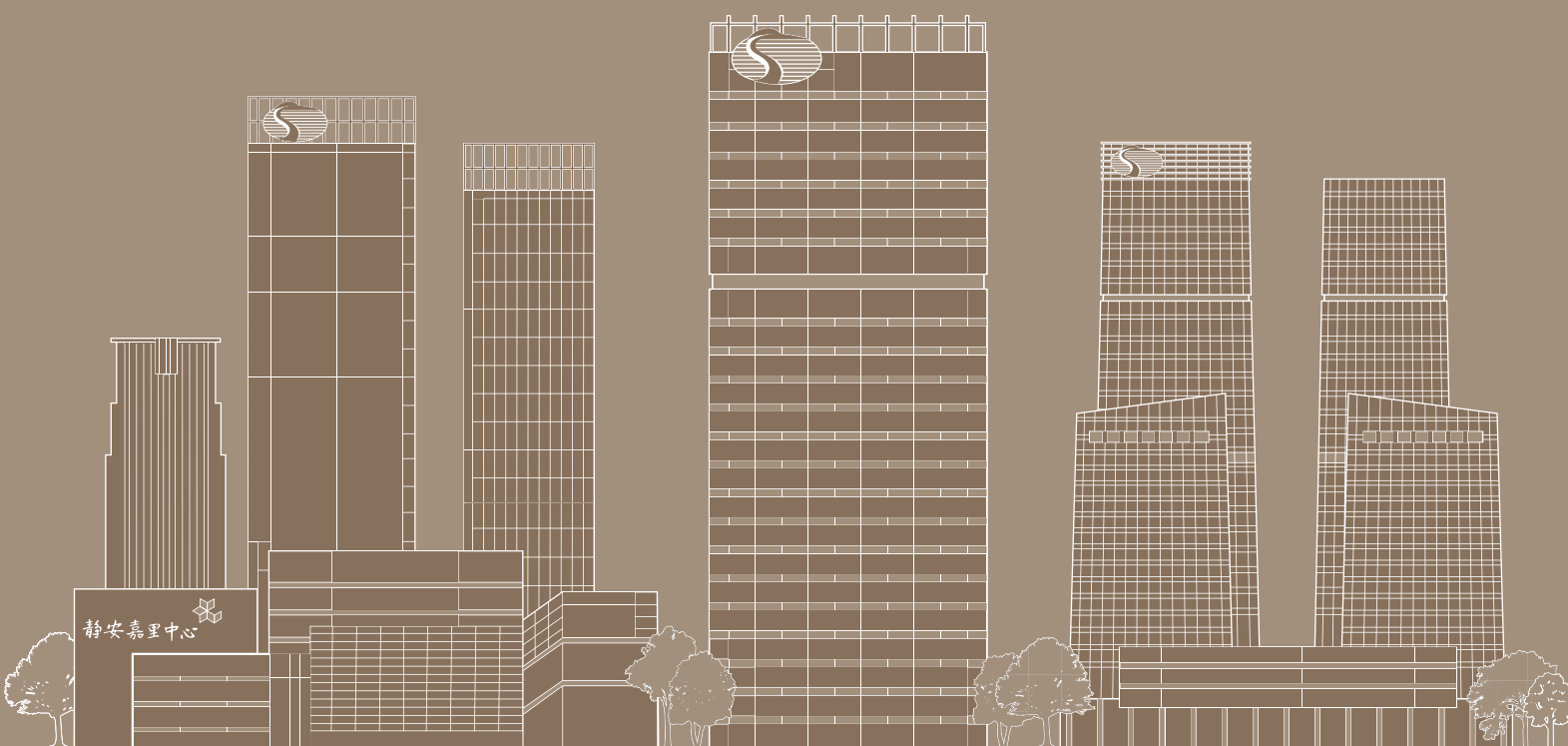


# ANNUAL REPORT 2014

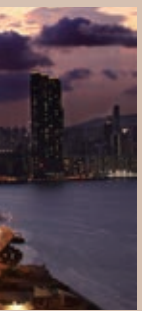


**KERRY PROPERTIES LIMITED**  
**嘉里建設有限公司**

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



## ANNUAL REPORT 2014



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

# 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

Canon's Court, 22 Victoria Street  
Hamilton HM12, Bermuda

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

25/F, Kerry Centre, 683 King's Road  
Quarry Bay, Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited  
The Belvedere Building, 69 Pitts Bay Road  
Pembroke HM08, Bermuda

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

## CORPORATE COMMUNICATION DEPARTMENT

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

## INVESTOR RELATIONS DEPARTMENT

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

## WEBSITE

www.kerryprops.com

## STOCK CODES

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

## KEY DATES

### **Annual General Meeting**

7 May 2015

### **Closure of Registers of Members**

6 May 2015, 7 May 2015 and 13 May 2015

### **Proposed Payment of Final Dividend**

21 May 2015

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# FINANCIAL HIGHLIGHTS

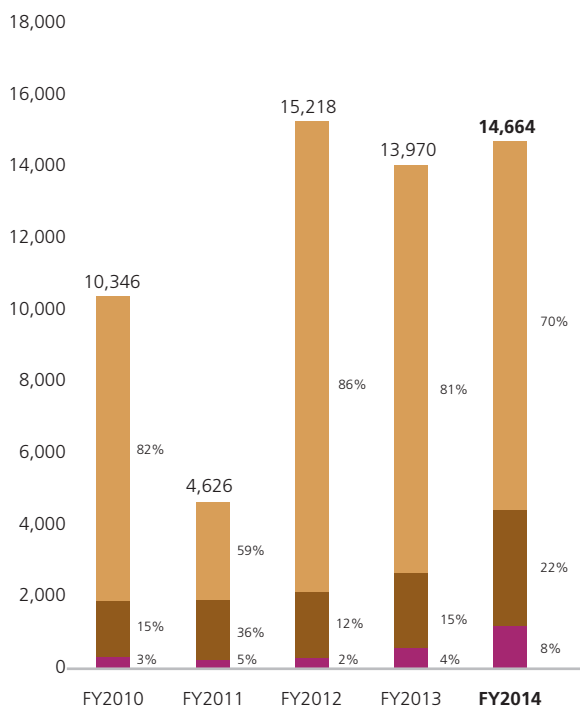
Two-year Overview		FY 2014	FY 2013	% Change
Turnover	(HK\$M)			
Continuing operations		<b>14,664</b>	13,970	+5%
Discontinued operations		–	19,188	
Total		<b>14,664</b>	33,158	-56%
Gross profit	(HK\$M)			
Continuing operations		<b>6,208</b>	6,057	+2%
Discontinued operations		–	2,897	
Total		<b>6,208</b>	8,954	-31%
Gross profit margin	(%)			
Continuing operations		<b>42.3</b>	43.4	
Discontinued operations		–	15.1	
Total		<b>42.3</b>	27.0	
Operating profit	(HK\$M)			
Continuing operations		<b>8,231</b>	11,745	-30%
Discontinued operations		–	1,918	
Total		<b>8,231</b>	13,663	-40%
Operating profit margin	(%)			
Continuing operations		<b>56.1</b>	84.1	
Discontinued operations		–	10.0	
Total		<b>56.1</b>	41.2	
Profit attributable to shareholders	(HK\$M)			
– before fair value change of properties and spin-off gains		<b>4,384</b>	4,413	-1%
– after fair value change of properties and spin-off gains		<b>6,774</b>	13,154	-49%
Net profit margin	(%)			
– before fair value change of properties and spin-off gains		<b>29.9</b>	13.3	
– after fair value change of properties and spin-off gains		<b>46.2</b>	39.7	
Earnings per share	(HK\$)			
– before fair value change of properties and spin-off gains		<b>3.04</b>	3.06	-1%
– after fair value change of properties and spin-off gains		<b>4.69</b>	9.13	-49%
Shareholders' equity	(HK\$M)	<b>80,079</b>	75,755	+6%
Net borrowings	(HK\$M)	<b>22,847</b>	23,482	-3%
Net asset value per share	(HK\$)	<b>55.43</b>	52.45	+6%
Share price as at 31 December	(HK\$)	<b>28.15</b>	26.90	+5%
Price earnings ratio #	(times)			
– before fair value change of properties and spin-off gains		<b>9.3</b>	8.8	
– after fair value change of properties and spin-off gains		<b>6.0</b>	2.9	
Market capitalization as at 31 December #	(HK\$M)	<b>40,667</b>	38,851	+5%
Dividend per share	(HK\$)	<b>0.9</b>	0.9	
Dividend payout ratio	(%)			
– before fair value change of properties and spin-off gains		<b>29.6</b>	29.4	
– after fair value change of properties and spin-off gains		<b>19.2</b>	9.9	
Dividend cover	(times)			
– before fair value change of properties and spin-off gains		<b>3.4</b>	3.4	
– after fair value change of properties and spin-off gains		<b>5.2</b>	10.1	
Dividend yield #	(%)	<b>3.2</b>	3.3	
Return on shareholders' equity	(%)			
– before fair value change of properties and spin-off gains		<b>5.5</b>	5.8	
– after fair value change of properties and spin-off gains		<b>8.5</b>	17.4	
Gearing	(%)	<b>28.5</b>	31.0	
Interest cover – excluding discontinued operations	(times)			
– before fair value change of properties		<b>8.2</b>	5.8	
– after fair value change of properties		<b>11.4</b>	13.4	
Current ratio	(times)	<b>2.2</b>	1.7	
Liquidity ratio	(times)	<b>1.2</b>	1.0	
Discount to net asset value #	(%)	<b>(49.2)</b>	(48.7)	

# Based on share prices as at 31 December 2014 and 31 December 2013, respectively.

## Breakdown of Total Turnover

(excluding discontinued operations)

HK\$ million

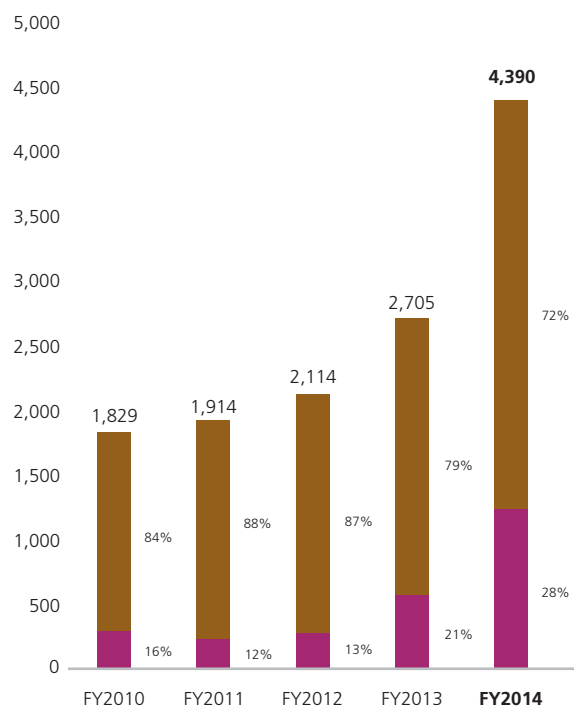


■ Proceeds from sales of properties  
■ Rental and others  
■ Hotel revenue

## Breakdown of Recurrent Income

(excluding discontinued operations)

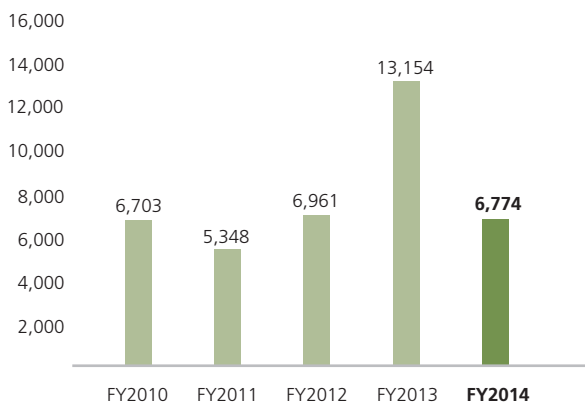
HK\$ million



■ Rental and others  
■ Hotel revenue

## Profit Attributable to Shareholders

HK\$ million

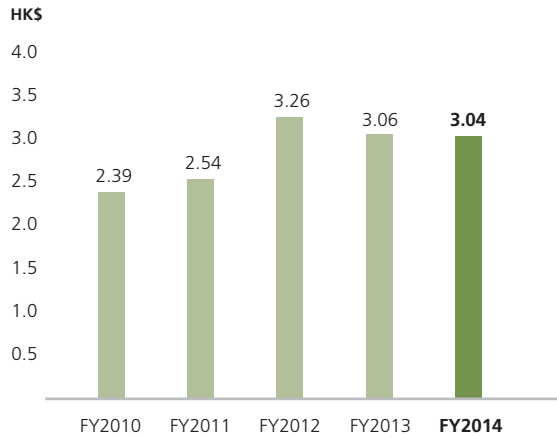


	Total Turnover (excluding discontinued operations) HK\$ million	Recurrent Income (excluding discontinued operations) HK\$ million	% Weighting	Net Profit before fair value change of properties and spin-off and gain HK\$ million	Net Profit after fair value change of properties and spin-off and spin-off gain HK\$ million
FY 2010	10,346	1,829	18%	3,419	6,703
FY 2011	4,626	1,914	41%	3,657	5,348
FY 2012	15,218	2,114	14%	4,696	6,961
FY 2013	13,970	2,705	19%	4,413	13,154
<b>FY 2014</b>	<b>14,664</b>	<b>4,390</b>	<b>30%</b>	<b>4,384</b>	<b>6,774</b>

# FINANCIAL HIGHLIGHTS

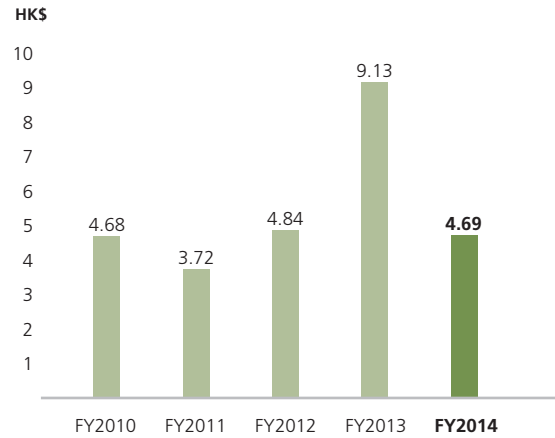
## Earnings per Share

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



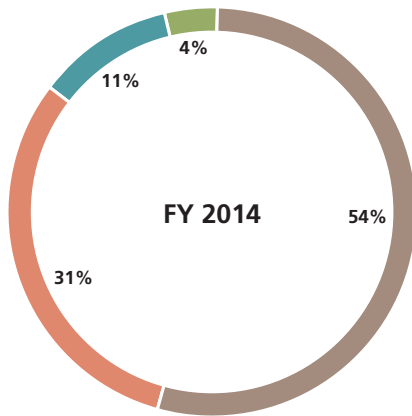
## Earnings per Share

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

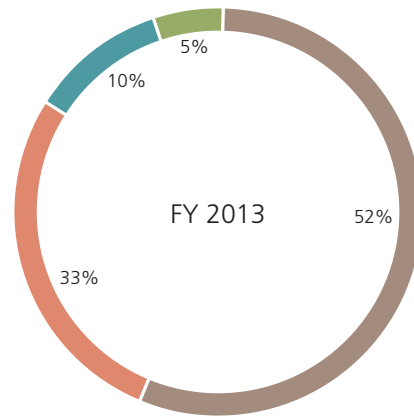


## Gross Asset Value of Properties

HK\$100,358 million



HK\$98,536 million



- PRC
- Hong Kong Residential
- Hong Kong Commercial
- Others



# CHAIRMAN'S STATEMENT



**Mr Wong Siu Kong**  
Chairman

Dear Shareholders,

On behalf of the Board, I am delighted to report the annual results of the Group for the year ended 31 December 2014. The Group's consolidated net profit attributable to shareholders for the year ended 31 December 2014, before taking into account the effects of the increase in fair value of investment properties, was HK\$4,384 million, representing a decrease of 1% compared with HK\$4,413 million reported for 2013. Profit attributable to shareholders for the year, after taking into account the effects of the increase in fair value of investment properties, was HK\$6,774 million (2013: HK\$13,154 million). Earnings per share for the year were HK\$4.69, representing a decrease of 49% compared with HK\$9.13 per share in 2013.

The Board has recommended the payment of a final dividend of HK\$0.6 per share for the year. Together with the interim dividend of HK\$0.3 per share, the total cash dividend for the year ended 31 December 2014 will be HK\$0.9 per share (2013: HK\$0.9 per share).

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## CHAIRMAN'S STATEMENT

The Group continues to strengthen and leverage its management and brand leadership to deal effectively with a generally fluctuating and soft economy. Faced with cost-inflationary pressures in Hong Kong, Kerry Properties' profit margin was inevitably impacted. However, the Group was able to deliver a satisfactory performance during the year on the back of a compelling brand and competitive products. After a meticulous assessment of the operating environment, the Group has made timely launches of property projects in order to achieve satisfactory sales results.

In the PRC, the Group remains focused on developing prime metropolitan mixed-use projects in first-tier cities. This will help to ensure a steady stream of recurrent rental income for the Group amidst economic instability.

Buffeted by macroeconomic headwinds and weaker investor confidence, overall property market growth moderated over the past year. Looking ahead, the rental markets for Grade-A offices in core cities in the PRC and in Hong Kong are expected to gain support from generally balanced demand and supply, with mild rental growth and stable occupancy rates expected for the coming year. However, subject to an anticipated increase in the supply of Grade-A office space in major PRC cities, rental rate growth may ease in the year ahead. A relatively stable rental level is expected for Hong Kong where office supply is more balanced.

The retail sector in the PRC will likely experience greater impact as it faces up to the challenge of e-commerce. As the country is set to post a decline in luxury goods sales, retail rentals will be affected. The Hong Kong retail market has also witnessed slower overall growth despite the increase in the sales of daily necessities.

To manage the long-term development of our retail and commercial property portfolio, we will further our support for retail tenants so as to stay on top of prevailing market trends. The Group is alert to the rapid development of the Internet in the PRC, and has maintained close contacts with online transaction service providers and tenants, with a view to exploring new collaboration opportunities. Such new initiatives may include engaging online channels for more diversified promotion of tenants.

Out of the burgeoning PRC middle class we are now seeing the emergence of a younger generation of sophisticated consumers who are causing a shift in consumption dynamics within the market. This group's growing importance is leading a new trend in youthful and understated luxury. In view of this, the Group is constantly adjusting its retail tenant profile to suit the everyday lifestyle and consumption requirements of these middle-class families. By integrating chic, artistic and entertainment elements into our premier shopping malls, we are turning them into venues for this new class of consumers. Such tenant profile adjustments may affect the short-term rental revenue from our retail properties, but the Group believes the move will help optimize and integrate the resources put into mixed-use property developments, and is thus beneficial to the Group's long-term business development.

In January 2015, the Group acquired a commercial site in the Qianhai Shenzhen-Hong Kong cooperation zone for a total consideration of RMB3.86 billion. With a site area of 32,500 square metres, the plot will yield a buildable area of 195,000 square metres. Qianhai is a major state initiative to build an economic cooperation zone by integrating the professional service strengths of Hong Kong and Shenzhen with the exceptional productivity of the Pearl River Delta. Kerry Properties will actively utilize its experience in the development of quality mixed-use properties and professional management to develop its Qianhai project in line with the zone's planned targets.

Adopting a prudent policy, the management team will continue to strengthen capital management. With a view to further strengthening its cash flow, the underlying principle continues to give top priority to stable cash flow generation as a major investment metric. The Group will also examine and implement measures to further its corporate management efficiency, including integrating corporate financial resources and cost savings. The Group will also ensure sufficient training resources for professionals and managers of different divisions so as to enhance the Group's long-term competitiveness and to secure sustainable, healthy development.

I would like to take this opportunity to thank the Group's Board members, the senior management team, our business partners and our colleagues for their unfailing support and dedication which continue to drive the Group's advancement.

Sincerely,

**Wong Siu Kong**

*Chairman*

Hong Kong, 18 March 2015

## OVERALL RESULTS



The Group's profit attributable to shareholders for the year ended 31 December 2014 was HK\$6,774 million, representing a decrease of 49% compared with HK\$13,154 million reported for 2013. This was primarily due to the smaller increase in fair value of investment properties of the Group and the absence of the one-off gain of HK\$4,325 million arising from the spin-off of Kerry Logistics Network Limited ("**Kerry Logistics**") recorded in the year ended 31 December 2013.

The Group measured its investment property portfolio on a fair value basis and recorded an increase in fair value of investment properties (net of deferred taxation) attributable to shareholders of HK\$2,390 million for the year ended 31 December 2014 (2013: HK\$4,416 million). The increase in fair value of investment properties in 2013 was mainly attributable to Jing An Kerry Centre Phase II development which was completed during that year.

Profit attributable to shareholders for the year ended 31 December 2014 before taking into account the effects of the aforementioned increase in fair value and the spin-off gain was HK\$4,384 million (2013: HK\$4,413 million).

Earnings per share for the year ended 31 December 2014 were HK\$4.69, representing a decrease of 49% compared with HK\$9.13 per share in 2013.



- 1 Jing An Kerry Centre, Shanghai, PRC
- 2 Shenzhen Kerry Plaza, Shenzhen, PRC
- 3 The Summa, Sai Ying Pun and Sheung Wan, Hong Kong
- 4 Mid-Levels Portfolio, Mid-Levels, Hong Kong
- 5 MegaBox, Kowloon Bay, Hong Kong
- 6 Beijing Kerry Centre, Beijing, PRC

The effect on the Group's profit attributable to shareholders due to the net increase in fair value of the Group's investment properties and related tax effects and the gain arising from the spin-off of Kerry Logistics is as follows:

	Year ended 31 December		
	2014 HK\$ million	2013 HK\$ million	Change
Profit attributable to shareholders before taking into account the net increase in fair value of investment properties and related tax effects and the gain arising from the spin-off of Kerry Logistics	<b>4,384</b>	4,413	-1%
Add:			
Net increase in fair value of investment properties and related tax effects	<b>2,390</b>	4,416	
Gain arising from the spin-off of Kerry Logistics	-	4,325	
Profit attributable to shareholders after taking into account the net increase in fair value of investment properties and related tax effects and the gain arising from the spin-off of Kerry Logistics	<b>6,774</b>	13,154	-49%

The Board has recommended the payment of a final dividend of HK\$0.6 per share for the year ended 31 December 2014 (the "Final Dividend"). Together with the interim dividend of HK\$0.3 per share, the total cash dividend for the year ended 31 December 2014 will be HK\$0.9 per share (2013: HK\$0.9 per share).

# REVIEW OF PROPERTY BUSINESS

## Presence in the PRC and Hong Kong



China

Manzhouli

Shenyang

Qinhuangdao

Beijing

Tianjin

Tangshan

Yingkou

Jinan

Zhengzhou

Nanjing

Shanghai

Hangzhou

Ningbo

Nanchang

Fuzhou

Putian

Kunming

Chengdu

Changsha

Shenzhen

Macau

Hong Kong

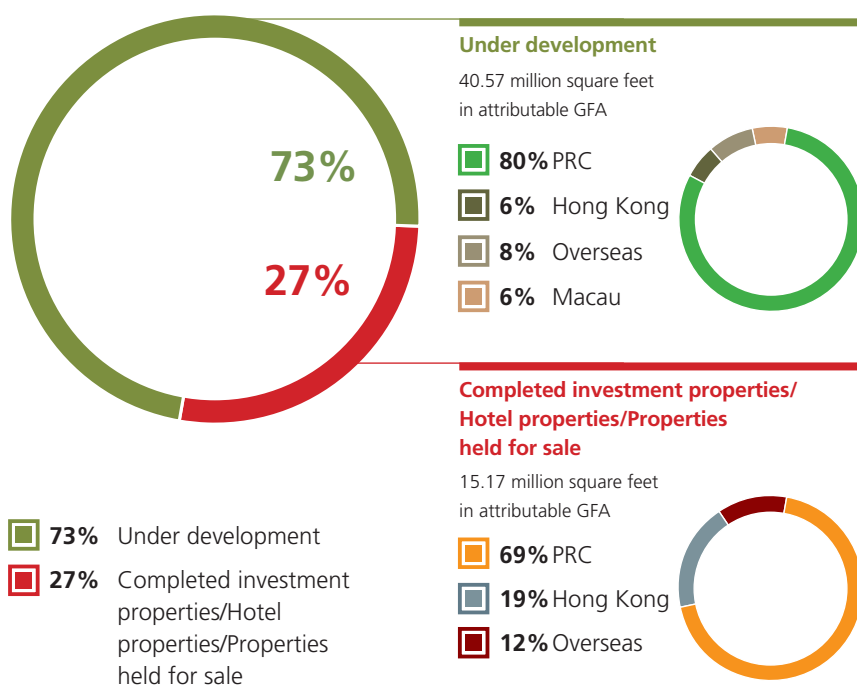
## OVERVIEW

Throughout the year, amidst generally restrained market conditions, the Group has maintained a stable performance riding on the strength of its premium brand built on a trusted reputation for quality property projects and management. The PRC segment recorded a significant increase in rental revenue, mainly generated from Jing An Kerry Centre in Shanghai; there was, however, a drop in property sales in line with the overall market decline. On the other hand, Hong Kong achieved a satisfactory performance. The Group continued to enhance the management of its investment property portfolio so as to increase its rental contribution. The constant enhancement of asset value through professional management remains the Group's ongoing goal.

As at 31 December 2014, the Group maintained a property portfolio comprising properties under development with a gross floor area ("GFA") of 40.57 million square feet (2013: 44.77 million square feet), completed investment properties of 10.86 million square feet (2013: 10.99 million square feet), hotel properties of 2.45 million square feet (2013: 1.67 million square feet) and properties held for sale of 1.86 million square feet (2013: 1.77 million square feet). Building on this prime asset base, the Group continues to create long-term value for its shareholders.

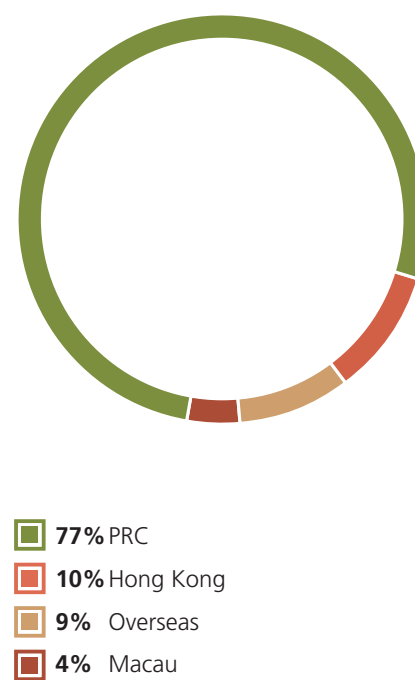
## Property Portfolio Composition - By Type

55.74 million square feet in attributable GFA



## Property Portfolio Composition - By Location

55.74 million square feet in attributable GFA



## Property Portfolio Composition

As at 31 December 2014:	Group's attributable GFA				
	The PRC	Hong Kong	Macau <sup>(1)</sup>	Overseas	Total
	('000 square feet)				
Completed Investment Properties	6,318	2,783	–	1,757	10,858
Hotel Properties	2,414	38	–	–	2,452
Properties Under Development	32,473	2,611	2,385	3,103	40,572
Properties Held for Sale	1,769	81	–	9	1,859
<b>Total GFA</b>	<b>42,974</b>	<b>5,513</b>	<b>2,385</b>	<b>4,869</b>	<b>55,741</b>

Note:

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

## MANAGEMENT DISCUSSION & ANALYSIS

### REVIEW OF PROPERTY BUSINESS

#### PRC PROPERTY DIVISION

Residential property sales in the PRC declined in 2014 against a backdrop of tightening credit and a slowing economy. However, the Group's iconic mixed-use rental properties located on prime sites of top-tier cities, together with the five-star hotels newly added to the portfolio, have formed a solid foundation for the Division's ongoing development.

During the year under review, the Division recorded a turnover of HK\$6,657 million (2013: HK\$5,840 million), an increase of 14% year on year. Gross profit was up by 7% year on year to HK\$2,645 million (2013: HK\$2,476 million).

#### INVESTMENT PROPERTIES

During the year, the Group derived a turnover, comprising rental and other fees, of HK\$2,294 million (2013: HK\$1,211 million) from its portfolio of completed investment properties in the PRC, delivering a gross profit of HK\$1,821 million (2013: HK\$841 million), an increase of 117%.

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

As at 31 December 2014:	Group's attributable GFA					Occupancy rate
	Beijing	Shanghai	Shenzhen ( <sup>'000</sup> square feet)	Fuzhou	Total	
Office	711	1,530	1,552	–	3,793	95%
Commercial	98	1,100	212	64	1,474	97%
Apartment	277	774	–	–	1,051	81%
	1,086	3,404	1,764	64	6,318	

As at 31 December 2013:	Group's attributable GFA					Occupancy rate
	Beijing	Shanghai	Shenzhen ( <sup>'000</sup> square feet)	Fuzhou	Total	
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	

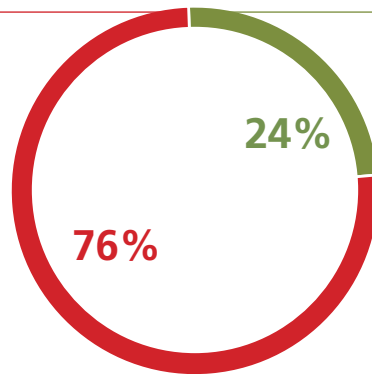
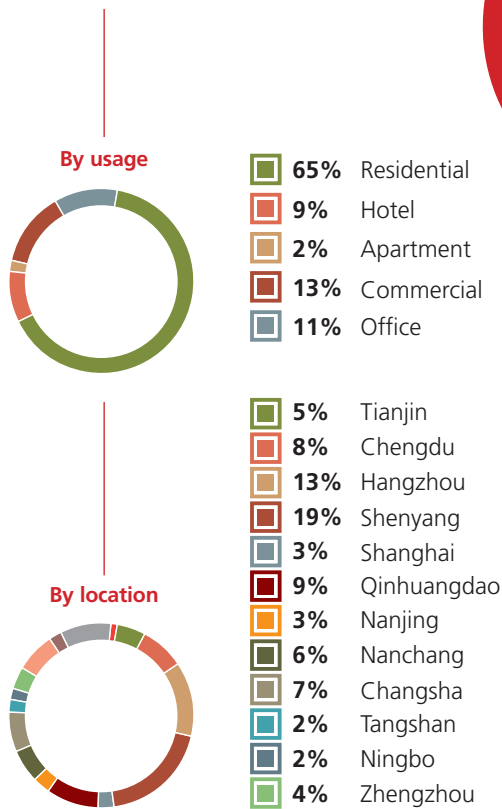


**PRC PROPERTIES**

42.97 million square feet in attributable GFA

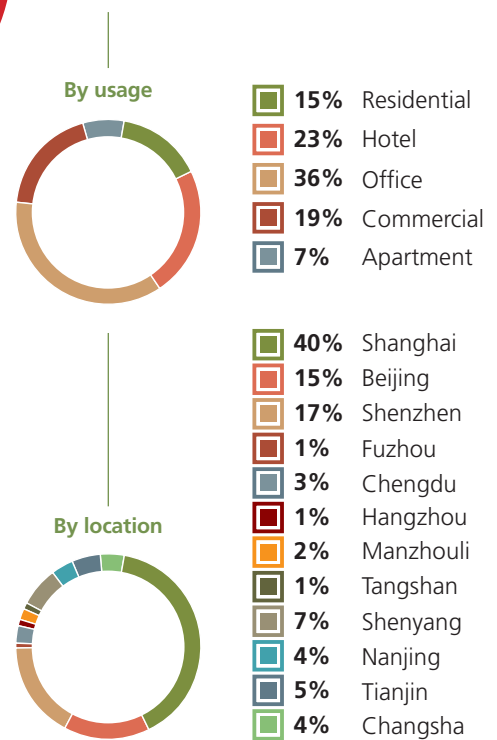
**Under development**

32.47 million square feet in attributable GFA



**Completed investment properties/Hotel properties/Properties held for sale**

10.50 million square feet in attributable GFA



**Comparative occupancy rates of key investment properties are outlined below:**

Property	Occupancy rate as at 31 December 2014	Occupancy rate as at 31 December 2013
Beijing Kerry Centre <sup>(1)(2)</sup>	95%	95%
Jing An Kerry Centre Phase I	90%	73% <sup>(3)</sup>
Jing An Kerry Centre Phase II <sup>(1)</sup>	90%	53%
Kerry Parkside <sup>(1)</sup>	96%	97%
Kerry Everbright City Phase I	95%	88%
Central Residences Phase II Towers 1 and 3	79%	83%
Shenzhen Kerry Plaza Phase I	98%	97%
Shenzhen Kerry Plaza Phase II	98%	83%

Notes:

- (1) Excluding hotel.
- (2) Occupancy rates as at year end 2013 excluded serviced apartments which were under renovation during 2013. The renovation was completed and leasing commenced in April 2014.
- (3) Excluding retail podium, where renovation was completed in the fourth quarter of 2013.

Management Discussion & Analysis

## MANAGEMENT DISCUSSION & ANALYSIS

### REVIEW OF PROPERTY BUSINESS



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

This landmark mixed-use development, Jing An Kerry Centre, is located in the heart of Shanghai's Nanjing Road business district. The 3.69 million square-foot prime development integrates hotel, retail, office and residential space overlooking a beautifully landscaped piazza. The Group holds 74.25% and 51% interests in Phases I and 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 31 December 2014, 88% of the office (2013: 43%) and 94% of the retail space (2013: 83%) were occupied. Jing An Shangri-La Hotel, West Shanghai, saw its soft-opening in June 2013 and achieved an average occupancy rate of 65% during the year (2013: 37%).

#### Kerry Parkside, 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 31 December 2014, both the retail space and offices were 100% occupied (2013: both 100%), while the occupancy rate of the serviced apartments was 79% (2013: 89%). Kerry Hotel Pudong achieved an average occupancy rate of 66% during the year (2013: 58%).



#### 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 31 December 2014, both the Phases I and II of the development were 98% occupied (2013: 97% and 83%, respectively).

### Beijing Kerry Centre, Beijing

Beijing Kerry Centre is located in the heart of Beijing, combining prime office space, a shopping mall for top-tier brands, Kerry Hotel Beijing and serviced apartments. Upon completion of facilities enhancements, the mall at Beijing Kerry Centre re-opened in September 2013. As at 31 December 2014, the occupancy rate of the retail portion was 96% (2013: 79%), while the offices were 99% occupied (2013: 97%). The serviced apartments, following renovation completed in April 2014, were 86% occupied as at 31 December 2014 (2013: Nil). The 71.25%-held Kerry Hotel Beijing delivered improved results after the completion of refurbishment works. An average occupancy rate of 74% (2013: 56%) was achieved during the year.



### SALES OF PROPERTIES

The Group's sales of completed properties in the PRC delivered a turnover of HK\$3,142 million (2013: HK\$4,071 million). A gross profit of HK\$759 million (2013: HK\$1,647 million) was generated during the year, mainly by recognized sales of Arcadia Court and Enterprise Square in Shenyang, Parkview Residence Phase II in Hangzhou, the Metropolis-Arcadia Court Phase I in Chengdu, and Changsha Xiangjiang Arcadia Court. Besides, sales of completed investment properties generated proceeds of HK\$34 million (2013: HK\$92 million) during the year.

Two towers of Arcadia Court and Enterprise Square in Shenyang were completed and delivered for occupation during 2014. 268 residential units and 123 office units of the completed properties had been sold up to 31 December 2014 with 239 residential units and 79 office units being handed over. The Group holds a 60% interest in this project.

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 31 December 2014, 1,628 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 for sale from eight towers. As at 31 December 2014, 1,793 units had been sold. The Group holds a 55% interest in this residential project.

Changsha Xiangjiang Arcadia Court Phase I had been completed and handed over accordingly. As at 31 December 2014, 476 units had been sold with 369 units being handed over. The Group holds a 100% interest in this residential project.



- 1 Jing An Kerry Centre, Shanghai, PRC
- 2 Kerry Parkside, Shanghai, PRC
- 3 Beijing Kerry Residence, Beijing Kerry Centre, Beijing, PRC
- 4 Tianjin Arcadia Court, Tianjin Kerry Centre, Tianjin, PRC

Tangshan Arcadia Court Phase I and Phase II offer 902 residential units for sale from eight towers. Up to 31 December 2014, 848 residential units had been sold with 445 units being handed over. The Group holds a 40% interest in this residential project.

Two towers of Tianjin Arcadia Court were completed in 2014. Up to 31 December 2014, 595 units had been sold with 544 units being handed over. The Group holds a 49% interest in this residential project.

## MANAGEMENT DISCUSSION & ANALYSIS

### REVIEW OF PROPERTY BUSINESS

#### PROPERTIES UNDER DEVELOPMENT

In order to maintain a balance between strengthening recurrent income streams and sustaining sales momentum, the PRC Property Division continues to focus on the development of large-scale mixed-use projects in the CBDs of major cities, while actively driving residential development activities.

##### Shanghai

Enterprise Centre at Kerry Everbright City Phase III in Zhabei District is expected to be completed in 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 access to a convenient transportation 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. Pre-leasing of the mall, Riverview Place, has progressed smoothly. As at 31 December 2014, the mall's retail space was 60% leased, and is scheduled to open in 2015.

##### Hangzhou

The Group is developing Kerry Central, a project 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 2016 onwards. The Group holds a 75% stake in the project.

The Group is also working on a 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, Castalia Court and approximately 250,000 square feet of commercial space. With construction works currently underway, the project is targeted for completion in phases from 2016 onwards.

##### Nanjing

The Group and Shangri-La Asia Limited ("**Shangri-La**") are co-developing a prime site at Zhong Yang Road in the centre of Gu Lou District, Nanjing. Located in the heart of Nanjing, the hotel with a total GFA of approximately 917,000 square feet was soft opened in October 2014. The Group holds a 45% interest in this project.

Another site for residential development is located at Da Guang Road in Bai Xia District. This wholly-owned project has a site area of approximately 384,000 square feet and a GFA of approximately 1.0 million square feet. Project construction 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 and hand over of the residential units of Phase I are currently ongoing. Phases II and III, with a total GFA of approximately 4.8 million square feet, are due for completion in several stages from 2017 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 2015 onwards. As at 31 December 2014, 57 residential units had been pre-sold.

### Changsha

The Group's wholly-owned residential project in Tianxin District of Changsha, the provincial capital of Hunan Province, is expected to deliver a GFA of approximately 3.2 million square feet. Construction works are currently underway, and the project is scheduled to be completed in phases between 2014 and 2017. Pre-sale of the project is proceeding with satisfactory results. As at 31 December 2014, 64 units of the Phase II development 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 provincial capital of Liaoning Province. Lying at the core of the city's landmark Golden Corridor development, the site will yield a GFA of approximately 12.9 million square feet. This mixed-use project will include a hotel, offices, a shopping mall and residences. Phase I of the development is in the construction stage and has been partially handed over. Phase II has also commenced construction while Phase III development is still



under planning. Shangri-La Hotel, Shenyang is completed and has opened for business, recording an average occupancy rate of 44% (2013: 24%) during the year. Pre-sale of the Phase I residential portion, Arcadia Court, has met with a strong market response. As at 31 December 2014, 104 residential units had been pre-sold.

### 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. Phase I of the development is targeted for completion in phases from 2015 onwards. As at 31 December 2014, 183 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. Approximately 60% of the residential units had been completed and handed over consecutively. The remainder of the project is scheduled for completion and handing over in phases between the second and third quarters of 2015. As at 31 December 2014, 128 residential units had been pre-sold. Shangri-La Hotel, Tangshan is scheduled for soft opening in 2015.



5 Kerry Central, Hangzhou, PRC\*

6 Shenyang Kerry Centre, Shenyang, PRC

\*Artist's Impression

## MANAGEMENT DISCUSSION & ANALYSIS

### REVIEW OF PROPERTY BUSINESS

#### 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. As at 31 December 2014, 38 units of the Phase I development had been pre-sold.

#### Yingkou

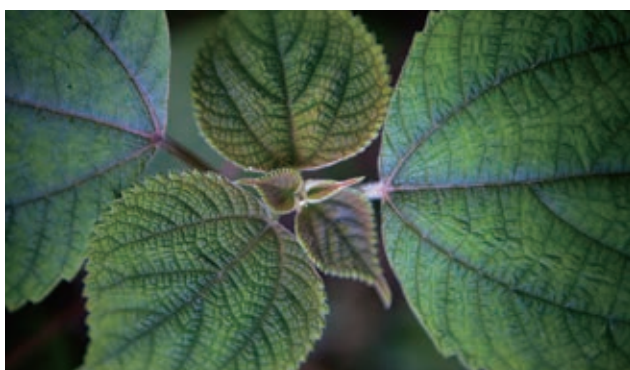
The Group's seaside sites in Bayuquan District in Yingkou City, Liaoning Province, are primarily designated for residential and commercial use. The project will generate a GFA of approximately 4.3 million square feet. Phase I of the development is expected to be completed from 2015 onwards. The Group holds a 65% interest in this project. As at 31 December 2014, 77 residential units of the Phase I development had been pre-sold.

#### 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 1.2 million square feet. The project will comprise a hotel, offices and commercial space, and is scheduled to be completed in 2016.

#### Putian

The Group and Shangri-La are co-developing a site in Putian City, Fujian Province. The site, located at Jiu Hua Road, 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 in phases from 2016 onwards. Pre-sale of the residential portion of Phase I has been rolled out and as at 31 December 2014, 428 units had been pre-sold. The Group holds a 60% interest in this project.



#### 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 2018 onwards. The Group holds a 55% interest in this project.



7 Putian Arcadia Court, Putian, PRC\*

#### Kunming

The Group, together with Shangri-La, is developing two adjoining sites in Kunming City, Yunnan Province. The sites are earmarked for hotel and apartment use, with a GFA of approximately 800,000 square feet. The project is scheduled to be completed in 2018. The Group holds a 55% equity interest in the project.

#### Qianhai, Shenzhen

The Group acquired a 350,000 square-foot commercial site in Qianhai District, Shenzhen in January 2015 for a consideration of RMB3.86 billion. The site can be developed into office, apartment and commercial space. Total buildable GFA will aggregate to approximately 2.1 million square feet. The site is located near Guangshen Yanjiang Expressway at the Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone with front sea view, and is only a few minutes' drive from Shenzhen Bay Port. It is also close to the planned Shenzhen Metro extension line, a prime location for development. The Group owns 100% interest in this project.

\*Artist's Impression

### Properties under development in the PRC

As at 31 December 2014:	Group's attributable GFA upon completion					
	Residential	Apartment	Office ( <sup>'000 square feet</sup> )	Commercial	Hotel	Total
Shanghai	–	–	745	88	–	833
Tianjin	469	166	369	622	–	1,626
Hangzhou	2,275	271	102	1,083	369	4,100
Shenyang	3,726	–	1,069	1,479	–	6,274
Nanjing	992	–	–	–	–	992
Chengdu	2,168	–	–	472	–	2,640
Nanchang	707	–	607	79	659	2,052
Changsha	2,275	–	–	37	–	2,312
Qinhuangdao	2,801	–	–	36	–	2,837
Tangshan	358	–	–	98	243	699
Ningbo	513	–	–	–	–	513
Yingkou	2,541	–	–	54	202	2,797
Jinan	–	–	213	28	424	665
Zhengzhou	583	–	332	142	236	1,293
Putian	1,703	–	–	45	649	2,397
Kunming	–	125	–	–	318	443
<b>Total</b>	<b>21,111</b>	<b>562</b>	<b>3,437</b>	<b>4,263</b>	<b>3,100</b>	<b>32,473</b>

## MANAGEMENT DISCUSSION & ANALYSIS

### REVIEW OF PROPERTY BUSINESS

#### HONG KONG PROPERTY DIVISION

During the year ended 31 December 2014, the Hong Kong Property Division recorded a turnover of HK\$8,007 million (2013: HK\$8,130 million) and gross profit of HK\$3,563 million (2013: HK\$3,581 million).

The Division's turnover for the year was mainly derived from recognized sales of The Summa, Three Ede Road, 8 LaSalle, The Altitude and Lions Rise. The pre-sale activity of Dragons Range also recorded good sales performance.

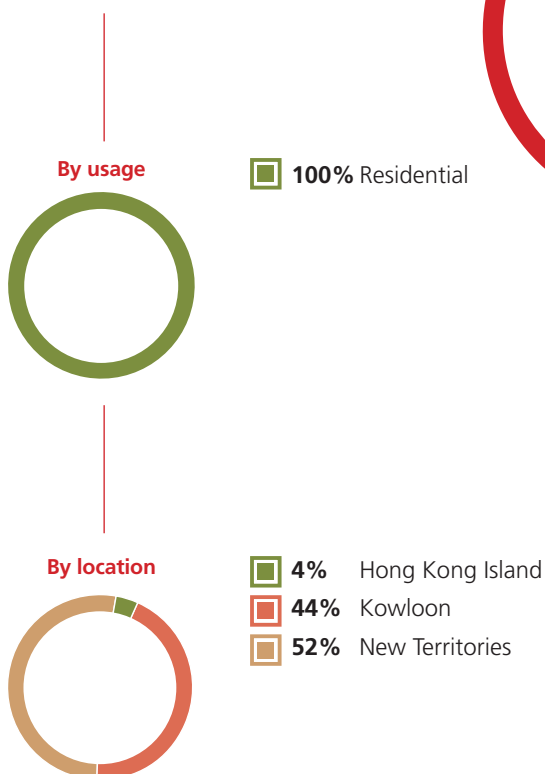
Demand for the Division's investment properties continued to be robust, delivering stable recurrent rental income on resilient occupancy levels and rentals.

#### HONG KONG PROPERTIES

5.51 million square feet in attributable GFA

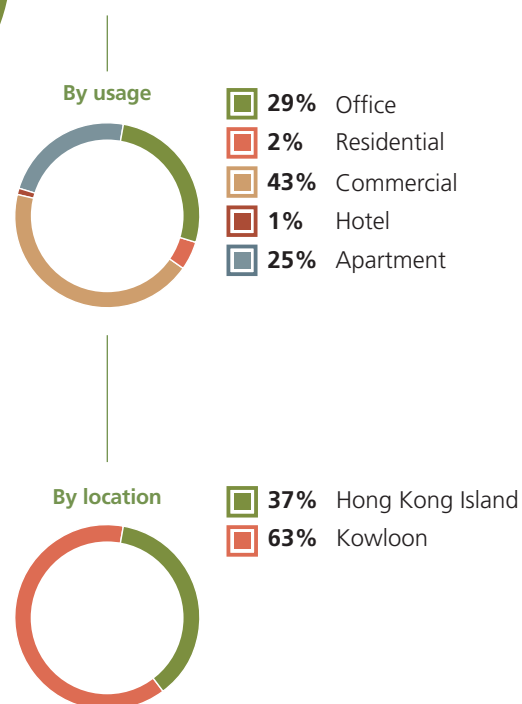
##### Under development

2.61 million square feet in attributable GFA



##### Completed investment properties/Hotel properties/Properties held for sale

2.90 million square feet in attributable GFA





## INVESTMENT PROPERTIES

Results from the Division's portfolio of prime residential, commercial and office properties benefited from generally solid economic conditions. During the year, turnover, comprising rental and other fees, generated from the Group's completed investment properties in Hong Kong aggregated to HK\$875 million (2013: HK\$936 million), producing a gross profit of HK\$663 million (2013: HK\$745 million).

As at 31 December 2014, the Group's completed investment property portfolio in Hong Kong had an aggregate GFA of 2.78 million square feet (2013: 2.91 million square feet). Set out below are the breakdown of GFA and the respective occupancy rates, together with comparative figures:



	As at 31 December 2014		As at 31 December 2013	
	Group's attributable GFA ('000 square feet)	Occupancy rate	Group's attributable GFA ('000 square feet)	Occupancy rate
Apartment	722	97%*	722	93%*
Commercial	1,223#	99%	1,349	97%
Office	838	95%	838	98%
	<b>2,783</b>		2,909	

**Notes:**

- \* Excluding Branksome Grande where refurbishment works commenced in the second quarter of 2014.
- # Lions Rise Mall in Kowloon East was sold during the year 2014.



- 1 Branksome Crest, Mid-Levels, Hong Kong
- 2 MegaBox, Kowloon Bay, Hong Kong

### Enterprise Square Five/MegaBox

MegaBox is a pioneering shopping, dining and entertainment venue in Kowloon East, offering a unique mix of lifestyle attractions and shopping zones across a GFA of 1.1 million square feet. As at 31 December 2014, the mall had an occupancy rate of 99% (2013: 99%).

The two Grade-A office towers of Enterprise Square Five, with a GFA of 519,000 square feet, were 94% (2013: 98%) leased.

The Hong Kong SAR Government's efforts to energize Kowloon East continue to unfold. In addition to the Kai Tak development, there are also new initiatives to create a "Walkable CBD" in Kowloon Bay that weaves together work, live and play. MegaBox and Enterprise Square Five are expected to benefit from the transformation of Kowloon Bay into a business district.

## MANAGEMENT DISCUSSION & ANALYSIS

### REVIEW OF PROPERTY BUSINESS

#### Kerry Centre, Quarry Bay

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



#### SALES OF PROPERTIES

Sales of completed properties held for sale in Hong Kong contributed a turnover of HK\$7,132 million (2013: HK\$7,194 million) to the Group during the year. A gross profit of HK\$2,900 million (2013: HK\$2,836 million) was derived from the recognized sales of completed properties of The Summa, Three Ede Road, 8 LaSalle, The Altitude and Lions Rise. Besides, the sale of Lions Rise Mall to The Link Real Estate Investment Trust, completed in September 2014, generated proceeds of HK\$1,380 million (2013: Nil).

Despite Hong Kong's exposure to global economic instability, the tight demand-supply balance of urban accommodation has continued to underpin the property sales. More importantly, the Group's well-established record of delivering premium quality and value to buyers has positioned its sales property portfolio competitively in the market. The successful launches of Three Ede Road, 8 LaSalle and Dragons Range during the year generated strong contracted sales.

#### 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 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 31 December 2014, 168 units, representing 100% of the total, had been sold.



3 Kerry Centre, Quarry Bay, Hong Kong

4 The Summa, Sai Ying Pun and Sheung Wan, Hong Kong

#### The Altitude, Wong Nai Chung

The Altitude at No. 20 Shan Kwong Road, Hong Kong, offers 126 residential units. The Group holds a 71% interest in this project. As at 31 December 2014, 125 units 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 31 December 2014, 966 units had been sold.

**1 & 3 Ede Road, Kowloon Tong**

The development consists of a house, One Ede Road and 40 apartments, Three Ede Road, with a total saleable area of 70,048 square feet. The sales of Three Ede Road were launched to a positive market response in the third quarter of 2014. As at 31 December 2014, 29 units, representing 71% of the total, had been sold.

**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 saleable area of 53,078 square feet. Sales activities commenced in the fourth quarter and received strong market response. 33 units of the project, representing 59% of the total, had been sold as at 31 December 2014.

**PROPERTIES UNDER DEVELOPMENT**

**Dragons Range, Kau To, Sha Tin**

Together with Sino Group and Manhattan Group, the Group is co-developing Dragons Range, a residential project at No. 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 between the second to third quarter of 2015. Pre-sale of the project, launched in November 2014, has received a positive market response and recorded strong sales performance. As at 31 December 2014, 573 units had been sold, accounting for 59% of the total.

**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 fourth quarter of 2016.

**So Kwun Wat, Tuen Mun**

The Group is also 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**

Now under development by the Group is a new residential project at No. 7A 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 second quarter of 2017.

**Sheung Lok Street, Ho Man Tin**

The Group is developing a residential site at Sheung Lok Street, Ho Man Tin, with site formation and foundation works currently in progress. 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.

**Lung Cheung Road, Beacon Hill, Shek Kip Mei**

In February 2015, the Group won a public tender for a site in Beacon Hill. Occupying an area of approximately 114,550 square feet with a buildable GFA of 116,380 square feet, the site is planned to be developed into a low-density premium residential project.

**Properties under development in Hong Kong**

As at 31 December 2014:	Group's attributable GFA upon completion ('000 square feet)
Residential	2,611
<b>2,611</b>	

**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.



Management Discussion & Analysis

## MANAGEMENT DISCUSSION & ANALYSIS

### REVIEW OF PROPERTY BUSINESS

#### OVERSEAS PROPERTY DIVISION

The Group holds a portfolio of properties in the Philippines. These investments were held through Shang Properties, Inc. ("SPI"), in which the Division maintains a 34.61% equity interest and a 30.75% interest in its depository receipts. SPI holds a 100% interest in the Shangri-La Plaza Mall, Manila, and indirect interests in The Enterprise Center, an office and commercial property in Makati, Manila's financial district. As at 31 December 2014, the occupancy rates of Shangri-La Plaza Mall and The Enterprise Center were 92% and 98%, respectively (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. As at 31 December 2014, 1,150 (2013: 1,150) of the 1,152 residential units in Towers 1 and 2 of the project had been sold.

SPI currently has four major projects under development:

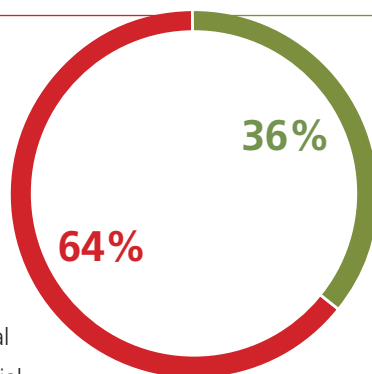
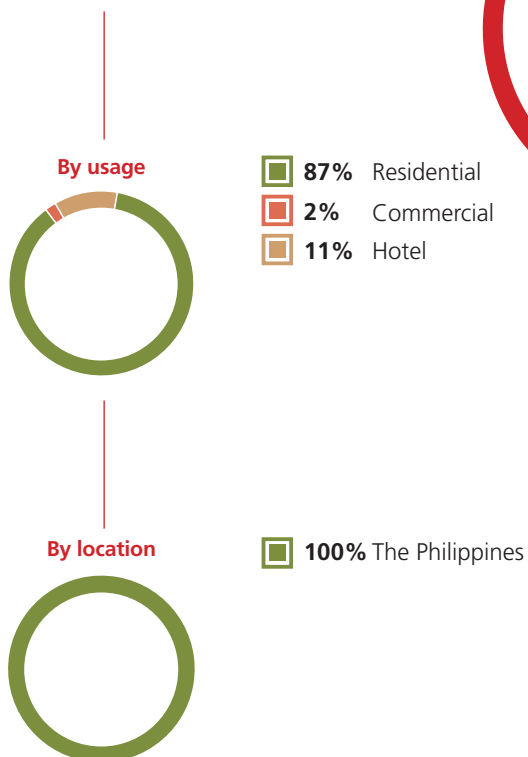
The development of One Shangri-La Place covers approximately 1.63 million square feet of residential properties. As at 31 December 2014, a total of 1,177 units (2013: 1,102) had been sold, accounting for 90% of the total.

#### OVERSEAS PROPERTIES

4.87 million square feet in attributable GFA

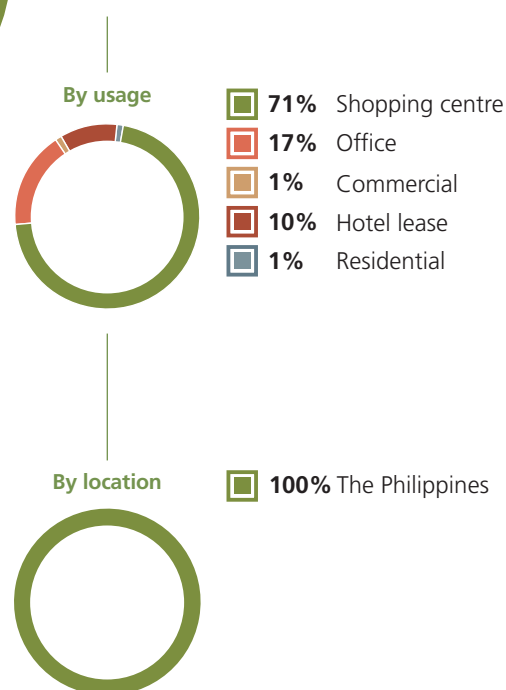
##### Under development

3.10 million square feet in attributable GFA



##### Completed investment properties/Properties held for sale

1.77 million square feet in attributable GFA



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 31 December 2014, 346 units (2013: 245) 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, Makati. 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 1.66 million square feet, comprising 3,044 residential units and 97,443 square feet of commercial space. The sales launch of The Rise during the year met with a strong market response, with 1,488 residential units (2013: Nil) sold as at 31 December 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.



### Overseas Property Portfolio

As at 31 December 2014:	Group's attributable GFA The Philippines ('000 square feet)
<b>Investment properties</b>	
Hotel lease	170
Shopping centre	1,251
Commercial	29
Office	307
<b>Sub-total</b>	<b>1,757</b>
<b>Properties under development</b>	
Residential	2,693
Hotel	335
Commercial	75
<b>Sub-total</b>	<b>3,103</b>
<b>Properties held for sale</b>	
Residential	9
<b>Sub-total</b>	<b>9</b>
<b>Sub-total</b>	<b>4,869</b>



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

## **OUTLOOK**

### **PRC PROPERTY DIVISION**

The PRC Property Division successfully navigated a mild slowdown in the country's real estate market in 2014. Guided by a clear and appropriate pricing strategy, the Group continued to act in accordance with the principle of delivering high quality and competitive value.

Over the years, the Group has built a solid reputation and prominent market position on the foundation of its long-term commitment to quality products and professional services. Based on this competitive advantage, we are able to sustain our market share on relatively stable sales prices and volume amidst market fluctuations or corrections.

The PRC economy is likely to remain in a correction phase throughout the coming year. Ongoing development of the property market is expected to be on broadly unchanged fundamentals. Market conditions will be divergent across the country, with second- and third-tier cities facing the challenge of an oversupply of residential properties. After nearly two decades of policy-driven and commoditized development, the real estate market is gradually moving into a more rational, market-driven growth pattern.

A number of prime projects are scheduled to be launched, including the residential developments in Zhijiang, Hangzhou and Bai Xia District in Nanjing, as well as the office units of Kerry Everbright City Phase III in Shanghai. On the premise of unchanged policy and market conditions, management expects these premier projects to induce new demand, generating sales that will surpass the reporting year.

The Group's rental income increased significantly during the year, partly attributable to steadily rising rentals in first-tier cities. More importantly, it was a result of the Group's strategically targeted location of its rental properties and selection of tenant portfolio. The prime locations of some of these rental properties, in central districts of top-tier cities, also helped drive revenue growth. In addition, subsequent to the official opening of Jing An Kerry Centre, as well as the reopening of Beijing Kerry Centre on completion of

renovation works, both properties have recorded rental levels and occupancies that exceeded management's expectations. The successive openings of new projects in joint venture with Shangri-La in Shenyang, Tianjin and Nanjing are expected to provide additional rental income contributions. The rental asset base will grow further in future into a core feature of the Group's business portfolio, generating significant cash flow and recurrent income to form a solid basis for ongoing business development.

### **HONG KONG PROPERTY DIVISION**

The year 2014 ended on a broadly stable note for the Hong Kong property market, with the activity mainly attributable to pent-up demand from end-users. Property prices also showed strength in the negative real interest rate environment. Despite uncertainty in the macroeconomic environment, the Group is confident that the solid sales growth momentum detailed in the reporting period will likely continue.

Backed by a healthy rental market, the Group's prime residential properties held for investment, as well as its portfolio of Grade-A offices and retail space, are expected to continue to deliver stable rental income in the year to come. In order to add further value to this investment asset base, the Group will commit sustained efforts to enhancing the properties and to complementing them with a high level of management service. The Group's goal remains to strengthen its recurring revenue base.

Our team of property professionals will continue to ensure quality products and services for buyers and tenants, building a compelling long-term advantage for the Group. With its development projects and rental properties continuing to be competitively positioned, the Group is confident that steady growth in sales and rental income remains in prospect.

While the local market is affected by various counteracting forces, such as a tight supply of developable land against a generally sound economy and the easing of accommodative financial measures worldwide, the Group stands ready to respond to the challenges ahead.

## FINANCIAL REVIEW

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

The Group closely reviews and monitors its foreign exchange exposure. As at 31 December 2014, total foreign currency borrowings (excluding Renminbi (“RMB”) borrowings) amounted to the equivalence of HK\$10,549 million and RMB loans amounted to the equivalence of HK\$6,208 million. Therefore, non-RMB total foreign currency borrowings and RMB loans represented approximately 31% and 18% respectively, of the Group’s total borrowings of HK\$34,239 million as at 31 December 2014.

The non-RMB total foreign currency borrowings of HK\$10,549 million mainly include the Fixed Rate Bonds amounting to US\$1,320 million (approximately HK\$10,193 million (net of direct issue costs)). The Group has arranged cross currency swap and forward exchange contracts amounting to US\$517 million and US\$425 million, respectively, to hedge the exchange rate exposure between United States dollars and Hong Kong dollars.

Out of the Group’s total borrowings as at 31 December 2014, HK\$3,092 million (representing approximately 9%) was repayable within one year, HK\$12,746 million (representing approximately 37%) was repayable in the second year, HK\$15,116 million (representing approximately 44%) was repayable in the third to fifth years and HK\$3,285 million (representing approximately 10%) was repayable over five years. The Group continued to maintain most of its borrowings on an unsecured basis, with unsecured debt accounting for approximately 82% of total borrowings as at 31 December 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 31 December 2014, the gearing ratio for the Group was 28.5% (2013: 31.0%), calculated based on net debt of HK\$22,847 million and shareholders’ equity of HK\$80,079 million.

As at 31 December 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 31 December 2014, the Group had total undrawn bank loan facilities of HK\$13,840 million and cash on hand of HK\$11,392 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 affirmed a “BBB-” credit rating for Kerry Properties Limited with a positive outlook.

# PARTICULARS OF PROPERTIES HELD

Particulars of major properties held by the Group as at 31 December 2014 are as follows:

Property name	Location	Type	%	Group's attributable interest		Lease term
				Approximate gross floor area (square feet)	Approximate number of carpark spaces	
<b>PRC Properties</b>						
<b>A. Completed and held for investment</b>						
1. Jing An Kerry Centre Phase II <sup>(1)</sup>	1218, 1228 and 1238 Yanan Zhong Road 1539, 1551 and 1563 Nanjing Xi Road Jing An District Shanghai	Office Commercial	51.00	640,600 449,694	546	Medium lease
				<b>1,090,294</b>		
2. Beijing Kerry Centre	1 Guang Hua Road Chaoyang District Beijing	Office Apartment Commercial	71.25	711,121 277,330 98,406	423	Medium lease
				<b>1,086,857</b>		
3. Shenzhen Kerry Plaza Phase II	1 Zhong Xin Si Road Futian CBD Shenzhen	Office Commercial	100.00	745,425 104,110	335	Medium lease
				<b>849,535</b>		
4. Shenzhen Kerry Plaza Phase I	1 Zhong Xin Si Road Futian CBD Shenzhen	Office	100.00	<b>804,709</b>	306	Medium lease
5. Kerry Parkside	1155 and 1201 Fangdian Road 1378, 1388 and 1398 Hua Mu Road Pudong Shanghai	Office Commercial Apartment	40.80	417,189 216,592 153,300	475	Medium lease
				<b>787,081</b>		
6. Jing An Kerry Centre Phase I	1515 Nanjing Road West Jing An District Shanghai	Office Apartment Commercial	74.25	308,584 142,355 103,971	180	Medium lease
				<b>554,910</b>		
7. Kerry Everbright City Phase I	218 Tianmu Road West Zhabei District Shanghai	Commercial Office	74.25	330,141 163,249	179	Medium lease
				<b>493,390</b>		
8. Shanghai Central Residences Phase II – Towers 1 and 3	166 and 168 Lane 1038 Huashan Road Changning District Shanghai	Apartment	100.00	<b>478,286</b>	211	Long lease
9. Shenzhen Kerry Centre	2008 Renminnan Road Lowu District Shenzhen	Commercial Office	100.00	107,256 1,641	193	Medium lease
				<b>108,897</b>		
10. Fuzhou Central Residences	139 Gutian Road Gulou District Fuzhou	Commercial	100.00	<b>63,986</b>	–	Long lease
<b>Total PRC investment properties</b>				<b>6,317,945</b>	<b>2,848</b>	



Property name	Location	Type	%	Group's attributable interest			Lease term
				Approximate gross floor area (square feet)	Approximate number of carpark spaces		
<b>PRC Properties</b>							
<b>B. Hotel property</b>							
1.	Kerry Hotel, Beijing	1 Guang Hua Road Chaoyang District Beijing	Hotel	71.25	499,642	–	Medium lease
2.	Shangri-La Hotel, Nanjing	329 Zhong Yang Road Gulou District Nanjing	Hotel	45.00	412,798	–	Medium lease
3.	Jing An Shangri-La Hotel, Shanghai <sup>(1)</sup>	1218 Yanan Zhong Road Jing An District Shanghai	Hotel	51.00	411,172	–	Medium lease
4.	Shangri-La Hotel, Shenyang	115 Qingnian Avenue Shenhe District Shenyang	Hotel	60.00	394,524	259	Medium lease
5.	Shangri-La Hotel, Tianjin	328 Haihe East Road Hedong District Tianjin	Hotel	49.00	369,205	112	Medium lease
6.	Kerry Hotel Pudong Shanghai	1388 Hua Mu Road Pudong Shanghai	Hotel	40.80	325,853	–	Medium lease
<b>Total PRC hotel property</b>					<b>2,413,194</b>	<b>371</b>	

Property name	Location	Type	%	Group's attributable interest			Stage of completion	Scheduled completion
				Approximate gross floor area (square feet)	Approximate site area (square feet)			
<b>PRC Properties</b>								
<b>C. Under development</b>								
1.	Nanchang Arcadia Court and Hotel Development	Lot No. B-7 Honggutan Central District Nanchang	Residential Hotel Office Commercial	80.00	707,350 658,542 607,477 78,741	411,081	Phase I Hotel Interior decoration and mechanical and engineering work in progress Residential Structure work and external work in progress	Phase I 2015
					<b>2,052,110</b>			
2.	Tianjin Kerry Centre	Junction of Liuwei Road and Liujin Road Hedong District Tianjin	Commercial Residential Office Apartment	49.00	622,297 469,229 369,285 165,720	280,860	Phase I Completion verification in progress	Phase I 2015
					<b>1,626,531</b>			
3.	Enterprise Centre	Meiyuan Road Tianmu Road West Huakong Road and Gonghu Road Zhabei District Shanghai	Office Commercial	74.25	745,111 88,107	126,744	Mechanical and engineering work and external work in progress	2015
					<b>833,218</b>			
<b>Sub-total</b>					<b>4,511,859</b>	<b>818,685</b>		

## PARTICULARS OF PROPERTIES HELD

Property name	Location	Type	%	Group's attributable interest		Stage of completion	Scheduled completion	
				Approximate gross floor area (square feet)	Approximate site area (square feet)			
<b>PRC Properties</b>								
<b>C. Under development (continued)</b>								
4.	Tangshan	West of Da Li Road	Residential	40.00	357,886	229,584	Residential	2015
	Arcadia Court	North of Changhong Street	Hotel		242,918		Superstructure work	
	Phase III	and South of	Commercial		98,202		completed, interior	
	and Hotel	Chaoyang Street					decoration	
	Development	Lubei District					in progress	
		Tangshan					Hotel	
							Interior decoration	
							and landscape works	
					<b>699,006</b>		in progress	
5.	Qinhuangdao	North of Binhai Da Road	Residential	60.00	2,800,717	1,238,949	Phase I	Phase I
	Habitat	South of Ling Qian Street	Commercial		35,960		Interior decoration	In phases
		Qinhuangdao					and external work,	between
							mechanical and	2015 and
							engineering work	2016
							in progress	
					<b>2,836,677</b>			
6.	Yingkou	Lot No. 14-16	Residential	65.00	2,541,109	1,399,320	Phase I	Phase I
	Hyades Residence	North of Bincheng Road	Hotel		201,936		Superstructure	In phases
	and Hotel	West of Liaodongwan Street	Commercial		53,860		work completed	between
	Development	Bayuquan					External work,	2015 and
		Yingkou					interior decoration	2016
							and mechanical	
							and engineering	
							work in progress	
					<b>2,796,905</b>			
7.	The Berylville,	Core Region	Residential	50.00	<b>513,550</b>	354,071	Phase I	In phases
	Ningbo	Eastern New Town					Mechanical and	between
		Ningbo					engineering work	2015 and
							and external work	2018
							in progress	
8.	Kerry Central,	Formerly Zhejiang University	Commercial	75.00	871,884	543,910	Basement	2016
	Hangzhou	Hubin Campus	Hotel		369,598		construction	
		East to Yan An Road	Apartment		270,542		and superstructure	
		South to Qing Chun Road	Office		102,132		work in progress	
		West to Planned Chang						
		Shou Road						
		North to Hai Er Xiang						
		Xiacheng District						
		Hangzhou						
					<b>1,614,156</b>			
9.	Jinan	Site no. 2011-G043 to G044	Hotel	55.00	423,886	131,979	Superstructure work	2016
	Complex	South of Luoyuan	Office		213,027		in progress	
	Development	Main Street	Commercial		27,855			
		East of Nanjuanmen Lane						
		Lixia District						
		Jinan						
					<b>664,768</b>			
10.	Hangzhou	East of Planned Vertical Road 2	Residential	100.00	2,274,724	1,534,828	Schematic design,	In phases
	Zhijiang	South of Planned Horizontal	Commercial		211,071		piling work and	from 2016
	Castalia	Road 3					structural work in	
	Court	West of Shanhusa River					progress	
		North of Planned Horizontal						
		Road 1						
		West Lake District						
		Hangzhou						
					<b>2,485,795</b>			
<b>Sub-total</b>					<b>11,610,857</b>	<b>5,432,641</b>		

Property name	Location	Type	%	Group's attributable interest		Stage of completion	Scheduled completion
				Approximate gross floor area (square feet)	Approximate site area (square feet)		
<b>PRC Properties</b>							
<b>C. Under development (continued)</b>							
11. Putian Arcadia Court and Hotel Development <sup>(2)</sup>	Tianwei Town Xibai Village and Licheng District Xi Yanshou Village Longqiao Street Office Chengxiang District Putian City	Residential Hotel Commercial	60.00	1,702,919 649,178 44,854	953,111	Phase I Residential Superstructure work completed	Phase I In phases from 2016
				<b>2,396,951</b>			
12. Changsha Xiangjiang Arcadia Court Phase II and III	398 Xin Shao Xi Road Tianxin District Changsha	Residential Commercial	100.00	2,275,133 36,673	916,239	Phase II Superstructure work in progress Phase III Schematic design in progress	In phases between 2016 and 2017
				<b>2,311,806</b>			
13. Shenyang Kerry Centre <sup>(2)</sup>	Lot No. 2007-053 8 Golden Corridor East of Qingnian Avenue Shenhe District Shenyang	Residential Commercial Office	60.00	3,726,196 1,478,820 1,068,762	955,698	Phase I Residential Interior decoration and mechanical and engineering work in progress Phase II Superstructure work in progress	Phase I 2016 Phase II 2018
				<b>6,273,778</b>			
14. The Metropolis -Arcadia Court Phase II	Junction of middle of Jiannan Da Street and Desai San Street Hi-Tech Industrial Development Zone Chengdu	Residential Commercial	55.00	955,159 229,538	228,625	Superstructure work in progress	2017
				<b>1,184,697</b>			
15. Nanjing Residential Development <sup>(2)</sup>	Site no. 2012G05 South of Daguang Road Baixia District Nanjing	Residential	100.00	<b>991,860</b>	395,641	Superstructure work in progress	2017
16. Zhengzhou Complex Development	East of Huayuan Road South of Weier Road Zhengzhou	Residential Office Hotel Commercial	55.00	582,595 331,531 236,808 142,085	263,881	Schematic design in progress	2018
				<b>1,293,019</b>			
17. Kunming Complex Development	88-96 Dong Feng Road Panlong District Kunming	Hotel Apartment	55.00	317,518 125,325	91,443	Schematic design in progress	2018
				<b>442,843</b>			
18. The Metropolis -Arcadia Court Phase III	Desai San Street Hi-Tech Industrial Development Zone Chengdu	Residential Commercial	55.00	1,213,043 242,610	336,957	Schematic design and excavation work in progress	In phases to 2021
				<b>1,455,653</b>			
<b>Sub-total</b>				<b>16,350,607</b>	<b>4,141,595</b>		
<b>Total PRC properties under development</b>				<b>32,473,323</b>	<b>10,392,921</b>		

## PARTICULARS OF PROPERTIES HELD

Property name	Location	Type	%	Group's attributable interest		
				Approximate gross floor area (square feet)	Approximate number of carpark spaces	Lease term
<b>PRC Properties</b>						
<b>D. Held for sale</b>						
1. Changsha Xiangjiang Arcadia Court Phase I	398 Xin Shao Xi Road Tianxin District Changsha	Residential Commercial	100.00	432,526 9,478	269	Long lease
				<b>442,004</b>		
2. The Metropolis – Arcadia Court Phase I	299 Ronghua North Road Hi-tech Industrial Development Zone Chengdu	Residential Commercial	55.00	153,480 116,693	425	Long lease
				<b>270,173</b>		
3. Shenyang Kerry Centre Enterprise Square	East of Qingnian Avenue Shenhe District Shenyang	Office	60.00	<b>256,385</b>	–	Medium lease
4. Manzhouli Watch Lake Phase II	99 Liu Dao Street Manzhouli City Inner Mongolia	Residential Commercial	100.00	158,380 32,243	142	Long lease
				<b>190,623</b>		
5. Tianjin Arcadia Court Phase I	Junction of Liuwei Road and Liujin Road Hedong District Tianjin	Residential	49.00	<b>186,733</b>	–	Long lease
6. Tangshan Arcadia Court Phase I and II	West of Da Li Road South of Chaoyang Street Lubei District Tangshan	Residential	40.00	<b>135,147</b>	118	Long lease
7. Shenyang Kerry Centre Arcadia Court Phase I	East of Qingnian Avenue Shenhe District Shenyang	Residential	60.00	<b>111,045</b>	152	Long lease
8. Parkview Residence Phase II	751 Hangbo Street Xiacheng District Hangzhou	Residential Commercial	100.00	45,226 29,303	18	Long lease
				<b>74,529</b>		
9. Enterprise Square	216 and 228 Meiyuan Road Zhabei District Shanghai	Office Commercial	74.25	28,549 26,992	59	Medium lease
				<b>55,541</b>		
10. Parkview Residence Phase I	756 Hangbo Street Xiacheng District Hangzhou	Residential Commercial	100.00	23,896 7,450	2	Long lease
				<b>31,346</b>		
11. Shanghai Central Residences Phase II	170 Lane 1038 Huashan Road Changning District Shanghai	Residential	100.00	<b>5,200</b>	53	Long lease
12. Gemini Grove	63 Xin Yuan Street Chaoyang District Beijing	Commercial Residential	71.00	4,215 622	23	Long lease
				<b>4,837</b>		
13. Shenzhen Arcadia Court	1008 Haitian Road Futian District Shenzhen	Commercial	100.00	<b>4,608</b>	551	Long lease
14. Manzhouli Watch Lake Phase I	99 Liu Dao Street Manzhouli City Inner Mongolia	Residential	100.00	<b>1,302</b>	19	Long lease
<b>Total PRC properties held for sale</b>				<b>1,769,473</b>	<b>1,831</b>	
<b>TOTAL PRC PROPERTY PORTFOLIO</b>				<b>42,973,935</b>		

Property name	Location	Type	%	Group's attributable interest			
				Approximate gross floor area (square feet)	Approximate number of carpark spaces	Lease term	
<b>Hong Kong Properties</b>							
<b>A. Completed and held for investment</b>							
<b>I. Residential</b>							
1.	Branksome Grande	3 Tregunter Path Mid-Levels Hong Kong	Apartment	100.00	257,372	73	Long lease
2.	Aigburth	12 Tregunter Path Mid-Levels Hong Kong	Apartment	100.00	204,940	63	Long lease
3.	Branksome Crest	3A Tregunter Path Mid-Levels Hong Kong	Apartment	100.00	153,375	126	Long lease
4.	Tavistock	10 Tregunter Path Mid-Levels Hong Kong	Apartment	100.00	104,460	24	Long lease
5.	Gladdon	3 May Road Mid-Levels Hong Kong	Apartment	100.00	2,300	14	Long lease
<b>Sub-total</b>					<b>722,447</b>	<b>300</b>	
<b>II. Commercial/office</b>							
1.	Enterprise Square Five/ MegaBox	38 Wang Chiu Road Kowloon Bay Kowloon	Commercial Office	100.00	1,145,537 <sup>(3)</sup> 519,316	748	Medium lease
					<b>1,664,853</b>		
2.	Kerry Centre	683 King's Road Quarry Bay Hong Kong	Office Commercial	40.00	193,252 10,952	74	Medium lease
					<b>204,204</b>		
3.	Enterprise Square	9 Sheung Yuet Road Kowloon Bay Kowloon	Office	100.00	56,730	26	Medium lease
4.	Hollywood Centre	233 Hollywood Road Sheung Wan Hong Kong	Office Commercial	47.37	36,034 11,140	–	Long lease
					<b>47,174</b>		
5.	Harbour Centre	25 Harbour Road Wanchai Hong Kong	Office Commercial	15.00	32,944 <sup>(4)</sup> 6,135 <sup>(5)</sup>	43	Long lease
					<b>39,079</b>		
6.	Enterprise Square Three	39 Wang Chiu Road Kowloon Bay Kowloon	Commercial	100.00	19,800	–	Medium lease
7.	Island Crest	8 First Street Hong Kong	Commercial	100.00	15,891	6	Medium lease
8.	South Seas Centre – various portions	75 Mody Road Tsimshatsui Kowloon	Commercial	100.00	6,341	–	Long lease
9.	Belair Monte	3 Ma Sik Road Fanling New Territories	Commercial	8.00	3,820	–	Medium lease
10.	Wing On Plaza	62 Mody Road Tsimshatsui Kowloon	Commercial	10.00	2,896	–	Long lease
11.	Sherwood Court Public Carpark	12-20 Kwai Sing Lane Happy Valley Hong Kong	Carpark	100.00	–	200	Long lease
<b>Sub-total</b>					<b>2,060,788</b>	<b>1,097</b>	
<b>Total Hong Kong completed investment properties</b>					<b>2,783,235</b>	<b>1,397</b>	

## PARTICULARS OF PROPERTIES HELD

Property name	Location	Type	%	Group's attributable interest		Lease term
				Approximate gross floor area (square feet)	Approximate number of carpark spaces	

### Hong Kong Properties

#### B. Hotel property

1.	Hotel Jen Hong Kong (formerly Traders Hotel Hong Kong)	508 Queen's Road West Hong Kong	Hotel	30.00	37,517	–	Long lease
<b>Total Hong Kong hotel property</b>					<b>37,517</b>	<b>–</b>	

Property name	Location	Type	%	Group's attributable interest		Stage of completion	Scheduled completion
				Approximate gross floor area <sup>(a)</sup> (square feet)	Approximate site area (square feet)		

### Hong Kong Properties

#### C. Under development

1.	Dragons Range	33 Lai Ping Road Kau To, Sha Tin New Territories	Residential	40.00	412,584	99,270	Superstructure work in progress	Between second to third quarter of 2015
2.	Sha Tin Heights Road Project	25-27A Sha Tin Heights Road Sha Tin New Territories	Residential	71.00	8,371	11,737	Alterations and additional plan submitted	Fourth quarter of 2015
3.	So Kwun Wat Project	Area 48, Castle Peak Road So Kwun Wat Tuen Mun New Territories	Residential	100.00	939,600	722,770	Superstructure work in progress	Fourth quarter of 2016
4.	Hing Hon Road Project	5-6 Hing Hon Road Sai Ying Pun and Sheung Wan Hong Kong	Residential	71.00	27,357	3,040	Foundation work in progress	Fourth quarter of 2016
5.	Ho Man Tin Project	KIL 11227 Junction of Sheung Lok Street and Sheung Shing Street Ho Man Tin Kowloon	Residential	100.00	1,142,168	259,165	Site formation and foundation work in progress	First quarter of 2017
6.	Shan Kwong Building Redevelopment Project	7A Shan Kwong Road Wong Nai Chung Hong Kong	Residential	100.00	81,322	8,122	Foundation work completed	Second quarter of 2017
<b>Total Hong Kong properties under development</b>					<b>2,611,402</b>	<b>1,104,104</b>		

Property name	Location	Type	%	Group's attributable interest		Lease term	
				Approximate gross floor area (square feet)	Approximate number of carpark spaces		
<b>Hong Kong Properties</b>							
<b>D. Held for sale</b>							
1.	1 & 3 Ede Road	1 & 3 Ede Road Kowloon Tong Kowloon	Residential	100.00	23,265 <sup>(6)</sup>	24	Medium lease
2.	8 LaSalle	8 La Salle Road Ho Man Tin Kowloon	Residential	100.00	21,937 <sup>(6)</sup>	29	Long lease
3.	Primrose Hill	168 Kwok Shui Road Tsuen Wan New Territories	Commercial	100.00	10,318	5	Medium lease
4.	Richwood Park	33 Lo Fai Road Tai Po New Territories	Commercial	50.00	7,893	–	Medium lease
5.	Bayview	9 Yuk Yat Street Ma Tau Kok Kowloon	Commercial	100.00	6,836	9	Medium lease
6.	Lions Rise	8 Muk Lun Street Tsz Wan Shan, Diamond Hill and San Po Kong Kowloon	Residential	100.00	5,083 <sup>(6)</sup>	130	Medium lease
7.	Larvotto	8 Ap Lei Chau Praya Road Aberdeen and Ap Lei Chau Hong Kong	Residential/ Commercial	35.00	3,768	26	Medium lease
8.	The Altitude	20 Shan Kwong Road Wong Nai Chung Hong Kong	Residential	71.00	2,173 <sup>(6)</sup>	4	Long lease
<b>Total Hong Kong properties held for sale</b>					<b>81,273</b>	<b>227</b>	
<b>TOTAL HONG KONG PROPERTY PORTFOLIO</b>					<b>5,513,427</b>		

Property name	Location	Type	%	Group's attributable interest		Stage of completion	Scheduled completion	
				Approximate gross floor area (square feet)	Approximate site area (square feet)			
<b>Macau Properties</b>								
<b>A. Under development</b>								
1.	Nam Van Project	Lot C12 Nam Van Lake Macau	Residential	100.00	397,190	39,719	Schematic design in progress	Second quarter of 2019
<b>TOTAL MACAU PROPERTY PORTFOLIO</b>					<b>397,190<sup>(7)</sup></b>	<b>39,719</b>		

## PARTICULARS OF PROPERTIES HELD

Property name	Location	Type	%	Group's attributable interest		Lease term
				Approximate gross floor area (square feet)	Approximate number of carpark spaces	
<b>Overseas Properties</b>						
<b>A. Completed and held for investment</b>						
1. Shangri-La Plaza Mall	EDSA corner Shaw Blvd. Mandaluyong City Philippines	Shopping centre	65.36 <sup>(8)</sup>	<b>1,251,966</b>	913	Freehold
2. The Enterprise Center	Ayala Avenue Cor. Paseo de Roxas Makati City Philippines	Office Commercial	34.58 <sup>(9)</sup>	306,593 11,962	349	Freehold
				<b>318,555</b>		
3. Carpark Building	EDSA corner Shaw Blvd. Mandaluyong City Philippines	Carpark building	65.36 <sup>(8)</sup>	–	324	Freehold
4. Land leased to EDSA Shangri-La Hotel	EDSA corner Shaw Blvd. Mandaluyong City Philippines	Hotel lease	65.36 <sup>(8)</sup>	<b>169,733</b> <sup>(10)</sup>	–	Freehold
5. The St. Francis Shangri-La Place	St. Francis St. corner Internal Road Shangri-La Place Mandaluyong City Philippines	Commercial	65.36 <sup>(8)</sup>	<b>16,937</b>	–	Freehold
<b>Total overseas completed investment properties</b>				<b>1,757,191</b>	<b>1,586</b>	

Property name	Location	Type	%	Group's attributable interest		Stage of completion	Scheduled completion
				Approximate gross floor area (square feet)	Approximate site area (square feet)		
<b>Overseas Properties</b>							
<b>B. Under development</b>							
1. One Shangri-La Place	EDSA corner Shaw Blvd. Mandaluyong City Philippines	Residential	65.36 <sup>(8)</sup>	<b>1,064,502</b>	68,670	Finishing work in progress	Third quarter of 2015
2. Fort Bonifacio Shangri-La Hotel	Fort Bonifacio Taguig Philippines	Residential Hotel Commercial	39.22 <sup>(11)</sup>	232,504 334,715 18,596	42,553	Superstructure work in progress	First quarter of 2016
				<b>585,815</b>			
3. Shang Salcedo Place	Sen. Gil Puyat Ave. Cor. Tordesillas St. and HV Dela Costa St., Makati City, Philippines	Residential	65.36 <sup>(8)</sup>	<b>428,486</b>	21,423	Substructure work in progress	Third quarter of 2016
4. The Rise	Malugay Street Makati City Philippines	Residential Commercial	58.18 <sup>(12)</sup>	967,936 56,687	67,785	Planning stage	First quarter of 2018
				<b>1,024,623</b>			
<b>Total overseas properties under development</b>				<b>3,103,426</b>	<b>200,431</b>		



Property name	Location	Type	Group's attributable interest		Lease term
			%	Approximate gross floor area (square feet)	
<b>Overseas Properties</b>					
<b>C. Held for sale</b>					
1. The St. Francis Shangri-La Place	St. Francis St. corner Internal Road Shangri-La Place Mandaluyong City Philippines	Residential	65.36 <sup>(8)</sup>	<b>8,777</b>	8 Freehold
<b>Total overseas properties held for sale</b>				<b>8,777</b>	<b>8</b>
<b>TOTAL OVERSEAS PROPERTY PORTFOLIO</b>				<b>4,869,394</b>	

Notes:

- (1) The gross floor area is based on preliminary real estate title and measurement report.
- (2) Application for land certificate in progress.
- (3) Included other facility with gross floor area of approximately 65,000 square feet.
- (4) Being lettable floor area.
- (5) Being net floor area.
- (6) Subject to final Hong Kong SAR Government approval plans and documentations.
- (7) As regards the reclamation project in Macau, according to the Macau SAR Government Notice which was gazetted on 14 October 2009, a piece of land will be granted in exchange with location and size to be identified and agreed.
- (8) Including attributable interest of 30.75% held through Philippine Deposit Receipts.
- (9) Including attributable interest of 16.27% held through Philippine Deposit Receipts.
- (10) Being site area.
- (11) Including attributable interest of 18.45% held through Philippine Deposit Receipts.
- (12) Including attributable interest of 27.37% held through Philippine Deposit Receipts.
- (13) Gross floor areas exclude carpark spaces.

# CORPORATE SOCIAL RESPONSIBILITY REPORT

The keys to our success are integrity and excellence. Our mission is also to apply the same principles to how we deal with the environment and how we interact with stakeholders, be they external or internal, and with society at large.

Over the past year, we remained firmly committed to a series of green initiatives as part of our corporate social responsibility (“**CSR**”) programme. As a responsible business, we have made a commitment to following a path of sustainability. In 2014, our environmental policy was updated to further our efforts on carbon emission reduction and resources conservation.

As regards people, our family-friendly human resources policy puts our members’ welfare first. We also actively leverage our staff’s talents to contribute to a range of worthwhile social causes. In particular, through our members’ involvement in supporting youth and student programmes, we hope to instil in our younger generation the values of social responsibility and the spirit of self-empowerment.

While we work tirelessly to provide the best quality and value to our customers, we are equally passionate about working harder for the community. We look forward to continuing our journey of building a cohesive society in collaboration with all our stakeholders.

## CARING COMPANY

Launched by the Hong Kong Council of Social Service, the Caring Company Scheme aims at cultivating good corporate citizenship. The Group’s many caring programmes for the environment, for the broader community, and for our employees reflect the depth of our commitment to the principle of good corporate citizenship.

In March 2014, Kerry Properties was honoured to receive the “10 Years Plus Caring Company” logo for the first time, reflecting the Group’s long-term efforts to work on behalf of the community. The Group also maintained its membership of the Caring Company Patron’s Club as a Coral Member as a way of contributing further to the scheme.

Member companies, MegaBox Development Company Limited and MegaBox Management Services Limited (“**MMSL**”), have both been awarded the “5 Years Plus



Caring Company” logo. They will continue to engage in strategic partnership initiatives with the public and with charitable organizations.

## ENVIRONMENTAL PROTECTION

In striving to minimize the negative environmental impacts of our business throughout the entire life cycle of our projects, we have put in place a set of environmental policies for property development and management services, which is governed by an environmental management system (“**EMS**”).

Substantially all our environmental protection targets were successfully achieved in 2014. Based on carbon footprint audits of the Group’s headquarters and over 30 buildings under its management, overall carbon emissions, have been reduced year on year through enhancing energy and resources efficiency.

## ISO 14001 Certification for the Environmental Management System

The Group has achieved ISO 14001 Certification for the Company’s EMS since 2011. The accreditation was also expanded to include Kerry Property Management Services Limited (“**KPMSL**”) and MMSL. These certifications reaffirm the Group’s efforts to promote sustainability throughout the enterprise and to achieve cost efficiencies through savings on energy and resources.

## Indoor Air Quality Certificates

The Group's head office at Kerry Centre and the common areas of the building were awarded the Indoor Air Quality ("IAQ") Certificates (Excellent Class) in 2014. This is the highest recognition under the "IAQ Certification Scheme for Offices and Public Places" awarded by the Environmental Protection Department ("EPD") in commending good IAQ management practices.



## Business Environment Council



The Group has been a Council Member of the Business Environment Council ("BEC") since 2013. An independent, charitable organization established by the business sector in Hong Kong, BEC stands in the vanguard of furthering environmental excellence by promoting the uptake of clean technologies and practices. As a member, the Group

takes an active part in contributing to Hong Kong's transition to a low-carbon economy.

## Hong Kong Green Building Council

The Group has been a Gold Patron of the Hong Kong Green Building Council ("HKGBC") since 2013. HKGBC

is the leading body in Hong Kong driving the promotion and creation of sustainable buildings and standards, engaging with the community, industry and the Hong Kong SAR Government in creating a greener environment. As a member, the Group embraces HKGBC's sustainability principles at every stage of the building life cycle.

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

## Green Power Hike 2014

Staff members of KPMSL formed a team to participate in the "Green Power Hike 2014" 10-kilometre walkathon held in January 2014. This was the second time KPMSL had taken part in the annual charitable event aimed at raising funds to support environmental education and conservation.



## Hong Kong Awards for Environmental Excellence – Carbon Reduction Certificates

In March 2014, the Group received a Carbon Reduction 16% Certificate in recognition of its achievement of a 16% carbon reduction within its head office based on its performance in 2012 compared with the baseline year of 2011. MMSL also received a Carbon Reduction 15% Certificate.

This scheme organized by the Hong Kong Awards for Environmental Excellence ("HKAEE") aims to recognize those buildings or organizations that have achieved a verified absolute reduction in overall carbon emissions.

# CORPORATE SOCIAL RESPONSIBILITY REPORT



## Wood Recycling & Tree Conservation Scheme

The Group's headquarters at Kerry Centre, MegaBox under the management of MMSL, together with 19 properties managed by KPMSL, took part in this year's "Wood Recycling & Tree Conservation Scheme" organized by the Hong Kong Environmental Protection Association. The Christmas trees and peach blossom trees collected after the festive seasons were recycled to produce organic fertilizers.

## Giving Away and Reusing Chinese New Year Kumquat Trees

The Chinese New Year is a time to celebrate with family and friends, but a large quantity of waste is produced after the festive celebration. In March 2014, Larvotto, under the management of KPMSL, contributed to the efforts of the Environmental Association in collecting from residents and redistributing kumquat trees, thereby helping to reduce and reuse waste.

## Green Construction Site Award

In April 2014, the Group hosted the first award ceremony for its self-initiated "Green Construction Site Award", a scheme designed to promote green and healthy construction practices at all its sites under development. An assessment panel was set up to evaluate each of the Group's construction sites in terms of law abidance, site management structure, consideration of the neighbourhood and passers-by, environmental performance and innovation in green measures. In measuring the environmental performance of a site, a range of criteria are considered, including air, noise and water pollution control,

waste and dangerous goods management, training, and emergency preparedness and response. The Group plans to grow the award into an annual event.

## "Order less Waste less, more Blessings – Light Banquets" Campaign 2013-2014

The "Order less Waste less, more Blessings – Light Banquets" Campaign organized by Friends of the Earth ("FoE") sends a message that we should all cherish food. KPMSL and MMSL supported the campaign by committing to actively reducing food waste at source and generating zero food wastage during corporate banquets.

## "Let's Save 10L Water" Campaign

The Water Supplies Department ("WSD") launched the "Let's Save 10L Water" Campaign to invite Hong Kong people to take the first step towards establishing a good habit of conserving water. In support of the campaign, the Group kick-started a series of water saving measures at Kerry Centre in May 2014, mobilizing its staff and tenants to take part in this worthwhile campaign.



## Hong Kong Awards for Environmental Excellence – "Class of Excellence" Wastewi\$e Labels

KPMSL and the Group received "Class of Excellence" Wastewi\$e Labels from HKAEE in May and September 2014 respectively. The Wastewi\$e Label is designed to encourage, benchmark and recognize genuinely sustained efforts of businesses in waste reduction.

## Energy Saving Charter on Indoor Temperature 2014

To promote community-wide participation in energy-saving measures, the Environment Bureau and the Electrical and Mechanical Services Department have organized the “Energy Saving Charter on Indoor Temperature”, a programme designed to reduce electricity consumption by air-conditioning systems. Kerry Centre, MegaBox and ten other properties under KPMSL management signed the charter in May 2014, pledging to maintain an average indoor temperature of between 24°C and 26°C.

## Flushing Water Plumbing Quality Maintenance Recognition Scheme

KPMSL received Blue Certificates for Kerry Centre, The Altitude and Larvotto under the “Flushing Water Plumbing Quality Maintenance Recognition Scheme” run by WSD. The scheme gives recognition to building management agents for demonstrating consistent compliance with the maintenance and cleansing requirements for their plumbing systems. The Group is delighted that Kerry Centre achieved compliance with its very first participation in the scheme.

## Quality Water Recognition Scheme for Buildings

WSD operates its “Quality Water Recognition Scheme for Buildings” (“QWRSB”) as a means of encouraging building owners to maintain plumbing systems properly. Through integrated maintenance schedules and adhering to strict guidelines at the Group’s managed properties, 16 properties were awarded Gold, Silver or Blue Certificates under QWRSB.



## “Power Smart” Energy Saving Contest 2014

The “Power Smart” Energy Saving Contest is an FoE effort to raise the awareness of energy conservation as the most effective solution in combating climate change. This year, 11 properties under Group management took part in the organizational contest held from 1 July to 30 September. With the city’s concerted efforts, the contest achieved a record of 60 million kilowatt hour reductions in electricity consumption in 2014, thus precluding 42,000 tonnes of carbon dioxide emissions.

## BEAM Plus Version 1.2 Provisional Silver Rating

The “Building Environmental Assessment Method Plus” (“BEAM Plus”) version 1.2 is the current version of a comprehensive environmental assessment scheme for new and existing buildings recognized by HKGBC. All rated projects have to undergo an assessment of their site, energy use, indoor environmental quality, materials, water use and innovations. In August 2014, the Group’s



## CORPORATE SOCIAL RESPONSIBILITY REPORT

development at the junction of Sheung Lok Street and Sheung Shing Street, Ho Man Tin, Kowloon, was awarded Provisional Silver Rating of BEAM Plus Version 1.2. for New Buildings. In September, another development of the Group at 5-6 Hing Hon Road, Hong Kong, was also awarded the same recognition.



### BEAM Plus Version 1.1 Provisional Silver Rating

The proposed residential development at TMTL 423, Area 48, Castle Peak Road, So Kwun Wat, received another Provisional Silver Rating in October 2014 under HKGBC's "BEAM Plus" version 1.1.

### Green Tenancy Driver for Office Buildings

The Group supports the HKGBC's "Green Tenancy Driver for Office Buildings", launched in November 2014 to encourage tenants to practice green tenancy, and in turn achieve green leasing. Through this programme, landlords and tenants can collaborate closely to promote sustainable operation and management, which will ultimately create a better business environment.

### Walk for Nature

25 staff members of the Group participated in the "Walk for Nature" held by World Wide Fund for Nature Hong Kong ("WWF-Hong Kong") in November 2014. This annual fundraising event takes place in Hong Kong's

iconic Mai Po Nature Reserve. Apart from helping WWF-Hong Kong raise funds, our staff also enjoyed a rewarding day appreciating the unique ecology of this important wetland.

### Carbon Footprint Repository for Listed Companies in Hong Kong

An online "Carbon Footprint Repository" ("CFR") was launched by the Environment Bureau and EPD in December 2014 to enable listed companies in Hong Kong to disclose their carbon footprints and share success stories on carbon management and practices. The Group was recognized for its first-mover contributions and efforts in auditing its carbon footprints and disclosing such data through the CFR.

### Computer Recycling Programme

The Group and MegaBox showed their support for the EPD's "Computer Recycling Programme" by donating used computers and computer parts. The organizer teamed up a charitable organization, Caritas (Hong Kong), to help refurbish computers and donate them to the needy. A commercial recycler has also been appointed to recover any useful parts and materials.

## COMMUNITY SERVICE

At Kerry Properties, serving the community is a concerted effort by management and staff members. Through the enthusiastic input of team members, we are able to contribute to many different activities and services matching the needs of youth, the elderly, and disadvantaged segments of society.

### Engaging the Lettershopping Services of Hong Chi Association

The Group continued to engage the lettershopping services of Hong Chi Association on a regular basis. Hong Chi is a non-profit making organization in Hong Kong serving 7,000 people of all ages with all grades of intellectual disability and their families.

## Yuen Long District Secondary School Student Internship Programme 2014

KPMSL was delighted to support this internship programme co-organized by the Hong Kong Coalition of Professional Services and the Headmasters' Association of the Yuen Long District Secondary Schools in August 2014. Two-week placements were offered to six Form 5 students during which the interns were assigned to different properties to experience building operations, to visit our key projects, and attend relevant seminars. By providing the younger generation with the opportunity to work in a business environment, we hope to broaden their horizons and help build self-confidence. The programme was highly commended by both interns and their teachers.

## Magic Classes for Hong Chi Association

From October to November 2014, the Group designated a magician on the staff at MegaBox to conduct magic classes at two centres of the Hong Chi Association. The magician shared techniques for students to use in public and taught them various magic tricks to perform at parties and other events.

## MegaBox Volunteer Team Activities

MegaBox continues to mobilize its staff teams and offer its venue in support of a diverse range of community, environmental protection and charitable causes, including the Oxfam Hong Kong calendar charity sale, Hong Chi Association cookies sale and Society for the Prevention of



Cruelty to Animals (Hong Kong) moon cake charity sale. During the year, the mall hosted visits by some 70 groups of elderly, children, students and the disadvantaged.

Management fully supports staff initiatives in volunteering, to offer care to the disadvantaged and to help build mutual trust and support in society. The MegaBox volunteer team provided over 100 hours of service in 2014.

To better plan and co-ordinate its community services on a continuing basis, the MegaBox Volunteer Services Caring Committee was established in February 2014. Formed by members from different departments, the committee will formulate the overall volunteering policy for MegaBox, and take charge of planning future voluntary work. It will also be responsible for recruiting volunteers as well as controlling and assessing the results of services.

Voluntary work by the MegaBox team included an exciting outing event for the elderly jointly organized with Hong Kong Children & Youth Services in May 2014. During their visit to MegaBox, the elderly enjoyed a magic show and experienced ice-skating and flight simulation. In July, children from underprivileged families were invited to enjoy a cartoon movie followed by fun time at the mall's play house. They were also presented with ice-skating passes for their future enjoyment.

In September 2014, the volunteer team visited a Caritas elderly centre in Tung Tau Estate to celebrate the Mid-Autumn Festival. A total of 30 children from Hong Chi Association visited MegaBox in November to experience ice-skating.



## CORPORATE SOCIAL RESPONSIBILITY REPORT

### CHARITABLE DONATIONS AND SPONSORSHIPS

Our CSR efforts also included donations towards deserving causes in the communities where we operate. We are delighted to have contributed to a diverse range of worthy causes over the past year.

#### MegaBox Kowloon East Art Park

Understanding its vital role for engaging in community service, MegaBox is striving to blend its venue into the cultural community in Hong Kong by establishing the "Kowloon East Art Park". MegaBox dedicated its space to young and passionate creative talents, enabling them to set up 20 stalls to display and sell handicraft products in January, June and July 2014. Some handicraft stall owners were housewives who were former beneficiaries of the Salvation Army. With continued efforts, this annual event has built up a favourable reputation and attracted heavy traffic.



#### Community Chest Corporate & Employee Contribution Programme

The Group made a donation in January 2014 to the "Corporate Contribution Programme", which is a major Community Chest fund-raising exercise dedicated to helping the needy. Our staff members share the Group's drive to give to those in need by making a combined donation in March to the "Employee Contribution Programme" of the Community Chest.

#### Community Chest Skip Lunch Day

In March 2014, colleagues from the Group supported the "Skip Lunch Day", donating their lunch money to support this very deserving cause of the Community Chest.

#### Donation of Used Household Appliances

During Branksome Grande's major renovation in April 2014, a total of 85 household appliances were donated to five different non-governmental organizations in Hong Kong.

#### Sponsorship of L plus H's Youth Transformational Mission

Kerry Properties is proud to be a part of a joint sponsorship effort, with its parent company and other companies within the group, in supporting the mission of L plus H Creations Foundation ("L plus H") in working with underprivileged teenagers to build a purpose in life with positive values through the arts and character education.

The Group provided a venue in April 2014 for the screening of a documentary featuring the touching real-life stories of young people involved in the making of a musical. Staff members also shared some valuable exchanges with the teens. A talent show was then staged at MegaBox for visiting shoppers. In May, L plus H was engaged to stage an innovative ice-hockey theme dance to showcase young talents at the opening ceremony of the 2014 Mega Ice Hockey 5's.

The Group was also the title sponsor of the musical "The Awakening". This large-scale musical performance in September 2014 was a means of giving underprivileged teenagers a transformational life journey through six months of professional training. A pre-show was also staged at MegaBox to help promote the musical and arouse public awareness of it.





## Children's Cancer Foundation

In May 2014, the Group donated to the Children's Cancer Foundation in support of its caring service for the families of young children with cancer.

## Community Chest Dress Casual Day

In September 2014, staff members showed their caring spirit by going to work in their favourite casual wear, while at the same time donating towards the "Community Chest Dress Casual Day".

## Community Chest Green Day

Group staff members participated in and made donations to the "Community Chest Green Day" in November 2014. This event aims to encourage the public to act green and live green by taking a greener form of transport, reducing food waste, saving energy and water, and supporting resources recycling and redistribution programmes.

## Run for Fun

The Group donated in support of the "Run for Fun" event organized by Vanke Property (Hong Kong) Company Limited in December 2014. WWF-Hong Kong, as beneficiary of this event, will use all proceeds to support its conservation and education work.

## Wu Zhi Xing 2014 Charity Walk



The Group continued with its support for the "Wu Zhi Xing Charity Walk" as a Gold Sponsor. The walk took place in February 2015 and helped raise funds in support of the work

of the Wu Zhi Qiao (Bridge to China) Charitable Foundation. The project involves the building of footbridges in remote and underprivileged parts of the PRC with the help of Hong Kong and PRC university students. A Wu Zhi Qiao Village Centre has also been under construction in Gansu Province. This year, 22 staff and family members participated in the walk.

## CARING FOR OUR PEOPLE

People lie at the very heart of our success. We place special emphasis on fostering a culture of responsibility for our staff's well-being and professional development, and of inclusiveness towards their families by implementing family-friendly employment policies and practices. At the same time, we strive to provide a healthy work-life balance to our employees.

## Tai Chi Classes for Staff

A series of Tai Chi classes was organized for staff members to participate in from February to July 2014. While our employees had the opportunity to learn and practice the 108 forms of the Wu School of the Tai Chi martial art, they were also able to gain from the training's health benefits and maintain a good work-life balance through regular exercise.



## Happy Company

For the second consecutive year in June 2014, the Hong Kong Productivity Council and the Promoting Happiness Index Foundation jointly launched the "Happiness-at-work Promotional Scheme", aiming to encourage the business sector to continue its happy workplace culture. The Group was among the 200 companies and organizations granted the Happiness-at-work Label in recognition of its commitment to the cause, with achievements in promoting the culture of corporate love, insight, fortitude and engagement.

# CORPORATE SOCIAL RESPONSIBILITY REPORT

## Leadership Development Programme

In 2014, a new Accelerated Development Programme was rolled out with the aim of enhancing the strategic vision and leadership versatility of senior staff and managers. Delivered through 11 workshops over 14 months, the programme has successfully instilled in participating staff an understanding of the core knowledge, skills and leadership practices crucial to creating long-term value for the organization, for leading effective teams, and for achieving robust results. Leadership flexibility and resilience are encouraged through the appreciation and application of a broad range of strategic, leadership, networking and management skills.

## Environmental Training

Extending environmental awareness and practices to all corners of our operations is one of the Group's core principles, and therefore training in awareness of our EMS is mandatory for the entire staff. Such training aims to raise staff awareness in general and teach them measures that can be taken in the office to help protect the environment. In addition, EMS implementation training is provided to our project management and property management departments to demonstrate how to implement the EMS system in our daily operations. We also sponsored our staff on a wide range of external environmental training courses, such as the BEAM professional training and examination and the Green Building Assessment Method.

As a leisure activity for staff, two workshops have been organized on DIY natural insect repellent, and lipstick and toothpaste making.

## Team Building

To further strengthen the bonds and communication among team members in the property services division, over 200 colleagues were invited during the year to join an experiential training programme, "Dialogue in The Dark". Members were required to participate in games and other activities in a completely dark environment in order to experience the challenges faced by the visually impaired and to explore new forms of communication.

## Work-related Training and Seminars

Strengthening of the professional expertise of our teams is a year-round effort. In order to keep our staff updated on the latest technology and practices in the industry, as well as on the related legal developments, eight seminars on different topics were conducted during the year, ranging from energy management and children's play environment to latent landscape defects.

## Corporate Governance Training

Good corporate governance is important in keeping the corporation running smoothly, while a healthy system and high integrity of staff are the two major elements contributing to this. During the year, we arranged a talk by the Independent Commission Against Corruption on corruption prevention, and another by the Office of the Privacy Commissioner for Personal Data on the Personal Data (Privacy) Ordinance. The talks were open to staff of different levels to enhance their awareness and understanding of the issues as well as their compliance with the law.

## Make Work Fun Programme

Organizing residents' activities is one of the key duties of the clubhouse staff in our properties, and the "Make Work Fun Programme" is designed to teach them new skills and tricks, such as paper art, Christmas crystal ball making and magic, all of which they can apply directly in their activities for the benefit of residents. All the workshops were led by our own staff who possess these talents and skills. These workshops not only enable staff to learn new skills for their jobs and have fun at the same time, but also act as a platform where some of our staff can showcase their talents and feel appreciated by their colleagues.



## Art of Service

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

## Cross-company Training

During the year, a group of eight staff members of the property management division were attached to the Aberdeen Marina Club for a five-day observation programme. They visited various departments of this prestigious country club to understand and acquire best practices in club operations, which can be adapted to their own facilities in different properties.

## Buddy Programme

In its second year, this staff care programme continued to identify and train enthusiastic staff members to act as buddies and provide help and guidance to new hires in our property management division. The objectives of the programme are to demonstrate to new members of staff that they are welcome and valued by the company, and for the buddy to help them adapt to the new environment and establish their own network more easily. Through helping other people, the buddies themselves can also strengthen their sense of belonging to the company and their inter-personal communication skills.



## Customer Services Trainee Programme

Under a joint programme with the Youth Employment and Training Programme of the Labour Department and the Hong Kong Federation of Youth Groups, Kerry Properties offered trainee positions for 18 young people with an associate degree or similar qualification. During the six-month programme from July to December 2014, the trainees received intensive classroom and on-the-job training to acquire service, language, inter-personal communication and job-specific professional skills. Job rotations provided them with the opportunity of working in various sites and positions, while senior buddies stood by to help them



along the way. This programme has enabled these young participants to better understand themselves, and prepared them with the right aptitude and skills for future career development. Upon completion of the programme, nine trainees who performed well were offered permanent posts as customer services assistants.

## Training for the Beijing Kerry Residence Team

As a part of the rebranding exercise for Beijing Kerry Residence, staff from both the front line and back of house were invited to attend an intensive training programme covering brand values, service mindset, service skills and best practices in daily operations. During the programme, valuable exchanges of experience and ideas between the Hong Kong and Beijing teams were achieved.

## English Business Writing Programmes

Professional writing in English improves productivity and the ability of staff to work in all functional areas, and also has a positive impact on each individual staff member's career advancement. In 2014, a total of four English Business Writing Courses were organized to suit different needs of staff in various positions at different levels.

## Soft Skills Training

Beyond technical knowledge and skills, soft skills are equally important for the personal success of staff members. A team possessing the right attitude with good inter-personal and self-management skills is crucial to the success of a corporation. During the year, we organized a number of soft skills training programmes for our staff such as Effective Communication Skills Workshop, Time Management Workshop and Creative Problem Solving Workshop.

# AWARDS AND CITATIONS

Over the past year Kerry Properties has been honoured to receive numerous awards recognizing the important role we play as accomplished business practitioner and good corporate citizen. These accolades represent strong encouragement to the Group for its commitment to social responsibility, fair practices and excellence. They also highlight the increasing participation of our employees in reaching out to the broader community. Together with our staff teams, we operate as a positive force in our sector and in society.

## BCI Asia Top 10 Developers Award 2014 – Hong Kong



“BCI Asia Top 10 Developers Award 2014 – Hong Kong” was presented to the Group by BCI Group in January 2014. The award scheme was held in seven different Asia territories. It honours the most commercially significant developers and architects in the city, identified by the aggregate value of their projects under construction during the last full calendar year weighted by the extent of their sustainability and confirmed local green building ratings. The Group’s inclusion in the Top 10 ranking recognizes its contribution towards sustainable architecture.

## 3rd Outstanding Corporate Social Responsibility Award

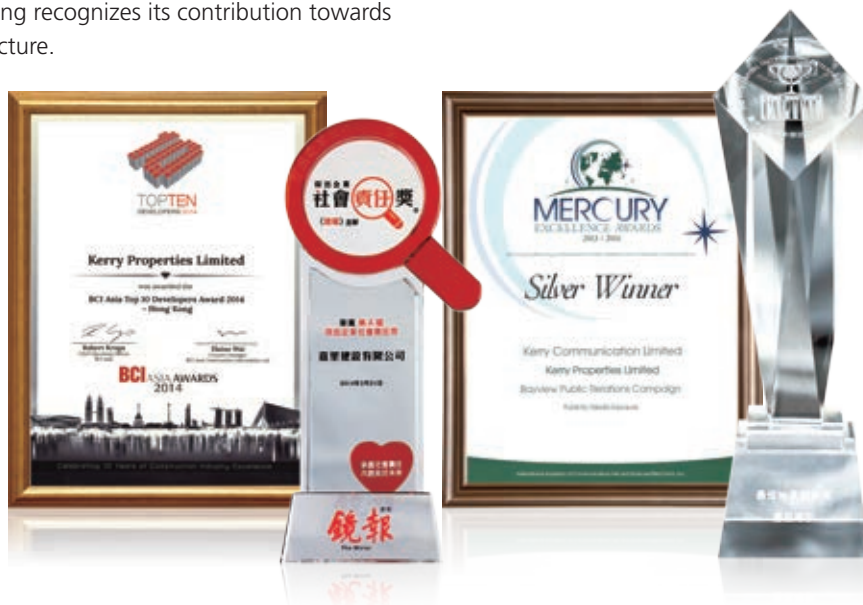
The Group was delighted to receive the “3rd Outstanding Corporate Social Responsibility Award” from *Mirror Post* in January 2014. The winners were selected by a judging committee based on the awardee’s commitment to shareholder interests, customer promise, community outreach, care of staff, environmental protection and leadership.

## MERCURY Excellence Awards 2013/2014 – Silver Award

In February 2014, the Group was conferred a Silver Award in the “Publicity – Media Exposure” category in the world-renowned “MERCURY Excellence Awards”. Presented by MerComm, Inc. to promote excellence in various fields of communications, this prestigious prize commended the public relations campaign for the launch of Bayview in Hong Kong. This year over 700 entries were received by the award organizer from 21 countries.

## The 14th CAPITAL Outstanding Enterprise Awards – The Outstanding Developer

In March 2014, the Group was honoured to be named The Outstanding Developer in the “The 14th CAPITAL Outstanding Enterprise Awards” organized by *Capital Magazine*, an influential business title with a wide circulation in Hong Kong and the PRC. This annual award recognizes Hong Kong enterprises with outstanding performance and contributions throughout the year. This is the fourth year in a row that this award has been conferred on the Group.





### ERB Manpower Developer Award Scheme – Manpower Developer 1st

The Group was delighted to be acknowledged under the “ERB Manpower Developer Award Scheme” in April 2014. Having been accredited as a Manpower Developer since the award was established in 2010, the Group continues to demonstrate outstanding achievements in manpower training and development. Organized by the Employees Retraining Board (“ERB”), the award scheme aims to instill a corporate culture advocating the importance of nurturing manpower.

### Prime Awards for Eco-Business 2014 – Platinum Award

The Group received a Platinum Award in June 2014 in the “Prime Awards for Eco-Business 2014”, our seventh year of being honoured under this programme. Organized by metroBox, one of the most trusted brands among finance-

focused magazines in Hong Kong, the award reaffirms the Group’s efforts in encouraging a positive impact on the environment and promoting community sustainability.

### 24th International ASTRID Awards – Bronze Awards

The Group won two Bronze Awards for The Summa’s advertising campaign and its 2014 calendar in the “24th International ASTRID Awards” in the categories of “Advertisement – Campaign” and “Calendars – Corporate”. The “ASTRID Awards”, organized by MerComm, Inc., is one of the largest worldwide competitions honouring achievements in design and is open to a wide range of corporations, government agencies, non-profit organizations and associations producing communications materials all over the world. The award programme received nearly 550 entries from around the world.

### LACP Vision Awards Annual Report Competition 2013 – Silver Award and Top 80 Annual Reports in the Asia-Pacific Region

Organized by the League of American Communications Professionals (“LACP”), the “Vision Awards” drew one of the largest submissions ever. Nearly 1,000 organizations from 25 countries participated in the competition and only 12% of entries received award recognition. Our 2013 Annual Report won a Silver Award in August 2014 amidst tough competition and was ranked one of the Top 80 Annual Reports in the Asia-Pacific Region. The Group also received an Honors Award in the category of “Most Creative Annual Report in the Asia-Pacific Region”.



## AWARDS AND CITATIONS

### 28th International ARC Awards – Traditional Annual Report: Property Development – Various and Multi-Use – Honors

The Group's 2013 Annual Report received an Honors Award in the category of "Traditional Annual Report: Property Development – Various and Multi-Use" in the "28th International ARC Awards". The award was presented to the Group in September 2014, acknowledging the creativity, clarity and excellence of the content of the report. Organized by MerComm, Inc., the event is a world-renowned annual report design and printing competition honouring the highest standards of report presentation. This year, about 2,000 entries from 31 countries around the world participated, of which only the top 30% were considered award-worthy.

### 14th Annual International iNOVA Awards – Video – Gold Award

In November 2014, the Group's corporate video received a Gold Award under the category of "Video" in the "14th Annual International iNOVA Awards". Organized by MerComm, Inc., the "iNOVA Awards" endorses the hard work put into a website or a video's creation and development. Our corporate video was commended for bringing the audience through the milestones of the Company, while showcasing the beauty of our projects. This year over 160 entries were received by the award organizer from 17 countries.

### Galaxy Awards 2014 – Silver Awards

The annual "Galaxy Awards" honours excellence in product and service marketing, and this is the only competition judged by peers in the profession based on the values of creativity, effectiveness, performance and success. The Group was pleased to receive a Silver Award for The Summa's public

relations campaign in the category of "Public Relations: Special Purpose Project" and another Silver Award for its 2014 calendar in the category of "Design: Calendar". Both awards were presented to the Group in November 2014. The calendar for 2014 was created on a theme of shared ideals and goals of Group staff members using their creative photography.

### Hong Kong Green Awards 2014 – Green Management Award (Corporate) – Silver Award and Sustained Performance 5years+

The Group collected the Silver Award and Sustained Performance 5years+ in the category of "Green Management Award (Corporate)" in the "Hong Kong Green Awards 2014" held in December 2014. Aigburth, Tavistock and Tavistock II, all under the management of Kerry Property Management Services Limited ("KPMSL"), were awarded Merits in the category of "Green Management Award (Service Provider)". The garnering of two awards in this prestigious programme directed by the Green Council exemplified our environmental awareness in both operational and management processes, reflecting our collective efforts in the day-to-day implementation of our green policy.

### Security Services Best Training Award 2013 – Award of Gold

KPMSL was commended at the "Security Services Best Training Award 2013" presentation held in March 2014. KPMSL received an Award of Gold for Larvotto in the category of "Type I Security Company Licence" (offering general security service with 500 or less staff). Organized by the Vocational Training Council and the Crime Prevention Bureau of the Hong Kong Police Force, the award aims at encouraging security companies to develop long-term training programmes with a view to enhancing the quality and professional competence of their security officers.



## 2014 Hong Kong Property Management and First-Aid Competition

Kerry Centre participated and won six awards in the "2014 Hong Kong Property Management and First-Aid Competition" held in March 2014. The competition was co-organized by the Institute of Registered Security Trainers and St. John Ambulance Brigade.

## Best Landscape Award for Private Property Development 2014 – Non-Domestic Property – Merit

Held every two years, the award is organized by the Leisure and Cultural Services Department with the aim of sustaining enhancements to the living environment in private properties and to promoting excellence in greening through outstanding landscape design and horticultural maintenance. Kerry Centre received a Merit in the "Non-Domestic Property" category of "Best Landscape Award for Private Property Development 2014" held in May 2014.

## Hong Kong Island Best Security Services Awards 2013-2014 – Best Security Services Awards

In October 2014, a number of properties under the management of KPMSL collected Best Security Services Awards at the "Hong Kong Island Best Security Services Awards 2013-2014". The Hong Kong Police Force Regional Crime Prevention Office initiated the scheme to help raise the standard of security and property management services. The properties recognized included May Towers, Valverde, Tregunter Towers, Aigburth, Larvotto and Kerry Centre. Several KPMSL security officers were also named among the Best Security Personnel for their outstanding performance in helping the Police combat crime.

## CLP GREEN PLUS Recognition Award 2014 – Merit

CLP Power Hong Kong Limited held the "3rd GREEN PLUS Recognition Award" ceremony in October 2014. This year's programme drew the participation of more than 500 organizations that collectively covered a wide range of industries. Group-managed properties acknowledged under the "Residential" category included Camellia Court, Constellation Cove, Enterprise Square, Enterprise Square Two, Enterprise Square Three, Lions Rise, Ocean Pointe, Primrose Hill and Regency Park. KPMSL was delighted to participate in this programme which commends innovative energy-saving solutions and outstanding performance in protecting the environment.

## 2013-2014 Best Corporate Volunteer Service Project Competition – Certificate of Appreciation

Our Mid-Levels property management staff team mobilized their family members and residents of their managed properties to co-host a festive event for the elderly together with Caritas. KPMSL was recognized for the staff's enthusiasm in the "2013-2014 Best Corporate Volunteer Service Project Competition" organized by the Social Welfare Department Steering Committee on Promotion of Volunteer Service. The certificate was received in October 2014. Another event for the elderly organized by our MegaBox Volunteer Services Caring Committee and Hong Kong Children & Youth Services was also recognized by the Certificate of Appreciation in this competition.



## AWARDS AND CITATIONS

### Commendation Scheme on Source Separation of Domestic Waste 2013/2014 – Bronze Award

On behalf of Regency Park, KPMSL received a Bronze Award in November 2014 from the Environmental Protection Department (“EPD”) for its participation in the “Commendation Scheme on Source Separation of Domestic Waste”. The main objective of the programme is to encourage property management companies to provide facilities to enable residents to separate waste at source, and to broaden the types of recyclables to be recovered. Regency Park was commended for achieving average monthly recyclables of 10-17 kilograms per household.

### Commendation Scheme on Source Separation of Commercial and Industrial Waste 2013/2014 – Certificate of Appreciation

MegaBox Management Services Limited (“MMSL”) received a Certificate of Appreciation from the EPD for its participation in the “Commendation Scheme on Source Separation of Commercial and Industrial Waste”. By setting up and implementing a suitable mechanism for separating and recovering waste, MegaBox facilitates its tenants to more effectively practise waste separation and recycling in the workplace.

### HKQAA Barrier Free Accessibility Management Systems Certification

In the first “Barrier Free Accessibility Certification” scheme of its kind in Hong Kong, the Hong Kong Quality Assurance Agency developed a simple, practical and objective standard for evaluating an organization’s barrier free accessibility (“BFA”) performance. The scheme

was developed with reference to international and local standards after wide consultations with businesses and disabled and elderly concern groups. MMSL was pleased to be accredited in October 2014 for its BFA performance in the design and provision of property management services, which is a part of the Group’s longstanding efforts to support an inclusive society.

### Caring for Communities Award 2014

In November 2014, MMSL was privileged to receive a Caring for Communities Award from Hong Kong Children & Youth Services. The award recognized the volunteer work of MegaBox staff in an event for the elderly.

### Kowloon East Best Security Services Awards 2013-2014 – Best Partner Property and Best Security Guard

MMSL was commended in the “Kowloon East Best Security Services Awards 2013-2014” presentation ceremony held in November 2014. While MegaBox was named a Best Partner Property, a security guard was presented with the Best Security Guard award. Three other officers were named Outstanding Security Guards. The awards scheme was co-organized by Kowloon East Regional Crime Prevention Office, the Security & Guarding Services Industry Authority, and the Hong Kong Association of Property Management Companies.

### Smart Parents’ Choice – Shopping Mall

MegaBox was chosen as one of the 15 shopping malls of “Smart Parents’ Choice”, acknowledging the mall’s exemplary performance in providing a unique shopping experience for *Smart Parents* readers.





# CORPORATE GOVERNANCE REPORT

During the financial year ended 31 December 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 Rules (the “Listing Rules”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The following sections set out how the principles of good governance and code provisions under the Listing Rules have been complied with by the Company during the financial year ended 31 December 2014.

## A. DIRECTORS

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

1. The Board is responsible for:
  - (i) the leadership and control of the Company;
  - (ii) overseeing the Group’s businesses, strategic directions and financial performance;
  - (iii) setting the Company’s values and standards;
  - (iv) ensuring that its obligations to the Company’s shareholders (the “Shareholders”) are understood and met; and
  - (v) strategy formulation, corporate governance and performance monitoring.
  
2. Proposed Board meeting dates for a financial year are agreed in the final Board meeting of the preceding year. The Board has four scheduled meetings a year at approximately quarterly interval and meets more frequently as and when required. Notice of more than 14 days was given to all Directors to attend a regular Board meeting. For all other Board meetings, reasonable notice will be given to the Directors. During the financial year ended 31 December 2014, the Board held four meetings and the attendance record, on a named basis, is set out in the table below.

Directors	Attendance/Number of Board Meetings during the Directors’ tenure of office
<b>Executive Directors:</b>	
Wong Siu Kong	4/4
Ho Shut Kan	4/4
Qian Shaohua	4/4
Bryan Pallop Gaw	4/4
Chan Wai Ming, William <i>(resigned on 21 May 2014)</i>	1/1
<b>Independent Non-executive Directors:</b>	
Lau Ling Fai, Herald	4/4
Ku Moon Lun	4/4
Wong Yu Pok, Marina, JP	4/4
Chang Tso Tung, Stephen	4/4

3. Board and Board Committees minutes kept by the Company Secretary are sent to the Directors of the Company (the “Directors”) for records and are open for inspection by the Directors.
  
4. The Company has arranged appropriate insurance cover for the Directors.

### A.2 Division of Responsibilities

1. Mr Wong Siu Kong, the Chairman of the Board (the “**Chairman**”), provides leadership to the Board in terms of establishing policies and business directions and ensures that the Board discharges its responsibilities. He is also responsible for formulating, approving, organizing and implementing the Group’s strategy.
2. The Board comprises two Co-Managing Directors. Mr Ho Shut Kan is responsible for the Group’s project development and management of investment portfolio in Hong Kong, Macau and overseas. Mr Qian Shaohua is responsible for the Group’s property development in the PRC. The two Co-Managing Directors are responsible for the day-to-day management of the Group’s business and have actually performed the duties of the chief executive officer. Therefore, there is a clear division of the responsibilities of the Chairman and the Co-Managing Directors to ensure a balance of power and authority.
3. The other Executive Directors of the Company are delegated with responsibility to oversee and monitor the operations of specific business areas and to implement the strategies and policies set by the Board.
4. The Board comprises four Independent Non-executive Directors (“**INED**”) who bring strong independent judgement, knowledge and experience to the Board’s deliberations. Apart from their appointments as INED, none of them has any form of service contract with the Company or any of its subsidiaries.
5. The Chairman has encouraged all Directors to make a full and active contributions to the Board’s affairs and takes the lead to ensure that the Board acts in the best interest of the Company. He has promoted a culture of openness and debate by facilitating the effective contribution of INED and ensuring constructive relations between Executive Directors and INED. Accordingly, the Board operates in a functional manner with clearly defined objectives, strategies and responsibilities.
6. During the financial year ended 31 December 2014, the Chairman has held two meetings with the INED without the other Executive Directors present.

### A.3 Board Composition

1. The composition of the Board is stated in the section headed “Corporate Information & Key Dates” of this annual report. The Board has a balanced composition and strong independent element. The biographies of the Directors are set out in the section headed “Directors and Senior Management” of this annual report, which demonstrate a diversity of skills, expertise, experience and qualifications.
2. The Company has complied with Rules 3.10 and 3.10A of the Listing Rules in the following manner:
  - (i) the Board includes four INED;
  - (ii) three of the INED have appropriate profession qualifications, accounting and related financial management expertise; and
  - (iii) INED represent more than one-third of the Board.
3. The Company has received annual confirmation of independence from all the INED in accordance with Rule 3.13 of the Listing Rules. The Nomination Committee has assessed their independence and concluded that all the INED are independent within the definition of the Listing Rules.
4. A list of all the Directors identifying their roles, functions and titles is available on the websites of the Stock Exchange and the Company.

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

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

#### A.5 Nomination Committee

The Company established a Nomination Committee ("**NC**") in 2012. Details of the NC and the work performed by it during the year are set out in the section headed "Nomination Committee Report" of this annual report. During the financial year ended 31 December 2014, a NC meeting was held on 10 January 2014 and the attendance record, on a named basis, is set out in the table below.

Directors		Attendance/Number of NC Meeting during the NC members' tenure of office
<b>Executive Directors:</b>	Wong Siu Kong	1/1
<b>INED:</b>	Lau Ling Fai, Herald	1/1
	Ku Moon Lun	1/1
	Wong Yu Pok, Marina, JP	1/1
	Chang Tso Tung, Stephen	1/1

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

#### A.6 Responsibilities of Directors

1. Every newly appointed Director will be given a comprehensive, formal and tailored induction on appointment and continually updated with legal and regulatory requirements, business and market changes and development of the Company to facilitate him/her in discharging his/her responsibilities.
2. The INED take an active role in Board meetings, contribute to the development of strategies and policies and make sound judgement in various aspects. They will take lead when potential conflicts of interest arise. Independent Board Committee comprising all INED will be formed to advise the independent Shareholders on those connected transactions to be approved by the independent Shareholders at the special general meeting of the Company. The INED are also members of various Board committees and devote sufficient amount of time and attention to the affairs of the Company.

## CORPORATE GOVERNANCE REPORT

- The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules as the code for securities transactions by Directors of the Company (the “**Model Code**”). The Directors have confirmed compliance with the required standards set out in the Model Code throughout the financial year ended 31 December 2014. Employees of the Company, who are likely to be in possession of unpublished inside information, have been requested to comply with provisions similar to those terms in the Model Code.
- In order to ensure the Directors’ contribution to the Board remains informed and relevant and to develop and refresh knowledge and skills of the Directors, the Company has encouraged and funded suitable trainings for Directors to participate in continuous professional developments. During the financial year ended 31 December 2014, the record of the trainings of the Directors, on a named basis, is set out in the table below.

Directors	Reading journals, written training materials and/or updates	Attending courses, seminars, conferences and/or forums	Receiving briefings from Chief Financial Officer, Company Secretary and/or other executives
<b>Executive Directors:</b> Wong Siu Kong	✓	✓	✓
Ho Shut Kan	✓	✓	✓
Qian Shaohua	✓	✓	✓
Bryan Pallop Gaw	✓	✓	✓
Chan Wai Ming, William (resigned on 21 May 2014)	✓	✓	✓
<b>INED:</b> Lau Ling Fai, Herald	✓	✓	✓
Ku Moon Lun	✓	✓	✓
Wong Yu Pok, Marina, JP	✓	✓	✓
Chang Tso Tung, Stephen	✓	✓	✓

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

### A.7 Supply of and Access to Information

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

## B. REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT AND BOARD EVALUATION

### B.1 Remuneration Committee

Details of the Remuneration Committee (“RC”) and the work performed by it during the year are set out in the section headed “Remuneration Committee Report” of this annual report. During the financial year ended 31 December 2014, a RC meeting was held on 10 January 2014 and the attendance record, on a named basis, is set out in the table below.

Directors		Attendance/Number of RC Meeting during the RC members’ tenure of office
<b>Executive Directors:</b>	Wong Siu Kong	1/1
<b>INED:</b>	Lau Ling Fai, Herald	1/1
	Ku Moon Lun	1/1
	Wong Yu Pok, Marina, JP	1/1
	Chang Tso Tung, Stephen	1/1

### B.2 Remuneration of Directors and Senior Management

Details of the amount of the Directors’ emoluments (including the Executive Directors who are members of senior management of the Group) during the financial year ended 31 December 2014 are set out in notes 14(a) and 14(b) to the financial statements of this annual report. Details of the Company’s share option scheme are set out in the Directors’ Report and note 35 to the financial statements of this annual report.

### B.3 Board Evaluation

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

## CORPORATE GOVERNANCE REPORT

### C. ACCOUNTABILITY AND AUDIT

#### C.1 Financial Reporting

1. The Board is responsible for the preparation of the financial statements. In preparing the financial statements, the generally accepted accounting standards in Hong Kong have been adopted, appropriate accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made. The external auditor has a primary responsibility for auditing and reporting on the financial statements and the Auditor's Report to the Shareholders is included in this annual report.
2. Towards the end of 2014, the Board has reviewed the financial projections of the Group in respect of the five financial years ending 31 December 2019. On the basis of this review, the Board is not aware of any material uncertainties relating to events or conditions which may cast significant doubt over the Group's ability to continue as a going concern. Accordingly, the Board has continued to adopt the going concern basis in preparing the financial statements.
3. During the financial year ended 31 December 2014, all members of the Board have been provided with monthly updates to enable them to discharge their duties.

#### C.2 Internal Controls

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

#### C.3 Audit and Corporate Governance Committee

Details of the Audit and Corporate Governance Committee (the "ACGC") and the works performed by it during the year are set out in the section headed "Audit and Corporate Governance Committee Report" of this annual report. The ACGC met four times during the financial year ended 31 December 2014 and the attendance record, on a named basis, is set out in the table below.

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

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

#### C.4 Auditors' Remuneration

The Company's external auditor is PricewaterhouseCoopers, Hong Kong ("PwC, HK"). During the financial year ended 31 December 2014, the fees paid/payable to PwC, HK and other firms of the worldwide network of PricewaterhouseCoopers in respect of the audit of Group's consolidated financial statements and non-audit services provided to the Group were as follows:—

Nature of services	HK\$'000
Audit services	9,326
Non-audit services: Tax services	1,948

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

### D. DELEGATION BY THE BOARD

#### D.1 Management Functions

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

#### D.2 Board Committees

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

#### D.3 Executive Committee

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

## CORPORATE GOVERNANCE REPORT

### E. INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

#### E.1 Communication Channels

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

- (i) Shareholders can raise any comments on the performance and future directions of the Company with the Directors at the annual general meeting of the Company ("**AGM**").
- (ii) Press and analysts' conferences are held twice a year in relation to the interim and final results announcements, at which the Executive Directors are available to answer questions regarding the Group's operational and financial performances.
- (iii) The Company also avails itself of opportunities to communicate and explain its strategies to Shareholders and the investor community, through active participation in investors' conferences and regular meetings with financial analysts, fund managers and potential investors. The Group had participated in a number of roadshows and investors' conferences during the year ended 31 December 2014 and some of them are set out below:-

Event	Venue
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
Post-results Non-deal Roadshow	Hong Kong and Singapore
Bank of America Merrill Lynch Global Property Conference 2014	New York
Jefferies 4th Annual Asia Summit	Hong Kong
Citi Annual China Investor Conference 2014	Macau
Morgan Stanley 13th Annual Asia Pacific Summit	Singapore
Goldman Sachs Greater China CEO Summit 2014	Hong Kong

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

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



## **E.2 Shareholders' Rights**

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

## **E.3 General Meetings**

1. The general meeting provides a forum for the Board to communicate with the Shareholders. To facilitate enforcement of Shareholders' rights, significant issues, including the election of Directors, are dealt with under separate resolutions at general meetings.
2. The members of the Board, including the chairman of the Board Committees and any other committees of the Company or their duly appointed delegates, are available at AGM to answer questions raised by the Shareholders. The chairman of the independent board committee is also present to answer questions at any general meeting which is convened to approve a connected transaction or any other transaction that requires independent Shareholders' approval.
3. The Board will ensure the external auditor attends the AGM to answer questions relating to the conduct of the audit, the preparation and content of the auditor's report, the accounting policy and auditor independence.
4. Relevant resolutions were passed by way of poll at the AGM held in 2014. Shareholders who are unable to attend the AGM can appoint proxies to attend and vote at the AGM. The chairman of the AGM had provided explanation of the detailed procedures for conducting a poll and then answered questions (if any) from the Shareholders regarding voting by way of poll. The Company had sent the AGM notice to Shareholders more than 20 clear business days before the AGM.

## CORPORATE GOVERNANCE REPORT

5. During the financial year ended 31 December 2014, the Company held an AGM on 5 May 2014 and the attendance record of the Directors, on a named basis, is set out in the table below.

Directors		Attendance/Number of General Meeting during the Directors' tenure of office
<b>Executive Directors:</b>	Wong Siu Kong	1/1
	Ho Shut Kan	1/1
	Qian Shaohua	1/1
	Bryan Pallop Gaw	1/1
	Chan Wai Ming, William <i>(resigned on 21 May 2014)</i>	1/1
<b>INED:</b>	Lau Ling Fai, Herald	1/1
	Ku Moon Lun	1/1
	Wong Yu Pok, Marina, JP	1/1
	Chang Tso Tung, Stephen	1/1

### F. COMPANY SECRETARY

1. The Company Secretary is a full-time employee of the Company and have day-to-day knowledge of the Company's affairs. She is reporting to the Chairman.
2. All Directors have access to the advice and services of the Company Secretary to ensure the Board procedures, and all applicable law, rules and regulations, are followed.
3. For the financial year ended 31 December 2014, the Company Secretary has complied with paragraph 3.29 of the Listing Rules by taking no less than 15 hours of relevant professional training.

# AUDIT AND CORPORATE GOVERNANCE COMMITTEE REPORT

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

The ACGC operates pursuant to written terms of reference which are available on the websites of the Stock Exchange and the Company. Set out below is a summary of the audit work performed by the ACGC during the financial year ended 31 December 2014:–

- (i) The ACGC reviewed the draft annual and interim financial statements and the draft results announcements of the Company, focusing on main areas of judgement, consistency of and changes in accounting policies and adequacy of information disclosure prior to recommending them to the Board for approval.
- (ii) The ACGC reviewed, in conjunction with the external auditor, the developments of accounting standards and assessed their potential impacts on the Group’s financial statements.
- (iii) The ACGC reviewed and monitored the external auditor’s independence and objectivity and the effectiveness of audit process in accordance with applicable standards.
- (iv) The ACGC assessed the independence of the Company’s external auditor, prior to formally engaging the external auditor to carry out the audit for the Company’s financial statements for the year ended 31 December 2014.
- (v) Prior to the actual commencement of the audit, the ACGC discussed the proposed scope of work and approach of the audit with the external auditor. Upon completion of the audit, the ACGC reviewed the results of the external audit, and discussed with the external auditor on any significant findings and audit issues.
- (vi) The ACGC recommended to the Board regarding the appointment and remuneration of the external auditor.
- (vii) The ACGC reviewed and approved the internal audit programme, reviewed the internal audit reports and discussed any significant issues with the internal audit team and the Group’s senior management.
- (viii) The ACGC reviewed the independence of the internal audit function and the level of support and co-operation given by the Group’s management to the internal audit team, as well as the resources of the internal audit team when undertaking its duties and responsibilities.
- (ix) The ACGC reviewed the adequacy and effectiveness of the Group’s systems of internal controls through a review of the work undertaken by the Group’s internal and external auditor, written representations by the senior management of each of the Group’s business divisions and discussions with the Board.
- (x) The ACGC reviewed the adequacy of resources, qualifications and experience of staff of the Group’s accounting and financial reporting function and their training programmes and budget through a review of the work undertaken by the Group’s senior financial management and internal audit, as well as the questionnaire report by the financial head of each of the Group’s business divisions and discussions with the Board.

## AUDIT AND CORPORATE GOVERNANCE COMMITTEE REPORT

Set out below is a summary of the corporate governance work performed by the ACGC during the financial year ended 31 December 2014:–

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

During the financial year ended 31 December 2014, the ACGC met four times and the ACGC also conducted meetings with the Group's senior management, the external auditor and the internal audit team from time to time. Minutes of the ACGC Meetings were documented and circulated to the Board for information. The ACGC also reported and presented its findings and made recommendations for consideration and discussion at Board Meetings.

On 9 March 2015, the ACGC also reviewed the financial statements of the Group for the year ended 31 December 2014 prior to recommending them to the Board for approval.

MEMBERS OF THE AUDIT AND CORPORATE GOVERNANCE COMMITTEE

**LAU Ling Fai, Herald (Chairman)**

**KU Moon Lun**

**WONG Yu Pok, Marina, JP**

**CHANG Tso Tung, Stephen**

Hong Kong, 18 March 2015

# REMUNERATION COMMITTEE REPORT

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

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

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

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

During the financial year ended 31 December 2014, the RC held a meeting on 10 January 2014 and the following matters were reviewed and approved at the meeting:–

- (i) the salaries and pension contributions of the ED for the financial year ended 31 December 2014; and
- (ii) the payment of bonuses to the ED, which amounted to HK\$89,060,000 in respect of the financial year ended 31 December 2013.

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

## MEMBERS OF THE REMUNERATION COMMITTEE

**LAU Ling Fai, Herald (Chairman)**

**WONG Siu Kong**

**KU Moon Lun**

**WONG Yu Pok, Marina, JP**

**CHANG Tso Tung, Stephen**

Hong Kong, 18 March 2015

# NOMINATION COMMITTEE REPORT

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

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

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

- (a) In reviewing the Board’s composition, the NC will consider a number of aspects of the Board diversity, including but not limited to gender, age, cultural, educational background, ethnicity, professional experience, skills, knowledge and length of services (the “**Board Diversity Criteria**”) and consider the appropriate balance of skills, experience and knowledge of the Board members that are required to complement the Company’s corporate strategy.
- (b) In identifying qualified individuals to become Board members, the NC will consider the Board Diversity Criteria and take into account factors based on the Company’s own business needs.
- (c) Selection of Board members to ensure diversity will be, in part, dependent on the pool of such candidates with the necessary skills, knowledge and experience. All Board appointments will be based on merit and contribution the chosen candidate will bring to the Board.
- (d) The ultimate decision on the appointment of the Board members will be made by the Board after consideration of the recommendation made by the NC.
- (e) The NC will consider measurable objectives (if any) for implementing Board diversity and recommend them to the Board for adoption.

During the financial year ended 31 December 2014, the NC held a meeting and the following matters were reviewed and approved:–

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

## MEMBERS OF THE NOMINATION COMMITTEE

**WONG Siu Kong (Chairman)**

**LAU Ling Fai, Herald**

**KU Moon Lun**

**WONG Yu Pok, Marina, JP**

**CHANG Tso Tung, Stephen**

Hong Kong, 18 March 2015

# INTERNAL CONTROLS

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

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

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

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

In order to better review and evaluate the adequacy and effectiveness of the Group's existing system of internal controls, an internal self-assessment and certification process was formulated during the financial year ended 31 December 2014. Under this process, each division of the Group was requested to assess the effectiveness of their fundamental operating controls over all aspects of their operations, financial controls, risk management controls and contingency measures. Each division of the Group then submitted to the Audit and Corporate Governance Committee ("ACGC") a written report on the adequacy and effectiveness of its internal controls, which were discussed at the ACGC Meeting of 17 November 2014.

A review of the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function and their training programmes and budget was conducted during the financial year ended 31 December 2014. Under this review process, each business division of the Group was requested to assess such adequacy at its own level by submitting an internal questionnaire report to the ACGC, which was discussed at the ACGC Meeting of 17 November 2014.

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

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

During the financial year ended 31 December 2014, there were no significant control failings, weaknesses or significant areas of concern identified which might affect the shareholders' stakes in the Company.

# DIRECTORS AND SENIOR MANAGEMENT

## DIRECTORS

### EXECUTIVE DIRECTORS



**Mr WONG Siu Kong**

Aged 63, is the Chairman of the Board of the Company, the chairman of the Nomination Committee of the Company and a member of the Remuneration Committee, the Finance Committee and the Executive Committee of the Company. Mr Wong joined the Kuok Group in 1991 with responsibilities for the Group's developments in the PRC. He has been an Executive Director of the Company since 1996. Mr Wong was a Joint Managing Director of the Company from 1999 to 2003, the Deputy Chairman of the Board and the Managing Director of the Company from 2003 to 2008 and President & Chief Executive Officer of the Company from 2008 to 2013. In August 2013, he was re-designated and elected as the Chairman of the Board of the Company. Mr Wong is also a director of Kerry Holdings Limited (the controlling shareholder of the Company) and a director of China World Trade Center Co., Ltd. (a listed company in Shanghai). Mr Wong graduated from the South China Normal University in the PRC.



**Mr HO Shut Kan**

Aged 66, is the Co-Managing Director of the Company, and is responsible for the Group's project development and management of investment portfolio in Hong Kong, Macau and overseas. Mr Ho is also a member of the Finance Committee and the Executive Committee of the Company. He has been an Executive Director of the Company since 1998 and re-designated as a Co-Managing Director of the Company in August 2013. Mr Ho is also an executive director of Kerry Properties (H.K.) Limited (the principal Hong Kong property company of the Group), a non-executive director of Eagle Asset Management (CP) Limited (the manager of the Hong Kong listed Champion Real Estate Investment Trust) and a director of Shang Properties, Inc. (a listed company in the Philippines).



**Mr QIAN Shaohua**

Aged 58, is the Co-Managing Director of the Company, and is responsible for the Group's property development in the PRC. Mr Qian is a member of the Executive Committee of the Company. He has been a Director of the Company since 2007, re-designated as an Executive Director of the Company in 2009 and further re-designated as a Co-Managing Director of the Company in August 2013. Mr Qian is also a non-executive director of Kerry Logistics Network Limited (a listed company in Hong Kong). Mr Qian received his tertiary education in the PRC and completed an international advanced management programme at Harvard Business School.



## DIRECTORS (Continued)

### EXECUTIVE DIRECTORS (Continued)



**Mr Bryan Pallop GAW**

Aged 38, has been an Executive Director of the Company since 2012 and is a member of the Executive Committee of the Company. Mr Gaw has previous experience in private equity, management consulting, strategic planning and business development. He holds a Bachelor of Arts in Political Science from Princeton University and a Master of Business Administration from Stanford's Graduate School of Business.

### INDEPENDENT NON-EXECUTIVE DIRECTORS



**Mr LAU Ling Fai, Herald**

Aged 74, has been an Independent Non-executive Director of the Company since 2003. He is now the chairman of the Audit and Corporate Governance Committee and the Remuneration Committee of the Company and also a member of the Nomination Committee of the Company. Mr Lau has been practising as a certified public accountant in Hong Kong for over 30 years and has extensive experience in auditing, finance, taxation and management. He was a partner in PricewaterhouseCoopers, Hong Kong until his retirement in 2001. Mr Lau was formerly an independent non-executive director of Wheelock and Company Limited (a listed company in Hong Kong). Mr Lau is a Fellow Member of each of The Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants.



**Mr KU Moon Lun**

Aged 64, has been an Independent Non-executive Director of the Company since 2007. He is now a member of the Audit and Corporate Governance Committee, the Remuneration Committee and the Nomination Committee of the Company. Mr Ku has over 35 years of experience in the real estate industry. He was the executive director of Davis Langdon and Seah International and chairman of Davis Langdon and Seah Hong Kong Limited, Premas Hong Kong Limited and icFox International. Mr Ku is now an independent non-executive director of Ascott Residence Trust Management Limited in Singapore and Lai Fung Holdings Limited (a listed company in Hong Kong). He is a member of the Hospital Governing Committee of Tuen Mun Hospital, Hong Kong Hospital Authority. Mr Ku is a Fellow of the Hong Kong Institute of Surveyors.

## DIRECTORS AND SENIOR MANAGEMENT

### DIRECTORS (Continued)

#### INDEPENDENT NON-EXECUTIVE DIRECTORS (Continued)



**Ms WONG Yu Pok, Marina, JP**

Aged 66, has been an Independent Non-executive Director of the Company since 2008. She is now a member of the Audit and Corporate Governance Committee, the Remuneration Committee and the Nomination Committee of the Company. She had been with PricewaterhouseCoopers for over 30 years specializing in the PRC tax and business advisory services, and has extensive experience in advising both Hong Kong and foreign investors in the structuring of their businesses and investments in the PRC. Ms Wong joined Tricor Services Limited as a director from 2004 to 2006 after her retirement as a partner from PricewaterhouseCoopers in 2004. Ms Wong is now an independent non-executive director of Kerry Logistics Network Limited, Hong Kong Ferry (Holdings) Company Limited and Luk Fook Holdings (International) Limited (all of which are listed companies in Hong Kong) and an independent director of China World Trade Center Co., Ltd. (a listed company in Shanghai). She is a Fellow Member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants.



**Mr CHANG Tso Tung, Stephen**

Aged 66, has been an independent Non-executive Director of the Company since 2012. He is now a member of the Audit and Corporate Governance Committee, the Remuneration Committee and the Nomination Committee of the Company. He has been practising as a certified public accountant in Hong Kong for around 30 years and has extensive experience in accounting, auditing and financial management. He was the deputy chairman of Ernst & Young Hong Kong and China until his retirement in 2004. He is a member of the Investment Committee of Shanghai Fudan University Education Development Foundation and Shanghai Fudan University Overseas Education Development Foundation. Mr Chang is an independent non-executive director of China Cinda Asset Management Co., Ltd., Hua Hong Semiconductor Limited (both are listed companies in Hong Kong) and China Life Insurance Company Limited (a listed company in Hong Kong and Shanghai). He was formerly an independent non-executive director of China Pacific Insurance (Group) Co., Ltd. (a listed company in Hong Kong and Shanghai). Mr Chang holds a Bachelor of Science degree from the University of London.

### SENIOR MANAGEMENT

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

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# REPORT OF DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended 31 December 2014.

## Principal Activities and Segmental Analysis of Operations

The principal activity of the Company is investment holding.

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

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

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

## Results and Appropriations

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

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

## Reserves

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

## Donations

Charitable donations made by the Group during the year amounted to HK\$324,000.

## Property, Plant and Equipment

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

## Investment, Hotel and Development Properties

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

## Distributable Reserves

As at 31 December 2014, the reserves of the Company available for distribution amounted to approximately HK\$17,405,239,000 (2013: HK\$17,209,026,000).

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## REPORT OF DIRECTORS

### Share Capital

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

### Bonds

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

### Capitalised Interest

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

### Subsidiaries and Associates

Particulars of the Company's principal subsidiaries and the Group's principal associates as at 31 December 2014 are set out in note 46 to the financial statements.

### Particulars of Bank Loans and Other Borrowings

Particulars of bank loans and other borrowings of the Group and the Company as at 31 December 2014 are set out in notes 29 and 43 to the financial statements.

### Five-Year Financial Summary

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

### Directors

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

#### ***Executive Directors***

Mr WONG Siu Kong (Chairman)  
Mr HO Shut Kan (Co-Managing Director)  
Mr QIAN Shaohua (Co-Managing Director)  
Mr Bryan Pallop GAW  
Mr CHAN Wai Ming, William (*resigned on 21 May 2014*)

#### ***Independent Non-executive Directors***

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

Mr Qian Shaohua, Mr Lau Ling Fai, Herald and Mr Ku Moon Lun are due to retire from the Board by rotation in accordance with bye-law 99 of the Company's bye-laws ("**Bye-laws**") at the forthcoming Annual General Meeting to be held on 7 May 2015 (the "**2015 AGM**"). Mr Lau has decided not to stand for re-election. The other retiring Directors, being eligible, offer themselves for re-election.

## Biography of Directors and Senior Management

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

## Directors' Interests in Shares, Underlying Shares and Debentures

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

### (i) Company

Directors	Number of ordinary shares			Total	Approximate % of shareholding <sup>6</sup>
	Personal interests <sup>1</sup>	Family interests <sup>2</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	29,000	7,176,897	1,232,048	8,437,945	0.58

### (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	500,000	–	500,000	–	1,000,000	2,000,000	0.13 <sup>7</sup>
	Bryan Pallop GAW	1,500,000	133,989,275	–	45,899,988	2,000,000	183,389,263	12.02 <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>
Medallion Corporate Limited	Bryan Pallop GAW	26	26	–	–	–	52	5.20 <sup>9</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>10</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

## REPORT OF DIRECTORS

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

Notes:

1. This represents interests held by the relevant Director as beneficial owner.
2. This represents interests held and/or deemed to be held by the spouse of the relevant Director.
3. This represents interests deemed to be held by the relevant Director through his controlled corporation(s).
4. This represents interests deemed to be held by the relevant Director through discretionary trust(s) of which the relevant Director is a contingent beneficiary.
5. This represents interests in options held by the relevant Director and/or his spouse as a beneficial owner to subscribe for the relevant underlying ordinary shares in respect of the option shares granted by Kerry Group Limited ("**KGL**") and Kerry Logistics Network Limited ("**Kerry Logistics**").
6. The percentage has been compiled based on the total number of ordinary shares of the Company in issue as at 31 December 2014 (i.e. 1,444,653,228 ordinary shares).
7. The percentage has been compiled based on the total number of ordinary shares of KGL in issue as at 31 December 2014 (i.e. 1,525,700,767 ordinary shares).
8. The percentage has been compiled based on the total number of ordinary shares of Kerry Logistics in issue as at 31 December 2014 (i.e. 1,691,240,112 ordinary shares).
9. The percentage has been compiled based on the total number of ordinary shares of Medallion Corporate Limited in issue as at 31 December 2014 (i.e. 1,000 ordinary shares).
10. The percentage has been compiled based on the total number of ordinary shares of Vencedor Investments Limited in issue as at 31 December 2014 (i.e. 100 ordinary shares).

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

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

Save as aforesaid, as at 31 December 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.

### Directors' Interests in Contracts

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

### Directors' Rights to Acquire Shares or Debentures

As at 31 December 2014, the number of outstanding Share Options granted by the Company to the Directors to subscribe for shares of the Company (the "**Shares**"), as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code is set out in the section headed "Share Options" of this report of Directors.

Apart from the aforesaid, at no time during the year ended 31 December 2014 was the Company, its subsidiaries, its fellow subsidiaries or its holding companies a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## Substantial Interests in the Share Capital of the Company

As at 31 December 2014, the interests of those persons (other than the Directors) in the Shares as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name	Capacity in which ordinary shares were held	Number of ordinary shares	Long position/ Short position/ Lending pool	Approximate % of shareholding <sup>ii</sup>
Kerry Group Limited	Interest of controlled corporations	823,481,001 <sup>i</sup>	Long position	57.00
Kerry Holdings Limited	Interest of controlled corporations	744,835,378 <sup>i</sup>	Long position	51.56
Caninco Investments Limited	Beneficial owner	312,248,193 <sup>i</sup>	Long position	21.61
Darmex Holdings Limited	Beneficial owner	256,899,261 <sup>i</sup>	Long position	17.78
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 Shares in issue as at 31 December 2014 (i.e. 1,444,653,228 Shares).*

Apart from the aforesaid, as at 31 December 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.

## Public Float

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

## Pre-Emptive Rights

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

## Staff

As at 31 December 2014, the Company and its subsidiaries had approximately 6,800 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.

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## REPORT OF DIRECTORS

### Share Options

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

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

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

The maximum number of Shares which may be issued upon exercise of all Share Options to be granted under the 2011 Share Option Scheme (and under any other scheme of the Company) shall not in aggregate exceed 10% of the Shares in issue as at the date of the adoption of the 2011 Share Option Scheme provided that the Company may seek approval from Shareholders to refresh such limit. Moreover, the maximum number of Shares which may be issued upon exercise of all outstanding Share Options granted and yet to be exercised under the 2011 Share Option Scheme (and under any other scheme of the Company) shall not exceed 30% of the Shares in issue from time to time. As at 31 December 2014, a total of 104,000,348 Shares (representing approximately 7.2% of the existing issued share capital of the Company) are available for issue under the 2011 Share Option Scheme. The maximum entitlement of each participant under the 2011 Share Option Scheme in any 12-month period is 1% of the Shares in issue from time to time.

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

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

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



## Share Options (Continued)

Movement of the Share Options during the year ended 31 December 2014 are listed below in accordance with Rule 17.07 of the Listing Rules:

Category	Date of grant	Tranche	Number of Share Options			As at 31/12/2014	Exercise Price HK\$	Exercise Period
			As at 01/01/2014	Exercised	Lapsed			
<b>(i) 2002 Share Option Scheme (Note a):</b>								
<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	(30,000)	-	95,000	18.74	17/03/2006 – 16/03/2015
	17/03/2005	II	120,000	(50,000)	-	70,000	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	(65,000)	-	310,000	17.58	06/02/2010 – 05/02/2019
	06/02/2009	II	460,000	(70,000)	-	390,000	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>(265,000)</b>	<b>(800,000)</b>	<b>11,545,000</b>		

# REPORT OF DIRECTORS

## Share Options (Continued)

Category	Date of grant	Tranche	Number of Share Options				As at 31/12/2014	Exercise Price HK\$	Exercise Period
			As at 01/01/2014	Granted during the year	Exercised	Lapsed			
<b>(ii) 2011 Share Option Scheme (Note b):</b>									
<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	-	-	(280,000)	3,840,000	35.45	31/10/2012 – 29/04/2022
	30/04/2012	II	4,180,000	-	-	(280,000)	3,900,000	35.45	31/10/2013 – 29/04/2022
	08/01/2014	I	-	4,450,000	(95,000)	(80,000)	4,275,000	26.88	08/07/2014 – 07/01/2024
	08/01/2014	II	-	4,450,000	-	(155,000)	4,295,000	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>22,970,000</b>	<b>15,400,000</b>	<b>(95,000)</b>	<b>(1,395,000)</b>	<b>36,880,000</b>		

### Notes:

- During the year, no Share Option was granted, granted for adjustment, transferred from/to other category or cancelled under the 2002 Share Option Scheme.
- During the year, no Share Option was granted for adjustment, transferred from/to other category or cancelled under the 2011 Share Option Scheme.
- During the year, the weighted average closing price of the shares of the Company immediately before the dates on which the Share Options were exercised was HK\$27.70. The vesting period of the Share Options is from the date of grant until the commencement of the exercise period.

## Service Contract

There is no service contract, which is not determinable by the Company within one year without payment of compensation (other than statutory compensation), in respect of any Director proposed for re-election at the 2015 AGM.

## Management Contract

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

## Major Customers and Suppliers

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

## Director's Interests in Competing Business

Pursuant to Rule 8.10 of the Listing Rules, the following Directors have disclosed that during the year ended 31 December 2014, they are considered to have interests in the following businesses ("**Excluded Businesses**"), being businesses which competed or are likely to compete, either directly or indirectly, with the businesses of the Group, other than those businesses in which (a) the Group was interested and (b) the Directors' only interests are as directors appointed to represent the interests of the Group.

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

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

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

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

## REPORT OF DIRECTORS

### Connected Transactions

On 8 October 2014, Kerry Properties (China) Limited (“**KPCL**”), a wholly-owned subsidiary of the Company, and Moneyeasy Holdings Limited (“**MHL**”) (which is not a connected person of the Company) entered into a sale and purchase agreement whereby MHL agreed to sell to KPCL its entire 20% interest in Shangri-La International Hotels (Kunming) Limited (the “**JVCO**”) and its outstanding shareholders’ loan advanced to the JVCO for an aggregate consideration of approximately US\$8.4 million (approximately HK\$65.1 million) (the “**Acquisition**”). The JVCO was owned by Shangri-La China Limited (“**SACL**”), KPCL and MHL as to 45%, 35% and 20%, respectively, immediately prior to the entering into of the sale and purchase agreement.

Upon completion of the Acquisition, the JVCO was owned by KPCL and SACL as to 55% and 45%, respectively. KPCL, SACL together with the relevant parties entered into a new shareholders’ agreement to govern their relationship in the JVCO (the “**Transaction**”). In accordance with the terms of the new shareholders’ agreement, the maximum funding commitment to be contributed by the Group to the JVCO will be increased to RMB770 million (approximately HK\$970 million).

SACL is a wholly-owned subsidiary of Shangri-La Asia Limited (“**SA**”). KHL is the controlling shareholder of both the Company and SA. SACL is an associate of KHL and therefore a connected person of the Company. SACL is also a substantial shareholder of the JVCO. Accordingly, the Acquisition and the Transaction constituted connected transactions for the Company under the Listing Rules.

### Continuing Connected Transactions

#### (i) Hotel Management Agreements

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

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

During the remaining tenure of the Beijing Hotel Management Agreements, the annual aggregate fee payable by the Group pursuant to the Beijing Hotel Management Agreements for each of the financial years ending 31 December 2019 is not expected to exceed HK\$75,000,000 (“**Cap A**”). The fee paid by the Group under the Beijing Hotel Management Agreements for the year ended 31 December 2014 amount to approximately HK\$23,290,000 which is within Cap A.

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

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

During the remaining tenure of the Jing An Hotel Management Agreement, the annual aggregate fee payable by the Group pursuant to the Jing An Hotel Management Agreement for each of the financial years ending 31 December 2033 is not expected to exceed US\$14,000,000 (“**Cap B**”). The fee paid by the Group under the Jing An Hotel Management Agreement for the year ended 31 December 2014 amount to approximately HK\$41,712,000 which is within Cap B.

## Continuing Connected Transactions (Continued)

### (ii) Tenancy and Licence Agreements

On 25 October 2013, Kerry Properties (H.K.) Limited, a wholly-owned subsidiary of the Company, had entered into tenancy and licence agreements (the “**Agreements**”) with Ubagan Limited (“**Ubagan**”) (which is owned as to 60% by KHL and 40% by the Company) in respect of the leasing of Unit 1 on Level 3, Units 1 and 2 on Level 5, Level 22, Level 25 and Level 26 of Kerry Centre, 683 King’s Road, Quarry Bay, Hong Kong (the “**Premises**”) as corporate offices and licensing of 9 fixed carparking spaces and 4 floating carparking spaces on Basement of Kerry Centre for the use by the Group in conjunction with such offices.

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

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

The maximum aggregate annual amount payable by the Group under the Agreements for each of the financial years ending 31 December 2016 is not expected to exceed HK\$55,000,000 (“**Cap C**”). The aggregate amount paid by the Group under the Agreements for the year ended 31 December 2014 amount to approximately HK\$51,546,000 which is within Cap C.

### (iii) Framework Agreement

On 28 July 2014, the Company had entered into a framework agreement (the “**Framework Agreement**”) with Kerry Logistics Network Limited (“**KLN**”) in relation to (a) the lease of premises owned by the Group and leased to KLN and its subsidiaries (the “**KLN Group**”) pursuant to the Framework Agreement, including (i) Units at Phase I Kerry Everbright City, 218 Tianmu Road West, Shanghai, China; (ii) Units at Kerry D.G. Warehouse (Kowloon Bay), 7 Kai Hing Road, Kowloon Bay, Hong Kong; (iii) Unit at Tower III, Enterprise Square, 9 Sheung Yuet Road, Kowloon Bay, Hong Kong; and (iv) Unit at Tavistock, 10 Tregunter Path, Hong Kong (together, the “**Leased Premises**”); and (b) the provision of such services to be provided by the KLN Group to the Group pursuant to the Framework Agreement, comprising delivery services, local courier services, freight services, freight agency services, insurance brokerage and related services, and services relating to management and operation of warehouse facilities, including building management, leasing and licensing management, warrant operations, IT support, human resources, administration and related services (the “**KLN Services**”).

The Framework Agreement was entered into for a term from 1 August 2014 to 31 December 2016 which may be extended for a further term of three years by the parties, subject to compliance by each party with the applicable requirements under the Listing Rules.

KLN is a subsidiary of the controlling shareholder of the Company and is therefore a connected person of the Company. Accordingly, the transactions between the Group and the KLN Group from time to time in relation to the lease of the Leased Premises by the Group to the KLN Group and the provision of the KLN Services by the KLN Group to the Group constitute continuing connected transactions of the Company under the Listing Rules.

The maximum aggregate annual rental income receivable by the Group for the lease of the Leased Premises and the maximum aggregate annual service fees payable by the Group for the KLN Services for the financial year ended 31 December 2014 are not expected to exceed HK\$17,700,000 (“**Cap D**”) and HK\$9,300,000 (“**Cap E**”) respectively. The rental income under the Framework Agreement for the year ended 31 December 2014 amount to approximately HK\$12,467,000 which is within Cap D. The service fees under the Framework Agreement for the year ended 31 December 2014 amount to approximately HK\$6,117,000 which is within Cap E.

## REPORT OF DIRECTORS

### Continuing Connected Transactions (Continued)

#### **(iv) Review by Independent Non-executive Directors and the auditor of the Company**

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

1. in the ordinary and usual course of business of the Group;
2. either on normal commercial terms or better; and
3. in accordance with the relevant agreements governing the transactions on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The auditor of the Company was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants and has issued his unqualified letter containing his findings and conclusions in respect of the abovementioned continuing connected transactions in accordance with rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

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

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

### Auditor

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

On behalf of the Board

**Wong Siu Kong**

*Chairman*

Hong Kong, 18 March 2015

# INDEPENDENT AUDITOR'S REPORT



羅兵咸永道

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

*(incorporated in Bermuda with limited liability)*

We have audited the consolidated financial statements of Kerry Properties Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 87 to 195, which comprise the consolidated and company statements of financial position as at 31 December 2014, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

### DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

### AUDITOR'S RESPONSIBILITY

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

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

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

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

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## INDEPENDENT AUDITOR'S REPORT

### OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

### **PricewaterhouseCoopers**

Certified Public Accountants

Hong Kong, 18 March 2015



# CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2014

	Note	2014 HK\$'000	2013 HK\$'000
<b>Continuing operations</b>			
Turnover	5	14,663,725	13,969,603
Cost of sales		(5,986,013)	(6,083,581)
Direct operating expenses		(2,469,780)	(1,828,678)
Gross profit		6,207,932	6,057,344
Other income and net gains	6	1,375,025	496,336
Administrative and other operating expenses		(1,236,334)	(1,334,115)
Increase in fair value of investment properties		2,511,448	7,027,901
Operating profit before finance costs	7	8,858,071	12,247,466
Finance costs	8	(626,917)	(502,929)
Operating profit		8,231,154	11,744,537
Share of results of associates		1,302,897	664,957
Profit before taxation		9,534,051	12,409,494
Taxation	9	(1,698,338)	(2,957,346)
Profit for the year from continuing operations		7,835,713	9,452,148
<b>Discontinued operations</b>			
Profit for the year from discontinued operations	10	–	6,076,259
Profit for the year		7,835,713	15,528,407
Profit attributable to:			
Company's shareholders			
Profit from continuing operations		6,773,636	7,376,865
Profit from discontinued operations		–	5,777,524
		6,773,636	13,154,389
Non-controlling interests			
Profit from continuing operations		1,062,077	2,075,283
Profit from discontinued operations		–	298,735
		1,062,077	2,374,018
		7,835,713	15,528,407
Dividends	12	1,300,177	8,664,947
Earnings per share			
– Basic			
From continuing operations	13	HK\$4.69	HK\$5.12
From discontinued operations		–	HK\$4.01
		HK\$4.69	HK\$9.13
– Diluted			
From continuing operations	13	HK\$4.69	HK\$5.11
From discontinued operations		–	HK\$4.01
		HK\$4.69	HK\$9.12

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2014

	Note	2014 HK\$'000	2013 HK\$'000
Profit for the year		<b>7,835,713</b>	15,528,407
Other comprehensive income			
<b>Items that may be reclassified to profit or loss</b>			
Cash flow hedges	37	<b>(39,726)</b>	107,495
Fair value gain/(loss) on available-for-sale investments	37	<b>80,530</b>	(38,586)
Share of other comprehensive income of associates	37	<b>(200,213)</b>	19,937
Net translation differences on foreign operations		<b>(1,520,809)</b>	1,409,055
Release of exchange fluctuation reserve upon completion of disposal of subsidiaries	37	–	(574,670)
Other comprehensive income for the year, net of tax		<b>(1,680,218)</b>	923,231
<b>Total comprehensive income for the year</b>		<b>6,155,495</b>	16,451,638
Total comprehensive income attributable to:			
Company's shareholders		<b>5,460,789</b>	13,746,146
Non-controlling interests		<b>694,706</b>	2,705,492
		<b>6,155,495</b>	16,451,638
Total comprehensive income attributable to Company's shareholders arising from:			
Continuing operations		<b>5,460,789</b>	8,569,943
Discontinued operations		–	5,176,203
		<b>5,460,789</b>	13,746,146

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Note	2014 HK\$'000	2013 HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	15	5,039,271	4,960,327
Investment properties	16	55,519,240	53,670,734
Leasehold land and land use rights	17	1,198,161	1,261,637
Properties under development	18	33,409,489	35,024,143
Land deposits		1,262,258	1,226,536
Associates	20	19,212,346	18,293,815
Derivative financial instruments	21	197,560	279,702
Available-for-sale investments	22	1,944,752	1,864,222
Long-term receivables	23	346,966	366,501
Intangible assets	24	122,504	122,528
		<b>118,252,547</b>	117,070,145
<b>Current assets</b>			
Properties under development	18	8,023,927	6,538,516
Completed properties held for sale	25	3,589,081	4,000,433
Accounts receivable, prepayments and deposits	23	3,680,659	2,669,459
Tax recoverable		177,630	319,065
Tax reserve certificates		127,746	115,183
Listed securities at fair value through profit or loss	26	177,100	168,695
Derivative financial instruments	21	12,213	14,053
Restricted bank deposits	27	68,962	13,722
Cash and bank balances	27	11,322,392	11,480,081
		<b>27,179,710</b>	25,319,207
<b>Current liabilities</b>			
Accounts payable, deposits received and accrued charges	28	7,527,274	7,764,552
Taxation		1,844,279	2,871,057
Short-term bank loans and current portion of long-term bank loans	29	3,091,575	3,965,086
		<b>12,463,128</b>	14,600,695
<b>Net current assets</b>		<b>14,716,582</b>	10,718,512
<b>Total assets less current liabilities</b>		<b>132,969,129</b>	127,788,657
<b>Non-current liabilities</b>			
Long-term bank loans	29	20,954,453	20,835,157
Fixed rate bonds	30	10,192,580	10,175,480
Amounts due to non-controlling interests	31	2,345,775	2,272,385
Deferred taxation	32	6,062,024	5,630,222
		<b>39,554,832</b>	38,913,244
<b>ASSETS LESS LIABILITIES</b>		<b>93,414,297</b>	88,875,413

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Note	2014 HK\$'000	2013 HK\$'000
<b>EQUITY</b>			
Capital and reserves attributable to the Company's shareholders			
Share capital	34	<b>1,444,653</b>	1,444,293
Share premium	36	<b>12,384,496</b>	12,350,197
Other reserves	37	<b>14,723,124</b>	15,979,337
Retained profits		<b>50,659,453</b>	45,187,038
Proposed final dividend	12	<b>866,792</b>	794,361
		<b>80,078,518</b>	75,755,226
Non-controlling interests		<b>13,335,779</b>	13,120,187
<b>TOTAL EQUITY</b>		<b>93,414,297</b>	88,875,413

On behalf of the Board

**Wong Siu Kong**

Director

**Ho Shut Kan**

Director

# STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Note	2014 HK\$'000	2013 HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	15	5,858	6,166
Subsidiaries	19	26,267,526	27,454,078
Associate	20	1,992,783	1,992,783
Derivative financial instruments	21	52,641	92,845
		<b>28,318,808</b>	29,545,872
<b>Current assets</b>			
Dividends receivable		1,300,000	1,400,000
Accounts receivable, prepayments and deposits		14,125	44,524
Derivative financial instruments	21	12,213	14,053
Cash and bank balances	27	2,472,014	2,343,683
		<b>3,798,352</b>	3,802,260
<b>Current liabilities</b>			
Accounts payable and accrued charges		90,071	114,690
Current portion of a long-term bank loan	29	310,113	–
Amount due to a subsidiary	19	–	1,475,713
		<b>400,184</b>	1,590,403
<b>Net current assets</b>		<b>3,398,168</b>	2,211,857
<b>Total assets less current liabilities</b>		<b>31,716,976</b>	31,757,729
<b>Non-current liability</b>			
Long-term bank loan	29	–	327,215
<b>ASSETS LESS LIABILITIES</b>		<b>31,716,976</b>	31,430,514
<b>EQUITY</b>			
Capital and reserves attributable to the Company's shareholders			
Share capital	34	1,444,653	1,444,293
Share premium	36	12,384,496	12,350,197
Other reserves	37	10,920,008	10,862,004
Retained profits		6,101,027	5,979,659
Proposed final dividend	12	866,792	794,361
<b>TOTAL EQUITY</b>		<b>31,716,976</b>	31,430,514

On behalf of the Board

**Wong Siu Kong**  
Director

**Ho Shut Kan**  
Director

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	Note	2014 HK\$'000	2013 HK\$'000
<b>Operating activities</b>			
Net cash generated from operations	38(a)	<b>8,694,089</b>	219,198
Interest paid		<b>(1,235,718)</b>	(1,341,062)
Income tax paid		<b>(2,006,781)</b>	(1,055,138)
Net cash generated from/(used in) operating activities		<b>5,451,590</b>	(2,177,002)
<b>Investing activities</b>			
Additions of property, plant and equipment		<b>(169,551)</b>	(852,871)
Additions of investment properties		<b>(771,007)</b>	(1,362,472)
Additions of properties under development		<b>(3,777,277)</b>	(2,815,444)
Increase in land deposits		<b>(54,049)</b>	(1,146,830)
Acquisition of subsidiaries	38(b)	<b>151,319</b>	(1,026,808)
Disposal of subsidiaries	38(c)	–	(2,977,242)
Increase in investments in associates		<b>(39,864)</b>	(295,480)
Dividends received from associates		<b>332,120</b>	224,197
(Additional loans to)/repayment of loans from associates, net		<b>(436,425)</b>	2,988,295
Proceeds from sale of available-for-sale investments		–	2,421
Decrease/(increase) in long-term receivables		<b>18,286</b>	(133,602)
Interest received		<b>336,998</b>	339,868
Increase in restricted bank deposits		<b>(55,597)</b>	(7,877)
(Increase)/decrease in short-term bank deposits maturing after more than three months		<b>(578,034)</b>	1,521,877
Dividends received from listed and unlisted investments		<b>91,197</b>	87,847
Proceeds from sale of property, plant and equipment		<b>4,007</b>	71,588
Proceeds from sale of investment properties		<b>1,413,854</b>	92,034
Net cash used in investing activities		<b>(3,534,023)</b>	(5,290,499)
<b>Financing activities</b>			
Proceeds from issue of shares		<b>7,305</b>	102,153
Repayment of bank loans		<b>(13,653,461)</b>	(20,424,782)
Drawdown of bank loans		<b>13,063,462</b>	26,745,222
Acquisition of additional interest in subsidiaries		–	(393,456)
Dividends paid		<b>(1,227,746)</b>	(1,296,315)
Capital injection from non-controlling interests		<b>283,380</b>	162,744
Dividends of subsidiaries paid to non-controlling interests		<b>(773,058)</b>	(535,603)
Decrease in loans from non-controlling interests		<b>(174,680)</b>	(120,415)
Net cash (used in)/generated from financing activities		<b>(2,474,798)</b>	4,239,548
Decrease in cash and cash equivalents		<b>(557,231)</b>	(3,227,953)
Effect of exchange rate changes		<b>(171,125)</b>	145,929
Cash and cash equivalents at 1 January		<b>11,072,488</b>	14,154,512
Cash and cash equivalents at 31 December	27(b)	<b>10,344,132</b>	11,072,488

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	Note	Attributable to the shareholders of the Company							Non-controlling interests	Total equity
		Share capital	Share premium	Other reserves	Retained profits	Proposed final dividend	Total			
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000			
Balance 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 year		-	-	-	6,773,636	-	6,773,636	1,062,077	7,835,713	
Cash flow hedges	37	-	-	(39,726)	-	-	(39,726)	-	(39,726)	
Fair value gain on available-for-sale investments	37	-	-	80,530	-	-	80,530	-	80,530	
Share of reserves of associates	37	-	-	(200,213)	-	-	(200,213)	-	(200,213)	
Net translation differences on foreign operations	37	-	-	(1,153,438)	-	-	(1,153,438)	(367,371)	(1,520,809)	
Total comprehensive income for the year ended 31 December 2014		-	-	(1,312,847)	6,773,636	-	5,460,789	694,706	6,155,495	
Issue of share capital – exercise of share options		360	34,299	(27,354)	-	-	7,305	-	7,305	
Employee share option scheme – value of employee services	37	-	-	82,944	-	-	82,944	-	82,944	
Dividends paid		-	-	-	(433,385)	(794,361)	(1,227,746)	(773,058)	(2,000,804)	
2014 proposed final dividend		-	-	-	(866,792)	866,792	-	-	-	
Transfer	37	-	-	1,044	(1,044)	-	-	-	-	
Acquisition of a subsidiary	39	-	-	-	-	-	-	10,564	10,564	
Capital injection from non-controlling interests		-	-	-	-	-	-	283,380	283,380	
Total transactions with owners		360	34,299	56,634	(1,301,221)	72,431	(1,137,497)	(479,114)	(1,616,611)	
<b>Balance at 31 December 2014</b>		<b>1,444,653</b>	<b>12,384,496</b>	<b>14,723,124</b>	<b>50,659,453</b>	<b>866,792</b>	<b>80,078,518</b>	<b>13,335,779</b>	<b>93,414,297</b>	

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

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



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# NOTES TO THE FINANCIAL STATEMENTS

## 1 GENERAL INFORMATION

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

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

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

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

On 19 December 2013, the Group completed the spin-off of Kerry Logistics Network Limited ("Kerry Logistics") which engages in integrated logistics and international freight forwarding. As a result, the Group's interest in Kerry Logistics was decreased from 100% to approximately 43% and Kerry Logistics became an associate of the Group accordingly. Kerry Logistics' profit for the period from 1 January 2013 to 18 December 2013 (immediately before spin-off) was presented as discontinued operations in the consolidated financial statements for the year ended 31 December 2013. Please refer to note 10 for more details.

These financial statements have been approved for issue by the Board of Directors on 18 March 2015.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### (a) Basis of preparation

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (a) Basis of preparation (Continued)

##### (i) Adoption of revised standards, amendments to existing standards and interpretation

The following revised standards, amendments to existing standards and interpretation have been published that are effective for the accounting period of the Group beginning on 1 January 2014:

- HKAS 32 (amendment), 'Financial instruments: Presentation – offsetting financial assets and financial liabilities'
- HKAS 36 (amendment), 'Recoverable amount disclosures for non-financial assets'
- HKAS 39 (amendment), 'Novation of derivatives and continuation of hedge accounting'
- HK(IFRIC) Interpretation 21, 'Levies'
- Amendments to HKAS 27 (2011), HKFRS 10 and HKFRS 12, 'Investment entities'

The revised standards, amendments to existing standards and interpretation had no material financial impact on the consolidated financial statements of the Group.

##### (ii) Standards and amendments to existing standards which are not yet effective

The following standards and amendments to existing standards, which are relevant to the operations of the Group, have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2015, but the Group has not early adopted them:

	Applicable for accounting periods beginning on/after
HKAS 1 (amendment), 'Disclosure initiative'	1 January 2016
HKAS 27 (amendment), 'Equity method in separate financial statements'	1 January 2016
HKFRS 9, 'Financial instruments'	1 January 2018
HKFRS 14, 'Regulatory deferral accounts'	1 January 2016
HKFRS 15, 'Revenue from contracts with customers'	1 January 2017
Annual improvements to 2010-2012 cycle	1 July 2014
Annual improvements to 2011-2013 cycle	1 July 2014
Annual improvements to 2012-2014 cycle	1 January 2016
Amendments to HKAS 19 (2011), 'Employee benefits: defined benefit plans – employee contributions'	1 July 2014
Amendments to HKAS 16 and HKAS 38, 'Clarification of acceptable methods of depreciation and amortisation'	1 January 2016
Amendments to HKFRS 11, 'Accounting for acquisitions of interests in joint operations'	1 January 2016
Amendments to HKAS 28 (2011) and HKFRS 10, 'Sale or contribution of assets between an investor and its associate or joint venture'	1 January 2016
Amendments to HKAS 28 (2011), HKFRS 10 and HKFRS 12, 'Investment entities: applying the consolidation exception'	1 January 2016

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.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (b) Consolidation

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

#### (i) *Subsidiaries*

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

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

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

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (b) Consolidation (Continued)

##### (ii) Transactions with non-controlling interests

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

##### (iii) Associates

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

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

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

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

##### (iv) Partial disposal

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

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

#### (c) Segment reporting

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (d) Foreign currency translation

#### (i) *Functional and presentation currency*

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

#### (ii) *Transactions and balances*

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

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

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

#### (iii) *Group companies*

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (e) Property, plant and equipment

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

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

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

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

No amortisation is provided for freehold land.

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

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

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

#### (f) Investment properties

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

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (f) Investment properties (Continued)

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

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

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

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

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

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

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

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

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

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## NOTES TO THE FINANCIAL STATEMENTS

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (g) Properties under development

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

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

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

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

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

#### (h) Completed properties held for sale

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



## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (i) Intangible assets

#### (i) *Goodwill*

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

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

#### (ii) *Customer relationships*

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

#### (iii) *Non-compete agreements*

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

#### (iv) *Trademark*

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (k) Investments

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

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

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

##### (ii) *Loans and receivables*

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

##### (iii) *Available-for-sale investments*

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

##### (iv) *Recognition and measurement*

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

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

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (k) Investments (Continued)

#### (iv) Recognition and measurement (Continued)

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

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

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

### (l) Impairment of financial assets

#### (i) Assets carried at amortised cost

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (l) Impairment of financial assets (Continued)

##### (i) *Assets carried at amortised cost* (Continued)

The Group first assesses whether objective evidence of impairment exists.

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

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

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

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

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

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

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

#### (i) Fair value hedge

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

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

#### (ii) Cash flow hedge

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

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

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

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## NOTES TO THE FINANCIAL STATEMENTS

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

##### *(iii) Net investment hedge*

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

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

##### *(iv) Derivatives that do not qualify for hedge accounting*

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

#### (o) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

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

#### (p) Accounts payable

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

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

#### (q) Borrowings

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

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (r) Current and deferred income tax

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

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

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

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

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

### (s) Employee benefits

#### (i) Employee leave entitlements

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

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

#### (ii) Defined contribution plan

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

## NOTES TO THE FINANCIAL STATEMENTS

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (s) Employee benefits (Continued)

##### (iii) Defined benefit plan

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

The liability recognised in the consolidated statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using government bonds yield that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

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

##### (iv) Share-based payments

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

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

##### (v) Termination benefits

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

##### (vi) Bonus plans

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



## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (t) Provisions

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

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

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

### (u) Financial guarantees

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

### (v) Revenue recognition

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

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

- (i) Revenue from sales of properties is recognised when the significant risks and rewards of ownership of properties are transferred to the purchasers.
- (ii) Rental revenue and other revenues incidental to the letting of properties are recognised on a straight-line basis over the periods of the respective leases.
- (iii) Revenue from provision of logistics services, including freight forwarding services, is recognised when services are rendered.
- (iv) Revenue from general storage and other ancillary services is recognised when the services are rendered. Revenue from leased storage is recognised on a straight-line basis over the periods of the respective leases.

## NOTES TO THE FINANCIAL STATEMENTS

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (v) Revenue recognition (Continued)

- (v) Income on development consultancy and project management is recognised on a pro-rata basis according to the progress of the projects.
- (vi) Income from property management is recognised when services are rendered.
- (vii) Hotel revenue from rooms rental, food and beverage sales and other ancillary services is recognised when the services are rendered.
- (viii) Dividend income is recognised when the right to receive payment is established.
- (ix) Interest income is recognised on a time proportion basis, using the effective interest method.

#### (w) Leases

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

##### (i) *The Group is the lessee*

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

##### (ii) *The Group is the lessor*

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

#### (x) Leasehold land and land use rights

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

#### (y) Borrowing costs

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (z) Dividend distribution

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

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

### (aa) Contingent liabilities and contingent assets

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

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

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

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

### (ab) Discontinued operations

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### 3 FINANCIAL RISK MANAGEMENT

#### (a) Financial risk factors

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

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

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

#### (i) Market risk

##### (l) Foreign exchange risk

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

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

During the year, the currencies of certain countries where the Group has foreign operations, including the United States dollar and Renminbi, fluctuated against the Hong Kong dollar. This gave rise to an unrealised loss of approximately HK\$1,278,326,000 (2013: unrealised gain of approximately HK\$512,512,000) on translation of these operations' net assets to the Group's Hong Kong dollar reporting currency, including the Group's share of the translation gains and losses of associates. This unrealised loss is reflected as a movement in other reserves under the heading of exchange fluctuation reserve.

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

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

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

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

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### (a) Financial risk factors (Continued)

##### (i) Market risk (Continued)

###### (II) Interest rate risk

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

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

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

At the end of the reporting periods, if interest rates had been increased or decreased by 25 (2013: 25) basis points and all other variables were held constant, the profit of the Group would have decreased or increased by approximately HK\$2,888,000 (2013: HK\$8,292,000) resulting from the change in interest income on bank deposits and the borrowing costs of bank borrowings after capitalisation of interest expenses.

At the end of the reporting periods, if interest rates had been increased or decreased by 25 (2013: 25) basis points and all other variables were held constant, the profit of the Company would have increased or decreased by approximately HK\$5,978,000 (2013: HK\$5,743,000) resulting from the change in interest income on bank deposits.

###### (III) Price risk

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

The carrying amount of listed portion of available-for-sale investments would be an estimated HK\$97,403,000 (2013: HK\$96,729,000) lower or higher if the year end share prices of the above-mentioned investments were to differ by 20% (2013: 20%).

The carrying amount of unlisted portion of available-for-sale investments would be an estimated HK\$91,037,000 (2013: HK\$83,553,000) lower or higher if the year end underlying fair value of the above-mentioned investments were to differ by 20% (2013: 20%).

The carrying amount of listed securities at fair value through profit or loss would be an estimated HK\$35,420,000 (2013: HK\$33,739,000) lower or higher if the year end share prices of the above-mentioned investments were to differ by 20% (2013: 20%).

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## NOTES TO THE FINANCIAL STATEMENTS

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### (a) Financial risk factors (Continued)

##### (ii) Credit risk

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

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

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

The credit risk on liquid funds is limited because approximately 95% (2013: 93%) of the funds are placed in banks with high credit rankings, ranging from BBB to AA, and the remaining 5% (2013: 7%) in local banks in different countries with close monitoring by the management and there is no concentration in any particular bank.

##### (iii) Liquidity risk

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

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

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

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

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### (a) Financial risk factors (Continued)

##### (iii) Liquidity risk (Continued)

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

	Group				Total HK\$'000
	Less than 1 year HK\$'000	Between 1 and 2 years HK\$'000	Between 2 and 5 years HK\$'000	Over 5 years HK\$'000	
At 31 December 2014					
Amounts due to associates	–	57,244	–	–	57,244
Bank loans	3,696,605	9,955,224	11,166,154	1,025,357	25,843,340
Fixed rate bonds	576,883	3,833,479	5,178,569	2,531,131	12,120,062
Amounts due to non-controlling interests	–	2,362,701	–	–	2,362,701
Accounts payable, deposits received and accrued charges	5,273,918	–	–	–	5,273,918
<b>Total</b>	<b>9,547,406</b>	<b>16,208,648</b>	<b>16,344,723</b>	<b>3,556,488</b>	<b>45,657,265</b>

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

## NOTES TO THE FINANCIAL STATEMENTS

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### (a) Financial risk factors (Continued)

##### (iii) Liquidity risk (Continued)

	Company			Total HK\$'000
	Less than 1 year HK\$'000	Between 1 and 2 years HK\$'000	Between 2 and 5 years HK\$'000	
At 31 December 2014				
Bank loan	313,607	–	–	313,607
Accounts payable and accrued charges	90,071	–	–	90,071
<b>Total</b>	<b>403,678</b>	<b>–</b>	<b>–</b>	<b>403,678</b>

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

#### (b) Capital risk management

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

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

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



### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### (b) Capital risk management (Continued)

The gearing ratios at 31 December 2014 and 2013 were as follows:

	2014	2013
Net debt (HK\$ million)	<b>22,847</b>	23,482
Equity attributable to the Company's shareholders (HK\$ million)	<b>80,079</b>	75,755
Gearing ratio	<b>28.5%</b>	31.0%

#### (c) Fair value estimation

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

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

The following table presents the Group's financial assets that are measured at fair value at 31 December 2014:

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
<b>Assets</b>				
Derivative financial instruments	–	<b>209,773</b>	–	<b>209,773</b>
Available-for-sale investments	<b>487,013</b>	–	<b>1,457,739</b>	<b>1,944,752</b>
Listed securities at fair value through profit or loss	<b>177,100</b>	–	–	<b>177,100</b>
<b>Total assets</b>	<b>664,113</b>	<b>209,773</b>	<b>1,457,739</b>	<b>2,331,625</b>

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

There were no transfers between Levels during the year.

## NOTES TO THE FINANCIAL STATEMENTS

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### (c) Fair value estimation (Continued)

##### (i) Financial instruments in Level 1

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

##### (ii) Financial instruments in Level 2

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

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

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

##### (iii) Financial instruments in Level 3

The following table presents the changes in Level 3 instruments:

	Available-for-sale investments	
	2014 HK\$'000	2013 HK\$'000
At 1 January	1,380,575	1,454,668
Gains/(losses) recognised in comprehensive income	77,164	(12,634)
Additions	–	1,310
Disposals	–	(3,106)
Disposal of subsidiaries (note 38(c))	–	(59,419)
Exchange adjustment	–	(244)
At 31 December	1,457,739	1,380,575

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### (c) Fair value estimation (Continued)

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

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

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

There were no changes in valuation techniques during the year.

##### **(iv) Group's valuation processes for financial instruments**

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

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

The fair value of the listed fixed rate bonds as at 31 December 2014 was HK\$10,921,846,000 (2013: HK\$10,940,941,000).

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

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

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## NOTES TO THE FINANCIAL STATEMENTS

### 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

#### (a) Critical accounting estimates and assumptions

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

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

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

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

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

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

##### (iii) *Income taxes*

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

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

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

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

### (a) Critical accounting estimates and assumptions (Continued)

#### **(iv) Useful lives of property, plant and equipment**

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

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

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

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

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

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

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

#### **(ii) Revenue recognition**

The Group has recognised revenue from the sale of properties held for sale as disclosed in note 5 according to the accounting policy as stated in note 2(v)(i). The assessment of when an entity has transferred the significant risks and rewards of ownership to buyers and whether it is probable that future economic benefit will flow to the entity requires the examination of the circumstances of the transaction and the terms of payment under sales contract.

## NOTES TO THE FINANCIAL STATEMENTS

### 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

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

##### **(iii) Financial implication of regulations of idle land**

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

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

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

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

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

##### **(v) Impairment of property, plant and equipment**

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

##### **(vi) Impairment of trade receivables**

The Group assesses whether there is objective evidence as stated in note 2(m) that trade receivables are impaired. It recognises impairment based on estimates of the extent and timing of future cash flows using applicable discount rates and also whether there is objective evidence that the trade receivables are impaired. This evidence may include observable data indicating that there has been adverse change in payment status of the debtors and the local economic conditions that correlate with the potential risk of fallen through on the transactions. The final outcome of the recoverability and cash flows of these receivables will impact the amount of impairment required.

## 5 PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATIONS

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

	2014 HK\$'000	2013 HK\$'000
<b>Turnover</b>		
Sale of properties	<b>10,274,006</b>	11,264,821
Rental and others	<b>3,168,560</b>	2,147,131
Hotel revenue	<b>1,221,159</b>	557,651
Continuing operations	<b>14,663,725</b>	13,969,603
Discontinued operations:		
Logistics services income	–	19,188,358
	<b>14,663,725</b>	33,157,961

## NOTES TO THE FINANCIAL STATEMENTS

### 5 PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATIONS (Continued)

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

	Turnover		Gross profit	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Principal activities:				
Property rental and others				
– PRC property	<b>2,293,335</b>	1,211,272	<b>1,821,296</b>	840,957
– Hong Kong property	<b>875,225</b>	935,859	<b>662,997</b>	745,026
	<b>3,168,560</b>	2,147,131	<b>2,484,293</b>	1,585,983
Property sales (Note)				
– PRC property	<b>3,141,766</b>	4,070,713	<b>759,287</b>	1,647,071
– Hong Kong property	<b>7,132,240</b>	7,194,108	<b>2,899,834</b>	2,836,361
	<b>10,274,006</b>	11,264,821	<b>3,659,121</b>	4,483,432
Hotel operations				
– PRC property	<b>1,221,159</b>	557,651	<b>64,518</b>	(12,071)
Continuing operations	<b>14,663,725</b>	13,969,603	<b>6,207,932</b>	6,057,344
Discontinued operations				
– Logistics operations	–	19,188,358	–	2,897,248
	<b>14,663,725</b>	33,157,961	<b>6,207,932</b>	8,954,592
Principal markets:				
Continuing operations				
– PRC	<b>6,656,260</b>	5,839,636	<b>2,645,101</b>	2,475,957
– Hong Kong	<b>8,007,465</b>	8,129,967	<b>3,562,831</b>	3,581,387
	<b>14,663,725</b>	13,969,603	<b>6,207,932</b>	6,057,344
Principal markets:				
Discontinued operations				
– PRC	–	8,554,670	–	814,582
– Hong Kong	–	2,624,808	–	688,085
– Others	–	8,008,880	–	1,394,581
	–	19,188,358	–	2,897,248

Note: Sales of investment properties for the year ended 31 December 2014 amounting to HK\$1,413,854,000 (2013: HK\$92,034,000), comprising sales from PRC investment properties of HK\$33,854,000 (2013: HK\$92,034,000) and sales from Hong Kong investment properties of HK\$1,380,000,000 (2013: HK\$nil), are excluded from turnover.



## 5 PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATIONS (Continued)

(c) Information about operating segment:

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

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### 5 PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATIONS (Continued)

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

	2014						
	PRC Property HK\$'000	Hong Kong Property HK\$'000	Total Operating Segments HK\$'000	Others HK\$'000	Consolidated for Continuing Operations HK\$'000	Discontinued Operations: Logistics HK\$'000	Total HK\$'000
Revenue							
Turnover	6,656,260	8,007,465	14,663,725	-	14,663,725	-	14,663,725
Results							
Segment results – gross profit	2,645,101	3,562,831	6,207,932	-	6,207,932	-	6,207,932
Other income and net gains					1,375,025	-	1,375,025
Administrative and other operating expenses					(1,236,334)	-	(1,236,334)
Increase in fair value of investment properties					2,511,448	-	2,511,448
Operating profit before finance costs					8,858,071	-	8,858,071
Finance costs					(626,917)	-	(626,917)
Operating profit					8,231,154	-	8,231,154
Share of results of associates					1,302,897	-	1,302,897
Profit before taxation					9,534,051	-	9,534,051
Taxation					(1,698,338)	-	(1,698,338)
Profit for the year					7,835,713	-	7,835,713
Profit attributable to:							
Company's shareholders					6,773,636	-	6,773,636
Non-controlling interests					1,062,077	-	1,062,077
					7,835,713	-	7,835,713
Depreciation and amortisation	339,716	20,787	360,503	3,759	364,262	-	364,262

## 5 PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATIONS (Continued)

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### 5 PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATIONS (Continued)

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

	2014						
	PRC	Hong Kong	Overseas	Total	Others	Eliminations	Consolidated
	Property HK\$'000	Property HK\$'000	Property HK\$'000	Operating Segments HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	75,800,143	51,633,413	189,337	127,622,893	45,077,822	(49,464,771)	123,235,944
Associates	6,297,849	1,938,881	1,149,875	9,386,605	9,825,741	-	19,212,346
Derivative financial instruments	-	-	-	-	209,773	-	209,773
Available-for-sale investments	470	941,726	1,002,556	1,944,752	-	-	1,944,752
Long-term receivables	-	346,966	-	346,966	-	-	346,966
Tax recoverable	175,818	1,805	-	177,623	7	-	177,630
Tax reserve certificates	-	1,082	-	1,082	126,664	-	127,746
Listed securities at fair value through profit or loss	-	176,904	196	177,100	-	-	177,100
<b>Total assets</b>	<b>82,274,280</b>	<b>55,040,777</b>	<b>2,341,964</b>	<b>139,657,021</b>	<b>55,240,007</b>	<b>(49,464,771)</b>	<b>145,432,257</b>
Segment liabilities	30,986,617	23,279,401	7,387	54,273,405	2,718,640	(49,464,771)	7,527,274
Bank loans	6,400,916	870,000	-	7,270,916	16,775,112	-	24,046,028
Fixed rate bonds	-	-	-	-	10,192,580	-	10,192,580
Taxation and deferred taxation	6,659,982	1,002,905	115,211	7,778,098	128,205	-	7,906,303
Amounts due to non-controlling interests	1,508,574	837,826	-	2,346,400	(625)	-	2,345,775
<b>Total liabilities</b>	<b>45,556,089</b>	<b>25,990,132</b>	<b>122,598</b>	<b>71,668,819</b>	<b>29,813,912</b>	<b>(49,464,771)</b>	<b>52,017,960</b>
<b>Segment non-current assets*</b>	<b>66,994,537</b>	<b>37,785,902</b>	<b>1,149,875</b>	<b>105,930,314</b>	<b>9,832,955</b>	<b>-</b>	<b>115,763,269</b>

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

## 5 PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATIONS (Continued)

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### 5 PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATIONS (Continued)

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

	Segment non-current assets*	
	2014 HK\$'000	2013 HK\$'000
PRC	66,994,537	64,981,573
Hong Kong	36,088,964	37,425,845
Others	2,846,813	2,774,824
	<b>105,930,314</b>	105,182,242

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

### 6 OTHER INCOME AND NET GAINS

	Group			
	Continuing operations		Discontinued operations	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Dividend income				
– listed investments	39,325	38,143	–	–
– unlisted investments	51,872	46,262	–	3,442
	<b>91,197</b>	84,405	–	3,442
Interest income	<b>323,244</b>	294,764	–	31,493
Gain/(loss) on disposal of property, plant and equipment	<b>226</b>	(7,592)	–	7,703
Gain on sale of investment properties net of selling expenses	<b>888,790</b>	25,171	–	–
Gain on remeasurement of previously held equity interest in acquiree companies	<b>8,201</b>	18,655	–	–
Fair value gain/(loss) on listed securities at fair value through profit or loss	<b>8,414</b>	(13,753)	–	–
Exchange (loss)/gain, net	<b>(61,331)</b>	(32,890)	–	522
Others	<b>116,284</b>	127,576	–	14,499
	<b>1,375,025</b>	496,336	–	57,659

## 7 OPERATING PROFIT BEFORE FINANCE COSTS

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

	Group			
	Continuing operations		Discontinued operations	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Cost of sales of properties	<b>5,986,013</b>	6,083,581	–	–
Direct operating expenses in respect of investment properties	<b>625,543</b>	493,393	–	–
Direct operating expenses for logistics operations	–	–	–	16,291,110
Depreciation of property, plant and equipment and amortisation of leasehold land and land use rights	<b>364,262</b>	171,373	–	373,097
Amortisation of intangible assets	–	–	–	38,621
Hotel direct operating expenses	<b>1,156,641</b>	569,722	–	–
Operating lease charges – land and buildings	<b>48,978</b>	45,277	–	441,267
Provision for impairment of receivables	<b>95</b>	735	–	10,774
Auditors' remuneration	<b>11,504</b>	10,115	–	16,430

## NOTES TO THE FINANCIAL STATEMENTS

### 8 FINANCE COSTS

	Group			
	Continuing operations		Discontinued operations	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Interest expense				
– bank loans	<b>672,921</b>	670,666	–	73,965
– fixed rate bonds (note 30)	<b>594,385</b>	594,379	–	–
– derivative financial instruments	<b>(25,917)</b>	(20,931)	–	–
– others (Note)	<b>11,560</b>	25,448	–	14,864
Total finance costs incurred	<b>1,252,949</b>	1,269,562	–	88,829
Less: amount capitalised in properties under development and investment properties under construction	<b>(670,288)</b>	(766,546)	–	–
	<b>582,661</b>	503,016	–	88,829
Fair value loss/(gain) on derivative financial instruments				
– cash flow hedge, transfer to equity (note 37)	<b>16,888</b>	1,391	–	–
– not applying hedge accounting	<b>27,368</b>	(1,478)	–	–
Total finance costs expensed during the year	<b>626,917</b>	502,929	–	88,829

The capitalised interest rate applied to funds borrowed and used for the development of properties is between 2.4% and 7.7% per annum (2013: between 2.4% and 7.7% per annum).

Note: The amount included net exchange gains from financing activities of HK\$15,540,000 (2013: HK\$2,524,000) for the year ended 31 December 2014.



## 9 TAXATION

### Hong Kong and overseas profits tax

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 16.5%) on the estimated assessable profit for the year. Income tax on the overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the overseas countries in which the Group operates.

### PRC corporate income tax

PRC corporate income tax has been provided at the rate of 25% (2013: 25%) on the estimated assessable profit for the year.

### Withholding tax on distributed/undistributed profits

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

### PRC land appreciation tax

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

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

	Group			
	Continuing operations		Discontinued operations	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
PRC taxation				
– Current	(449,570)	(871,704)	–	(91,372)
– Over/(under)-provision in prior years	70	(408)	–	(927)
– Deferred	(556,710)	(1,528,547)	–	(232)
	<b>(1,006,210)</b>	(2,400,659)	–	(92,531)
Hong Kong profits tax				
– Current	(661,777)	(512,394)	–	(66,842)
– Over-provision in prior years	31,177	5,890	–	3,096
– Deferred	(36,584)	(34,670)	–	(13,029)
	<b>(667,184)</b>	(541,174)	–	(76,775)
Overseas taxation				
– Current	(7,326)	(6,392)	–	(115,904)
– (Under)/over-provision in prior years	(6,254)	–	–	1,187
– Deferred	(11,364)	(9,121)	–	(9,512)
	<b>(24,944)</b>	(15,513)	–	(124,229)
	<b>(1,698,338)</b>	(2,957,346)	–	(293,535)

The Group's share of associates' taxation for the year of HK\$218,343,000 (2013: HK\$79,505,000) is included in the share of results of associates in the consolidated income statement.

## NOTES TO THE FINANCIAL STATEMENTS

### 9 TAXATION (Continued)

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

	Group	
	2014 HK\$'000	2013 HK\$'000
Profit before taxation	<b>9,534,051</b>	12,409,494
Less: Share of results of associates	<b>(1,302,897)</b>	(664,957)
	<b>8,231,154</b>	11,744,537
Calculated at Hong Kong profits tax rate of 16.5% (2013: 16.5%)	<b>1,358,140</b>	1,937,849
Tax effect of different taxation rates in other countries	<b>259,446</b>	680,970
Utilisation of previously unrecognised tax losses	<b>(48,506)</b>	(4,228)
Tax effect of net income/expenses that are not taxable/deductible in determining taxable profit	<b>(83,544)</b>	(113,530)
Tax loss not recognised	<b>91,536</b>	90,796
Over-provision of taxation in prior years	<b>(24,993)</b>	(5,482)
	<b>1,552,079</b>	2,586,375
Withholding tax on distributed/undistributed profits	<b>50,309</b>	78,286
Land appreciation tax	<b>127,933</b>	390,247
Tax effect of deduction of land appreciation tax	<b>(31,983)</b>	(97,562)
Taxation charge	<b>1,698,338</b>	2,957,346

### 10 DISCONTINUED OPERATIONS

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

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

## 10 DISCONTINUED OPERATIONS (Continued)

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

	2014 HK\$'000	2013 HK\$'000
Revenue	–	19,188,358
Other income and net gains	–	57,659
Expenses	–	(17,927,883)
Increase in fair value of investment properties	–	600,211
Share of results of associates	–	126,737
Profit before taxation	–	2,045,082
Taxation	–	(293,535)
	–	1,751,547
Fair value gain on dividend by way of a distribution in specie	–	1,883,436
Fair value gain on retained interest in Kerry Logistics held by the Group	–	1,866,606
Release of exchange fluctuation reserve	–	574,670
	–	4,324,712
Profit for the year from discontinued operations	–	6,076,259
Profit for the year from discontinued operations attributable to:		
Company's shareholders	–	5,777,524
Non-controlling interests	–	298,735
	–	6,076,259

### (b) Cash flows from discontinued operations

	2014 HK\$'000	2013 HK\$'000
Operating cash flows	–	891,487
Investing cash flows	–	(1,352,188)
Financing cash flows	–	915,697
Net cash inflow from discontinued operations	–	454,996

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

## 11 PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders dealt with in the financial statements of the Company is HK\$1,421,545,000 (2013: HK\$6,673,147,000).

## NOTES TO THE FINANCIAL STATEMENTS

### 12 DIVIDENDS

	Company	
	2014 HK\$'000	2013 HK\$'000
Interim, paid, of HK\$0.3 (2013: HK\$0.35) per ordinary share (note (a))	<b>433,355</b>	504,385
Final, proposed, of HK\$0.6 (2013: HK\$0.55) per ordinary share (note (b))	<b>866,792</b>	794,361
Additional prior year final dividend arising from the increase in number of ordinary shares in issue on the related record date (note (b))	<b>30</b>	408
Special interim dividend by way of a distribution in specie (note (c))	–	7,365,793
	<b>1,300,177</b>	8,664,947

- (a) Amounts shown in respect of the interim dividend for the year ended 31 December 2014 reflect the cash dividend of HK\$0.3 (2013: HK\$0.35) per ordinary share.
- (b) At a meeting held on 18 March 2015, the Directors proposed a final dividend of HK\$0.6 per ordinary share. This proposed dividend is not reflected as a dividend payable in these financial statements. The proposed final dividend for the year ended 31 December 2014, as referred to above, is calculated on the basis of 1,444,653,228 ordinary shares in issue as at 31 December 2014, and at a final dividend of HK\$0.6 per ordinary share. The actual amount of final dividend payable in respect of the year ended 31 December 2014 will be subject to the actual number of ordinary shares in issue on the record date, which is expected to be on or about 13 May 2015.
- (c) On 19 August 2013, the Company submitted a spin-off proposal to Hong Kong Stock Exchange pursuant to Practice Note 15 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”) in relation to the proposed spin-off of Kerry Logistics by way of separate listing of the ordinary shares of HK\$0.5 each of Kerry Logistics (“Kerry Logistics Shares”) on the Main Board of Hong Kong Stock Exchange.

On 24 September 2013, Kerry Logistics submitted a listing application form (Form A1) to Hong Kong Stock Exchange in order to apply for the listing of, and permission to deal in, the Kerry Logistics Shares on the Main Board of Hong Kong Stock Exchange. The listing of the Kerry Logistics Shares would be achieved by a distribution in specie by the Company of approximately 50% of the Kerry Logistics Shares and the Global Offering (“the Hong Kong Public Offering and the International Placing”) of Kerry Logistics Shares.

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

The net assets attributable to the dividend by a distribution in specie of an aggregate of 722,136,614 Kerry Logistics Shares were approximately HK\$5,483 million and the fair value approximated HK\$7,366 million based on the offering price of the Kerry Logistics Shares.

### 13 EARNINGS PER SHARE

#### Basic

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

	2014	2013
Weighted average number of ordinary shares in issue	<b>1,444,419,033</b>	1,440,996,733

	2014 HK\$'000	2013 HK\$'000
Profit attributable to shareholders		
From continuing operations	<b>6,773,636</b>	7,376,865
From discontinued operations	–	5,777,524
	<b>6,773,636</b>	13,154,389
Basic earnings per share		
From continuing operations	<b>HK\$4.69</b>	HK\$5.12
From discontinued operations	–	HK\$4.01
	<b>HK\$4.69</b>	HK\$9.13

## NOTES TO THE FINANCIAL STATEMENTS

### 13 EARNINGS PER SHARE (Continued)

#### 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.

	2014	2013
Weighted average number of ordinary shares in issue	<b>1,444,419,033</b>	1,440,996,733
Adjustment for share options	<b>378,547</b>	1,627,281
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<b>1,444,797,580</b>	1,442,624,014

	2014 HK\$'000	2013 HK\$'000
Profit attributable to shareholders		
From continuing operations	<b>6,773,636</b>	7,376,865
From discontinued operations	–	5,777,524
	<b>6,773,636</b>	13,154,389
Diluted earnings per share		
From continuing operations	<b>HK\$4.69</b>	HK\$5.11
From discontinued operations	–	HK\$4.01
	<b>HK\$4.69</b>	HK\$9.12

## 14 EMPLOYEE BENEFIT EXPENSE

	Group			
	Continuing operations		Discontinued operations	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Staff costs, including directors' emoluments	<b>1,088,447</b>	909,150	–	2,538,180
Share options granted to directors and employees	<b>82,944</b>	42,320	–	22,125
Pension costs				
– defined contribution plans (note 33)	<b>60,422</b>	43,439	–	215,737
– defined benefit plans	–	–	–	11,587
	<b>1,231,813</b>	994,909	–	2,787,629

### (a) Directors' and senior management's emoluments

The remuneration of the Directors for the year ended 31 December 2014, excluding share option benefits, is set out below:

Name of Director	Fees HK\$'000	Salary HK\$'000	Discretionary bonuses HK\$'000	Employer's contribution to pension	Total HK\$'000
				scheme HK\$'000	
Mr WONG Siu Kong*	–	6,720	22,000	120	28,840
Mr HO Shut Kan	–	5,520	20,000	120	25,640
Mr QIAN Shaohua	–	5,520	19,000	120	24,640
Mr Bryan Pallop GAW	–	3,120	4,600	120	7,840
Mr LAU Ling Fai, Herald	530	–	–	–	530
Mr KU Moon Lun	490	–	–	–	490
Ms WONG Yu Pok, Marina, JP	490	–	–	–	490
Mr CHANG Tso Tung, Stephen	490	–	–	–	490
Mr CHAN Wai Ming, William <sup>1</sup>	–	1,417	–	40	1,457

<sup>1</sup> Resigned during the year 2014

\* Chairman

## NOTES TO THE FINANCIAL STATEMENTS

### 14 EMPLOYEE BENEFIT EXPENSE (Continued)

#### (a) Directors' and senior management's emoluments (Continued)

The remuneration of the Directors for the year ended 31 December 2013, excluding share option benefits, is set out below:

Name of Director	Fees HK\$'000	Salary HK\$'000	Discretionary bonuses HK\$'000	Employer's contribution to pension scheme HK\$'000	Total HK\$'000
Mr WONG Siu Kong*	–	6,720	24,000	120	30,840
Mr HO Shut Kan	–	5,040	18,060	120	23,220
Mr QIAN Shaohua	–	4,880	18,060	120	23,060
Mr CHAN Wai Ming, William	–	3,660	6,000	120	9,780
Mr Bryan Pallop GAW	–	2,940	3,560	120	6,620
Mr LAU Ling Fai, Herald	535	–	–	–	535
Mr KU Moon Lun	495	–	–	–	495
Ms WONG Yu Pok, Marina, JP	490	–	–	–	490
Mr CHANG Tso Tung, Stephen	458	–	–	–	458
Mr KUOK Khoon Chen <sup>1</sup>	–	2,687	8,500	77	11,264
Mr MA Wing Kai, William <sup>1</sup>	–	3,942	10,880	108	14,930

<sup>1</sup> Resigned during the year 2013

\* Chairman



## 14 EMPLOYEE BENEFIT EXPENSE (Continued)

### (b) Share options granted to the Directors of the Company

Pursuant to the 2002 Share Option Scheme and the 2011 Share Option Scheme of the Company (note 35), the Company granted to the Directors share options to subscribe for shares in the Company subject to terms and conditions stipulated therein. The fair values of share options granted to the Directors were included in the total employee benefit expense.

During the year ended 31 December 2014, 6,500,000 (2013: nil) share options were granted to the Directors.

As at 31 December 2014, certain Directors held the following share options to acquire shares of the Company:

Number of share options held	Exercise price per share HK\$	Exercise period
1,325,000	47.70	02/04/2009-01/04/2018
1,325,000	47.70	02/04/2010-01/04/2018
2,650,000	47.70	02/04/2011-01/04/2018
2,650,000	35.45	31/10/2012-29/04/2022
2,650,000	35.45	31/10/2013-29/04/2022
3,250,000	26.88	08/07/2014-07/01/2024
3,250,000	26.88	08/01/2015-07/01/2024

As at 31 December 2013, certain Directors held the following share options to acquire shares of the Company:

Number of share options held	Exercise price per share HK\$	Exercise period
1,525,000	47.70	02/04/2009-01/04/2018
1,525,000	47.70	02/04/2010-01/04/2018
3,050,000	47.70	02/04/2011-01/04/2018
2,900,000	35.45	31/10/2012-29/04/2022
2,900,000	35.45	31/10/2013-29/04/2022

The closing market price of the Company's share as at 31 December 2014 was HK\$28.15 (2013: HK\$26.9) per share.

## NOTES TO THE FINANCIAL STATEMENTS

### 14 EMPLOYEE BENEFIT EXPENSE (Continued)

#### (c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2013: five) Directors. The emoluments payable to the five highest paid individuals during the year are as follows:

	2014 HK\$'000	2013 HK\$'000
Salaries	25,080	23,269
Discretionary bonuses	72,110	79,500
Pension contributions	480	545
	<b>97,670</b>	<b>103,314</b>

The emoluments fell within the following bands:

	Number of individuals	
	2014	2013
HK\$8,500,001 – HK\$9,000,000	1	–
HK\$9,500,001 – HK\$10,000,000	1	–
HK\$11,000,001 – HK\$11,500,000	–	1
HK\$14,500,001 – HK\$15,000,000	–	1
HK\$23,000,001 – HK\$23,500,000	–	2
HK\$24,500,001 – HK\$25,000,000	1	–
HK\$25,500,001 – HK\$26,000,000	1	–
HK\$28,500,001 – HK\$29,000,000	1	–
HK\$30,500,001 – HK\$31,000,000	–	1
	<b>5</b>	<b>5</b>

Pursuant to the 2002 Share Option Scheme and the 2011 Share Option Scheme of the Company (note 35), the Company granted to the individual share options to subscribe for shares in the Company subject to terms and conditions stipulated therein. The fair values of share options granted to the individual were included in the total employee benefit expense.

## 15 PROPERTY, PLANT AND EQUIPMENT

	Group					Total HK\$'000
	Hotel property HK\$'000	Warehouse HK\$'000	Staff quarters HK\$'000	Leasehold improvements HK\$'000	Motor vehicles, furniture, fixtures and office equipment HK\$'000	
Cost						
At 1 January 2014	4,508,652	400,000	30,628	64,476	223,049	5,226,805
Additions	140,357	-	-	-	29,194	169,551
Acquisition of a subsidiary (note 39)	-	-	-	-	270	270
Disposals	(15,346)	-	(2,532)	(49)	(6,595)	(24,522)
Transfer and reclassification	361,365	-	-	(6,867)	8,171	362,669
Exchange adjustment	(117,716)	-	(811)	(22)	(3,916)	(122,465)
At 31 December 2014	4,877,312	400,000	27,285	57,538	250,173	5,612,308
Aggregate depreciation and accumulated impairment losses						
At 1 January 2014	105,168	-	6,146	38,119	117,045	266,478
Charge for the year	278,924	12,121	1,277	5,694	35,844	333,860
Disposals	(13,967)	-	(487)	(38)	(6,249)	(20,741)
Transfer and reclassification	341	-	-	-	(341)	-
Exchange adjustment	(4,088)	-	(182)	(23)	(2,267)	(6,560)
At 31 December 2014	366,378	12,121	6,754	43,752	144,032	573,037
<b>Net book value as at 31 December 2014</b>	<b>4,510,934</b>	<b>387,879</b>	<b>20,531</b>	<b>13,786</b>	<b>106,141</b>	<b>5,039,271</b>
Net book value as at 1 January 2014	4,403,484	400,000	24,482	26,357	106,004	4,960,327

## NOTES TO THE FINANCIAL STATEMENTS

### 15 PROPERTY, PLANT AND EQUIPMENT (Continued)

	Group								
	Hotel property HK\$'000	Warehouses and logistics centres HK\$'000	Staff quarters HK\$'000	Freehold land and buildings HK\$'000	Port facilities HK\$'000	Leasehold improvements HK\$'000	Warehouse operating equipment HK\$'000	Motor vehicles, furniture, fixtures and office equipment HK\$'000	Total HK\$'000
<b>Cost</b>									
At 1 January 2013	1,088,345	1,495,431	45,833	2,812,357	307,516	517,354	1,302,864	786,553	8,356,253
Additions	237,419	1,872	–	49,437	10,898	68,117	305,278	179,850	852,871
Acquisition of subsidiaries	–	400,000	–	50,001	–	405	981	4,123	455,510
Disposals	(45,428)	(10,299)	(6,978)	(12,084)	–	(27,757)	(83,251)	(56,926)	(242,723)
Disposal of subsidiaries (note 38(c))	–	(1,932,924)	(9,342)	(2,902,795)	(387,023)	(484,840)	(1,513,863)	(691,147)	(7,921,934)
Transfer and reclassification	3,154,897	464,306	–	96,034	82,687	2,351	32,799	(4,080)	3,828,994
Exchange adjustment	73,419	(18,386)	1,115	(92,950)	(14,078)	(11,154)	(44,808)	4,676	(102,166)
At 31 December 2013	4,508,652	400,000	30,628	–	–	64,476	–	223,049	5,226,805
<b>Aggregate depreciation and accumulated impairment losses</b>									
At 1 January 2013	25,602	259,550	13,019	174,218	95,539	184,797	558,821	418,403	1,729,949
Charge for the year	117,589	36,914	1,725	40,857	8,454	72,977	129,517	112,498	520,531
Disposals	(39,799)	(1,534)	(4,310)	(79)	–	(19,622)	(62,936)	(42,966)	(171,246)
Disposal of subsidiaries (note 38(c))	–	(286,209)	(4,602)	(206,831)	(99,247)	(193,254)	(599,066)	(374,985)	(1,764,194)
Transfer and reclassification	12	(25)	–	(678)	–	302	2,589	1,423	3,623
Exchange adjustment	1,764	(8,696)	314	(7,487)	(4,746)	(7,081)	(28,925)	2,672	(52,185)
At 31 December 2013	105,168	–	6,146	–	–	38,119	–	117,045	266,478
Net book value as at 31 December 2013	4,403,484	400,000	24,482	–	–	26,357	–	106,004	4,960,327
Net book value as at 1 January 2013	1,062,743	1,235,881	32,814	2,638,139	211,977	332,557	744,043	368,150	6,626,304

## 15 PROPERTY, PLANT AND EQUIPMENT (Continued)

	Company		
	Leasehold improvements HK\$'000	Motor vehicles, furniture, fixtures and office equipment HK\$'000	Total HK\$'000
Cost			
At 1 January 2014	8,330	13,930	22,260
Additions	–	3,451	3,451
At 31 December 2014	8,330	17,381	25,711
Aggregate depreciation			
At 1 January 2014	5,276	10,818	16,094
Charge for the year	1,666	2,093	3,759
At 31 December 2014	6,942	12,911	19,853
<b>Net book value as at 31 December 2014</b>	<b>1,388</b>	<b>4,470</b>	<b>5,858</b>

	Company		
	Leasehold improvements HK\$'000	Motor vehicles, furniture, fixtures and office equipment HK\$'000	Total HK\$'000
Cost			
At 1 January 2013	8,330	13,430	21,760
Additions	–	500	500
At 31 December 2013	8,330	13,930	22,260
Aggregate depreciation			
At 1 January 2013	3,610	9,260	12,870
Charge for the year	1,666	1,558	3,224
At 31 December 2013	5,276	10,818	16,094
Net book value as at 31 December 2013	3,054	3,112	6,166

## NOTES TO THE FINANCIAL STATEMENTS

### 15 PROPERTY, PLANT AND EQUIPMENT (Continued)

- (a) As at 31 December 2014, property, plant and equipment with an aggregate net book value of HK\$2,877,367,000 (2013: HK\$3,080,290,000) were pledged as security for bank loan facilities granted to the Group (note 43).
- (b) The Group's warehouse at its net book value is analysed as follows:

	2014 HK\$'000	2013 HK\$'000
In Hong Kong, held on:		
Lease of between 10 to 50 years	<b>387,879</b>	400,000

### 16 INVESTMENT PROPERTIES

	Group	
	2014 HK\$'000	2013 HK\$'000
At 1 January	<b>53,670,734</b>	47,484,425
Additions	<b>771,807</b>	1,363,920
Increase in fair value	<b>2,511,448</b>	7,628,112
Disposals	<b>(513,962)</b>	(59,878)
Transfer	–	2,789,533
Disposal of subsidiaries (note 38(c))	–	(6,376,849)
Exchange adjustment	<b>(920,787)</b>	841,471
At 31 December	<b>55,519,240</b>	53,670,734

- (a) As at 31 December 2014, investment properties amounting to HK\$16,543,820,000 (2013: HK\$16,723,033,000) were pledged as securities for bank loan facilities granted to the Group (note 43).
- (b) The Group's investment properties at their carrying values are analysed as follows:

	2014 HK\$'000	2013 HK\$'000
In Hong Kong, held on:		
Leases of over 50 years	<b>10,763,600</b>	10,218,300
Leases of between 10 to 50 years	<b>8,414,260</b>	8,185,930
Outside Hong Kong, held on:		
Leases of over 50 years	<b>1,831,088</b>	1,985,141
Leases of between 10 to 50 years	<b>34,510,292</b>	33,281,363
	<b>55,519,240</b>	53,670,734

## 16 INVESTMENT PROPERTIES (Continued)

### (c) Valuation of investment properties

	Completed residential properties	Completed commercial properties			Commercial properties under development	Total
	Hong Kong	Hong Kong	PRC	Overseas	PRC	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2014	10,036,300	8,367,930	31,028,000	–	4,238,504	53,670,734
Additions	115,455	14,267	250,833	–	391,252	771,807
Net gains from fair value adjustment	419,845	716,063	987,435	–	388,105	2,511,448
Disposals	–	(492,000)	(21,962)	–	–	(513,962)
Exchange adjustment	–	–	(806,868)	–	(113,919)	(920,787)
<b>At 31 December 2014</b>	<b>10,571,600</b>	<b>8,606,260</b>	<b>31,437,438</b>	<b>–</b>	<b>4,903,942</b>	<b>55,519,240</b>

	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	
At 1 January 2013	9,885,500	12,476,130	17,176,059	402,571	7,544,165	47,484,425
Additions and transfers	2,129	5,770	12,774,535	–	(8,628,981)	4,153,453
Net gains from fair value adjustment	148,671	1,216,230	1,057,540	57,450	5,148,221	7,628,112
Disposals	–	–	(59,878)	–	–	(59,878)
Disposal of subsidiaries	–	(5,330,200)	(590,777)	(455,872)	–	(6,376,849)
Exchange adjustment	–	–	670,521	(4,149)	175,099	841,471
<b>At 31 December 2013</b>	<b>10,036,300</b>	<b>8,367,930</b>	<b>31,028,000</b>	<b>–</b>	<b>4,238,504</b>	<b>53,670,734</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 16 INVESTMENT PROPERTIES (Continued)

#### (c) Valuation of investment properties (Continued)

##### Valuation processes of the Group

The Group measures its investment properties at fair value. The investment properties were revalued by DTZ Debenham Tie Leung Limited and Savills Valuation and Professional Services Limited, independent qualified valuers not related to the Group, who hold a recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued, at 31 December 2014. For all investment properties, their current use equates to the highest and best use.

The Group's finance department includes a team that reviews the valuation performed by the independent valuers for financial reporting purposes. This team reports directly to the senior management and the Audit and Corporate Governance Committee. Discussions of valuation processes and results are held between the management and valuers.

At each financial year end, the finance department:

- verifies all major inputs to the independent valuation report;
- assesses property valuation movements when compared to the prior year valuation report; and
- holds discussions with the independent valuer.

##### Valuation techniques

Fair value of completed residential and commercial properties in Hong Kong and the PRC is generally derived using the income capitalisation method and wherever appropriate, by direct comparison method. Income capitalisation method is based on the capitalisation of the net income and reversionary income potential by adopting appropriate capitalisation rates, which are derived from analysis of sale transactions and valuers' interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to recent lettings, within the subject properties and other comparable properties. Direct comparison method is based on comparing the property to be valued directly with other comparable properties, which have recently transacted. However, given the heterogeneous nature of real estate properties, appropriate adjustments are usually required to allow for any qualitative differences that may affect the price likely to be achieved by the property under consideration.

Fair value of commercial properties under development in the PRC is generally derived using the residual method. This valuation method is essentially a means of valuing the completed properties by reference to its development potential by deducting development costs together with developer's profit and risk from the estimated capital value of the proposed development assuming completed as at the date of valuation.



## 16 INVESTMENT PROPERTIES (Continued)

### (c) Valuation of investment properties (Continued)

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

Capitalisation rates are estimated by valuers based on the risk profile of the investment properties being valued. The higher the rates, the lower the fair value. At 31 December 2014, capitalisation rates of 3.3% to 5.5% (2013: 3.5% to 5.5%) and 7% to 9% (2013: 7% to 9%) are used in the income capitalisation method for Hong Kong and the PRC properties respectively.

Prevailing market rents are estimated based on recent lettings for Hong Kong and the PRC investment properties, within the subject properties and other comparable properties. The lower the rents, the lower the fair value.

Estimated costs to completion, developer's profit and risk margins required are estimated by valuers based on market conditions at 31 December 2014 for the PRC investment properties under development. The estimates are largely consistent with the budgets developed internally by the Group based on management's experience and knowledge of market conditions. The higher the costs and the margins, the lower the fair value.

## 17 LEASEHOLD LAND AND LAND USE RIGHTS

	2014 HK\$'000	2013 HK\$'000
At 1 January	1,261,637	531,796
Amortisation	(30,796)	(26,044)
Transfer	–	1,217,652
Disposal of subsidiaries (note 38(c))	–	(475,231)
Exchange adjustment	(32,680)	13,464
At 31 December	<b>1,198,161</b>	1,261,637

The Group's leasehold land and land use rights represent prepaid operating lease payments and their net book values are analysed as follows:

	2014 HK\$'000	2013 HK\$'000
Outside Hong Kong, held on:		
Leases of between 10 to 50 years	<b>1,198,161</b>	1,261,637

## NOTES TO THE FINANCIAL STATEMENTS

### 18 PROPERTIES UNDER DEVELOPMENT

	2014 HK\$'000	2013 HK\$'000
At 1 January	41,562,659	29,444,328
Additions	6,032,484	17,414,832
Acquisition of subsidiaries (note 39)	308,419	510,658
Disposal of subsidiaries (note 38(c))	–	(458,401)
Transfer	(5,913,738)	(5,888,652)
Exchange adjustment	(556,408)	539,894
At 31 December	<b>41,433,416</b>	41,562,659

	2014 HK\$'000	2013 HK\$'000
The above are represented by:		
Amount included in non-current assets		
Hong Kong	14,558,022	16,876,415
Outside Hong Kong (note (a))	18,851,467	18,147,728
	<b>33,409,489</b>	35,024,143
Amount included in current assets		
Hong Kong	3,539,743	2,582,989
Outside Hong Kong	4,484,184	3,955,527
	<b>8,023,927</b>	6,538,516
	<b>41,433,416</b>	41,562,659

- (a) As at 31 December 2014, the balance included land use rights amounting to HK\$811,442,000 (2013: HK\$1,469,391,000) that the respective development plans were subject to approval from relevant government authorities. Upon approval of the plans, certain portion of these land use rights would be transferred to investment properties (note 2(g)).

## 18 PROPERTIES UNDER DEVELOPMENT (Continued)

The Group's properties under development at their net book values are analysed as follows:

	2014 HK\$'000	2013 HK\$'000
In Hong Kong, held on:		
Leases of over 50 years	<b>1,642,847</b>	2,355,356
Leases of between 10 to 50 years	<b>16,454,918</b>	17,104,048
Outside Hong Kong, held on:		
Leases of over 50 years	<b>13,063,808</b>	8,406,696
Leases of between 10 to 50 years	<b>10,271,843</b>	13,696,559
	<b>41,433,416</b>	41,562,659
Leasehold land classified as operating lease included as above	<b>14,931,321</b>	14,992,299

As at 31 December 2014, properties under development amounting to HK\$4,834,336,000 (2013: HK\$2,468,190,000) were pledged as securities for bank loan facilities granted to the Group (note 43).

## 19 SUBSIDIARIES

	Company	
	2014 HK\$'000	2013 HK\$'000
Unlisted shares, at cost (note (a))	<b>16,029,185</b>	16,029,185
Amounts due from subsidiaries (note (b))	<b>10,238,341</b>	11,424,893
	<b>26,267,526</b>	27,454,078
Amount due to a subsidiary (note (c))	–	1,475,713

- (a) Details of principal subsidiaries of the Group are set out in note 46(a).
- (b) The amounts due from subsidiaries are unsecured, have no fixed terms of repayment, are interest-free and equity in nature.
- (c) The amount due to a subsidiary was unsecured, had no fixed terms of repayment and bore interest at prevailing market rates.

## NOTES TO THE FINANCIAL STATEMENTS

### 19 SUBSIDIARIES (Continued)

- (d) Set out below are the summarised financial information for a subsidiary, Shanghai Ji Xiang Properties Co., Ltd., that has non-controlling interests of 49% that are material to the Group. The principal place of business of Shanghai Ji Xiang Properties Co., Ltd. is Shanghai, the PRC.

#### Summarised statement of financial position as at 31 December 2014

	2014 HK\$'000	2013 HK\$'000
Current		
Assets	493,978	284,569
Liabilities	(1,734,594)	(1,895,262)
Total current net liabilities	(1,240,616)	(1,610,693)
Non-current		
Assets	15,437,120	15,985,864
Liabilities	(6,278,160)	(6,420,172)
Total non-current net assets	9,158,960	9,565,692
Net assets	7,918,344	7,954,999

#### Summarised statement of comprehensive income for the year ended 31 December 2014

	2014 HK\$'000	2013 HK\$'000
Revenue	1,453,710	288,257
Profit before income tax	242,506	3,672,920
Income tax expenses	(64,232)	(855,541)
Profit for the year	178,274	2,817,379
Other comprehensive income	(109,065)	209,614
Total comprehensive income	69,209	3,026,993
Total comprehensive income allocated to non-controlling interests	33,913	1,483,227

## 19 SUBSIDIARIES (Continued)

(d) (Continued)

### Summarised cash flows for the year ended 31 December 2014

	2014 HK\$'000	2013 HK\$'000
Cash flows from operating activities		
Cash generated from operations	<b>663,838</b>	493,309
Interest paid	<b>(320,100)</b>	(316,927)
Net cash generated from operating activities	<b>343,738</b>	176,382
Net cash used in investing activities	<b>(36,196)</b>	(1,090,620)
Net cash (used in)/generated from financing activities	<b>(62,928)</b>	695,451
Net increase/(decrease) in cash and cash equivalents	<b>244,614</b>	(218,787)
Cash and cash equivalents at 1 January	<b>157,576</b>	368,691
Effect of exchange rate changes	<b>(7,298)</b>	7,672
Cash and cash equivalents at 31 December	<b>394,892</b>	157,576

The information above is the amount before inter-company eliminations.

## 20 ASSOCIATES

	Group		Company	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Unlisted investments	<b>7,613,456</b>	7,402,268	–	–
Listed equity securities, in Hong Kong	<b>7,734,520</b>	7,341,346	<b>1,992,783</b>	1,992,783
Listed equity securities, outside Hong Kong	<b>1,148,399</b>	1,077,711	–	–
Share of net assets, including goodwill (note (a))	<b>16,496,375</b>	15,821,325	<b>1,992,783</b>	1,992,783
Amounts due from associates (note (b))	<b>2,773,215</b>	2,529,310	–	–
Amounts due to associates (note (c))	<b>(57,244)</b>	(56,820)	–	–
	<b>19,212,346</b>	18,293,815	<b>1,992,783</b>	1,992,783
Market value of listed securities	<b>9,778,566</b>	8,859,683	<b>8,835,594</b>	7,916,118

## NOTES TO THE FINANCIAL STATEMENTS

### 20 ASSOCIATES (Continued)

- (a) Details of principal associates are set out in note 46(b).
- (b) The amounts due from associates are unsecured, interest-free except for amounts totalling HK\$2,394,743,000 (2013: HK\$2,038,681,000) which bear interest at prevailing market rates and are not repayable in the foreseeable future.
- (c) The amounts due to associates are unsecured, interest-free and not repayable within twelve months from the end of each reporting period.
- (d) Set out below are the summarised financial information for the associate of the Group, Kerry Logistics, which, in the opinion of the Directors, are material to the Group. The associate is accounted for using the equity method.

#### Summarised consolidated statement of financial position as at 31 December 2014

	2014 HK\$'000	2013 HK\$'000
Current		
Assets	<b>8,934,073</b>	9,401,021
Liabilities	<b>(5,142,392)</b>	(5,463,760)
Total current net assets	<b>3,791,681</b>	3,937,261
Non-current		
Assets	<b>18,905,600</b>	17,829,811
Liabilities	<b>(4,248,311)</b>	(4,124,477)
Total non-current net assets	<b>14,657,289</b>	13,705,334
Net assets	<b>18,448,970</b>	17,642,595

## 20 ASSOCIATES (Continued)

(d) (Continued)

### Summarised consolidated statement of comprehensive income for the year ended 31 December 2014

	2014 HK\$'000	2013 HK\$'000
Revenue	21,115,249	780,385
Operating expenses and others	(18,255,214)	(343,293)
Depreciation and amortisation	(470,483)	(38,032)
Interest income	30,180	1,954
Interest expense	(102,419)	(4,839)
Profit before taxation	2,317,313	396,175
Taxation	(352,981)	(11,309)
Profit for the year/period	1,964,332	384,866
Other comprehensive income	(300,585)	33,990
Total comprehensive income	1,663,747	418,856
Dividends received from an associate	122,118	–

The information above reflects the amounts presented in the consolidated financial statements of Kerry Logistics (and not the Group's share of those amounts) for the year (2013: period from 19 December 2013 to 31 December 2013) adjusted for differences in accounting policies between the Group and the associate. The results of Kerry Logistics for the period from 1 January 2013 to 18 December 2013 are set out in note 10. The information above is the amount before inter-company eliminations.

### Reconciliation of summarised financial information

	2014 HK\$'000	2013 HK\$'000
Opening net assets as at 1 January (2013: 19 December)	14,242,996	14,202,043
Profit for the year/period attributable to shareholders	1,658,830	381,710
Other comprehensive income attributable to shareholders	(201,926)	19,559
Dividends paid	(287,378)	–
Changes in other reserves	(265,097)	–
Others	34,753	–
Elimination of unrealised gains	–	(360,316)
Closing net assets as at 31 December	15,182,178	14,242,996
Interest in an associate (approximately 43%)	6,447,871	6,054,697
Goodwill	1,286,649	1,286,649
Carrying value as at 31 December	7,734,520	7,341,346

## NOTES TO THE FINANCIAL STATEMENTS

### 20 ASSOCIATES (Continued)

(e) The aggregate amount of the Group's share of results of its associates which are individually immaterial are as follows:

	Group	
	2014 HK\$'000	2013 HK\$'000
Profit from continuing operations	<b>598,392</b>	654,520
Other comprehensive income from continuing operations	<b>(112,086)</b>	378
Total comprehensive income from continuing operations	<b>486,306</b>	654,898

### 21 DERIVATIVE FINANCIAL INSTRUMENTS

	Group		Company	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Non-current assets				
Cash flow hedges				
Cross currency and interest rate swap contracts, at fair value (note (a))	<b>144,919</b>	213,746	–	26,889
Derivative financial instruments not applying hedge accounting				
Cross currency swap and forward exchange contracts, at fair value (note (b))	<b>52,641</b>	65,956	<b>52,641</b>	65,956
Sub-total	<b>197,560</b>	279,702	<b>52,641</b>	92,845
Current assets				
Cash flow hedges				
Cross currency swap contract, at fair value (note (a))	<b>12,213</b>	–	<b>12,213</b>	–
Derivative financial instruments not applying hedge accounting				
Cross currency swap and forward exchange contracts, at fair value (note (b))	–	14,053	–	14,053
Sub-total	<b>12,213</b>	14,053	<b>12,213</b>	14,053
Total	<b>209,773</b>	293,755	<b>64,854</b>	106,898



## 21 DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

Derivatives holding for trading purpose are classified as a current asset or liability. The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and, as a current asset or liability, if the maturity of the hedged item is less than 12 months.

### (a) Cross currency and interest rate swap contracts that qualify for hedge accounting – cash flow hedges

The changes in fair value of cross currency and interest rate swap contracts that are designated and qualified as cash flow hedges amounting to a loss of HK\$56,614,000 (2013: gain of HK\$106,104,000) are recognised in hedging reserve in equity. Under cash flow hedges, the amount of HK\$16,888,000 (2013: HK\$1,391,000) from finance costs to hedging reserve was reclassified in the consolidated income statement.

#### (i) Hedge for fixed rate bonds

During the year ended 31 December 2011, an indirect wholly-owned subsidiary of the Company entered into cross-currency swap contracts amounting to US\$297,000,000, under which the principal amounts were exchanged at inception and will be re-exchanged on expiring date in April 2021 at an average exchange rate of US\$1 to HK\$7.776. Under these contracts, the fixed interest rates ranging from 5.26% to 5.275% per annum on the exchanged Hong Kong dollar principal amounts would be paid and the fixed interest rate of 5.875% per annum on the United States dollar principal amounts would be received.

#### (ii) Hedge for New Zealand dollar bank borrowings

During the year ended 31 December 2011, the Company entered into cross currency swap contract amounting to NZD 51,282,000, under which the principal amount was exchanged at inception in March 2011 and will be re-exchanged on expiring date in March 2015 at an exchange rate of NZD 1 to HK\$5.85. Under the contract, the floating Hong Kong dollar interest rate on the exchanged Hong Kong dollar principal amount would be paid and the floating New Zealand dollar interest rate on the New Zealand dollar principal amount would be received.

#### (iii) Hedge for Hong Kong dollar bank borrowings

During the year ended 31 December 2013, the Group entered into a total of notional principal amounts of HK\$4,000,000,000 5-year interest rate swap contracts. Such interest rate swap contracts have the economic effect of converting borrowings from floating rates to fixed rates. The contracted fixed rates range from 0.74% to 0.89% per annum.

### (b) Cross currency swap and forward exchange contracts not applying hedge accounting

The total principal amounts of the outstanding cross currency swap and forward exchange contracts not applying hedge accounting as at 31 December 2014 are US\$220,000,000 (2013: US\$310,000,000) and US\$425,000,000 (2013: US\$458,500,000) respectively.

During the year ended 31 December 2010, the Company entered into cross currency swap contracts amounting to US\$220,000,000 (equivalent to HK\$1,710,661,000). There were no principal exchange at inception but will have principal exchange upon the expiration of these contracts in August 2016 at an average exchange rate of approximately US\$1 to HK\$7.776. Under these contracts, the fixed interest rates ranging from 5.63% to 5.74% per annum on the Hong Kong dollar principal amount would be paid and the fixed rate of 6.375% per annum on the United States dollar principal amounts would be received.

## NOTES TO THE FINANCIAL STATEMENTS

### 21 DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

(b) Cross currency swap and forward exchange contracts not applying hedge accounting (Continued)

During the year ended 31 December 2009, the Company entered into cross currency swap contracts amounting to US\$90,000,000, under which the principal amounts were exchanged at inception in August 2009 and were re-exchanged on expiry date in August 2014 at an average exchange rate of US\$1 to HK\$7.75. Under these contracts, the fixed interest rates ranging from 5.85% to 5.90% per annum on the exchanged Hong Kong dollar principal amounts were paid and the fixed interest rate at 6.375% per annum on the United States dollar principal amounts were received.

The outstanding forward exchange contracts as at 31 December 2014, to buy US\$425,000,000 (equivalent to approximately HK\$3,289,615,000) at the average exchange rate of US\$1 to approximately HK\$7.74, are to be settled in the years 2016 to 2017.

The maximum exposure to credit risk at the reporting date is the fair value of the derivative assets in the statement of financial position.

### 22 AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	2014 HK\$'000	2013 HK\$'000
Listed equity securities, at fair value	<b>487,013</b>	483,647
Unlisted equity securities, at fair value	<b>1,457,739</b>	1,380,575
	<b>1,944,752</b>	1,864,222
Market value of listed securities in Hong Kong	<b>487,013</b>	483,647

## 23 LONG-TERM RECEIVABLES AND ACCOUNTS RECEIVABLE, PREPAYMENTS AND DEPOSITS

	Group	
	2014 HK\$'000	2013 HK\$'000
Trade receivables	<b>2,774,159</b>	1,218,007
Less: Provision for impairment of receivables (note (b))	–	(1,204)
Trade receivables – net (note (a))	<b>2,774,159</b>	1,216,803
Second mortgage loans receivable	<b>358,518</b>	376,804
Others	<b>894,948</b>	1,442,353
	<b>4,027,625</b>	3,035,960
Less: Long-term receivables (note (c))	<b>(346,966)</b>	(366,501)
Current portion	<b>3,680,659</b>	2,669,459

The carrying amounts of accounts receivable approximate their fair value.

The carrying amounts of the Group's long-term receivable and accounts receivable, prepayments and deposits are denominated in the following currencies:

	2014 HK\$'000	2013 HK\$'000
Hong Kong dollar	<b>3,412,480</b>	2,069,329
Renminbi	<b>587,409</b>	948,913
United States dollar	<b>27,736</b>	17,718
	<b>4,027,625</b>	3,035,960

## NOTES TO THE FINANCIAL STATEMENTS

### 23 LONG-TERM RECEIVABLES AND ACCOUNTS RECEIVABLE, PREPAYMENTS AND DEPOSITS

(Continued)

- (a) The Group maintains defined credit policies and applies those appropriate to the particular business circumstances of the Group. At 31 December 2014, the ageing analysis of the trade receivables based on date of the invoice or the terms of the related sales and purchase agreements and net of provision for impairment of the Group were as follows:

	2014 HK\$'000	2013 HK\$'000
Below 1 month	1,240,793	1,201,900
Between 1 month and 3 months	802,904	11,238
Over 3 months	730,462	3,665
	<b>2,774,159</b>	1,216,803

There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers. As of 31 December 2014, trade receivables of HK\$77,398,000 (2013: HK\$56,394,000) were past due but not impaired. These relate to a number of independent customers for whom there is no significant financial difficulty and based on past experience, the overdue amounts can be recovered. The ageing analysis of these trade receivables is as follows:

	2014 HK\$'000	2013 HK\$'000
Up to 3 months	61,621	52,729
Over 3 months	15,777	3,665

- (b) As of 31 December 2014, trade receivables of HK\$nil (2013: HK\$1,204,000) were impaired and fully provided. The individually impaired receivables mainly relate to those customers which are in unexpected difficult economic situations.

Movements on the provision for impairment of receivables are as follows:

	2014 HK\$'000	2013 HK\$'000
At 1 January	1,204	47,390
Provision for impairment of receivables	95	11,509
Receivables written off during the year as uncollectible	(1,298)	(1,460)
Release of provision	(1)	25
Disposal of subsidiaries	–	(70,234)
Exchange adjustment	–	13,974
At 31 December	–	1,204

The creation and release of provision for impaired receivables have been included in administrative expenses in the consolidated income statement. Amounts charged to the allowance account are written off when there is no expectation of recovery.

## 23 LONG-TERM RECEIVABLES AND ACCOUNTS RECEIVABLE, PREPAYMENTS AND DEPOSITS

(Continued)

(c) The amount represents non-current portion of second mortgage loans to buyers of certain properties developed by the Group at prevailing market rate.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above. Except for the second mortgage loans receivable, the Group does not hold any collateral as security.

The second mortgage loans receivable, other receivables and deposits do not contain impaired asset.

## 24 INTANGIBLE ASSETS

	Group				
	Goodwill HK\$'000	Customer relationships HK\$'000	Non-compete agreements HK\$'000	Trademark HK\$'000	Total HK\$'000
At 1 January 2013	1,747,904	86,330	38,228	23,871	1,896,333
Impairment	(10,520)	–	–	–	(10,520)
Amortisation	–	(29,862)	(5,667)	(3,092)	(38,621)
Acquisition of subsidiaries	183,322	48,118	4,143	–	235,583
Disposal of subsidiaries (note 38(c))	(1,798,178)	(105,663)	(38,047)	(20,923)	(1,962,811)
Exchange adjustment	–	1,077	1,343	144	2,564
<b>At 31 December 2013</b>	<b>122,528</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>122,528</b>
At 31 December 2013					
Cost and net book value	122,528	–	–	–	122,528
At 1 January 2014	122,528	–	–	–	122,528
Impairment	(24)	–	–	–	(24)
<b>At 31 December 2014</b>	<b>122,504</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>122,504</b>
At 31 December 2014					
Cost and net book value	122,504	–	–	–	122,504

## NOTES TO THE FINANCIAL STATEMENTS

### 25 COMPLETED PROPERTIES HELD FOR SALE

	Group	
	2014 HK\$'000	2013 HK\$'000
Leasehold land and land use rights	1,432,273	1,629,081
Other development costs	2,156,808	2,371,352
	<b>3,589,081</b>	4,000,433

(a) As at 31 December 2014, completed properties held for sale amounting to HK\$nil (2013: HK\$1,663,922,000) were pledged as securities for bank loan facilities granted to the Group (note 43).

(b) These completed properties held for sale are located in Hong Kong and the PRC.

### 26 LISTED SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2014 HK\$'000	2013 HK\$'000
Listed securities		
– Hong Kong	176,904	168,550
– Malaysia	196	145
Market value of listed securities	<b>177,100</b>	168,695

### 27 RESTRICTED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

#### (a) Restricted bank deposits

	Group		Company	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Restricted bank deposits (note (i))	68,962	13,722	–	–

(i) As at 31 December 2014, the Group's bank balances amounting to approximately HK\$68,962,000 (2013: HK\$13,722,000) were deposited in certain banks respectively as guarantee deposits for bank facilities of the Group, including mortgage loan facilities (note 42(a)(iii)) granted by the banks to the purchasers of the Group's certain properties and as amount, being certain portion of the Group's pre-sale proceeds, required to be reserved by the PRC State-Owned Land and Resource Bureau.

## 27 RESTRICTED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS (Continued)

### (b) Cash and cash equivalents

	Group		Company	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Cash at bank and in hand	<b>3,648,514</b>	4,549,925	<b>318,066</b>	69,320
Short-term bank deposits (note (i))	<b>7,673,878</b>	6,930,156	<b>2,153,948</b>	2,274,363
Cash and bank balances	<b>11,322,392</b>	11,480,081	<b>2,472,014</b>	2,343,683
Less: short-term bank deposits maturing after more than three months	<b>(978,260)</b>	(407,593)	<b>(933,350)</b>	–
Cash and cash equivalents	<b>10,344,132</b>	11,072,488	<b>1,538,664</b>	2,343,683

Cash and bank balances are denominated in the following currencies:

	Group		Company	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Renminbi	<b>7,354,648</b>	6,816,041	<b>440,030</b>	10
Hong Kong dollar	<b>3,163,158</b>	4,010,520	<b>1,317,266</b>	2,323,392
United States dollar	<b>803,622</b>	636,632	<b>714,698</b>	19,973
Other currencies	<b>964</b>	16,888	<b>20</b>	308
	<b>11,322,392</b>	11,480,081	<b>2,472,014</b>	2,343,683

- (i) The effective interest rate on short-term bank deposits was 2.97% (2013: 1.67%) per annum; these deposits have an average maturity of less than 3 months.
- (ii) Cash and short-term bank deposits of HK\$7,247,792,000 (2013: HK\$7,208,454,000) are held in the PRC and are subject to local exchange control regulations. These local exchange control regulations provide for restrictions on exporting capital from the country, other than through normal dividends.

## NOTES TO THE FINANCIAL STATEMENTS

### 28 ACCOUNTS PAYABLE, DEPOSITS RECEIVED AND ACCRUED CHARGES

	Group	
	2014 HK\$'000	2013 HK\$'000
Trade payables	203,772	254,289
Construction costs payable	2,605,089	2,688,231
Rental deposits	1,045,843	904,230
Sales deposits	2,253,356	2,608,551
Others	1,419,214	1,309,251
	<b>7,527,274</b>	<b>7,764,552</b>

The ageing analysis of trade payables of the Group as at 31 December 2014 was as follows:

	2014 HK\$'000	2013 HK\$'000
Below 1 month	181,013	220,269
Between 1 month and 3 months	16,211	17,169
Over 3 months	6,548	16,851
	<b>203,772</b>	<b>254,289</b>

The carrying amounts of the Group's accounts payable, deposits received and accrued charges are denominated in the following currencies:

	2014 HK\$'000	2013 HK\$'000
Renminbi	6,207,104	6,340,563
Hong Kong dollar	1,306,287	1,414,385
United States dollar	12,773	8,504
Other currencies	1,110	1,100
	<b>7,527,274</b>	<b>7,764,552</b>



## 29 BANK LOANS

	Group		Company	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Non-current				
Bank loans				
– unsecured	<b>15,847,433</b>	15,932,308	–	327,215
– secured (note 43)	<b>5,107,020</b>	4,902,849	–	–
	<b>20,954,453</b>	20,835,157	–	327,215
Current				
Bank loans				
– unsecured	<b>2,161,199</b>	3,343,640	<b>310,113</b>	–
– secured (note 43)	<b>930,376</b>	621,446	–	–
	<b>3,091,575</b>	3,965,086	<b>310,113</b>	–
Total bank loans	<b>24,046,028</b>	24,800,243	<b>310,113</b>	327,215

The maturity of bank loans is as follows:

	Group		Company	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Within 1 year	<b>3,091,575</b>	3,965,086	<b>310,113</b>	–
Between 1 and 2 years	<b>9,493,112</b>	2,154,356	–	327,215
Between 2 and 5 years	<b>10,489,784</b>	17,513,113	–	–
Repayable within 5 years	<b>23,074,471</b>	23,632,555	<b>310,113</b>	327,215
Over 5 years	<b>971,557</b>	1,167,688	–	–
	<b>24,046,028</b>	24,800,243	<b>310,113</b>	327,215

The effective annual interest rates of the major bank borrowings at the end of the reporting period were as follows:

	2014			2013		
	HK\$	US\$	RMB	HK\$	US\$	RMB
Bank loans	<b>1.30%</b>	<b>3.23%</b>	<b>6.55%</b>	1.26%	3.24%	6.61%

The carrying amounts of all bank loans approximate their fair value.

## NOTES TO THE FINANCIAL STATEMENTS

### 29 BANK LOANS (Continued)

The carrying amounts of the bank loans are denominated in the following currencies:

	Group		Company	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Hong Kong dollar	17,481,200	19,311,100	–	–
Renminbi	6,208,190	5,074,693	–	–
New Zealand dollar	310,113	327,215	310,113	327,215
United States dollar	46,525	87,235	–	–
	<b>24,046,028</b>	24,800,243	<b>310,113</b>	327,215

### 30 FIXED RATE BONDS

On 25 August 2006, Gain Silver Finance Limited, a wholly-owned subsidiary of the Company, issued fixed rate bonds in the aggregate principal amount of US\$420,000,000. The fixed rate bonds are guaranteed by the Company as to repayment, and carry a coupon rate of 6.375% per annum and have a maturity term of 10 years.

On 6 April 2011, Wiseyear Holdings Limited (“Wiseyear”), a wholly-owned subsidiary of the Company, issued fixed rate bonds in the aggregate principal amount of US\$300,000,000. The fixed rate bonds are guaranteed by the Company as to repayment, and carry a coupon rate of 5.875% per annum and have a maturity term of 10 years.

In February 2012, Wiseyear issued fixed rate bonds in the aggregate principal amount of US\$600,000,000. The fixed rate bonds are guaranteed by the Company as to repayment, and carry a coupon rate of 5% per annum and have a maturity term of 5 years.

The fixed rate bonds are listed on the Singapore Exchange Securities Trading Limited. The market value of the fixed rate bonds as at 31 December 2014 was HK\$10,921,846,000 (2013: HK\$10,940,941,000). The fair value of the fixed rate bonds are within Level 1 of the fair value hierarchy.

### 31 AMOUNTS DUE TO NON-CONTROLLING INTERESTS

The amounts due to non-controlling interests represent proportionate funding from the non-controlling interests of subsidiaries including an amount of approximately HK\$991,474,000 (2013: HK\$641,323,000) due to certain subsidiaries of Shangri-La Asia Limited ("SA"), a related company whose shares are listed on Hong Kong Stock Exchange and an amount of approximately HK\$241,684,000 (2013: HK\$241,699,000) due to certain subsidiaries of Kerry Holdings Limited, an indirect holding company of the Company. These loans are unsecured, subordinated to the bank loans of the relevant subsidiaries, not repayable within twelve months from the end of reporting period, and interest-free except for an amount of HK\$504,689,000 (2013: HK\$664,516,000) which bears interest at prevailing market rates.

The carrying values of the Group's amounts due to non-controlling interests are denominated in the following currencies:

	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
Hong Kong dollar	<b>1,826,660</b>	2,049,507
United States dollar	<b>519,115</b>	196,363
Other currencies	–	26,515
	<b>2,345,775</b>	2,272,385

### 32 DEFERRED TAXATION

	<b>Group</b>	
	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
At 1 January	<b>5,630,222</b>	4,442,556
Acquisition of subsidiaries	–	19,144
Disposal of subsidiaries (note 38(c))	–	(541,636)
Deferred taxation charged to income statement	<b>604,658</b>	1,595,111
Exchange adjustment	<b>(172,856)</b>	115,047
At 31 December	<b>6,062,024</b>	5,630,222

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through the future taxable profits is probable. The Group has unrecognised tax losses of HK\$2,832,401,000 (2013: HK\$2,521,228,000) to be carried forward in offsetting the future taxable profits. These tax losses have no expiry dates except for the tax losses of HK\$1,000,843,000 (2013: HK\$791,962,000) which will expire at various dates up to and including year 2019 (2013: year 2018).

As at 31 December 2014, the aggregate amount of unrecognised deferred tax liabilities associated with investments in subsidiaries and associates totalled approximately HK\$853,046,000 (2013: HK\$814,353,000), as the Directors consider that the timing of reversal of the related temporary differences can be controlled and the temporary differences will not reverse in the foreseeable future.

## NOTES TO THE FINANCIAL STATEMENTS

### 32 DEFERRED TAXATION (Continued)

The movements in deferred tax (assets) and liabilities during the year were as follows:

	Group					
	Pension obligations	Revaluation	Accelerated depreciation allowances	Tax losses	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2014	–	5,146,104	379,878	(233,998)	338,238	5,630,222
Deferred taxation charged to income statement	–	505,021	46,730	11,387	41,520	604,658
Exchange adjustment	–	(130,849)	(3,651)	5,649	(44,005)	(172,856)
<b>At 31 December 2014</b>	<b>–</b>	<b>5,520,276</b>	<b>422,957</b>	<b>(216,962)</b>	<b>335,753</b>	<b>6,062,024</b>

	Group					
	Pension obligations	Revaluation	Accelerated depreciation allowances	Tax losses	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2013	(59,276)	3,650,632	600,584	(42,359)	292,975	4,442,556
Acquisition of subsidiaries	–	–	19,144	–	–	19,144
Disposal of subsidiaries (note 38(c))	54,513	(297,790)	(269,934)	5,928	(34,353)	(541,636)
Deferred taxation charged/(credited) to income statement	4,763	1,690,094	7,181	(197,567)	90,640	1,595,111
Exchange adjustment	–	103,168	22,903	–	(11,024)	115,047
<b>At 31 December 2013</b>	<b>–</b>	<b>5,146,104</b>	<b>379,878</b>	<b>(233,998)</b>	<b>338,238</b>	<b>5,630,222</b>

### 33 RETIREMENT BENEFITS

Group companies operate various pension schemes. The schemes are funded through payments to independent trustee-administered funds. The Group has both defined contribution and defined benefit plans during the year.

#### **Defined contribution plans**

Pursuant to the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) (the "MPF Ordinance"), companies within the Group in Hong Kong have enrolled all employees in Hong Kong aged between 18 and 65 into a mandatory provident fund scheme (the "MPF Scheme") from 1 December 2000.

The MPF Scheme is a master trust scheme established under a trust arrangement and governed by laws in Hong Kong. The assets of the MPF Scheme are held separately from the assets of the employer, the trustees and other service providers. Employees and employer who are covered by the MPF system are each required to make regular mandatory contributions calculated at 5% of the employee's relevant income as defined in the MPF Ordinance to the MPF Scheme, subject to the minimum and maximum relevant income levels. The MPF Contributions by the employer (the "MPF Contributions") are fully and immediately vested in the employees as accrued benefits once they are paid to the approved trustees of the MPF Scheme. Investment income or profit derived from the investment of accrued benefits (after taking into account any loss arising from such investment) is also immediately vested in the employees.

Certain companies within the Group are also participants of the Kerry Trading Co. Limited – Provident Fund Scheme (the "Fund") which is a defined contribution scheme as defined in the Occupational Retirement Schemes Ordinance (Chapter 426 of the Laws of Hong Kong). The Fund is for certain salaried persons (the "Fund Members") under the employment of the companies participating in the Fund. The assets of the Fund are managed by the trustees of the Fund. Contributions are made to the Fund by companies participating in the Fund at 10% of the Fund Members' monthly basic salaries up to a maximum of HK\$10,000 (2013: HK\$10,000) per Fund Member per month (the "Basic Contribution") less the MPF Contribution if the Basic Contribution is higher than the MPF Contribution. Fund Members are entitled to 100% of the employers' contributions to the Fund plus investment earnings upon leaving employment after completing ten years of service or more, or upon retirement after attaining the retirement age after any number of years of service, or upon retirement due to ill health. Fund Members are also entitled to the employers' contributions to the Fund plus investment earnings calculated at a reduced scale of between 20% and 90% after completing a period of service of at least two but less than ten years. The unvested benefits of employees terminating employment forfeited in accordance with the terms of the Fund can be utilised by the companies participating in the Fund to reduce future contributions. During the year, forfeited contributions totalling HK\$2,747,000 (2013: HK\$1,836,000) were utilised leaving HK\$329,000 (2013: HK\$713,000) available at the year end to reduce future contributions.

The Group also made defined contributions to pension plans as required by the relevant municipality or provincial governments in the PRC. The rates of contributions for the relevant periods ranged from 13% to 21% of the staff's salary. For overseas subsidiaries, the Group made contributions to defined contribution pension schemes in accordance with the schemes set up by the overseas subsidiaries and/or under statutory requirements.

## NOTES TO THE FINANCIAL STATEMENTS

### 34 SHARE CAPITAL

	Authorised Ordinary shares of HK\$1 each	
	Number of shares	HK\$'000
At 31 December 2013 and 2014	10,000,000,000	10,000,000

	Issued and fully paid Ordinary shares of HK\$1 each			
	2014		2013	
	Number of shares	HK\$'000	Number of shares	HK\$'000
At 1 January	<b>1,444,293,228</b>	<b>1,444,293</b>	1,439,130,728	1,439,131
Issue of shares as a result of exercise of share options (note (a))	<b>360,000</b>	<b>360</b>	5,162,500	5,162
At 31 December	<b>1,444,653,228</b>	<b>1,444,653</b>	1,444,293,228	1,444,293

Note:

- (a) During the year, a total of 360,000 share options were exercised at exercise prices of HK\$18.74, HK\$17.58 and HK\$26.88 per share. Details of movements in share options during the year are set out in note 35. Proceeds received in respect of the shares issued following the exercise of the share options were used as additional working capital for the Group.

## 35 SHARE OPTIONS

### (a) 2002 Share Option Scheme

Under the 2002 Share Option Scheme, the Directors of the Company may, at their discretion, grant share options to executives and key employees in the service of the Group and other persons who may make a contribution to the Group subject to terms and conditions stipulated therein. The exercise price for any particular share option shall be such price as the Board of Directors of the Company may in its absolute discretion determine at the time of grant of the relevant share option subject to the compliance with the Listing Rules.

The 2002 Share Option Scheme was terminated on 5 May 2011 such that no further share options shall be offered but the share options which had been granted during its life shall continue to be valid and exercisable in accordance with their terms of issue and in all other respects its provisions shall remain in full force and effect.

Details of the movement of the share options under the 2002 Share Option Scheme are as follows:

	2014		2013	
	Weighted average exercise price in HK\$ per share	Number of share options	Weighted average exercise price in HK\$ per share	Number of share options
At 1 January	44.72	12,610,000	37.80	17,662,500
Exercised during the year (note (i))	17.93	(265,000)	17.88	(4,602,500)
Lapsed during the year	47.70	(800,000)	47.70	(450,000)
At 31 December (note (ii))	45.13	11,545,000	44.72	12,610,000

As at 31 December 2014, 11,545,000 (2013: 12,610,000) outstanding share options granted under the 2002 Share Option Scheme were exercisable (note (ii)). For the share options exercised during the year, the related weighted average share price at the time of exercise was HK\$27.39 (2013: HK\$33.23) and the total amount of proceeds received was HK\$4,751,500 (2013: HK\$82,301,050). No share option was granted or granted for adjustment or cancelled during the year (2013: nil).

## NOTES TO THE FINANCIAL STATEMENTS

### 35 SHARE OPTIONS (Continued)

#### (a) 2002 Share Option Scheme (Continued)

Notes:

(i) Details of share options exercised:

Exercise price per share (HK\$)	Number of share options	
	2014	2013
18.74	80,000	1,197,500
17.58	185,000	3,405,000
	<b>265,000</b>	<b>4,602,500</b>

(ii) Terms of share options at the end of the reporting period were as follows:

Exercise period	Exercise price per share (HK\$)	Number of share options	
		2014	2013
17/03/2006 – 16/03/2015	18.74	120,000	150,000
17/03/2007 – 16/03/2015	18.74	105,000	155,000
02/04/2009 – 01/04/2018	47.70	2,637,500	2,837,500
02/04/2010 – 01/04/2018	47.70	2,637,500	2,837,500
02/04/2011 – 01/04/2018	47.70	5,275,000	5,675,000
06/02/2010 – 05/02/2019	17.58	330,000	420,000
06/02/2011 – 05/02/2019	17.58	440,000	535,000
		<b>11,545,000</b>	<b>12,610,000</b>



## 35 SHARE OPTIONS (Continued)

### (b) 2011 Share Option Scheme

Under the 2011 Share Option Scheme, the Directors of the Company may, at their discretion, grant share options to executives and key employees in the service of the Group and other persons who may make a contribution to the Group subject to terms and conditions stipulated therein. The exercise price for any particular share option shall be such price as the Board of Directors of the Company may in its absolute discretion determine at the time of grant of the relevant share option subject to the compliance with the Listing Rules.

Details of the movement of the share options under the 2011 Share Option Scheme are as follows:

	2014		2013	
	Weighted average exercise price in HK\$ per share	Number of share options	Weighted average exercise price in HK\$ per share	Number of share options
At 1 January	35.45	22,970,000	35.45	24,160,000
Granted during the year (note (iii))	26.88	15,400,000	–	–
Exercised during the year (note (i))	26.88	(95,000)	35.45	(560,000)
Lapsed during the year	34.01	(1,395,000)	35.45	(630,000)
At 31 December (note (ii))	31.95	36,880,000	35.45	22,970,000

As at 31 December 2014, 29,335,000 (2013: 22,970,000) outstanding share options granted under the 2011 Share Option Scheme were exercisable (note (ii)). For the share options exercised during the year, the related weighted average share price at the time of exercise was HK\$29.10 (2013: HK\$37.28) and the total amount of proceeds received was HK\$2,553,600 (2013: HK\$19,852,000). No share option was granted for adjustment or cancelled during the year (2013: nil).

## NOTES TO THE FINANCIAL STATEMENTS

### 35 SHARE OPTIONS (Continued)

#### (b) 2011 Share Option Scheme (Continued)

Notes:

(i) Details of share options exercised:

Exercise price per share (HK\$)	Number of share options	
	2014	2013
35.45	–	560,000
26.88	95,000	–
	<b>95,000</b>	560,000

(ii) Terms of share options at the end of the reporting period were as follows:

Exercise period	Exercise price per share (HK\$)	Number of share options	
		2014	2013
31/10/2012 – 29/04/2022	35.45	10,625,000*	11,205,000*
01/04/2013 – 29/04/2022	35.45	50,000*	50,000*
31/10/2013 – 29/04/2022	35.45	11,135,000*	11,715,000*
08/07/2014 – 07/01/2024	26.88	7,525,000*	–
08/01/2015 – 07/01/2024	26.88	7,545,000	–
		<b>36,880,000</b>	22,970,000

\* Outstanding options that were exercisable at the end of the reporting period.

## 35 SHARE OPTIONS (Continued)

### (b) 2011 Share Option Scheme (Continued)

- (iii) As at 31 December 2014, 7,545,000 outstanding share options granted on 8 January 2014 remained unvested. The fair value of the employee services received in exchange for the grant of the Share Options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the Share Options granted. The weighted average fair value of the Share Options granted on 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:

- <sup>i</sup> It was determined based on historical share price movement.  
<sup>ii</sup> 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.

## 36 SHARE PREMIUM

	2014	2013
	HK\$'000	HK\$'000
At 1 January	12,350,197	12,208,679
Arising from exercise of share options (note 35)	6,945	96,991
Transfer from share options reserve (note 37(f))	27,354	44,527
At 31 December	12,384,496	12,350,197

## NOTES TO THE FINANCIAL STATEMENTS

### 37 OTHER RESERVES

	Group				
	Other property revaluation reserve	Available- for-sale investments revaluation reserve	Hedging reserve	Others (note (a))	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2014	–	1,253,651	190,433	14,535,253	15,979,337
Cash flow hedges:					
– Fair value losses	–	–	(56,614)	–	(56,614)
– Transfer from finance costs (note 8)	–	–	16,888	–	16,888
Fair value gain on available-for-sale investments	–	80,530	–	–	80,530
Share of exchange reserve of associates	–	–	–	(124,888)	(124,888)
Share of other reserves of associates	34,752	–	–	(110,077)	(75,325)
Net translation differences on foreign operations	–	–	–	(1,153,438)	(1,153,438)
Transfer to share premium	–	–	–	(27,354)	(27,354)
Value of employee services	–	–	–	82,944	82,944
Transfer from retained profits	–	–	–	1,044	1,044
<b>At 31 December 2014</b>	<b>34,752</b>	<b>1,334,181</b>	<b>150,707</b>	<b>13,203,484</b>	<b>14,723,124</b>

### 37 OTHER RESERVES (Continued)

	Group				
	Other properties revaluation reserve	Available-for-sale investments revaluation reserve	Hedging reserve	Others (note (a))	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2013	41,236	1,292,237	82,938	14,131,770	15,548,181
Cash flow hedges:					
– Fair value gains	–	–	106,104	–	106,104
– Transfer from finance costs (note 8)	–	–	1,391	–	1,391
Fair value loss on available-for-sale investments	–	(38,586)	–	–	(38,586)
Share of exchange reserve of associates	–	–	–	9,601	9,601
Share of other reserves of associates	–	–	–	10,336	10,336
Net translation differences on foreign operations	–	–	–	1,077,581	1,077,581
Release of exchange fluctuation reserve upon completion of disposal of subsidiaries	–	–	–	(574,670)	(574,670)
Transfer to share premium	–	–	–	(44,527)	(44,527)
Value of employee services	–	–	–	64,445	64,445
Transfer from retained profits	–	–	–	1,644	1,644
Acquisition of additional interest in subsidiaries	–	–	–	(246,977)	(246,977)
Transfer of reserves upon completion of disposal of subsidiaries	(41,236)	–	–	106,050	64,814
At 31 December 2013	–	1,253,651	190,433	14,535,253	15,979,337

## NOTES TO THE FINANCIAL STATEMENTS

### 37 OTHER RESERVES (Continued)

(a) Others

	Group							Total HK\$'000
	Capital reserve (note (b)) HK\$'000	Share options reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Enterprise expansion and general reserve funds (note (c)) HK\$'000	Capital redemption reserve (note (d)) HK\$'000	Acquisition reserve (note (e)) HK\$'000		
	At 1 January 2014	7,935,251	426,998	5,807,703	18,206	7,868	339,227	
Share of exchange reserve of associates	-	-	(124,888)	-	-	-	(124,888)	
Share of other reserves of associates	-	-	-	10,878	-	(120,955)	(110,077)	
Net translation differences on foreign operations	-	-	(1,153,438)	-	-	-	(1,153,438)	
Transfer to share premium (note 36)	-	(27,354)	-	-	-	-	(27,354)	
Value of employee services	-	82,944	-	-	-	-	82,944	
Transfer from retained profits	-	-	-	1,044	-	-	1,044	
<b>At 31 December 2014</b>	<b>7,935,251</b>	<b>482,588</b>	<b>4,529,377</b>	<b>30,128</b>	<b>7,868</b>	<b>218,272</b>	<b>13,203,484</b>	
At 1 January 2013	8,298,842	407,080	5,290,973	35,966	7,868	91,041	14,131,770	
Share of exchange reserve of associates	-	-	9,601	-	-	-	9,601	
Share of other reserves of associates	-	-	27	10,309	-	-	10,336	
Net translation differences on foreign operations	-	-	1,077,581	-	-	-	1,077,581	
Release of exchange fluctuation reserve upon completion of disposal of subsidiaries	-	-	(574,670)	-	-	-	(574,670)	
Transfer to share premium (note 36)	-	(44,527)	-	-	-	-	(44,527)	
Value of employee services	-	64,445	-	-	-	-	64,445	
Transfer from retained profits	-	-	-	1,644	-	-	1,644	
Acquisition of additional interest in subsidiaries	-	-	-	-	-	(246,977)	(246,977)	
Transfer of reserves upon completion of disposal of subsidiaries	(363,591)	-	4,191	(29,713)	-	495,163	106,050	
<b>At 31 December 2013</b>	<b>7,935,251</b>	<b>426,998</b>	<b>5,807,703</b>	<b>18,206</b>	<b>7,868</b>	<b>339,227</b>	<b>14,535,253</b>	

### 37 OTHER RESERVES (Continued)

- (b) Capital reserve of the Group arose from the Group's reorganisation in preparation for its listing on Hong Kong Stock Exchange in August 1996, adjusted by the excess or deficit of the fair values of the net assets of subsidiaries and associates subsequently acquired over the cost of investment at the date of acquisition before 1 January 2001.
- (c) Enterprise expansion and general reserve funds are set up by subsidiaries and associates established and operating in the PRC. According to the PRC Foreign Enterprise Accounting Standards, upon approval, the enterprise expansion reserve fund may be used for increasing capital while the general reserve fund may be used for making up losses and increasing capital.
- (d) The capital redemption reserve arose from the purchase of the Company's shares for cancellation during 1998 and 2002 and represents a transfer from the Company's retained profits equivalent to the nominal value of the shares purchased for cancellation.
- (e) The acquisition reserve arose from the acquisition of additional interest or disposal of interest in subsidiaries that do not result in a loss of control, and represents any differences between the amount by which the non-controlling interests are adjusted (to reflect the changes in the interests in the subsidiaries) and the fair value of the consideration paid or received.
- (f) Other reserves of the Company

	Contributed surplus HK\$'000	Share options reserve HK\$'000	Capital redemption reserve (note (d)) HK\$'000	Hedging reserve HK\$'000	Total HK\$'000
At 1 January 2014	10,427,515	426,998	7,868	(377)	10,862,004
Transfer to share premium (note 36)	–	(27,354)	–	–	(27,354)
Value of employee services	–	82,944	–	–	82,944
Cash flow hedge					
– Fair value gain	–	–	–	(14,676)	(14,676)
– Transfer from finance costs	–	–	–	17,090	17,090
<b>At 31 December 2014</b>	<b>10,427,515</b>	<b>482,588</b>	<b>7,868</b>	<b>2,037</b>	<b>10,920,008</b>
At 1 January 2013	17,793,308	407,080	7,868	(1,042)	18,207,214
Transfer to share premium (note 36)	–	(44,527)	–	–	(44,527)
Value of employee services	–	64,445	–	–	64,445
Cash flow hedge					
– Fair value gain	–	–	–	(1,411)	(1,411)
– Transfer from finance costs	–	–	–	2,076	2,076
Dividend by way of a distribution in specie	(7,365,793)	–	–	–	(7,365,793)
At 31 December 2013	10,427,515	426,998	7,868	(377)	10,862,004

The contributed surplus of the Company arose when the Company issued shares in exchange for the shares of companies being acquired, and represents the difference between the nominal value of the Company's shares issued and the value of net assets of the companies acquired. At Group level, the contributed surplus is reclassified into its components of reserves of the underlying subsidiaries.

## NOTES TO THE FINANCIAL STATEMENTS

### 38 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

#### (a) Reconciliation of profit before taxation to net cash generated from operations

	Group	
	2014 HK\$'000	2013 HK\$'000
Profit before taxation from continuing operations	9,534,051	12,409,494
Profit before taxation from discontinued operations	–	2,045,082
Depreciation of property, plant and equipment and amortisation of leasehold land and land use rights	364,262	544,470
Amortisation of intangible assets	–	38,621
Dividend income from listed and unlisted investments	(91,197)	(87,847)
Interest income	(323,244)	(326,257)
Gain on disposal of property, plant and equipment	(226)	(111)
Gain on sale of investment properties	(899,893)	(32,156)
Fair value (gain)/loss on listed securities at fair value through profit or loss	(8,414)	13,753
Fair value gain on contingent payment for acquisition of subsidiaries	–	(12,088)
Gain on sale of available-for-sale investments	–	(625)
Impairment of goodwill	24	10,520
Change in net pension liabilities	–	(27,787)
Increase in fair value of investment properties	(2,511,448)	(7,628,112)
Finance costs	626,917	591,758
Share of results of associates	(1,302,897)	(791,694)
Gain on remeasurement of previously held equity interest in acquiree companies	(8,201)	(18,655)
Gain from bargain purchase arising from acquisition of subsidiaries	–	(3,591)
Operating profit before working capital changes	5,379,734	6,724,775
Decrease/(increase) in properties under development, completed properties held for sale and accounts receivable, prepayments and deposits	3,445,262	(7,552,220)
(Decrease)/increase in accounts payable, deposits received and accrued charges	(130,907)	1,046,643
Net cash generated from operations	8,694,089	219,198

#### (b) Analysis of the net cash inflow/(outflow) in respect of the acquisition of subsidiaries – business combinations

	2014 HK\$'000	2013 HK\$'000
Cash consideration paid	(65,158)	(314,351)
Cash consideration paid for prior year's acquisition	–	(234,425)
Cash and bank balances acquired (note 39)	216,477	168,092
Net cash inflow/(outflow) in respect of the acquisition of subsidiaries	151,319	(380,684)



### 38 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

#### (c) Analysis of the net cash outflow in respect of the disposal of subsidiaries

	2014 HK\$'000	2013 HK\$'000
Net assets disposed of:		
Property, plant and equipment	–	6,157,740
Investment properties	–	6,376,849
Leasehold land and land use rights	–	475,231
Properties under development	–	458,401
Associates	–	1,116,119
Available-for-sale investments	–	59,419
Intangible assets	–	1,962,811
Accounts receivable, prepayments and deposits	–	5,163,176
Tax recoverable	–	8,750
Cash and bank balances	–	3,009,596
Account payable, deposits received and accrued charges	–	(3,915,414)
Taxation	–	(154,760)
Bank loans	–	(3,405,306)
Bank overdrafts	–	(32,354)
Amounts due to non-controlling interests	–	(237,066)
Deferred taxation	–	(541,636)
Retirement benefit obligations	–	(315,883)
Other non-current liabilities	–	(69,617)
Amount due to shareholder	–	(2,400,000)
Non-controlling interests	–	(2,773,227)
	–	10,942,829
Fair value gain on dividend by way of a distribution in specie	–	1,883,436
Fair value gain on retained interest in Kerry Logistics held by the Group	–	1,866,606
	–	14,692,871
Special interim dividend by way of a distribution in specie (note 12)	–	(7,365,793)
	–	7,327,078
Transferred to interest in associates	–	(7,327,078)
Total consideration	–	–
Cash and bank balances disposed of	–	(3,009,596)
Bank overdrafts disposed of	–	32,354
Net cash outflow in respect of the disposal of subsidiaries	–	(2,977,242)

## NOTES TO THE FINANCIAL STATEMENTS

### 39 BUSINESS COMBINATION

During the year, the Group completed acquisition of a subsidiary as follows:

In October 2014, the Group acquired an additional 20% of the equity interest in Shangri-La International Hotels (Kunming) Limited ("HK JVCO") from Moneyeasy Holdings Limited. The principal business of HK JVCO and its subsidiaries are the holding and development of the project sites situated at Kunming City, Yunnan Province, the PRC. After the acquisition, the Group's interest in HK JVCO was increased from 35% to 55%, and HK JVCO became a subsidiary of the Group.

	HK\$'000
Cash consideration paid	65,158

The recognised amounts of identifiable assets acquired and liabilities assumed as at the date of acquisition are as follows:

	HK\$'000
Property, plant and equipment	270
Properties under development	308,419
Accounts receivable, prepayments and deposits	188
Cash and bank balances	216,477
Accounts payable, deposits received and accrued charges	(501,878)
Total identifiable net assets	23,476
Equity interest previously held by the Group	(12)
Non-controlling interests	(10,564)
Gain on remeasurement of previously held equity interest in acquiree companies	(8,201)
Shareholder loans provided by Moneyeasy Holdings Limited	60,459
Total	65,158

The acquired business contributed turnover of HK\$nil and net loss of HK\$12,000, to the Company's shareholders for the period from the acquisition date up to 31 December 2014. If the acquisition had occurred on 1 January 2014, the contributed turnover and loss attributable to Company's shareholders for the year ended 31 December 2014 would have been HK\$nil and HK\$22,000 respectively.

## 40 RELATED PARTY TRANSACTIONS

The following significant transactions were carried out with related parties during the year:

### (a) Purchases of services/lease of premises

	2014 HK\$'000	2013 HK\$'000
Marketing, consultancy and administrative management fees expense (note (i))	76,763	33,600
Rental expense (note (ii))	54,123	47,772
Logistics, insurance brokerage and service fee paid (note (iii))	6,117	–
Rental income (note (iv))	12,467	–

- (i) This represents payment of services fees to Shangri-La International Hotel Management Limited, a subsidiary of SA, which provided marketing, consultancy and administrative management services to members of the Group. The service fees payable during the year were determined at either a fixed amount or a certain percentage of the gross operating revenue of the relevant company in accordance with the agreement for the provision of the above services.
- (ii) This represents payment of rental expenses to Ubagan Limited, an associate of the Group, in respect of leasing of several units and floors of Kerry Centre as corporate offices and several car parking spaces for the use by the Group in conjunction with such offices.
- (iii) This represents payment for delivery services, local courier services, freight services, freight agency services, insurance brokerage and related services, and services relating to management and operation of warehouse facilities provided by Kerry Logistics.
- (iv) This represents rental income received from Kerry Logistics in relation to the lease of certain premises held by the Group.

### (b) Key management compensation, excluding share option benefits

	2014 HK\$'000	2013 HK\$'000
Salaries and other short-term benefits	87,897	118,929
Post-employment benefits	520	785
	<b>88,417</b>	<b>119,714</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 40 RELATED PARTY TRANSACTIONS (Continued)

#### (c) Year-end balances

	2014 HK\$'000	2013 HK\$'000
Receivables from related parties:		
Associates (note 20)	<b>2,773,215</b>	2,529,310
Payables to related parties:		
Included under amounts due to non-controlling interests (note 31)		
– Subsidiaries of SA	<b>991,474</b>	641,323
– Subsidiaries of Kerry Holdings Limited	<b>241,684</b>	241,699
Associates (note 20)	<b>57,244</b>	56,820

#### (d) Guarantees for banking and other facilities of certain associates

The Group has executed guarantees for banking and other facilities granted to certain associates. The utilised amount of such facilities covered by the Group's guarantees which also represented the financial exposure of the Group as at 31 December 2014 amounted to approximately HK\$3,208,477,000 (2013: HK\$2,550,994,000). The total amount of such facilities covered by the Group's guarantees as at 31 December 2014 amounted to approximately HK\$5,298,533,000 (2013: HK\$4,851,951,000). The above-mentioned amounts are also reflected in the guarantees given by the Group for banking and other facilities disclosed in note 42(a).

#### (e) Other related party transactions

During the year, certain subsidiaries of the Group entered into sale and purchase agreements with certain related parties for sale of properties in Hong Kong for a total consideration of HK\$140,903,000 (2013: HK\$18,079,000). The sales of property units to related parties were in the ordinary course of business of the Group.

In December 2013, the Group acquired from Kerry Warehouse (HK) Holdings Limited, an associate of the Group, 100% of the share capital of Nettlefold Limited and its subsidiary which owns Kerry D.G. Warehouse (Kowloon Bay) at 7 Kai Hing Road, Kowloon Bay, Kowloon, Hong Kong for redevelopment purpose at a consideration of HK\$400,000,000.

### 41 COMMITMENTS

- (a) At 31 December 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:

	2014 HK\$'000	2013 HK\$'000
Contracted but not provided for	<b>13,352,733</b>	9,339,172
Authorised but not contracted for	<b>1,051,779</b>	919,798
	<b>14,404,512</b>	10,258,970

## 41 COMMITMENTS (Continued)

- (b) At 31 December 2014, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	2014 HK\$'000	2013 HK\$'000
Land and buildings:		
Within one year	55,425	49,601
In the second to fifth year, inclusive	55,054	85,761
Over five years	7,149	–
	<b>117,628</b>	135,362

- (c) At 31 December 2014, the Group had future aggregate minimum lease rental receivable under non-cancellable operating leases as follows:

	2014 HK\$'000	2013 HK\$'000
Land and buildings:		
Within one year	2,540,542	2,132,720
In the second to fifth year, inclusive	4,164,487	3,182,051
Over five years	671,104	374,396
	<b>7,376,133</b>	5,689,167

## 42 CONTINGENT LIABILITIES

### (a) Guarantees for banking and other facilities

	Group		Company	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Guarantees for banking and other facilities of certain subsidiaries and associates (notes (i) and (ii))	3,208,477	2,550,994	23,315,614	24,347,534
Guarantees to certain banks for mortgage facilities granted to first buyers of certain properties in the PRC (note (iii))	728,455	975,273	–	–
Guarantees to fixed rate bondholders (note (iv))	–	–	10,192,580	10,175,480
	<b>3,936,932</b>	3,526,267	<b>33,508,194</b>	34,523,014

## NOTES TO THE FINANCIAL STATEMENTS

### 42 CONTINGENT LIABILITIES (Continued)

#### (a) Guarantees for banking and other facilities (Continued)

- (i) The Group has executed guarantees for banking and other facilities granted to certain associates. The utilised amount of such facilities covered by the Group's guarantees which also represented the financial exposure of the Group as at 31 December 2014 amounted to approximately HK\$3,208,477,000 (2013: HK\$2,550,994,000). The total amount of such facilities covered by the Group's guarantees as at 31 December 2014 amounted to approximately HK\$5,298,533,000 (2013: HK\$4,851,951,000).
- (ii) The Company has executed guarantees to banks for facilities granted to certain subsidiaries and associates. The utilised amount of such facilities covered by the Company's guarantees which also represented the financial exposure of the Company as at 31 December 2014 amounted to approximately HK\$23,315,614,000 (2013: HK\$24,347,534,000). The total amount of such facilities covered by the Company's guarantees as at 31 December 2014 amounted to approximately HK\$34,804,470,000 (2013: HK\$33,448,214,000).
- (iii) The Group has executed guarantees to certain banks for mortgage facilities granted to first buyers of certain properties developed by the Group in the PRC. The utilised amount of such facilities covered by the Group's guarantees which also represented the financial exposure of the Group as at 31 December 2014 amounted to approximately HK\$728,455,000 (2013: HK\$975,273,000).
- (iv) The Company has executed guarantees in favour of fixed rate bondholders in respect of the outstanding fixed rate bonds issued by the Group (note 30).

#### (b) Other guarantees and undertakings

- (i) A wholly-owned subsidiary of the Company, through its associate, has a 40% interest in a company which is engaged in the development of a site at the Hang Hau Mass Transit Railway Station Development (the "Hang Hau Developer"). The Hang Hau Developer was granted exclusive rights to develop the site pursuant to a development agreement (the "Hang Hau Development Agreement") entered into by the Hang Hau Developer with, amongst others, MTR Corporation Limited ("MTRC").

Pursuant to a deed of guarantee in relation to the above development, the Company has provided several guarantees in favour of MTRC for the due and punctual performance and observance by the Hang Hau Developer of 40% of its obligations, liabilities, stipulations, acts and duties under or in connection with the Hang Hau Development Agreement and the due and punctual payment of 40% of all monies and liabilities due, owing or payable to MTRC from the Hang Hau Developer under or in connection with the Hang Hau Development Agreement.

- (ii) The Group has a 50% interest in a company ("Party 1") which owns a piece of land in Cheung Sha Wan while another company ("Party 2") owns an adjacent piece of land. Party 1 and Party 2 are negotiating the joint redevelopment of the two pieces of land. Prior to the joint redevelopment, the parties need to surrender the existing two pieces of land to the Government in exchange for the grant of a new lot for commercial/residential development with public car park facilities (the "Proposed Land Exchange"). The Proposed Land Exchange involves the grant of a street and its associated footpaths as part of the new lot and requires the permanent closure of the abovementioned street and its associated footpaths.

## 42 CONTINGENT LIABILITIES (Continued)

### (b) Other guarantees and undertakings (Continued)

Pursuant to an undertaking (the "Undertaking") dated 6 January 2006, in consideration of the Government entering into and continuing the negotiations with Party 1 and Party 2 on the Proposed Land Exchange, the Company and other parties, including the holding companies of the shareholders of Party 1 and Party 2, have jointly and severally undertaken, covenanted and agreed that they shall indemnify and keep indemnified the Government and any of its officers from and against all and any actions (including judicial reviews), liabilities, demands, claims, expenses, costs and losses arising directly or indirectly out of or in connection with the gazetting of the permanent closure of the abovementioned street and its associated footpaths under the Roads (Works, Use and Compensation) Ordinance and the authorisation of such closure.

Pursuant to a deed of cross indemnity and a collateral deed of cross indemnity, both dated 6 January 2006, the Group's liabilities under the Undertaking shall be several and shall be determined based on its share of interest in the joint redevelopment.

- (iii) A wholly-owned subsidiary of the Company, Wealthy State Investments Limited ("Wealthy State"), has been granted the right to jointly develop a site in Sai Ying Pun, Hong Kong pursuant to a development agreement (the "SYP Development Agreement") entered into between Wealthy State and the Urban Renewal Authority ("URA").

Pursuant to a guarantee in relation to the above development, the Company has provided guarantees in favour of URA for the due and punctual performance and fulfilment of all Wealthy State's obligations under the SYP Development Agreement or arising out of or in connection with the SYP Development Agreement (including Wealthy State's obligations to make payments under the terms of the SYP Development Agreement).

## 43 PLEDGE OF ASSETS – GROUP

At 31 December 2014, the Group's total bank loans of HK\$24,046,028,000 (2013: HK\$24,800,243,000) included an aggregate amount of HK\$18,008,632,000 (2013: HK\$19,275,948,000) which is unsecured and an aggregate amount of HK\$6,037,396,000 (2013: HK\$5,524,295,000) which is secured. The securities provided for the secured banking facilities available to the Group are as follows:

- (a) legal charges over certain properties (notes 15, 16, 18 and 25); and
- (b) assignments of insurance proceeds of certain properties.

## 44 EVENTS AFTER THE REPORTING PERIOD

In January 2015, the Group acquired a site in Qianhai, Shenzhen, the PRC for RMB3,860,000,000 through public land sale.

In February 2015, the Group acquired a site in Beacon Hill, Kowloon, Hong Kong for HK\$2,389,800,000 through public tender.

## 45 ULTIMATE HOLDING COMPANY

The Directors regard Kerry Group Limited, a company incorporated in the Cook Islands, as being the ultimate holding company.

## NOTES TO THE FINANCIAL STATEMENTS

### 46 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES

#### (a) Principal Subsidiaries

As at 31 December 2014, the Company held interests in the following subsidiaries which are categorised according to the business divisions of the Group, namely, Property Division and Other Divisions as listed below:

Name	Place of incorporation/ establishment	Principal activities	Issued share capital <sup>(1)</sup> / Registered capital		Indirect interest held unless denoted with*	Notes
			Number/ Amount	Per share		
<b>Property Division – PRC</b>						
Beijing Jia Ao Real Estate Development Co., Ltd.	PRC	Property investment	US\$77,967,600	–	71.25%	(4)(6)
Beijing Kerry Hotel Co., Ltd.	PRC	Hotel ownership and operation	US\$33,000,000	–	71.25%	(4)(6)
Beijing Kerry Huayuan Real Estate Development Co., Ltd.	PRC	Property trading	RMB178,500,000	–	71%	(3)(4)(6)
Changsha Guang Yue Real Estate Co., Ltd.	PRC	Property development	RMB218,000,000	–	100%	(3)(4)(5)
Full Fortune Real Estate (Putian) Co., Ltd.	PRC	Property development	RMB500,000,000	–	60%	(3)(5)
Hong Kong Shanghai Development Co Limited	HK	Investment holding	8,000,000	HK\$1	75%	
Huilong Real Estate (Hangzhou) Co., Ltd.	PRC	Property development	RMB200,000,000	–	100%	(3)(4)(5)
Huiyao Real Estate (Hangzhou) Co., Ltd.	PRC	Property development	RMB2,470,000,000	–	100%	(3)(4)(5)
Kerry Cao Jia Yan Properties (Shanghai) Co., Ltd.	PRC	Property investment and trading	US\$13,400,000	–	100%	(3)(5)
Kerry Centre Real Estate (Shenzhen) Co. Ltd.	PRC	Property investment	HK\$142,000,000	–	100%	(3)(4)(5)
Kerry Development (Chengdu) Ltd.	PRC	Property trading	RMB675,000,000	–	55%	(3)(4)(5)
Kerry Development (Manzhouli) Co., Ltd.	PRC	Property trading	US\$6,800,000	–	100%	(3)(5)
Kerry Development (Shanghai) Co., Ltd.	PRC	Property investment	US\$5,000,000	–	100%	(3)(5)
Kerry Development (Shenzhen) Co., Ltd.	PRC	Property investment	HK\$708,350,000	–	100%	(3)(4)(5)
Kerry Huafeng Property Development (Hangzhou) Co., Ltd.	PRC	Property trading	HK\$680,000,000	–	100%	(3)(5)
Kerry Properties (China) Investment Co., Ltd.	PRC	Provision of consultancy services	RMB208,000,000	–	100%	(3)(5)
Kerry Properties (China) Limited	BVI	Investment holding	4,554,642,958	HK\$1	100%*	
Kerry Properties (China) Limited	HK	Investment holding and provision of administrative support services	100,000	HK\$1	100%	
Kerry Properties (Shenzhen) Co., Ltd.	PRC	Property trading	HK\$112,082,975	–	100%	(3)(4)(5)
Kerry Properties Development Management (Shanghai) Co., Ltd.	PRC	Real estate and project management	RMB8,962,190	–	100%	(4)(5)
Kerry Real Estate (Hangzhou) Co. Ltd.	PRC	Property development	US\$425,750,000	–	75%	(3)(5)
Kerry Real Estate (Nanchang) Co., Ltd.	PRC	Property development	RMB800,000,000	–	80%	(3)(5)
Kerry Shanghai (Hongkou) Ltd.	Samoa	Investment holding	6,000,000	HK\$1	60%	
Kerry (Shenyang) Real Estate Development Co., Ltd.	PRC	Property development	RMB2,687,500,000	–	60%	(5)
Jian'an Real Estate (Kunming) Co., Ltd.	PRC	Property development	RMB400,000,000	–	55%	(3)(4)(5)
Lucky Billion Development (Qinhuangdao) Co., Ltd.	PRC	Property development	RMB882,000,000	–	60%	(3)(4)(5)
Million Palace Development (Chengdu) Co., Ltd.	PRC	Property development	RMB1,085,000,000	–	55%	(3)(4)(5)
Risenland Development (Fuzhou) Co., Ltd.	PRC	Property investment	HK\$44,000,000	–	100%	(3)(5)
Shanghai Gang Hu Properties Co., Ltd.	PRC	Property investment, trading and development	US\$155,300,000	–	74.25%	(3)(6)
Shanghai Ji Xiang Properties Co., Ltd.	PRC	Property investment, hotel ownership and operation	US\$311,250,000	–	51%	(3)(5)
Shanghai Kerry Real Estate Development Co., Ltd.	PRC	Property investment	US\$250,000	–	55.20%	(3)(6)
Shanghai Xin Ci Hou Properties Co., Ltd.	PRC	Property investment	US\$60,000,000	–	74.25%	(6)
Shangri-La Hotel (Shenyang) Co., Ltd.	PRC	Hotel ownership and operation	RMB700,000,000	–	60%	(3)(5)
Sheng Xiang Real Estate (Shenyang) Co., Ltd.	PRC	Property development	RMB1,200,000,000	–	60%	(5)
Sky Fair Development (Qinhuangdao) Co., Ltd.	PRC	Property development	RMB735,000,000	–	60%	(3)(4)(5)



## 46 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (Continued)

### (a) Principal Subsidiaries (Continued)

Name	Place of incorporation/ establishment	Principal activities	Issued share capital <sup>(1)</sup> / Registered capital		Indirect interest held unless denoted with*	Notes
			Number/ Amount	Per share		
<b>Property Division – PRC (Continued)</b>						
Wealthy Plaza Development (Chengdu) Ltd.	PRC	Property development	RMB750,000,000	–	55%	(3)(4)(5)
Well Fortune Real Estate (Putian) Co., Ltd.	PRC	Property development	RMB300,000,000	–	60%	(3)(5)
Xiang Heng Real Estate (Jinan) Co., Ltd.	PRC	Property development	RMB600,000,000	–	55%	(3)(5)
Ying He Company Limited	HK	Investment holding	10 21,000,000 <sup>(2)</sup>	HK\$1 HK\$1	100%	
Yong Yu Real Estate (Nanjing) Co., Ltd.	PRC	Property development	RMB1,350,000,000	–	100%	(3)(4)(5)
Zhanfeng Real Estate (Yingkou) Co., Ltd.	PRC	Property development	RMB250,000,000	–	65%	(3)(4)(5)
Zhanye Real Estate (Yingkou) Co., Ltd.	PRC	Property development	RMB330,000,000	–	65%	(3)(4)(5)
Zhengzhou Yuheng Real Estate Co., Ltd.	PRC	Property development	RMB600,000,000	–	55%	(3)(5)
<b>Property Division – Hong Kong</b>						
All First Investments Limited	BVI	Property investment	2	US\$1	100%	
Asia Insight Investments Limited	HK	Restaurant operation	1	HK\$1	100%	
Best Insight Limited	HK	Property development	1	HK\$1	100%	
Bethan Company Limited	HK	Property trading	2	HK\$1	100%	
Capital Rise Investments Limited	HK	Property trading	1	HK\$1	71%	
Chain Base Limited	HK	Property trading	1	HK\$1	71%	
Classic Gold Holdings Limited	HK	Property development	1	HK\$1	100%	
Crystal Link Holdings Limited	HK	Property trading	1	HK\$1	100%	
Fine Century Holdings Limited	HK	Restaurant operation	1	HK\$1	100%	
Fortune Mega Investments Limited	BVI	Investment holding in HK	1	US\$1	100%	
Golden Concord Properties Limited	HK	Property trading	1	HK\$1	100%	
Haily Investments Limited	HK	Property trading	1	HK\$1	71%	
Interseed Company Limited	HK	Property trading	2	HK\$1	100%	
Join Sky Investment Limited	HK	Property trading	1	HK\$1	71%	
Kerry D. G. Warehouse (Kowloon Bay) Limited	HK	Warehouse ownership	20,000,000	HK\$1	100%	
Kerry Project Management (Macau) Limited	Macau	Project management and construction management	MOP1,000,000	–	100%	
Kerry Properties (H.K.) Limited	HK	Investment holding and provision of administrative support services	1,000 200,000,000 <sup>(2)</sup>	HK\$1 HK\$1	100%	
Kerry Properties (Hong Kong) Limited	BVI	Investment holding	41,317,948	HK\$0.01	100%*	
Kerry Properties (Macau) Limited	Macau	Property development	MOP1,000,000	–	71%	
Kildare Limited	HK	Property trading	2	HK\$1	100%	
Leading Well Limited	HK	Property development	1	HK\$1	71%	
Mable Road Company Limited	HK	Property investment	10 10,000 <sup>(2)</sup>	HK\$1 HK\$1	100%	

## NOTES TO THE FINANCIAL STATEMENTS

### 46 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (Continued)

#### (a) Principal Subsidiaries (Continued)

Name	Place of incorporation/ establishment	Principal activities	Issued share capital <sup>(1)</sup> / Registered capital		Indirect interest held unless denoted with*	Notes
			Number/ Amount	Per share		
<b>Property Division – Hong Kong (Continued)</b>						
Magnifair Company Limited	HK	Property trading	10,000	HK\$1	100%	
Mani Holdings Limited	HK	Property development	1	HK\$1	71%	
Many Treasure Limited	HK	Property development	1	HK\$1	71%	
Maple Crest Development Limited	BVI	Recreation park operation	120	US\$1	75%	
Maxtime International Limited	HK	Property trading	1	HK\$1	71%	
MegaBox Development Company Limited	HK	Property investment	2	HK\$1	100%	
MegaBox Management Services Limited	HK	Property management	2	HK\$1	100%	
Metro Cosmos Limited	HK	Property trading	1	HK\$1	71%	
Mid-Levels Portfolio (Aigburth) Limited	Cook Islands	Property investment in HK	9	US\$1	100%	
Mid-Levels Portfolio (Branksome) Limited	HK	Property investment	100	HK\$10	100%	
Mid-Levels Portfolio (Gladdon) Limited	HK	Property investment	100	HK\$10	100%	
Mid-Levels Portfolio (Tavistock) Limited	HK	Property investment	100	HK\$10	100%	
Mid-Levels Portfolio (Valverde) Limited	HK	Property investment and trading	100	HK\$10	100%	
Newick Limited	HK	Property trading	1	HK\$1	71%	
Panawin Limited	HK	Property trading	1	HK\$1	71%	
Peak Universe Limited	HK	Provision of financial services	1	HK\$1	71%	
Pettico Limited	HK	Provision of financial services	2	HK\$10	100%	
Precise Skill Investments Limited	HK	Provision of financial services	1	HK\$1	71%	
Prismatic Limited	HK	Property trading and investment	2	HK\$10	100%	
Rayhay Company Limited	HK	Provision of financial services	2	HK\$1	100%	
Right Century Investments Limited	HK	Property trading	1	HK\$1	100%	
Rink Management Group Limited	HK	Ice rink operation	1,000,000	HK\$1	100%	
Rodder Holdings Limited	BVI	Investment holding in HK	1	US\$1	100%	
Senworld Investment Limited	HK	Property development	2	HK\$1	100%	
Shun On Properties Limited	HK	Property trading	1	HK\$1	71%	
Sociedade de Investimento Imobiliário Tim Keng Van, S.A.	Macau	Property development	10,000	MOP100	100%	(3)
Taskan Limited	HK	Property trading	2	HK\$1	100%	
Trebanos Investment Company Limited	HK	Investment holding	2	HK\$1	100%	
Vickon Limited	HK	Property trading	1	HK\$1	71%	
Wealth Partner Global Limited	HK	Provision of financial services	1	HK\$1	71%	
Wealthline Properties Limited	BVI	Investment holding and property trading	US\$1	–	71%	
Wealthy State Investments Limited	HK	Property trading	1	HK\$1	100%	
Widemax Limited	HK	Property trading	1	HK\$1	71%	

## 46 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (Continued)

### (a) Principal Subsidiaries (Continued)

Name	Place of incorporation/ establishment	Principal activities	Issued share capital <sup>(1)</sup> / Registered capital		Indirect interest held unless denoted with*	Notes
			Number/ Amount	Per share		
<b>Property Division – Overseas</b>						
Amble Aim Sdn. Bhd.	Malaysia	Investment holding	2	MYR1	100%	(3)
Kerry Properties (Sydney) Pty Ltd	Australia	Investment holding	1	AU\$1	100%	
Kerry Properties International Limited	BVI	Investment holding	1	HK\$1	100%*	
Travel Aim Investment B.V.	Netherlands	Investment holding	40,000	EURO.45	100%	(3)
Wirabay Limited	BVI	Provision of trustee services	1	US\$1	100%	
<b>Other Divisions</b>						
Alpine Project Management Ltd.	Samoa	Project management in Asia	1	US\$1	100%	
Apex Ally Limited	HK	Group financing	1	HK\$1	100%	
Dragon Fame Limited	HK	Group financing	1	HK\$1	100%	
Gain Silver Finance Limited	BVI	Group financing	1	US\$1	100%	
ibe-Tech Investments Limited	BVI	Investment holding	1	US\$1	100%*	
ISA Investments Limited	BVI	Investment holding	1	US\$1	100%	
Kerry Communication Limited	HK	Advertising agency	1	HK\$1	100%	
Kerry Corporate Services Limited	HK	Provision of corporate services	1	HK\$1	100%	
Kerry Estate Management Limited	BVI	Investment holding	10,000	HK\$1	100%*	
Kerry Infrastructure Limited	BVI	Investment holding	595,026,381	HK\$1	100%*	
Kerry Project Management (H.K.) Limited	HK	Project management	300,000	HK\$1	100%	
Kerry Properties (North China) Development Co. Ltd.	PRC	Project management	RMB5,000,000	–	100%	(3)(4)(5)
Kerry Properties Nominees Limited	BVI	Provision of nominee services	1,000	HK\$1	100%	
Kerry Properties Treasury Limited	BVI	Investment holding and group financing	4,670,665,187	HK\$1	100%*	
Kerry Property Management Services Limited	HK	Property management	20	HK\$1	100%	
Kerry Real Estate Agency Limited	HK	Estate agency	2	HK\$1	100%	
Upsmart Investments Limited	HK	Provision of administrative support services	2	HK\$1	100%	
Win House Industries Limited	HK	Provision of construction work	1,000,000	HK\$1	100%	
Wing Tsing Financial Services Limited	BVI	Group financing	1	US\$1	100%	
Wiseyear Holdings Limited	BVI	Group financing	1	US\$1	100%	

## NOTES TO THE FINANCIAL STATEMENTS

### 46 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (Continued)

#### (b) Principal Associates

As at 31 December 2014, the Company held interests in the following associates which are categorised according to the business divisions of the Group, namely, Property Division and Other Divisions as listed below:

Name	Place of incorporation/ establishment	Principal activities	Class of shares/ Registered capital	Indirect interest held unless denoted with*	Notes
<b>Property Division – PRC</b>					
Hengyun Real Estate (Tangshan) Co., Ltd.	PRC	Property trading and development	RMB561,000,000	40%	(3)(5)
Ningbo Ruifeng Real Estate Co., Ltd.	PRC	Property development	RMB1,836,575,900	50%	(3)(5)
Ruihe Real Estate (Tangshan) Co., Ltd.	PRC	Property development	RMB600,000,000	40%	(3)(5)
Shanghai Pudong Kerry City Properties Co., Ltd.	PRC	Property investment, hotel ownership and operation	US\$171,361,400	40.80%	(4)(6)
Shangri-La Hotel (Nanjing) Co., Ltd. (formerly known as "Ji Xiang Real Estate (Nanjing) Co., Ltd.")	PRC	Property development	RMB750,000,000	45%	(3)(5)
Tianjin Kerry Real Estate Development Co., Ltd.	PRC	Property development	RMB2,261,250,000	49%	(3)(5)
<b>Property Division – Hong Kong</b>					
Brisbane Trading Company Limited	HK	Investment holding and property trading	Ordinary Non-voting deferred	50%	
Capital Faith (Hong Kong) Limited	HK	Property investment	Ordinary	47.37%	(3)
Cardiff Investments Limited	HK	Investment holding	Ordinary	30%	(3)
Century Link (Hong Kong) Limited	HK	Property investment	Ordinary	47.37%	(3)
Cheerjoy Development Limited	HK	Property trading	Ordinary	35%	
Enterprico Investment Limited	HK	Loan financing	Ordinary	45%	(3)
Fine Winner Holdings Limited	HK	Hotel ownership and operation	Ordinary	30%	
Grand Rise Investments Limited	HK	Property investment	Ordinary	47.37%	(3)
Jet Fame (Hong Kong) Limited	HK	Property investment	Ordinary	47.37%	(3)
Joint Prospect Limited	HK	Property investment	Ordinary	47.37%	(3)
Kerry Hung Kai Warehouse (Cheung Sha Wan) Limited	HK	Warehouse operation	Ordinary	50%	(3)
Orient Field Holdings Limited	HK	Property investment	Ordinary	47.37%	(3)
Pembroke Development Investments Limited	BVI	Property development	Ordinary Non-voting deferred	40%	
Sky Vision Development Limited	HK	Property investment	Ordinary	47.37%	(3)
Time Rank Limited	HK	Property trading	Ordinary	50%	(9)
Ubagan Limited	HK	Property investment	Ordinary	40%	
Union Top Properties Limited	HK	Property investment	Ordinary	47.37%	(3)
Victory Top Properties Limited	HK	Property investment	Ordinary	47.37%	(3)
Win Chanford Enterprises Limited	HK	Investment holding and property investment	Ordinary	47.37%	(3)
Wise Grand Limited	HK	Property investment	Ordinary	47.37%	(3)
Wolver Hollow Company Limited	HK	Warehouse ownership	Ordinary	50%	(3)
Wu Wing International Company, Limited	HK	Property trading and investment	Ordinary	45%	(3)(9)
<b>Property Division – Overseas</b>					
Jacksons Landing Development Pty. Limited	Australia	Property development	Ordinary	25%	(3)(9)
Jacksons Landing Estate Management Pty Limited	Australia	Property management	Ordinary	25%	(3)(9)
Shang Properties, Inc.	Philippines	Property development, real estate management and investment holding	Common	34.61%	(3)(7)

## 46 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (Continued)

### (b) Principal Associates (Continued)

Name	Place of incorporation/ establishment	Principal activities	Class of shares/ Registered capital	Indirect interest held unless denoted with*	Notes
<b>Other Divisions</b>					
Kerry Logistics Network Limited	BVI (continued into Bermuda)	Integrated logistics and international freight forwarding business	Ordinary	42.47%*	(7)
Hohhot Chunhua KWW Water Treatment Company Limited	PRC	Water treatment facilities ownership and management	RMB192,329,200	13%	(3)(4)(6)(8)
Hohhot Chunhua VWK Water Operation Company Limited	PRC	Water treatment facilities operation and maintenance	RMB14,000,000	19.50%	(3)(4)(6)(8)
Kerry CQ Water (Hohhot) Limited	HK	Investment holding	Ordinary	50%	(3)
KWW Investment Company Limited	HK	Investment holding	Ordinary	25.50%	(3)
Western Harbour Tunnel Company Limited	HK	Tunnel operation and management	Ordinary	15%	(3)(8)(9)

Notes:

- (1) all being ordinary shares and fully paid up except otherwise stated
- (2) non-voting deferred shares
- (3) companies not audited by PricewaterhouseCoopers
- (4) English translation of name only
- (5) wholly foreign-owned enterprise
- (6) sino-foreign equity joint venture enterprise
- (7) listed company
- (8) significant influence is obtained by the Group through participation in the board of directors of these associates
- (9) companies having a financial accounting period which is not coterminous with the Group

BVI British Virgin Islands

HK Hong Kong

PRC The People's Republic of China

# FIVE-YEAR FINANCIAL SUMMARY

The results, assets and liabilities of the Group for the last five financial years are as follows:

	<b>2014</b>	2013	2012	2011	2010
	<b>HK\$'000</b>	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Results</b>					
Turnover <sup>1</sup>	<b>14,663,725</b>	33,157,961	34,513,046	20,660,363	21,225,990
Profit attributable to shareholders	<b>6,773,636</b>	13,154,389	6,960,931	5,348,032	6,703,045
<b>Assets and liabilities</b>					
Non-current assets	<b>118,252,547</b>	117,070,145	101,906,308	86,266,763	76,889,374
Net current assets	<b>14,716,582</b>	10,718,512	19,022,357	16,611,532	10,664,298
Total assets less current liabilities	<b>132,969,129</b>	127,788,657	120,928,665	102,878,295	87,553,672
Long-term liabilities and non-controlling interests	<b>(52,890,611)</b>	(52,033,431)	(50,177,098)	(38,980,838)	(28,895,527)
Shareholders' funds	<b>80,078,518</b>	75,755,226	70,751,567	63,897,457	58,658,145

Note: The above figures are based on the latest published financial statements.

<sup>1</sup> Including discontinued operations





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