirement in 2004. He is a member of the Investment Committee of Shanghai Fudan University Education Development Foundation and Shanghai Fudan University Overseas Education Development Foundation. Mr Chang is an independent non-executive director of China Cinda Asset Management Co., Ltd. (a listed company in Hong Kong). He was formerly an independent non-executive director of China Pacific Insurance (Group) Co., Ltd. (a listed company in Hong Kong and Shanghai). Mr Chang holds a Bachelor of Science degree from the University of London.

SENIOR MANAGEMENT

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

The Directors submit their report together with the audited financial statements for the year ended 31 December 2013.

Principal Activities and Segmental Analysis of Operations

The principal activity of the Company is investment holding.

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

(i) property development, investment and management in Hong Kong, the People's Republic of China (the "**PRC**") and the Asia Pacific region;

(ii) hotel ownership in Hong Kong, and hotel ownership and operations in the PRC; and

(iii) integrated logistics and international freight forwarding.

On 19 December 2013, the Group completed the spin-off of Kerry Logistics Network Limited ("**Kerry Logistics**") which engages in integrated logistics and international freight forwarding. As a result, the Group's interest in Kerry Logistics was decreased from 100% to approximately 43% and Kerry Logistics became an associate of the Group accordingly. Kerry Logistics' profit for the period from 1 January 2013 to 18 December 2013 (immediately before spin-off) was presented as discontinued operations in the consolidated financial statements and last year comparatives were restated accordingly. Please refer to note 10 for more details.

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

Results and Appropriations

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

Particulars of dividends proposed and paid during the year are set out in note 12 to the financial statements.

Reserves

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

Donations

Charitable donations made by the Group during the year amounted to HK$3,278,000.

Property, Plant and Equipment

Particulars of the movements in property, plant and equipment of the Group and the Company during the year are set out in note 15 to the financial statements.

Investment, Hotel and Development Properties

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

Distributable Reserves

As at 31 December 2013, the reserves of the Company available for distribution amounted to approximately HK$17,209,026,000 (2012: HK$19,197,322,000).

Share Capital

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

Bonds

Details of the bonds of the Group are set out in note 30 to the financial statements.

Capitalised Interest

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

Subsidiaries and Associates

Particulars of the Company's principal subsidiaries and the Group's principal associates as at 31 December 2013 are set out in note 46 to the financial statements.

Particulars of Bank Loans and Other Borrowings

Particulars of bank loans and other borrowings of the Group and the Company as at 31 December 2013 are set out in notes 29 and 43 to the financial statements.

Five-Year Financial Summary

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

Directors

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

Executive Directors

Mr WONG Siu Kong (Chairman)
Mr HO Shut Kan (Co-Managing Director)
Mr QIAN Shaohua (Co-Managing Director)
Mr CHAN Wai Ming, William
Mr Bryan Pallop GAW
Mr KUOK Khoon Chen (Chairman) *(resigned on 22 August 2013)*
Mr MA Wing Kai, William *(resigned on 25 November 2013)*

Independent Non-executive Directors

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

Mr HO Shut Kan, Mr Bryan Pallop GAW and Ms WONG Yu Pok, Marina are due to retire from the Board by rotation in accordance with bye-law 99 of the Company's bye-laws ("**Bye-laws**") at the forthcoming Annual General Meeting to be held on 5 May 2014 (the "**2014 AGM**"). All the retiring Directors, being eligible, offer themselves for re-election.

Biography of Directors and Senior Management

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

Directors' Interests in Shares, Underlying Shares and Debentures

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

(i) Company

	Number of ordinary shares					
Directors	Personal interests[1]	Family interests[2]	Corporate interests[3]	Other interests[4]	Total	Approximate % of shareholding[6]
WONG Siu Kong	700,000	–	–	50,000	750,000	0.05
HO Shut Kan	500,000	–	–	50,000	550,000	0.04
QIAN Shaohua	–	–	–	50,000	50,000	0.00
CHAN Wai Ming, William	300,000	–	–	50,000	350,000	0.02
Bryan Pallop GAW	100,000	7,176,897	–	1,232,048	8,508,945	0.59

(ii) Associated Corporations

		Number of ordinary shares/ Amount of debentures						
Associated Corporations	Directors	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	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]
	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	132,362,275	–	45,899,988	2,000,000	181,762,263	11.88[7]
Kerry Logistics	WONG Siu Kong	356,000	–	–	25,000	–	381,000	0.02[8]
	HO Shut Kan	250,000	–	–	25,000	–	275,000	0.02[8]
	QIAN Shaohua	–	–	–	25,000	200,000	225,000	0.01[8]
	CHAN Wai Ming, William	100,000	–	–	25,000	–	125,000	0.01[8]
	Bryan Pallop GAW	50,000	3,588,449	–	616,024	–	4,254,473	0.26[8]
	Wong Yu Pok, Marina	–	–	–	–	200,000	200,000	0.01[8]
Shang Properties, Inc.	HO Shut Kan	1,570	–	–	–	–	1,570	0.00
Vencedor Investments Limited	Bryan Pallop GAW	5	5	–	–	–	10	10.00[9]
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
	QIAN Shaohua	US$1,000,000 5% Notes due 2017	–	–	–	N/A	US$1,000,000 5% Notes due 2017	N/A

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

Notes:

1. *This represents interests held by the relevant Director as beneficial owner.*
2. *This represents interests held 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**") and Kerry Logistics.*
6. *The percentage has been compiled based on the total number of ordinary shares of the Company in issue as at 31 December 2013 (i.e. 1,444,293,228 ordinary shares).*
7. *The percentage has been compiled based on the total number of ordinary shares of KGL in issue as at 31 December 2013 (i.e. 1,530,528,569 ordinary shares).*
8. *The percentage has been compiled based on the total number of ordinary shares of Kerry Logistics in issue as at 31 December 2013 (i.e. 1,657,364,112 ordinary shares).*
9. *The percentage has been compiled based on the total number of ordinary shares of Vencedor Investments Limited in issue as at 31 December 2013 (i.e. 100 ordinary shares).*

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

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

Save as aforesaid, as at 31 December 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.

Directors' Interests in Contracts

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

Directors' Rights to Acquire Shares or Debentures

As at 31 December 2013, the number of outstanding Share Options granted by the Company to the Directors to subscribe for shares of the Company (the "**Shares**"), as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code is set out in the section headed "Share Options" of this report of Directors.

Apart from the aforesaid, at no time during the year ended 31 December 2013 was the Company, its subsidiaries, its fellow subsidiaries or its holding companies a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Substantial Interests in the Share Capital of the Company

As at 31 December 2013, the interests of those persons (other than the Directors) in the Shares as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name	Capacity in which ordinary shares were held	Number of ordinary shares	Long position/ Short position/ Lending pool	Approximate % of shareholding[ii]
Kerry Group Limited	Interest of controlled corporations	806,346,620[i]	Long position	55.83
Kerry Holdings Limited	Interest of controlled corporations	744,757,536[i]	Long position	51.57
Caninco Investments Limited	Beneficial owner	312,248,193[i]	Long position	21.62
Darmex Holdings Limited	Beneficial owner	256,899,261[i]	Long position	17.79
Moslane Limited	Beneficial owner	73,821,498[i]	Long position	5.11
JPMorgan Chase & Co.	Beneficial owner/ investment manager/ custodian corporation/ approved lending agent	72,358,936	Long position	5.01
	Beneficial owner	650,300	Short position	0.05
	Custodian corporation/ approved lending agent	71,011,898	Lending Pool	4.92

Notes:

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

ii. The percentage has been compiled based on the total number of Shares in issue as at 31 December 2013 (i.e. 1,444,293,228 Shares).

Apart from the aforesaid, as at 31 December 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.

Public Float

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

Pre-Emptive Rights

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

Staff

As at 31 December 2013, the Company and its subsidiaries had approximately 6,000 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 a share option scheme adopted in 2002 (the "**2002 Share Option Scheme**") to the effect that no further share options of the Company (the "**Share Options**") shall be offered under the 2002 Share Option Scheme but the Share Options which had been granted during the life of the 2002 Share Option Scheme should continue to be valid and exercisable.

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

The 2011 Share Option Scheme is designed to motivate executives and key employees and other persons who may make a contribution to the Group, and enables the Group to attract and retain individuals with experience and ability and to reward them for their contributions. On 8 January 2014, a total of 15,400,000 Share Options were granted under the 2011 Share Option Scheme.

The maximum number of Shares which may be issued upon exercise of all Share Options to be granted under the 2011 Share Option Scheme (and under any other scheme of the Company) shall not in aggregate exceed 10% of the Shares in issue as at the date of the adoption of the 2011 Share Option Scheme provided that the Company may seek approval from Shareholders to refresh such limit. Moreover, the maximum number of Shares which may be issued upon exercise of all outstanding Share Options granted and yet to be exercised under the 2011 Share Option Scheme (and under any other scheme of the Company) shall not exceed 30% of the Shares in issue from time to time. As at 31 December 2013, a total of 119,400,348 Shares (representing approximately 8.27% of the existing issued share capital of the Company) are available for issue under the 2011 Share Option Scheme. The maximum entitlement of each participant under the 2011 Share Option Scheme in any 12-month period is 1% of the Shares in issue from time to time.

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

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

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

Share Options (Continued)

Movement of the Share Options during the year ended 31 December 2013 are listed below in accordance with Rule 17.07 of the Listing Rules:

			Number of Share Options							
Category	Date of grant (Note c)	Tranche	As at 01/01/2013	Transfer to other category during the year	Transfer from other category during the year	Exercised (Notes a and b)	Lapsed	As at 31/12/2013	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)	–	–	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
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
MA Wing Kai, William	17/03/2005	II	200,000	–	–	(200,000)	–	–	18.74	17/03/2007 – 16/03/2015
(resigned on 25 November 2013)	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
2. Continuous Contract Employees	17/03/2005	I	195,000	(25,000)	–	(45,000)	–	125,000	18.74	17/03/2006 – 16/03/2015
	17/03/2005	II	407,500	(35,000)	–	(252,500)	–	120,000	18.74	17/03/2007 – 16/03/2015
	02/04/2008	I	1,075,000	(150,000)	–	–	(112,500)	812,500	47.70	02/04/2009 – 01/04/2018
	02/04/2008	II	1,075,000	(150,000)	–	–	(112,500)	812,500	47.70	02/04/2010 – 01/04/2018
	02/04/2008	III	2,150,000	(300,000)	–	–	(225,000)	1,625,000	47.70	02/04/2011 – 01/04/2018
	06/02/2009	I	760,000	(125,000)	–	(260,000)	–	375,000	17.58	06/02/2010 – 05/02/2019
	06/02/2009	II	1,000,000	(160,000)	–	(380,000)	–	460,000	17.58	06/02/2011 – 05/02/2019
3. Others	17/03/2005	I	–	–	25,000	–	–	25,000	18.74	17/03/2006 – 16/03/2015
	17/03/2005	II	700,000	–	35,000	(700,000)	–	35,000	18.74	17/03/2007 – 16/03/2015
	02/04/2008	I	150,000	–	350,000	–	–	500,000	47.70	02/04/2009 – 01/04/2018
	02/04/2008	II	150,000	–	350,000	–	–	500,000	47.70	02/04/2010 – 01/04/2018
	02/04/2008	III	300,000	–	700,000	–	–	1,000,000	47.70	02/04/2011 – 01/04/2018
	06/02/2009	I	250,000	–	225,000	(430,000)	–	45,000	17.58	06/02/2010 – 05/02/2019
	06/02/2009	II	250,000	–	260,000	(435,000)	–	75,000	17.58	06/02/2011 – 05/02/2019
Total:			**17,662,500**	**(1,945,000)**	**1,945,000**	**(4,602,500)**	**(450,000)**	**12,610,000**		

Share Options (Continued)

Category	Date of grant (Note c)	Tranche	Number of Share Options						Exercise Price HK$	Exercise Period
			As at 01/01/2013	Transfer to other category during the year	Transfer from other category during the year	Exercised (Notes a and b)	Lapsed	As at 31/12/2013		
(ii) 2011 Share Option Scheme:										
1. Directors										
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
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
KUOK Khoon Chen	30/04/2012	I	1,000,000	(1,000,000)	–	–	–	–	35.45	31/10/2012 – 29/04/2022
(resigned on 22 August 2013)	30/04/2012	II	1,000,000	(1,000,000)	–	–	–	–	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
(resigned on 25 November 2013)	30/04/2012	II	250,000	(250,000)	–	–	–	–	35.45	31/10/2013 – 29/04/2022
2. Continuous Contract Employees	30/04/2012	I	7,205,000	(2,735,000)	–	(160,000)	(190,000)	4,120,000	35.45	31/10/2012 – 29/04/2022
	30/04/2012	II	7,255,000	(2,735,000)	–	–	(340,000)	4,180,000	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	–	3,985,000	(400,000)	–	4,185,000	35.45	31/10/2012 – 29/04/2022
	30/04/2012	II	600,000	–	3,985,000	–	–	4,585,000	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
Total:			**24,160,000**	**(8,170,000)**	**8,170,000**	**(560,000)**	**(630,000)**	**22,970,000**		

Notes:

a. *During the year, the weighted average closing price of the shares of the Company immediately before the dates on which the Share Options were exercised was HK$33.79.*

b. *During the year, no Share Option was granted/granted for adjustment or cancelled under both the 2002 Share Option Scheme and 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.*

Service Contract

There is no service contract, which is not determinable by the Company within one year without payment of compensation (other than statutory compensation), in respect of any Director proposed for re-election at the 2014 AGM.

Management Contract

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

Major Customers and Suppliers

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

Director's Interests in Competing Business

Pursuant to Rule 8.10 of the Listing Rules, the following Directors have disclosed that during the year ended 31 December 2013, they are considered to have interests in the following businesses ("**Excluded Businesses**"), being businesses which competed or are likely to compete, either directly or indirectly, with the businesses of the Group, other than those businesses in which (a) the Group was interested and (b) the Directors' only interests are as directors appointed to represent the interests of the Group.

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

Mr Wong Siu Kong was a director of (but he did not have any interests in shares in) the China World Trade Center Co., Ltd. ("**CWTC**") group of companies, the businesses of which consisted of property investment and development and hotel ownership and operation in the PRC. The Director believe that as the size of these Excluded Businesses is not insignificant when compared with the property and hotel businesses of the Group in the PRC, it is likely that these Excluded Businesses may compete with the property and hotel businesses of the Group in the PRC.

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

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

Connected Transactions

(i) On 15 August 2012 and 26 October 2012, Newick Limited, Capital Rise Investments Limited, Panawin Limited, Join Sky Investment Limited, Shun On Properties Limited and Chain Base Limited (all 71%-owned subsidiaries of the Company) as vendors entered into two preliminary agreements for sale and purchase with Figment Limited ("**FL**") as purchaser for the sale of a unit and a car parking space at a development known as "The Altitude" (the "**Altitude Units**") at a total consideration of HK$36,347,600. On 28 August 2013, Golden Concord Properties Limited ("**GCPL**") as vendor (a wholly-owned subsidiary of the Company) entered into a preliminary agreement for sale and purchase with Star Ascend Limited ("**SAL**") as purchaser for sale of a unit at a development known as "Bayview" (the "**Bayview Unit**") at a total consideration of HK$16,398,820.

FL is a company in which Ms Ruth Kuok ("**Ms Kuok**") ultimately controls the exercise of more than 50% of the voting power at its general meetings. Ms Kuok is the sister of Mr Kuok Khoon Chen ("**Mr Kuok**"), a former executive director of the Company. SAL is a company in which Mr Kuok together with his family members ultimately control the exercise of more than 50% of the voting power at its general meetings. Therefore, FL and SAL are regarded as associates of Mr Kuok. Accordingly, the sale of the Altitude Units and Bayview Unit by the Group to FL and SAL constituted connected transactions for the Company under the Listing Rules.

Connected Transactions (Continued)

(ii) On 5 October 2013, GCPL as vendor entered into a preliminary agreement for sale and purchase with SAL as purchaser for sale of a car parking space at Bayview (the "**Bayview CPS**") at a total consideration of HK$1,680,000. On 11 January 2014, Maxtime International Limited, Widemax Limited, Metro Cosmos Limited, Vickon Limited, Haily Investments Limited and Wealthline Properties Limited (all 71%-owned subsidiaries of the Company) (collectively, "**The Summa Vendors**") as vendors entered into two preliminary agreements for sale and purchase with each of Ms Kuok and Ms Samantha Kuok Leese (collectively, "**The Summa Purchasers**") as purchasers for sale of two units at a development known as "The Summa" ("**The Summa Units**") at a consideration of HK$17,445,500 and HK$23,427,294 respectively.

The Summa Purchasers are Mr Kuok's sister and niece respectively. Therefore SAL and The Summa Purchasers are regarded as associates of Mr Kuok. Accordingly, the sale of the Bayview CPS and The Summa Units by the Group to SAL and The Summa Purchasers constituted connected transactions for the Company under the Listing Rules.

(iii) On 22 February 2014, The Summa Vendors entered into two preliminary agreements for sale and purchase with Kerry Trading Co. Limited ("**KTCL**") as purchaser for sale of two units at The Summa ("**The Two Summa Units**") at a total consideration of HK$42,514,940.

KTCL is a subsidiary of KHL, which is the controlling shareholder of the Company. KTCL is an associate of KHL and therefore regarded as a connected person of the Company under the Listing Rules. Accordingly, the sales of The Two Summa Units by the Group to KTCL constituted connected transactions for the Company under the Listing Rules.

Continuing Connected Transactions

(i) Hotel Management Agreements

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

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

During the remaining tenure of the Beijing Hotel Management Agreements, the annual aggregate fee payable by the Group pursuant to the Beijing Hotel Management Agreements for each of the financial years ending 31 December 2019 is not expected to exceed HK$75,000,000 ("**Cap A**"). The fee paid by the Group under the Beijing Hotel Management Agreements for the year ended 31 December 2013 amount to approximately HK$18,984,000, which is within Cap A.

(b) SLIM is also providing the Hotel Management Services to Jing An Shangri-La Hotel pursuant to the hotel management agreement (the "**Jing An Hotel Management Agreement**") entered into between Shanghai Ji Xiang Properties Co., Ltd. ("**SJXP**") and SLIM on 17 October 2012. The Jing An Hotel Management Agreement was entered into for a term of 20 years commencing from the opening date of Jing An Shangri-La Hotel, i.e. 29 June 2013.

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

(i) Hotel Management Agreements (Continued)

During the remaining tenure of the Jing An Hotel Management Agreement, the annual aggregate fee payable by the Group pursuant to the Jing An Hotel Management Agreement for each of the financial years ending 31 December 2033 is not expected to exceed US$14,000,000 ("**Cap B**"). The fee paid by the Group under the Jing An Hotel Management Agreement for the year ended 31 December 2013 amount to approximately HK$11,521,000, which is within Cap B.

(ii) Tenancy and Licence Agreements

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

The Former Agreements were entered into for a fixed term of 3 years from 19 November 2010 to 18 November 2013 with a rental of HK$2,329,520 per month, management fee and air-conditioning charges of HK$378,547 per month (subject to revision from time to time by the building manager) for Premises I, HK$3,200 per month for each fixed car parking space and HK$2,500 per month for each floating car parking space.

KHL is the controlling shareholder of the Company. Ubagan is an associate of KHL and therefore a connected person of the Company. Accordingly, the entering into of the Former Agreements is treated as a continuing connected transaction of the Company under the Listing Rules.

The maximum aggregate annual amount payable by the Group under the Former Agreements for the financial year ended 31 December 2013 is not expected to exceed HK$32,000,000 ("**Cap C**"). The aggregate amount paid by the Group under the Former Agreements for the year ended 31 December 2013 amount to approximately HK$29,358,000 which is within Cap C.

(b) On 25 October 2013, KPLHK, had entered into tenancy and licence agreements ("**New Agreements**") with Ubagan to renew the leasing of Unit 1 on Level 3, Units 1 and 2 on Level 5, Level 22, Level 25 and Level 26 of Kerry Centre ("**Premises II**") as corporate offices and licensing of 9 fixed carparking spaces and 4 floating carparking spaces on Basement of Kerry Centre for the use by the Group in conjunction with such offices.

The New Agreements were entered into for a fixed term of 3 years from 19 November 2013 to 18 November 2016 with a rental of HK$3,661,849.60 per month, management fee and air-conditioning charges of HK$520,832 per month (subject to revision from time to time by the building manager) for Premises II, HK$3,200 per month for each fixed car parking space and HK$2,500 per month for each floating car parking space.

The entering into of the New Agreements is treated as a continuing connected transaction of the Company under the Listing Rules.

The maximum aggregate annual amount payable by the Group under the New Agreements for each of the financial years ending 31 December 2016 is not expected to exceed HK$55,000,000 ("**Cap D**"). The aggregate amount paid by the Group under the New Agreements for the year ended 31 December 2013 amount to approximately HK$5,943,000 which is within Cap D.

Continuing Connected Transactions (Continued)

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

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

1. in the ordinary and usual course of business of the Company;

2. either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties; and

3. in accordance with the relevant agreements governing the transactions on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

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

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

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

Auditor

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

On behalf of the Board
Wong Siu Kong
Chairman

Hong Kong, 17 March 2014

羅兵咸永道

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF KERRY PROPERTIES LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Kerry Properties Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 87 to 199, which comprise the consolidated and company statements of financial position as at 31 December 2013, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

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

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
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OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 17 March 2014

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2013

	Note	2013 HK$'000	2012 (Restated) HK$'000
Continuing operations			
Turnover	5	**13,969,603**	15,218,271
Cost of sales		**(6,083,581)**	(7,724,918)
Direct operating expenses		**(1,828,678)**	(1,390,039)
Gross profit		**6,057,344**	6,103,314
Other income and net gains	6	**496,336**	365,553
Administrative and other operating expenses		**(1,334,115)**	(838,314)
Increase in fair value of investment properties		**7,027,901**	2,677,877
Operating profit before finance costs	7	**12,247,466**	8,308,430
Finance costs	8	**(502,929)**	(496,448)
Operating profit		**11,744,537**	7,811,982
Share of results of associates		**664,957**	437,022
Profit before taxation		**12,409,494**	8,249,004
Taxation	9	**(2,957,346)**	(1,490,574)
Profit for the year from continuing operations		**9,452,148**	6,758,430
Discontinued operations	10		
Profit for the year from discontinued operations		**6,076,259**	1,351,872
Profit for the year		**15,528,407**	8,110,302
Profit attributable to:			
Company's shareholders			
Profit from continuing operations		**7,376,865**	5,891,555
Profit from discontinued operations		**5,777,524**	1,069,376
		13,154,389	6,960,931
Non-controlling interests			
Profit from continuing operations		**2,075,283**	866,875
Profit from discontinued operations		**298,735**	282,496
		2,374,018	1,149,371
		15,528,407	8,110,302
Dividends	12	**8,664,947**	1,367,139
Earnings per share			
– Basic	13		
From continuing operations		**HK$5.12**	HK$4.10
From discontinued operations		**HK$4.01**	HK$0.74
		HK$9.13	HK$4.84
– Diluted	13		
From continuing operations		**HK$5.11**	HK$4.08
From discontinued operations		**HK$4.01**	HK$0.74
		HK$9.12	HK$4.82

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2013

	Note	2013 HK$'000	2012 (Restated) HK$'000
Profit for the year		**15,528,407**	8,110,302
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of retirement benefit obligations, net of tax		**–**	(37,149)
Fair value gain recognised upon the transfer from leasehold land and buildings to investment properties, net of tax	37	**–**	9,598
		–	(27,551)
Items that may be reclassified to profit or loss			
Cash flow hedges	37	**107,495**	18,192
Fair value (loss)/gain on available-for-sale investments	37	**(38,586)**	240,479
Share of other comprehensive income of associates	37	**19,937**	1,387
Net translation differences on foreign operations		**1,409,055**	582,345
Release of exchange fluctuation reserve upon completion of disposal of subsidiaries	37	**(574,670)**	–
		923,231	842,403
Other comprehensive income for the year, net of tax		**923,231**	814,852
Total comprehensive income for the year		**16,451,638**	8,925,154
Total comprehensive income attributable to:			
Company's shareholders		**13,746,146**	7,660,352
Non-controlling interests		**2,705,492**	1,264,802
		16,451,638	8,925,154
Total comprehensive income attributable to Company's shareholders arising from:			
Continuing operations		**8,569,943**	6,476,846
Discontinued operations		**5,176,203**	1,183,506
		13,746,146	7,660,352

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	Note	**As at 31 December 2013 HK$'000**	As at 31 December 2012 (Restated) HK$'000	As at 1 January 2012 (Restated) HK$'000
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	15	**4,960,327**	6,626,304	5,873,592
Investment properties	16	**53,670,734**	47,484,425	42,329,689
Leasehold land and land use rights	17	**1,261,637**	531,796	537,461
Properties under development	18	**35,024,143**	23,970,147	20,947,855
Land deposits		**1,226,536**	6,586,754	1,606,545
Associates	20	**18,293,815**	12,422,764	11,717,054
Derivative financial instruments	21	**279,702**	186,172	177,004
Available-for-sale investments	22	**1,864,222**	1,964,267	1,714,316
Long-term receivables	23	**366,501**	237,346	55,004
Intangible assets	24	**122,528**	1,896,333	1,308,243
		117,070,145	101,906,308	86,266,763
Current assets				
Properties under development	18	**6,538,516**	5,474,181	9,509,349
Completed properties held for sale	25	**4,000,433**	5,062,792	2,700,146
Accounts receivable, prepayments and deposits	23	**2,669,459**	8,074,448	6,836,082
Tax recoverable		**319,065**	261,909	247,214
Tax reserve certificates		**115,183**	102,448	92,231
Listed securities at fair value through profit or loss	26	**168,695**	182,458	143,617
Derivative financial instruments	21	**14,053**	–	–
Restricted and pledged bank deposits	27	**13,722**	6,066	28,535
Cash and bank balances	27	**11,480,081**	16,059,515	17,545,286
		25,319,207	35,223,817	37,102,460
Current liabilities				
Accounts payable, deposits received and accrued charges	28	**7,764,552**	11,323,887	10,444,163
Taxation		**2,871,057**	2,312,403	1,934,946
Short-term bank loans and current portion of long-term bank loans	29	**3,965,086**	2,539,081	5,362,156
Convertible bonds		**–**	–	2,734,151
Secured bank overdrafts	27	**–**	23,960	15,215
Unsecured bank overdrafts	27	**–**	2,129	297
		14,600,695	16,201,460	20,490,928
Net current assets		**10,718,512**	19,022,357	16,611,532
Total assets less current liabilities		**127,788,657**	120,928,665	102,878,295
Non-current liabilities				
Long-term bank loans	29	**20,835,157**	19,214,077	15,821,823
Fixed rate bonds	30	**10,175,480**	10,153,100	5,561,518
Amounts due to non-controlling interests	31	**2,272,385**	2,548,464	3,002,414
Deferred taxation	32	**5,630,222**	4,442,556	3,820,607
Retirement benefit obligations	33	**–**	348,698	320,158
		38,913,244	36,706,895	28,526,520
ASSETS LESS LIABILITIES		**88,875,413**	84,221,770	74,351,775

Consolidated Statement of Financial Position

As at 31 December 2013

	Note	**As at 31 December 2013 HK$'000**	As at 31 December 2012 (Restated) HK$'000	As at 1 January 2012 (Restated) HK$'000
EQUITY				
Capital and reserves attributable to the Company's shareholders				
Share capital	34	**1,444,293**	1,439,131	1,438,366
Share premium	36	**12,350,197**	12,208,679	12,190,587
Other reserves	37	**15,979,337**	15,548,181	14,600,337
Retained profits		**45,187,038**	40,764,054	34,992,135
Proposed final dividend	12	**794,361**	791,522	676,032
		75,755,226	70,751,567	63,897,457
Non-controlling interests		**13,120,187**	13,470,203	10,454,318
TOTAL EQUITY		**88,875,413**	84,221,770	74,351,775

On behalf of the Board

Wong Siu Kong
Director

Ho Shut Kan
Director

STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	Note	2013 HK$'000	2012 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	**6,166**	8,890
Subsidiaries	19	**27,454,078**	34,714,156
Associate	20	**1,992,783**	–
Derivative financial instruments	21	**92,845**	106,830
		29,545,872	34,829,876
Current assets			
Dividends receivable		**1,400,000**	1,600,000
Accounts receivable, prepayments and deposits		**44,524**	18,667
Derivative financial instruments	21	**14,053**	–
Cash and bank balances	27	**2,343,683**	3,411,045
		3,802,260	5,029,712
Current liabilities			
Accounts payable and accrued charges		**114,690**	118,445
Short-term bank loans and current portion of long-term bank loans	29	**–**	500,000
Amount due to a subsidiary	19	**1,475,713**	5,659,613
		1,590,403	6,278,058
Net current assets/(liabilities)		**2,211,857**	(1,248,346)
Total assets less current liabilities		**31,757,729**	33,581,530
Non-current liabilities			
Long-term bank loans	29	**327,215**	329,318
ASSETS LESS LIABILITIES		**31,430,514**	33,252,212
EQUITY			
Capital and reserves attributable to the Company's shareholders			
Share capital	34	**1,444,293**	1,439,131
Share premium	36	**12,350,197**	12,208,679
Other reserves	37	**10,862,004**	18,207,214
Retained profits		**5,979,659**	605,666
Proposed final dividend	12	**794,361**	791,522
TOTAL EQUITY		**31,430,514**	33,252,212

On behalf of the Board

Wong Siu Kong
Director

Ho Shut Kan
Director

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

	Note	2013 HK$'000	2012 (Restated) HK$'000
Operating activities			
Net cash generated from operations	38(a)	**219,198**	9,826,593
Interest paid		**(1,341,062)**	(1,041,831)
Income tax paid		**(1,055,138)**	(927,556)
Net cash (used in)/generated from operating activities		**(2,177,002)**	7,857,206
Investing activities			
Additions of property, plant and equipment		**(852,871)**	(878,746)
Additions of investment properties		**(1,362,472)**	(1,530,005)
Additions of properties under development		**(2,815,444)**	(4,526,412)
Increase in land deposits		**(1,146,830)**	(4,959,906)
Acquisition of subsidiaries	38(b),(c)	**(1,026,808)**	(492,356)
Disposal of subsidiaries	38(e)	**(2,977,242)**	–
Disposal of partial interest in subsidiaries		**–**	1,182,419
Increase in investments in associates		**(295,480)**	(350,016)
Proceeds from sale of investment in associates		**–**	2,458
Dividends received from associates		**224,197**	298,540
Proceeds from liquidation of investment in associates		**–**	136,598
Repayment of loans from/(additional loans to) associates, net		**2,988,295**	(89,505)
Purchase of available-for-sale investments		**–**	(204)
Proceeds from sale of available-for-sale investments		**2,421**	–
Increase in long-term receivables		**(133,602)**	(187,469)
Interest received		**339,868**	306,716
(Increase)/decrease in restricted and pledged bank deposits		**(7,877)**	22,860
Decrease/(increase) in short-term bank deposits maturing after more than three months		**1,521,877**	(444,890)
Dividends received from listed and unlisted investments		**87,847**	80,378
Proceeds from sale of property, plant and equipment		**71,588**	85,668
Proceeds from sale of investment properties		**92,034**	219,079
Net cash used in investing activities		**(5,290,499)**	(11,124,793)
Financing activities			
Proceeds from issue of shares		**102,153**	13,826
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		**(20,424,782)**	(18,429,170)
Drawdown of bank loans		**26,745,222**	18,898,507
Acquisition of additional interest in subsidiaries	38(d)	**(393,456)**	(256,073)
Dividends paid		**(1,296,315)**	(1,251,649)
Capital injection from non-controlling interests		**162,744**	1,121,305
Dividends of subsidiaries paid to non-controlling interests		**(535,603)**	(238,261)
Return of capital to non-controlling interests		**–**	(5,445)
Decrease in loans from non-controlling interests		**(120,415)**	(462,189)
Net cash generated from financing activities		**4,239,548**	1,227,134
Decrease in cash and cash equivalents		**(3,227,953)**	(2,040,453)
Effect of exchange rate changes		**145,929**	93,012
Cash and cash equivalents at 1 January		**14,154,512**	16,101,953
Cash and cash equivalents at 31 December	27(b)	**11,072,488**	14,154,512

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

	Note	Attributable to the shareholders of the Company							
		Share capital HK$'000	Share premium HK$'000	Other reserves HK$'000	Retained profits HK$'000	Proposed final dividend HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 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, as 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 year		–	–	–	13,154,389	–	13,154,389	2,374,018	15,528,407
Cash flow hedges	37	–	–	107,495	–	–	107,495	–	107,495
Fair value loss on available-for-sale investments	37	–	–	(38,586)	–	–	(38,586)	–	(38,586)
Share of reserves of associates	37	–	–	19,937	–	–	19,937	–	19,937
Net translation differences on foreign operations	37	–	–	1,077,581	–	–	1,077,581	331,474	1,409,055
Release of exchange fluctuation reserve upon completion of disposal of subsidiaries	37	–	–	(574,670)	–	–	(574,670)	–	(574,670)
Total comprehensive income for the year ended 31 December 2013		–	–	591,757	13,154,389	–	13,746,146	2,705,492	16,451,638
Issue of share capital – exercise of share options		5,162	141,518	(44,527)	–	–	102,153	–	102,153
Employee share option scheme – value of employee services	37	–	–	64,445	–	–	64,445	–	64,445
Dividends paid		–	–	–	(504,793)	(791,522)	(1,296,315)	(535,603)	(1,831,918)
Dividend by way of a distribution in specie	12(c)	–	–	–	(7,365,793)	–	(7,365,793)	–	(7,365,793)
2013 proposed final dividend		–	–	–	(794,361)	794,361	–	–	–
Transfer	37	–	–	1,644	(1,644)	–	–	–	–
Acquisition of subsidiaries	38(c), 39	–	–	–	–	–	–	237,057	237,057
Acquisition of additional interest in subsidiaries	38(d)	–	–	(246,977)	–	–	(246,977)	(146,479)	(393,456)
Disposal of subsidiaries		–	–	64,814	(64,814)	–	–	(2,773,227)	(2,773,227)
Capital injection from non-controlling interests		–	–	–	–	–	–	162,744	162,744
Total transactions with owners		5,162	141,518	(160,601)	(8,731,405)	2,839	(8,742,487)	(3,055,508)	(11,797,995)
Balance at 31 December 2013		1,444,293	12,350,197	15,979,337	45,187,038	794,361	75,755,226	13,120,187	88,875,413

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

	Note	Share capital HK$'000	Share premium HK$'000	Other reserves HK$'000	Retained profits HK$'000	Proposed final dividend HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
		Attributable to the shareholders of the Company							
Balance 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, as 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 year		–	–	–	6,960,931	–	6,960,931	1,149,371	8,110,302
Remeasurement of retirement benefit obligations, net of tax		–	–	–	(15,952)	–	(15,952)	(21,197)	(37,149)
Fair value gain recognised upon the transfer from leasehold land and buildings to investment properties, net of tax	37	–	–	9,598	–	–	9,598	–	9,598
Cash flow hedges	37	–	–	18,192	–	–	18,192	–	18,192
Fair value gain on available-for-sale investments	37	–	–	240,479	–	–	240,479	–	240,479
Share of fair value gain on cash flow hedge of an associate	37	–	–	949	–	–	949	–	949
Share of exchange reserve of associates	37	–	–	438	–	–	438	–	438
Net translation differences on foreign operations	37	–	–	445,717	–	–	445,717	136,628	582,345
Total comprehensive income for the year ended 31 December 2012		–	–	715,373	6,944,979	–	7,660,352	1,264,802	8,925,154
Issue of share capital – exercise of share options		765	18,092	(5,031)	–	–	13,826	–	13,826
Employee share option scheme – value of employee services		–	–	173,103	–	–	173,103	–	173,103
Dividends paid		–	–	–	(575,617)	(676,032)	(1,251,649)	(238,261)	(1,489,910)
2012 proposed final dividend		–	–	–	(791,522)	791,522	–	–	–
Transfer		–	–	(194,079)	194,079	–	–	–	–
Dissolution and reduction of capital of subsidiaries		–	–	–	–	–	–	(5,445)	(5,445)
Acquisition of subsidiaries		–	–	–	–	–	–	113,385	113,385
Acquisition of additional interest in subsidiaries		–	–	(176,182)	–	–	(176,182)	(79,891)	(256,073)
Disposal of partial interest in a subsidiary		–	–	434,660	–	–	434,660	839,990	1,274,650
Capital injection from non-controlling interests		–	–	–	–	–	–	1,121,305	1,121,305
Total transactions with owners		765	18,092	232,471	(1,173,060)	115,490	(806,242)	1,751,083	944,841
Balance at 31 December 2012		1,439,131	12,208,679	15,548,181	40,764,054	791,522	70,751,567	13,470,203	84,221,770

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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

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

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

(i) property development, investment and management in Hong Kong, the People's Republic of China (the "PRC") and the Asia Pacific region;

(ii) hotel ownership in Hong Kong, and hotel ownership and operations in the PRC; and

(iii) integrated logistics and international freight forwarding.

On 19 December 2013, the Group completed the spin-off of Kerry Logistics Network Limited ("Kerry Logistics") which engages in integrated logistics and international freight forwarding. As a result, the Group's interest in Kerry Logistics was decreased from 100% to approximately 43% and Kerry Logistics became an associate of the Group accordingly. Kerry Logistics' profit for the period from 1 January 2013 to 18 December 2013 (immediately before spin-off) was presented as discontinued operations in the consolidated financial statements and last year comparatives were restated accordingly. Please refer to note 10 for more details.

These financial statements have been approved for issue by the Board of Directors on 17 March 2014.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of preparation (Continued)

(i) Adoption of new and revised standards

The following new and revised standards have been published that are effective for the accounting period of the Group 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'

The impacts of adopting the above new and revised standards on the Group have been in the following areas.

HKAS 1 (amendment), 'Presentation of items of other comprehensive income'
The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments).

HKAS 19 (2011), 'Employee benefits'
The Group has applied the standard retrospectively in accordance with the transition provisions of the standard. 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 actuarial gains and losses are recognised in other comprehensive income and ultimately recognised in retained profits.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of preparation (Continued)

(i) Adoption of new and revised standards (Continued)

HKAS 19 (2011), 'Employee benefits' (Continued)

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

	As at 31 December 2012 HK$'000	As at 1 January 2012 HK$'000
Decrease in retained profits	40,239	25,002
Decrease in non-controlling interests	91,873	72,311
Increase in retirement benefit obligations	191,388	151,829
Decrease in deferred taxation	59,276	54,516

The effect of the change in accounting policy on the consolidated income statement and consolidated statement of comprehensive income for the year is as follows:

	2012 HK$'000
Increase in profit for the year from discontinued operations	2,350
Increase in profit attributable to non-controlling interests from discontinued operations	1,635
Decrease in other comprehensive income	37,149

The effect of the change in accounting policy on the consolidated statement of cash flows and on earnings per share is immaterial.

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

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. 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of preparation (Continued)

(i) Adoption of new and revised standards (Continued)

HKFRS 12, 'Disclosure of interests in other entities'

The new standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles. New disclosures for the subsidiaries and associates are made under notes 19 and 20 respectively.

HKFRS 13, 'Fair value measurement'

The new standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRS. The Group has included the disclosures under notes 3(c) and 16(c).

(ii) Standard, amendments and interpretation which are not yet effective

The following standard, amendments to existing standards and interpretation, which are relevant to the operations of the Group, have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2014, but the Group has not early adopted them:

	Applicable for accounting periods beginning on/after
HKAS 32 (amendment), 'Offsetting financial assets and financial liabilities'	1 January 2014
HKAS 36 (amendment), 'Recoverable amount disclosures for non-financial assets'	1 January 2014
Amendments to HKAS 27 (2011), HKFRS 10 and HKFRS 12, 'Investment entities'	1 January 2014
HKAS 39 (amendment), 'Novation of derivatives and continuation of hedge accounting'	1 January 2014
HKFRS 9, 'Financial instruments'	To be determined
HK(IFRIC) Interpretation 21, 'Levies'	1 January 2014
Annual improvements to 2010-2012 cycle	1 July 2014
Annual improvements to 2011-2013 cycle	1 July 2014

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Consolidation

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

(i) Subsidiaries

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

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

Upon loss of control of a subsidiary through distribution of shares in the subsidiary to the shareholders of the Company where the subsidiary is ultimately controlled by the same party both before and after the distribution, the Group (i) derecognises the assets and liabilities of the subsidiary at their carrying amounts at the date when control is lost; (ii) measures the distribution and the liability to distribute non-cash assets as a dividend to its owner at the fair value of the net assets to be distributed; and (iii) recognises its investment retained in the former subsidiary at its fair value when control is lost and subsequently accounts for it as an associate. The difference between the carrying amount and the fair value of the assets distributed is recognised in profit and loss in accordance with HK(IFRIC) 17. And the difference between the carrying amount and the fair value of the retained interest is also recognised in profit and loss in accordance with HKFRS 10.

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Consolidation (Continued)

(ii) Transactions with non-controlling interests

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

(iii) Associates

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

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

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

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

(iv) Partial disposal

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

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

(v) Joint operations

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Segment reporting

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

(d) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Foreign currency translation (Continued)

(iii) Group companies

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

– assets and liabilities for each statement of financial position of the Group's entities are translated at the closing rate at the end of the reporting period;

– income and expenses for each income statement of the Group's entities are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

– all resulting exchange differences are recognised in other comprehensive income.

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

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

(e) Property, plant and equipment

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Property, plant and equipment (Continued)

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

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

No amortisation is provided for freehold land.

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

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

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

(f) Investment properties

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Investment properties (Continued)

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

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

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

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

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

(g) Properties under development

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Properties under development (Continued)

Upon completion of the properties which are pre-determined for self-use purpose, the leasehold land portion under operating lease are classified as 'Leasehold land and land use rights', while the building, freehold land and the leasehold land portion under finance leases are classified as 'Property, plant and equipment'.

Upon the completion of the properties which are pre-determined for sale purpose, the properties are classified as 'Completed properties held for sale' in current assets.

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

(h) Completed properties held for sale

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

(i) Intangible assets

(i) Goodwill

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

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

(ii) Customer relationships

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

(iii) Non-compete agreements

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Intangible assets (Continued)

(iv) Trademark

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

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

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

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

(k) Investments

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

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

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

(ii) Loans and receivables

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

(iii) Available-for-sale investments

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

(k) Investments (Continued)

(iv) Recognition and measurement

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Impairment of financial assets

(i) Assets carried at amortised cost

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

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

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

  (i) adverse changes in the payment status of borrowers in the portfolio;

  (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists.

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Impairment of financial assets (Continued)

(ii) Assets classified as available-for-sale

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

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

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

(n) Derivative financial instruments and hedging activities

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The fair values of various derivative instruments are disclosed in note 21. Movements on the hedging reserve in shareholders' equity are shown in note 37. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedge item is more than 12 months. Trading derivatives are classified as a current asset or liability.

(i) Fair value hedge

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

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

(ii) Cash flow hedge

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

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

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

(iii) Net investment hedge

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

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

(iv) Derivatives that do not qualify for hedge accounting

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Cash and cash equivalents

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

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

(p) Accounts payable

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

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

(q) Borrowings

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

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

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

(r) Current and deferred income tax

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Current and deferred income tax (Continued)

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

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

(s) Employee benefits

(i) Employee leave entitlements

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

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

(ii) Defined contribution plan

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

(iii) Defined benefit plan

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

The liability recognised in the consolidated statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using 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 immediately recognised in retained profits in the period in which they arise.

(s) Employee benefits (Continued)

(iv) Share-based payments

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

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

(v) Termination benefits

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

(vi) Bonus plans

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

(t) Provisions

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Financial guarantees

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

(v) Revenue recognition

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

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

(i) Revenue from sales of properties is recognised when the significant risks and rewards of ownership of properties are transferred to the purchasers.

(ii) Rental revenue and other revenues incidental to the letting of properties are recognised on a straight-line basis over the periods of the respective leases.

(iii) Revenue from provision of logistics services, including freight forwarding services, is recognised when services are rendered.

(iv) Revenue from general storage and other ancillary services is recognised when the services are rendered. Revenue from leased storage is recognised on a straight-line basis over the periods of the respective leases.

(v) Income on development consultancy and project management is recognised on a pro-rata basis according to the progress of the projects.

(vi) Income from property management is recognised when services are rendered.

(vii) Hotel revenue from rooms rental, food and beverage sales and other ancillary services is recognised when the services are rendered.

(viii) Dividend income is recognised when the right to receive payment is established.

(ix) Interest income is recognised on a time proportion basis, using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) Leases

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

(i) The Group is the lessee

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

(ii) The Group is the lessor

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

(x) Leasehold land and land use rights

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

(y) Borrowing costs

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

(z) Dividend distribution

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

Payable for dividend in specie of the Group's interests in its subsidiaries is measured at the fair value of the interests in the subsidiaries to be distributed. Upon the settlement of dividend payable, any difference between the carrying amount of the interests in the subsidiaries distributed and the carrying amount of the dividend payable is recognised in the consolidated income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(aa) Contingent liabilities and contingent assets

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

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

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

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

(ab) Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographic area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

When an operation is classified as discontinued, a single amount is presented in the consolidated income statement, which comprises the post-tax profit or loss of the discontinued operation and the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal of the assets or disposal group(s) constituting the discontinued operation.

3 FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

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

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

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

3 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(i) Market risk

(I) Foreign exchange risk

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

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

During the year, the currencies of certain countries where the Group has foreign operations, including the United States dollar and Renminbi, fluctuated against the Hong Kong dollar. This gave rise to an unrealised gain of approximately HK$512,512,000 (2012: HK$446,155,000) on translation of these operations' net assets to the Group's Hong Kong dollar reporting currency, including the Group's share of the translation gains and losses of associates. This unrealised gain is reflected as a movement in other reserves under the heading of exchange fluctuation reserve.

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

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

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

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

(II) Interest rate risk

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

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

Furthermore, the Group manages its cash flow interest rate risk on certain bank borrowings by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates.

3 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(i) Market risk *(Continued)*

(II) Interest rate risk (Continued)

At the end of the reporting periods, if interest rates had been increased/decreased by 25 (2012: 25) basis points and all other variables were held constant, the profit of the Group would have decreased/increased by approximately HK$8,292,000 (2012: HK$6,464,000) resulting from the change in interest income on bank deposits and the borrowing costs of bank borrowings after capitalisation of interest expenses.

At the end of the reporting periods, if interest rates had been increased/decreased by 25 (2012: 25) basis points and all other variables were held constant, the profit of the Company would have increased/decreased by approximately HK$5,743,000 (2012: HK$8,384,000) resulting from the change in interest income on bank deposits.

(III) Price risk

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

The carrying amount of listed portion of available-for-sale investments would be an estimated HK$96,729,000 (2012: HK$101,920,000) lower or higher if the year end share prices of the above-mentioned investments were to differ by 20% (2012: 20%).

The carrying amount of unlisted portion of available-for-sale investments would be an estimated HK$83,553,000 (2012: HK$90,530,000) lower or higher if the year end underlying fair value of the above-mentioned investments were to differ by 20% (2012: 20%).

The carrying amount of listed securities at fair value through profit or loss would be an estimated HK$33,739,000 (2012: HK$36,492,000) lower or higher if the year end share prices of the above-mentioned investments were to differ by 20% (2012: 20%).

(ii) Credit risk

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

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

3 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(ii) Credit risk (Continued)

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

The credit risk on liquid funds is limited because approximately 93% of the funds are placed in banks with high credit rankings, ranging from BBB to AA, and the remaining 7% in local banks in different countries with close monitoring by the management and there is no concentration in any particular bank.

(iii) Liquidity risk

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

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

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

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

3 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(iii) Liquidity risk (Continued)

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

	Group				
	Less than 1 year HK$'000	**Between 1 and 2 years HK$'000**	**Between 2 and 5 years HK$'000**	**Over 5 years HK$'000**	**Total HK$'000**
At 31 December 2013					
Amounts due to associates	**–**	**56,820**	**–**	**–**	**56,820**
Bank loans	**4,541,694**	**2,648,721**	**18,232,710**	**1,205,790**	**26,628,915**
Fixed rate bonds	**576,890**	**576,890**	**8,875,502**	**2,667,826**	**12,697,108**
Amounts due to non-controlling interests	**–**	**2,301,322**	**–**	**–**	**2,301,322**
Accounts payable, deposits received and accrued charges	**5,156,001**	**–**	**–**	**–**	**5,156,001**
Total	**10,274,585**	**5,583,753**	**27,108,212**	**3,873,616**	**46,840,166**

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

3 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(iii) Liquidity risk (Continued)

	Company			
	Less than 1 year HK$'000	**Between 1 and 2 years HK$'000**	**Between 2 and 5 years HK$'000**	**Total HK$'000**
At 31 December 2013				
Bank loans	**12,303**	**330,148**	**–**	**342,451**
Accounts payable and accrued charges	**114,690**	**–**	**–**	**114,690**
Amount due to a subsidiary	**1,475,713**	**–**	**–**	**1,475,713**
Total	**1,602,706**	**330,148**	**–**	**1,932,854**

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

(b) Capital risk management

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

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

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

3 FINANCIAL RISK MANAGEMENT (Continued)

(b) Capital risk management (Continued)

The gearing ratios at 31 December 2013 and 2012 were as follows:

	2013	2012 (Restated)
Net debt (HK$ million)	**23,482**	15,867
Equity attributable to the Company's shareholders (HK$ million)	**75,755**	70,752
Gearing ratio	**31.0%**	22.4%

(c) Fair value estimation

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

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

The following table presents the Group's financial assets that are measured at fair value at 31 December 2013:

	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Assets				
Derivative financial instruments	**–**	**293,755**	**–**	**293,755**
Available-for-sale investments	**483,647**	**–**	**1,380,575**	**1,864,222**
Listed securities at fair value through profit or loss	**168,695**	**–**	**–**	**168,695**
Total assets	**652,342**	**293,755**	**1,380,575**	**2,326,672**

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

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

There were no transfers between Levels during the year.

3 FINANCIAL RISK MANAGEMENT (Continued)

(c) Fair value estimation (Continued)

(i) Financial instruments in Level 1

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

(ii) Financial instruments in Level 2

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

Level 2 financial instruments of the Group 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 exchange rates that are quoted in an active market and/or forward interest rates extracted from observable yield curves.

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

(iii) Financial instruments in Level 3

The following table presents the changes in Level 3 instruments:

	Available-for-sale investments	
	2013 HK$'000	2012 HK$'000
Opening balance as at 1 January	**1,454,668**	1,309,535
(Losses)/gains recognised in comprehensive income	**(12,634)**	137,532
Acquisition of a subsidiary	**–**	7,479
Additions	**1,310**	204
Disposals	**(3,106)**	–
Disposal of subsidiaries (note 38(e))	**(59,419)**	–
Impairment	**–**	(82)
Exchange adjustments	**(244)**	–
Closing balance as at 31 December	**1,380,575**	1,454,668

3 FINANCIAL RISK MANAGEMENT (Continued)

(c) Fair value estimation (Continued)

(iii) Financial instruments in Level 3 *(Continued)*

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 year.

(iv) 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.

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

The fair value of the listed fixed rate bonds as at 31 December 2013 was HK$10,940,941,000 (2012: HK$11,302,141,000).

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

– Trade and other receivables

– Other current financial assets

– Cash and cash equivalents

– Trade and other payables

– Bank loans

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(a) Critical accounting estimates and assumptions

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

(i) Estimate of fair value of investment properties

The valuation of investment properties is performed in accordance with the 'The HKIS Valuation Standards on Properties (First Edition 2005)' published by the Hong Kong Institute of Surveyors and the 'International Valuation Standards' published by the International Valuation Standards Committee.

Details of the judgement and assumptions have been disclosed in note 16(c).

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

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

(iii) Income taxes

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

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

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(a) Critical accounting estimates and assumptions (Continued)

(iv) Useful lives of property, plant and equipment

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

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

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

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

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

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

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

(ii) Revenue recognition

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

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

(iii) Financial implication of regulations of idle land

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

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

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

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

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

(v) Impairment of property, plant and equipment

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

(vi) Impairment of trade receivables

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

5 PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATIONS

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

	2013 **HK$'000**	2012 (Restated) HK$'000
Turnover		
Sale of properties	**11,264,821**	13,104,339
Rental and others	**2,147,131**	1,834,358
Hotel revenue	**557,651**	279,574
Continuing operations	**13,969,603**	15,218,271
Discontinued operations:		
Logistics services income	**19,188,358**	19,294,775
	33,157,961	34,513,046

5 PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATIONS (Continued)

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

	Turnover		Gross profit	
	2013	2012 (Restated)	**2013**	2012 (Restated)
	HK$'000	HK$'000	**HK$'000**	HK$'000
Principal activities:				
Property rental and others				
– PRC property	**1,211,272**	989,396	**840,957**	686,915
– Hong Kong property	**935,859**	844,962	**745,026**	672,978
	2,147,131	1,834,358	**1,585,983**	1,359,893
Property sales (Note)				
– PRC property	**4,070,713**	1,541,288	**1,647,071**	406,505
– Hong Kong property	**7,194,108**	11,563,051	**2,836,361**	4,317,255
	11,264,821	13,104,339	**4,483,432**	4,723,760
Hotel operations				
– PRC property	**557,651**	279,574	**(12,071)**	19,661
Continuing operations	**13,969,603**	15,218,271	**6,057,344**	6,103,314
Discontinued operations				
– Logistics operations	**19,188,358**	19,294,775	**2,897,248**	2,686,315
	33,157,961	34,513,046	**8,954,592**	8,789,629
Principal markets:				
Continuing operations				
– PRC	**5,839,636**	2,810,258	**2,475,957**	1,113,081
– Hong Kong	**8,129,967**	12,408,013	**3,581,387**	4,990,233
	13,969,603	15,218,271	**6,057,344**	6,103,314
Principal markets:				
Discontinued operations				
– PRC	**8,554,670**	8,682,819	**814,582**	745,620
– Hong Kong	**2,624,808**	2,459,896	**688,085**	673,016
– Others	**8,008,880**	8,152,060	**1,394,581**	1,267,679
	19,188,358	19,294,775	**2,897,248**	2,686,315

Note: *Sales of investment properties for the year ended 31 December 2013 amounting to HK$92,034,000 (2012: HK$146,179,000), comprising sales from PRC investment properties of HK$92,034,000 (2012: HK$127,179,000) and sales from Hong Kong investment properties of HK$nil (2012: HK$19,000,000), are excluded from turnover.*

5 PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATIONS (Continued)

(c) Information about operating segment:

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

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

Property segment derives revenue primarily from sales of properties, rental revenue and hotel revenue. Logistics segment derives revenue from provision of logistics services, including freight forwarding services, general storage and other ancillary services which are contributed by Kerry Logistics. Kerry Logistics ceased to be the subsidiary of the Company and became an associate upon its separate listing on The Main Board of Hong Kong Stock Exchange (note 10) on 19 December 2013. Its results from 1 January 2013 to 18 December 2013 were classified as discontinued operations accordingly.

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

The Board of Directors assesses the performance of the operating segments based on a measure of gross profit.

5 PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATIONS (Continued)

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

	2013						
	PRC Property HK$'000	Hong Kong Property HK$'000	Total Operating Segments HK$'000	Others HK$'000	Consolidated for Continuing Operations HK$'000	Discontinued Operations: Logistics HK$'000	Total HK$'000
Revenue							
Turnover	5,839,636	8,129,967	13,969,603	–	13,969,603	19,188,358	33,157,961
Results							
Segment results – gross profit	2,475,957	3,581,387	6,057,344	–	6,057,344	2,897,248	8,954,592
Other income and net gains					496,336	57,659	553,995
Administrative and other operating expenses					(1,334,115)	(1,547,944)	(2,882,059)
Increase in fair value of investment properties					7,027,901	600,211	7,628,112
Operating profit before finance costs					12,247,466	2,007,174	14,254,640
Finance costs					(502,929)	(88,829)	(591,758)
Operating profit					11,744,537	1,918,345	13,662,882
Share of results of associates					664,957	126,737	791,694
Profit before taxation					12,409,494	2,045,082	14,454,576
Taxation					(2,957,346)	(293,535)	(3,250,881)
					9,452,148	1,751,547	11,203,695
Fair value gain on dividend by way of a distribution in specie					–	1,883,436	1,883,436
Fair value gain on retained interest in Kerry Logistics held by the Group					–	1,866,606	1,866,606
Release of exchange fluctuation reserve					–	574,670	574,670
					–	4,324,712	4,324,712
Profit for the year					9,452,148	6,076,259	15,528,407
Profit attributable to:							
Company's shareholders					7,376,865	5,777,524	13,154,389
Non-controlling interests					2,075,283	298,735	2,374,018
					9,452,148	6,076,259	15,528,407
Depreciation and amortisation	153,063	14,627	167,690	3,683	171,373	411,718	583,091

5 PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATIONS (Continued)

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

	2012 (Restated)						
	PRC Property HK$'000	Hong Kong Property HK$'000	Total Operating Segments HK$'000	Others HK$'000	Consolidated for Continuing Operations HK$'000	Discontinued Operations: Logistics HK$'000	Total HK$'000
Revenue							
Turnover	2,810,258	12,408,013	15,218,271	–	15,218,271	19,294,775	34,513,046
Results							
Segment results – gross profit	1,113,081	4,990,233	6,103,314	–	6,103,314	2,686,315	8,789,629
Other income and net gains					365,553	26,132	391,685
Administrative and other operating expenses					(838,314)	(1,394,098)	(2,232,412)
Increase in fair value of investment properties					2,677,877	265,155	2,943,032
Operating profit before finance costs					8,308,430	1,583,504	9,891,934
Finance costs					(496,448)	(63,124)	(559,572)
Operating profit					7,811,982	1,520,380	9,332,362
Share of results of associates					437,022	136,421	573,443
Profit before taxation					8,249,004	1,656,801	9,905,805
Taxation					(1,490,574)	(304,929)	(1,795,503)
Profit for the year					6,758,430	1,351,872	8,110,302
Profit attributable to:							
Company's shareholders					5,891,555	1,069,376	6,960,931
Non-controlling interests					866,875	282,496	1,149,371
					6,758,430	1,351,872	8,110,302
Depreciation and amortisation	44,720	13,343	58,063	3,907	61,970	367,351	429,321

5 PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATIONS (Continued)

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

	2013						
	PRC Property HK$'000	Hong Kong Property HK$'000	Overseas Property HK$'000	Total Operating Segments HK$'000	Others HK$'000	Eliminations HK$'000	Consolidated HK$'000
Segment assets	73,532,502	49,053,350	194,854	122,780,706	47,706,964	(49,519,554)	120,968,116
Associates	6,140,857	1,705,221	1,078,071	8,924,149	9,369,666	–	18,293,815
Derivative financial instruments	–	–	–	–	293,755	–	293,755
Available-for-sale investments	470	900,941	962,811	1,864,222	–	–	1,864,222
Long-term receivables	–	366,501	–	366,501	–	–	366,501
Tax recoverable	242,959	74,911	–	317,870	1,195	–	319,065
Tax reserve certificates	–	1,082	–	1,082	114,101	–	115,183
Listed securities at fair value through profit or loss	–	168,550	145	168,695	–	–	168,695
Total assets	79,916,788	52,270,556	2,235,881	134,423,225	57,485,681	(49,519,554)	142,389,352
Segment liabilities	30,563,505	22,326,144	6,642	52,896,291	4,387,815	(49,519,554)	7,764,552
Bank loans	5,320,027	1,278,000	–	6,598,027	18,202,216	–	24,800,243
Fixed rate bonds	–	–	–	–	10,175,480	–	10,175,480
Taxation and deferred taxation	6,913,098	1,337,203	107,606	8,357,907	143,372	–	8,501,279
Amounts due to non-controlling interests	1,152,280	1,120,731	–	2,273,011	(626)	–	2,272,385
Total liabilities	43,948,910	26,062,078	114,248	70,125,236	32,908,257	(49,519,554)	53,513,939
Segment non-current assets*	64,981,573	39,122,598	1,078,071	105,182,242	9,377,478	–	114,559,720

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

5 PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATIONS (Continued)

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

	2012 (Restated)								
	PRC Property HK$'000	Hong Kong Property HK$'000	Overseas Property HK$'000	Total Operating Segments HK$'000	Others HK$'000	Consolidated for Continuing Operations (before eliminations) HK$'000	Discontinued Operations: Logistics HK$'000	Eliminations HK$'000	Total HK$'000
Segment assets	61,925,557	34,900,258	140,351	96,966,166	46,179,978	143,146,144	21,459,620	(42,833,003)	121,772,761
Associates	5,727,943	1,648,977	1,234,767	8,611,687	2,875,834	11,487,521	935,243	–	12,422,764
Derivative financial instruments	–	–	–	–	186,172	186,172	–	–	186,172
Available-for-sale investments	470	900,322	1,002,016	1,902,808	–	1,902,808	61,459	–	1,964,267
Long-term receivables	–	237,346	–	237,346	–	237,346	–	–	237,346
Tax recoverable	233,516	4,244	14,856	252,616	14	252,630	9,279	–	261,909
Tax reserve certificates	–	1,082	–	1,082	101,366	102,448	–	–	102,448
Listed securities at fair value through profit or loss	–	182,310	148	182,458	–	182,458	–	–	182,458
Total assets	67,887,486	37,874,539	2,392,138	108,154,163	49,343,364	157,497,527	22,465,601	(42,833,003)	137,130,125
Segment liabilities	27,515,061	10,399,513	5,692	37,920,266	8,009,053	45,929,319	8,602,358	(42,833,003)	11,698,674
Bank loans	6,167,838	833,000	–	7,000,838	12,787,235	19,788,073	1,965,085	–	21,753,158
Fixed rate bonds	–	–	–	–	10,153,100	10,153,100	–	–	10,153,100
Taxation and deferred taxation	4,641,946	1,248,065	112,671	6,002,682	145,359	6,148,041	606,918	–	6,754,959
Amounts due to non-controlling interests	1,152,000	1,174,728	–	2,326,728	(625)	2,326,103	222,361	–	2,548,464
Total liabilities	39,476,845	13,655,306	118,363	53,250,514	31,094,122	84,344,636	11,396,722	(42,833,003)	52,908,355
Segment non-current assets*	53,046,548	27,337,221	1,234,767	81,618,536	2,885,902	84,504,438	15,014,085	–	99,518,523

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

5 PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATIONS (Continued)

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

	Segment non-current assets*			
	Continuing operations		Discontinued operations	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
PRC	**64,981,573**	53,046,548	**–**	3,463,928
Hong Kong	**37,425,845**	25,641,226	**–**	5,841,734
Others	**2,774,824**	2,930,762	**–**	5,708,423
	105,182,242	81,618,536	**–**	15,014,085

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

6 OTHER INCOME AND NET GAINS

	Group			
	Continuing operations		Discontinued operations	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Dividend income				
– listed investments	**38,143**	40,012	**–**	–
– unlisted investments	**46,262**	40,345	**3,442**	21
	84,405	80,357	**3,442**	21
Interest income	**294,764**	264,213	**31,493**	28,330
(Loss)/gain on disposal of property, plant and equipment	**(7,592)**	(78,524)	**7,703**	7,065
Gain on sale of investment properties net of selling expenses	**25,171**	36,987	**–**	–
Gain on remeasurement of previously held equity interest in acquiree companies	**18,655**	–	**–**	–
Fair value (loss)/gain on listed securities at fair value through profit or loss	**(13,753)**	38,837	**–**	–
Impairment loss on available-for-sale investments	**–**	–	**–**	(82)
Impairment of goodwill (note 24)	**–**	–	**(10,520)**	(7,000)
Exchange (loss)/gain, net	**(32,890)**	(15,867)	**522**	(8,975)
Others	**127,576**	39,550	**25,019**	6,773
	496,336	365,553	**57,659**	26,132

7 OPERATING PROFIT BEFORE FINANCE COSTS

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

	Group			
	Continuing operations		Discontinued operations	
	2013	2012 (Restated)	**2013**	2012 (Restated)
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cost of sales of properties	**6,083,581**	7,724,918	**–**	–
Direct operating expenses in respect of investment properties	**493,393**	407,897	**–**	–
Direct operating expenses for logistics operations	**–**	–	**16,291,110**	16,608,460
Depreciation of property, plant and equipment and amortisation of leasehold land and land use rights	**171,373**	61,970	**373,097**	329,308
Amortisation of intangible assets	**–**	–	**38,621**	38,043
Hotel direct operating expenses	**569,722**	259,913	**–**	–
Operating lease charges – land and buildings	**45,277**	33,592	**441,267**	349,824
Provision for impairment of receivables	**735**	–	**10,774**	22,097
Auditors' remuneration	**10,115**	7,536	**16,430**	14,870

8 FINANCE COSTS

	Group			
	Continuing operations		Discontinued operations	
	2013 **HK$'000**	2012 HK$'000	**2013** **HK$'000**	2012 HK$'000
Interest expense				
– bank borrowings: bank loans and overdrafts	**670,666**	520,049	**73,965**	43,909
– convertible bonds	**–**	20,120	**–**	–
– fixed rate bonds (note 30)	**594,379**	562,464	**–**	–
– derivative financial instruments	**(20,931)**	(36,287)	**–**	–
– others (Note)	**25,448**	35,535	**14,864**	19,215
Total finance costs incurred	**1,269,562**	1,101,881	**88,829**	63,124
Less: amount capitalised in properties under development and investment properties under construction	**(766,546)**	(614,457)	**–**	–
	503,016	487,424	**88,829**	63,124
Fair value (gain)/loss on derivative financial instruments				
– cash flow hedge, transfer to/(from) equity (note 37)	**1,391**	(14,762)	**–**	–
– not applying hedge accounting	**(1,478)**	23,786	**–**	–
Total finance costs expensed during the year	**502,929**	496,448	**88,829**	63,124

The capitalised interest rate applied to funds borrowed and used for the development of properties is between 2.4% and 7.7% per annum (2012: between 1.3% and 7.8% per annum).

Note: The amount included net exchange gains from financing activities of HK$2,524,000 for the year (2012: net exchange losses of HK$4,866,000).

9 TAXATION

Hong Kong and overseas profits tax

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 16.5%) on the estimated assessable profit for the year. Income tax on the overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the overseas countries in which the Group operates.

PRC corporate income tax

PRC corporate income tax has been provided at the rate of 25% (2012: 25%) on the estimated assessable profit for the year.

Withholding tax on distributed/undistributed profits

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

PRC land appreciation tax

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

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

	Group			
	Continuing operations		Discontinued operations	
	2013	2012 (Restated)	**2013**	2012 (Restated)
	HK$'000	HK$'000	**HK$'000**	HK$'000
PRC taxation				
– Current	**(871,704)**	(252,059)	**(91,372)**	(88,284)
– (Under)/over-provision in prior years	**(408)**	68,702	**(927)**	(497)
– Deferred	**(1,528,547)**	(507,863)	**(232)**	(5,021)
	(2,400,659)	(691,220)	**(92,531)**	(93,802)
Hong Kong profits tax				
– Current	**(512,394)**	(733,347)	**(66,842)**	(61,179)
– Over-provision in prior years	**5,890**	426	**3,096**	79
– Deferred	**(34,670)**	(37,217)	**(13,029)**	(25,450)
	(541,174)	(770,138)	**(76,775)**	(86,550)
Overseas taxation				
– Current	**(6,392)**	(12,733)	**(115,904)**	(114,991)
– (Under)/over-provision in prior years	**–**	(8,472)	**1,187**	(1,618)
– Deferred	**(9,121)**	(8,011)	**(9,512)**	(7,968)
	(15,513)	(29,216)	**(124,229)**	(124,577)
	(2,957,346)	(1,490,574)	**(293,535)**	(304,929)

The Group's share of associates' taxation for the year of HK$79,505,000 (2012: HK$118,901,000) is included in the share of results of associates in the consolidated income statement.

9 TAXATION (Continued)

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

	Group	
	2013	2012 (Restated)
	HK$'000	HK$'000
Profit before taxation	**12,409,494**	8,249,004
Less: Share of results of associates	**(664,957)**	(437,022)
	11,744,537	7,811,982
Calculated at Hong Kong profits tax rate of 16.5% (2012: 16.5%)	**1,937,849**	1,288,977
Tax effect of different taxation rates in other countries	**680,970**	224,473
Utilisation of previously unrecognised tax losses	**(4,228)**	(37,496)
Tax effect of net income/expenses that are not taxable/deductible in determining taxable profit	**(113,530)**	(87,622)
Tax loss not recognised	**90,796**	83,803
Over-provision of taxation in prior years	**(5,482)**	(60,656)
	2,586,375	1,411,479
Withholding tax on distributed/undistributed profits	**78,286**	20,172
Withholding tax on capital gains	**–**	6,862
Land appreciation tax	**390,247**	69,415
Tax effect of deduction of land appreciation tax	**(97,562)**	(17,354)
Taxation charge	**2,957,346**	1,490,574

10 DISCONTINUED OPERATIONS

On 19 December 2013, upon the completion of the dividend by way of distribution in specie of Kerry Logistics shares by the Group (note 12) and the spin-off of Kerry Logistics by way of a separate listing of Kerry Logistics' ordinary shares on the Hong Kong Stock Exchange, the Group's interest in Kerry Logistics was reduced from 100% to approximately 43%.

Consequently, Kerry Logistics ceased to be a subsidiary and became an associate of the Company. The Group has adopted equity accounting in respect of its interest on Kerry Logistics thereafter. Kerry Logistics' profit for the period from 1 January 2013 to 18 December 2013 (immediately before spin-off) was presented as discontinued operations in the consolidated financial statements and last year comparatives were restated accordingly.

10 DISCONTINUED OPERATIONS (Continued)

(a) Analysis of the result of discontinued operations is as follows:

	2013 HK$'000	2012 HK$'000
Revenue	**19,188,358**	19,294,775
Other income and net gains	**57,659**	26,132
Expenses	**(17,927,883)**	(18,065,682)
Increase in fair value of investment properties	**600,211**	265,155
Share of results of associates	**126,737**	136,421
Profit before taxation	**2,045,082**	1,656,801
Taxation	**(293,535)**	(304,929)
	1,751,547	1,351,872
Fair value gain on dividend by way of a distribution in specie	**1,883,436**	–
Fair value gain on retained interest in Kerry Logistics held by the Group	**1,866,606**	–
Release of exchange fluctuation reserve	**574,670**	–
	4,324,712	–
Profit for the year from discontinued operations	**6,076,259**	1,351,872
Profit for the year from discontinued operations attributable to:		
Company's shareholders	**5,777,524**	1,069,376
Non-controlling interests	**298,735**	282,496
	6,076,259	1,351,872

(b) Cash flows from discontinued operations

	2013 HK$'000	2012 HK$'000
Operating cash flows	**891,487**	870,745
Investing cash flows	**(1,352,188)**	(1,665,029)
Financing cash flows	**915,697**	601,232
Net cash inflow/(outflow) from discontinued operations	**454,996**	(193,052)

The net assets disposed upon disposal of Kerry Logistics are disclosed in note 38(e).

11 PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders dealt with in the financial statements of the Company is HK$6,673,147,000 (2012: HK$1,531,409,000).

12 DIVIDENDS

	Company	
	2013 **HK$'000**	2012 HK$'000
Interim, paid, of HK$0.35 (2012: HK$0.40) per ordinary share (note (a))	**504,385**	575,545
Final, proposed, of HK$0.55 (2012: HK$0.55) per ordinary share (note (b))	**794,361**	791,522
Additional prior year final dividend arising from the increase in number of ordinary shares in issue on the related record date (note (b))	**408**	72
Special interim dividend by way of a distribution in specie (note (c))	**7,365,793**	–
	8,664,947	1,367,139

(a) Amounts shown in respect of the interim dividend for the year ended 31 December 2013 reflect the cash dividend of HK$0.35 (2012: HK$0.40) per ordinary share.

(b) At a meeting held on 17 March 2014, the directors proposed a final dividend of HK$0.55 per ordinary share. This proposed dividend is not reflected as a dividend payable in these financial statements. The proposed final dividend for the year ended 31 December 2013, as referred to above, is calculated on the basis of 1,444,293,228 ordinary shares in issue as at 31 December 2013, and at a final dividend of HK$0.55 per ordinary share. The actual amount of final dividend payable in respect of the year ended 31 December 2013 will be subject to the actual number of ordinary shares in issue on the record date, which is expected to be on or about 12 May 2014.

(c) On 19 August 2013, the Company submitted a spin-off proposal to Hong Kong Stock Exchange pursuant to Practice Note 15 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") in relation to the proposed spin-off of Kerry Logistics by way of separate listing of the ordinary shares of HK$0.5 each of Kerry Logistics ("Kerry Logistics Shares") on the Main Board of Hong Kong Stock Exchange.

On 24 September 2013, Kerry Logistics submitted a listing application form (Form A1) to Hong Kong Stock Exchange in order to apply for the listing of, and permission to deal in, the Kerry Logistics Shares on the Main Board of Hong Kong Stock Exchange. The listing of the Kerry Logistics Shares would be achieved by a distribution in specie by the Company of approximately 50% of the Kerry Logistics Shares and the Global Offering ("the Hong Kong Public Offering and the International Placing") of Kerry Logistics Shares.

On 25 November 2013, the Board declared conditional special dividend (the "Conditional Dividend") of 1 Kerry Logistics Share for every 2 shares held in the Company to shareholders on the register of members as at the close of business on 2 December 2013. The Conditional Dividend became unconditional upon the listing of the Kerry Logistics Shares under stock code 636 on the Main Board of Hong Kong Stock Exchange on 19 December 2013 and was satisfied by way of a distribution in specie of an aggregate of 722,136,614 Kerry Logistics Shares, representing approximately 50.1% of the total of 1,440,477,612 Kerry Logistics Shares in issue on 2 December 2013.

The net assets attributable to the dividend by a distribution in specie of an aggregate of 722,136,614 Kerry Logistics Shares were approximately HK$5,483 million and the fair value approximated HK$7,366 million based on the offering price of the Kerry Logistics Shares.

13 EARNINGS PER SHARE

Basic

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

	2013	2012
Weighted average number of ordinary shares in issue	**1,440,996,733**	1,438,703,882

	2013 HK$'000	2012 (Restated) HK$'000
Profit attributable to shareholders		
From continuing operations	**7,376,865**	5,891,555
From discontinued operations	**5,777,524**	1,069,376
	13,154,389	6,960,931
Basic earnings per share		
From continuing operations	**HK$5.12**	HK$4.10
From discontinued operations	**HK$4.01**	HK$0.74
	HK$9.13	HK$4.84

13 EARNINGS PER SHARE (Continued)

Diluted

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

	2013	2012
Weighted average number of ordinary shares in issue	**1,440,996,733**	1,438,703,882
Adjustment for convertible bonds	–	6,341,496
Adjustment for share options	**1,627,281**	3,123,426
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**1,442,624,014**	1,448,168,804

	2013 **HK$'000**	2012 (Restated) HK$'000
Profit attributable to shareholders from continuing operations	**7,376,865**	5,891,555
Adjustment for finance cost on convertible bonds	–	16,800
Profit used to determine diluted earnings per share from continuing operations	**7,376,865**	5,908,355
Profit attributable to shareholders from discontinued operations	**5,777,524**	1,069,376
	13,154,389	6,977,731

Diluted earnings per share		
From continuing operations	**HK$5.11**	HK$4.08
From discontinued operations	**HK$4.01**	HK$0.74
	HK$9.12	HK$4.82

14 EMPLOYEE BENEFIT EXPENSE

	Group			
	Continuing operations		Discontinued operations	
	2013	2012 (Restated)	**2013**	2012 (Restated)
	HK$'000	HK$'000	**HK$'000**	HK$'000
Staff costs, including directors' emoluments	**909,150**	728,615	**2,538,180**	2,327,283
Share options granted to directors and employees	**42,320**	116,668	**22,125**	56,435
Pension costs				
– defined contribution plans (note 33(a))	**43,439**	35,993	**215,737**	196,410
– defined benefit plans (note 33(b))	**–**	–	**11,587**	10,756
	994,909	881,276	**2,787,629**	2,590,884

(a) Directors' and senior management's emoluments

The remuneration of the Directors for the year ended 31 December 2013, excluding share option benefits, is set out below:

Name of Director	Fees HK$'000	Salary HK$'000	Discretionary bonuses HK$'000	Employer's contribution to pension scheme HK$'000	Total HK$'000
Mr WONG Siu Kong*	–	6,720	24,000	120	30,840
Mr HO Shut Kan	–	5,040	18,060	120	23,220
Mr QIAN Shaohua	–	4,880	18,060	120	23,060
Mr CHAN Wai Ming, William	–	3,660	6,000	120	9,780
Mr Bryan Pallop GAW	–	2,940	3,560	120	6,620
Mr LAU Ling Fai, Herald	535	–	–	–	535
Mr KU Moon Lun	495	–	–	–	495
Ms WONG Yu Pok, Marina, JP	490	–	–	–	490
Mr CHANG Tso Tung, Stephen	458	–	–	–	458
Mr KUOK Khoon Chen[1]	–	2,687	8,500	77	11,264
Mr MA Wing Kai, William[1]	–	3,942	10,880	108	14,930

[1] *Resigned during the year 2013*
* *Chairman*

14 EMPLOYEE BENEFIT EXPENSE (Continued)

(a) Directors' and senior management's emoluments (Continued)

The remuneration of the Directors for the year ended 31 December 2012, excluding share option benefits, is set out below:

Name of Director	Fees HK$'000	Salary HK$'000	Discretionary bonuses HK$'000	Employer's contribution to pension scheme HK$'000	Total HK$'000
Mr KUOK Khoon Chen	–	4,200	14,000	120	18,320
Mr WONG Siu Kong*	–	6,360	30,000	120	36,480
Mr HO Shut Kan	–	4,560	19,060	120	23,740
Mr MA Wing Kai, William	–	4,020	9,560	120	13,700
Mr QIAN Shaohua	–	4,320	17,060	120	21,500
Mr CHAN Wai Ming, William	–	3,480	6,000	120	9,600
Mr Bryan Pallop GAW[1]	–	2,363	3,560	103	6,026
Mr LAU Ling Fai, Herald	428	–	–	–	428
Mr KU Moon Lun	390	–	–	–	390
Ms WONG Yu Pok, Marina, JP	390	–	–	–	390
Mr CHANG Tso Tung, Stephen[1]	8	–	–	–	8
Mr TSE Kai Chi[2]	44	–	–	–	44

1 *Appointed during the year 2012*
2 *Resigned during the year 2012*
* *Chief Executive Officer*

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year are Directors. The emoluments payable to the five highest paid individuals during the year are as follows:

	2013 HK$'000	2012 HK$'000
Basic salaries, housing allowances, other allowances and benefits in kind	**23,269**	23,460
Discretionary bonuses	**79,500**	89,680
Pension contributions	**545**	600
	103,314	113,740

The emoluments fell within the following bands:

	Number of individuals	
	2013	2012
HK$11,000,001 – HK$11,500,000	**1**	–
HK$13,500,001 – HK$14,000,000	**–**	1
HK$14,500,001 – HK$15,000,000	**1**	–
HK$18,000,001 – HK$18,500,000	**–**	1
HK$21,000,001 – HK$21,500,000	**–**	1
HK$23,000,001 – HK$23,500,000	**2**	–
HK$23,500,001 – HK$24,000,000	**–**	1
HK$30,500,001 – HK$31,000,000	**1**	–
HK$36,000,001 – HK$36,500,000	**–**	1
	5	5

15 PROPERTY, PLANT AND EQUIPMENT

	Group								
	Hotel property HK$'000	Warehouses and logistics centres HK$'000	Staff quarters HK$'000	Freehold land and buildings HK$'000	Port facilities HK$'000	Leasehold improvements HK$'000	Warehouse operating equipment HK$'000	Motor vehicles, furniture, fixtures and office equipment HK$'000	Total HK$'000
Cost									
At 1 January 2013	1,088,345	1,495,431	45,833	2,812,357	307,516	517,354	1,302,864	786,553	8,356,253
Additions, at cost	237,419	1,872	–	49,437	10,898	68,117	305,278	179,850	852,871
Acquisition of subsidiaries (notes 38(c) and 39)	–	400,000	–	50,001	–	405	981	4,123	455,510
Disposals	(45,428)	(10,299)	(6,978)	(12,084)	–	(27,757)	(83,251)	(56,926)	(242,723)
Disposal of subsidiaries (note 38(e))	–	(1,932,924)	(9,342)	(2,902,795)	(387,023)	(484,840)	(1,513,863)	(691,147)	(7,921,934)
Transfer and reclassification	3,154,897	464,306	–	96,034	82,687	2,351	32,799	(4,080)	3,828,994
Exchange adjustment	73,419	(18,386)	1,115	(92,950)	(14,078)	(11,154)	(44,808)	4,676	(102,166)
At 31 December 2013	4,508,652	400,000	30,628	–	–	64,476	–	223,049	5,226,805
Aggregate depreciation and accumulated impairment losses									
At 1 January 2013	25,602	259,550	13,019	174,218	95,539	184,797	558,821	418,403	1,729,949
Charge for the year	117,589	36,914	1,725	40,857	8,454	72,977	129,517	112,498	520,531
Disposals	(39,799)	(1,534)	(4,310)	(79)	–	(19,622)	(62,936)	(42,966)	(171,246)
Disposal of subsidiaries (note 38(e))	–	(286,209)	(4,602)	(206,831)	(99,247)	(193,254)	(599,066)	(374,985)	(1,764,194)
Transfer and reclassification	12	(25)	–	(678)	–	302	2,589	1,423	3,623
Exchange adjustment	1,764	(8,696)	314	(7,487)	(4,746)	(7,081)	(28,925)	2,672	(52,185)
At 31 December 2013	105,168	–	6,146	–	–	38,119	–	117,045	266,478
Net book value as at 31 December 2013	**4,403,484**	**400,000**	**24,482**	**–**	**–**	**26,357**	**–**	**106,004**	**4,960,327**
Net book value as at 1 January 2013	1,062,743	1,235,881	32,814	2,638,139	211,977	332,557	744,043	368,150	6,626,304

15 PROPERTY, PLANT AND EQUIPMENT (Continued)

	Group								
	Hotel property HK$'000	Warehouses and logistics centres HK$'000	Staff quarters HK$'000	Freehold land and buildings HK$'000	Port facilities HK$'000	Leasehold improvements HK$'000	Warehouse operating equipment HK$'000	Motor vehicles, furniture, fixtures and office equipment HK$'000	Total HK$'000
Cost									
At 1 January 2012	1,105,597	1,309,454	48,562	2,569,248	298,778	425,352	1,013,585	686,907	7,457,483
Additions, at cost	202,592	44,116	–	63,308	–	94,311	289,085	185,334	878,746
Acquisition of subsidiaries	–	1,801	–	–	–	1,776	42,563	9,174	55,314
Disposals	(229,334)	–	(3,273)	(12,355)	–	(21,519)	(86,205)	(101,408)	(454,094)
Transfer and reclassification	–	135,171	–	103,987	–	251	–	2,697	242,106
Exchange adjustment	9,490	4,889	544	88,169	8,738	17,183	43,836	3,849	176,698
At 31 December 2012	1,088,345	1,495,431	45,833	2,812,357	307,516	517,354	1,302,864	786,553	8,356,253
Aggregate depreciation and accumulated impairment losses									
At 1 January 2012	140,686	225,219	12,707	127,998	85,155	149,826	458,717	383,583	1,583,891
Charge for the year	33,110	34,477	2,213	40,953	7,793	42,387	122,554	99,197	382,684
Disposals	(149,391)	–	(2,085)	(30)	–	(18,417)	(55,744)	(71,300)	(296,967)
Transfer and reclassification	–	(903)	–	–	–	–	–	2,089	1,186
Exchange adjustment	1,197	757	184	5,297	2,591	11,001	33,294	4,834	59,155
At 31 December 2012	25,602	259,550	13,019	174,218	95,539	184,797	558,821	418,403	1,729,949
Net book value as at 31 December 2012	1,062,743	1,235,881	32,814	2,638,139	211,977	332,557	744,043	368,150	6,626,304
Net book value as at 1 January 2012	964,911	1,084,235	35,855	2,441,250	213,623	275,526	554,868	303,324	5,873,592

15 PROPERTY, PLANT AND EQUIPMENT (Continued)

	Company		
	Leasehold improvements HK$'000	**Motor vehicles, furniture, fixtures and office equipment HK$'000**	**Total HK$'000**
Cost			
At 1 January 2013	**8,330**	**13,430**	**21,760**
Additions, at cost	**–**	**500**	**500**
At 31 December 2013	**8,330**	**13,930**	**22,260**
Aggregate depreciation			
At 1 January 2013	**3,610**	**9,260**	**12,870**
Charge for the year	**1,666**	**1,558**	**3,224**
At 31 December 2013	**5,276**	**10,818**	**16,094**
Net book value			
As at 31 December 2013	**3,054**	**3,112**	**6,166**

	Company		
	Leasehold improvements HK$'000	Motor vehicles, furniture, fixtures and office equipment HK$'000	Total HK$'000
Cost			
At 1 January 2012	8,330	13,053	21,383
Additions, at cost	–	377	377
At 31 December 2012	8,330	13,430	21,760
Aggregate depreciation			
At 1 January 2012	1,944	7,238	9,182
Charge for the year	1,666	2,022	3,688
At 31 December 2012	3,610	9,260	12,870
Net book value			
As at 31 December 2012	4,720	4,170	8,890

(a) As at 31 December 2013, property, plant and equipment with an aggregate net book value of HK$3,080,290,000 (2012: HK$1,912,475,000) were pledged as security for bank loan facilities granted to the Group (note 43).

15 PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) The Group's warehouses and logistic centres at their net book values are analysed as follows:

	2013 HK$'000	2012 HK$'000
In Hong Kong, held on:		
Leases of between 10 to 50 years	**400,000**	471,061
Outside Hong Kong, held on:		
Leases of over 50 years	**–**	78,727
Leases of between 10 to 50 years	**–**	684,084
Leases of less than 10 years	**–**	2,009
	400,000	1,235,881

16 INVESTMENT PROPERTIES

	Group	
	2013 HK$'000	2012 HK$'000
At 1 January	**47,484,425**	42,329,689
Additions	**1,363,920**	1,530,053
Acquisition of subsidiaries	**–**	59,048
Increase in fair value	**7,628,112**	2,943,032
Disposals	**(59,878)**	(101,266)
Transfer	**2,789,533**	517,085
Disposal of subsidiaries (note 38(e))	**(6,376,849)**	–
Exchange adjustment	**841,471**	206,784
At 31 December	**53,670,734**	47,484,425

(a) As at 31 December 2013, investment properties amounting to HK$16,723,033,000 (2012: HK$7,716,118,000) were pledged as securities for bank loan facilities granted to the Group (note 43).

(b) The Group's investment properties at their net book values are analysed as follows:

	2013 HK$'000	2012 HK$'000
In Hong Kong, held on:		
Leases of over 50 years	**10,218,300**	10,450,500
Leases of between 10 to 50 years	**8,185,930**	11,911,130
Outside Hong Kong, held on:		
Leases of over 50 years	**1,985,141**	1,853,446
Leases of between 10 to 50 years	**33,281,363**	23,269,349
	53,670,734	47,484,425

16 INVESTMENT PROPERTIES (Continued)

(c) Valuation of investment properties

	Completed residential properties	Completed commercial properties			Commercial properties under development	Total
	Hong Kong	Hong Kong	PRC	Overseas	PRC	
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Opening balance as at 1 January 2013	9,885,500	12,476,130	17,176,059	402,571	7,544,165	47,484,425
Additions and transfers	2,129	5,770	12,774,535	–	(8,628,981)	4,153,453
Disposals	–	–	(59,878)	–	–	(59,878)
Net gains from fair value adjustment	148,671	1,216,230	1,057,540	57,450	5,148,221	7,628,112
Disposal of subsidiaries	–	(5,330,200)	(590,777)	(455,872)	–	(6,376,849)
Exchange adjustments	–	–	670,521	(4,149)	175,099	841,471
Closing balance as at 31 December 2013	**10,036,300**	**8,367,930**	**31,028,000**	**–**	**4,238,504**	**53,670,734**

Valuation processes of the Group
The Group measures its investment properties at fair value. The investment properties were revalued by DTZ Debenham Tie Leung Limited and Savills Valuation and Professional Services Limited, independent qualified valuers not related to the Group, who hold a recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued, at 31 December 2013. For all investment properties, their current use equates to the highest and best use.

The Group's finance department includes a team that reviews the valuation performed by the independent valuers for financial reporting purposes. This team reports directly to the senior management and the Audit and Corporate Governance Committee. Discussions of valuation processes and results are held between the management and valuers at least once every six months, in line with the Group's interim and annual reporting dates.

At each financial year end, the finance department:

– verifies all major inputs to the independent valuation report;

– assesses property valuation movements when compared to the prior year valuation report; and

– holds discussions with the independent valuer.

Valuation techniques
Fair value of completed residential and commercial properties in Hong Kong and PRC is generally derived using the income capitalisation method and wherever appropriate, by direct comparison method. Income capitalisation method is based on the capitalisation of the net income and reversionary income potential by adopting appropriate capitalisation rates, which are derived from analysis of sale transactions and valuers' interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to recent lettings, within the subject properties and other comparable properties. Direct comparison method is based on comparing the property to be valued directly with other comparable properties, which have recently transacted. However, given the heterogeneous nature of real estate properties, appropriate adjustments are usually required to allow for any qualitative differences that may affect the price likely to be achieved by the property under consideration.

Fair value of commercial properties under development in PRC is generally derived using the residual method. This valuation method is essentially a means of valuing the completed properties by reference to its development potential by deducting development costs together with developer's profit and risk from the estimated capital value of the proposed development assuming completed as at the date of valuation.

16 INVESTMENT PROPERTIES (Continued)

(c) Valuation of investment properties (Continued)

Significant unobservable inputs used to determine fair value

Capitalisation rates are estimated by valuers based on the risk profile of the investment properties being valued. The higher the rates, the lower the fair value. At 31 December 2013, capitalisation rates of 3.5% to 5.5% and 7% to 9% are used in the income capitalisation method for Hong Kong and PRC properties respectively.

Prevailing market rents are estimated based on recent lettings for Hong Kong and PRC investment properties, within the subject properties and other comparable properties. The lower the rents, the lower the fair value.

Estimated costs to completion, developer's profit and risk margins required are estimated by valuers based on market conditions at 31 December 2013 for PRC investment properties under development. 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 costs and the margins, the lower the fair value.

17 LEASEHOLD LAND AND LAND USE RIGHTS

	2013 HK$'000	2012 HK$'000
At 1 January	**531,796**	537,461
Amortisation	**(26,044)**	(11,017)
Transfer	**1,217,652**	3,716
Disposal of subsidiaries (note 38(e))	**(475,231)**	–
Exchange adjustment	**13,464**	1,636
At 31 December	**1,261,637**	531,796

The Group's leasehold land and land use rights represent prepaid operating lease payments and their net book values are analysed as follows:

	2013 HK$'000	2012 HK$'000
Outside Hong Kong, held on:		
Leases of over 50 years	**–**	81,528
Leases of between 10 to 50 years	**1,261,637**	450,268
	1,261,637	531,796

As at 31 December 2013, leasehold land and land use rights amounting to HK$nil (2012: HK$110,526,000) were pledged as securities for bank loan facilities granted to the Group (note 43).

18 PROPERTIES UNDER DEVELOPMENT

	2013 HK$'000	2012 HK$'000
At 1 January	**29,444,328**	30,457,204
Additions	**17,414,832**	9,536,860
Acquisition of subsidiaries (notes 38(c) and 39)	**510,658**	–
Disposal of subsidiaries (note 38(e))	**(458,401)**	–
Transfer	**(5,888,652)**	(10,737,278)
Exchange adjustment	**539,894**	187,542
At 31 December	**41,562,659**	29,444,328

	2013 HK$'000	2012 HK$'000
The above are represented by:		
Amount included in non-current assets		
Hong Kong	**16,876,415**	6,380,053
Outside Hong Kong (note (a))	**18,147,728**	17,590,094
	35,024,143	23,970,147
Amount included in current assets		
Hong Kong	**2,582,989**	2,383,395
Outside Hong Kong	**3,955,527**	3,090,786
	6,538,516	5,474,181
	41,562,659	29,444,328

(a) As at 31 December 2013, the balance included land use rights amounting to HK$1,469,391,000 (2012: HK$4,474,118,000) that the respective development plans were subject to approval from relevant government authorities. Upon approval of the plans, certain portion of these land use rights would be transferred to investment properties (note 2(f)).

18 PROPERTIES UNDER DEVELOPMENT (Continued)

The Group's properties under development at their net book values are analysed as follows:

	2013 HK$'000	2012 HK$'000
In Hong Kong, held on:		
Leases of over 50 years	**2,355,356**	4,159,533
Leases of between 10 to 50 years	**17,104,048**	4,603,915
Outside Hong Kong, held on:		
Leases of over 50 years	**8,406,696**	6,511,608
Leases of between 10 to 50 years	**13,696,559**	14,158,000
Leases of less than 10 years	**–**	10,698
Freehold land and buildings	**–**	574
	41,562,659	29,444,328
Leasehold land classified as operating lease included as above	**14,992,299**	12,784,959

As at 31 December 2013, properties under development amounting to HK$2,468,190,000 (2012: HK$7,338,441,000) were pledged as securities for bank loan facilities granted to the Group (note 43).

19 SUBSIDIARIES

	Company	
	2013 HK$'000	2012 HK$'000
Unlisted shares, at cost (note (a))	**16,029,185**	18,643,700
Amounts due from subsidiaries (note (b))	**11,424,893**	16,070,456
	27,454,078	34,714,156
Amount due to a subsidiary (note (c))	**1,475,713**	5,659,613

(a) Details of principal subsidiaries of the Group are set out in note 46.

(b) The amounts due from subsidiaries are unsecured, have no fixed terms of repayment, are interest-free and equity in nature.

(c) The amount due to a subsidiary is unsecured, has no fixed terms of repayment and bears interest at prevailing market rates.

19 SUBSIDIARIES (Continued)

(d) Set out below are the summarised financial information for a subsidiary, Shanghai Ji Xiang Properties Co., Ltd., that has non-controlling interests of 49% that are material to the Group. The principal place of business of Shanghai Ji Xiang Properties Co., Ltd. is Shanghai, the PRC.

Summarised statement of financial position as at 31 December 2013

	2013 **HK$'000**	2012 HK$'000
Current		
Assets	**284,569**	398,916
Liabilities	**(1,895,262)**	(862,937)
Total current net liabilities	**(1,610,693)**	(464,021)
Non-current		
Assets	**15,985,864**	10,303,566
Liabilities	**(6,420,172)**	(4,911,805)
Total non-current net assets	**9,565,692**	5,391,761
Net assets	**7,954,999**	4,927,740

Summarised statement of comprehensive income for the year ended 31 December 2013

	2013 **HK$'000**	2012 HK$'000
Revenue	**288,257**	–
Profit before income tax	**3,672,920**	930,993
Income tax expenses	**(855,541)**	(243,530)
Profit for the year	**2,817,379**	687,463
Other comprehensive income	**209,614**	41,689
Total comprehensive income	**3,026,993**	729,152
Total comprehensive income allocated to non-controlling interests	**1,483,227**	357,284

19 SUBSIDIARIES (Continued)

(d) (Continued)

Summarised cash flows for the year ended 31 December 2013

	2013 **HK$'000**	2012 HK$'000
Cash flows from operating activities		
Cash generated from operations	**493,309**	173,996
Interest paid	**(316,927)**	(228,206)
Net cash generated from/(used in) operating activities	**176,382**	(54,210)
Net cash used in investing activities	**(1,090,620)**	(1,521,425)
Net cash generated from financing activities	**695,451**	1,458,751
Net decrease in cash and cash equivalents	**(218,787)**	(116,884)
Cash and cash equivalents at 1 January	**368,691**	481,939
Effect of exchange rate changes	**7,672**	3,636
Cash and cash equivalents at 31 December	**157,576**	368,691

The information above is the amount before inter-company eliminations.

20 ASSOCIATES

	Group		Company	
	2013 **HK$'000**	2012 HK$'000	**2013** **HK$'000**	2012 HK$'000
Unlisted investments	**7,402,268**	7,775,374	**–**	–
Listed equity securities, in Hong Kong	**7,341,346**	–	**1,992,783**	–
Listed equity securities, outside Hong Kong	**1,077,711**	1,186,044	**–**	–
Share of net assets, including goodwill (note (a))	**15,821,325**	8,961,418	**1,992,783**	–
Amounts due from associates (note (b))	**2,529,310**	3,520,470	**–**	–
Amounts due to associates (note (c))	**(56,820)**	(59,124)	**–**	–
	18,293,815	12,422,764	**1,992,783**	–
Market value of listed securities	**8,859,683**	947,876	**7,916,118**	–

(a) Details of principal associates are set out in note 46.

(b) The amounts due from associates are unsecured, interest-free except for amounts totalling HK$2,038,681,000 (2012: HK$2,806,242,000) which bear interest at prevailing market rates and are not repayable in the foreseeable future.

(c) The amounts due to associates are unsecured, interest-free and not repayable within twelve months from the end of each reporting period.

(d) Set out below are the summarised financial information for the associate of the Group, Kerry Logistics, as at 31 December 2013, which, in the opinion of the directors, are material to the Group. The associate is accounted for using the equity method.

Summarised consolidated statement of financial position

	2013 **HK$'000**
Current	
Assets	**9,401,021**
Liabilities	**(5,463,760)**
Total current net assets	**3,937,261**
Non-current	
Assets	**17,829,811**
Liabilities	**(4,124,477)**
Total non-current net assets	**13,705,334**
Net assets	**17,642,595**

20 ASSOCIATES (Continued)

(d) (Continued)

Summarised consolidated statement of comprehensive income

	2013 HK$'000
Revenue	**780,385**
Operating expenses and others	**(343,293)**
Depreciation and amortisation	**(38,032)**
Interest income	**1,954**
Interest expense	**(4,839)**
Profit before taxation	**396,175**
Taxation	**(11,309)**
Profit for the period	**384,866**
Other comprehensive income	**33,990**
Total comprehensive income	**418,856**

The information above reflects the amounts presented in the consolidated financial statements of Kerry Logistics (and not the Group's share of those amounts) for the period from 19 December 2013 to 31 December 2013 adjusted for differences in accounting policies between the Group and the associate. The results of Kerry Logistics for the period from 1 January 2013 to 18 December 2013 are set out in note 10. The information above is the amount before inter-company eliminations.

Reconciliation of summarised financial information

	2013 HK$'000
Opening net assets as at 19 December	**14,202,043**
Profit for the period attributable to shareholders	**381,710**
Other comprehensive income attributable to shareholders	**19,559**
Elimination of unrealised gains	**(360,316)**
Closing net assets as at 31 December	**14,242,996**
Interest in associates (approximately 43%)	**6,054,697**
Goodwill	**1,286,649**
Carrying value as at 31 December	**7,341,346**

20 ASSOCIATES (Continued)

(e) The aggregate amount of the Group's share of results of its associates which are individually immaterial are as follows:

	Group	
	2013 **HK$'000**	2012 HK$'000
Profit from continuing operations	**654,520**	437,022
Other comprehensive income from continuing operations	**378**	1,387
Total comprehensive income from continuing operations	**654,898**	438,409

21 DERIVATIVE FINANCIAL INSTRUMENTS

	Group		Company	
	2013 **HK$'000**	2012 HK$'000	**2013** **HK$'000**	2012 HK$'000
Non-current assets				
Cash flow hedges				
Cross currency and interest rate swap contracts, at fair value (note (a))	**213,746**	107,642	**26,889**	28,300
Derivative financial instruments not applying hedge accounting				
Cross currency swap and forward exchange contracts, at fair value (note (b))	**65,956**	78,530	**65,956**	78,530
Sub-total	**279,702**	186,172	**92,845**	106,830
Current assets				
Derivative financial instruments not applying hedge accounting				
Cross currency swap and forward exchange contracts, at fair value (note (b))	**14,053**	–	**14,053**	–
Sub-total	**14,053**	–	**14,053**	–
Total	**293,755**	186,172	**106,898**	106,830

Derivatives holding for trading purpose are classified as a current asset or liability. The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and, as a current asset or liability, if the maturity of the hedged item is less than 12 months.

21 DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

(a) Cross currency and interest rate swap contracts that qualify for hedge accounting – cash flow hedges

The changes in fair value of cross currency and interest rate swap contracts that are designated and qualified as cash flow hedges amounting to HK$106,104,000 (2012: HK$32,954,000) are recognised in hedging reserve in equity. Under cash flow hedges, the amount of HK$1,391,000 from finance costs to hedging reserve (2012: HK$14,762,000 from hedging reserve to finance costs) was reclassified in the consolidated income statement.

(i) Hedge for fixed rate bonds

During the year ended 31 December 2011, an indirect wholly-owned subsidiary of the Company entered into cross-currency swap contracts amounting to US$297,000,000, under which the principal amounts were exchanged at inception and will be re-exchanged on expiring date in April 2021 at an average exchange rate of US$1 to HK$7.776. Under these contracts, the fixed interest rates ranging from 5.26% to 5.275% per annum on the exchanged Hong Kong dollar principal amounts would be paid and the fixed interest rate of 5.875% per annum on the United States dollar principal amounts would be received.

(ii) Hedge for New Zealand dollar bank borrowings

During the year ended 31 December 2011, the Company entered into cross currency swap contract amounting to NZD 51,282,000, under which the principal amount was exchanged at inception in March 2011 and will be re-exchanged on expiring date in March 2015 at an exchange rate of NZD 1 to HK$5.85. Under the contract, the floating Hong Kong dollar interest rate on the exchanged Hong Kong dollar principal amount would be paid and the floating New Zealand dollar interest rate on the New Zealand dollar principal amount would be received.

(iii) Hedge for Hong Kong dollar bank borrowings

During the year ended 31 December 2013, the Group entered into a total of notional principal amounts of HK$4,000,000,000 5-year interest rate swap contracts. Such interest rate swap contracts have the economic effect of converting borrowings from floating rates to fixed rates. The contracted fixed rates range from 0.74% to 0.89% per annum.

(b) Cross currency swap and forward exchange contracts not applying hedge accounting

The total principal amounts of the outstanding cross currency swap and forward exchange contracts not applying hedge accounting as at 31 December 2013 are US$310,000,000 (2012: US$310,000,000) and US$458,500,000 (2012: US$30,000,000) respectively.

During the year ended 31 December 2010, the Company entered into cross currency swap contracts amounting to US$220,000,000 (equivalent to HK$1,710,661,000). There were no principal exchange at inception but will have principal exchange upon the expiration of these contracts in August 2016 at an average exchange rate of approximately US$1 to HK$7.776. Under these contracts, the fixed interest rates ranging from 5.63% to 5.74% per annum on the HK dollar principal amount would be paid and the fixed rate of 6.375% per annum on the United States dollar principal amounts would be received.

21 DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

(b) Cross currency swap and forward exchange contracts not applying hedge accounting (Continued)

During the year ended 31 December 2009, the Company entered into cross currency swap contracts amounting to US$90,000,000, under which the principal amounts were exchanged at inception in August 2009 and will be re-exchanged on expiry date in August 2014 at an average exchange rate of US$1 to HK$7.75. Under these contracts, the fixed interest rates ranging from 5.85% to 5.90% per annum on the exchanged Hong Kong dollar principal amounts would be paid and the fixed interest rate at 6.375% per annum on the United States dollar principal amounts would be received.

The outstanding forward exchange contracts as at 31 December 2013, to buy US$458,500,000 (equivalent to approximately HK$3,549,307,000) at the average exchange rate of approximately 7.74, are to be settled in the years 2014 to 2017.

The maximum exposure to credit risk at the reporting date is the fair value of the derivative assets in the statement of financial position.

22 AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	2013 HK$'000	2012 HK$'000
Listed equity securities, at fair value	**483,647**	509,599
Unlisted equity securities, at fair value	**1,380,575**	1,454,668
	1,864,222	1,964,267
Market value of listed securities in Hong Kong	**483,647**	509,599

23 LONG-TERM RECEIVABLES AND ACCOUNTS RECEIVABLE, PREPAYMENTS AND DEPOSITS

	Group	
	2013 HK$'000	2012 HK$'000
Trade receivables	**1,218,007**	5,056,883
Less: Provision for impairment of receivables (note (b))	**(1,204)**	(47,390)
Trade receivables – net (note (a))	**1,216,803**	5,009,493
Second mortgage loans receivable	**376,804**	243,201
Others	**1,442,353**	3,059,100
	3,035,960	8,311,794
Less: long-term receivables (note (c))	**(366,501)**	(237,346)
Current portion	**2,669,459**	8,074,448

23 LONG-TERM RECEIVABLES AND ACCOUNTS RECEIVABLE, PREPAYMENTS AND DEPOSITS (Continued)

The carrying amounts of accounts receivable approximate the fair value of these balances.

The carrying amounts of the Group's long-term receivable and accounts receivable, prepayments and deposits are denominated in the following currencies:

	2013 HK$'000	2012 HK$'000
Hong Kong dollar	**2,069,329**	3,606,079
Renminbi	**948,913**	2,808,762
United States dollar	**17,718**	248,678
Pound sterling	**–**	180,269
Other currencies	**–**	1,468,006
	3,035,960	8,311,794

(a) The Group maintains defined credit policies and applies those appropriate to the particular business circumstances of the Group. At 31 December 2013, the ageing analysis of the trade receivables based on date of the invoice or the terms of the related sales and purchase agreements and net of provision for impairment of the Group were as follows:

	2013 HK$'000	2012 HK$'000
Below 1 month	**1,201,900**	3,666,376
Between 1 month and 3 months	**11,238**	1,152,523
Over 3 months	**3,665**	190,594
	1,216,803	5,009,493

There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers. As of 31 December 2013, trade receivables of HK$56,394,000 (2012: HK$700,256,000) were past due but not impaired. These relate to a number of independent customers for whom there is no significant financial difficulty and based on past experience, the overdue amounts can be recovered. The ageing analysis of these trade receivables is as follows:

	2013 HK$'000	2012 HK$'000
Up to 3 months	**52,729**	662,564
Over 3 months	**3,665**	37,692

23 LONG-TERM RECEIVABLES AND ACCOUNTS RECEIVABLE, PREPAYMENTS AND DEPOSITS (Continued)

(b) As of 31 December 2013, trade receivables of HK$1,204,000 (2012: HK$47,390,000) were impaired and fully provided. The individually impaired receivables mainly relate to those customers which are in unexpected difficult economic situations.

Movements on the provision for impairment of receivables are as follows:

	2013 **HK$'000**	2012 HK$'000
At 1 January	**47,390**	31,062
Provision for impairment of receivables	**11,509**	22,097
Receivables written off during the year as uncollectible	**(1,460)**	(8,228)
Release of provision	**25**	(236)
Disposal of subsidiaries	**(70,234)**	–
Exchange differences	**13,974**	2,695
At 31 December	**1,204**	47,390

The creation and release of provision for impaired receivables have been included in administrative expenses in the consolidated income statement. Amounts charged to the allowance account are written off when there is no expectation of recovery.

(c) The amount represents non-current portion of second mortgage loans to buyers of certain properties developed by the Group at prevailing market rate.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above. Except for the second mortgage loans receivable, the Group does not hold any collateral as security.

The second mortgage loans receivable, other receivables and deposits do not contain impaired asset.

24 INTANGIBLE ASSETS

	Group				
	Goodwill HK$'000	Customer relationships HK$'000	Non-compete agreements HK$'000	Trademark HK$'000	Total HK$'000
At 1 January 2012					
Cost	1,286,770	40,813	37,326	12,340	1,377,249
Accumulated amortisation and impairment	(65,220)	(1,846)	(1,734)	(206)	(69,006)
	1,221,550	38,967	35,592	12,134	1,308,243
At 1 January 2012	1,221,550	38,967	35,592	12,134	1,308,243
Acquisition of subsidiaries	533,354	74,930	9,244	14,466	631,994
Impairment	(7,000)	–	–	–	(7,000)
Amortisation	–	(28,335)	(6,966)	(2,742)	(38,043)
Exchange adjustment	–	768	358	13	1,139
At 31 December 2012	1,747,904	86,330	38,228	23,871	1,896,333
At 31 December 2012					
Cost	1,820,124	116,841	47,037	26,833	2,010,835
Accumulated amortisation and impairment	(72,220)	(30,511)	(8,809)	(2,962)	(114,502)
	1,747,904	86,330	38,228	23,871	1,896,333
At 1 January 2013	**1,747,904**	**86,330**	**38,228**	**23,871**	**1,896,333**
Impairment	**(10,520)**	**–**	**–**	**–**	**(10,520)**
Amortisation	**–**	**(29,862)**	**(5,667)**	**(3,092)**	**(38,621)**
Acquisition of subsidiaries (note 39)	**183,322**	**48,118**	**4,143**	**–**	**235,583**
Disposal of subsidiaries (note 38(e))	**(1,798,178)**	**(105,663)**	**(38,047)**	**(20,923)**	**(1,962,811)**
Exchange adjustment	**–**	**1,077**	**1,343**	**144**	**2,564**
At 31 December 2013	**122,528**	**–**	**–**	**–**	**122,528**
At 31 December 2013					
Cost and net book value	**122,528**	**–**	**–**	**–**	**122,528**

25 COMPLETED PROPERTIES HELD FOR SALE

	Group	
	2013 **HK$'000**	2012 HK$'000
Leasehold land and land use rights	**1,629,081**	2,423,153
Other development costs	**2,371,352**	2,639,639
	4,000,433	5,062,792

(a) As at 31 December 2013, completed properties held for sale amounting to HK$1,663,922,000 (2012: HK$nil) were pledged as securities for bank loan facilities granted to the Group (note 43).

(b) These completed properties held for sale are located in Hong Kong and the PRC.

26 LISTED SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2013 **HK$'000**	2012 HK$'000
Listed securities		
– Hong Kong	**168,550**	182,310
– Malaysia	**145**	148
Market value of listed securities	**168,695**	182,458

27 RESTRICTED AND PLEDGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

(a) Restricted and pledged bank deposits

	Group		Company	
	2013 **HK$'000**	2012 HK$'000	**2013** **HK$'000**	2012 HK$'000
Restricted bank deposits (i)	**13,722**	6,054	**–**	–
Pledged bank deposits	**–**	12	**–**	–
	13,722	6,066	**–**	–

(i) As at 31 December 2013, the Group's bank balances amounting to approximately HK$13,722,000 (2012: HK$6,054,000) were deposited in certain banks respectively as guarantee deposits for bank facilities of the Group, including mortgage loan facilities (note 42(a)(iii)) granted by the banks to the purchasers of the Group's certain properties.

27 RESTRICTED AND PLEDGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS (Continued)

(b) Cash and cash equivalents

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at bank and in hand	**4,549,925**	6,899,157	**69,320**	67,249
Short-term bank deposits (i)	**6,930,156**	9,160,358	**2,274,363**	3,343,796
Cash and bank balances	**11,480,081**	16,059,515	**2,343,683**	3,411,045
Secured bank overdrafts (note 43)	**–**	(23,960)	**–**	–
Unsecured bank overdrafts	**–**	(2,129)	**–**	–
Cash and bank balances less bank overdrafts	**11,480,081**	16,033,426	**2,343,683**	3,411,045
Less: short-term bank deposits maturing after more than three months	**(407,593)**	(1,878,914)	**–**	(150,000)
Cash and cash equivalents	**11,072,488**	14,154,512	**2,343,683**	3,261,045

Cash and bank balances less bank overdrafts are denominated in the following currencies:

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Renminbi	**6,816,041**	7,563,478	**10**	23
Hong Kong dollar	**4,010,520**	3,837,933	**2,323,392**	409,089
United States dollar	**636,632**	3,650,318	**19,973**	2,868,479
Other currencies	**16,888**	981,697	**308**	133,454
	11,480,081	16,033,426	**2,343,683**	3,411,045

(i) The effective interest rate on short-term bank deposits was 1.67% (2012: 1.73%) per annum; these deposits have an average maturity of less than 3 months.

(ii) Cash and short-term bank deposits of HK$7,208,454,000 are held in China and are subject to local exchange control regulations. These local exchange control regulations provide for restrictions on exporting capital from the country, other than through normal dividends.

28 ACCOUNTS PAYABLE, DEPOSITS RECEIVED AND ACCRUED CHARGES

	Group	
	2013 **HK$'000**	2012 HK$'000
Trade payables	**254,289**	1,772,219
Construction costs payable	**2,688,231**	1,894,323
Rental deposits	**904,230**	680,818
Sales deposits	**2,608,551**	3,580,073
Consideration payable for acquisition of subsidiaries	**–**	424,827
Others	**1,309,251**	2,971,627
	7,764,552	11,323,887

The ageing analysis of trade payables of the Group as at 31 December 2013 was as follows:

	2013 **HK$'000**	2012 HK$'000
Below 1 month	**220,269**	1,036,628
Between 1 month and 3 months	**17,169**	551,519
Over 3 months	**16,851**	184,072
	254,289	1,772,219

The carrying amounts of the Group's accounts payables, deposits received and accrued charges are denominated in the following currencies:

	2013 **HK$'000**	2012 HK$'000
Renminbi	**6,340,563**	6,894,941
Hong Kong dollar	**1,414,385**	2,893,387
United States dollar	**8,504**	271,277
Pound Sterling	**–**	180,812
Other currencies	**1,100**	1,083,470
	7,764,552	11,323,887

29 BANK LOANS

	Group		Company	
	2013 **HK$'000**	2012 HK$'000	**2013** **HK$'000**	2012 HK$'000
Non-current				
Bank loans				
– unsecured	**15,932,308**	14,181,190	**327,215**	329,318
– secured (note 43)	**4,902,849**	5,032,887	**–**	–
	20,835,157	19,214,077	**327,215**	329,318
Current				
Bank loans				
– unsecured	**3,343,640**	2,103,220	**–**	500,000
– secured (note 43)	**621,446**	435,861	**–**	–
	3,965,086	2,539,081	**–**	500,000
Total bank loans	**24,800,243**	21,753,158	**327,215**	829,318

The maturity of bank loans is as follows:

	Group		Company	
	2013 **HK$'000**	2012 HK$'000	**2013** **HK$'000**	2012 HK$'000
Within 1 year	**3,965,086**	2,539,081	**–**	500,000
Between 1 and 2 years	**2,154,356**	1,230,535	**327,215**	–
Between 2 and 5 years	**17,513,113**	16,142,345	**–**	329,318
Repayable within 5 years	**23,632,555**	19,911,961	**327,215**	829,318
Over 5 years	**1,167,688**	1,841,197	**–**	–
	24,800,243	21,753,158	**327,215**	829,318

The effective annual interest rates of the major bank borrowings at the end of the reporting period were as follows:

	2013			2012		
	HK$	**US$**	**RMB**	HK$	US$	RMB
Bank loans	**1.26%**	**3.24%**	**6.61%**	1.30%	3.29%	6.97%

The carrying amounts of all bank loans approximate their fair value.

29 BANK LOANS (Continued)

The carrying amounts of the bank loans are denominated in the following currencies:

	Group		Company	
	2013 **HK$'000**	2012 HK$'000	**2013** **HK$'000**	2012 HK$'000
Hong Kong dollar	**19,311,100**	14,939,617	**–**	500,000
United States dollar	**87,235**	93,455	**–**	–
Renminbi	**5,074,693**	5,669,450	**–**	–
Other currencies	**327,215**	1,050,636	**327,215**	329,318
	24,800,243	21,753,158	**327,215**	829,318

30 FIXED RATE BONDS

On 25 August 2006, Gain Silver Finance Limited, a wholly-owned subsidiary of the Company, issued fixed rate bonds in the aggregate principal amount of US$420,000,000. The fixed rate bonds are guaranteed by the Company as to repayment, and carry a coupon rate of 6.375% per annum and have a maturity term of 10 years.

On 6 April 2011, Wiseyear Holdings Limited ("Wiseyear"), a wholly-owned subsidiary of the Company, issued fixed rate bonds in the aggregate principal amount of US$300,000,000. The fixed rate bonds are guaranteed by the Company as to repayment, and carry a coupon rate of 5.875% per annum and have a maturity term of 10 years.

In February 2012, Wiseyear issued fixed rate bonds in the aggregate principal amount of US$600,000,000. The fixed rate bonds are guaranteed by the Company as to repayment, and carry a coupon rate of 5% per annum and have a maturity term of 5 years.

The fixed rate bonds are listed on the Singapore Exchange Securities Trading Limited. The market value of the fixed rate bonds as at 31 December 2013 was HK$10,940,941,000 (2012: HK$11,302,141,000). The fixed rate bonds are within Level 1 of the fair value hierarchy.

31 AMOUNTS DUE TO NON-CONTROLLING INTERESTS

The amounts due to non-controlling interests represent proportionate funding from the non-controlling interests of subsidiaries including an amount of approximately HK$641,323,000 (2012: HK$637,505,000) due to certain subsidiaries of Shangri-La Asia Limited ("SA"), a related company whose shares are listed on Hong Kong Stock Exchange and an amount of approximately HK$241,699,000 (2012: HK$241,698,000) due to certain subsidiaries of Kerry Holdings Limited, an indirect holding company of the Company. These loans are unsecured, subordinated to the bank loans of the relevant subsidiaries, not repayable within twelve months from the end of reporting period, and interest-free except for an amount of HK$664,516,000 (2012: HK$602,610,000) which bears interest at prevailing market rates.

The carrying values of the Group's amounts due to non-controlling interests are denominated in the following currencies:

	2013	2012
	HK$'000	HK$'000
Hong Kong dollar	**2,049,507**	2,158,355
United States dollar	**196,363**	198,490
Other currencies	**26,515**	191,619
	2,272,385	2,548,464

32 DEFERRED TAXATION

	Group	
	2013	2012 (Restated)
	HK$'000	HK$'000
At 1 January, as previously reported	**4,501,832**	3,875,123
Adjustment for change in accounting policies for adopting HKAS 19 (2011)	**(59,276)**	(54,516)
At 1 January, as restated	**4,442,556**	3,820,607
Acquisition of subsidiaries (notes 38(c) and 39)	**19,144**	25,684
Disposal of subsidiaries (note 38(e))	**(541,636)**	–
Deferred taxation charged to income statement	**1,595,111**	591,530
Deferred taxation credited to other comprehensive income	**–**	(5,779)
Exchange adjustment	**115,047**	10,514
At 31 December	**5,630,222**	4,442,556

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through the future taxable profits is probable. The Group has unrecognised tax losses of HK$2,521,228,000 (2012: HK$2,590,745,000) to be carried forward in offsetting the future taxable income. These tax losses have no expiry dates except for the tax losses of HK$791,962,000 (2012: HK$723,212,000) which will expire at various dates up to and including year 2018 (2012: year 2021).

32 DEFERRED TAXATION (Continued)

As at 31 December 2013, the aggregate amount of unrecognised deferred tax liabilities associated with investments in subsidiaries and associates totalled approximately HK$814,353,000 (2012: HK$586,968,000), as the Directors consider that the timing of reversal of the related temporary differences can be controlled and the temporary differences will not reverse in the foreseeable future.

The movements in deferred tax (assets) and liabilities during the year were as follows:

	Group					
	Pension obligations HK$'000	**Revaluation HK$'000**	**Accelerated depreciation allowances HK$'000**	**Tax losses HK$'000**	**Others HK$'000**	**Total HK$'000**
At 1 January 2013, as previously reported	**–**	**3,650,632**	**600,584**	**(42,359)**	**292,975**	**4,501,832**
Adjustment for change in accounting policies for adopting HKAS 19 (2011)	**(59,276)**	**–**	**–**	**–**	**–**	**(59,276)**
At 1 January 2013, as restated	**(59,276)**	**3,650,632**	**600,584**	**(42,359)**	**292,975**	**4,442,556**
Acquisition of subsidiaries (notes 38(c) and 39)	**–**	**–**	**19,144**	**–**	**–**	**19,144**
Disposal of subsidiaries (note 38(e))	**54,513**	**(297,790)**	**(269,934)**	**5,928**	**(34,353)**	**(541,636)**
Deferred taxation charged/ (credited) to income statement	**4,763**	**1,690,094**	**7,181**	**(197,567)**	**90,640**	**1,595,111**
Exchange adjustment	**–**	**103,168**	**22,903**	**–**	**(11,024)**	**115,047**
At 31 December 2013	**–**	**5,146,104**	**379,878**	**(233,998)**	**338,238**	**5,630,222**

	Group					
	Pension obligations HK$'000	Revaluation HK$'000	Accelerated depreciation allowances HK$'000	Tax losses HK$'000	Others HK$'000	Total HK$'000
At 1 January 2012, as previously reported	–	3,109,089	547,186	(61,785)	280,633	3,875,123
Adjustment for change in accounting policies for adopting HKAS 19 (2011)	(54,516)	–	–	–	–	(54,516)
At 1 January 2012, as restated	(54,516)	3,109,089	547,186	(61,785)	280,633	3,820,607
Acquisition of subsidiaries	–	–	25,684	–	–	25,684
Deferred taxation charged to income statement	4,218	512,884	25,686	19,426	29,316	591,530
Deferred taxation (credited)/ charged to other comprehensive income	(8,978)	3,199	–	–	–	(5,779)
Exchange adjustment	–	25,460	2,028	–	(16,974)	10,514
At 31 December 2012	(59,276)	3,650,632	600,584	(42,359)	292,975	4,442,556

33 RETIREMENT BENEFITS

Group companies operate various pension schemes. The schemes are funded through payments to independent trustee-administered funds. The Group has both defined contribution and defined benefit plans during the year.

(a) Defined contribution plans

Pursuant to the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) (the "MPF Ordinance"), companies within the Group in Hong Kong have enrolled all employees in Hong Kong aged between 18 and 65 into a mandatory provident fund scheme (the "MPF Scheme") from 1 December 2000.

The MPF Scheme is a master trust scheme established under a trust arrangement and governed by laws in Hong Kong. The assets of the MPF Scheme are held separately from the assets of the employer, the trustees and other service providers. Contributions are made to the MPF Scheme by the employers at 5% of the employees' relevant income as defined in the MPF Ordinance up to a maximum of HK$1,250 (prior to 1 June 2012: HK$1,000) per employee per month (the "MPF Contribution"). The employees also contribute a corresponding amount to the MPF Scheme if their relevant income is HK$6,500 (prior to 1 June 2012: HK$5,000) per month or more. The MPF Contributions are fully and immediately vested in the employees as accrued benefits once they are paid to the approved trustees of the MPF Scheme. Investment income or profit derived from the investment of accrued benefits (after taking into account any loss arising from such investment) is also immediately vested in the employees.

Certain companies within the Group are also participants of the Kerry Trading Co. Limited – Provident Fund Scheme (the "Fund") which is a defined contribution scheme as defined in the Occupational Retirement Schemes Ordinance (Chapter 426 of the Laws of Hong Kong). The Fund is for certain salaried persons (the "Fund Members") under the employment of the companies participating in the Fund. The assets of the Fund are managed by the trustees of the Fund. Contributions are made to the Fund by companies participating in the Fund at 10% of the Fund Members' monthly basic salaries up to a maximum of HK$10,000 (2012: HK$10,000) per Fund Member per month (the "Basic Contribution") less the MPF Contribution if the Basic Contribution is higher than the MPF Contribution. Fund Members are entitled to 100% of the employers' contributions to the Fund plus investment earnings upon leaving employment after completing ten years of service or more, or upon retirement after attaining the retirement age after any number of years of service, or upon retirement due to ill health. Fund Members are also entitled to the employers' contributions to the Fund plus investment earnings calculated at a reduced scale of between 20% and 90% after completing a period of service of at least two but less than ten years. The unvested benefits of employees terminating employment forfeited in accordance with the terms of the Fund can be utilised by the companies participating in the Fund to reduce future contributions. During the year, forfeited contributions totalling HK$1,836,000 (2012: HK$956,000) were utilised leaving HK$713,000 (2012: HK$472,000) available at the year end to reduce future contributions.

The Group also made defined contributions to pension plans as required by the relevant municipality or provincial governments in the PRC. The rates of contributions for the relevant periods ranged from 13% to 21% of the staff's salary. For overseas subsidiaries, the Group made contributions to defined contribution pension schemes in accordance with the schemes set up by the overseas subsidiaries and/or under statutory requirements.

33 RETIREMENT BENEFITS (Continued)

(b) Defined benefit plans

Kerry Logistics operates defined benefit pension plans in Taiwan which are final salary defined benefit plans. The assets of the funded plans are held independently of the Group's assets. The contributions are placed with a government institution. The plans are valued by an independent qualified actuary, Hsu Mao-Chin Actuary, annually using the projected unit credit method. Upon the separate listing of Kerry Logistics on 19 December 2013, retirement benefit obligations have been derecognised due to the deconsolidation of Kerry Logistics.

The amounts recognised in the consolidated statement of financial position are as follows:

	2013	2012 (Restated)
	HK$'000	HK$'000
Fair value of plan assets	**–**	3,646
Present value of funded obligations	**–**	(352,344)
Total pension liabilities	**–**	(348,698)

The movements in the fair value of plan assets for the year are as follows:

	2013	2012 (Restated)
	HK$'000	HK$'000
At 1 January	**3,646**	5,173
Remeasurements	**–**	40
Employer contributions	**39,374**	35,501
Benefits paid	**(37,362)**	(37,698)
Exchange adjustment	**(49)**	630
Disposal of subsidiaries (note 38(e))	**(5,609)**	–
At 31 December	**–**	3,646

The movements in the present value of defined benefit obligations recognised in the consolidated statement of financial position are as follows:

	2013	2012 (Restated)
	HK$'000	HK$'000
At 1 January	**352,344**	325,331
Current service cost	**6,419**	4,849
Interest cost	**5,168**	5,907
Remeasurements	**–**	46,167
Benefits paid	**(37,362)**	(37,698)
Exchange adjustment	**(5,077)**	7,788
Disposal of subsidiaries (note 38(e))	**(321,492)**	–
At 31 December	**–**	352,344

33 RETIREMENT BENEFITS (Continued)

(b) Defined benefit plans (Continued)

The amounts recognised in the consolidated income statement were as follows:

	2013	2012 (Restated)
	HK$'000	HK$'000
Current service cost	**6,419**	4,849
Interest cost	**5,168**	5,907
Total, included in staff costs (note 14)	**11,587**	10,756

Out of the total charge, HK$11,133,000 (2012: HK$8,121,000) and HK$454,000 (2012: HK$2,635,000) were included in direct operating expenses and administrative and other operating expenses respectively.

	2013	2012
	HK$'000	HK$'000
Actual return on plan assets in the year	–	40

The principal actuarial assumptions used are as follows:

	2013	2012
Discount rate applied to pension obligations	–	1.50%
Future salary increases	–	1.00%

The history of defined benefit plans as at 31 December 2011, 2012 and 2013 are as follows:

	2013	2012	2011
	HK$'000	HK$'000	HK$'000
Fair value of plan assets	–	3,646	5,173
Present value of pension obligations	–	(352,344)	(325,331)
Deficit	–	(348,698)	(320,158)

34 SHARE CAPITAL

	Authorised Ordinary shares of HK$1 each	
	Number of shares	HK$'000
At 31 December 2012 and 2013	10,000,000,000	10,000,000

	Issued and fully paid Ordinary shares of HK$1 each			
	2013		2012	
	Number of shares	**HK$'000**	Number of shares	HK$'000
At 1 January	**1,439,130,728**	**1,439,131**	1,438,365,676	1,438,366
Issue of shares as a result of exercise of share options (note (a))	**5,162,500**	**5,162**	765,052	765
At 31 December	**1,444,293,228**	**1,444,293**	1,439,130,728	1,439,131

Notes:

(a) During the year, a total of 5,162,500 share options were exercised at exercise prices of HK$18.74, HK$17.58 and HK$35.45 per share. Details of movements in share options during the year are set out in note 35.

(b) Proceeds received in respect of the shares issued following the exercise of the share options were used as additional working capital for the Group.

35 SHARE OPTIONS

(a) 2002 Share Option Scheme

Under the 2002 Share Option Scheme, the Directors of the Company may, at their discretion, grant share options to executives and key employees in the service of the Group and other persons who may make a contribution to the Group subject to terms and conditions stipulated therein. The exercise price for any particular share option shall be such price as the Board of Directors of the Company may in its absolute discretion determine at the time of grant of the relevant share option subject to the compliance with the Listing Rules.

The 2002 Share Option Scheme was terminated on 5 May 2011 such that no further share options shall be offered but the share options which had been granted during its life shall continue to be valid and exercisable in accordance with their terms of issue and in all other respects its provisions shall remain in full force and effect.

Details of the movement of the share options under the 2002 Share Option Scheme are as follows:

	2013		2012	
	Weighted average exercise price in HK$ per share	**Number of share options**	Weighted average exercise price in HK$ per share	Number of share options
At 1 January	**37.80**	**17,662,500**	37.09	18,315,000
Exercised during the year (note (i))	**17.88**	**(4,602,500)**	17.82	(652,500)
Lapsed during the year	**47.70**	**(450,000)**	–	–
At 31 December (note (ii))	**44.72**	**12,610,000**	37.80	17,662,500

As at 31 December 2013, 12,610,000 (2012: 17,662,500) outstanding share options granted under the 2002 Share Option Scheme were exercisable (note (ii)). For the share options exercised during the year, the related weighted average share price at the time of exercise was HK$33.23 (2012: HK$36.41) and the total amount of proceeds received was HK$82,301,050 (2012: HK$11,624,650). No share option was granted or granted for adjustment or cancelled during the year (2012: nil).

35 SHARE OPTIONS (Continued)

(a) 2002 Share Option Scheme (Continued)

Notes:

(i) Details of share options exercised:

Exercise price per share	Number of share options	
(HK$)	**2013**	2012
18.74	**1,197,500**	132,500
17.58	**3,405,000**	520,000
	4,602,500	652,500

(ii) Terms of share options at the end of the reporting period were as follows:

	Exercise price per share	Number of share options	
Exercise period	(HK$)	**2013**	2012
17/03/2006 – 16/03/2015	18.74	**150,000**	195,000
17/03/2007 – 16/03/2015	18.74	**155,000**	1,307,500
02/04/2009 – 01/04/2018	47.70	**2,837,500**	2,950,000
02/04/2010 – 01/04/2018	47.70	**2,837,500**	2,950,000
02/04/2011 – 01/04/2018	47.70	**5,675,000**	5,900,000
06/02/2010 – 05/02/2019	17.58	**420,000**	1,960,000
06/02/2011 – 05/02/2019	17.58	**535,000**	2,400,000
		12,610,000	17,662,500

(b) 2011 Share Option Scheme

Under the 2011 Share Option Scheme, the Directors of the Company may, at their discretion, grant share options to executives and key employees in the service of the Group and other persons who may make a contribution to the Group subject to terms and conditions stipulated therein. The exercise price for any particular share option shall be such price as the Board of Directors of the Company may in its absolute discretion determine at the time of grant of the relevant share option subject to the compliance with the Listing Rules.

Details of the movement of the share options under the 2011 Share Option Scheme are as follows:

	2013		2012	
	Weighted average exercise price in HK$ per share	**Number of share options**	Weighted average exercise price in HK$ per share	Number of share options
At 1 January	**35.45**	**24,160,000**	35.45	24,340,000
Exercised during the year	**35.45**	**(560,000)**	35.45	(50,000)
Lapsed during the year	**35.45**	**(630,000)**	35.45	(130,000)
At 31 December (note (i))	**35.45**	**22,970,000**	35.45	24,160,000

35 SHARE OPTIONS (Continued)

(b) 2011 Share Option Scheme (Continued)

As at 31 December 2013, 22,970,000 (2012: 11,955,000) outstanding share options granted under the 2011 Share Option Scheme were exercisable (note (i)). For the share options exercised during the year, the exercise price per share was HK$35.45, the related weighted average share price at the time of exercise was HK$37.28 (2012: HK$39.63) and the total amount of proceeds received was HK$19,852,000 (2012: HK$1,772,500). No share option was granted or granted for adjustment or cancelled during the year (2012: nil).

Note:

(i) Terms of share options at the end of the reporting period were as follows:

	Exercise price per share	Number of share options	
Exercise period	**(HK$)**	**2013**	2012
31/10/2012 – 29/04/2022	35.45	**11,205,000***	11,955,000*
15/02/2013 – 29/04/2022	35.45	**–**	50,000
01/04/2013 – 29/04/2022	35.45	**50,000***	50,000
31/10/2013 – 29/04/2022	35.45	**11,715,000***	12,105,000
		22,970,000	24,160,000

* Outstanding options that were exercisable at the end of the reporting period.

Subsequent to the reporting period, a total of 15,400,000 share options at an exercise price of HK$26.88 per share were granted on 8 January 2014. These share options will be exercisable in two tranches, i.e. 7,700,000 share options exercisable from 8 July 2014 to 7 January 2024 and 7,700,000 share options exercisable from 8 January 2015 to 7 January 2024.

36 SHARE PREMIUM

	2013 HK$'000	2012 HK$'000
At 1 January	**12,208,679**	12,190,587
Arising from exercise of share options (note 35)	**96,991**	13,061
Transfer from share options reserve (note 37(f))	**44,527**	5,031
At 31 December	**12,350,197**	12,208,679

37 OTHER RESERVES

	Group				
	Other properties revaluation reserve HK$'000	Available-for-sale investments revaluation reserve HK$'000	Hedging reserve HK$'000	Others (note (a)) HK$'000	Total HK$'000
At 1 January 2013	**41,236**	**1,292,237**	**82,938**	**14,131,770**	**15,548,181**
Cash flow hedges:					
– Fair value gains	–	–	**106,104**	–	**106,104**
– Transfer from finance costs (note 8)	–	–	**1,391**	–	**1,391**
Fair value loss on available-for-sale investments	–	**(38,586)**	–	–	**(38,586)**
Share of exchange reserve of associates	–	–	–	**9,601**	**9,601**
Share of other reserves of associates	–	–	–	**10,336**	**10,336**
Net translation differences on foreign operations	–	–	–	**1,077,581**	**1,077,581**
Release of exchange fluctuation reserve upon completion of disposal of subsidiaries	–	–	–	**(574,670)**	**(574,670)**
Transfer to share premium	–	–	–	**(44,527)**	**(44,527)**
Value of employee services	–	–	–	**64,445**	**64,445**
Transfer from retained profits	–	–	–	**1,644**	**1,644**
Acquisition of additional interest in subsidiaries	–	–	–	**(246,977)**	**(246,977)**
Transfer of reserves upon completion of disposal of subsidiaries	**(41,236)**	–	–	**106,050**	**64,814**
At 31 December 2013	–	**1,253,651**	**190,433**	**14,535,253**	**15,979,337**

37 OTHER RESERVES (Continued)

	Group					
	Other properties revaluation reserve HK$'000	Available-for-sale investments revaluation reserve HK$'000	Convertible bonds reserve HK$'000	Hedging reserve HK$'000	Others (note (a)) HK$'000	Total HK$'000
At 1 January 2012	31,638	1,051,758	205,552	63,797	13,247,592	14,600,337
Fair value gain recognised upon the transfer from leasehold land and buildings to investment properties, net of tax	9,598	–	–	–	–	9,598
Cash flow hedges:						
– Fair value gains	–	–	–	32,954	–	32,954
– Transfer to finance costs (note 8)	–	–	–	(14,762)	–	(14,762)
Fair value gain on available-for-sale investments	–	240,479	–	–	–	240,479
Share of fair value gain on cash flow hedge of an associate	–	–	–	949	–	949
Share of exchange reserve of associates	–	–	–	–	438	438
Net translation differences on foreign operations	–	–	–	–	445,717	445,717
Transfer to share premium	–	–	–	–	(5,031)	(5,031)
Value of employee services	–	–	–	–	173,103	173,103
Transfer (to)/from retained profits	–	–	(205,552)	–	11,473	(194,079)
Acquisition of additional interest in subsidiaries	–	–	–	–	(176,182)	(176,182)
Disposal of partial interest in a subsidiary	–	–	–	–	434,660	434,660
At 31 December 2012	41,236	1,292,237	–	82,938	14,131,770	15,548,181

37 OTHER RESERVES (Continued)

(a) Others

	Group						
	Capital reserve (note (b)) HK$'000	Share options reserve HK$'000	Exchange fluctuation reserve HK$'000	Enterprise expansion and general reserve funds (note (c)) HK$'000	Capital redemption reserve (note (d)) HK$'000	Acquisition reserve (note (e)) HK$'000	Total HK$'000
At 1 January 2013	**8,298,842**	**407,080**	**5,290,973**	**35,966**	**7,868**	**91,041**	**14,131,770**
Share of exchange reserve of associates	**–**	**–**	**9,601**	**–**	**–**	**–**	**9,601**
Share of other reserve of associates	**–**	**–**	**27**	**10,309**	**–**	**–**	**10,336**
Net translation differences on foreign operations	**–**	**–**	**1,077,581**	**–**	**–**	**–**	**1,077,581**
Release of exchange fluctuation reserve upon completion of disposal of subsidiaries	**–**	**–**	**(574,670)**	**–**	**–**	**–**	**(574,670)**
Transfer to share premium (note 36)	**–**	**(44,527)**	**–**	**–**	**–**	**–**	**(44,527)**
Value of employee services	**–**	**64,445**	**–**	**–**	**–**	**–**	**64,445**
Transfer from retained profits	**–**	**–**	**–**	**1,644**	**–**	**–**	**1,644**
Acquisition of additional interest in subsidiaries	**–**	**–**	**–**	**–**	**–**	**(246,977)**	**(246,977)**
Transfer of reserves upon completion of disposal of subsidiaries	**(363,591)**	**–**	**4,191**	**(29,713)**	**–**	**495,163**	**106,050**
At 31 December 2013	**7,935,251**	**426,998**	**5,807,703**	**18,206**	**7,868**	**339,227**	**14,535,253**
At 1 January 2012	8,298,842	239,008	4,844,818	24,493	7,868	(167,437)	13,247,592
Share of exchange reserve of associates	–	–	438	–	–	–	438
Net translation differences on foreign operations	–	–	445,717	–	–	–	445,717
Transfer to share premium (note 36)	–	(5,031)	–	–	–	–	(5,031)
Value of employee services	–	173,103	–	–	–	–	173,103
Transfer from retained profits	–	–	–	11,473	–	–	11,473
Acquisition of additional interest in subsidiaries	–	–	–	–	–	(176,182)	(176,182)
Disposal of partial interest in a subsidiary	–	–	–	–	–	434,660	434,660
At 31 December 2012	8,298,842	407,080	5,290,973	35,966	7,868	91,041	14,131,770

(b) Capital reserve of the Group arose from the Group's reorganisation in preparation for its listing on Hong Kong Stock Exchange in August 1996, adjusted by the excess or deficit of the fair values of the net assets of subsidiaries and associates subsequently acquired over the cost of investment at the date of acquisition before 1 January 2001.

(c) Enterprise expansion and general reserve funds are set up by subsidiaries and associates established and operating in the PRC. According to the PRC Foreign Enterprise Accounting Standards, upon approval, the enterprise expansion reserve fund may be used for increasing capital while the general reserve fund may be used for making up losses and increasing capital.

(d) The capital redemption reserve arose from the purchase of the Company's shares for cancellation during 1998 and 2002 and represents a transfer from the Company's retained profits equivalent to the nominal value of the shares purchased for cancellation.

37 OTHER RESERVES (Continued)

(e) The acquisition reserve arose from the acquisition of additional interest or disposal of interest in subsidiaries that do not result in a loss of control by the Group, and represents any differences between the amount by which the non-controlling interests are adjusted (to reflect the changes in the interests in the subsidiaries) and the fair value of the consideration paid or received.

(f) Other reserves of the Company

	Contributed surplus HK$'000	Convertible bonds reserve HK$'000	Share options reserve HK$'000	Capital redemption reserve (note (d)) HK$'000	Hedging reserve HK$'000	Total HK$'000
At 1 January 2013	**17,793,308**	**–**	**407,080**	**7,868**	**(1,042)**	**18,207,214**
Transfer to share premium (note 36)	**–**	**–**	**(44,527)**	**–**	**–**	**(44,527)**
Value of employee services	**–**	**–**	**64,445**	**–**	**–**	**64,445**
Cash flow hedge						
– Fair value gain	**–**	**–**	**–**	**–**	**(1,411)**	**(1,411)**
– Transfer from finance costs	**–**	**–**	**–**	**–**	**2,076**	**2,076**
Dividend by way of a distribution in specie	**(7,365,793)**	**–**	**–**	**–**	**–**	**(7,365,793)**
At 31 December 2013	**10,427,515**	**–**	**426,998**	**7,868**	**(377)**	**10,862,004**
At 1 January 2012	17,793,308	205,552	239,008	7,868	(2,977)	18,242,759
Transfer to share premium (note 36)	–	–	(5,031)	–	–	(5,031)
Value of employee services	–	–	173,103	–	–	173,103
Cash flow hedge						
– Fair value gain	–	–	–	–	21,428	21,428
– Transfer to finance costs	–	–	–	–	(19,493)	(19,493)
Transfer to retained profits	–	(205,552)	–	–	–	(205,552)
At 31 December 2012	17,793,308	–	407,080	7,868	(1,042)	18,207,214

The contributed surplus of the Company arose when the Company issued shares in exchange for the shares of companies being acquired, and represents the difference between the nominal value of the Company's shares issued and the value of net assets of the companies acquired. At Group level, the contributed surplus is reclassified into its components of reserves of the underlying subsidiaries.

38 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of profit before taxation to net cash generated from operations

	Group	
	2013	2012 (Restated)
	HK$'000	HK$'000
Profit before taxation from continuing operations	**12,409,494**	8,249,004
Profit before taxation from discontinued operations	**2,045,082**	1,656,801
Depreciation of property, plant and equipment and amortisation of leasehold land and land use rights	**544,470**	391,278
Amortisation of intangible assets	**38,621**	38,043
Dividend income from listed and unlisted investments	**(87,847)**	(80,378)
Interest income	**(326,257)**	(292,543)
(Gain)/loss on disposal of property, plant and equipment	**(111)**	71,459
Gain on sale of investment properties	**(32,156)**	(44,913)
Fair value loss/(gain) on listed securities at fair value through profit or loss	**13,753**	(38,837)
Fair value gain on contingent payment for acquisition of subsidiaries	**(12,088)**	(8,068)
Gain on sale of available-for-sale investments	**(625)**	–
Impairment of available-for-sale investments	**–**	82
Impairment of goodwill	**10,520**	7,000
Change in net pension liabilities	**(27,787)**	(24,745)
Increase in fair value of investment properties	**(7,628,112)**	(2,943,032)
Finance costs	**591,758**	559,572
Share of results of associates	**(791,694)**	(573,443)
Gain on remeasurement of previously held equity interest in acquiree companies	**(18,655)**	–
Gain from bargain purchase arising from acquisition of subsidiaries	**(3,591)**	–
Operating profit before working capital changes	**6,724,775**	6,967,280
(Increase)/decrease in properties under development, completed properties held for sale and accounts receivable, prepayments and deposits	**(7,552,220)**	2,120,720
Increase in accounts payable, deposits received and accrued charges	**1,046,643**	738,593
Net cash generated from operations	**219,198**	9,826,593

(b) Analysis of the net cash outflow in respect of the acquisition of subsidiaries – business combinations

	2013	2012
	HK$'000	HK$'000
Cash consideration paid	**(314,351)**	(414,416)
Cash consideration paid for prior year's acquisition	**(234,425)**	(125,122)
Cash and bank balances acquired	**168,092**	106,156
Net cash outflow in respect of the acquisition of subsidiaries	**(380,684)**	(433,382)

38 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(c) Analysis of the net cash outflow in respect of the acquisition of subsidiaries – acquisition of assets

In February 2013, the Group acquired 71% of the share capital of Plentix Limited and its subsidiaries which own various properties located at 5-6 Hing Hon Road, Sai Ying Pun and Sheung Wan, Hong Kong for redevelopment purpose.

Upon the separate listing of Kerry Logistics on 19 December 2013, the Group acquired from Kerry Warehouse (HK) Holdings Limited, an associate of the Group, 100% of the share capital of Nettlefold Limited and its subsidiary which owns Kerry D.G. Warehouse (Kowloon Bay) at 7 Kai Hing Road, Kowloon Bay, Kowloon, Hong Kong for redevelopment purpose. As a temporary arrangement, the warehouse is being operated by Kerry Logistics as manager.

Aggregate net cash outflow of the above transactions is as follows:

	2013 HK$'000
Cash consideration paid	(646,351)
Cash and bank balances acquired	227
Net cash outflow in respect of the acquisition of subsidiaries	(646,124)

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

	2013 HK$'000
Property, plant and equipment	400,006
Properties under development	346,761
Accounts receivable, prepayments and deposits	1,409
Cash and bank balances	227
Accounts payable, deposits received and accrued charges	(579)
Loans from non-controlling interests	(81,402)
Deferred taxation	(851)
Total identifiable net assets	665,571
Non-controlling interests	(19,220)
Total	646,351

38 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(d) Transactions with non-controlling interests

During the year ended 31 December 2013, the Group completed the following transactions with non-controlling interests:

During the year, the Group acquired additional effective interests of 49% in Kerry Freight (USA) Incorporated, 6.04% in Kerry TJ Logistics Company Limited, 2% in K.A.S Services Company Limited and 9% in Kerry Logistics (UK) Limited.

The effect of these transactions are summarised as follows:

	HK$'000
Consideration paid to non-controlling interests	393,456
Decrease in non-controlling interests	(146,479)
Excess of consideration paid recognised in the acquisition reserve within equity	246,977

38 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(e) Analysis of the net cash outflow in respect of the disposal of subsidiaries

	2013 HK$'000	2012 HK$'000
Net assets disposed of:		
Property, plant and equipment	6,157,740	–
Investment properties	6,376,849	–
Leasehold land and land use rights	475,231	–
Properties under development	458,401	–
Associates	1,116,119	–
Available-for-sale investments	59,419	–
Intangible assets	1,962,811	–
Accounts receivable, prepayments and deposits	5,163,176	–
Tax recoverable	8,750	–
Cash and bank balances	3,009,596	–
Account payable, deposits received and accrued charges	(3,915,414)	–
Taxation	(154,760)	–
Bank loans	(3,405,306)	–
Bank overdrafts	(32,354)	–
Amounts due to non-controlling interests	(237,066)	–
Deferred taxation	(541,636)	–
Retirement benefit obligations	(315,883)	–
Other non-current liabilities	(69,617)	–
Amount due to shareholder	(2,400,000)	–
Non-controlling interests	(2,773,227)	–
	10,942,829	–
Fair value gain on dividend by way of a distribution in specie	1,883,436	–
Fair value gain on retained interest in Kerry Logistics held by the Group	1,866,606	–
	14,692,871	–
Special interim dividend by way of a distribution in specie (note 12)	(7,365,793)	–
	7,327,078	–
Transferred to interest in associates	(7,327,078)	–
Total consideration	–	–
Cash and bank balances disposed of	(3,009,596)	–
Bank overdrafts disposed of	32,354	–
Net cash outflow in respect of the disposal of subsidiaries	(2,977,242)	–

39 BUSINESS COMBINATIONS

During the year, the Group completed several acquisitions of subsidiaries as follows:

(a) In May 2013, the Group acquired 50% interest in Albini & Pitigliani Sverige AB which is engaged in road transportation business within the European Continent as well as international freight forwarding business for future network expansion. 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 in four tranches over a period of four years, and the Group was given a call option to purchase the remaining 50% equity interest from the vendors with an unlimited exercise period. The put and call options for the remaining 50% equity interest has been accounted for as a deferred consideration payable. The Directors consider that the Group has effectively assumed all the risks and rewards of the entity and Albini & Pitigliani Sverige AB has been consolidated as a wholly-owned subsidiary of the Group accordingly.

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 is engaged in international freight forwarding, customs brokerage and other related logistics services in Brazil.

In July 2013, the Group acquired 70% interest in Cargo Master's Internacional S.A. de C.V. and Servicios Corporativos Cargo Master's S.A. de C.V. ("Cargo Master"), which is engaged in international freight forwarding, customs brokerage and other related logistics services in Mexico.

The above companies were acquired by Kerry Logistics during the year and were derecognised by the Group through the spin-off exercise of Kerry Logistics on 19 December 2013.

Aggregate consideration of the above transactions is as follows:

	HK$'000
Cash consideration paid	187,623
Consideration to be paid	101,362
Total	288,985

39 BUSINESS COMBINATIONS (Continued)

(a) (Continued)

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

	HK$'000
Property, plant and equipment	54,374
Properties under development	29,827
Intangible assets	
– Customer relationships	48,118
– Non-compete agreements	4,143
Accounts receivable, prepayments and deposits	85,382
Cash and bank balances	23,844
Accounts payable, deposits received and accrued charges	(78,365)
Taxation	(2,483)
Bank loans	(17,872)
Loans from non-controlling interests	(14,248)
Deferred taxation	(18,293)
Total identifiable net assets	114,427
Goodwill	183,322
Non-controlling interests	(8,764)
Total	288,985

The goodwill of HK$183,322,000 arising from these acquisitions is attributable to the future profitability of the acquired businesses.

The acquired businesses contributed turnover of HK$254,594,000 and net profit of HK$11,938,000 to the Company's shareholders for the period from their respective acquisition dates up to 18 December 2013. If the acquisitions had occurred on 1 January 2013, the contributed turnover and profit attributable to Company's shareholders for the period from 1 January 2013 to 18 December 2013 would have been HK$424,399,000 and HK$19,041,000 respectively.

39 BUSINESS COMBINATIONS (Continued)

(b) In July 2013, the Group acquired from Shangri-La China Limited, a related company of the Group, 25% of the equity interests each in Zhanfeng Real Estate (Yingkou) Co., Ltd. and Zhanye Real Estate (Yingkou) Co., Ltd. ("Yingkou Project Companies"). Yingkou Project Companies are the property development companies in Bayuquan, Yingkou City, Liaoning Province, the PRC. After the acquisition, the Group's interest in Yingkou Project Companies was increased from 40% to 65%, and the Yingkou Project Companies became subsidiaries of the Group.

	HK$'000
Cash consideration paid	126,728

The recognised amounts of identifiable assets acquired and liabilities assumed as at the date of acquisition are as follows:

	HK$'000
Property, plant and equipment	1,130
Properties under development	134,070
Land deposits	319,686
Accounts receivable, prepayments and deposits	366
Cash and bank balances	144,248
Accounts payable, deposits received and accrued charges	(1,226)
Total identifiable net assets	598,274
Equity interest previously held by the Group	(258,882)
Non-controlling interests	(209,073)
Gain from bargain purchase	(3,591)
Total	126,728

The acquired businesses contributed turnover of HK$nil and net loss of HK$11,103,000 to the Company's shareholders for the period from the acquisition date up to 31 December 2013. If the acquisition had occurred on 1 January 2013, the contributed turnover and profit attributable to Company's shareholders for the year ended 31 December 2013 would have been HK$nil and HK$2,031,000 respectively.

40 RELATED PARTY TRANSACTIONS

The following significant transactions were carried out with related parties during the year:

(a) Purchases of services

	2013 HK$'000	2012 HK$'000
Marketing, consultancy and administrative management fees expense (note (i))	**33,600**	16,448
Rental expense (note (ii))	**47,772**	35,738

(i) This represents payment of services fees to Shangri-La International Hotel Management Limited, a subsidiary of SA, which provided marketing, consultancy and administrative management services to members of the Group. The service fees payable during the year were determined at either a fixed amount or a certain percentage of the gross operating revenue of the relevant company in accordance with the agreement for the provision of the above services.

(ii) This represents payment of rental expenses to Ubagan Limited, an associate of the Group, in respect of leasing of several units and floors of Kerry Centre as corporate offices and several car parking spaces for the use by the Group in conjunction with such offices.

(b) Key management compensation, excluding share option benefits

	2013 HK$'000	2012 HK$'000
Salaries and other short-term benefits	**118,929**	128,543
Post-employment benefits	**785**	823
	119,714	129,366

(c) Year-end balances

	2013 HK$'000	2012 HK$'000
Receivables from related parties:		
Associates (note 20)	**2,529,310**	3,520,470

Payables to related parties:		
Included under amounts due to non-controlling interests (note 31)		
– Subsidiaries of SA	**641,323**	637,505
– Subsidiaries of Kerry Holdings Limited	**241,699**	241,698
Associates (note 20)	**56,820**	59,124

40 RELATED PARTY TRANSACTIONS (Continued)

(d) Guarantees for banking and other facilities of certain associates

The Group has executed guarantees for banking and other facilities granted to certain associates. The utilised amount of such facilities covered by the Group's guarantees which also represented the financial exposure of the Group as at 31 December 2013 amounted to approximately HK$2,550,994,000 (2012: HK$1,496,416,000). The total amount of such facilities covered by the Group's guarantees as at 31 December 2013 amounted to approximately HK$4,851,951,000 (2012: HK$2,360,790,000). The above-mentioned amounts are also reflected in the guarantees given by the Group for banking and other facilities disclosed in note 42(a).

(e) Other related party transactions

During the year, certain subsidiaries of the Group entered into sale and purchase agreements with certain related parties for sale of properties in Hong Kong for a total consideration of HK$18,079,000. The sales of property units to related parties were in the ordinary course of business of the Group.

In December 2013, the Group acquired from Kerry Warehouse (HK) Holdings Limited, an associate of the Group, 100% of the share capital of Nettlefold Limited and its subsidiary which owns Kerry D.G. Warehouse (Kowloon Bay) at 7 Kai Hing Road, Kowloon Bay, Kowloon, Hong Kong for redevelopment purpose at a consideration of HK$400,000,000.

41 COMMITMENTS

(a) At 31 December 2013, the Group had capital and other 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:

	2013 HK$'000	2012 HK$'000
Contracted but not provided for	**9,339,172**	9,090,849
Authorised but not contracted for	**919,798**	371,143
	10,258,970	9,461,992

(b) At 31 December 2013, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	2013 HK$'000	2012 HK$'000
Land and buildings:		
Within one year	**49,601**	316,324
In the second to fifth year, inclusive	**85,761**	379,917
Over five years	**–**	183,517
	135,362	879,758

41 COMMITMENTS (Continued)

(c) At 31 December 2013, the Group had future aggregate minimum lease rental receivable under non-cancellable operating leases as follows:

	2013 HK$'000	2012 HK$'000
Land and buildings:		
Within one year	**2,132,720**	1,486,209
In the second to fifth year, inclusive	**3,182,051**	1,615,595
Over five years	**374,396**	426,219
	5,689,167	3,528,023

42 CONTINGENT LIABILITIES

(a) Guarantees for banking and other facilities

	Group		Company	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Guarantees for banking and other facilities of certain subsidiaries and associates (notes (i) and (ii))	**2,550,994**	1,496,416	**24,347,534**	18,027,852
Guarantees to certain banks for mortgage facilities granted to first buyers of certain properties in the PRC (note (iii))	**975,273**	722,885	**–**	–
Guarantees to fixed rate bondholders (note (iv))	**–**	–	**10,175,480**	10,153,100
	3,526,267	2,219,301	**34,523,014**	28,180,952

(i) The Group has executed guarantees for banking and other facilities granted to certain associates. The utilised amount of such facilities covered by the Group's guarantees which also represented the financial exposure of the Group as at 31 December 2013 amounted to approximately HK$2,550,994,000 (2012: HK$1,496,416,000). The total amount of such facilities covered by the Group's guarantees as at 31 December 2013 amounted to approximately HK$4,851,951,000 (2012: HK$2,360,790,000).

(ii) The Company has executed guarantees to banks for facilities granted to certain subsidiaries and associates. The utilised amount of such facilities covered by the Company's guarantees which also represented the financial exposure of the Company as at 31 December 2013 amounted to approximately HK$24,347,534,000 (2012: HK$18,027,852,000). The total amount of such facilities covered by the Company's guarantees as at 31 December 2013 amounted to approximately HK$33,448,214,000 (2012: HK$24,401,420,000).

42 CONTINGENT LIABILITIES (Continued)

(a) Guarantees for banking and other facilities (Continued)

(iii) The Group has executed guarantees to certain banks for mortgage facilities granted to first buyers of certain properties developed by the Group in the PRC. The utilised amount of such facilities covered by the Group's guarantees which also represented the financial exposure of the Group as at 31 December 2013 amounted to approximately HK$975,273,000 (2012: HK$722,885,000). The total amount of such facilities covered by the Group's guarantees as at 31 December 2013 amounted to approximately HK$10,570,044,000 (2012: HK$8,100,318,000).

(iv) The Company has executed guarantees in favour of fixed rate bondholders in respect of the outstanding fixed rate bonds issued by the Group (note 30).

(b) Other guarantees and undertakings

(i) A wholly-owned subsidiary of the Company, through its associate, has a 40% interest in a company which is engaged in the development of a site at the Hang Hau Mass Transit Railway Station Development (the "Hang Hau Developer"). The Hang Hau Developer was granted exclusive rights to develop the site pursuant to a development agreement (the "Hang Hau Development Agreement") entered into by the Hang Hau Developer with, amongst others, MTR Corporation Limited ("MTRC").

Pursuant to a deed of guarantee in relation to the above development, the Company has provided several guarantees in favour of MTRC for the due and punctual performance and observance by the Hang Hau Developer of 40% of its obligations, liabilities, stipulations, acts and duties under or in connection with the Hang Hau Development Agreement and the due and punctual payment of 40% of all monies and liabilities due, owing or payable to MTRC from the Hang Hau Developer under or in connection with the Hang Hau Development Agreement.

(ii) The Group has a 50% interest in a company ("Party 1") which owns a piece of land in Cheung Sha Wan while another company ("Party 2") owns an adjacent piece of land. Party 1 and Party 2 are negotiating the joint redevelopment of the two pieces of land. Prior to the joint redevelopment, the parties need to surrender the existing two pieces of land to the Government in exchange for the grant of a new lot for commercial/residential development with public car park facilities (the "Proposed Land Exchange"). The Proposed Land Exchange involves the grant of a street and its associated footpaths as part of the new lot and requires the permanent closure of the abovementioned street and its associated footpaths.

Pursuant to an undertaking (the "Undertaking") dated 6 January 2006, in consideration of the Government entering into and continuing the negotiations with Party 1 and Party 2 on the Proposed Land Exchange, the Company and other parties, including the holding companies of the shareholders of Party 1 and Party 2, have jointly and severally undertaken, covenanted and agreed that they shall indemnify and keep indemnified the Government and any of its officers from and against all and any actions (including judicial reviews), liabilities, demands, claims, expenses, costs and losses arising directly or indirectly out of or in connection with the gazetting of the permanent closure of the abovementioned street and its associated footpaths under the Roads (Works, Use and Compensation) Ordinance and the authorisation of such closure.

Pursuant to a deed of cross indemnity and a collateral deed of cross indemnity, both dated 6 January 2006, the Group's liabilities under the Undertaking shall be several and shall be determined based on its share of interest in the joint redevelopment.

42 CONTINGENT LIABILITIES (Continued)

(b) Other guarantees and undertakings (Continued)

(iii) A wholly-owned subsidiary of the Company, Wealthy State Investments Limited ("Wealthy State"), has been granted the right to jointly develop a site in Sai Ying Pun, Hong Kong pursuant to a development agreement (the "SYP Development Agreement") entered into between Wealthy State and the Urban Renewal Authority ("URA").

Pursuant to a guarantee in relation to the above development, the Company has provided guarantees in favour of URA for the due and punctual performance and fulfilment of all Wealthy State's obligations under the SYP Development Agreement or arising out of or in connection with the SYP Development Agreement (including Wealthy State's obligations to make payments under the terms of the SYP Development Agreement).

43 PLEDGE OF ASSETS – GROUP

At 31 December 2013, the Group's total bank loans and overdrafts of HK$24,800,243,000 (2012: HK$21,779,247,000) included an aggregate amount of HK$19,275,948,000 (2012: HK$16,286,539,000) which is unsecured and an aggregate amount of HK$5,524,295,000 (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 (notes 15, 16, 17, 18 and 25); and

(ii) assignments of insurance proceeds of certain properties.

44 COMPARATIVE FIGURES

Certain comparative figures have been restated to conform with the current year's presentation.

45 ULTIMATE HOLDING COMPANY

The directors regard Kerry Group Limited, a company incorporated in the Cook Islands, as being the ultimate holding company.

46 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES

(i) Principal Subsidiaries

As at 31 December 2013, the Company held interests in the following subsidiaries which are categorised according to the business divisions of the Group, namely, Property Division and Other Divisions as listed below:

Name	Place of incorporation/ establishment	Principal activities	Issued share capital[(1)]/ Registered capital Number/ Amount	Par value per share	Indirect interest held unless denoted with*	Notes
Property Division – PRC						
Beijing Jia Ao Real Estate Development Co., Ltd.	PRC	Property investment	US$77,967,600	–	71.25%	(4)(6)
Beijing Kerry Hotel Co., Ltd.	PRC	Hotel ownership and operation	US$33,000,000	–	71.25%	(4)(6)
Beijing Kerry Huayuan Real Estate Development Co., Ltd.	PRC	Property trading	RMB178,500,000	–	71%	(3)(4)(6)
Changsha Guang Yue Real Estate Co., Ltd	PRC	Property development	RMB218,000,000	–	100%	(3)(4)(5)
Full Fortune Real Estate (Putian) Co., Ltd.	PRC	Property development	RMB500,000,000	–	60%	(3)(5)
Hong Kong Shanghai Development Co Limited	HK	Investment holding	8,000,000	HK$1	75%	
Huiyao Real Estate (Hangzhou) Co., Ltd.	PRC	Property development	RMB2,470,000,000	–	100%	(3)(4)(5)
Huilong Real Estate (Hangzhou) Co., Ltd.	PRC	Property development	RMB200,000,000	–	100%	(3)(4)(5)
Kerry Cao Jia Yan Properties (Shanghai) Co., Ltd.	PRC	Property investment and trading	US$13,400,000	–	100%	(3)(5)
Kerry Centre Real Estate (Shenzhen) Co. Ltd.	PRC	Property investment	HK$142,000,000	–	100%	(3)(4)(5)
Kerry Development (Chengdu) Ltd.	PRC	Property trading	RMB675,000,000	–	55%	(3)(4)(5)
Kerry Development (Manzhouli) Co., Ltd.	PRC	Property trading	US$6,800,000	–	100%	(3)(5)
Kerry Development (Shanghai) Co., Ltd.	PRC	Property investment	US$5,000,000	–	100%	(3)(5)
Kerry Development (Shenzhen) Co., Ltd.	PRC	Property investment	HK$708,350,000	–	100%	(3)(4)(5)
Kerry Huafeng Property Development (Hangzhou) Co., Ltd.	PRC	Property trading	HK$680,000,000	–	100%	(3)(5)
Kerry Properties (China) Investment Co., Ltd.	PRC	Provision of consultancy services	RMB208,000,000	–	100%	(3)(5)
Kerry Properties (China) Limited	BVI	Investment holding	4,554,642,958	HK$1	100%*	
Kerry Properties (China) Limited	HK	Investment holding and provision of administrative support services	100,000	HK$1	100%	
Kerry Properties (Shenzhen) Co., Ltd.	PRC	Property trading	HK$112,082,975	–	100%	(3)(4)(5)
Kerry Properties Development Management (Shanghai) Co., Ltd.	PRC	Real estate and project management	RMB8,962,190	–	100%	(4)(5)
Kerry Real Estate (Hangzhou) Co. Ltd.	PRC	Property development	US$425,750,000	–	75%	(3)(5)
Kerry Real Estate (Nanchang) Co., Ltd.	PRC	Property development	RMB800,000,000	–	80%	(3)(5)
Kerry Shanghai (Hongkou) Ltd.	Samoa	Investment holding	6,000,000	HK$1	60%	
Kerry (Shenyang) Real Estate Development Co., Ltd.	PRC	Property development	RMB2,687,500,000	–	60%	(5)
Lucky Billion Development (Qinhuangdao) Co., Ltd.	PRC	Property development	RMB882,000,000	–	60%	(3)(4)(5)
Million Palace Development (Chengdu) Co., Ltd.	PRC	Property development	RMB1,085,000,000	–	55%	(3)(4)(5)
Risenland Development (Fuzhou) Co., Ltd.	PRC	Property investment	HK$44,000,000	–	100%	(3)(5)
Shanghai Gang Hu Properties Co., Ltd.	PRC	Property investment, trading and development	US$155,300,000	–	74.25%	(3)(6)
Shanghai Ji Xiang Properties Co., Ltd.	PRC	Property investment, hotel ownership and operation	US$311,250,000	–	51%	(3)(5)
Shanghai Kerry Real Estate Development Co., Ltd.	PRC	Property investment	US$250,000	–	55.20%	(3)(6)
Shanghai Xin Ci Hou Properties Co., Ltd.	PRC	Property investment	US$60,000,000	–	74.25%	(6)
Shangri-La Hotel (Shenyang) Co., Ltd.	PRC	Hotel ownership and operation	RMB700,000,000	–	60%	(5)
Sheng Xiang Real Estate (Shenyang) Co., Ltd.	PRC	Property development	RMB1,200,000,000	–	60%	(5)
Sky Fair Development (Qinhuangdao) Co., Ltd.	PRC	Property development	RMB735,000,000	–	60%	(3)(4)(5)

46 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (Continued)

(i) Principal Subsidiaries (Continued)

Name	Place of incorporation/ establishment	Principal activities	Issued share capital[1]/ Registered capital Number/ Amount	Issued share capital[1]/ Registered capital Par value per share	Indirect interest held unless denoted with*	Notes
Property Division – PRC (Continued)						
Wealthy Plaza Development (Chengdu) Ltd.	PRC	Property development	RMB750,000,000	–	55%	(3)(4)(5)
Well Fortune Real Estate (Putian) Co., Ltd.	PRC	Property development	RMB300,000,000	–	60%	(3)(5)
Xiang Heng Real Estate (Jinan) Co., Ltd.	PRC	Property development	RMB600,000,000	–	55%	(3)(5)
Ying He Company Limited	HK	Investment holding	10 21,000,000[2]	HK$1 HK$1	100%	
Yong Yu Real Estate (Nanjing) Co., Ltd.	PRC	Property development	RMB1,350,000,000	–	100%	(3)(4)(5)
Zhanfeng Real Estate (Yingkou) Co., Ltd.	PRC	Property development	RMB250,000,000	–	65%	(3)(4)(5)
Zhanye Real Estate (Yingkou) Co., Ltd.	PRC	Property development	RMB330,000,000	–	65%	(3)(4)(5)
Zhengzhou Yuheng Real Estate Co., Ltd.	PRC	Property development	RMB600,000,000	–	55%	(3)(5)
Property Division – Hong Kong						
All First Investments Limited	BVI	Property investment	2	US$1	100%	
Asia Insight Investments Limited	HK	Restaurant operation	1	HK$1	100%	
Asian Profit Limited	HK	Property development	1	HK$1	71%	
Best Insight Limited	HK	Property development	1	HK$1	100%	
Bethan Company Limited	HK	Property development	2	HK$1	100%	
Capital Rise Investments Limited	HK	Property trading	1	HK$1	71%	
Chain Base Limited	HK	Property trading	1	HK$1	71%	
Chester Profit Limited	HK	Property development	10,000	HK$1	71%	
Classic Gold Holdings Limited	HK	Property development	1	HK$1	100%	
Crown On Investment Limited	HK	Property development	10,000	HK$1	71%	
Crystal Link Holdings Limited	HK	Property development	1	HK$1	100%	
Fine Century Holdings Limited	HK	Restaurant operation	1	HK$1	100%	
Fortune Mega Investments Limited	BVI	Investment holding in HK	1	US$1	100%	
Golden Concord Properties Limited	HK	Property development	1	HK$1	100%	
Haily Investments Limited	HK	Property development	1	HK$1	71%	
Hugo Vantage Limited	HK	Property development	1	HK$1	71%	
Interseed Company Limited	HK	Property trading	2	HK$1	100%	
Jadway Limited	HK	Investment holding and property development	10,000	HK$1	71%	
Join Sky Investment Limited	HK	Property trading	1	HK$1	71%	
Kerry D. G. Warehouse (Kowloon Bay) Limited	HK	Warehouse ownership	20,000,000	HK$1	100%	
Kerry Project Management (Macau) Limited	Macau	Project management and construction management	MOP1,000,000	–	100%	
Kerry Properties (H.K.) Limited	HK	Investment holding and provision of administrative support services	1,000 200,000,000[2]	HK$1 HK$1	100%	
Kerry Properties (Hong Kong) Limited	BVI	Investment holding	41,317,948	HK$0.01	100%*	
Kerry Properties (Macau) Limited	Macau	Property development	MOP1,000,000	–	71%	
Kildare Limited	HK	Property development	2	HK$1	100%	
Leading Well Limited	HK	Property development	1	HK$1	71%	
Mable Road Company Limited	HK	Property investment	10 10,000[2]	HK$1 HK$1	100%	

46 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (Continued)

(i) Principal Subsidiaries (Continued)

Name	Place of incorporation/ establishment	Principal activities	Issued share capital[1]/ Registered capital Number/ Amount	Issued share capital[1]/ Registered capital Par value per share	Indirect interest held unless denoted with*	Notes
Property Division – Hong Kong (Continued)						
Magnifair Company Limited	HK	Property trading	10,000	HK$1	100%	
Mani Holdings Limited	HK	Property development	1	HK$1	71%	
Many Treasure Limited	HK	Property development	1	HK$1	71%	
Maple Crest Development Limited	BVI	Provision of finance services and recreation park operation	120	US$1	75%	
Maxtime International Limited	HK	Property development	1	HK$1	71%	
MegaBox Development Company Limited	HK	Property investment	2	HK$1	100%	
MegaBox Management Services Limited	HK	Property management	2	HK$1	100%	
Metro Cosmos Limited	HK	Property development	1	HK$1	71%	
Mid-Levels Portfolio (Aigburth) Limited	Cook Islands	Property investment in HK	9	US$1	100%	
Mid-Levels Portfolio (Branksome) Limited	HK	Property investment	100	HK$10	100%	
Mid-Levels Portfolio (Gladdon) Limited	HK	Property investment	100	HK$10	100%	
Mid-Levels Portfolio (Tavistock) Limited	HK	Property investment	100	HK$10	100%	
Mid-Levels Portfolio (Valverde) Limited	HK	Property investment and trading	100	HK$10	100%	
Newick Limited	HK	Property trading	1	HK$1	71%	
Panawin Limited	HK	Property trading	1	HK$1	71%	
Peak Universe Limited	HK	Provision of financial services	1	HK$1	71%	
Pettico Limited	HK	Provision of financial services	2	HK$10	100%	
Precise Skill Investments Limited	HK	Provision of financial services	1	HK$1	71%	
Prismatic Limited	HK	Property trading	2	HK$10	100%	
Rayhay Company Limited	HK	Provision of financial services	2	HK$1	100%	
Right Century Investments Limited	HK	Property development	1	HK$1	100%	
Rink Management Group Limited	HK	Ice rink operation	1,000,000	HK$1	100%	
Rodder Holdings Limited	BVI	Investment holding in HK	1	US$1	100%	
Senworld Investment Limited	HK	Property development	2	HK$1	100%	
Shun On Properties Limited	HK	Property trading	1	HK$1	71%	
Sociedade de Investimento Imobiliário Tim Keng Van, S.A.	Macau	Property development	10,000	MOP100	100%	(3)
Taskan Limited	HK	Property trading	2	HK$1	100%	
Trebanos Investment Company Limited	HK	Investment holding	2	HK$1	100%	
Vickon Limited	HK	Property development	1	HK$1	71%	
Wealth Partner Global Limited	HK	Provision of financial services	1	HK$1	71%	
Wealthline Properties Limited	BVI	Investment holding and property development	US$1	–	71%	
Wealthy State Investments Limited	HK	Property trading	1	HK$1	100%	
Widemax Limited	HK	Property development	1	HK$1	71%	

46 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (Continued)

(i) Principal Subsidiaries (Continued)

Name	Place of incorporation/ establishment	Principal activities	Issued share capital[1]/ Registered capital Number/ Amount	Issued share capital[1]/ Registered capital Par value per share	Indirect interest held unless denoted with*	Notes
Property Division – Overseas						
Amble Aim Sdn. Bhd.	Malaysia	Investment holding	2	MYR1	100%	(3)
Kerry Properties (Sydney) Pty Ltd	Australia	Investment holding	1	AU$1	100%	
Kerry Properties International Limited	BVI	Investment holding	1	HK$1	100%*	
Travel Aim Investment B.V.	Netherlands	Investment holding	40,000	EUR0.45	100%	(3)
Wirabay Limited	BVI	Provision of trustee services	1	US$1	100%	
Other Divisions						
Alpine Project Management Ltd.	Samoa	Project management in Asia	1	US$1	100%	
Apex Ally Limited	HK	Group financing	1	HK$1	100%	
Dragon Fame Limited	HK	Group financing	1	HK$1	100%	
Gain Silver Finance Limited	BVI	Group financing	1	US$1	100%	
*i*be-Tech Investments Limited	BVI	Investment holding	1	US$1	100%*	
ISA Investments Limited	BVI	Investment holding	1	US$1	100%	
Kerry Communication Limited	HK	Advertising agency	1	HK$1	100%	
Kerry Corporate Services Limited	HK	Provision of corporate services	1	HK$1	100%	
Kerry Estate Management Limited	BVI	Investment holding	10,000	HK$1	100%*	
Kerry Infrastructure Limited	BVI	Investment holding	595,026,381	HK$1	100%*	
Kerry Project Management (H.K.) Limited	HK	Project management	300,000	HK$1	100%	
Kerry Properties (North China) Development Co. Ltd.	PRC	Project management	RMB5,000,000	–	100%	(3)(4)(5)
Kerry Properties Nominees Limited	BVI	Provision of nominee services	1,000	HK$1	100%	
Kerry Properties Treasury Limited	BVI	Investment holding and group financing	4,670,665,187	HK$1	100%*	
Kerry Property Management Services Limited	HK	Property management	20	HK$1	100%	
Kerry Real Estate Agency Limited	HK	Estate agency	2	HK$1	100%	
Upsmart Investments Limited	HK	Provision of administrative support services	2	HK$1	100%	
Win House Industries Limited	HK	Provision of construction work	1,000,000	HK$1	100%	
Wing Tsing Financial Services Limited	BVI	Group financing	1	US$1	100%	
Wiseyear Holdings Limited	BVI	Group financing	1	US$1	100%	

46 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (Continued)

(ii) Principal Associates

As at 31 December 2013, the Company held interests in the following associates which are categorised according to the business divisions of the Group, namely, Property Division and Other Divisions as listed below:

Name	Place of incorporation/ establishment	Principal activities	Class of shares/ Registered capital	Indirect interest held unless denoted with*	Notes
Property Division – PRC					
Hengyun Real Estate (Tangshan) Co., Ltd.	PRC	Property trading and development	RMB561,000,000	40%	(3)(5)
Ji Xiang Real Estate (Nanjing) Co., Ltd.	PRC	Property development	RMB750,000,000	45%	(3)(5)
Jian'an Real Estate (Kunming) Co., Ltd.	PRC	Property development	RMB400,000,000	35%	(3)(4)(5)
Ningbo Ruifeng Real Estate Co., Ltd.	PRC	Property development	RMB1,836,575,900	50%	(3)(5)
Ruihe Real Estate (Tangshan) Co., Ltd.	PRC	Property development	RMB600,000,000	40%	(3)(5)
Shanghai Pudong Kerry City Properties Co., Ltd.	PRC	Property investment, hotel ownership and operation	US$171,361,400	40.80%	(4)(6)
Tianjin Kerry Real Estate Development Co., Ltd.	PRC	Property development	RMB2,261,250,000	49%	(3)(5)
Property Division – Hong Kong					
Brisbane Trading Company Limited	HK	Investment holding and property trading	Ordinary Non-voting deferred	50%	
Cardiff Investments Limited	HK	Investment holding	Ordinary	30%	(3)
Century Link (Hong Kong) Limited	HK	Property investment	Ordinary	47.37%	(3)
Cheerjoy Development Limited	HK	Property development and trading	Ordinary	35%	
Enterprico Investment Limited	HK	Loan financing	Ordinary	45%	(3)
Fine Winner Holdings Limited	HK	Hotel ownership and operation	Ordinary	30%	
Grand Rise Investments Limited	HK	Property investment	Ordinary	47.37%	(3)
Jet Fame (Hong Kong) Limited	HK	Property investment	Ordinary	47.37%	(3)
Kerry Hung Kai Warehouse (Cheung Sha Wan) Limited	HK	Warehouse operation	Ordinary	50%	(3)
Orient Field Holdings Limited	HK	Property investment	Ordinary	47.37%	(3)
Pembrooke Development Investments Limited	BVI	Property development	Ordinary Non-voting deferred	40%	
Time Rank Limited	HK	Property trading	Ordinary	50%	(9)
Ubagan Limited	HK	Property investment	Ordinary	40%	
Union Top Properties Limited	HK	Property investment	Ordinary	47.37%	(3)
Victory Top Properties Limited	HK	Property investment	Ordinary	47.37%	(3)
Win Chanford Enterprises Limited	HK	Investment holding and property investment	Ordinary	47.37%	(3)
Wolver Hollow Company Limited	HK	Warehouse ownership	Ordinary	50%	(3)
Wu Wing International Company, Limited	HK	Property trading and investment	Ordinary	45%	(3)(9)
Property Division – Overseas					
Jacksons Landing Development Pty. Limited	Australia	Property development	Ordinary	25%	(3)(9)
Jacksons Landing Estate Management Pty Limited	Australia	Property management	Ordinary	25%	(3)(9)
Shang Properties, Inc.	Philippines	Property development, real estate management and investment holding	Common	34.61%	(3)(7)

46 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (Continued)

(ii) Principal Associates (Continued)

Name	Place of incorporation/ establishment	Principal activities	Class of shares/ Registered capital	Indirect interest held unless denoted with*	Notes
Other Divisions					
Kerry Logistics Network Limited	BVI (continued into Bermuda)	Integrated logistics and international freight forwarding business	Ordinary	43.34%*	(7)(10)
Hohhot Chunhua KVW Water Treatment Company Limited	PRC	Water treatment facilities ownership and management	RMB192,329,200	13%	(3)(4)(6)(8)
Hohhot Chunhua VWK Water Operation Company Limited	PRC	Water treatment facilities operation and maintenance	RMB14,000,000	19.50%	(3)(4)(6)(8)
Kerry CQ Water (Hohhot) Limited	HK	Investment holding	Ordinary	50%	(3)
KVW Investment Company Limited	HK	Investment holding	Ordinary	25.50%	(3)
Western Harbour Tunnel Company Limited	HK	Tunnel operation and management	Ordinary	15%	(8)(9)

Notes:

(1) all being ordinary shares and fully paid up except otherwise stated
(2) non-voting deferred shares
(3) companies not audited by PricewaterhouseCoopers
(4) English translation of name only
(5) wholly foreign-owned enterprise
(6) sino-foreign equity joint venture enterprise
(7) listed company
(8) significant influence is obtained by the Group through participation in the board of directors of these associates
(9) companies having a financial accounting period which is not coterminous with the Group
(10) represents interest held by the Group before the consideration of the effect of over-allotment share option in respect of the separate listing of Kerry Logistics

BVI British Virgin Islands
HK Hong Kong
PRC The People's Republic of China

FIVE-YEAR FINANCIAL SUMMARY

The results, assets and liabilities of the Group for the last five financial years are as follows:

	2013	2012	2011	2010	2009
		(Note 1)	(Note 1)	(Note 1)	
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Results					
Turnover (Note 2)	**33,157,961**	34,513,046	20,660,363	21,225,990	12,938,283
Profit attributable to shareholders	**13,154,389**	6,960,931	5,348,032	6,703,045	4,634,980
Assets and liabilities					
Non-current assets	**117,070,145**	101,906,308	86,266,763	76,889,374	63,069,196
Net current assets	**10,718,512**	19,022,357	16,611,532	10,664,298	16,356,262
Total assets less current liabilities	**127,788,657**	120,928,665	102,878,295	87,553,672	79,425,458
Long-term liabilities and non-controlling interests	**(52,033,431)**	(50,177,098)	(38,980,838)	(28,895,527)	(28,013,716)
Shareholders' funds	**75,755,226**	70,751,567	63,897,457	58,658,145	51,411,742

Notes:

1. *Certain figures have been restated due to the adoption of HKAS 19 (2011) 'Employee benefits'.*

2. *Including discontinued operations.*

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