KERRY PROPERTIES LIMITED

(Incorporated in Bermuda with limited liability)

嘉里建設有限公司*

website: www.kerryprops.com

(Stock Code: 00683)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2011

The Board of Directors (the "Board") of Kerry Properties Limited (the "Company") announce the consolidated final results of the Company, its subsidiaries and associates (the "Group") for the year ended 31 December 2011. The Audit Committee of the Board has met to review the results and the financial statements of the Group for the year ended 31 December 2011 prior to recommending them to the Board for approval.

OVERALL RESULTS

The Group's consolidated net profit attributable to shareholders for the year ended 31 December 2011 before taking into account the effects of the increase in fair value of investment properties was HK$3,657 million, representing an increase of 7% compared with HK$3,419 million reported for 2010. In accordance with Hong Kong Accounting Standard 40 "Investment Property", the Group measured its investment property portfolio on a fair value basis and recorded an increase in fair value of investment properties (net of deferred taxation) of HK$1,691 million for the year ended 31 December 2011 (2010: HK$3,284 million). Profit attributable to shareholders for the year ended 31 December 2011 after taking into account the effects of the aforementioned increase in fair value was HK$5,348 million (2010: HK$6,703 million).

Earnings per share for the year ended 31 December 2011 were HK$3.72, representing a decrease of 21% compared with HK$4.68 per share in 2010.

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

	Year ended 31 December		
	2011	2010	
	HK$ million	HK$ million	Change
Profit attributable to shareholders before taking into account the net increase in fair value of investment properties and related tax effects	**3,657**	3,419	7%
Add:			
Net increase in fair value of investment properties and related tax effects	**1,691**	3,284	
Profit attributable to shareholders after taking into account the net increase in fair value of investment properties and related tax effects	**5,348**	6,703	-20%

The Board has recommended the payment of a final dividend of HK$0.47 per share for the year ended 31 December 2011 (the "Final Dividend"). Together with the interim dividend of HK$0.4 per share, the total dividend for the year ended 31 December 2011 will be HK$0.87 per share (2010: HK$0.87 per share).

CONSOLIDATED INCOME STATEMENT

		Year ended 31 December	
		2011	2010
	Note	**HK$'000**	HK$'000
			(restated)
Turnover	2	**20,660,363**	21,225,990
Cost of sales		**(1,230,480)**	(5,699,519)
Direct operating expenses		**(14,430,579)**	(10,211,853)
Gross profit		**4,999,304**	5,314,618
Other income and net gains		**475,524**	485,847
Administrative and other operating expenses		**(1,998,907)**	(1,407,933)
Increase in fair value of investment properties		**1,605,932**	3,009,676
Operating profit before finance costs		**5,081,853**	7,402,208
Finance costs	3	**(333,771)**	(38,973)
Operating profit	2,3	**4,748,082**	7,363,235
Share of results of associates		**2,354,901**	1,374,451
Profit before taxation		**7,102,983**	8,737,686
Taxation	4	**(1,233,962)**	(1,582,911)
Profit for the year		**5,869,021**	7,154,775
Profit attributable to :			
Company's shareholders		**5,347,715**	6,702,657
Non-controlling interests		**521,306**	452,118
		5,869,021	7,154,775
Dividends		**1,252,063**	1,251,097
Earnings per share	5		
- Basic		**HK$3.72**	HK$4.68
- Diluted		**HK$3.68**	HK$4.59

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2011	2010
	HK$'000	HK$'000
		(restated)
Profit for the year	**5,869,021**	7,154,775
Other comprehensive income		
Fair value (loss)/gain on available-for-sale investments	**(152,617)**	317,751
Share of other comprehensive income of associates	**1,440**	3,275
Cash flow hedges	**64,748**	-
Net translation differences on foreign operations	**1,752,562**	1,558,964
Other comprehensive income for the year (net of tax)	**1,666,133**	1,879,990
Total comprehensive income for the year	**7,535,154**	9,034,765
Total comprehensive income attributable to:		
Company's shareholders	**6,674,951**	8,105,889
Non-controlling interests	**860,203**	928,876
	7,535,154	9,034,765

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December **2011** **HK$'000**	2010 HK$'000 (restated)	As at 1 January 2010 HK$'000 (restated)
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment		**5,873,592**	5,329,003	2,467,159
Investment properties		**42,329,689**	38,848,997	34,857,247
Leasehold land and land use rights		**537,461**	422,447	317,906
Properties under development		**20,947,855**	16,982,385	13,355,118
Land deposits		**1,606,545**	3,664,308	2,553,084
Associates		**11,717,054**	8,722,508	7,456,964
Derivative financial instruments		**177,004**	80,609	14,263
Available-for-sale investments		**1,714,316**	1,865,742	1,501,034
Long-term receivables		**55,004**	15,426	23,409
Intangible assets		**1,308,243**	957,949	523,012
		86,266,763	76,889,374	63,069,196
Current assets				
Properties under development		**9,509,349**	10,100,859	10,599,736
Completed properties held for sale		**2,700,146**	1,742,691	4,378,262
Accounts receivable, prepayments and deposits	6	**6,836,082**	3,663,016	2,435,669
Tax recoverable		**247,214**	231,725	82,060
Tax reserve certificates		**92,231**	86,103	64,671
Listed securities at fair value through profit or loss		**143,617**	225,673	162,253
Restricted and pledged bank deposits		**28,535**	135,040	48,790
Cash and bank balances		**17,545,286**	10,464,216	6,655,585
		37,102,460	26,649,323	24,427,026
Current liabilities				
Accounts payable, deposits received and accrued charges	7	**10,444,163**	5,982,466	5,936,519
Taxation		**1,934,946**	2,050,698	1,480,444
Short-term bank loans and current portion of long-term bank loans	8	**5,362,156**	7,931,160	429,782
Convertible bonds		**2,734,151**	-	142,526
Derivative financial instruments		-	-	79,960
Secured bank overdrafts		**15,215**	-	1,065
Unsecured bank overdrafts		**297**	20,701	468
		20,490,928	15,985,025	8,070,764
Net current assets		**16,611,532**	10,664,298	16,356,262
Total assets less current liabilities		**102,878,295**	87,553,672	79,425,458
Non-current liabilities				
Long-term bank loans	8	**15,821,823**	6,877,791	9,619,511
Convertible bonds		-	2,594,635	2,462,238
Fixed rate bonds	9	**5,561,518**	3,251,082	3,240,870
Amounts due to non-controlling interests		**3,002,414**	2,854,685	2,796,071
Deferred taxation		**3,875,123**	3,547,989	2,811,271
Retirement benefit obligations		**168,329**	190,762	-
		28,429,207	19,316,944	20,929,961
ASSETS LESS LIABILITIES		**74,449,088**	68,236,728	58,495,497
EQUITY				
Capital and reserves attributable to the Company's shareholders				
Share capital		**1,438,366**	1,436,031	1,428,953
Share premium		**12,190,587**	12,127,520	11,926,986
Other reserves		**14,600,337**	13,437,839	12,008,994
Retained profits		**35,017,137**	30,925,806	25,475,228
Proposed final dividend		**676,032**	746,736	571,581
		63,922,459	58,673,932	51,411,742
Non-controlling interests		**10,526,629**	9,562,796	7,083,755
TOTAL EQUITY		**74,449,088**	68,236,728	58,495,497

FINANCIAL HIGHLIGHTS

	As at 31 December **2011**	2010	As at 1 January 2010
Equity attributable to the Company's shareholders *(HK$ million)*	**63,922**	58,674	51,412
Net borrowings (including bonds) *(HK$ million)*	**11,921**	10,076	9,192
Net asset value (attributable to the Company's shareholders) per share	**HK$44.44**	HK$40.86	HK$35.98
Gearing (Net borrowings / Equity attributable to the Company's shareholders)	**18.6%**	17.2%	17.9%

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of preparation and accounting policies

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants. In addition, these financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Except as described below, the accounting policies are consistent with those as described in the Group's financial statements for the year ended 31 December 2010.

Previously, the Group's hotel property, certain warehouses and logistics centres (including leasehold land classified as finance lease), freehold land and buildings and port facilities classified as property, plant and equipment were stated at fair value, based on periodic, but at least annual, valuations by external independent valuers, less subsequent depreciation. Any accumulated depreciation at the date of revaluation was eliminated against the gross carrying amount of the asset and the net amount was restated to the revalued amount of the asset. Increases in carrying amount arising on revaluation of properties were credited to properties revaluation reserve in equity. Decreases that offset previous increases of the same asset were charged against properties revaluation reserve, all other decreases were expensed in the consolidated income statement.

With effect from 1 January 2011, the Group revised its accounting policy in respect of hotel property, certain warehouses and logistics centres, freehold land and buildings and port facilities classified as property, plant and equipment to the cost model under HKAS 16, under which these assets are carried at historical cost less aggregate depreciation and accumulated impairment losses. The change was made to increase the relevancy of financial data to the users of the financial statements by taking into consideration of the future business development of logistics and hotel operations. It aligns the Group's accounting policy with industry practice, enhancing the comparability of the Group's financial statements with those of its international peers.

This change in accounting policy has been accounted for retrospectively, and certain comparative figures have been restated. The effect of the adoption of this change in accounting policy is as below:

Effect on Consolidated Income Statement

	Year ended 31 December	
	2011	2010
	HK$'000	HK$'000
Decrease in direct operating expenses	31,909	14,017
Decrease in other income and net gains	653	142
Decrease in taxation	1,283	1,819
Increase in profit attributable to non-controlling interests	1,234	2,006
Increase in basic earnings per share	HK$0.02	HK$0.01
Increase in diluted earnings per share	HK$0.02	HK$0.01

1. Basis of preparation and accounting policies (Continued)

Effect on Consolidated Statement of Financial Position

	As at 31 December 2011 HK$'000	As at 31 December 2010 HK$'000	As at 1 January 2010 HK$'000
Decrease in property, plant and equipment	1,348,154	1,220,533	867,700
Decrease in associates	197,711	-	-
Decrease in deferred taxation	226,484	246,528	174,829
Decrease in other reserves	1,517,148	1,230,539	1,054,624
Increase in retained profits	492,297	460,992	447,304
Decrease in non-controlling interests	294,530	204,458	85,551

In December 2010, the HKICPA amended HKAS 12, 'Income taxes', to introduce an exception to the principle for the measurement of deferred tax assets or liabilities arising on an investment property measured at fair value. HKAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. The amendment introduces a rebuttable presumption that an investment property measured at fair value is recovered entirely by sale. The presumption of recovery entirely by sale is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

The amendment is applicable retrospectively to annual periods beginning on or after 1 January 2012 with early adoption permitted. The Group has early adopted this amendment retrospectively for the financial year ended 31 December 2011.

As at 31 December 2011, the Group had investment properties amounting to HK$42,329,689,000 (31 December 2010: HK$38,848,997,000). The investment properties held by the Group are located in Hong Kong, the People's Republic of China ("PRC") and Vietnam. As required by the amendment, the Group re-measured the deferred tax relating to investment properties located in Hong Kong according to the tax consequence on the presumption that they are recovered entirely by sale retrospectively. For the investment properties located in PRC and Vietnam, the Group's business model is that the entity owning the investment property will recover the value through use and on this basis the presumption of sale has been rebutted. Consequently, the Group has continued to recognise deferred tax on the basis that the values of these investment properties are recovered through use.

As a result of the early adoption of amendments to HKAS 12, certain comparative figures have been restated to reflect the change in accounting policy, as summarised below:

Effect on Consolidated Income Statement

	Year ended 31 December 2011 HK$'000	Year ended 31 December 2010 HK$'000
Increase in share of results of associates	9,681	79,137
Decrease in taxation	160,199	299,498
Increase in basic earnings per share	HK$0.12	HK$0.27
Increase in diluted earnings per share	HK$0.11	HK$0.25

1. Basis of preparation and accounting policies (Continued)

Effect on Consolidated Statement of Financial Position

	As at 31 December 2011 HK$'000	As at 31 December 2010 HK$'000	As at 1 January 2010 HK$'000
Increase in associates	106,484	96,803	17,666
Decrease in deferred taxation	1,792,239	1,632,040	1,332,542
Increase in retained profits	1,898,723	1,728,843	1,350,208

The following revised standards, amendments and interpretations have been published that are effective for the accounting period of the Group beginning on 1 January 2011:

- HKAS 24 (revised), 'Related party disclosures'
- HKAS 32 (amendment), 'Classification of right issues'
- HK(IFRIC) - Int 14 (amendment), 'Prepayments of a minimum funding requirement'
- HK(IFRIC) - Int 19, 'Extinguishing financial liabilities with equity instruments'
- Improvements to HKFRSs 2010

The adoption of the above revised standards, amendments and interpretations had no material financial impact on the consolidated financial statements of the Group.

The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2012, but the Group has not early adopted them:

- Amendments to HKAS 1 (revised), 'Presentation of financial statements – presentation of items of other comprehensive income'
- HKAS 19 (2011), 'Employee benefits'
- HKAS 27 (2011), 'Separate financial statements'
- HKAS 28 (2011), 'Investments in associates and joint ventures'
- HKAS 32 (amendment), 'Offsetting financial assets and financial liabilities'
- HKFRS 7 (amendment), 'Disclosures - Transfers of financial assets'
- HKFRS 7 (amendment), 'Disclosures - Offsetting financial assets and financial liabilities'
- HKFRS 9, 'Financial instruments'
- HKFRS 10, 'Consolidated financial statements'
- HKFRS 11, 'Joint arrangements'
- HKFRS 12, 'Disclosure of interests in other entities'
- HKFRS 13, 'Fair value measurement'

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

2. Principal activities and segmental analysis of operations

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

	Turnover		Operating profit	
	Year ended 31 December		Year ended 31 December	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
				(restated)
Principal activities:				
Property rental				
- PRC Property	**892,927**	808,376	**625,714**	593,786
- Hong Kong Property	**648,403**	580,075	**458,787**	407,782
	1,541,330	1,388,451	**1,084,501**	1,001,568
Property sales (Note)				
- PRC Property	**718,896**	2,250,230	**507,156**	935,575
- Hong Kong Property	**1,992,527**	6,266,733	**788,251**	1,406,878
	2,711,423	8,516,963	**1,295,407**	2,342,453
Hotel operations - PRC Property	**225,784**	293,993	**(79,291)**	47,965
Logistics operations	**16,034,311**	10,879,909	**1,091,645**	788,272
Project, property management and others	**147,515**	146,674	**(250,112)**	173,301
	20,660,363	21,225,990	**3,142,150**	4,353,559
Increase in fair value of investment properties	**-**	-	**1,605,932**	3,009,676
	20,660,363	21,225,990	**4,748,082**	7,363,235
Principal markets:				
PRC	**8,974,003**	8,117,958	**1,869,671**	2,726,955
Hong Kong	**5,070,486**	8,966,483	**2,486,638**	4,331,376
Taiwan	**1,919,180**	887,263	**214,445**	157,618
United Kingdom	**996,603**	1,113,742	**48,744**	51,745
Others	**3,700,091**	2,140,544	**128,584**	95,541
	20,660,363	21,225,990	**4,748,082**	7,363,235

Note: Sales of investment properties for the year ended 31 December 2011 amounting to HK$1,170,233,000 (2010: HK$504,438,000), comprising sales from PRC investment properties of HK$305,323,000 (2010: HK$243,638,000) and sales from Hong Kong investment properties of HK$864,910,000 (2010: HK$260,800,000), are excluded from turnover.

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

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

Year ended 31 December 2011
HK$'000

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

Year ended 31 December 2010 (restated)
HK$'000

	PRC Property	Hong Kong Property	Overseas Property	Logistics	Total Operating Segments	Others	Eliminations	Consolidated
Revenue								
Turnover	3,352,599	6,846,808	-	10,879,909	21,079,316	146,674	-	21,225,990
Inter-segment revenue	-	-	-	-	-	79,691	(79,691)	-
Inter-segment interest income	-	-	-	-	-	522,511	(522,511)	-
	3,352,599	6,846,808	-	10,879,909	21,079,316	748,876	(602,202)	21,225,990
Results								
Segment results before increase in fair value of investment properties	1,503,067	1,998,088	(2,481)	798,241	4,296,915	469,137	(522,511)	4,243,541
Increase in fair value of investment properties	1,006,675	1,827,011	-	175,990	3,009,676	-	-	3,009,676
Segment results	2,509,742	3,825,099	(2,481)	974,231	7,306,591	469,137	(522,511)	7,253,217
Dividend income	-	55,194	23,096	1,615	79,905	-	-	79,905
Interest income	38,128	8,981	-	11,482	58,591	10,495	-	69,086
Interest expenses	(3,091)	(128,534)	-	(23,066)	(154,691)	(406,793)	522,511	(38,973)
Operating profit	2,544,779	3,760,740	20,615	964,262	7,290,396	72,839	-	7,363,235
Share of results of associates	197,264	842,355	48,790	208,821	1,297,230	77,221	-	1,374,451
Profit before taxation	2,742,043	4,603,095	69,405	1,173,083	8,587,626	150,060	-	8,737,686
Taxation	(987,300)	(335,500)	(1,971)	(196,655)	(1,521,426)	(61,485)	-	(1,582,911)
Profit for the year	1,754,743	4,267,595	67,434	976,428	7,066,200	88,575	-	7,154,775
Profit attributable to:								
Company's shareholders	1,444,659	4,269,116	67,434	832,870	6,614,079	88,578	-	6,702,657
Non-controlling interests	310,084	(1,521)	-	143,558	452,121	(3)	-	452,118
	1,754,743	4,267,595	67,434	976,428	7,066,200	88,575	-	7,154,775
Depreciation and amortisation	37,299	8,253	-	210,417	255,969	1,568	-	257,537

3. Operating profit

	Year ended 31 December	
	2011	2010
	HK$'000	HK$'000
		(restated)
Operating profit is stated after crediting/charging the following :		
Crediting		
Dividend income from listed and unlisted investments	**69,926**	79,905
Interest income	**228,372**	69,086
Gain on sale of properties held for sale, net	**1,063,383**	2,172,184
Gain on sale of investment properties, net	**232,024**	170,269
Charging		
Depreciation of property, plant and equipment and amortisation of leasehold land and land use rights	**349,017**	257,537
Amortisation of intangible assets	**3,721**	-
Total finance costs incurred	**837,107**	658,189
Less: amount capitalised in properties under development	**(471,689)**	(472,910)
	365,418	185,279
Fair value gain on derivative financial instruments	**(31,647)**	(146,306)
Total finance costs expensed during the year	**333,771**	38,973

4. Taxation

	Year ended 31 December	
	2011	2010
	HK$'000	HK$'000
		(restated)
The taxation (charge)/credit comprises:		
PRC taxation		
Current	**(534,567)**	(749,032)
(Under)/over-provision in prior years	**(5,160)**	10,623
Deferred	**(209,000)**	(298,907)
	(748,727)	(1,037,316)
Hong Kong profits tax		
Current	**(304,212)**	(343,277)
Under-provision in prior years	**(48,557)**	(44,410)
Deferred	**(2,283)**	(76,546)
	(355,052)	(464,233)
Overseas taxation		
Current	**(120,125)**	(85,567)
Over-provision in prior years	**382**	10,019
Deferred	**(10,440)**	(5,814)
	(130,183)	(81,362)
	(1,233,962)	(1,582,911)

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profit for the year. Income tax on PRC and overseas profits has been calculated on the estimated assessable profit for the year at the respective rates of taxation prevailing in the PRC and the overseas countries in which the Group operates.

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

The Group's share of associates' taxation for the year of HK$554,350,000 (2010: HK$221,250,000) is included in the consolidated income statement under share of results of associates.

5. 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.

	Year ended 31 December	
	2011	2010
Weighted average number of ordinary shares in issue	**1,437,737,140**	1,433,346,344
	HK$'000	HK$'000 (restated)
Profit attributable to shareholders	**5,347,715**	6,702,657
Basic earnings per share	**HK$3.72**	HK$4.68

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.

	Year ended 31 December	
	2011	2010
Weighted average number of ordinary shares in issue	**1,437,737,140**	1,433,346,344
Adjustment for convertible bonds	**44,634,377**	45,672,739
Adjustment for share options	**3,551,392**	5,602,662
Weighted average number of ordinary shares for calculation of diluted earnings per share	**1,485,922,909**	1,484,621,745
	HK$'000	HK$'000 (restated)
Profit attributable to shareholders	**5,347,715**	6,702,657
Adjustment for finance cost on convertible bonds	**116,496**	112,017
Profit used to determine diluted earnings per share	**5,464,211**	6,814,674
Diluted earnings per share	**HK$3.68**	HK$4.59

6. Accounts receivable, prepayments and deposits

Included in accounts receivable, prepayments and deposits are trade receivables. The Group maintains a defined credit policy. The ageing analysis of trade receivables as at 31 December 2011 is as follows:

	As at 31 December 2011 HK$'000	As at 31 December 2010 HK$'000
Below 1 month	**2,426,583**	1,547,057
Between 1 month and 3 months	**788,636**	691,780
Over 3 months	**121,311**	184,708
	3,336,530	2,423,545

7. Accounts payable, deposits received and accrued charges

Included in accounts payable, deposits received and accrued charges are trade payables. The ageing analysis of trade payables as at 31 December 2011 is as follows:

	As at 31 December 2011 HK$'000	As at 31 December 2010 HK$'000
Below 1 month	**746,615**	774,451
Between 1 month and 3 months	**416,846**	136,717
Over 3 months	**337,459**	81,471
	1,500,920	992,639

8. Bank loans

	As at 31 December 2011 HK$'000	As at 31 December 2010 HK$'000
Bank loans - unsecured	**18,022,447**	13,812,306
Bank loans - secured	**3,161,532**	996,645
Total bank loans (note (i))	**21,183,979**	14,808,951
Less : Short-term bank loans and current portion of long-term bank loans	**(5,362,156)**	(7,931,160)
	15,821,823	6,877,791

8. Bank loans (continued)

(i) As at 31 December 2011, the Group's bank loans were repayable as follows:

	As at 31 December 2011 HK$'000	As at 31 December 2010 HK$'000
Within one year	**5,362,156**	7,931,160
In the second to fifth year		
- In the second year	**2,876,427**	4,337,988
- In the third year	**685,520**	1,721,519
- In the fourth year	**1,174,971**	177,490
- In the fifth year	**9,642,839**	126,591
	14,379,757	6,363,588
Repayable within five years	**19,741,913**	14,294,748
Over five years	**1,442,066**	514,203
	21,183,979	14,808,951

9. Fixed rate bonds

On 6 April 2011, Wiseyear Holdings Limited, a wholly-owned subsidiary of the Company, issued fixed rate bonds in the aggregate principal amount of US$300,000,000. These fixed rate bonds are listed on the Singapore Exchange Securities Trading Limited, carry a coupon rate of 5.875% per annum and have a maturity term of 10 years.

10. Commitments

At 31 December 2011, the Group had capital commitments in respect of interests in leasehold land, properties under development, property, plant and equipment and investment in associates not provided for in these financial statements as follows:

	As at 31 December 2011 HK$'000	As at 31 December 2010 HK$'000
Contracted but not provided for	**7,743,340**	6,651,347
Authorised but not contracted for	**440,599**	263,662
	8,183,939	6,915,009

11. Contingent liabilities

Guarantees for banking and other facilities

	As at 31 December 2011 HK$'000	As at 31 December 2010 HK$'000
- Guarantees for banking and other facilities of certain associates (note (i))	**1,576,413**	1,393,702
- Guarantees to certain banks for mortgage facilities granted to first buyers of certain properties in the PRC (note (ii))	**765,187**	755,081
	2,341,600	2,148,783

(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 2011 amounted to approximately HK$1,576,413,000 (2010: HK$1,393,702,000). The total amount of such facilities covered by the Group's guarantees as at 31 December 2011 amounted to approximately HK$2,594,570,000 (2010: HK$2,473,752,000).

(ii) The Group has executed guarantees to certain banks for mortgage facilities granted to first buyers of certain properties developed by the Group in the PRC. The utilised amount of such facilities covered by the Group's guarantees which also represented the financial exposure of the Group as at 31 December 2011 amounted to approximately HK$765,187,000 (2010: HK$755,081,000). The total amount of such facilities covered by the Group's guarantees as at 31 December 2011 amounted to approximately HK$8,887,153,000 (2010: HK$4,825,058,000).

Apart from the above, there are no material changes in contingent liabilities of the Group since 31 December 2010.

12. Pledge of assets

As at 31 December 2011, the Group's total bank loans and overdrafts of HK$21,199,491,000 (2010: HK$14,829,652,000) included an aggregate amount of HK$18,022,744,000 (2010: HK$13,833,007,000) which is unsecured and an aggregate amount of HK$3,176,747,000 (2010: HK$996,645,000) which is secured. The securities provided for the secured banking facilities available to the Group are as follows:

(i) legal charges over certain properties and port facilities of the Group with an aggregate net book value of HK$9,994,918,000 (2010: HK$7,351,609,000);

(ii) charges on bank balances amounting to HK$3,279,000 (2010: Nil) of certain subsidiaries of the Group; and

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

MANAGEMENT DISCUSSION & ANALYSIS

REVIEW OF PROPERTY BUSINESS

OVERVIEW

Despite the volatile market situation in 2011, the property business ended the year with a solid set of results reflecting the sound performance of its property sales and rental activities in Hong Kong and the People's Republic of China (the "PRC"). The Group's development projects in the PRC and Hong Kong continued to make good progress, with the Group leveraging its experience and resources to enhance the performance of its prime-quality residential, office and commercial investment properties.

As at 31 December 2011, the Group maintained a property portfolio comprising properties under development measuring a gross floor area ("GFA") of 45.80 million square feet (2010: 39.71 million square feet), completed investment properties of 9.12 million square feet (2010: 8.55 million square feet), hotel properties of 0.87 million square feet (2010: 0.54 million square feet) and properties held for sale of 0.49 million square feet (2010: 0.73 million square feet). The Group will continue to build on this premium asset base with a view to delivering long-term value to its shareholders.

Property Portfolio Composition

	Group's attributable GFA				
	The PRC	Hong Kong	Macau[(1)]	Overseas	Total
		('000 square feet)			
Investment Properties	4,460	2,766	-	1,891	9,117
Hotel Properties	836	38	-	-	874
Properties Under Development	39,207	1,957	2,385	2,253	45,802
Properties Held for Sale	248	217	-	27	492
Total GFA	**44,751**	**4,978**	**2,385**	**4,171**	**56,285**

Note:

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

PRC PROPERTY DIVISION

Reviewing major events in the PRC real estate market in 2011, it is clear that the Government's macro-economic measures have played a major role in the sector's development during the year. The policy changes reflect the state's resolve to balance economic growth and financial stability, and the control measures instituted have provided a framework for the PRC's sustainable economic development over the long term. With continued mass urbanization and rising disposable incomes among urban residents, the long-term prospects for the country's residential sector have remained healthy. The commercial sector also performed well as multinational companies continued to place increasing emphasis on the growth prospects for the PRC market.

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

During the year, the PRC Property Division reported a turnover of HK$1,838 million (2010: HK$3,352 million), a decrease of 45% year on year. Net profit attributable to the Company's shareholders declined by 38% year on year to HK$889 million (2010: HK$1,445 million), after taking into account the increase in fair value of investment properties (after deferred taxation) of HK$622 million (2010: HK$800 million). Excluding the effect of the increase in fair value of investment properties (after deferred taxation), the Division's net profit attributable to the Company's shareholders was HK$267 million (2010: HK$645 million).

The Group has in place a sound property portfolio and proven business strategy, which will continue to support the long-term development of the Group.

Investment Properties

During the year under review, the Group generated rental turnover and operating profit of HK$893 million and HK$626 million, respectively (2010: HK$808 million and HK$594 million, respectively) from rental activities on its portfolio of completed investment properties in the PRC.

As at 31 December 2011, the Group held a completed investment property portfolio of residential, commercial and office properties in the PRC with an aggregate GFA of 4.46 million square feet (2010: 3.75 million square feet). Their respective composition and occupancy rates are as follows:

As at 31 December 2011:

	Group's attributable GFA					
	Beijing	**Shanghai**	**Shenzhen**	**Fuzhou**	**Total**	**Occupancy rate**
			('000 square feet)			
Office	**711**	**962**	**807**	**-**	**2,480**	**92%**
Commercial	**98**	**659**	**107**	**64**	**928**	**94%**
Residential	**277**	**775**	**-**	**-**	**1,052**	**69%**
	1,086	**2,396**	**914**	**64**	**4,460**	

As at 31 December 2010:

	Group's attributable GFA					
	Beijing	Shanghai	Shenzhen	Fuzhou	Total	Occupancy rate
			('000 square feet)			
Office	711	612	813	-	2,136	84%
Commercial	98	437	108	64	707	92%
Residential	277	628	-	-	905	62%
	1,086	1,677	921	64	3,748	

Comparative occupancy rates of key investment properties are outlined below:

Property	**Occupancy rate as at 31 December 2011**	Occupancy rate as at 31 December 2010
Beijing Kerry Centre (2)	**90%**	83%
Shanghai Kerry Centre (3)	**90%**	86%
Kerry Parkside Shanghai Pudong	**78%**	N/A
Kerry Everbright City Phase I	**85%**	82%
Central Residences Phase II Towers 1 and 3	**68%**	71%
Shenzhen Kerry Plaza Phase I	**100%**	91%

Notes:
(2) Excluding Kerry Hotel, Beijing (formerly known as Shangri-La's Kerry Centre Hotel, Beijing)
(3) Excluding serviced apartments which are undergoing renovation

The 40.8%-held mixed-use property project, Kerry Parkside, in the Pudong District of Shanghai, became fully operational during the year. The development includes a hotel, offices, serviced apartments, commercial properties and related ancillary facilities. As at 31 December 2011, approximately 99% (2010: 80%) of the retail space were leased while the offices were 83% (2010: 40%) occupied. The project will become one of the Group's landmark investment properties in the PRC.

Sales of Properties

The Group's sales of completed properties in the PRC during the year delivered a turnover of HK$719 million (2010: HK$2,250 million). Sales of completed investment properties generated proceeds of HK$305 million (2010: HK$244 million). An operating profit of HK$507 million (2010: HK$935 million) was derived during the year mainly from the sales of Central Residences Phase II Tower 2 in Shanghai, Kerry Everbright City Phases I and II, also in Shanghai (including residential property Le Loft and the Enterprise Square office tower) and Gemini Grove in Beijing.

Ideally located in the upscale Huashan Road residential neighbourhood in Shanghai, Central Residences Phase II has earmarked 60 units from Tower 2 for sale. Up to 31 December 2011, 92% of the lot or 55 units had been sold.

Kerry Everbright City Phase II in Zhabei District, Shanghai, is a mixed-use development with a GFA of approximately 1.6 million square feet. As at 31 December 2011, all of the Le Loft residential units had been sold. Enterprise Square, which offers 430 saleable office units, recorded sales of 278 units, representing 65% of the total.

Gemini Grove is a boutique-style apartment project in Xinyuanli, Beijing. Consisting of the East and West Towers, the development provides 317 apartments with a total GFA of approximately 330,000 square feet as well as 13,000 square feet of commercial space. 307 apartment units or 97% of the total had been sold up to 31 December 2011. The Group holds a 71% interest in the project.

Properties under Development

In an environment marked by macro-economic control and slowing gross domestic product growth, the PRC Property Division has continued to develop major mixed-use projects in key cities, with a view to enhancing the Group's property portfolio to secure long-term growth momentum. This has been supplemented by selective investments in other strategically located projects.

Shanghai

The mixed-use development, Jing An Kerry Centre, is being jointly developed by the Group and Shangri-La Asia Limited ("Shangri-La"), their respective shareholdings being 51% and 49%. Lying in the heart of Shanghai's business centre, Jing An District, the 2.74 million square-foot project consists of a deluxe hotel, an international Grade-A office tower and an upscale shopping mall. The project is on schedule for completion in 2012.

The planning approval of Phase III of the Kerry Everbright City project in Zhabei District was obtained during the year. This new phase will generate an additional GFA of approximately 1.1 million square feet, comprising retail and office premises. The Group holds a 74.25% interest in the project, which is expected to be completed in 2015.

Shenzhen

Shenzhen Kerry Plaza Phase II, which will be completed by first quarter of 2012, will have a GFA of approximately 850,000 square feet. This Grade-A office project, together with Phase I, comprising 3 office towers, is located in the core of Futian CBD and conveniently connected to Futian railway station on the Guangzhou–Shenzhen–Hong Kong Express Rail Link now under construction. Its Phase II development was 22% pre-leased as at 31 December 2011.

Tianjin

The Group's 49%-owned mixed-use property project in Hedong District, Tianjin, is located on the east bank of the Haihe CBD. Phase I of the development includes a hotel, upscale residential apartments, and a shopping mall. Phase II of the development is planned to include a Grade-A office tower and serviced apartments. The project will have a total GFA of approximately 5.37 million square feet. Construction is currently in progress and it is anticipated that the hotel, residential apartments and shopping mall will be topped off in phases between the second and the fourth quarter of 2013.

Hangzhou

Of the two sites that the Group owns in the Xiacheng District of Hangzhou, the first is located at the intersection of Yan'an Road and Qingchun Road, adjacent to the Xihu (West Lake). The site will be developed into a 2.1 million square-foot mixed-use property, comprising a luxury hotel, Grade-A offices, premium apartments, and a large-scale retail mall complex. Test piling work will commence during the first quarter of 2012, and the entire development is targeted for completion in phases by 2015. The Group will transfer a 25% of the equity interest held in this project to Shangri-La. Upon completion of the transfer procedures, the Group will hold a 75% stake in the project.

The second site in Xiacheng District is designated for the development of Parkview Residence. This residential project will yield a GFA of approximately 2.63 million square feet and is scheduled for completion in phases by 2013. The first phase of Parkview Residence has been completed and delivered for occupation, while sales of three additional residential blocks from Phase II are currently ongoing. As at 31 December 2011, approximately 63% of the 500 units launched were sold.

Nanjing

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

Chengdu

The Metropolis-Arcadia Court in Chengdu is located in the southern part of the High-Tech Industrial Development Zone. This 55%-held residential project is expected to generate a developable GFA of approximately 6.8 million square feet. Construction works on Phase I are ongoing and are expected to be completed by 2012, with Phases II and III due for completion in several stages from 2014 onwards. Phase I of The Metropolis-Arcadia Court consists of eight towers of high quality homes. Up to 31 December 2011, a total of 900 units from four towers had been launched with 655 units pre-sold, representing 73% of the total number of flats on sale.

Nanchang

In Nanchang, the provincial capital of Jiangxi Province, the Group is developing a mixed-use property through a joint venture with Shangri-La. The Group holds an 80% interest in the project. Lying on the west bank of the Ganjiang River at the heart of Honggutan Central District, the development blueprint includes hotel, office, commercial and high-end apartment properties, with a developable GFA of approximately 2.6 million square feet. Foundation work is underway for Phase I of the project, with phased completion expected by 2014.

Changsha

The residential and commercial property project in the Tianxin District, Changsha, the provincial capital of Hunan Province, is now wholly owned by the Group. The project 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 2013 and 2016. Pre-sales of the project are expected to be launched in the third quarter of 2012.

Shenyang

The Group’s 60%-owned Shenyang Kerry Centre project in Shenyang, the capital of Liaoning Province, is located on the east side of Qingnian Street, to the south of Qingnian Park, and lies at the core of the city’s landmark Golden Corridor development. The site yields a GFA of approximately 14.7 million square feet, and is designated for the development of a mixed-use project, including a hotel, offices, shopping mall, residences and apartments. Phase I of this development is at the construction stage, and the entire project is targeted for completion in phases between 2013 and 2022.

Qinhuangdao

Construction works are ongoing for the Group's 60%-owned deluxe seaside residential project adjacent to Beidaihe in Qinhuangdao, Hebei Province. This development is expected to generate a GFA of approximately 4.8 million square feet, and is planned to be completed in phases. Phase I of the development is at the construction stage and is targeted for completion in 2014.

Manzhouli

The Group's wholly-owned project in Manzhouli, Inner Mongolia, is a residential and commercial property project. Phase I of the residential project has been completed and delivered, and Phase II is currently under construction. With the completion of Phase I, the site has remaining GFA of approximately 620,000 square feet.

Tangshan

The Group's 40%-owned mixed-use project comprises the development of a hotel and residential and complementary commercial properties, with a developable GFA of approximately 3.3 million square feet. The project is scheduled to be completed in phases between 2012 and 2013, with pre-sales to be rolled out in 2012.

Ningbo

The Group's Ningbo site is located in the Eastern New Town Core Region and is earmarked for the development of high-end residences with a developable GFA of approximately 1.04 million square feet. The Group holds a 50% interest in the project, which is currently at the planning stage and piling work is expected to be commenced in the first quarter of 2012.

Yingkou

The Group is jointly developing seaside sites in Bayuquan District in Yingkou City, Liaoning Province, with Shangri-La and Wilmar International Limited. The sites are designated for residential, commercial and hotel uses, with a developable GFA of approximately 4.5 million square feet. The project is scheduled to be completed in phases between 2014 and 2016. The Group holds a 40% equity interest in the project.

Jinan

Together with a subsidiary of Shangri-La, the Group made a successful bid in May 2011 for the land use rights to certain project sites located in Lixia District, Jinan City, for a consideration of approximately RMB291 million. The Group holds a 55% stake in this project. With a total site area of approximately 240,000 square feet, the project will incorporate the development of a hotel, office and commercial spaces, and is scheduled to be completed in 2015.

Zhengzhou

In September 2011, the Group and a wholly-owned subsidiary of Shangri-La bid successfully at a public auction to acquire the land use rights of a site located at the east of Huayuan Road and the south of Weier Road in Zhengzhou City, Henan Province. The consideration for the acquisition was RMB401.15 million. The site has a gross area of approximately 480,000 square feet and the project will incorporate the development of hotel, residential, commercial and office properties, with completion expected in 2015. The Group holds a 55% interest in this project.

Putian

In October 2011, a consortium formed between the Group and a subsidiary of Shangri-La successfully bid at a public auction to acquire the land use rights of a site in Putian City, Fujian Province, for a consideration of RMB455.5 million. The site, located at the junction of Jiuhua Road and Lihan Avenue, has a gross area of approximately 1.59 million square feet and is earmarked for the development of residential, hotel and commercial properties. The Group holds a 60% interest in the project. The project is scheduled to be completed in phases in 2017.

Kerry Hotel, Beijing (formerly known as Shangri-La's Kerry Centre Hotel, Beijing)

During the year ended 31 December 2011, Kerry Hotel, Beijing, recorded turnover and operating loss of HK$226 million and HK$79 million, respectively (2010: HK$294 million and operating profit of HK$48 million, respectively). Renovation works for the hotel are ongoing and are expected to be completed by early 2012. The average occupancy rate was 46% (2010: 66%) during the year with average room rate increased by 13% year on year. The Group holds a 71.25% interest in the hotel.

Properties under development in the PRC
As at 31 December 2011

	Group's attributable GFA upon completion ('000 square feet)						
	Residential	Apartment/ Serviced Apartment	Apartment Style Office	Office	Commercial	Hotel	Total
Shanghai	-	-	247	1,101	446	404	2,198
Shenzhen	-	-	-	785	67	-	852
Tianjin	926	116	-	673	548	369	2,632
Hangzhou	1,843	361	-	118	1,203	490	4,015
Shenyang	3,264	1,461	-	1,264	2,420	395	8,804
Nanjing	-	-	-	-	4	412	416
Chengdu	3,300	281	-	-	161	-	3,742
Nanchang	706	-	-	533	69	747	2,055
Changsha	2,919	235	-	-	53	-	3,207
Manzhouli	585	-	-	-	32	-	617
Qinhuangdao	2,648	-	-	-	208	-	2,856
Tangshan	1,002	-	-	-	88	232	1,322
Ningbo	522	-	-	-	-	-	522
Yingkou	1,496	-	-	-	62	222	1,780
Jinan	-	-	-	201	61	292	554
Zhengzhou	582	-	-	213	173	326	1,294
Putian	1,653	-	-	-	107	581	2,341
Total	21,446	2,454	247	4,888	5,702	4,470	39,207

HONG KONG PROPERTY DIVISION

During the year ended 31 December 2011, the Hong Kong Property Division recorded a turnover of HK$2,641 million (2010: HK$6,847 million). Net profit attributable to the Company's shareholders, including profit from sales of Larvotto reported under share of results of associates, was HK$3,524 million (2010: HK$4,269 million), after taking into account the increase in fair value of investment properties (net of deferred taxation) of HK$909 million (2010: HK$2,308 million).

The Division's turnover was mainly derived from the recognized sales of Primrose Hill, Island Crest and The Altitude. Pre-sales of Lions Rise and SOHO 189 also commenced during the year. The Division maintains and manages a balanced portfolio of high-quality assets, with a focus on luxury properties occupying prime locations in the city. While deriving satisfactory returns from property sales, the Division also earns a stable stream of recurrent income from its investment properties.

Continuing to build assets and value, the Division aims to leverage its industry expertise and brand presence in optimizing the performance of its development projects and investment property portfolio across the residential, office and commercial sectors. The Division's prime land bank will continue to facilitate its further development in a local market characterized by limited supply.

Investment Properties

The Division's strategic investment property portfolio in the residential, office and commercial sectors in Hong Kong enables it to enjoy a strong and resilient recurrent earnings base. Top-class residences in the most exclusive addresses, which represent a major part of the Division's investment portfolio, have given it an unrivalled advantage in the luxury sector. During the year, rental turnover generated from the Group's completed investment properties in Hong Kong amounted to HK$648 million (2010: HK$580 million), delivering an operating profit of HK$459 million (2010: HK$408 million).

As at 31 December 2011, the Group held a completed investment property portfolio in Hong Kong with an aggregate GFA of 2.77 million square feet (2010: 2.79 million square feet). Set out below are the breakdown of GFA and the respective occupancy rates, together with comparative figures:

	As at 31 December 2011		As at 31 December 2010	
	Group attributable GFA ('000 square feet)	**Occupancy rate**	Group attributable GFA ('000 square feet)	Occupancy rate
Residential	**722** [4]	**99%**	722 [4]	99%
Commercial	**1,205**	**99%**	1,205	95%
Office	**839**	**90%**	839	81%
	2,766		2,766	

Note:
(4) The above table excludes Belgravia.

Enterprise Square Five/MegaBox

MegaBox is a revolutionary shopping, dining and entertainment venue in East Kowloon with a GFA of 1.1 million square feet. By providing a total experience, alongside a unique mix of attractions and shopping zones, MegaBox has become a must-visit family and tourist destination. As at 31 December 2011, the occupancy rate of the mall stood at 99% (2010: 98%).

The two office towers of the landmark Grade-A Enterprise Square Five, with a GFA of 519,316 square feet, recorded an occupancy rate of 99% (2010: 95%) as at 31 December 2011.

As the Hong Kong SAR Government is drawing up development strategies for the transformation of East Kowloon, including enhancing connectivity within the district and building external links, the Group believes that MegaBox and Enterprise Square Five have strong potential to add further value to its rental portfolio.

Kerry Centre, Quarry Bay

Kerry Centre at 683 King’s Road, Quarry Bay, is the Group’s 40%-held flagship office tower in Hong Kong. This new Grade-A office tower has 32 floors and a GFA of approximately 511,000 square feet. During the year, the property received a BEAM Eco Building Platinum Standard for new buildings for its incorporation of intelligent and environmentally sustainable design concepts. As at 31 December 2011, 66% (2010: 52%) of the project was leased.

Sales of Properties

During the year under review, sales of completed properties held for sale in Hong Kong generated a turnover of HK$1,993 million (2010: HK$6,267 million). Sales of completed investment properties achieved proceeds of HK$865 million (2010: HK$261 million). An operating profit of HK$788 million (2010: HK$1,407 million) was derived during the year from the recognised sales of completed properties of Primrose Hill, Island Crest and The Altitude. Profit from sales of Larvotto was included as part of the share of results of associates.

The global economic uncertainties have caused stagnating property transactions and prices in Hong Kong. Driven by negative sentiment, the residential market faced weaker demand during the year. However, the luxury sector has been the most price-resilient, reflecting the strong holding power of property owners. As local real estate continues to provide investors with an asset class that offers long-term value, Hong Kong remains a prime investment opportunity for buyers.

Island Crest, First Street, Hong Kong

Island Crest is an urban renewal project in Western District offering 488 residential units and approximately 16,000 square feet of shop units, aggregating to a total GFA of approximately 440,000 square feet. With a number of prestigious colleges and international schools in its vicinity, the development occupies an excellent location in the city. Up to 31 December 2011, 481 units had been sold, accounting for 99% of the total.

Primrose Hill, Tsuen Wan

The Group’s landscaped-garden luxury residence, Primrose Hill in Tsuen Wan, offers 548 units with a total GFA of approximately 450,000 square feet. The development offers modern luxury living and brings a picturesque natural environment to the residents. As at 31 December 2011, 542 units had been sold, representing 99% of the total.

The Altitude, Happy Valley

The Altitude at No. 20 Shan Kwong Road, Happy Valley, was launched for sales in November 2011. Offering 126 typical units across a total GFA of approximately 245,000 square feet, The Altitude showcases contemporary living with elegance. The Group holds a 71% interest in this luxury residential project. The occupation permit was issued in July 2011. As at 31 December 2011, 20 units, representing 16% of the total, had been sold.

Properties under Development

Lions Rise, Wong Tai Sin

Conveniently situated near the MTR Wong Tai Sin Station, Lions Rise is a premium residence with a developable GFA of approximately 767,000 square feet. Five contemporary-design residential blocks offer a total of 968 units, all spaciously laid out, complemented by comprehensive luxury club facilities and landscaped garden, and a lifestyle mall. The project is scheduled for completion in the first quarter of 2012. As at 31 December 2011, 528 units, representing 55% of the total, had been pre-sold.

SOHO 189, Sheung Wan

Located at No. 189 Queen’s Road West, Sheung Wan, SOHO 189 is a redevelopment project and an elegant addition to the neighbourhood. Commanding a unique location where the city’s heritage charm is retained, the property also enjoys convenient proximity to the Central business district. The project will consist of deluxe residences and retail units, with an expected developable GFA of approximately 142,000 square feet. The project’s sales launch during the year has seen an overwhelming market response with 92% of its GFA pre-sold as at 31 December 2011. The project, in which the Group holds a 71% interest, is scheduled to be completed in the second quarter of 2012.

Yuk Yat Street, To Kwa Wan

The redevelopment of No. 9 Yuk Yat Street, To Kwa Wan, into residential and commercial properties is planned to be completed by the third quarter of 2012. Construction works are in progress, and the project is expected to deliver a GFA of approximately 162,400 square feet upon its completion.

Hing Hon Road, Mid-Levels West

The 71%-owned joint venture project at Nos. 18-27 Hing Hon Road, Mid-Levels West, is situated in an exclusive locale adjacent to the University of Hong Kong. The neighbourhood is also home to some of the territory’s finest schools. The project will yield luxury residences with a GFA of approximately 178,000 square feet. Construction works are in progress, with completion expected in the third quarter of 2013.

Ede Road, Kowloon Tong

The site at No. 1 Ede Road, Kowloon Tong will be used for the development of another luxury residential project with a buildable GFA of approximately 77,000 square feet. Its tranquil and prestigious location makes it an ideal site for the creation of an upscale living environment that reflects the Group’s luxury brand promise. Project completion is expected in the first quarter of 2014.

Prince Edward Road West, Ho Man Tin

This redevelopment project is situated at 298-300B Prince Edward Road West, Ho Man Tin, in the neighbourhood of a number of reputable schools and a prestigious location for the development of luxury residences. The project is planned to be completed in the second quarter of 2014, providing a developable GFA of approximately 61,000 square feet.

Shan Kwong Building Redevelopment, Happy Valley

The Group is developing a new luxury residential project on a site at the junction of 7C-7F Shan Kwong Road, Tsui Man Street and Village Road in Happy Valley. Scheduled for completion by the third quarter of 2014, the project will become another prominent addition to this exclusive neighbourhood after The Altitude. It will yield a developable GFA of approximately 81,000 square feet.

Sha Tin Heights Road, Sha Tin

An equally distinctive project is being planned for a site at 25-27A Sha Tin Heights Road, Sha Tin, with a developable GFA of approximately 20,000 square feet. The Group holds a 71% interest in this luxury-house project, which is scheduled for completion in the fourth quarter of 2014.

Kau To Shan, Sha Tin

In August 2011, Kerry Properties won a joint bid with Sino Group and Manhattan Group in a land auction for a plot in Kau To Shan. With a developable GFA of approximately 1,030,000 square feet, the site is earmarked for the development of ten blocks of upscale residences, with completion targeted for the second quarter of 2015. The Group holds a 40% stake in this project.

So Kwun Wat, Castle Peak Road

In February 2012, the Group acquired a site in So Kwun Wat, Castle Peak Road through public tender. Occupying an area of approximately 722,770 square feet and with a buildable GFA of approximately 939,600 square feet, the site is planned to be developed into a large-scale premium residential property with not less than 1,100 units.

Properties under Development in Hong Kong

	As at 31 Decemeber 2011 Group's attributable GFA upon completion ('000 square feet)
Residential	1,773
Commercial	184
	1,957

Macau

The Group's luxury residential apartment project at Nam Van Lake has a developable GFA of approximately 400,000 square feet. Development planning is currently underway. The project commands a prime city location graced with unobstructed panoramic views of the Nam Van Lake and Macau Peninsula.

The exchange procedure in respect of another residential site owned by the Group in Macau is ongoing. The proposed new site is expected to be within a zone under Macau's new land reclamation projects, with the exact location to be finalized pending the confirmation of the New City Master Plan by the Macau SAR Government. It is expected that the plot of land will be secured in 2013.

OVERSEAS PROPERTY DIVISION

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

Australia

As at 31 December 2011, 1,324 units (2010: 1,289 units) of the Group's 25%-owned Jacksons Landing project were sold, representing 99% of the total of 1,339 units offered for sale. The project includes a commercial development, with a GFA of approximately 167,000 square feet, which is currently under planning. This residential and commercial development is situated on a 12-hectare site on the Pyrmont Peninsula in Sydney.

The Philippines

The Group's property investments in the Philippines are held through Shang Properties, Inc. ("SPI") in which it maintains a 34.61% equity interest and a 30.75% interest in its depository receipts. SPI holds (i) a 100% interest in the Shangri-La Plaza Mall, Manila, and (ii) indirect interests in The Enterprise Center, an office and commercial property in Makati, Manila's financial district. As at 31 December 2011, the occupancy rates of Shangri-La Plaza Mall and The Enterprise Center were 99% and 87%, respectively (2010: 98% and 81%, respectively).

Shangri-La Plaza Mall continued to deliver strong performance. Development of One Shangri-La Place is ongoing on an adjacent site to build an extension for the mall and additional residential units. This project will yield an additional GFA of approximately 2.06 million square feet, of which approximately 428,000 square feet are designated as retail space and approximately 1.63 million square feet for residential development. Pre-sales of the residential units were launched to a welcoming market response. A total of 678 units were sold as at 31 December 2011, accounting for 52% of the total.

SPI is also a participant in the development of The St. Francis Shangri-La Place, a residential project located in Mandaluyong City, Manila. As at 31 December 2011, 1,140 units (2010: 1,132 units) out of the total of 1,152 residential units in Towers 1 and 2 of the project were sold. In addition, SPI has a share in a hotel and luxury residential development in Fort Bonifacio, Taguig, Manila. The development incorporates the building of a six-star resort hotel and luxury residences, as well as approximately 46,000 square feet of retail premises. SPI holds a 40% interest in this project.

In view of the strong performance of its property portfolio in Manila, SPI has committed investment in a new project through the purchase of a 3-storey property in Makati City, with a site area of 32,776 square feet. The old building was demolished and will be re-developed into Shang Salcedo Place**,** a high-rise residential building with a GFA of approximately 655,000 square feet.

Overseas Property Portfolio

	Group's attributable GFA		
	Australia	**The Philippines**	**Total**
		('000 square feet)	
Investment properties			
Hotel lease	-	170	170
Shopping centre lease	-	213	213
Shopping centre	-	972	972
Commercial	-	29	29
Office	-	306	306
Car-park building	-	201	201
Sub-total	**-**	**1,891**	**1,891**
Properties under development			
Residential	51	1,672	1,723
Hotel	-	198	198
Shopping centre	-	280	280
Commercial	42	10	52
Sub-total	**93**	**2,160**	**2,253**
Properties held for sale			
Residential	3	24	27
Sub-total	**3**	**24**	**27**
	96	**4,075**	**4,171**

REVIEW OF LOGISTICS BUSINESS

OVERVIEW

With a commitment to growth and a collaborative spirit to drive innovation working together, Kerry Logistics continues to set the pace for solid, sustainable business progress even amidst turbulent economic conditions and industry cycles.

On a year-on-year basis, the Division's turnover grew 47% to HK$16,034 million (2010: HK$10,880 million), driven by the strong momentum of its integrated logistics ("IL") operations in Asia and the international freight forwarding ("IFF") business segment. Net profit attributable to the Company's shareholders for the year amounted to HK$870 million (2010: HK$833 million). Excluding the HK$130 million (2010: HK$169 million) fair value adjustment on investment properties, net profit attributable to the Company's shareholders was up by 11% versus the year earlier.

The latter part of 2011 has seen the world change significantly in three areas: a softening Eurozone, slowing growth for China, and a stabilizing United States. These developments are having a major impact on industrial production and world trade, which in turn are reshaping the global logistics industry. As value flows change in the global economy, Kerry Logistics has continued to effectively operate international operations now spanning 23 countries, delivering services over its proprietary information technology ("IT") network supported by more than 26 million square feet of logistics space and a staff strength of approximately 16,000 employees.

Integrated Logistics

During the year, IL services growth in Hong Kong and Southeast Asia drove segment turnover up by 43% year on year to HK$6,890 million (2010: HK$4,811 million). Net profit generated from operations amounted to HK$510 million (2010: HK$428 million).

Increasingly, the Division has focused on the potential to serve new demand emerging from China's shift from an export-led economy to a domestic-consumption-led growth model, as well as from the flow of manufacturing activities into ASEAN countries. The IL business was also helped by the further expansion of the Division's Taiwan operations.

While continuing to expand its client base, the Division has built specialized expertise and presence in strategic end-user segments such as fashion, electronics, fast-moving consumer goods and perishable products.

Hong Kong

Hong Kong's continued retail boom has sparked robust demand for warehousing space and logistics services. The Division's local business unit delivered yet another set of strong results during the year on the back of its market-leading presence in its core client portfolio. With the commissioning of the new Product Customization and Consolidation Centre, or PC^3, the Division has gained further strength in serving the sophisticated logistical requirements of the fashion sector.

PC^3 is running the territory's largest garment-on-hanger operation in a purpose-built facility which is recognized by the LEED International green building certification system. It is also the first industrial building in Hong Kong to be BEAM (Gold) certified. These accreditations came as an important acknowledgement of the Division's efforts to improve the environmental performance of all of its facilities.

The Division has also revamped and converted more warehouse space in Hong Kong into cold storage with a view to improving yield.

China Focus

In China, growth data suggest that the nation has continued to benefit from increasing domestic demand, which is evidence that it can guide its economy to a soft landing despite a deteriorating export environment. The rebalancing of the Chinese economy away from exports has generated new demand for IL services.

Operating as Kerry EAS Logistics Limited, the Division is the leading logistics operator in China, with a portfolio of over 6 million square feet of logistics facilities supported by a network of 135 branches serving 1,900 destinations. Leveraging its strategic cross-Strait coverage, the Division has been proactively formulating long-range plans to roll out new facilities and business initiatives for the Greater China market.

A new logistics hub in Kunshan, with a total GFA of approximately 200,000 square feet, commenced operations during the first half of 2011. The facility serves as a hub to support and boost the Division's nationwide distribution capabilities.

Kerry Logistics is also expanding its presence in Central China, building a new logistics centre in Zhengzhou, Henan Province, adjacent to the national highway and railway. Construction of this 380,000 square feet facility is scheduled for completion in the second half of 2013.

To meet rapid demand growth, the Division has initiated the expansion of its logistics centre in Chongqing. This second-phase construction, which is scheduled for completion in the first quarter of 2013, will add 700,000 square feet of space for warehousing and value-added services to an overall GFA of 930,000 square feet. The facility provides IL services such as VMI, pick-and-pack, labelling, packing and re-packing for the automobile, electronics, technology and telecommunications sectors.

Other facilities currently under construction include a 340,000-square-foot logistics centre in Wuxi, Jiangsu Province and a 460,000-square-foot centre in Xiamen, Fujian Province.

To expand its service capability, the Division has acquired a 70% interest in Shanghai Hui Cheng Logistics ("HCL") as a vehicle to participate in the niche business of chemical and dangerous goods transportation. HCL is a third-party logistics provider specializing in chemicals, with a special focus on dangerous goods, fast-moving consumer goods, electro-mechanical and automotive logistics services.

To expand its express service, during the year, the Division has acquired a 70% interest in Shandong D-Express. It is a regional express company with extensive coverage across Shandong Province for delivery of light items such as electronics consumables and fashion garment.

Across the Strait, Kerry TJ Logistics Company Limited (formerly known as T.Join Transportation Co.,Ltd) ("Kerry TJ") is another major component of the Division's three-links cargo transportation network. It represents a combination of a global network and local insight to add value to customers' visions for growth. Following its successful rebranding and management re-engineering exercises, Kerry TJ forged ahead with its expansion plans and its profit contribution to the Division registered a year-on-year growth of over 50% during the year.

Asia Specialist

Asia is both the home base and a growth market for the Division. With continued active business rollouts in the region, there have been notable accomplishments on several fronts shaping the segment's financial performance in 2011.

Particular focus has been placed on strengthening land transport solutions to link individual member countries of the ASEAN, as well as connect this emerging production hub with China. Now equipped with a more extensive intra-ASEAN network providing daily cargo transportation services between China's Fujian and Yunnan Provinces and Vietnam and Thailand, the Division continued to invest in upgrading its capability in last-mile less-than-truckload distribution.

In view of the cost competitiveness of land operations over other modes of transportation in ASEAN, the Division has been, through KART, an early entrant and active participant in the sector. It now provides road services on five key routes between ASEAN and China, with growth particularly notable on the China–Vietnam and Malaysia-bound routes. EAE Logistics Sdn. Bhd., the Division's KART operating company in Malaysia, has now expanded its headquarters, adding 100,000 square feet of warehouse space to its existing facilities.

To facilitate its aggressive growth initiatives, Kerry Logistics is building a 371,000 square feet regional logistics hub in Singapore to support regional clients with a full range of IL services. The facility is scheduled for completion in the fourth quarter of 2012.

During the year, the Division is also continuing its expansion in Vietnam. The construction of a new logistics facility in Hung Yen, with total GFA of 105,000 square feet, was completed during the year. It is now waiting for final inspection and shall commence operation in the first half of 2012. Together with another strategically located facility in Da Nang in Central Vietnam which is under construction and the existing facility in Ho Chi Minh City, the Division will be offering a comprehensive network of distribution centres and IL facilities in this increasingly important market.

The growth trend continued in Thailand, with cargo throughput increasing robustly in Kerry Siam Seaport, generating profit growth of more than 70% year on year. The Division plans to develop additional berths to upgrade its cargo handling and ship turnaround capabilities, and is confident that this market will remain a growth engine for the Division in the years to come.

International Freight Forwarding

The IFF segment is set to become the Division's new growth platform as its international expansion strategy produces remarkable results. Continuing to deliver strong gains in performance as it leveraged increasing economies of scale and a growing capability in intra-Asia and Asia–Europe trade lanes, the segment also gained solid ground in serving the growing import requirements in the markets where it operates.

During the year, this segment's turnover was up 51% year on year to HK$9,144 million (2010: HK$6,069 million), with net profit generated from operations coming in at HK$90 million (2010: HK$30 million), 200% higher year on year.

Active merger and acquisition plans continued to be taken forward during the year, while a business reorganization exercise was also carried out to enable the Division to better leverage its newly acquired IFF operations in Europe and Asia.

In October 2011, the Division completed the acquisition of a 100% interest in Transmode Overseas Transportgesellschaft mbH ("Transmode") as the latest addition to the segment. Transmode is a freight forwarding group based in Bremen, Germany, with a focus on sea freight to and from Asia.

In addition, the segment has been actively developing a common platform for co-loading businesses. This new platform will allow the segment to achieve more broad-based growth by tapping into business from counterparts. It is expected that the co-loading business line will register even greater progress in the coming year.

In China, the acquisition of a 70% interest in Kunshan Wisdom Logistics Co., Ltd ("Wisdom") in the first quarter of 2011 has enabled the Division to strengthen its IFF capability. Wisdom is a non-vessel-operating common carrier managing one of the major sea freight consolidation platforms in Shanghai and serving mainly the Japan and Southeast Asia trade routes.

Over the horizon, a stabilizing of business activities in the United States has put the world's largest economy back in the spotlight. The gradual strengthening in the United States will underpin the Division's expansion plan for this market. The Division now operates offices in Los Angeles, New York and Miami.

Logistics Investments

The profit contributed by the Division's logistics investments for the year ended 31 December 2011 decreased by 28% to HK$140 million (2010: HK$194 million). The drop is mainly due to the continuing drop in export volume in the PRC which hit the performance of Chiwan Container Terminal in which the Division has a 25% interest.

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

Information Technology

The year 2011 was a year of change in the IT development of the Division's freight forwarding arm. Following the original publication of the Operational Handbook at the beginning of the year, the Division set a course of global operational convergence through the implementation of a single Freight Management System replacing all systems currently in use in different countries. This is a strategic move designed to consolidate diverse operational behaviours into one global best practice. The entire exercise will last for some thirty months and be completed in early 2014.

For the year 2012, the theme of "Global Compliance to Facilitate Growth" has been adopted for the IT function. The Division will continue to build towards a multinational structure by means of technology development and implementation to align its global practices and procedures.

OUTLOOK

The PRC

As the world faces a new set of economic opportunities and challenges, the PRC's growth remains one of the few bright spots in the global economy. There remain issues that need to be addressed in the course of the PRC's economic emergence, but the country is well positioned on a long-term growth path. The burgeoning urban population that began to outnumber the rural population in 2011, combined with increasing incomes, will help build a strong case for a positive property-market outlook in the long run.

Responding to the challenges of 2012, the Group continues to take decisive steps in the development of its mixed-use projects in key cities. These mixed-use developments with a higher proportion of commercial properties will be more resilient to the impact of macro-economic control measures. Upon completion, they will also contribute significantly to the Group's cash flow and recurrent income base.

The next phase in the Group’s development will see the completion of a number of landmark projects in Shanghai, Tianjin, Shenyang and Hangzhou, building a more prominent presence for the Group in the PRC. In upholding Kerry Properties’ premium brand promise, the Group will continue to upgrade its property management standards to deliver on its commitment to quality and value for both owners and tenants.

Backed by a sound financial position, the Group will constantly look out for opportunities that may arise as the PRC Government fine-tunes its policies. The Group will also adjust its sales strategy and mix to ensure they remain closely aligned to market conditions. The overall theme of the Group’s plans for the coming year is one of prudent approach, backed by sound management and selective ongoing investment.

Hong Kong

While Hong Kong continues to enjoy solid economic fundamentals, its openness makes it susceptible to any turbulence in the macro-financial environment. The anti-speculation measures adopted by the Hong Kong SAR Government have led to a slowdown in property transactions but, on a positive note, they also sent out positive signals of the authorities’ resolve to maintain economic and financial stability. These initiatives are expected to lead the local property market to grow on a more sustainable path.

Going into 2012, the Group’s sales of properties in Hong Kong will continue to be calibrated to market conditions. On the residential front, the Group’s focus and strong presence in the niche premium segment will give it strong leverage amidst more cautious market sentiment. The Group holds a stable outlook for the coming year, which will see continued launches of high-quality projects. With low unemployment rates, a healthy local economy and interest rates standing at low levels, the market’s long-term prospects remain positive.

The Group’s investment portfolio is expected to continue to deliver a strong performance going forward as rental levels find support from sustained demand for office and retail space. In particular, the office properties in Kowloon East and Quarry Bay will benefit further from the continuing decentralization trend among corporate tenants.

The sustainable and resilient performance of the Group reflects not only its proven business strategy to proactively respond to market developments, but also the value of its brand equity. Through its long-standing mission of pursuing excellence, the Group has been able to engage the support of property owners and tenants. The Group will continue to seek opportunities for quality land acquisitions in order to maintain a prime land bank that will sustain future growth and shareholders returns.

Logistics Business

With its development plans clearly mapped out, Kerry Logistics is geared up for more growth in the coming year and beyond. While the first half of 2012 is expected to remain flat for the world’s logistics sector, the Division has engines for growth well in place across its business streams to underline solid development for the foreseeable future.

Both organic growth and mergers and acquisitions have their place on the Division’s growth agenda. The IL segment will see business moves to expand and enhance its land transportation network in Asia, as well as to further its lead in the three-links cargo capability in Greater China. At the same time, mergers and acquisitions will continue to be a dominant growth strategy for the IFF segment, with primary focus on expanding its network in the United States and South America.

Management will stay alert to the potential impact of the China Government's reform plans for the country's taxation system. In particular, China will implement value added tax reforms, with a pilot programme already having commenced in Shanghai in January 2012. Rising operating costs in the country will also present new challenges for business operators. However, the Division expects China to continue to demonstrate growth in imports in the years to come. It is confident of rising above the market complications by leveraging its leadership position in the country and with active business rollouts.

Today's turbulence is somewhat unpredictable, but the Division has the advantage of foresight from early signs of new market developments and the management has the insight to help it plan effectively ahead of time. With the growth strategy for 2012 already in place, the Division is drawing up the development framework for 2013. Dedicated to achieving disciplined growth, Kerry Logistics continues to build a company that maximize value to customers and stockholders over the long term.

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 2011, total foreign currency borrowings (excluding Renminbi ("RMB") borrowings) amounted to the equivalence of HK$6,448 million and RMB loans amounted to the equivalence of HK$3,793 million. Therefore, non-RMB total foreign currency borrowings and RMB loans represented approximately 22% and 13% respectively, of the Group's total borrowings of HK$29,479 million as at 31 December 2011.

The non-RMB total foreign currency borrowings of HK$6,448 million mainly include the Fixed Rate Bonds amounting to US$720 million (approximately HK$5,562 million (net of direct issue costs)). The Group has arranged cross currency swap contracts amounting to US$607 million and NZD51 million, respectively, to hedge the exchange rate exposure between United States dollars and New Zealand dollars to Hong Kong dollars.

Out of the Group's total borrowings as at 31 December 2011, HK$8,096 million (representing approximately 27%) was repayable within one year, HK$2,876 million (representing approximately 10%) was repayable in the second year, HK$14,754 million (representing approximately 50%) was repayable in the third to fifth years and HK$3,753 million (representing approximately 13%) was repayable over five years. The Group continued to maintain most of its borrowings on an unsecured basis, with unsecured debt accounting for approximately 89% of total borrowings as at 31 December 2011. 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 2011, the gearing ratio for the Group was 18.6% (2010: 17.2%), calculated based on net debt of HK$11,921 million and shareholders' equity of HK$63,922 million.

In terms of the Group's available financial resources as at 31 December 2011, the Group had total undrawn bank loan and overdraft facilities of HK$10,280 million and net cash on hand of HK$17,558 million. In addition, the generation of strong recurrent cashflows from the Group's investment property portfolio, hotel operations and logistics, freight forwarding and warehousing businesses provide the Group with a strong financial position, and enables the Group to reap the benefits of investment opportunities as and when they arise.

On 31 January 2011, the Group signed a loan agreement for an unsecured HK$8.45 billion term and revolving loan facility with 17 reputable international and local banks and financial institutions. This facility is for general corporate funding requirements of the Group including refinancing of a previous HK$6 billion syndicated loan facility obtained in February 2006.

On 6 April 2011, Wiseyear Holdings Limited, a wholly-owned subsidiary of the Company, issued US$300 million fixed rate bonds under the US$1,000 million Medium Term Note Programme set up in 2010. These fixed rate bonds are listed on the Singapore Exchange Securities Trading Limited, carry a coupon rate of 5.875% per annum and have a maturity term of 10 years.

On 13 June 2011 and 16 December 2011, Standard & Poor's affirmed a "BBB-" credit rating for Kerry Properties Limited with a stable outlook.

In February 2012, Wiseyear Holdings Limited, a wholly-owned subsidiary of the Company, issued a total of US$600 million fixed rate bonds under the US$1,000 million Medium Term Note Programme set up in 2010. These fixed rate bonds are listed on the Singapore Exchange Securities Trading Limited, carry a coupon rate of 5% per annum and have a maturity term of 5 years.

STAFF

As at 31 December 2011, the Company and its subsidiaries had approximately 19,800 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.

SHARE OPTIONS

The shareholders of the Company (the "Shareholders") had approved the termination (to the effect that no further options shall be offered) of an executive share option scheme adopted in 1997 (the "1997 Share Option Scheme") and a share option scheme adopted in 2002 (the "2002 Share Option Scheme") on 17 April 2002 and 5 May 2011 respectively. On 5 May 2011, the Shareholders approved the adoption of a new share option scheme (the "2011 Share Option Scheme"). The 2011 Share Option Scheme is designed to motivate executives and key employees and other persons who may make a contribution to the Group, and enables the Group to attract and retain individuals with experience and ability and to reward them for their contributions.

As at 31 December 2011, a total of 18,377,552 share options of the Company (the "Share Options") were outstanding which comprised 62,552 and 18,315,000 Share Options granted under the 1997 Share Option Scheme and the 2002 Share Option Scheme respectively.

CORPORATE GOVERNANCE

During the financial year ended 31 December 2011, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

CLOSURE OF REGISTERS OF MEMBERS

The registers of members of the Company (the "Registers of Members") will be closed on Wednesday, 2 May 2012 for the purpose of determining Shareholders' eligibility to attend and vote at the annual general meeting of the Company to be held on 3 May 2012 (the "2012 AGM") and no transfer of shares will be effected on that date. In order to entitle to attend and vote at the 2012 AGM, all share transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Abacus Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:00 p.m. on Monday, 30 April 2012.

The Registers of Members will also be closed on Wednesday, 9 May 2012 for the purpose of determining Shareholders' entitlement to the Final Dividend and no transfer of shares will be effected on that date. In order to qualify for the Final Dividend, all share transfers accompanied by the relevant share certificates must be lodged with Tricor Abacus Limited at the above address, for registration not later than 4:00 p.m. on Tuesday, 8 May 2012. The Final Dividend is payable on Thursday, 17 May 2012 to Shareholders whose names appear on the Registers of Members on Wednesday, 9 May 2012.

2012 AGM

The 2012 AGM will be held at 2:30 p.m. on Thursday, 3 May 2012 at Atrium Room, Level 39, Island Shangri-La Hotel, Pacific Place, Supreme Court Road, Central, Hong Kong.

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 ended 31 December 2011.

By Order of the Board
Kuok Khoon Chen
Chairman

Hong Kong, 15 March 2012

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

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

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

* *For identification purpose only*