



KERRY PROPERTIES LIMITED

# 2014 INTERIM REPORT

For the six months ended 30 June 2014

Stock Code : 683

(Incorporated in Bermuda with limited liability)



**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 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 Bryan Pallop GAW

**COMPANY SECRETARY**

Ms LI Siu Ching, *Liz*

**AUDITOR**

PricewaterhouseCoopers

**REGISTERED OFFICE**

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 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  
 The Belvedere Building, 69 Pitts Bay Road  
 Pembroke HM08, Bermuda

**HONG KONG BRANCH REGISTRAR AND TRANSFER OFFICE**

Tricor Abacus Limited  
 Level 22, Hopewell Centre  
 183 Queen's Road East, Hong Kong

**CORPORATE COMMUNICATION DEPARTMENT**

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**WEBSITE**

www.kerryprops.com

**KEY DATES**

**Closure of Registers of Members**  
 5 September 2014

**Proposed Payment of Interim Dividend**  
 16 September 2014



## INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

The Board of Directors (the “**Board**”) of Kerry Properties Limited (the “**Company**”) report the unaudited interim results of the Group for the six months ended 30 June 2014. The Audit and Corporate Governance Committee of the Company has met to review the results and the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2014 prior to recommending them to the Board for approval.

The Group’s consolidated net profit attributable to shareholders for the six months ended 30 June 2014 was HK\$2,390 million, representing a decrease of 56% compared with HK\$5,375 million reported for the same period in 2013. This decrease was primarily due to the substantial decrease in the increase in fair value of investment properties of the Group. The Group measured its investment property portfolio on a fair value basis and recorded an increase in fair value of investment properties (net of deferred taxation) of HK\$586 million for the six months ended 30 June 2014 (2013: HK\$3,080 million). Before taking into account the effects of the aforementioned increase in fair value, the Group recorded a decrease of 21% in profit attributable to shareholders to HK\$1,804 million for the six months ended 30 June 2014 (2013: HK\$2,295 million), of which a 11% decrease in profit attributable to shareholders was due to the change in the Company’s interest in Kerry Logistics Network Limited (“**Kerry Logistics**”) from a wholly-owned subsidiary to an associate as a result of the spin-off of Kerry Logistics in December 2013.

Earnings per share for the six months ended 30 June 2014 was HK\$1.65, representing a decrease of 56% compared with HK\$3.73 per share for the same period in 2013. The basis of calculating the earnings per share is detailed in Note 7 below.

The effect on the Group’s profit attributable to shareholders due to the fair value adjustments of investment properties and the share of net profit of Kerry Logistics is as follows:

	Six months ended 30 June		Change
	2014	2013	
	HK\$ million	HK\$ million	
Profit attributable to shareholders before taking into account the fair value adjustments of investment properties and the share of net profit of Kerry Logistics	<b>1,596</b>	1,840	
Add:			
Share of net profit of Kerry Logistics before taking into account the net increase in fair value of investment properties and related tax effects	<b>208</b>	455	
Profit attributable to shareholders before taking into account the net increase in fair value of investment properties and related tax effects	<b>1,804</b>	2,295	-21%
Add:			
Net increase in fair value of investment properties and related tax effects	<b>586</b>	3,080	
Profit attributable to shareholders after taking into account the net increase in fair value of investment properties and related tax effects	<b>2,390</b>	5,375	-56%

The Directors have declared an interim dividend of HK\$0.3 per share for the six months ended 30 June 2014 (the “**Interim Dividend**”) (2013: HK\$0.35), which is payable on Tuesday, 16 September 2014 to shareholders whose names appear on the registers of members of the Company (the “**Registers of Members**”) on Friday, 5 September 2014.

At the Company’s Annual General Meeting held on 5 May 2014, shareholders approved the final dividend of HK\$0.55 per share for the year ended 31 December 2013 which amounted to a total of approximately HK\$794 million and was paid on 20 May 2014.

## CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

	Note	Unaudited	
		2014	2013
		HK\$'000	(Restated) HK\$'000
<b>Continuing operations</b>			
Turnover	3	6,173,689	7,731,725
Cost of sales		(1,880,882)	(3,712,120)
Direct operating expenses		(1,058,416)	(750,995)
Gross profit		3,234,391	3,268,610
Other income and net gains		170,868	160,615
Administrative and other operating expenses		(600,965)	(484,868)
Increase in fair value of investment properties		825,980	5,466,954
Operating profit before finance costs		3,630,274	8,411,311
Finance costs		(310,434)	(183,579)
Operating profit	4	3,319,840	8,227,732
Share of results of associates		566,295	306,540
Profit before taxation		3,886,135	8,534,272
Taxation	5	(885,139)	(2,194,188)
Profit for the period from continuing operations		3,000,996	6,340,084
<b>Discontinued operations</b>			
Profit for the period from discontinued operations	6	–	1,056,013
Profit for the period		3,000,996	7,396,097
Profit attributable to:			
Company's shareholders			
Profit from continuing operations		2,389,946	4,471,481
Profit from discontinued operations		–	903,554
		2,389,946	5,375,035
Non-controlling interests			
Profit from continuing operations		611,050	1,868,603
Profit from discontinued operations		–	152,459
		611,050	2,021,062
		3,000,996	7,396,097

## CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT (continued)

		Unaudited	
		Six months ended 30 June	
		2014	2013
			(Restated)
	Note	HK\$'000	HK\$'000
Interim dividend		<u>433,309</u>	<u>503,964</u>
Interim dividend per share		<u>HK\$0.30</u>	<u>HK\$0.35</u>
Earnings per share	7		
– Basic			
From continuing operations		HK\$1.65	HK\$3.11
From discontinued operations		–	HK\$0.62
		<u>HK\$1.65</u>	<u>HK\$3.73</u>
– Diluted			
From continuing operations		HK\$1.65	HK\$3.10
From discontinued operations		–	HK\$0.62
		<u>HK\$1.65</u>	<u>HK\$3.72</u>

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	
	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
Profit for the period	3,000,996	7,396,097
Other comprehensive income		
Items that may be reclassified to profit or loss		
Fair value loss on available-for-sale investments	(1,432)	(50,932)
Share of other comprehensive income of associates	(113,364)	891
Cash flow hedges	(32,036)	131,425
Net translation differences on foreign operations	(1,655,693)	658,258
Other comprehensive income for the period (net of tax)	(1,802,525)	739,642
Total comprehensive income for the period	<u>1,198,471</u>	<u>8,135,739</u>
Total comprehensive income attributable to:		
Company's shareholders	998,518	5,964,226
Non-controlling interests	199,953	2,171,513
	<u>1,198,471</u>	<u>8,135,739</u>
Total comprehensive income attributable to		
Company's shareholders arising from:		
Continuing operations	998,518	5,119,589
Discontinued operations	–	844,637
	<u>998,518</u>	<u>5,964,226</u>

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

		Unaudited As at 30 June 2014 <i>HK\$'000</i>	Audited As at 31 December 2013 <i>HK\$'000</i>
	Note		
<b>ASSETS AND LIABILITIES</b>			
Non-current assets			
Property, plant and equipment	8	<b>4,745,130</b>	4,960,327
Investment properties	8	<b>53,838,624</b>	53,670,734
Leasehold land and land use rights	8	<b>1,209,977</b>	1,261,637
Properties under development		<b>36,304,545</b>	35,024,143
Land deposits		<b>1,206,330</b>	1,226,536
Associates		<b>18,546,555</b>	18,293,815
Derivative financial instruments		<b>256,828</b>	279,702
Available-for-sale investments		<b>1,862,790</b>	1,864,222
Long-term receivables		<b>375,716</b>	366,501
Intangible assets	8	<b>122,504</b>	122,528
		<b>118,468,999</b>	117,070,145
Current assets			
Properties under development		<b>5,122,264</b>	6,538,516
Completed properties held for sale		<b>4,077,064</b>	4,000,433
Accounts receivable, prepayments and deposits	9	<b>3,304,177</b>	2,669,459
Tax recoverable		<b>269,140</b>	319,065
Tax reserve certificates		<b>127,746</b>	115,183
Listed securities at fair value through profit or loss		<b>177,106</b>	168,695
Derivative financial instruments		<b>11,934</b>	14,053
Restricted bank deposits		<b>31,922</b>	13,722
Cash and bank balances		<b>10,759,175</b>	11,480,081
		<b>23,880,528</b>	25,319,207
Current liabilities			
Accounts payable, deposits received and accrued charges	10	<b>7,725,461</b>	7,764,552
Taxation		<b>2,210,888</b>	2,871,057
Short-term bank loans and current portion of long-term bank loans	11	<b>2,518,281</b>	3,965,086
		<b>12,454,630</b>	14,600,695
Net current assets		<b>11,425,898</b>	10,718,512
Total assets less current liabilities		<b>129,894,897</b>	127,788,657

		<b>Unaudited</b>	Audited
		<b>As at</b>	As at
		<b>30 June</b>	31 December
		<b>2014</b>	2013
	Note	<b>HK\$'000</b>	<b>HK\$'000</b>
Non-current liabilities			
Long-term bank loans	11	<b>22,306,559</b>	20,835,157
Fixed rate bonds		<b>10,181,060</b>	10,175,480
Amounts due to non-controlling interests		<b>2,005,525</b>	2,272,385
Deferred taxation		<b>5,801,205</b>	5,630,222
		<b>40,294,349</b>	38,913,244
<b>ASSETS LESS LIABILITIES</b>		<b>89,600,548</b>	88,875,413
<b>EQUITY</b>			
Capital and reserves attributable to the Company's shareholders			
Share capital		<b>1,444,362</b>	1,444,293
Share premium		<b>12,371,973</b>	12,350,197
Other reserves		<b>14,623,783</b>	15,979,337
Retained profits		<b>47,142,862</b>	45,187,038
Proposed dividend		<b>433,309</b>	794,361
		<b>76,016,289</b>	75,755,226
Non-controlling interests		<b>13,584,259</b>	13,120,187
<b>TOTAL EQUITY</b>		<b>89,600,548</b>	88,875,413

**FINANCIAL HIGHLIGHTS**

	<b>Unaudited</b>	Audited
	<b>As at</b>	As at
	<b>30 June</b>	31 December
	<b>2014</b>	2013
Equity attributable to the Company's shareholders ( <i>HK\$ million</i> )	<b>76,016</b>	75,755
Net borrowings (including bonds) ( <i>HK\$ million</i> )	<b>24,215</b>	23,482
Net asset value (attributable to the Company's shareholders) per share	<b>HK\$52.63</b>	HK\$52.45
Gearing (Net borrowings/Equity attributable to the Company's shareholders)	<b>31.9%</b>	31.0%



## CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

	Unaudited	
	Six months ended 2014	2013
	2014	2013
	HK\$'000	(Restated) HK\$'000
Operating activities		
Net cash generated from/(used in) operations	<b>3,459,795</b>	(7,476,389)
Interest paid	<b>(629,652)</b>	(603,788)
Income tax paid	<b>(1,152,017)</b>	(341,156)
Net cash generated from/(used in) operating activities	<b>1,678,126</b>	(8,421,333)
Investing activities		
Additions of property, plant and equipment, investment properties and properties under development	<b>(1,790,431)</b>	(1,818,164)
Increase in land deposits	<b>(78)</b>	(859,791)
Acquisition of subsidiaries	–	(580,215)
Acquisition of additional interest in subsidiaries	–	(179,050)
Increase in investments in associates	<b>(19,901)</b>	(295,480)
Dividends received from associates	<b>197,101</b>	91,056
(Additional loans to)/repayment of loans from associates, net	<b>(118,524)</b>	1,303,905
Purchase of available-for-sale investments	–	(579)
Increase in long-term receivables	<b>(10,304)</b>	(32,292)
Interest received	<b>145,186</b>	133,265
Increase in restricted and pledged bank deposits	<b>(18,596)</b>	(3,435)
(Increase)/decrease in short-term bank deposits maturing after more than 3 months	<b>(371,706)</b>	1,269,928
Dividends received from listed and unlisted investments	<b>44,740</b>	43,902
Proceeds from sale of property, plant and equipment and investment properties	<b>19,996</b>	107,278
Net cash used in investing activities	<b>(1,922,517)</b>	(819,672)
Financing activities		
Proceeds from issue of shares	<b>1,235</b>	16,436
Repayment of bank loans	<b>(6,338,489)</b>	(13,006,690)
Drawdown of bank loans	<b>6,482,874</b>	20,721,179
Dividends paid	<b>(794,391)</b>	(791,930)
Capital injection from non-controlling interests	<b>278,549</b>	58,952
Dividends of subsidiaries paid to non-controlling interests	<b>(14,430)</b>	(50,582)
Increase in loans from non-controlling interests	<b>(266,860)</b>	(380,896)
Net cash (used in)/generated from financing activities	<b>(651,512)</b>	6,566,469
Decrease in cash and cash equivalents	<b>(895,903)</b>	(2,674,536)
Effect of exchange rate changes	<b>(188,554)</b>	52,411
Cash and cash equivalents at 1 January	<b>11,072,488</b>	14,154,512
Cash and cash equivalents at 30 June	<b>9,988,031</b>	11,532,387
Analysis of balances of cash and cash equivalents		
Cash and bank balances (excluding bank deposits maturing after more than 3 months)	<b>9,988,031</b>	11,559,186
Secured bank overdrafts	–	(19,487)
Unsecured bank overdrafts	–	(7,312)
	<b>9,988,031</b>	11,532,387

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY – UNAUDITED

	Attributable to shareholders of the Company						Non-controlling interests	Total equity
	Share capital	Share premium	Other reserves	Retained profits	Proposed dividend	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance as at 1 January 2014	1,444,293	12,350,197	15,979,337	45,187,038	794,361	75,755,226	13,120,187	88,875,413
Profit for the period	-	-	-	2,389,946	-	2,389,946	611,050	3,000,996
Fair value loss on available-for-sale investments	-	-	(1,432)	-	-	(1,432)	-	(1,432)
Share of reserves of associates	-	-	(113,364)	-	-	(113,364)	-	(113,364)
Cash flow hedges	-	-	(32,036)	-	-	(32,036)	-	(32,036)
Net translation differences on foreign operations	-	-	(1,244,596)	-	-	(1,244,596)	(411,097)	(1,655,693)
Total comprehensive income for the six months ended 30 June 2014	-	-	(1,391,428)	2,389,946	-	998,518	199,953	1,198,471
Issue of share capital – exercise of share options	69	21,776	(20,610)	-	-	1,235	-	1,235
Employee share option scheme – value of employee services	-	-	55,701	-	-	55,701	-	55,701
Dividends paid	-	-	-	(30)	(794,361)	(794,391)	(14,430)	(808,821)
2014 proposed interim dividend	-	-	-	(433,309)	433,309	-	-	-
Transfer	-	-	783	(783)	-	-	-	-
Capital injection from non-controlling interests	-	-	-	-	-	-	278,549	278,549
	69	21,776	35,874	(434,122)	(361,052)	(737,455)	264,119	(473,336)
Balance as at 30 June 2014	<u>1,444,362</u>	<u>12,371,973</u>	<u>14,623,783</u>	<u>47,142,862</u>	<u>433,309</u>	<u>76,016,289</u>	<u>13,584,259</u>	<u>89,600,548</u>

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

	Attributable to shareholders of the Company						Non-controlling interests	Total equity
	Share capital	Share premium	Other reserves	Retained profits	Proposed dividend	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance as at 1 January 2013	1,439,131	12,208,679	15,548,181	40,764,054	791,522	70,751,567	13,470,203	84,221,770
Profit for the period	–	–	–	5,375,035	–	5,375,035	2,021,062	7,396,097
Fair value loss on available-for-sale investments	–	–	(50,932)	–	–	(50,932)	–	(50,932)
Share of exchange reserve of an associate	–	–	891	–	–	891	–	891
Cash flow hedges	–	–	131,425	–	–	131,425	–	131,425
Net translation differences on foreign operations	–	–	507,807	–	–	507,807	150,451	658,258
Total comprehensive income for the six months ended 30 June 2013	–	–	589,191	5,375,035	–	5,964,226	2,171,513	8,135,739
Issue of share capital								
– exercise of share options	767	28,292	(12,623)	–	–	16,436	–	16,436
Employee share option scheme – value of employee services	–	–	38,902	–	–	38,902	–	38,902
Dividends paid	–	–	–	(408)	(791,522)	(791,930)	(50,582)	(842,512)
2013 proposed interim dividend	–	–	–	(503,964)	503,964	–	–	–
Transfer	–	–	1,418	(1,418)	–	–	–	–
Acquisition of subsidiaries	–	–	–	–	–	–	20,282	20,282
Acquisition of additional interest in subsidiaries	–	–	(113,944)	–	–	(113,944)	(65,106)	(179,050)
Capital injection from non-controlling interests	–	–	–	–	–	–	58,952	58,952
	<u>767</u>	<u>28,292</u>	<u>(86,247)</u>	<u>(505,790)</u>	<u>(287,558)</u>	<u>(850,536)</u>	<u>(36,454)</u>	<u>(886,990)</u>
Balance as at 30 June 2013	<u>1,439,898</u>	<u>12,236,971</u>	<u>16,051,125</u>	<u>45,633,299</u>	<u>503,964</u>	<u>75,865,257</u>	<u>15,605,262</u>	<u>91,470,519</u>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 1. Basis of preparation and accounting policies

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

These unaudited condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2013. The accounting policies used in the preparation of these condensed consolidated interim financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2013.

The following standards and amendments to existing standards have been published but are not mandatory for the financial year beginning 1 January 2014, but the Group has not early adopted them:

- HKFRS 9, ‘Financial instruments’
- HKFRS 14, ‘Regulatory deferral accounts’
- HKFRS 15, ‘Revenue from contracts with customers’
- Annual improvements to 2010-2012 cycle
- Annual improvements to 2011-2013 cycle

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

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

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2013.

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

### 2. Financial risk management and fair value measurement

#### (i) Financial risk factors

The Group’s activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk.

These condensed consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; and should be read in conjunction with the Group’s annual financial statements as at 31 December 2013. There have been no changes in the Group’s financial risk management structure and policies since the year end.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

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

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

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

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

The following table presents the Group's financial assets that are measured at fair value at 30 June 2014:

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Assets				
Derivative financial instruments	–	268,762	–	268,762
Available-for-sale investments	495,492	–	1,367,298	1,862,790
Listed securities at fair value through profit or loss	177,106	–	–	177,106
	<u>672,598</u>	<u>268,762</u>	<u>1,367,298</u>	<u>2,308,658</u>
Total assets	<u>672,598</u>	<u>268,762</u>	<u>1,367,298</u>	<u>2,308,658</u>

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
	<u>652,342</u>	<u>293,755</u>	<u>1,380,575</u>	<u>2,326,672</u>
Total assets	<u>652,342</u>	<u>293,755</u>	<u>1,380,575</u>	<u>2,326,672</u>

There were no transfers between Levels during the period.

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

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



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

The following table presents the changes in Level 3 instruments:

	Available-for-sale investments	
	2014 HK\$'000	2013 HK\$'000
Opening balance as at 1 January	1,380,575	1,454,668
Losses recognised in comprehensive income	(13,277)	(33,039)
Additions	–	1,294
Disposals	–	(715)
Exchange adjustments	–	(915)
	<u>1,367,298</u>	<u>1,421,293</u>
Closing balance as at 30 June	<u>1,367,298</u>	<u>1,421,293</u>

The Group established fair value of unlisted available-for-sale investments by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

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

There were no changes in valuation techniques during the period.

**(v) Group's valuation processes for financial instruments**

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

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

The fair value of the listed fixed rate bonds as at 30 June 2014 was HK\$11,039,653,000 (31 December 2013: HK\$10,940,941,000).

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

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

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

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

#### (vii) 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 2014	10,036,300	8,367,930	31,028,000	–	4,238,504	53,670,734
Additions	–	–	156,418	–	217,861	374,279
Net gains from fair value adjustment	–	–	632,286	–	193,694	825,980
Disposals	–	–	(11,279)	–	–	(11,279)
Exchange adjustments	–	–	(895,226)	–	(125,864)	(1,021,090)
Closing balance as at 30 June 2014	<u>10,036,300</u>	<u>8,367,930</u>	<u>30,910,199</u>	<u>–</u>	<u>4,524,195</u>	<u>53,838,624</u>
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	–	2,921	104,127	–	3,174,100	3,281,148
Net gains from fair value adjustment	–	777,679	134,431	57,450	4,955,697	5,925,257
Disposals	–	–	(47,657)	–	–	(47,657)
Exchange adjustments	–	–	274,462	(6,176)	122,296	390,582
Closing balance as at 30 June 2013	<u>9,885,500</u>	<u>13,256,730</u>	<u>17,641,422</u>	<u>453,845</u>	<u>15,796,258</u>	<u>57,033,755</u>

Before the change in the Company's interest in Kerry Logistics from a wholly-owned subsidiary to an associate as a result of the spin-off of Kerry Logistics in December 2013, the assets of Kerry Logistics were consolidated into the assets of the Group.

#### Valuation processes of the Group

The Group measures its investment properties at fair value. The Group's finance department includes a team that reviews significant unobservable inputs and performs valuation adjustments. This team reports directly to the senior management and the Audit and Corporate Governance Committee.

#### Valuation techniques

Fair value of completed residential and commercial properties in Hong Kong and PRC is generally derived from the income capitalisation method and whenever 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.

#### Significant unobservable inputs used to determine fair value

Capitalisation rates are estimated based on the risk profile of the investment properties being valued. The higher the rates, the lower the fair value. At 30 June 2014, capitalisation rates of 3.5% to 5.5% (31 December 2013: 3.5% to 5.5%) and 7% to 9% (31 December 2013: 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 based on market conditions at valuation date 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.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

### 3. Principal activities and segmental analysis of operations

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

	Turnover		Gross profit	
	Six months ended 30 June 2014	2013 (Restated)	Six months ended 30 June 2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Principal activities:				
Property rental and others				
– The People's Republic of China ("PRC") Property	1,036,739	528,285	814,981	393,798
– Hong Kong Property	437,170	448,492	336,835	355,903
	<b>1,473,909</b>	976,777	<b>1,151,816</b>	749,701
Property sales				
– PRC Property (Note)	703,157	2,710,129	252,201	1,122,413
– Hong Kong Property	3,437,001	3,901,427	1,781,623	1,377,889
	<b>4,140,158</b>	6,611,556	<b>2,033,824</b>	2,500,302
Hotel operations – PRC Property	559,622	143,392	48,751	18,607
Continuing operations	<b>6,173,689</b>	7,731,725	<b>3,234,391</b>	3,268,610
Discontinued operations				
– Logistics operations	–	9,521,789	–	1,447,564
	<b>6,173,689</b>	<b>17,253,514</b>	<b>3,234,391</b>	<b>4,716,174</b>
Principal markets:				
Continuing operations				
– PRC	2,299,518	3,381,806	1,115,933	1,534,818
– Hong Kong	3,874,171	4,349,919	2,118,458	1,733,792
	<b>6,173,689</b>	<b>7,731,725</b>	<b>3,234,391</b>	<b>3,268,610</b>
Principal markets:				
Discontinued operations				
– PRC	–	4,223,054	–	437,490
– Hong Kong	–	1,296,241	–	341,649
– Others	–	4,002,494	–	668,425
	–	<b>9,521,789</b>	–	<b>1,447,564</b>

Note: Sales of investment properties for the six months ended 30 June 2014 amounting to HK\$17,494,000 (2013: HK\$73,653,000) are excluded from turnover.

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

	Six months ended 30 June 2014						
	HK\$'000						
	PRC Property	Hong Kong Property	Total Operating Segments	Others	Consolidated for Continuing Operations	Discontinued Operations: Logistics	Total
Revenue							
Turnover	<u>2,299,518</u>	<u>3,874,171</u>	<u>6,173,689</u>	<u>-</u>	<u>6,173,689</u>	<u>-</u>	<u>6,173,689</u>
Results							
Segment results – gross profit	1,115,933	2,118,458	3,234,391	-	3,234,391	-	3,234,391
Other income and net gains					170,868	-	170,868
Administrative and other operating expenses					(600,965)	-	(600,965)
Increase in fair value of investment properties					825,980	-	825,980
Operating profit before finance costs					3,630,274	-	3,630,274
Finance costs					(310,434)	-	(310,434)
Operating profit					3,319,840	-	3,319,840
Share of results of associates					566,295	-	566,295
Profit before taxation					3,886,135	-	3,886,135
Taxation					(885,139)	-	(885,139)
Profit for the period					<u>3,000,996</u>	<u>-</u>	<u>3,000,996</u>
Profit attributable to:							
Company's shareholders					2,389,946	-	2,389,946
Non-controlling interests					611,050	-	611,050
					<u>3,000,996</u>	<u>-</u>	<u>3,000,996</u>
Depreciation and amortisation	<u>147,461</u>	<u>7,302</u>	<u>154,763</u>	<u>3,533</u>	<u>158,296</u>	<u>-</u>	<u>158,296</u>



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

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

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

	Six months ended 30 June 2013 (Restated)						Total
	PRC Property	Hong Kong Property	Total Operating Segments	Others	Consolidated for Continuing Operations	Discontinued Operations: Logistics	
Revenue							
Turnover	<u>3,381,806</u>	<u>4,349,919</u>	<u>7,731,725</u>	<u>-</u>	<u>7,731,725</u>	<u>9,521,789</u>	<u>17,253,514</u>
Results							
Segment results – gross profit	1,534,818	1,733,792	3,268,610	-	3,268,610	1,447,564	4,716,174
Other income and net gains					160,615	28,743	189,358
Administrative and other operating expenses					(484,868)	(758,616)	(1,243,484)
Increase in fair value of investment properties					<u>5,466,954</u>	<u>458,303</u>	<u>5,925,257</u>
Operating profit before finance costs					8,411,311	1,175,994	9,587,305
Finance costs					<u>(183,579)</u>	<u>(45,096)</u>	<u>(228,675)</u>
Operating profit					8,227,732	1,130,898	9,358,630
Share of results of associates					<u>306,540</u>	<u>71,626</u>	<u>378,166</u>
Profit before taxation					8,534,272	1,202,524	9,736,796
Taxation					<u>(2,194,188)</u>	<u>(146,511)</u>	<u>(2,340,699)</u>
Profit for the period					<u>6,340,084</u>	<u>1,056,013</u>	<u>7,396,097</u>
Profit attributable to:							
Company's shareholders					4,471,481	903,554	5,375,035
Non-controlling interests					<u>1,868,603</u>	<u>152,459</u>	<u>2,021,062</u>
					<u>6,340,084</u>	<u>1,056,013</u>	<u>7,396,097</u>
Depreciation and amortisation	<u>25,499</u>	<u>6,471</u>	<u>31,970</u>	<u>3,336</u>	<u>35,306</u>	<u>215,797</u>	<u>251,103</u>

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

As at 30 June 2014							
	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
Total assets	<u>80,118,995</u>	<u>52,649,743</u>	<u>2,257,654</u>	<u>135,026,392</u>	<u>58,737,919</u>	<u>(51,414,784)</u>	<u>142,349,527</u>
Total liabilities	<u>44,431,048</u>	<u>26,185,213</u>	<u>119,278</u>	<u>70,735,539</u>	<u>33,428,224</u>	<u>(51,414,784)</u>	<u>52,748,979</u>
As at 31 December 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
Total assets	<u>79,916,788</u>	<u>52,270,556</u>	<u>2,235,881</u>	<u>134,423,225</u>	<u>57,485,681</u>	<u>(49,519,554)</u>	<u>142,389,352</u>
Total liabilities	<u>43,948,910</u>	<u>26,062,078</u>	<u>114,248</u>	<u>70,125,236</u>	<u>32,908,257</u>	<u>(49,519,554)</u>	<u>53,513,939</u>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

### 4. Operating profit

	Continuing operations		Discontinued operations	
	Six months ended 30 June		Six months ended 30 June	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Operating profit is stated after crediting/charging the following:				
<i>Crediting</i>				
Dividend income from listed and unlisted investments	44,740	43,064	-	838
Interest income	136,817	110,511	-	19,705
Gain on sale of investment properties, net	5,341	20,747	-	-
<i>Charging</i>				
Depreciation of property, plant and equipment and amortisation of leasehold land and land use rights	158,296	35,306	-	196,294
Amortisation of intangible assets	-	-	-	19,503
Total finance costs incurred	638,210	567,455	-	45,096
Less: amount capitalised in properties under development and investment properties under construction	(320,733)	(408,220)	-	-
	317,477	159,235	-	45,096
Fair value (gain)/loss on derivative financial instruments	(7,043)	24,344	-	-
Total finance costs expensed during the period	310,434	183,579	-	45,096

## 5. Taxation

	Continuing operations		Discontinued operations	
	Six months ended 30 June		Six months ended 30 June	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
The taxation (charge)/credit comprises:				
PRC taxation				
Current	(208,588)	(549,526)	-	(49,644)
(Under)/over-provision in prior years	(70)	(408)	-	57
Deferred	(317,541)	(1,354,729)	-	450
	<b>(526,199)</b>	(1,904,663)	-	(49,137)
Hong Kong profits tax				
Current	(323,384)	(281,107)	-	(34,100)
(Under)/over-provision in prior years	(12,361)	4,345	-	1,241
Deferred	(11,099)	(4,331)	-	(7,238)
	<b>(346,844)</b>	(281,093)	-	(40,097)
Overseas taxation				
Current	(3,742)	(3,486)	-	(57,045)
(Under)/over-provision in prior years	(3,945)	-	-	2,972
Deferred	(4,409)	(4,946)	-	(3,204)
	<b>(12,096)</b>	(8,432)	-	(57,277)
	<b>(885,139)</b>	(2,194,188)	-	(146,511)

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 16.5%) on the estimated assessable profit for the six months ended 30 June 2014. Income tax on PRC and overseas profits has been calculated on the estimated assessable profit for the six months ended 30 June 2014 at the respective rates of taxation prevailing in the PRC and the overseas countries in which the Group operates.

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

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

### 6. Discontinued operations

As disclosed in the annual financial statements for the year ended 31 December 2013, following the completion of the dividend by way of distribution in specie of the shares of Kerry Logistics by the Group and the spin-off of Kerry Logistics by way of a separate listing of Kerry Logistics' shares on The Stock Exchange of Hong Kong Limited on 19 December 2013, Kerry Logistics was changed from a wholly-owned subsidiary to an associate of the Company. The results of Kerry Logistics were no longer consolidated with that of the Group. Certain comparative figures have been restated to show the discontinued operations separately from continuing operations.

(i) Analysis of the result of discontinued operations for the period is as follows:

	<b>Six months ended 30 June</b>	
	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
Revenue	–	9,521,789
Other income and net gains	–	28,743
Expenses	–	(8,877,937)
Increase in fair value of investment properties	–	458,303
Share of results of associates	–	71,626
	<u>–</u>	<u>1,202,524</u>
Profit before taxation	–	1,202,524
Taxation	–	(146,511)
	<u>–</u>	<u>1,056,013</u>
Profit for the period from discontinued operations	<u>–</u>	<u>1,056,013</u>
Profit for the period from discontinued operations attributable to:		
Company's shareholders	–	903,554
Non-controlling interests	–	152,459
	<u>–</u>	<u>1,056,013</u>

(ii) Analysis of cash flows from discontinued operations for the period is as follows:

	<b>Six months ended 30 June</b>	
	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
Operating cash flows	–	687,438
Investing cash flows	–	(986,156)
Financing cash flows	–	738,694
	<u>–</u>	<u>439,976</u>
Net cash inflow from discontinued operations	<u>–</u>	<u>439,976</u>



**7. 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 period.

	<b>Six months ended 30 June</b>	
	<b>2014</b>	2013
Weighted average number of ordinary shares in issue	<b>1,444,344,504</b>	1,439,822,057
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit attributable to shareholders		
From continuing operations	<b>2,389,946</b>	4,471,481
From discontinued operations	–	903,554
	<b>2,389,946</b>	5,375,035
Basic earnings per share		
From continuing operations	<b>HK\$1.65</b>	HK\$3.11
From discontinued operations	–	HK\$0.62
	<b>HK\$1.65</b>	HK\$3.73

**Diluted**

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

	<b>Six months ended 30 June</b>	
	<b>2014</b>	2013
Weighted average number of ordinary shares in issue	<b>1,444,344,504</b>	1,439,822,057
Adjustment for share options	<b>364,084</b>	3,171,854
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<b>1,444,708,588</b>	1,442,993,911
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit attributable to shareholders		
From continuing operations	<b>2,389,946</b>	4,471,481
From discontinued operations	–	903,554
	<b>2,389,946</b>	5,375,035
Diluted earnings per share		
From continuing operations	<b>HK\$1.65</b>	HK\$3.10
From discontinued operations	–	HK\$0.62
	<b>HK\$1.65</b>	HK\$3.72

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

### 8. Capital expenditure

	Property, plant and equipment <i>HK\$'000</i>	Investment properties <i>HK\$'000</i>	Leasehold land and land use rights <i>HK\$'000</i>	Intangible assets <i>HK\$'000</i>
Opening net book value at 1 January 2014	4,960,327	53,670,734	1,261,637	122,528
Additions	59,324	374,279	–	–
Fair value gains	–	825,980	–	–
Disposals	(2,283)	(11,279)	–	–
Impairment	–	–	–	(24)
Depreciation and amortisation	(143,539)	–	(15,371)	–
Exchange adjustment	(128,699)	(1,021,090)	(36,289)	–
	<u>4,745,130</u>	<u>53,838,624</u>	<u>1,209,977</u>	<u>122,504</u>
Closing net book value at 30 June 2014				
Opening net book value at 1 January 2013	6,626,304	47,484,425	531,796	1,896,333
Additions	392,668	491,586	–	–
Acquisition of subsidiaries	53,071	–	–	167,244
Fair value gains	–	5,925,257	–	–
Disposals	(28,197)	(47,657)	–	–
Transfer	2,324,579	2,789,562	823,537	–
Depreciation and amortisation	(226,862)	–	(6,164)	(19,503)
Exchange adjustment	(108,288)	390,582	(203)	898
	<u>9,033,275</u>	<u>57,033,755</u>	<u>1,348,966</u>	<u>2,044,972</u>
Closing net book value at 30 June 2013				

Before the change in the Company's interest in Kerry Logistics from a wholly-owned subsidiary to an associate as a result of the spin-off of Kerry Logistics in December 2013, the assets of Kerry Logistics were consolidated into the assets of the Group.

**9. Accounts receivable, prepayments and deposits**

Included in accounts receivable, prepayments and deposits are trade receivables. The Group maintains a defined credit policy. The ageing analysis of trade receivables as at 30 June 2014 is as follows:

	<b>As at 30 June 2014 HK\$'000</b>	As at 31 December 2013 HK\$'000
Below 1 month	<b>1,916,751</b>	1,201,900
Between 1 month and 3 months	<b>36,699</b>	11,238
Over 3 months	<b>13,004</b>	3,665
	<b><u>1,966,454</u></b>	<u>1,216,803</u>

**10. Accounts payable, deposits received and accrued charges**

Included in accounts payable, deposits received and accrued charges are trade payables. The ageing analysis of trade payables as at 30 June 2014 is as follows:

	<b>As at 30 June 2014 HK\$'000</b>	As at 31 December 2013 HK\$'000
Below 1 month	<b>205,191</b>	220,269
Between 1 month and 3 months	<b>3,578</b>	17,169
Over 3 months	<b>6,615</b>	16,851
	<b><u>215,384</u></b>	<u>254,289</u>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

### 11. Bank loans

	As at 30 June 2014 HK\$'000	As at 31 December 2013 HK\$'000
Bank loans – unsecured	19,742,450	19,275,948
Bank loans – secured	5,082,390	5,524,295
Total bank loans (note (i))	24,824,840	24,800,243
Less: Short-term bank loans and current portion of long-term bank loans	(2,518,281)	(3,965,086)
	<u>22,306,559</u>	<u>20,835,157</u>

(i) As at 30 June 2014, the Group's bank loans were repayable as follows:

	As at 30 June 2014 HK\$'000	As at 31 December 2013 HK\$'000
Within one year	2,518,281	3,965,086
In the second to fifth year		
– In the second year	11,491,705	2,154,356
– In the third year	1,364,204	11,283,253
– In the fourth year	5,769,739	855,632
– In the fifth year	3,590,104	5,374,228
	<u>22,215,752</u>	<u>19,667,469</u>
Repayable within five years	24,734,033	23,632,555
Over five years	90,807	1,167,688
	<u>24,824,840</u>	<u>24,800,243</u>

### 12. Commitments

At 30 June 2014, 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:

	As at 30 June 2014 HK\$'000	As at 31 December 2013 HK\$'000
Contracted but not provided for	9,203,986	9,339,172
Authorised but not contracted for	173,408	919,798
	<u>9,377,394</u>	<u>10,258,970</u>

**13. Contingent liabilities****Guarantees for banking and other facilities**

	<b>As at 30 June 2014 HK\$'000</b>	As at 31 December 2013 HK\$'000
Guarantees for banking and other facilities of certain associates (note (i))	<b>2,843,831</b>	2,550,994
Guarantees to certain banks for mortgage facilities granted to first buyers of certain properties in the PRC (note (ii))	<b>803,296</b>	975,273
	<b><u>3,647,127</u></b>	<u>3,526,267</u>

- (i) The Group has executed guarantees for banking and other facilities granted to certain associates. The utilised amount of such facilities covered by the Group's guarantees which also represented the financial exposure of the Group as at 30 June 2014 amounted to approximately HK\$2,843,831,000 (31 December 2013: HK\$2,550,994,000). The total amount of such facilities covered by the Group's guarantees as at 30 June 2014 amounted to approximately HK\$5,109,828,000 (31 December 2013: HK\$4,851,951,000).
- (ii) The Group has executed guarantees to certain banks for mortgage facilities granted to first buyers of certain properties developed by the Group in the PRC. The utilised amount of such facilities covered by the Group's guarantees which also represented the financial exposure of the Group as at 30 June 2014 amounted to approximately HK\$803,296,000 (31 December 2013: HK\$975,273,000). The total amount of such facilities covered by the Group's guarantees as at 30 June 2014 amounted to approximately HK\$10,507,282,000 (31 December 2013: HK\$10,570,044,000).

Apart from the above, there are no material changes in contingent liabilities of the Group since 31 December 2013.

**14. Pledge of assets**

As at 30 June 2014, the Group's total bank loans of HK\$24,824,840,000 (31 December 2013: HK\$24,800,243,000) included an aggregate amount of HK\$19,742,450,000 (31 December 2013: HK\$19,275,948,000) which is unsecured and an aggregate amount of HK\$5,082,390,000 (31 December 2013: HK\$5,524,295,000) which is secured. The securities provided for the secured banking facilities available to the Group are as follows:

- (i) legal charges over certain properties of the Group with an aggregate net book value of HK\$21,720,416,000 (31 December 2013: HK\$23,935,435,000); and
- (ii) assignments of insurance proceeds of certain properties of the Group.

## MANAGEMENT DISCUSSION AND ANALYSIS

### (A) Overall Results

Turnover of the Group for the six months ended 30 June 2014 was HK\$6,174 million, which registered a decrease of 20% when compared with the turnover, excluding discontinued operations, of HK\$7,732 million for the corresponding six months ended 30 June 2013. The Group's turnover mainly comprises proceeds from the sales of properties, rental income as well as revenue from hotel operations.

Profit attributable to shareholders before taking into account the net increase in fair value of investment properties and related tax effects for the six months ended 30 June 2014 was HK\$1,804 million (2013: HK\$2,295 million), representing a decrease of 21% over the period, of which a 11% decrease in profit attributable to shareholders was due to the change in the Company's interest in Kerry Logistics from a wholly-owned subsidiary to an associate as a result of the spin-off of Kerry Logistics in December 2013.

During the six months ended 30 June 2014, the net increase in fair value of the Group's investment properties and related tax effects in the aggregate amount of HK\$586 million (2013: HK\$3,080 million) was recognised in the Group's consolidated income statement.

The effect on the Group's profit attributable to shareholders due to the fair value adjustments of investment properties and the share of net profit of Kerry Logistics is as follows:

	<b>Six months ended 30 June</b>		Change
	<b>2014</b>	2013	
	<b>HK\$ million</b>	HK\$ million	
Profit attributable to shareholders before taking into account the fair value adjustments of investment properties and the share of net profit of Kerry Logistics	<b>1,596</b>	1,840	
Add:			
Share of net profit of Kerry Logistics before taking into account the net increase in fair value of investment properties and related tax effects	<u>208</u>	<u>455</u>	
Profit attributable to shareholders before taking into account the net increase in fair value of investment properties and related tax effects	<b>1,804</b>	2,295	-21%
Add:			
Net increase in fair value of investment properties and related tax effects	<u>586</u>	<u>3,080</u>	
Profit attributable to shareholders after taking into account the net increase in fair value of investment properties and related tax effects	<u><b>2,390</b></u>	<u>5,375</u>	-56%

**(B) PRC Property Division**

During the six month ended 30 June 2014, the Division recorded a turnover of HK\$2,300 million (2013: HK\$3,382 million), a decrease of 32%. Gross profit was down by 27% to HK\$1,115 million (2013: HK\$1,535 million).

Subject to the impact of the Government's macroeconomic control, restrictions on bank lending to restrain speculation, and increased housing inventories, the PRC market has essentially returned to the demand-supply equation driven by a genuine need for housing. In the first half of the year, the property market entered another period of adjustment, with intensified downward pressure on sales across the country. In spite of this, the Division was able to maintain a stable performance on the back of its high-quality projects and proactive sales strategy. With the Group's prime portfolio of large-scale mixed-use investment properties, rental contributions are expected to gain upward momentum.

**(i) Investment Properties**

During the six month ended 30 June 2014, the Group generated turnover of HK\$1,037 million (2013: HK\$528 million) and gross profit of HK\$815 million (2013: HK\$394 million) from its portfolio of completed investment properties in the PRC, representing increases of 96% and 107%, respectively.

As at 30 June 2014, the Group held a completed investment property portfolio of apartment, commercial and office properties in the PRC with an aggregate gross floor area ("GFA") of 6.32 million square feet (as at 31 December 2013: 6.33 million square feet). Their respective composition and occupancy rates were as follows:

**As at 30 June 2014:**

	Group's attributable GFA				Total	Occupancy rate
	Beijing	Shanghai	Shenzhen	Fuzhou		
	('000 square feet)					
<b>Office</b>	<b>711</b>	<b>1,534</b>	<b>1,552</b>	<b>–</b>	<b>3,797</b>	<b>86%</b>
<b>Commercial</b>	<b>98</b>	<b>1,100</b>	<b>212</b>	<b>64</b>	<b>1,474</b>	<b>97%</b>
<b>Apartment</b>	<b>277</b>	<b>774</b>	<b>–</b>	<b>–</b>	<b>1,051</b>	<b>70%</b>
	<b>1,086</b>	<b>3,408</b>	<b>1,764</b>	<b>64</b>	<b>6,322</b>	

**As at 31 December 2013:**

	Group's attributable GFA				Total	Occupancy rate
	Beijing	Shanghai	Shenzhen	Fuzhou		
	('000 square feet)					
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	

## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### (B) PRC Property Division (continued)

#### (i) Investment Properties (continued)

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

Property	Occupancy rate as at 30 June 2014	Occupancy rate as at 31 December 2013
Beijing Kerry Centre <sup>(1) (2)</sup>	<b>84%</b>	95%
Jing An Kerry Centre Phase I <sup>(4)</sup>	<b>79%</b>	73% <sup>(3)</sup>
Jing An Kerry Centre Phase II <sup>(1)</sup>	<b>76%</b>	53%
Kerry Parkside Shanghai Pudong <sup>(1)</sup>	<b>98%</b>	97%
Kerry Everbright City Phase I	<b>87%</b>	88%
Central Residences Phase II Towers 1 & 3	<b>82%</b>	83%
Shenzhen Kerry Plaza Phase I	<b>97%</b>	97%
Shenzhen Kerry Plaza Phase II	<b>89%</b>	83%

Notes:

- (1) Excluding hotel.
- (2) Excluding serviced apartments being renovated in 2013. The renovation was completed with leasing commenced in April 2014.
- (3) Excluding retail podium where renovation was completed in the fourth quarter of 2013.
- (4) Formerly known as Shanghai Kerry Centre.

#### *Jing An Kerry Centre, Jing An Shangri-La Hotel, Shanghai*

The landmark mixed-use development, Jing An Kerry Centre is 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 Group holds 74.25% and 51% interests in Phase I and Phase II respectively. 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. Phase II office units were delivered and the retail mall was opened in 2013. As at 30 June 2014, 88% of the office units (as at 31 December 2013: 70%) and 97% of the retail space (as at 31 December 2013: 94%) were committed for lease. Jing An Shangri-La Hotel was soft-opened in June 2013 and achieved an average occupancy rate of 59% during the first half of 2014 (2013: N/A).

#### *Kerry Parkside Shanghai Pudong, Shanghai*

Kerry Parkside in the Pudong District of Shanghai is a 40.8%-held mixed-use property comprising a hotel, offices, serviced apartments, a retail mall and related ancillary facilities. As at 30 June 2014, both the retail space and offices were 100% leased (as at 31 December 2013: 100% and 100%, respectively), while the occupancy rate of the serviced apartments was 88% (as at 31 December 2013: 89%).



*Shenzhen Kerry Plaza, Shenzhen*

Shenzhen Kerry Plaza comprises three Grade-A office towers with a GFA of approximately 1.65 million square feet. Located at the core of the Futian CBD, it is conveniently connected with Futian railway station on the Guangzhou-Shenzhen-Hong Kong Express Rail Link now under construction. As at 30 June 2014, Phases I and II of the development were 97% and 89% leased, respectively (as at 31 December 2013: 97% and 83%, respectively).

*Beijing Kerry Centre, Beijing*

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. Upon completion of new facilities enhancements, the mall of Beijing Kerry Centre re-opened in September 2013. As at 30 June 2014, the occupancy rate of the retail portion was 87% (as at 31 December 2013: 79%), while the offices were 98% occupied (as at 31 December 2013: 97%). The serviced apartments, following renovation completed in April 2014, were 49% leased as at 30 June 2014 (as at 31 December 2013: Nil). The 71.25%-held Kerry Hotel Beijing delivered improved results after the completion of refurbishment works. An average occupancy rate of 71% (2013: 48%) was achieved during the first half.

**(ii) Sales of Properties**

During the six months ended 30 June 2014, the Group's sales of completed properties in the PRC delivered a turnover of HK\$703 million (2013: HK\$2,710 million). Sales of completed investment properties generated proceeds of HK\$17 million (2013: HK\$74 million). A gross profit of HK\$252 million (2013: HK\$1,122 million) was recorded during the period, mainly from 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 2013. 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 30 June 2014, 1,575 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 offers 1,830 residential units from eight towers for sale. As at 30 June 2014, 1,646 units had been sold. The Group holds a 55% interest in this residential project.

Tangshan Arcadia Court Phase I offers for sale 690 residential units from six towers. Up to 30 June 2014, 657 residential units had been sold. The Group holds a 40% interest in this residential project.

## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### (B) PRC Property Division (continued)

#### (iii) *Properties under Development*

The Group continues to focus on the development of mixed-use projects in the CBDs of major cities.

##### *Shanghai*

Enterprise Centre of Kerry Everbright City Phase III in Zhabei District is expected to be completed in the second half of 2015. This new phase, comprising office premises and ancillary retail spaces, will add a GFA of approximately 1.1 million square feet to the overall development. The Group holds a 74.25% interest in the project.

##### *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, including a hotel, upscale residences and a shopping mall, is scheduled to be completed and handed over in phases between the second quarter of 2014 and the second quarter of 2015. The sale of the residential portion, Tianjin Arcadia Court, and pre-leasing of the mall, Riverview Place, have progressed smoothly. As at 30 June 2014, 533 residential units launched had been sold. The mall's retail space was 20% leased, and is scheduled to be opened in the first quarter of 2015.

##### *Hangzhou*

The Group is developing Kerry Central, located at the intersection of Yan'an Road and Qingchun Road and 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. Project construction is 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 another residential and commercial development on five lots of land in the city. The 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 900,000 square feet. With construction works nearly complete, the project is targeted for soft opening in October 2014. The Group holds a 45% interest in this project.

Another site for residential development is located at Da Guang Road in the Bai Xia District. This wholly-owned project has a site area of approximately 384,000 square feet and a GFA of approximately 1 million square feet. Project conceptual design approval is in progress.

### *Chengdu*

The Metropolis-Arcadia Court in Chengdu is located in the southern part of the High-Tech Industrial Development Zone. The sale of the residential units of Phase I is currently ongoing and have been handed over consecutively. Phases II and III, with a total GFA of approximately 4.8 million square feet, are due for completion in several stages from 2018 onwards. The Group holds a 55% interest in this project.

### *Nanchang*

In Nanchang, the provincial capital of Jiangxi Province, the Group is developing a mixed-use property through a 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 includes a hotel, office, commercial and high-end apartment properties, aggregating to a GFA of approximately 2.6 million square feet. Phase I 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 30 June 2014, 432 units had been pre-sold.

### *Shenyang*

The Group's 60%-owned Shenyang Kerry Centre project is located on the east side of Qingnian Street, to the south of Qingnian Park in Shenyang, the capital of Liaoning Province. Lying at the core of the city's landmark Golden Corridor development, the site will yield a GFA of approximately 12.5 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 Shangri-La Hotel, Shenyang already completed and opened for business. The remaining part of the project is targeted for completion in phases between 2014 and 2022. The hotel recorded an average occupancy rate of 35% (2013: N/A) during the first half. Pre-sale of the Phase I residential portion, Arcadia Court, has met with a strong market response. As at 30 June 2014, 343 residential units and 116 office units put up for pre-sale had been sold.

## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### (B) PRC Property Division (continued)

#### (iii) Properties under Development (continued)

##### *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 30 June 2014, 173 residential units of the Phase I development had been pre-sold.

##### *Tangshan*

The Group's 40%-owned mixed-use project in Tangshan comprises hotel, residential and ancillary commercial properties, with a GFA of approximately 3.3 million square feet. The residential units of Phase I have been completed and handed over consecutively. The remainder of the project is scheduled for completion in phases between 2014 and 2015, with the pre-sale of the residential units already rolled out. As at 30 June 2014, 192 residential units of the Phase II had been pre-sold.

##### *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, a total of 97 units 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 62 units of Phase I already rolled out in December 2013. As at 30 June 2014, 24 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 4.3 million square feet. Phase I of the development is expected to be completed from 2015 onwards. The Group holds a 65% interest in this project.

##### *Jinan*

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

*Zhengzhou*

The Group and Shangri-La are also collaborating in 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 hotel, residential, commercial and office properties. The project is expected to be completed in phases from 2017 onwards. 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. Pre-sale of the residential portion of Phase I was launched and as at 30 June 2014, 302 units had been sold. 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 earmarked for hotel, apartment and commercial use, with a GFA of approximately 800,000 square feet. The project is scheduled to be completed in 2016. The Group holds a 35% equity interest in the project.

**(C) Hong Kong Property Division**

During the six months ended 30 June 2014, the Hong Kong Property Division reported a turnover of HK\$3,874 million (2013: HK\$4,350 million) and gross profit of HK\$2,119 million (2013: HK\$1,734 million) respectively.

The Division's turnover was mainly derived from recognized sales of The Summa, The Altitude and Lions Rise. Notwithstanding the uncertain economic environment, the Division's portfolio of high-quality projects remains competitively positioned.

With the ongoing scheduled completions, the Division expects to derive a healthy stream of sales income to sustain its positive momentum.

## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### (C) Hong Kong Property Division (continued)

#### (i) Investment Properties

During the six months ended 30 June 2014, turnover generated from the Group's completed investment properties in Hong Kong aggregated to HK\$437 million (2013: HK\$449 million), producing a gross profit of HK\$337 million (2013: HK\$356 million).

As at 30 June 2014, the Group held a completed property portfolio comprising apartment, commercial and office assets in Hong Kong with an aggregate GFA of 2.91 million square feet (as at 31 December 2013: 2.91 million square feet). The GFA breakdown and the respective occupancy rates were as follows:

	As at 30 June 2014		As at 31 December 2013	
	Group's attributable GFA ( <i>'000 square feet</i> )	Occupancy rate	Group's attributable GFA ( <i>'000 square feet</i> )	Occupancy rate
Apartment	722	97%*	722	93%*
Commercial	1,349	97%	1,349	97%
Office	838	95%	838	98%
	<u>2,909</u>		<u>2,909</u>	

Note:

\* Excluding Branksome Grande with refurbishment works commenced in the 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 30 June 2014, the mall was 98% (as at 31 December 2013: 99%) leased.

The two Grade-A office towers of Enterprise Square Five, with a GFA of 519,000 square feet, were 94% (as at 31 December 2013: 98%) occupied. This office property continues to form an important component of the Division's rental portfolio.

#### *Kerry Centre, Quarry Bay*

Kerry Centre at 683 King's Road, Quarry Bay, is the Group's 40%-held flagship office tower in Hong Kong. This Grade-A office tower has 32 floors and a GFA of approximately 511,000 square feet. Occupancy at Kerry Centre remained at a high level and, as at 30 June 2014, 99% (as at 31 December 2013: 99%) of its office space was leased.

**(ii) Sales of Properties**

During the first six months of 2014, sales of completed properties held for sale in Hong Kong contributed a turnover of HK\$3,437 million (2013: HK\$3,901 million) to the Group. A gross profit of HK\$1,782 million (2013: HK\$1,378 million) was derived from the recognized sales of completed properties of The Summa, Lions Rise and The Altitude.

The Division's first-half sales performance benefited from pent-up demand in the market, thus helping to deliver satisfactory revenues. The launch of The Summa during the period produced strong results while the remaining units of the other projects continued to be taken up.

*The Summa, 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 close proximity to the University of Hong Kong and a number of well-known schools. The project yielded a saleable area of 149,399 square feet. A solid sales performance has been recorded since the project's sales launch in January 2014. As at 30 June 2014, 148 units, representing 88.1% of the total, had been sold.

*The Altitude, Wong Nai Chung*

The Altitude at No. 20 Shan Kwong Road, Hong Kong, offers 126 residential units. The Group holds a 71% interest in this project. As at 30 June 2014, 117 units, representing 92.9% of the total, had been sold.

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

Lions Rise is located at No. 8 Muk Lun Street, Kowloon, where five residential blocks offer a total of 968 units. The project is enhanced by club facilities, landscaped gardens and a shopping mall. As at 30 June 2014, 966 units, representing 99.8% of the total, had been sold.

*One Ede Road and Three Ede Road, Kowloon Tong*

The site at No. 1 & No. 3 Ede Road, Kowloon, is for the development of a residential project with a saleable area of approximately 70,000 square feet. The project has already obtained its occupation permit and certificate of compliance with sales launched in the third quarter of the year.

## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### (C) Hong Kong Property Division (continued)

#### (iii) *Properties under Development*

##### *8 LaSalle, 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 delivers a buildable GFA of approximately 61,000 square feet. It has already obtained its occupation permit in July 2014.

##### *Dragons Range, Sha Tin*

Together with Sino Group and Manhattan Group, the Group is co-developing Dragons Range, 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.

##### *New Redevelopment Project at Hing Hon Road, Sai Ying Pun and Sheung Wan*

The Group is developing a new residential project at Nos. 5-6 Hing Hon Road, Hong Kong. This redevelopment project, in which the Group holds a 71% interest, will deliver a buildable GFA of approximately 39,000 square feet. The project is scheduled to be completed in the first quarter of 2016.

##### *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 to be developed into a large-scale residential property of not less than 1,100 units. The project is intended for completion in the fourth quarter of 2016.

##### *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, and is to be completed in the fourth quarter of 2016.

##### *Sheung Lok Street, Ho Man Tin*

Plans for a residential development on a site at Sheung Lok Street, Ho Man Tin, are underway. The site occupies an area of approximately 259,000 square feet with a buildable GFA of approximately 1.142 million square feet. The project is to be completed in the first quarter of 2017.



*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.

*Macau*

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

**(D) 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 30 June 2014, the occupancy rates of Shangri-La Plaza Mall and The Enterprise Center were 95% and 98%, respectively (as at 31 December 2013: 96% and 97%, 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 30 June 2014, 1,150 units (as at 31 December 2013: 1,150 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 1,147 units (as at 31 December 2013: 1,102 units) sold as at 30 June 2014, accounting for 88% of the total.

SPI is also redeveloping a residential site in Makati City into a high-rise residential building, Shang Salcedo Place, with a GFA of approximately 655,000 square feet. As at 30 June 2014, 299 units (as at 31 December 2013: 245 units) out of the total of 749 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 1.63 million square feet, and comprising 2,822 residential units and 97,443 square feet of commercial space. The sales launch of The Rise during the period met with a strong market response, with 742 residential units sold as at 30 June 2014.

In addition, SPI holds a 60% interest in a hotel and luxury residential development in Fort Bonifacio, Taguig, Manila. The development includes a hotel with an area of more than 850,000 square feet, residential and serviced apartment units covering 593,000 square feet, and commercial spaces with a total area of 47,400 square feet.

## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### (E) Outlook

#### (i) *PRC Property Division*

Seeking steady growth will continue to be the main theme shaping the PRC economy in 2014. Meanwhile, stability and continuity remain the cornerstone of the Government's macroeconomic policy, which is expected to help stabilize the economy amidst a general slowdown. Constrained by subdued domestic consumption, the real estate sector has been affected and overall sales activity will continue to be slow.

To address this softening market situation, the Group is leveraging its premium branding advantage to cater specifically to genuine demand for housing as well as the demand from homeowners looking for better-quality accommodation. The Division was able to achieve stable sales results in the first half by adopting a proactive and flexible sales strategy, and through the integration of various sales channels. Sales activities will continue in Hangzhou, Tianjin, Nanjing, Shenyang, Putian, Chengdu, Nanchang and Qinhuangdao in the latter part of the year.

The Group's portfolio of large-scale mixed-use investment properties at core locations in first- and second-tier cities offers a mix of Grade-A offices, shopping malls, serviced apartments and five-star hotels. Together, these form a solid foundation supporting the development of the Group's brand equity and core strengths. The Group will therefore strive to strengthen the management of completed investment properties to enhance their operational standards and performance. Construction and delivery of new mixed-use projects will also be expedited to ensure timely commissioning, thus securing new sources of recurrent cash flow and stable earnings for the Group.

Management priority for this year continues to be the enhancement of internal governance and property management standards. The Group will also dedicate further efforts towards standardized project development as well as enabling resource-sharing through its management systems, with a view to controlling costs and raising the quality of service management. Such efforts will help increase operational efficiency to cope with the shifting macro environment.

The Group's overall strategy continues to follow the theme of innovation in breaking new ground, and to make further progress while maintaining stability. Sustained efforts to consolidate brand image, grow the business scale and increase segmental revenue and earnings contributions will continue. The Division will also accelerate project cycles in order to maintain its forward momentum.

**(ii) Hong Kong Property Division**

Going forward, the momentum of the Hong Kong property market will be affected by various and somewhat conflicting factors, including the sustained capital inflows into the local economy, expectations of interest rate hikes and the continued tight supply of urban land. The market is thus expected to see increased uncertainty ahead.

Despite overall slowed activity, there continues to be a demand for high-quality residences in the more sought-after locations. The Division maintains a positive outlook for its scheduled launches in the second half as the profile of its properties for sale is competitively positioned to meet more specific demands. Planned sales launches in 2014 will include One Ede Road and Three Ede Road, 8 LaSalle and Dragons Range.

Rental contributions from the investment properties are expected to remain steady. The Mid-Levels rental portfolio will continue to benefit from the demand for well-managed city apartments in prestigious locations. With the refurbishment of Branksome Grande expected to be completed by the third quarter of 2015, recurring income from the investment portfolio is likely to increase further.

The Grade-A offices at Kerry Centre and retail space at the MegaBox lifestyle and entertainment mall will continue to enjoy high occupancy and strong rentals, and the Kowloon East office portfolio is also expected to contribute stable rental income.

Overall, the Division is well placed to maintain resilience throughout future economic cycles.

**(F) Financial Review**

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

The Group closely reviews and monitors its foreign exchange exposure. As at 30 June 2014, total foreign currency borrowings (excluding Renminbi (“RMB”) borrowings) amounted to the equivalence of HK\$10,999 million and RMB loans amounted to the equivalence of HK\$5,072 million. Therefore, non-RMB total foreign currency borrowings and RMB loans represented approximately 31% and 15% respectively, of the Group’s total borrowings of HK\$35,006 million as at 30 June 2014.

The non-RMB total foreign currency borrowings of HK\$10,999 million mainly include the Fixed Rate Bonds amounting to US\$1,320 million (approximately HK\$10,181 million (net of direct issue costs)). The Group has arranged cross currency swap contracts and forward exchange contracts amounting to US\$607 million and US\$440 million, respectively, to hedge the exchange rate exposure between United States dollars and Hong Kong dollars.

## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### (F) Financial Review (continued)

Out of the Group's total borrowings as at 30 June 2014, HK\$2,518 million (representing approximately 7%) was repayable within one year, HK\$11,492 million (representing approximately 33%) was repayable in the second year, HK\$18,594 million (representing approximately 53%) was repayable in the third to fifth years and HK\$2,402 million (representing approximately 7%) was repayable over five years. The Group continued to maintain most of its borrowings on an unsecured basis, with unsecured debt accounting for approximately 85% of total borrowings as at 30 June 2014. The Group will continue to obtain financing on an unsecured basis whenever possible, and supplement such borrowings with secured project financing as and when the need arises.

As at 30 June 2014, the gearing ratio for the Group was 31.9% (as at 31 December 2013: 31.0%), calculated based on net debt of HK\$24,215 million and shareholders' equity of HK\$76,016 million.

As at 30 June 2014, the Group had outstanding interest rate swap contracts which amounted to HK\$4,000 million in total, enabling the Group to hedge its interest rate exposure and to have a more stable interest rate profile.

In terms of the Group's available financial resources as at 30 June 2014, the Group had total undrawn bank loan facilities of HK\$9,284 million and cash on hand of HK\$10,791 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 17 July 2014, Standard & Poor's reaffirmed a "BBB-" credit rating for Kerry Properties Limited with a positive outlook.

## INVESTOR RELATIONS

The Group actively participates in meetings and conferences to maintain regular communications with financial analysts, fund managers and the investor community. The Group had participated a number of roadshows and investors' conferences during the six months ended 30 June 2014 and some of them are set out below:

<b>Event</b>	<b>Venue</b>
BAML Greater China Property & Conglomerates Corporate Day	Hong Kong
Citi Asia Pacific Property Conference 2014	Hong Kong
Credit Suisse Asian Real Estate Conference	Hong Kong
HSBC Fifth Annual Greater China Property Conference	Hong Kong
HSBC Second Asian Investors Forum	London
Morgan Stanley Fifth Annual Hong Kong Investor Summit	Hong Kong
UBS Hong Kong/China Property Conference 2014	Hong Kong

## STAFF

As at 30 June 2014, the Company and its subsidiaries had approximately 6,400 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.

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.

As at 30 June 2014, a total of 49,351,000 Share Options were outstanding which comprised 11,741,000 and 37,610,000 Share Options granted under the 2002 Share Option Scheme and the 2011 Share Option Scheme respectively.

## SHARE OPTIONS (continued)

### *Valuation of Share Options granted during the six months ended 30 June 2014*

The fair value of the employee services received in exchange for the grant of the Share Options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the Share Options granted. The weighted average fair value of the Share Options granted on 8 January 2014 is HK\$5.455 per Share Option. The valuation was based on a Binomial Model with the following data and assumptions:

Closing share price at grant date:	HK\$26.65
Exercise price:	HK\$26.88
Expected volatility <sup>I</sup> :	24% per annum
Share Options life:	10 years
Average risk-free interest rate <sup>II</sup> :	2.39% per annum
Expected dividend yield:	3.5% per annum

Notes:

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

The valuation has also taken into account the assumed rate of leaving service of 1% per annum and the assumption of early exercise of the Share Options by the optionholders when the share price is at least 200% of the exercise price.

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

**Movement of Share Options**

Movement of the Share Options during the six months ended 30 June 2014 are listed below in accordance with Rule 17.07 of the Rules (the “**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”):

Category	Date of grant	Tranche	Number of Share Options			As at 30/06/2014	Exercise Price HK\$	Exercise Period
			As at 01/01/2014	Exercised	Lapsed			
<i>(i) 2002 Share Option Scheme (Note a):</i>								
<b>1. Directors</b>								
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
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
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
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
CHAN Wai Ming, William (resigned on 21 May 2014)	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
<b>2. Continuous Contract Employees</b>								
	17/03/2005	I	125,000	-	-	125,000	18.74	17/03/2006 – 16/03/2015
	17/03/2005	II	120,000	(19,000)	-	101,000	18.74	17/03/2007 – 16/03/2015
	02/04/2008	I	812,500	-	-	812,500	47.70	02/04/2009 – 01/04/2018
	02/04/2008	II	812,500	-	-	812,500	47.70	02/04/2010 – 01/04/2018
	02/04/2008	III	1,625,000	-	-	1,625,000	47.70	02/04/2011 – 01/04/2018
	06/02/2009	I	375,000	-	-	375,000	17.58	06/02/2010 – 05/02/2019
	06/02/2009	II	460,000	-	-	460,000	17.58	06/02/2011 – 05/02/2019
<b>3. Others</b>								
	17/03/2005	I	25,000	-	-	25,000	18.74	17/03/2006 – 16/03/2015
	17/03/2005	II	35,000	-	-	35,000	18.74	17/03/2007 – 16/03/2015
	02/04/2008	I	500,000	-	-	500,000	47.70	02/04/2009 – 01/04/2018
	02/04/2008	II	500,000	-	-	500,000	47.70	02/04/2010 – 01/04/2018
	02/04/2008	III	1,000,000	-	-	1,000,000	47.70	02/04/2011 – 01/04/2018
	06/02/2009	I	45,000	(25,000)	-	20,000	17.58	06/02/2010 – 05/02/2019
	06/02/2009	II	75,000	(25,000)	-	50,000	17.58	06/02/2011 – 05/02/2019
<b>Total:</b>			<b>12,610,000</b>	<b>(69,000)</b>	<b>(800,000)</b>	<b>11,741,000</b>		

## SHARE OPTIONS (continued)

### Movement of Share Options (continued)

Category	Date of grant	Tranche	Number of Share Options			Exercise Price HK\$	Exercise Period
			As at 01/01/2014	Lapsed	As at 30/06/2014		
<i>(ii) 2011 Share Option Scheme (Note b):</i>							
<b>1. Directors</b>							
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
	08/01/2014	I	1,500,000	–	1,500,000	26.88	08/07/2014 – 07/01/2024
	08/01/2014	II	1,500,000	–	1,500,000	26.88	08/01/2015 – 07/01/2024
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
	08/01/2014	I	750,000	–	750,000	26.88	08/07/2014 – 07/01/2024
	08/01/2014	II	750,000	–	750,000	26.88	08/01/2015 – 07/01/2024
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
	08/01/2014	I	750,000	–	750,000	26.88	08/07/2014 – 07/01/2024
	08/01/2014	II	750,000	–	750,000	26.88	08/01/2015 – 07/01/2024
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
	08/01/2014	I	250,000	–	250,000	26.88	08/07/2014 – 07/01/2024
	08/01/2014	II	250,000	–	250,000	26.88	08/01/2015 – 07/01/2024
CHAN Wai Ming, William (resigned on 21 May 2014)	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
<b>2. Continuous Contract Employees</b>	30/04/2012	I	4,120,000	(40,000)	4,080,000	35.45	31/10/2012 – 29/04/2022
	30/04/2012	II	4,180,000	(40,000)	4,140,000	35.45	31/10/2013 – 29/04/2022
	08/01/2014	I	4,450,000	(40,000)	4,410,000	26.88	08/07/2014 – 07/01/2024
	08/01/2014	II	4,450,000	(40,000)	4,410,000	26.88	08/01/2015 – 07/01/2024
<b>3. Others</b>	30/04/2012	I	4,185,000	(50,000)	4,135,000	35.45	31/10/2012 – 29/04/2022
	30/04/2012	II	4,585,000	(50,000)	4,535,000	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
<b>Total:</b>			<b>38,370,000</b>	<b>(760,000)</b>	<b>37,610,000</b>		

#### Notes:

- During the period, no Share Option was granted, granted for adjustment, transferred from/to other category or cancelled under the 2002 Share Option Scheme.
- During the period, no Share Option was exercised, granted for adjustment, transferred from/to other category or cancelled under the 2011 Share Option Scheme.
- The weighted average closing price of the shares of the Company immediately before the dates on which the Share Options were exercised was HK\$26.66. The vesting period of the Share Options is from the date of grant until the commencement of the exercise period.



**DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES**

As at 30 June 2014, the interests of the Directors in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") (the "Associated Corporations") as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

**(i) Company**

Directors	Number of ordinary shares				Total	Approximate % of shareholding <sup>6</sup>
	Personal interests <sup>1</sup>	Family interests <sup>2</sup>	Corporate interests <sup>3</sup>	Other interests <sup>4</sup>		
WONG Siu Kong	700,000	–	–	50,000	750,000	0.05
HO Shut Kan	560,000	–	–	50,000	610,000	0.04
QIAN Shaohua	–	–	–	50,000	50,000	0.00
Bryan Pallop GAW	50,000	7,176,897	–	1,232,048	8,458,945	0.59

**(ii) Associated Corporations**

Associated Corporations	Directors	Number of ordinary shares/ Amount of debentures				Number of underlying ordinary shares held under equity derivatives <sup>5</sup>	Total	Approximate % of shareholding
		Personal interests <sup>1</sup>	Family interests <sup>2</sup>	Corporate interests <sup>3</sup>	Other interests <sup>4</sup>			
Kerry Group Limited	WONG Siu Kong	4,617,263	–	8,504,300	–	3,000,000	16,121,563	1.06 <sup>7</sup>
	HO Shut Kan	2,888,452	–	–	–	–	2,888,452	0.19 <sup>7</sup>
	QIAN Shaohua	1,000,000	–	500,000	–	1,000,000	2,500,000	0.16 <sup>7</sup>
	Bryan Pallop GAW	1,500,000	132,362,275	–	45,899,988	2,000,000	181,762,263	11.90 <sup>7</sup>
Kerry Logistics Network Limited	WONG Siu Kong	356,000	–	–	675,000	–	1,031,000	0.06 <sup>8</sup>
	HO Shut Kan	200,000	–	–	675,000	–	875,000	0.05 <sup>8</sup>
	QIAN Shaohua	–	–	–	675,000	200,000	875,000	0.05 <sup>8</sup>
	Bryan Pallop GAW	50,000	3,588,449	–	1,266,024	–	4,904,473	0.29 <sup>8</sup>
	WONG Yu Pok, Marina	–	–	–	–	200,000	200,000	0.01 <sup>8</sup>
Shang Properties, Inc.	HO Shut Kan	1,570	–	–	–	–	1,570	0.00
Vencedor Investments Limited	Bryan Pallop GAW	5	5	–	–	–	10	10.00 <sup>9</sup>
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
	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)

### (ii) Associated Corporations (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 Network Limited ("KLN").
6. The percentage has been compiled based on the total number of ordinary shares of the Company in issue as at 30 June 2014 (i.e. 1,444,362,228 ordinary shares).
7. The percentage has been compiled based on the total number of ordinary shares of KGL in issue as at 30 June 2014 (i.e. 1,528,037,914 ordinary shares).
8. The percentage has been compiled based on the total number of ordinary shares of KLN in issue as at 30 June 2014 (i.e. 1,690,543,612 ordinary shares).
9. The percentage has been compiled based on the total number of ordinary shares of Vencedor Investments Limited in issue as at 30 June 2014 (i.e. 100 ordinary shares).

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

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

Save as aforesaid, as at 30 June 2014, none of the Directors had any other interests or short positions in the shares, underlying shares or debentures of the Company or any of its Associated Corporations which had been entered in the register kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## SUBSTANTIAL INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

As at 30 June 2014, the interests of those persons (other than the Directors) in the shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name	Capacity in which ordinary shares were held	Number of ordinary shares	Long position/ Short position/ Lending pool	Approximate % of shareholding <sup>(ii)</sup>
Kerry Group Limited	Interest of controlled corporations	823,661,310 <sup>(i)</sup>	Long position	57.03
Kerry Holdings Limited	Interest of controlled corporations	744,835,378 <sup>(i)</sup>	Long position	51.57
Caninco Investments Limited	Beneficial owner	312,248,193 <sup>(i)</sup>	Long position	21.62
Darmex Holdings Limited	Beneficial owner	256,899,261 <sup>(i)</sup>	Long position	17.79
Moslane Limited	Beneficial owner	73,821,498 <sup>(i)</sup>	Long position	5.11

Notes:

- (i) Caninco Investments Limited ("**Caninco**"), Darmex Holdings Limited ("**Darmex**") and Moslane Limited ("**Moslane**") are wholly-owned subsidiaries of Kerry Holdings Limited ("**KHL**"). KHL itself is a wholly-owned subsidiary of KGL and, accordingly, the shares in which Caninco, Darmex and Moslane are shown to be interested are also included in the shares in which KHL and KGL are shown to be interested.
- (ii) The percentage has been compiled based on the total number of ordinary shares of the Company in issue as at 30 June 2014 (i.e. 1,444,362,228 ordinary shares).

Apart from the aforesaid, as at 30 June 2014, the Company had not been notified of any interests and short positions in the shares and underlying shares of the Company which had been recorded in the register required to be kept under Section 336 of the SFO.

## CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Board has adopted the Model Code and that the Directors have confirmed their compliance with the required standards set out in the Model Code during the six months ended 30 June 2014.

## CORPORATE GOVERNANCE

During the six months ended 30 June 2014, the Company has complied with the code provisions set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 of the Listing Rules.

## CLOSURE OF REGISTERS OF MEMBERS

The Registers of Members will be closed on Friday, 5 September 2014 for the purpose of determining Shareholders' entitlement to the Interim Dividend and no transfer of shares will be effected on that date. In order to qualify for the Interim Dividend, all share transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Abacus Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 4 September 2014. The Interim Dividend is payable on Tuesday, 16 September 2014 to Shareholders whose names appear on the Registers of Members on Friday, 5 September 2014.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2014.

### **DIRECTORS**

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

*Executive Directors:*

Messrs Wong Siu Kong, Ho Shut Kan, Qian Shaohua and Bryan Pallop Gaw.

*Independent Non-executive Directors:*

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

By Order of the Board

**Li Siu Ching, Liz**

*Company Secretary*

Hong Kong, 21 August 2014