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 2012

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 2012. The Audit and Corporate Governance Committee of the Company has met to review the results and the financial statements of the Group for the year ended 31 December 2012 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 2012 was HK$6,960 million, representing an increase of 30% compared with HK$5,348 million reported for 2011. 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$2,265 million for the year ended 31 December 2012 (2011: HK$1,691 million). Profit attributable to shareholders for the year ended 31 December 2012 before taking into account the effects of the aforementioned increase in fair value was HK$4,695 million (2011: HK$3,657 million).

Earnings per share for the year ended 31 December 2012 were HK$4.84, representing an increase of 30% compared with HK$3.72 per share in 2011.

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		
	2012	2011	
	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	**4,695**	3,657	28%
Add:			
Net increase in fair value of investment properties and related tax effects	**2,265**	1,691	
Profit attributable to shareholders after taking into account the net increase in fair value of investment properties and related tax effects	**6,960**	5,348	30%

The Board has recommended the payment of a final dividend of HK$0.55 per share for the year ended 31 December 2012 (the "**Final Dividend**"). Together with the interim dividend of HK$0.4 per share, the total dividend for the year ended 31 December 2012 will be HK$0.95 per share (2011: HK$0.87 per share).

CONSOLIDATED INCOME STATEMENT

	Note	Year ended 31 December 2012 HK$'000	2011 HK$'000
Turnover	2	**34,513,046**	20,660,363
Cost of sales		**(7,724,918)**	(1,230,480)
Direct operating expenses		**(18,003,498)**	(14,430,579)
Gross profit		**8,784,630**	4,999,304
Other income and net gains		**391,685**	475,524
Administrative and other operating expenses		**(2,233,981)**	(1,998,907)
Increase in fair value of investment properties		**2,943,032**	1,605,932
Operating profit before finance costs		**9,885,366**	5,081,853
Finance costs	3	**(559,572)**	(333,771)
Operating profit	2,3	**9,325,794**	4,748,082
Share of results of associates		**573,443**	2,354,901
Profit before taxation		**9,899,237**	7,102,983
Taxation	4	**(1,791,285)**	(1,233,962)
Profit for the year		**8,107,952**	5,869,021
Profit attributable to :			
Company's shareholders		**6,960,216**	5,347,715
Non-controlling interests		**1,147,736**	521,306
		8,107,952	5,869,021
Dividends		**1,367,139**	1,252,063
Earnings per share	5		
- Basic		**HK$4.84**	HK$3.72
- Diluted		**HK$4.82**	HK$3.68

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2012	2011
	HK$'000	HK$'000
Profit for the year	**8,107,952**	5,869,021
Other comprehensive income		
Fair value gain recognised upon the transfer from leasehold land and buildings to investment properties, net of tax	**9,598**	-
Cash flow hedges	**18,192**	64,748
Fair value gain/(loss) on available-for-sale investments	**240,479**	(152,617)
Share of other comprehensive income of associates	**1,387**	1,440
Net translation differences on foreign operations	**582,345**	1,752,562
Other comprehensive income for the year (net of tax)	**852,001**	1,666,133
Total comprehensive income for the year	**8,959,953**	7,535,154
Total comprehensive income attributable to:		
Company's shareholders	**7,675,589**	6,674,951
Non-controlling interests	**1,284,364**	860,203
	8,959,953	7,535,154

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December **2012** **HK$'000**	2011 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**6,626,304**	5,873,592
Investment properties		**47,484,425**	42,329,689
Leasehold land and land use rights		**531,796**	537,461
Properties under development		**23,970,147**	20,947,855
Land deposits		**6,586,754**	1,606,545
Associates		**12,422,764**	11,717,054
Derivative financial instruments		**186,172**	177,004
Available-for-sale investments		**1,964,267**	1,714,316
Long-term receivables		**237,346**	55,004
Intangible assets		**1,896,333**	1,308,243
		101,906,308	86,266,763
Current assets			
Properties under development		**5,474,181**	9,509,349
Completed properties held for sale		**5,062,792**	2,700,146
Accounts receivable, prepayments and deposits	6	**8,074,448**	6,836,082
Tax recoverable		**261,909**	247,214
Tax reserve certificates		**102,448**	92,231
Listed securities at fair value through profit or loss		**182,458**	143,617
Restricted and pledged bank deposits		**6,066**	28,535
Cash and bank balances		**16,059,515**	17,545,286
		35,223,817	37,102,460
Current liabilities			
Accounts payable, deposits received and accrued charges	7	**11,323,887**	10,444,163
Taxation		**2,312,403**	1,934,946
Short-term bank loans and current portion of long-term bank loans	8	**2,539,081**	5,362,156
Convertible bonds		**-**	2,734,151
Secured bank overdrafts		**23,960**	15,215
Unsecured bank overdrafts		**2,129**	297
		16,201,460	20,490,928
Net current assets		**19,022,357**	16,611,532
Total assets less current liabilities		**120,928,665**	102,878,295
Non-current liabilities			
Long-term bank loans	8	**19,214,077**	15,821,823
Fixed rate bonds	9	**10,153,100**	5,561,518
Amounts due to non-controlling interests		**2,548,464**	3,002,414
Deferred taxation		**4,501,832**	3,875,123
Retirement benefit obligations		**157,310**	168,329
		36,574,783	28,429,207
ASSETS LESS LIABILITIES		**84,353,882**	74,449,088
EQUITY			
Capital and reserves attributable to the Company's shareholders			
Share capital		**1,439,131**	1,438,366
Share premium		**12,208,679**	12,190,587
Other reserves		**15,548,181**	14,600,337
Retained profits		**40,804,293**	35,017,137
Proposed final dividend		**791,522**	676,032
		70,791,806	63,922,459
Non-controlling interests		**13,562,076**	10,526,629
TOTAL EQUITY		**84,353,882**	74,449,088

FINANCIAL HIGHLIGHTS

	As at 31 December **2012**	2011
Equity attributable to the Company's shareholders *(HK$ million)*	**70,792**	63,922
Net borrowings (including bonds) *(HK$ million)*	**15,867**	11,921
Net asset value (attributable to the Company's shareholders) per share	**HK$49.19**	HK$44.44
Gearing (Net borrowings / Equity attributable to the Company's shareholders)	**22.4%**	18.6%

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.

The accounting policies are consistent with those as described in the Group's financial statements for the year ended 31 December 2011.

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 2013, but the Group has not early adopted them:

- HKAS 1 (amendment), 'Presentation of items of other comprehensive income'
- HKAS 19 (2011), 'Employee benefits'
- HKAS 27 (2011), 'Separate financial statements'
- HKAS 28 (2011), 'Investments in associates and joint ventures'
- HKAS 32 (amendment), 'Offsetting financial assets and financial liabilities'
- 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'
- Annual improvements 2009-2011 cycle
- Amendments to HKFRS 10, HKFRS 11 and HKFRS 12, 'Consolidated financial statements, Joint arrangements and Disclosure of interests in other entities: Transition guidance'
- Amendments to HKAS 27 (2011), HKFRS 10 and HKFRS 12, 'Investment entities'

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	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Principal activities:				
Property rental				
- The People's Republic of China ("**PRC**") Property	**964,515**	892,927	**595,500**	625,714
- Hong Kong Property	**711,209**	648,403	**546,611**	458,787
	1,675,724	1,541,330	**1,142,111**	1,084,501
Property sales (Note)				
- PRC Property	**1,541,288**	718,896	**340,490**	507,156
- Hong Kong Property	**11,563,051**	1,992,527	**4,133,909**	788,251
	13,104,339	2,711,423	**4,474,399**	1,295,407
Hotel operations - PRC Property	**279,574**	225,784	**(117,350)**	(79,291)
Logistics operations	**19,294,775**	16,034,311	**1,305,092**	1,091,645
Others	**158,634**	147,515	**(421,490)**	(250,112)
	34,513,046	20,660,363	**6,382,762**	3,142,150
Increase in fair value of investment properties	**-**	-	**2,943,032**	1,605,932
	34,513,046	20,660,363	**9,325,794**	4,748,082
Principal markets:				
PRC	**11,493,077**	8,974,003	**2,764,756**	1,869,671
Hong Kong	**14,867,909**	5,070,486	**6,069,529**	2,486,638
Taiwan	**2,016,915**	1,919,180	**225,209**	214,445
United Kingdom	**1,036,422**	996,603	**45,665**	48,744
Others	**5,098,723**	3,700,091	**220,635**	128,584
	34,513,046	20,660,363	**9,325,794**	4,748,082

Note: Sales of investment properties for the year ended 31 December 2012 amounting to HK$146,179,000 (2011: HK$1,170,233,000), comprising sales from PRC investment properties of HK$127,179,000 (2011: HK$305,323,000) and sales from Hong Kong investment properties of HK$19,000,000 (2011: HK$864,910,000), 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 2012

HK$'000

	PRC Property	Hong Kong Property	Overseas Property	Logistics	Total Operating Segments	Others	Eliminations	Consolidated
Revenue								
Turnover	2,785,377	12,274,260	-	19,294,775	34,354,412	158,634	-	34,513,046
Inter-segment revenue	-	-	-	-	-	120,322	(120,322)	-
Inter-segment interest income	-	-	-	-	-	461,930	(461,930)	-
	2,785,377	12,274,260	-	19,294,775	34,354,412	740,886	(582,252)	34,513,046
Results								
Segment results before increase in fair value of investment properties	521,779	4,807,090	896	1,283,430	6,613,195	418,148	(461,930)	6,569,413
Increase in fair value of investment properties	1,759,310	918,567	-	265,155	2,943,032	-	-	2,943,032
Segment results	2,281,089	5,725,657	896	1,548,585	9,556,227	418,148	(461,930)	9,512,445
Dividend income	-	58,329	22,028	21	80,378	-	-	80,378
Interest income	103,248	19,644	41	28,330	151,263	141,280	-	292,543
Interest expenses	(38,406)	(184,353)	-	(63,124)	(285,883)	(735,619)	461,930	(559,572)
Operating profit	2,345,931	5,619,277	22,965	1,513,812	9,501,985	(176,191)	-	9,325,794
Share of results of associates	71,205	164,328	107,368	136,421	479,322	94,121	-	573,443
Profit before taxation	2,417,136	5,783,605	130,333	1,650,233	9,981,307	(82,070)	-	9,899,237
Taxation	(691,219)	(758,069)	(29,216)	(300,711)	(1,779,215)	(12,070)	-	(1,791,285)
Profit for the year	1,725,917	5,025,536	101,117	1,349,522	8,202,092	(94,140)	-	8,107,952
Profit attributable to:								
Company's shareholders	1,219,723	4,664,853	101,117	1,068,661	7,054,354	(94,138)	-	6,960,216
Non-controlling interests	506,194	360,683	-	280,861	1,147,738	(2)	-	1,147,736
	1,725,917	5,025,536	101,117	1,349,522	8,202,092	(94,140)	-	8,107,952
Depreciation and amortisation	44,720	13,343	-	367,351	425,414	3,907	-	429,321

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

3. Operating profit

	Year ended 31 December	
	2012	2011
	HK$'000	HK$'000
Operating profit is stated after crediting/charging the following :		
Crediting		
Dividend income from listed and unlisted investments	**80,378**	69,926
Interest income	**292,543**	228,372
Gain on sale of investment properties, net	**36,987**	232,024
Charging		
Depreciation of property, plant and equipment and amortisation of leasehold land and land use rights	**391,278**	349,017
Amortisation of intangible assets	**38,043**	3,721
Total finance costs incurred	**1,165,005**	837,107
Less: amount capitalised in properties under development and investment properties under construction	**(614,457)**	(471,689)
	550,548	365,418
Fair value loss/(gain) on derivative financial instruments	**9,024**	(31,647)
Total finance costs expensed during the year	**559,572**	333,771

4. Taxation

	Year ended 31 December	
	2012	2011
	HK$'000	HK$'000
The taxation (charge)/credit comprises:		
PRC taxation		
Current	**(340,343)**	(534,567)
Over/(under)-provision in prior years	**68,205**	(5,160)
Deferred	**(512,884)**	(209,000)
	(785,022)	(748,727)
Hong Kong profits tax		
Current	**(794,526)**	(304,212)
Over/(under)-provision in prior years	**505**	(48,557)
Deferred	**(62,667)**	(2,283)
	(856,688)	(355,052)
Overseas taxation		
Current	**(127,724)**	(120,125)
(Under)/over-provision in prior years	**(10,090)**	382
Deferred	**(11,761)**	(10,440)
	(149,575)	(130,183)
	(1,791,285)	(1,233,962)

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 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$146,530,000 (2011: HK$554,350,000) is included in the share of results of associates in the consolidated income statement.

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	
	2012	2011
Weighted average number of ordinary shares in issue	**1,438,703,882**	1,437,737,140
	HK$'000	HK$'000
Profit attributable to shareholders	**6,960,216**	5,347,715
Basic earnings per share	**HK$4.84**	HK$3.72

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	
	2012	2011
Weighted average number of ordinary shares in issue	**1,438,703,882**	1,437,737,140
Adjustment for convertible bonds	**6,341,496**	44,634,377
Adjustment for share options	**3,123,426**	3,551,392
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**1,448,168,804**	1,485,922,909
	HK$'000	HK$'000
Profit attributable to shareholders	**6,960,216**	5,347,715
Adjustment for finance cost on convertible bonds	**16,800**	116,496
Profit used to determine diluted earnings per share	**6,977,016**	5,464,211
Diluted earnings per share	**HK$4.82**	HK$3.68

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 2012 is as follows:

	As at 31 December 2012 HK$'000	As at 31 December 2011 HK$'000
Below 1 month	**3,666,376**	2,426,583
Between 1 month and 3 months	**1,152,523**	788,636
Over 3 months	**190,594**	121,311
	5,009,493	3,336,530

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 2012 is as follows:

	As at 31 December 2012 HK$'000	As at 31 December 2011 HK$'000
Below 1 month	**1,036,628**	746,615
Between 1 month and 3 months	**551,519**	416,846
Over 3 months	**184,072**	337,459
	1,772,219	1,500,920

8. Bank loans

	As at 31 December 2012 HK$'000	As at 31 December 2011 HK$'000
Bank loans - unsecured	**16,284,410**	18,022,447
Bank loans - secured	**5,468,748**	3,161,532
Total bank loans (note (i))	**21,753,158**	21,183,979
Less : Short-term bank loans and current portion of long-term bank loans	**(2,539,081)**	(5,362,156)
	19,214,077	15,821,823

8. Bank loans (continued)

(i) As at 31 December 2012, the Group's bank loans were repayable as follows:

	As at 31 December 2012 HK$'000	As at 31 December 2011 HK$'000
Within one year	**2,539,081**	5,362,156
In the second to fifth year		
- In the second year	**1,230,535**	2,876,427
- In the third year	**4,186,392**	685,520
- In the fourth year	**10,816,734**	1,174,971
- In the fifth year	**1,139,219**	9,642,839
	17,372,880	14,379,757
Repayable within five years	**19,911,961**	19,741,913
Over five years	**1,841,197**	1,442,066
	21,753,158	21,183,979

9. Fixed rate bonds

In February 2012, Wiseyear Holdings Limited, a wholly-owned subsidiary of the Company, issued fixed rate bonds in the aggregate principal amount of US$600,000,000. 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.

10. Commitments

At 31 December 2012, the Group had capital commitments in respect of interests in leasehold land, properties under development, property, plant and equipment and equity interests in certain companies not provided for in these financial statements as follows:

	As at 31 December 2012 HK$'000	As at 31 December 2011 HK$'000
Contracted but not provided for	**9,090,849**	7,743,340
Authorised but not contracted for	**371,143**	440,599
	9,461,992	8,183,939

11. Contingent liabilities

Guarantees for banking and other facilities

	As at 31 December 2012 HK$'000	As at 31 December 2011 HK$'000
- Guarantees for banking and other facilities of certain associates (note (i))	**1,496,416**	1,576,413
- Guarantees to certain banks for mortgage facilities granted to first buyers of certain properties in the PRC (note (ii))	**722,885**	765,187
	2,219,301	2,341,600

(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 2012 amounted to approximately HK$1,496,416,000 (2011: HK$1,576,413,000). The total amount of such facilities covered by the Group's guarantees as at 31 December 2012 amounted to approximately HK$2,360,790,000 (2011: HK$2,594,570,000).

(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 2012 amounted to approximately HK$722,885,000 (2011: HK$765,187,000). The total amount of such facilities covered by the Group's guarantees as at 31 December 2012 amounted to approximately HK$8,100,318,000 (2011: HK$8,887,153,000).

Apart from the above, there are no material changes in contingent liabilities of the Group since 31 December 2011.

12. Pledge of assets

As at 31 December 2012, the Group's total bank loans and overdrafts of HK$21,779,247,000 (2011: HK$21,199,491,000) included an aggregate amount of HK$16,286,539,000 (2011: HK$18,022,744,000) which is unsecured and an aggregate amount of HK$5,492,708,000 (2011: HK$3,176,747,000) 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 with an aggregate net book value of HK$17,077,560,000 (2011: HK$9,994,918,000);

(ii) charges on bank balances amounting to HK$12,000 (2011: HK$3,279,000) of certain subsidiaries; and

(iii) assignments of insurance proceeds of certain properties.

MANAGEMENT DISCUSSION & ANALYSIS

REVIEW OF PROPERTY BUSINESS

OVERVIEW

The Group is encouraged to report another solid set of results for its property business despite various changes and challenges in the macroeconomic environment. During the year, the Group continued to invest for the future, moving ahead with its development projects in the PRC and Hong Kong and sustaining its competitive position at the premium end of the market.

As at 31 December 2012, the Group maintained a property portfolio comprising properties under development measuring a gross floor area ("**GFA**") of 47.09 million square feet (2011: 45.80 million square feet), completed investment properties of 9.85 million square feet (2011: 9.12 million square feet), hotel properties of 0.86 million square feet (2011: 0.87 million square feet) and properties held for sale of 1.37 million square feet (2011: 0.49 million square feet). Building on this premium asset base, the Group is committed to creating long-term value for its shareholders.

Property Portfolio Composition
As at 31 December 2012:

	Group's attributable GFA				
	The PRC	Hong Kong	Macau[(1)]	Overseas	Total
		('000 square feet)			
Completed Investment Properties	5,263	2,907	-	1,679	9,849
Hotel Properties	826	38	-	-	864
Properties Under Development	40,726	1,813	2,385	2,163	47,087
Properties Held for Sale	941	418	-	10	1,369
Total GFA	**47,756**	**5,176**	**2,385**	**3,852**	**59,169**

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

Although the PRC economy has been steadily on track towards a mild recovery, a large part of 2012 was marked by a relatively slow pace of activity. Responding to an overall easing in the property sector during the year, the Division has maintained prudence in the management of its business portfolio in the PRC. At the same time, the Division has proceeded with the development of its mixed-use property projects and sales activities in the PRC as planned.

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

During the year, the PRC Property Division recorded a turnover of HK$2,785 million (2011: HK$1,838 million), an increase of 52% year on year. Net profit attributable to the Company's shareholders was up by 37% year on year to HK$1,220 million (2011: HK$889 million), after taking into account the increase in fair value of investment properties (after deferred taxation) of HK$975 million (2011: HK$622 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$245 million (2011: HK$267 million).

Investment Properties

During the year under review, the Group derived rental turnover and operating profit of HK$965 million and HK$595 million, respectively (2011: HK$893 million and HK$626 million, respectively) from its portfolio of completed investment properties in the PRC.

As at 31 December 2012, the Group held a completed investment property portfolio of apartment, commercial and office properties in the PRC with an aggregate GFA of 5.26 million square feet (2011: 4.46 million square feet). Their respective composition and occupancy rates were as follows:

As at 31 December 2012:

	Group's attributable GFA					
	Beijing	**Shanghai**	**Shenzhen**	**Fuzhou**	**Total**	**Occupancy rate**
		('000 square feet)				
Office	**711**	**917**	**1,552**	**-**	**3,180**	**86%**
Commercial	**98**	**651**	**212**	**64**	**1,025**	**98%**
Apartment	**277**	**781**	**-**	**-**	**1,058**	**80%**
	1,086	**2,349**	**1,764**	**64**	**5,263**	

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%
Apartment	277	775	-	-	1,052	69%
	1,086	2,396	914	64	4,460	

Comparative occupancy rates of key investment properties are outlined below:

Property	**Occupancy rate as at 31 December 2012**	Occupancy rate as at 31 December 2011
Beijing Kerry Centre	**98%** *(1)*	90%
Shanghai Kerry Centre	**94%** *(2)*	90%
Kerry Parkside Shanghai Pudong	**97%**	78%
Kerry Everbright City Phase I	**86%**	85%
Central Residences Phase II Towers 1 and 3	**79%**	68%
Shenzhen Kerry Plaza Phase I	**99%**	100%
Shenzhen Kerry Plaza Phase II	**57%**	N/A

Notes:

(1) Excluding retail, serviced apartments and Kerry Hotel, Beijing which are undergoing renovation.

(2) Excluding serviced apartments and retail podium which are undergoing renovation.

The 40.8%-held mixed-use property project, Kerry Parkside, in the Pudong District of Shanghai, includes a hotel, offices, serviced apartments, commercial properties and related ancillary facilities. Strong leasing performance was recorded for this development, with 100% (2011: 99%) of the retail space leased and 100% (2011: 83%) of the offices occupied as at 31 December 2012.

Shenzhen Kerry Plaza Phase II, with a GFA of approximately 850,000 square feet, was completed in the first quarter of 2012. This Grade-A office project, together with Shenzhen Kerry Plaza Phase I, comprises three office towers. Located at the core of the Futian CBD, it is conveniently connected to Futian railway station on the Guangzhou–Shenzhen–Hong Kong Express Rail Link now under construction. The Phase II development was 57% leased as at 31 December 2012.

Sales of Properties

The Group's sales of completed properties in the PRC during the year delivered a turnover of HK$1,541 million (2011: HK$719 million). Sales of completed investment properties generated proceeds of HK$127 million (2011: HK$305 million). An operating profit of HK$340 million (2011: HK$507 million) was derived during the year mainly from recognized sales of The Metropolis-Arcadia Court Phase I in Chengdu, Central Residences Phase II Tower 2 in Shanghai, and Kerry Everbright City Phases I & II (including residential property Le Loft and the Enterprise Square office tower) in Shanghai.

During the year ended 31 December 2012, the Metropolis-Arcadia Court Phase I in Chengdu recorded turnover of HK$1,312 million (2011: nil) of which HK$408 million was derived from the sales in 2012 and the remaining from pre-sales proceeds generated before 2012. As at 31 December 2012, 905 units, representing 49% of the total, had been sold. The Group holds a 55% interest in the project.

Ideally located in the upscale Huashan Road residential neighbourhood in Shanghai, Central Residences Phase II has earmarked 62 units from Tower 2 for sale. As of 31 December 2012, 94% of the lot or 58 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. The Group holds a 74.25% interest in the project. As at 31 December 2012, all the Le Loft residential units had been sold. Enterprise Square, which offers 430 saleable office units, recorded sales of 350 units, representing 81% of the total.

Properties under Development

In line with the rising future economic indicators of the PRC, property transactions and prices have demonstrated a gradual upward trend since the last quarter of 2012. The PRC Property Division maintained a clear position amidst challenging operating conditions. Its premium property portfolio, with a focus on major mixed-use projects in key cities supplemented by selective investments in projects of strategic value, will continue to provide growth momentum for the Group over the medium to long term.

Shanghai

The landmark mixed-use development, Jing An Kerry Centre, is a 51% joint venture project with Shangri-La Asia Limited ("**Shangri-La**"). Located in the heart of Shanghai's Nanjing Road business district, the 2.74 million square-foot project incorporates a deluxe hotel/office tower, an international Grade-A office tower and an upscale shopping mall. The north site, comprising an office tower and retail podium was completed at the end of 2012 with delivery to tenants scheduled for the first quarter of 2013. Handover of remaining areas is scheduled for the second quarter of 2013. Jing An Kerry Centre has been conceived as the pre-eminent shopping venue in the city, featuring signature stores and the world's leading brands, and is positioned as the most exclusive address to attract premium tenants. Market response to the leasing of space has been strong, with approximately 55% of the office space and 87% of the retail space pre-let as at 31 December 2012.

Piling works for Phase III of the Kerry Everbright City project in Zhabei District have completed and the project is expected to be completed by 2015. This new project, comprising office premises and some supporting retail spaces, will add a GFA of approximately 1.1 million square feet to the entire development. The Group holds a 74.25% interest in the project.

Tianjin

The Group's 49%-owned mixed-use property project, Tianjin Kerry Centre, in Hedong District, Tianjin, is located on the east bank of the Haihe CBD and enjoys a convenient transport network. The project will have a total GFA of approximately 5.37 million square feet. Construction is currently in progress and has been topped off in mid 2012. Phase I of the development includes a hotel, upscale residences and a shopping mall, which is scheduled to be completed and handed over in phases between the second quarter of 2014 and the second quarter of 2015. Pre-sales of the residential portion, Tianjin Arcadia Court, and pre-leasing activities for the mall have commenced in the third quarter of 2012 and are progressing well. As at 31 December 2012, 144 residential units, representing 48% of total units launched for pre-sales, had been sold.

Hangzhou

The Group is developing a site in the Xiacheng District of Hangzhou, located at the intersection of Yan'an Road and Qingchun Road, adjacent to the Xihu (West Lake). This 2.1 million square-foot mixed-use property will comprise a luxury hotel, Grade-A offices, premium apartments and a large-scale retail mall complex. Piling works are in progress and the entire development is targeted for completion in phases by 2016. The Group holds a 75% stake in the project.

The Group has a second site in Xiacheng District 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 by the first quarter of 2013. The first phase of Parkview Residence has been completed and delivered for occupation, while sales of additional residential blocks from Phase II & III are currently ongoing and well received. As at 31 December 2012, approximately 86% of the 1,310 units launched for pre-sale had been sold.

On 19 October 2012, the Group acquired five additional lots of land for residential and commercial development. This project is located in the core area of the Hangzhou Zhijiang National Tourist and Holiday Resort, and has an aggregate site area of approximately 1.53 million square feet, yielding a developable GFA of approximately 2.26 million square feet of residential properties and approximately 250,000 square feet of commercial space.

Nanjing

The Group and Shangri-La are co-developing a premier site at Zhong Yang Road in the Gu Lou District, Nanjing. Located in the heart of Nanjing, the site is designated for the development of 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.

On 26 April 2012, the Group acquired a residential site at Da Guang Road, Bai Xia District, Nanjing. This project, wholly owned by the Group, has a site area of approximately 384,000 square feet and a GFA of approximately 962,000 square feet. Project conceptual design is in progress.

Chengdu

The Metropolis-Arcadia Court in Chengdu is located in the southern part of the High-Tech Industrial Development Zone. This 55%-held residential project is expected to generate a GFA of approximately 6.8 million square feet. Residential units of Phase I were handed over in the third quarter of 2012, while construction of Phases II and III are due for completion in several stages from 2015 onwards.

Nanchang

In Nanchang, the provincial capital of Jiangxi Province, the Group is developing a mixed-use property through a joint venture with Shangri-La. The Group holds an 80% interest in the project. Situated on the west bank of the Ganjiang River at the heart of Honggutan Central District, the development blueprint includes hotel, office, commercial and high-end apartment properties, with a GFA of approximately 2.6 million square feet. Construction of the hotel tower has already reached the podium level, and piling works for the residential portion are completed. The development of hotel and residential portion is targeted for completion in phases by 2015.

Changsha

The wholly-owned residential project in the Tianxin District of Changsha, the provincial capital of Hunan Province, is expected to deliver a GFA of approximately 3.2 million square feet. Construction works are currently underway, and the project is scheduled to be completed in phases between 2014 and 2016. Pre-sales of the project were launched in the fourth quarter of 2012 with satisfactory results. As at 31 December 2012, 131 units, representing 47% of the units launched for pre-sale, had been sold.

Shenyang

The Group's 60%-owned Shenyang Kerry Centre project in Shenyang, the capital of Liaoning Province, is located on the east side of Qingnian Street, to the south of Qingnian Park, and lies at the core of the city's landmark Golden Corridor development. The site will yield a GFA of approximately 14.7 million square feet, and is designated for the development of a mixed-use project, including a hotel, offices, shopping mall and residences. Phase I of this development is at the construction stage, and the entire project is targeted for completion in phases between 2013 and 2022. Pre-sales of the Phase I residential portion, Arcadia Court, has commenced in the third quarter of 2012 and is progressing well. As at 31 December 2012, 158 units, representing 49% of the units launched for pre-sale, had been sold.

Qinhuangdao

Construction works are ongoing on the Group's 60%-owned deluxe seaside residential project adjacent to Beidaihe in Qinhuangdao, Hebei Province. This development is expected to generate a GFA of approximately 4.8 million square feet, and is planned to be completed in phases. Phase I of the development is targeted for completion in 2015. The pre-sales of residential units already commenced in the third quarter of 2012. Up to 31 December 2012, 139 units, representing 36% of the units launched for sale, had been sold.

Manzhouli

The Group's wholly-owned project in Manzhouli, Inner Mongolia, is a residential and commercial property development. Phase I of the residential project has been completed and delivered. Phase II has completed the topping out stage and has a GFA of approximately 616,000 square feet. Pre-sales of Phase II residential units were launched in July 2012. Up to 31 December 2012, 101 residential units, representing 28% of the total, had been pre-sold.

Tangshan

The Group's 40%-owned mixed-use project in this key Hebei city comprises a hotel and residential and ancillary commercial properties, with a GFA of approximately 3.3 million square feet. The project is scheduled to be completed in phases between 2013 and 2014, with pre-sales of the residential units already rolled out in the second quarter of 2012. As at 31 December 2012, 353 residential units, representing 65% of the total units, launched for pre-sales, had been sold.

Ningbo

The site in Ningbo is located in the Eastern New Town Core Region and is earmarked for the development of high-end residences with a GFA of approximately 1.03 million square feet. The Group holds a 50% interest in the project. Piling works for Phase I (approximately 408,000 square feet) are in progress and the project is scheduled to be completed in phases by 2015.

Yingkou

The Group is the co-developer of 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 GFA of approximately 5.2 million square feet. Upon completion of the sales and purchase agreements entered into on 19 December 2012, the Group's interest in the project will be increased from 40% to 65%, while Shangri-La will cease to hold an interest in the project.

Jinan

The Group is co-developing a mixed-use project located in Lixia District, Jinan City with Shangri-La. The Group holds a 55% stake in this project. With a GFA of approximately 1.0 million square feet, the project will comprise a hotel and office and commercial spaces, and is scheduled to be completed in 2015.

Zhengzhou

The Group and Shangri-La are jointly developing a site located at the east of Huayuan Road and the south of Weier Road in Zhengzhou City, Henan Province. The site will yield a GFA of approximately 2.4 million square feet and the project will comprise a hotel, residential, commercial and office properties, with completion expected in 2016. The Group holds a 55% interest in this project.

Putian

The Group and Shangri-La are jointly developing a site in Putian City, Fujian Province. The site, located at the junction of Jiuhua Road and Lihan Avenue, will generate a GFA of approximately 4.0 million square feet and is earmarked for the development of residential, hotel and ancillary commercial properties. Phase I of the development is scheduled to be completed by 2016. The Group holds a 60% interest in this project.

Kunming

On 13 June 2012, the Group, together with Shangri-La and Moneyeasy Holdings Limited, acquired two adjoining sites in Kunming City, Yunnan Province. The sites are designated for hotel, serviced apartment, office and commercial uses, with a GFA of approximately 920,000 square feet. The Group holds a 35% equity interest in the project.

Kerry Hotel, Beijing

During the year ended 31 December 2012, Kerry Hotel, Beijing, recorded turnover and operating loss of HK$279 million and HK$117 million, respectively (2011: HK$226 million and operating loss of HK$79 million, respectively). The hotel is undergoing a refurbishment programme, which has had an impact on its operating results during the year. The programme is expected to be completed by early 2013. An average occupancy rate of 42% (2011: 46%) was achieved during the year, while the average room tariff increased by 23% year on year. The Group holds a 71.25% interest in the hotel.

Properties under development in the PRC

As at 31 December 2012:	**Group's attributable GFA upon completion**						
	Residential	**Apartment**	**Apartment Style Office**	**Office**	**Commercial**	**Hotel**	**Total**
			('000 square feet)				
Shanghai	-	-	247	1,102	446	404	2,199
Tianjin	926	116	-	635	586	369	2,632
Hangzhou	4,101	271	-	94	1,185	378	6,029
Shenyang	4,725	-	-	1,264	2,420	395	8,804
Nanjing	962	-	-	-	4	412	1,378
Chengdu	2,174	235	-	-	43	-	2,452
Nanchang	706	-	-	611	79	659	2,055
Changsha	3,154	-	-	-	53	-	3,207
Manzhouli	562	-	-	-	53	-	615
Qinhuangdao	2,823	-	-	-	36	-	2,859
Tangshan	998	-	-	-	79	243	1,320
Ningbo	516	-	-	-	-	-	516
Yingkou	1,767	-	-	-	82	228	2,077
Jinan	-	-	-	193	36	314	543
Zhengzhou	582	-	-	198	164	368	1,312
Putian	1,649	-	-	-	107	649	2,405
Kunming	-	80	-	71	2	170	323
Total	**25,645**	**702**	**247**	**4,168**	**5,375**	**4,589**	**40,726**

HONG KONG PROPERTY DIVISION

During the year ended 31 December 2012, the Hong Kong Property Division reported a turnover of HK$12,274 million (2011: HK$2,641 million). Net profit attributable to the Company's shareholders stood at HK$4,665 million (2011: HK$3,524 million), after taking into account the increase in fair value of investment properties (net of deferred taxation) of HK$1,018 million (2011: HK$909 million).

The Division's turnover was mainly derived from recognized sales of 15 Homantin Hill, Primrose Hill, Island Crest, The Altitude and Lions Rise. Continuing to develop and manage a portfolio of high-quality assets, the Division was able to derive healthy returns from property sales activities, while earning a stable stream of recurrent income from its investment properties.

Luxury properties set in cosmopolitan locations are a key area of focus for the Hong Kong property business. The Division will continue to shape its future development by capitalizing on its operating skills and presence across the residential, office and commercial sectors. Its prime landbank in Hong Kong will also give it the capability to capture the opportunities presented by the market in order to deliver sustainable value to its shareholders.

Investment Properties

In Hong Kong, the Division maintains a strategic investment property portfolio which provides a long-term platform enabling it to derive a stable stream of recurrent earnings from across the residential, office and commercial sectors. An integral part of this rental asset base is a portfolio of exclusive homes in prestigious addresses, which has placed the Division in a pre-eminent position in the luxury residential sector in the city. During the year, rental turnover generated from the Group's completed investment properties in Hong Kong totalled HK$711 million (2011: HK$648 million), producing an operating profit of HK$547 million (2011: HK$459 million).

As at 31 December 2012, the Group held a completed investment property portfolio in Hong Kong with an aggregate GFA of 2.91 million square feet (2011: 2.77 million square feet). Set out below are the breakdown of GFA and the respective occupancy rates, together with comparative figures:

	As at 31 December 2012		As at 31 December 2011	
	Group attributable GFA ('000 square feet)	**Occupancy rate**	Group attributable GFA ('000 square feet)	Occupancy rate
Apartment	**722**	**94%**	722	99%
Commercial	**1,348**	**99%**	1,205	99%
Office	**837**	**97%**	839	90%
	2,907		2,766	

Enterprise Square Five/MegaBox

MegaBox is a pioneering shopping, dining and entertainment venue in East Kowloon, offering a unique mix of lifestyle attractions and shopping zones across a GFA of 1.1 million square feet. As at 31 December 2012, the mall had an occupancy rate of 99.98% (2011: 99%).

As at 31 December 2012, the two office towers of the Grade-A Enterprise Square Five, with a GFA of 519,000 square feet, recorded an occupancy rate of 100% (2011: 99%).

As the district is expected to develop further under the Hong Kong SAR Government's initiative of "Energising Kowloon East", the Group has full confidence in the strong ongoing potential of MegaBox and Enterprise Square Five.

Kerry Centre, Quarry Bay

Kerry Centre at 683 King's Road, Quarry Bay, is the Group's 40%-held flagship office tower in Hong Kong. This Grade-A office tower has 32 floors and a GFA of approximately 511,000 square feet. Leasing activity for Kerry Centre continued at a high level as a result of the office decentralization trend away from the city's CBD. As at 31 December 2012, 94% (2011: 66%) of the office space was leased.

SALES OF PROPERTIES

During the year under review, sales of completed properties held for sale in Hong Kong contributed a turnover of HK$11,563 million (2011: HK$1,993 million) to the Group. Sales of completed investment properties generated proceeds of HK$19 million (2011: HK$865 million). An operating profit of HK$4,134 million (2011: HK$788 million) was derived during the year from the recognized sales of completed properties of Lions Rise, The Altitude, 15 Homantin Hill, Island Crest and Primrose Hill.

The events of the past year have had a significant bearing on Hong Kong's property market. The upward trend in property prices has prompted the Hong Kong SAR Government to implement measures to rein in speculation in the market, resulting in stagnating property transaction. At the same time, the administration has planned to increase the supply of homes as a long-term means of stabilizing the market. With economic fundamentals remaining broadly stable, the Hong Kong Property Division has been able to achieve its objective.

Lions Rise, Wong Tai Sin

Conveniently situated near the MTR Wong Tai Sin Station, Lions Rise is a premium residence with a residential GFA of approximately 893,000 square feet. Five contemporary-design residential blocks offer a total of 968 units, all spaciously laid out and complemented by comprehensive luxury club facilities and landscaped gardens, and a lifestyle mall. The occupation permit for the project was issued in April 2012. As at 31 December 2012, 825 units, representing 85.2% of the total, had been sold.

The Altitude, Happy Valley

The Altitude at No. 20 Shan Kwong Road, Happy Valley, offers 126 units across a total GFA of approximately 245,000 square feet. The Group holds a 71% interest in this luxury residential project, which showcases contemporary living with elegance. As at 31 December 2012, 102 units, representing 81% of the total, had been sold.

PROPERTIES UNDER DEVELOPMENT

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. Only minutes away from the CBD, this 71%-owned project consists of deluxe urban residences and retail units, with a total GFA of approximately 142,000 square feet. All the typical residential units had been pre-sold as at 31 December 2012.

Bayview, To Kwa Wan

The redevelopment project at No. 9 Yuk Yat Street, To Kwa Wan, obtained the occupation permit on 30 October 2012. This residential and commercial development is expected to deliver a GFA of approximately 174,000 square feet. Applications for pre-sale consent and the certificate of compliance have been submitted and pending for approval.

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 total 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 GFA of approximately 77,000 square feet. This tranquil and prestigious location makes it an ideal site for the creation of an upscale living environment. Project completion is expected in the first quarter of 2014.

Prince Edward Road West, Ho Man Tin

This redevelopment project is situated at Nos. 298-300B Prince Edward Road West, Ho Man Tin, a prestigious location for the development of luxury residences enhanced by a number of renowned schools in the neighbourhood. The project is planned to be completed in the second quarter of 2014, delivering a 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 Nos. 7C-7F Shan Kwong Road, Tsui Man Street and Village Road in Happy Valley. Scheduled for completion by the fourth quarter of 2014, the project will join The Altitude as another prominent addition to this exclusive neighbourhood. It will yield a GFA of approximately 81,000 square feet.

Sha Tin Heights Road, Sha Tin

An equally distinctive project is under development on a site at Nos. 25-27A Sha Tin Heights Road, Sha Tin, with a 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 2015.

Kau To Shan, Sha Tin

Kerry Properties, jointly with Sino Group and Manhattan Group, is developing a luxury residential project in Kau To Shan. With a GFA of approximately 1,031,000 square feet, the project will include ten blocks of upscale residences set amidst the greenery of the much sought-after Sha Tin mid-levels. The Group holds a 40% stake in this project, which is targeted for completion in the second quarter of 2015.

Castle Peak Road, So Kwun Wat

In February 2012, the Group acquired a site in So Kwun Wat, Castle Peak Road, through public tender. Occupying an area of approximately 723,000 square feet and with a GFA of approximately 940,000 square feet, the site is planned to be developed into a large-scale premium residential property of not less than 1,100 units. The project is scheduled for completion by the end of 2016.

Sheung Lok Street, Ho Man Tin

In March 2013, the Group won a public tender for a site in Ho Man Tin. Occupying an area of approximately 259,000 square feet with a buildable GFA of approximately 1,142,000 square feet, the site is planned to be developed into a luxurious residential development.

Properties under Development in Hong Kong
As at 31 December 2012:

	Group's attributable GFA upon completion ('000 square feet)
Residential	1,800
Commercial	13
	1,813

Macau

Development planning is currently underway for the Group's luxury apartment project at Nam Van Lake, yielding a GFA of approximately 400,000 square feet. The project will occupy a prime city location graced with unobstructed panoramas of the Macau Peninsula and Nam Van Lake itself.

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

OVERSEAS PROPERTY DIVISION

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

Australia

As at 31 December 2012, 1,339 units (2011: 1,324 units) of the Group's 25%-owned Jacksons Landing project were sold, representing 100% of the total units offered for sale. This residential and commercial development is situated on a 12-hectare site on the Pyrmont Peninsula in Sydney. The commercial-use segment of the project was sold during the year.

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 2012, the occupancy rates of Shangri-La Plaza Mall and The Enterprise Center were 98% and 86%, respectively (2011: 99% and 87%, respectively).

The development of One Shangri-La Place, comprising approximately 428,000 square feet of retail space and approximately 1.63 million square feet of residential development, is currently ongoing. Pre-sales of the residential units have been launched with a total of 858 units sold as at 31 December 2012, accounting for 66% 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 2012, 1,149 units out of the total of 1,152 residential units in Towers 1 and 2 of the project had been sold. In addition, SPI holds a 40% interest in a hotel and luxury residential development in Fort Bonifacio, Taguig, Manila, and has invested in a new residential redevelopment project, Shang Salcedo Place, in Makati City, Manila.

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

Overseas Property Portfolio

	Group's attributable GFA
As at 31 December 2012:	**The Philippines**
Investment properties	**('000 square feet)**
Hotel lease	170
Shopping centre	972
Commercial	29
Office	307
Car-park building	201
Sub-total	**1,679**
Properties under development	
Residential	1,676
Hotel	195
Shopping centre	280
Commercial	12
Sub-total	**2,163**
Properties held for sale	
Residential	10
Sub-total	**10**
	3,852

REVIEW OF LOGISTICS BUSINESS

OVERVIEW

With the global destocking cycle underway, following a period of aggressive inventory building amidst widespread market optimism since the latter part of 2011, a downshift in worldwide demand was observed in the second half of last year. Global retail consumption, and consequently the demand for commodities further up the pipeline, has weakened due to a lower propensity to spend. This has had some effect upon the performance of the logistics sector during 2012.

Against this challenging backdrop, the Division is much encouraged to report a 10% growth year-on-year on profit attributable to the Company's shareholders (excluding fair value adjustment on investment properties) to HK$815 million (2011: HK$740 million). This was achieved by a strong turnover growth of 20% to HK$19,295 million (2011: HK$16,034 million). Including the HK$254 million (2011: HK$130 million) in fair value adjustment on investment properties, net profit attributable to the Company's shareholders for the year improved 23% to 1,069 million (2011: 870 million).

As Asia's premier logistics solutions provider, Kerry Logistics is deeply vested in the success of its clients in both the regional and the wider global environment. As such, the Division has consistently invested in its own assets, and now utilizes more than 30 million square feet of logistics space in a far-reaching global network that stretches over 30 countries in five continents, including the largest distribution network and hub operations seen in Greater China and the ASEAN region. Serving hundreds of top international brands and Fortune 500 companies, the Division's solution-based capability is supported by a team of 20,000 industry experts and a proprietary information technology ("**IT**") platform.

Integrated Logistics

The integrated logistics ("**IL**") services segment remained the Division's core business and contributed HK$580 million (2011: HK$507 million) in net profit to the Group's total earnings, a 14% increase year on year. Driven by growth achieved in the PRC and Southeast Asia, segment turnover increased 15% to HK$7,898 million (2011: HK$6,890 million).

The segment offers well-developed end-to-end supply chain management to manufacturers and retailers worldwide across a wide spectrum of industries, ranging from fashion and lifestyle, electronics and technology, food and beverage, and fast-moving consumer goods, to industrial and material sciences and automotive, as well as pharmaceuticals and healthcare.

Hong Kong

Leveraging its market-leading presence, a competitive service portfolio and a niche clientele, the Hong Kong business unit continued to perform well servicing a strong local retail sector. Apart from offering dedicated warehousing and distribution operations, the unit also provides a wide variety of value-added services that improve the performance of client supply chains.

During the year, the Division further expanded its business portfolio by entering into the insurance sector through the acquisition of Taishan Insurance Brokers Limited ("**TIB**"), a company offering a full range of insurance brokerage and consultancy services in Asia. TIB was a strategic addition to the Division and will provide its customers in the region with a broad range of insurance products and services. The acquisition will also enhance the coverage and competitiveness of the Division's all-round services.

China Focus

Operating as Kerry EAS Logistics Limited, the Division remained the PRC's leading logistics operator, with a portfolio of 9 million square feet of logistics facilities supported by a network of 135 branches serving more than 2,600 cities and townships.

Facing demand constraints in the world's major markets, the PRC's phenomenal export expansion began to ease off in 2012. However, as the Chinese economy seeks to rebalance away from over-reliance on investment and export-led production, domestic consumption has emerged as a more important engine of economic expansion. Committing ongoing investments to enhance its capability in strategic areas, the Division is able to capture new and sector-driven growth opportunities amidst structural economic change.

In seeking to expand its geographical and sector coverage, second-phase expansion of the logistics centres in Kunshan and Chongqing was ongoing during the year, with new facilities under construction in Zhengzhou, Wuxi and Xiamen.

In terms of sector coverage, Kunshan's second-phase facility was developed to serve the local requirements of the rapidly growing automotive industry. Included in the centre will be a 360,000-square-foot purpose-built logistics facility for automotive parts providing a hub for regional spare parts distribution throughout the PRC. This built-to-suit regional parts distribution centre will commence operations for a world-leading automotive enterprise in 2014.

Kerry TJ Logistics in Taiwan, a major component of Kerry Logistics' "Three Links" cargo transportation network, continued to generate real value for clients' businesses through constant service innovation and enhancement. The unit has gained access to Taiwan's healthcare sector through the acquisition of a pharmaceuticals and healthcare logistics company which was subsequently re-branded as TS Logistics.

In the face of significant cost inflation pressures, the Division has continued to seek ways to enhance efficiencies in order to stay competitive. With expansion and business development activities in place, management is confident that the Division is well placed to continue to grow in Greater China.

Asia Specialist

Asia continues to shape the world economic landscape as a leading source of goods and services. During the year, the Division achieved significant growth from this market by staying true to its mission of defining itself as an Asia Specialist.

With years of active development, Thailand and Vietnam have become the growth engines for the Division in the region.

In Thailand, cargo throughput continued to grow at Kerry Siam Seaport, where the Division has completed third-phase expansion works to double its container handling capacity. The company will be further developed into a key cargo gateway for ASEAN countries in the coming years.

To develop itself into a major logistics hub for Thailand's automotive industry, the Division has acquired land in the Eastern Seaboard Industrial Estate in Rayong Province for the construction of a 380,000-square-foot customized logistics centre. Close to the Laemchabang Seaport, this specialized logistics centre has been strategically located within a cluster of more than 500 automotive related factories. The new facility is scheduled for completion in the third quarter of 2013.

The Division is building a network of warehouses across Vietnam and now has extensive coverage in the north, central and southern regions of the country. Another 110,000 square feet of GFA shall be added to the existing facility in Song Than area by the first half of 2013, increasing the total GFA of this facility to over 770,000 square feet.

Kerry Asia Road Transport ("**KART**"), an ASEAN-wide road transportation platform, has launched a new twice-weekly scheduled trucking service connecting Shenzhen and Hanoi. The emerging trade channels developing between China and ASEAN countries and KART's 'Less-than-Truckload' (LTL) service will initially connect the industrial cities in southern China and northern Vietnam, providing shipping companies and third-party logistics providers (3PLs) with a fixed-day dedicated service. KART will look to expand this service to other city pairs as new industrial and commercial centres develop along this road network.

During the year, the Division has also secured a majority stake in Tin Thanh Express, which has been renamed as Kerry TTC Express, a leading express company in Vietnam, to pioneer the provision of IL solutions across the country. Headquartered in Hanoi, the company has operations in more than 60 cities in the country, offering a comprehensive range of nationwide and international express services. It will be developed into a market leader in its field.

The Division's 371,000-square-foot regional logistics hub in Singapore has now been completed, which will further enhance the country as an ideal regional centre for Kerry Logistics to hone its competitive edge in supply chain and logistics activities.

International Freight Forwarding

The international freight forwarding ("**IFF**") segment ended the financial year posting impressive growth despite the generally lacklustre economic activity. Segment turnover increased 25%, year on year, to HK$11,397 million (2011: HK$9,144 million), producing a net profit generated from operations of HK$104 million (2011: HK$93 million), up 12%.

To further the segment's intra-Asia and Asia-Europe cargo handling capabilities to capture new trade flows, the Division has engaged in active merger-and-acquisition initiatives over the past year to strengthen its foothold in strategic locations.

While economic conditions in Europe remained weak, the Division's freight forwarding operations on the continent delivered a strong performance during the year. To complete its continental network, discussions are in the pipeline for several potential investment targets in several European countries.

The Division is currently operating offices in Los Angeles, New York and Miami in the United States, where signs of a more solid rebound have been witnessed. To capture the shift in the country's outsourced manufacturing activities from the PRC to South America, the Division is also looking at acquisition opportunities in this part of the world.

On the other side of the globe, the Division's IFF business has continued to grow in the PRC. Following the acquisition of Beijing Tengchang International Transportation Service Co., Ltd. and Shanghai TCI Freight Forwarding Co., Ltd., the Division has become a leading independent neutral-platform for airfreight cargoes at key airports.

In view of the growing importance of the Asian economic community, the Division is devising plans to make further inroads into new markets as the first steps in expanding its IFF and non-vessel-operating common carrier (NVOCC) operations in the region. To this end, the Division opened two new offices during the year, one in Myanmar and another in Sri Lanka. The new offices will complement the Division's existing freight network covering Vietnam, Thailand, India and Bangladesh. The new establishment in Myanmar will help strengthen the Division's growing capabilities in the Greater Mekong Delta, while Sri Lanka is one of the fastest growing shipping and logistics hubs in South Asia.

Kerry Logistics will continue to take forward its international expansion plan for the IFF segment to complement and support the Division's expertise in IL business. With dedicated efforts, the IFF segment will continue to grow and contribute to the long-term sustainable development of the Division.

Logistics Investments

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

The profit contributed by the Division's logistics investments for the year ended 31 December 2012 declined slightly to HK$131 million (2011: HK$140 million) due to the drop in export from the PRC.

Information Technology

Following the Division's strategy set in 2011, the global freight forwarding system deployment is in full swing. Nine countries had begun using the new system by the end of 2012 and the majority will be rolled out in stages throughout the year of 2013. The target completion date of 2014 remains unchanged.

At the same time, the ground-breaking Virtual Buying Office (VBO) system has also been launched into production. This supply chain management platform is going to enable the Division to extend vertical penetration into customers' supply chains to tap the high end global logistics market.

In addition, two enterprise resource planning (ERP) systems have been successfully implemented for the Division's seaport operation in Thailand and Food & Beverage Trading unit in Hong Kong. This indicates progress to the next level of automation and efficiency gain. Meanwhile, a control tower platform has been put in place to facilitate the newly developed regional courier express operations.

OUTLOOK

PRC Property Division

Property sales and prices in the PRC have stabilized at a normal level since the latter part of 2012, and this positive momentum is expected to persist well into 2013. As the country's economy gradually recovers, the property sector will continue to see concrete trends towards a sustainable pace of development. At the same time, the Division remains alert to the potential impact of the macroeconomic controls that remain in force.

While home purchase restrictions have effectively reduced speculative activity in the market, the Division believes that the residential property sector will stay generally positive. Pent-up demand and a declining supply pipeline, due to clearing of inventories, will lead the market to a moderately upward trend. The coming year will see continued sales activities in Hangzhou, Tianjin, Chengdu, Shenyang, Qinhuangdao, Tangshan, Changsha and other cities, which will help meet the demand from the market for high-quality homes.

The Group is also on track to further build on its premier investment property portfolio. The Division will see more mixed-use projects coming on stream in the medium term, further strengthening the Group's recurrent income base. Recording strong occupancies across its office, retail and serviced apartment properties, this exclusive portfolio will continue to contribute significantly to the Group's revenues and profitability on solid ongoing rental performance.

Every market turn presents opportunities for developers endowed with solid business fundamentals and financial strength. Confident of the long-term prospects for the PRC market, the Group will continue to expand its land bank in locations with development potential at the right time. This prime land bank will provide a long-term platform for shareholders to participate in the growth of the country's property sector.

With a balanced asset base comprising a mix of projects under development for sale and major mixed-use properties to add to the investment portfolio, the Division is well positioned to meet any market challenges and to maximize the value of investments in new growth areas.

Hong Kong Property Division

Capital flows and economic factors continue to be the two major themes for the property market. With solid economic fundamentals and stable social conditions, Hong Kong remains an attractive investment destination and a safe haven in the region. Capital flows into the local real estate sector are therefore expected to continue, reflecting healthy long-term demand and the favourable risk-averse profile of the asset class.

The Division's sales activities in Hong Kong will proceed as planned with the sales strategy constantly fine-tuned to respond to market changes. The Group is confident that its high-quality property developments hold a strong appeal for both investors and home seekers who look for long-term value and a quality living environment.

At the same time, the Group's portfolio of investment properties provides a long-term revenue-generating platform to safeguard the Group against the impact of some of the potential risks and challenges inherent in the market.

The Group's investment property portfolio now includes Grade-A office premises in Quarry Bay and Kowloon East and retail space at the lifestyle and entertainment mall MegaBox, as well as commercial properties developed to complement the Group's residential projects. The Group has full confidence in the ongoing leasing performance of its investment property portfolio across the office and retail sectors.

The local property market is susceptible to market forces as well as government measures, but the macro environment continues to be underpinned by such favourable factors as low interest rates, low unemployment rate and a tight residential property supply, leading to a healthy and stable future. As the Group continues to strengthen its presence in the market, management is confident of the prospects for its Hong Kong segment.

Logistics Business

Kerry Logistics will continue to grow both organically and through strategic mergers and acquisitions. As an asset-based organization, the Division has built a global network of logistics facilities and transportation fleets to support the continuing success and expansion goals of its customers. More importantly, the Division has embedded growth engines into its businesses across markets and segments to support its ongoing growth.

In the year ahead, the Division looks forward to more collaboration and will actively pursue acquisition opportunities. To achieve synergistic results from the acquisitions, the Division goes to some lengths to integrate the new businesses into its own system to ensure the seamless flow of goods, information and financial systems.

While the Division forges ahead with its international expansion, Asia will remain its home base and central to everything the Division does. Management is encouraged by the substantial growth from its Asia operations over the past year. As the region will continue to grow for the foreseeable future, the Division has incorporated expansion programmes and business plans to sustain the growth momentum in this market.

In an environment of slow growth and financial uncertainty, the logistics sector has to brace itself against deceleration from overall stagnant demand, on the one hand, and shocks from boom-bust cycles on the other. However, the Division will take all this as a positive challenge. With a solution-based mindset and 'can-do' attitude, its people will continue to lead the way through the constant paradigm shifts in the operating environment of the logistics sector.

It remains management's top priority to build a sustainable business that delivers steady growth and returns to shareholders.

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 2012, total foreign currency borrowings (excluding Renminbi ("**RMB**") borrowings) amounted to the equivalence of HK$11,297 million and RMB loans amounted to the equivalence of HK$5,669 million. Therefore, non-RMB total foreign currency borrowings and RMB loans represented approximately 35% and 18% respectively, of the Group's total borrowings of HK$31,906 million as at 31 December 2012.

The non-RMB total foreign currency borrowings of HK$11,297 million mainly include the Fixed Rate Bonds amounting to US$1,320 million (approximately HK$10,153 million (net of direct issue costs)). The Group has arranged cross currency swap and forward exchange contracts amounting to US$637 million 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 2012, HK$2,539 million (representing approximately 8%) was repayable within one year, HK$1,231 million (representing approximately 4%) was repayable in the second year, HK$23,987 million (representing approximately 75%) was repayable in the third to fifth years and HK$4,149 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 83% of total borrowings as at 31 December 2012. 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 2012, the gearing ratio for the Group was 22.4% (2011: 18.6%), calculated based on net debt of HK$15,867 million and shareholders' equity of HK$70,792 million.

In terms of the Group's available financial resources as at 31 December 2012, the Group had total undrawn bank loan and overdraft facilities of HK$10,117 million and net cash on hand of HK$16,039 million. In addition, the generation of strong recurrent cashflows from the Group's investment property portfolio, hotel and logistics operations provides the Group with a strong financial position, and enables the Group to reap the benefits of investment opportunities as and when they arise.

In February 2012, Wiseyear Holdings Limited, a wholly-owned subsidiary of the Company, issued US$600 million fixed rate bonds under the Medium Term Note Programme. 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.

In February 2012, the Group redeemed all the outstanding convertible bonds.

On 17 December 2012, Standard & Poor's affirmed a "BBB-" credit rating for Kerry Properties Limited with the outlook revised from stable to positive.

STAFF

As at 31 December 2012, the Company and its subsidiaries had approximately 23,700 employees. Salaries of employees are maintained at competitive levels while bonuses are granted on a discretionary basis. Other employee benefits include provident fund, insurance, medical cover, subsidised educational and training programmes as well as share option schemes.

SHARE OPTIONS

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

The 2011 Share Option Scheme is designed to motivate executives and key employees and other persons who may make a contribution to the Group, and enables the Group to attract and retain individuals with experience and ability and to reward them for their contributions. On 30 April 2012, a total of 24,340,000 Share Options were granted under the 2011 Share Option Scheme.

As at 31 December 2012, a total of 41,822,500 Share Options were outstanding which comprised 17,662,500 and 24,160,000 Share Options granted under the 2002 Share Option Scheme and the 2011 Share Option Scheme respectively.

CORPORATE GOVERNANCE

For the period from 1 January 2012 to 31 March 2012, the Company has complied with the former code provisions set out in the Code on Corporate Governance Practices contained in the former Appendix 14 of the Listing Rules. For the period from 1 April 2012 to 31 December 2012, the Company has complied with the new code provisions set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 of the Listing Rules.

CLOSURE OF REGISTERS OF MEMBERS

The registers of members of the Company (the "**Registers of Members**") will be closed on Thursday, 2 May 2013 and Friday, 3 May 2013 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 2013 (the "**2013 AGM**") and during which period no transfer of shares will be effected. In order to entitle to attend and vote at the 2013 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 Tuesday, 30 April 2013.

The Registers of Members will also be closed on Thursday, 9 May 2013 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 Wednesday, 8 May 2013. The Final Dividend is payable on Thursday, 16 May 2013 to Shareholders whose names appear on the Registers of Members on Thursday, 9 May 2013.

2013 AGM

The 2013 AGM will be held at 2:30 p.m. on Friday, 3 May 2013 at Island Ballroom, Level 5, 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 2012.

By Order of the Board
Kuok Khoon Chen
Chairman

Hong Kong, 14 March 2013

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, Ms. Wong Yu Pok, Marina, JP and Mr. Chang Tso Tung, Stephen.

* *For identification purpose only*