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 2014

The Board of Directors (the "**Board**") of the Company announces the consolidated final results of the Group for the year ended 31 December 2014. 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 2014 prior to recommending them to the Board for approval.

OVERALL RESULTS

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

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

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

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

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

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

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

CONSOLIDATED INCOME STATEMENT

	Note	Year ended 31 December **2014** **HK$'000**	2013 HK$'000
Continuing operations			
Turnover	2	**14,663,725**	13,969,603
Cost of sales		**(5,986,013)**	(6,083,581)
Direct operating expenses		**(2,469,780)**	(1,828,678)
Gross profit	2	**6,207,932**	6,057,344
Other income and net gains		**1,375,025**	496,336
Administrative and other operating expenses		**(1,236,334)**	(1,334,115)
Increase in fair value of investment properties		**2,511,448**	7,027,901
Operating profit before finance costs		**8,858,071**	12,247,466
Finance costs	3	**(626,917)**	(502,929)
Operating profit	3	**8,231,154**	11,744,537
Share of results of associates		**1,302,897**	664,957
Profit before taxation		**9,534,051**	12,409,494
Taxation	4	**(1,698,338)**	(2,957,346)
Profit for the year from continuing operations		**7,835,713**	9,452,148
Discontinued operations			
Profit for the year from discontinued operations	2	-	6,076,259
Profit for the year		**7,835,713**	15,528,407
Profit attributable to :			
Company's shareholders			
Profit from continuing operations		**6,773,636**	7,376,865
Profit from discontinued operations		-	5,777,524
		6,773,636	13,154,389
Non-controlling interests			
Profit from continuing operations		**1,062,077**	2,075,283
Profit from discontinued operations		-	298,735
		1,062,077	2,374,018
		7,835,713	15,528,407
Dividends		**1,300,177**	8,664,947
Earnings per share	5		
- Basic			
From continuing operations		**HK$4.69**	HK$5.12
From discontinued operations		-	HK$4.01
		HK$4.69	HK$9.13
- Diluted			
From continuing operations		**HK$4.69**	HK$5.11
From discontinued operations		-	HK$4.01
		HK$4.69	HK$9.12

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2014	2013
	HK$'000	HK$'000
Profit for the year	**7,835,713**	15,528,407
Other comprehensive income		
Items that may be reclassified to profit or loss		
Cash flow hedges	**(39,726)**	107,495
Fair value gain/(loss) on available-for-sale investments	**80,530**	(38,586)
Share of other comprehensive income of associates	**(200,213)**	19,937
Net translation differences on foreign operations	**(1,520,809)**	1,409,055
Release of exchange fluctuation reserve upon completion of disposal of subsidiaries	**-**	(574,670)
Other comprehensive income for the year, net of tax	**(1,680,218)**	923,231
Total comprehensive income for the year	**6,155,495**	16,451,638
Total comprehensive income attributable to:		
Company's shareholders	**5,460,789**	13,746,146
Non-controlling interests	**694,706**	2,705,492
	6,155,495	16,451,638
Total comprehensive income attributable to Company's shareholders arising from :		
Continuing operations	**5,460,789**	8,569,943
Discontinued operations	**-**	5,176,203
	5,460,789	13,746,146

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December 2014 HK$'000	2013 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**5,039,271**	4,960,327
Investment properties		**55,519,240**	53,670,734
Leasehold land and land use rights		**1,198,161**	1,261,637
Properties under development		**33,409,489**	35,024,143
Land deposits		**1,262,258**	1,226,536
Associates		**19,212,346**	18,293,815
Derivative financial instruments		**197,560**	279,702
Available-for-sale investments		**1,944,752**	1,864,222
Long-term receivables		**346,966**	366,501
Intangible assets		**122,504**	122,528
		118,252,547	117,070,145
Current assets			
Properties under development		**8,023,927**	6,538,516
Completed properties held for sale		**3,589,081**	4,000,433
Accounts receivable, prepayments and deposits	6	**3,680,659**	2,669,459
Tax recoverable		**177,630**	319,065
Tax reserve certificates		**127,746**	115,183
Listed securities at fair value through profit or loss		**177,100**	168,695
Derivative financial instruments		**12,213**	14,053
Restricted bank deposits		**68,962**	13,722
Cash and bank balances		**11,322,392**	11,480,081
		27,179,710	25,319,207
Current liabilities			
Accounts payable, deposits received and accrued charges	7	**7,527,274**	7,764,552
Taxation		**1,844,279**	2,871,057
Short-term bank loans and current portion of long-term bank loans	8	**3,091,575**	3,965,086
		12,463,128	14,600,695
Net current assets		**14,716,582**	10,718,512
Total assets less current liabilities		**132,969,129**	127,788,657
Non-current liabilities			
Long-term bank loans	8	**20,954,453**	20,835,157
Fixed rate bonds		**10,192,580**	10,175,480
Amounts due to non-controlling interests		**2,345,775**	2,272,385
Deferred taxation		**6,062,024**	5,630,222
		39,554,832	38,913,244
ASSETS LESS LIABILITIES		**93,414,297**	88,875,413
EQUITY			
Capital and reserves attributable to the Company's shareholders			
Share capital		**1,444,653**	1,444,293
Share premium		**12,384,496**	12,350,197
Other reserves		**14,723,124**	15,979,337
Retained profits		**50,659,453**	45,187,038
Proposed final dividend		**866,792**	794,361
		80,078,518	75,755,226
Non-controlling interests		**13,335,779**	13,120,187
TOTAL EQUITY		**93,414,297**	88,875,413

FINANCIAL HIGHLIGHTS

	As at 31 December 2014	2013
Equity attributable to the Company's shareholders *(HK$ million)*	**80,079**	75,755
Net borrowings (including bonds) *(HK$ million)*	**22,847**	23,482
Net asset value (attributable to the Company's shareholders) per share	**HK$55.43**	HK$52.45
Gearing (Net borrowings / Equity attributable to the Company's shareholders)	**28.5%**	31.0%

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 "**Listing Rules**").

The accounting policies are consistent with those as described in the Group's financial statements for the year ended 31 December 2013.

The standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2014 are not material to the Group.

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

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

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

2. Principal activities and segmental analysis of operations

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

	Turnover		Gross profit	
	Year ended 31 December		Year ended 31 December	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Principal activities:				
Property rental and others				
- The People's Republic of China ("**PRC**") Property	**2,293,335**	1,211,272	**1,821,296**	840,957
- Hong Kong Property	**875,225**	935,859	**662,997**	745,026
	3,168,560	2,147,131	**2,484,293**	1,585,983
Property sales (Note)				
- PRC Property	**3,141,766**	4,070,713	**759,287**	1,647,071
- Hong Kong Property	**7,132,240**	7,194,108	**2,899,834**	2,836,361
	10,274,006	11,264,821	**3,659,121**	4,483,432
Hotel operations - PRC Property	**1,221,159**	557,651	**64,518**	(12,071)
Continuing operations	**14,663,725**	13,969,603	**6,207,932**	6,057,344
Discontinued operations				
- Logistics operations	**-**	19,188,358	**-**	2,897,248
	14,663,725	33,157,961	**6,207,932**	8,954,592
Principal markets:				
Continuing operations				
- PRC	**6,656,260**	5,839,636	**2,645,101**	2,475,957
- Hong Kong	**8,007,465**	8,129,967	**3,562,831**	3,581,387
	14,663,725	13,969,603	**6,207,932**	6,057,344
Principal markets:				
Discontinued operations				
- PRC	-	8,554,670	-	814,582
- Hong Kong	-	2,624,808	-	688,085
- Others	-	8,008,880	-	1,394,581
	-	19,188,358	-	2,897,248

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

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 2014

HK$'000

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

Year ended 31 December 2013

HK$'000

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

3. Operating profit

	Continuing operations Year ended 31 December		Discontinued operations Year ended 31 December	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Operating profit is stated after crediting/charging the following :				
Crediting				
Dividend income from listed and unlisted investments	**91,197**	84,405	**-**	3,442
Interest income	**323,244**	294,764	**-**	31,493
Gain on sale of investment properties, net	**888,790**	25,171	**-**	-
Charging				
Depreciation of property, plant and equipment and amortisation of leasehold land and land use rights	**364,262**	171,373	**-**	373,097
Amortisation of intangible assets	**-**	-	**-**	38,621
Total finance costs incurred	**1,252,949**	1,269,562	**-**	88,829
Less: amount capitalised in properties under development and investment properties under construction	**(670,288)**	(766,546)	**-**	-
	582,661	503,016	**-**	88,829
Fair value loss/(gain) on derivative financial instruments	**44,256**	(87)	**-**	-
Total finance costs expensed during the year	**626,917**	502,929	**-**	88,829

4. Taxation

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

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 16.5%) on the estimated assessable profit for the year. Income tax on 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$218,343,000 (2013: HK$79,505,000) 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	
	2014	2013
Weighted average number of ordinary shares in issue	**1,444,419,033**	1,440,996,733
	HK$'000	HK$'000
Profit attributable to shareholders		
From continuing operations	**6,773,636**	7,376,865
From discontinued operations	**-**	5,777,524
	6,773,636	13,154,389
Basic earnings per share		
From continuing operations	**HK$4.69**	HK$5.12
From discontinued operations	**-**	HK$4.01
	HK$4.69	HK$9.13

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	
	2014	2013
Weighted average number of ordinary shares in issue	**1,444,419,033**	1,440,996,733
Adjustment for share options	**378,547**	1,627,281
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**1,444,797,580**	1,442,624,014
	HK$'000	HK$'000
Profit attributable to shareholders		
From continuing operations	**6,773,636**	7,376,865
From discontinued operations	**-**	5,777,524
	6,773,636	13,154,389
Diluted earnings per share		
From continuing operations	**HK$4.69**	HK$5.11
From discontinued operations	**-**	HK$4.01
	HK$4.69	HK$9.12

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 2014 is as follows:

	As at 31 December 2014 HK$'000	As at 31 December 2013 HK$'000
Below 1 month	**1,240,793**	1,201,900
Between 1 month and 3 months	**802,904**	11,238
Over 3 months	**730,462**	3,665
	2,774,159	1,216,803

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 2014 is as follows:

	As at 31 December 2014 HK$'000	As at 31 December 2013 HK$'000
Below 1 month	**181,013**	220,269
Between 1 month and 3 months	**16,211**	17,169
Over 3 months	**6,548**	16,851
	203,772	254,289

8. Bank loans

	As at 31 December 2014 HK$'000	As at 31 December 2013 HK$'000
Bank loans - unsecured	**18,008,632**	19,275,948
Bank loans - secured	**6,037,396**	5,524,295
Total bank loans (note (i))	**24,046,028**	24,800,243
Less : Short-term bank loans and current portion of long-term bank loans	**(3,091,575)**	(3,965,086)
	20,954,453	20,835,157

8. Bank loans (continued)

(i) As at 31 December 2014, the Group's bank loans were repayable as follows:

	As at 31 December 2014 HK$'000	As at 31 December 2013 HK$'000
Within one year	**3,091,575**	3,965,086
In the second to fifth year		
- In the second year	**9,493,112**	2,154,356
- In the third year	**1,263,714**	11,283,253
- In the fourth year	**6,668,666**	855,632
- In the fifth year	**2,557,404**	5,374,228
	19,982,896	19,667,469
Repayable within five years	**23,074,471**	23,632,555
Over five years	**971,557**	1,167,688
	24,046,028	24,800,243

9. Commitments

At 31 December 2014, the Group had capital and other commitments in respect of interests in leasehold land, properties under development, property, plant and equipment and equity interests in certain companies not provided for in these financial statements as follows:

	As at 31 December 2014 HK$'000	As at 31 December 2013 HK$'000
Contracted but not provided for	**13,352,733**	9,339,172
Authorised but not contracted for	**1,051,779**	919,798
	14,404,512	10,258,970

Subsequent to the reporting period, the Group acquired a site in Qianhai, Shenzhen, PRC, for RMB3,860,000,000 in January 2015 and a site in Beacon Hill, Kowloon, Hong Kong, for HK$2,389,800,000 in February 2015 through public land sales.

10. Contingent liabilities

Guarantees for banking and other facilities

	As at 31 December 2014 HK$'000	As at 31 December 2013 HK$'000
- Guarantees for banking and other facilities of certain associates (note (i))	**3,208,477**	2,550,994
- Guarantees to certain banks for mortgage facilities granted to first buyers of certain properties in the PRC (note (ii))	**728,455**	975,273
	3,936,932	3,526,267

(i) The Group has executed guarantees for banking and other facilities granted to certain associates. The utilised amount of such facilities covered by the Group's guarantees which also represented the financial exposure of the Group as at 31 December 2014 amounted to approximately HK$3,208,477,000 (2013: HK$2,550,994,000). The total amount of such facilities covered by the Group's guarantees as at 31 December 2014 amounted to approximately HK$5,298,533,000 (2013: HK$4,851,951,000).

(ii) The Group has executed guarantees to certain banks for mortgage facilities granted to first buyers of certain properties developed by the Group in the PRC. The utilised amount of such facilities covered by the Group's guarantees which also represented the financial exposure of the Group as at 31 December 2014 amounted to approximately HK$728,455,000 (2013: HK$975,273,000).

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

11. Pledge of assets

At 31 December 2014, the Group's total bank loans of HK$24,046,028,000 (2013: HK$24,800,243,000) included an aggregate amount of HK$18,008,632,000 (2013: HK$19,275,948,000) which is unsecured and an aggregate amount of HK$6,037,396,000 (2013: HK$5,524,295,000) which is secured. The securities provided for the secured banking facilities available to the Group are as follows:

(i) legal charges over certain properties with an aggregate net book value of HK$24,255,523,000 (2013: HK$23,935,435,000); and

(ii) assignments of insurance proceeds of certain properties.

MANAGEMENT DISCUSSION & ANALYSIS

REVIEW OF PROPERTY BUSINESS

Overview

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

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

Property Portfolio Composition

As at 31 December 2014:

	Group's attributable GFA ('000 square feet)				
	The PRC	Hong Kong	Macau[(1)]	Overseas	Total
Completed Investment Properties	6,318	2,783	-	1,757	10,858
Hotel Properties	2,414	38	-	-	2,452
Properties Under Development	32,473	2,611	2,385	3,103	40,572
Properties Held for Sale	1,769	81	-	9	1,859
Total GFA	**42,974**	**5,513**	**2,385**	**4,869**	**55,741**

Note:

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

PRC PROPERTY DIVISION

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

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

INVESTMENT PROPERTIES

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

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

As at 31 December 2014:

	Group's attributable GFA					
	Beijing	**Shanghai**	**Shenzhen**	**Fuzhou**	**Total**	**Occupancy rate**
		('000 square feet)				
Office	**711**	**1,530**	**1,552**	**-**	**3,793**	**95%**
Commercial	**98**	**1,100**	**212**	**64**	**1,474**	**97%**
Apartment	**277**	**774**	**-**	**-**	**1,051**	**81%**
	1,086	**3,404**	**1,764**	**64**	**6,318**	

As at 31 December 2013:

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

Comparative occupancy rates of key investment properties are outlined below:

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

Notes:

(1) Excluding hotel.

(2) Occupancy rates as at year end 2013 excluded serviced apartments which were under renovation during 2013. The renovation was completed and leasing commenced in April 2014.

(3) Excluding retail podium, where renovation was completed in the fourth quarter of 2013.

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

This landmark mixed-use development, Jing An Kerry Centre, is located in the heart of Shanghai's Nanjing Road business district. The 3.69 million square-foot prime development integrates hotel, retail, office and residential space overlooking a beautifully landscaped piazza. The Group holds 74.25% and 51% interests in Phases I and II respectively. The luxury of the Shangri-La hotel is a key feature of Jing An Kerry Centre, which is now the pre-eminent shopping venue and most exclusive office address in Shanghai. Phase II office units were delivered and the retail mall was opened in 2013. As at 31 December 2014, 88% of the office (2013: 43%) and 94% of the retail space (2013: 83%) were occupied. Jing An Shangri-La Hotel saw its soft-opening in June 2013 and achieved an average occupancy rate of 65% during the year (2013: 37%).

Kerry Parkside Shanghai Pudong, Shanghai

Kerry Parkside in the Pudong District of Shanghai is a 40.8%-held mixed-use property comprising a hotel, offices, serviced apartments, a retail mall and related ancillary facilities. As at 31 December 2014, both the retail space and offices were 100% occupied (2013: both 100%), while the occupancy rate of the serviced apartments was 79% (2013: 89%). Kerry Hotel Pudong achieved an average occupancy rate of 66% during the year (2013: 58%).

Shenzhen Kerry Plaza, Shenzhen

Shenzhen Kerry Plaza comprises three Grade-A office towers with a GFA of approximately 1.65 million square feet. Located at the core of the Futian CBD, it is conveniently connected with Futian railway station on the Guangzhou–Shenzhen–Hong Kong Express Rail Link now under construction. As at 31 December 2014, both the Phases I and II of the development were 98% occupied (2013: 97% and 83%, respectively).

Beijing Kerry Centre, Beijing

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

SALES OF PROPERTIES

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

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

Parkview Residence in Xiacheng District, Hangzhou, was completed and delivered for occupation during 2013. This residential project has a GFA of approximately 2.63 million square feet. Sales of the remaining units of Phase II are currently ongoing. As at 31 December 2014, 1,628 units of the total 1,632 units launched from Phase II had been sold. The Group holds a 100% interest in this project.

The Metropolis-Arcadia Court Phase I in Chengdu offers 1,830 residential units for sale from eight towers. As at 31 December 2014, 1,793 units had been sold. The Group holds a 55% interest in this residential project.

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

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

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

PROPERTIES UNDER DEVELOPMENT

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

Shanghai

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

Tianjin

Tianjin Kerry Centre is located on the east bank of the Haihe CBD in Hedong District, Tianjin, where it enjoys access to a convenient transportation network. This 49%-owned mixed-use project delivers a total GFA of approximately 5.37 million square feet. Phase I of the development, including a hotel, upscale residences and a shopping mall, is scheduled to be completed and handed over in phases between the second quarter of 2014 and the second quarter of 2015. Pre-leasing of the mall, Riverview Place, has progressed smoothly. As at 31 December 2014, the mall’s retail space was 60% leased, and is scheduled to open in 2015.

Hangzhou

The Group is developing Kerry Central, a project located at the intersection of Yan'an Road and Qingchun Road and adjacent to the Xihu (West Lake). This 2.1 million square-foot mixed-use property will comprise a luxury hotel, Grade-A offices, premium apartments and a large-scale retail mall complex. Project construction is now underway and the development is targeted for completion in phases from 2016 onwards. The Group holds a 75% stake in the project.

The Group is also working on a residential and commercial development on five lots of land in the city. The project is located in the core area of the Hangzhou Zhijiang National Tourist and Holiday Resort. With an aggregate site area of approximately 1.53 million square feet, the project will yield a developable GFA of approximately 2.27 million square feet of residential properties, Castalia Court and approximately 250,000 square feet of commercial space. With construction works currently underway, the project is targeted for completion in phases from 2016 onwards.

Nanjing

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

Another site for residential development is located at Da Guang Road in Bai Xia District. This wholly-owned project has a site area of approximately 384,000 square feet and a GFA of approximately 1.0 million square feet. Project construction is in progress.

Chengdu

The Metropolis-Arcadia Court in Chengdu is located in the southern part of the High-Tech Industrial Development Zone. The sale and hand over of the residential units of Phase I are currently ongoing. Phases II and III, with a total GFA of approximately 4.8 million square feet, are due for completion in several stages from 2017 onwards. The Group holds a 55% interest in this project.

Nanchang

In Nanchang, the provincial capital of Jiangxi Province, the Group is developing a mixed-use property through a joint venture with Shangri-La. This 80%-held project is situated on the west bank of the Ganjiang River at the heart of Honggutan Central District. Its development includes a hotel, office, commercial and high-end apartment properties, aggregating to a GFA of approximately 2.6 million square feet. Phase I construction of the hotel tower and the residential portion is ongoing, and is targeted for completion in phases from 2015 onwards. As at 31 December 2014, 57 residential units had been pre-sold.

Changsha

The Group's wholly-owned residential project in Tianxin District of Changsha, the provincial capital of Hunan Province, is expected to deliver a GFA of approximately 3.2 million square feet. Construction works are currently underway, and the project is scheduled to be completed in phases between 2014 and 2017. Pre-sale of the project is proceeding with satisfactory results. As at 31 December 2014, 64 units of the Phase II development had been pre-sold.

Shenyang

The Group's 60%-owned Shenyang Kerry Centre project is located on the east side of Qingnian Street, to the south of Qingnian Park in Shenyang, the provincial capital of Liaoning Province. Lying at the core of the city's landmark Golden Corridor development, the site will yield a GFA of approximately 12.9 million square feet. This mixed-use project will include a hotel, offices, a shopping mall and residences. Phase I of the development is in the construction stage and has been partially handed over. Phase II has also commenced construction while Phase III development is still under planning. Shangri-La Hotel, Shenyang is completed and has opened for business, recording an average occupancy rate of 44% (2013: 24%) during the year. Pre-sale of the Phase I residential portion, Arcadia Court, has met with a strong market response. As at 31 December 2014, 104 residential units had been pre-sold.

Qinhuangdao

Construction works are ongoing on Habitat, the Group's 60%-owned deluxe seaside residential project adjacent to Beidaihe in Qinhuangdao, Hebei Province. This development is expected to generate a GFA of approximately 4.7 million square feet. Phase I of the development is targeted for completion in phases from 2015 onwards. As at 31 December 2014, 183 residential units of the Phase I development had been pre-sold.

Tangshan

The Group's 40%-owned mixed-use project in Tangshan comprises hotel, residential and ancillary commercial properties, with a GFA of approximately 3.3 million square feet. Approximately 60% of the residential units have been completed and handed over consecutively. The remainder of the project is scheduled for completion and handing over in phases between the second and third quarters of 2015. As at 31 December 2014, 128 residential units had been pre-sold. Shangri-La Hotel, Tangshan is scheduled for soft opening in 2015.

Ningbo

The site being developed in Ningbo is located in the Eastern New Town Core Region and is earmarked for The Berylville, a high-end residential project with a GFA of approximately 1.03 million square feet. The Group holds a 50% interest in the project. Construction works for Phase I, a total of 97 units with a GFA of approximately 402,000 square feet, are in progress. The project is scheduled to be completed in phases from 2015 onwards. As at 31 December 2014, 38 units of the Phase I development had been pre-sold.

Yingkou

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

Jinan

The Group is co-developing with Shangri-La a mixed-use project located in Lixia District, Jinan City. The Group holds a 55% stake in this project, which has a GFA of approximately 1.2 million square feet. The project will comprise a hotel, offices and commercial space, and is scheduled to be completed in 2016.

Putian

The Group and Shangri-La are co-developing a site in Putian City, Fujian Province. The site, located at Jiuhua Road, will generate a GFA of approximately 4.0 million square feet. It is earmarked for the development of residential, hotel and ancillary commercial properties. Phase I of the development is scheduled to be completed in phases from 2016 onwards. Pre-sale of the residential portion of Phase I has been rolled out and as at 31 December 2014, 428 units had been pre-sold. The Group holds a 60% interest in this project.

Zhengzhou

The Group and Shangri-La are also collaborating in developing a site located on the east of Huayuan Road and the south of Weier Road in Zhengzhou City, Henan Province. The site will yield a GFA of approximately 2.4 million square feet for development into hotel, residential, commercial and office properties. The project is expected to be completed in phases from 2018 onwards. The Group holds a 55% interest in this project.

Kunming

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

Qianhai

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

Properties under development in the PRC
As at 31 December 2014:

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

HONG KONG PROPERTY DIVISION

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

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

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

INVESTMENT PROPERTIES

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

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

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

Notes:

* *Excluding Branksome Grande where refurbishment works commenced in the second quarter of 2014.*

\# *Lions Rise Mall in Kowloon East was sold during the year 2014.*

Enterprise Square Five/MegaBox

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

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

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

Kerry Centre, Quarry Bay

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

SALES OF PROPERTIES

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

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

The Summa, Sai Ying Pun and Sheung Wan

The 71%-owned joint-venture project, The Summa, is located at No. 23 Hing Hon Road, Hong Kong, in proximity to the University of Hong Kong and a number of well-known schools. The project yielded a saleable area of 149,399 square feet. A solid sales performance has been recorded since the project's sales launch in January 2014. As at 31 December 2014, 168 units, representing 100% of the total, had been sold.

The Altitude, Wong Nai Chung

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

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

Lions Rise is located at No. 8 Muk Lun Street, Kowloon, where five residential blocks offer a total of 968 units. The project is enhanced by club facilities, landscaped gardens and a shopping mall. As at 31 December 2014, 966 units had been sold.

1 & 3 Ede Road, Kowloon Tong

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

8 LaSalle, Ho Man Tin

This redevelopment project is situated at No. 8 La Salle Road, Kowloon, a neighbourhood offering a network of primary and secondary schools. The project delivers a saleable area of 53,078 square feet. Sales activities commenced in the fourth quarter and received strong market response. 33 units of the project, representing 59% of the total, had been sold as at 31 December 2014.

PROPERTIES UNDER DEVELOPMENT

Dragons Range, Sha Tin

Together with Sino Group and Manhattan Group, the Group is co-developing Dragons Range, a residential project at 33 Lai Ping Road, Kau To, Sha Tin, with a buildable GFA of approximately 1.031 million square feet. The Group holds a 40% stake in this project, which is scheduled for completion between the second to third quarter of 2015. Pre-sale of the project, launched in November 2014, has received a positive market response and recorded strong sales performance. As at 31 December 2014, 573 units had been sold, accounting for 59% of the total.

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

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

So Kwun Wat, Tuen Mun

The Group is also developing a residential project at Area 48, Castle Peak Road, So Kwun Wat, with a buildable GFA of approximately 940,000 square feet. The site is to be developed into a large-scale residential property of not less than 1,100 units. The project is intended for completion in the fourth quarter of 2016.

Shan Kwong Building Redevelopment, Wong Nai Chung

Now under development by the Group is a new residential project at No. 7A Shan Kwong Road, Wong Nai Chung, Hong Kong. Subject to building plans approval, the project will yield a buildable GFA of approximately 81,000 square feet, and is to be completed in the second quarter of 2017.

Sheung Lok Street, Ho Man Tin

The Group is developing a residential site at Sheung Lok Street, Ho Man Tin, with site formation and foundation works currently in progress. The site occupies an area of approximately 259,000 square feet with a buildable GFA of approximately 1.142 million square feet. The project is to be completed in the first quarter of 2017.

Lung Cheung Road, Beacon Hill, Shek Kip Mei

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

Properties under Development in Hong Kong

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

Macau

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

OVERSEAS PROPERTY DIVISION

The Group holds a portfolio of properties in the Philippines. These investments were held through Shang Properties, Inc. ("**SPI**"), in which the Division maintains a 34.61% equity interest and a 30.75% interest in its depository receipts. SPI holds a 100% interest in the Shangri-La Plaza Mall, Manila, and indirect interests in The Enterprise Center, an office and commercial property in Makati, Manila's financial district. As at 31 December 2014, the occupancy rates of Shangri-La Plaza Mall and The Enterprise Center were 92% and 98%, respectively (2013: 96% and 97%, respectively).

The development of The St. Francis Shangri-La Place, a residential project located in Mandaluyong City, Manila has been completed. As at 31 December 2014, 1,150 (2013: 1,150) of the 1,152 residential units in Towers 1 and 2 of the project had been sold.

SPI currently has four major projects under development:

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

SPI is also redeveloping a residential site in Makati City into a high-rise residential building, Shang Salcedo Place, with a GFA of approximately 655,000 square feet. As at 31 December 2014, 346 units (2013: 245) out of the total of 749 residential units had been sold.

The latest addition to the Group's property portfolio in Manila is the development of The Rise, Makati. SPI has acquired the rights to develop more than 116,000 square feet of land located in Malugay Street, Makati City. This property will be developed into a residential building with a GFA of approximately 1.66 million square feet, comprising 3,044 residential units and 97,443 square feet of commercial space. The sales launch of The Rise during the year met with a strong market response, with 1,488 residential units (2013: Nil) sold as at 31 December 2014.

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

Overseas Property Portfolio

As at 31 December 2014:	**Group's attributable GFA**
Investment properties	**The Philippines ('000 square feet)**
Hotel lease	170
Shopping centre	1,251
Commercial	29
Office	307
Sub-total	**1,757**
Properties under development	
Residential	2,693
Hotel	335
Commercial	75
Sub-total	**3,103**
	4,860

OUTLOOK

PRC PROPERTY DIVISION

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

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

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

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

The Group's rental income increased significantly during the year, partly attributable to steadily rising rentals in first-tier cities. More importantly, it was a result of the Group's strategically targeted location of its rental properties and selection of tenant portfolio. The prime locations of some of these rental properties, in central districts of top-tier cities, also helped drive revenue growth. In addition, subsequent to the official opening of Jing An Kerry Centre, as well as the reopening of Beijing Kerry Centre on completion of renovation works, both properties have recorded rental levels and occupancies that exceeded management's expectations. The successive openings of new projects in joint venture with Shangri-La in Shenyang, Tianjin and Nanjing are expected to provide additional rental income contributions. The rental asset base will grow further in future into a core feature of the Group's business portfolio, generating significant cash flow and recurrent income to form a solid basis for ongoing business development.

HONG KONG PROPERTY DIVISION

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

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

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

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

FINANCIAL REVIEW

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

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

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

Out of the Group's total borrowings as at 31 December 2014, HK$3,092 million (representing approximately 9%) was repayable within one year, HK$12,746 million (representing approximately 37%) was repayable in the second year, HK$15,116 million (representing approximately 44%) was repayable in the third to fifth years and HK$3,285 million (representing approximately 10%) was repayable over five years. The Group continued to maintain most of its borrowings on an unsecured basis, with unsecured debt accounting for approximately 82% of total borrowings as at 31 December 2014. The Group will continue to obtain financing on an unsecured basis whenever possible, and supplement such borrowings with secured project financing as and when the need arises.

As at 31 December 2014, the gearing ratio for the Group was 28.5% (2013: 31.0%), calculated based on net debt of HK$22,847 million and shareholders' equity of HK$80,079 million.

As at 31 December 2014, the Group had outstanding interest rate swap contracts which amounted to HK$4,000 million in total, enabling the Group to hedge its interest rate exposure and to have a more stable interest rate profile.

In terms of the Group's available financial resources as at 31 December 2014, the Group had total undrawn bank loan facilities of HK$13,840 million and cash on hand of HK$11,392 million. In addition, the generation of strong recurrent cashflows from the Group's investment property portfolio and hotel operations provides the Group with a strong financial position, and enables the Group to reap the benefits of investment opportunities as and when they arise.

On 17 July 2014, Standard & Poor's affirmed a "BBB-" credit rating for Kerry Properties Limited with a positive outlook.

STAFF

As at 31 December 2014, the Company and its subsidiaries had approximately 6,800 employees. Salaries of employees are maintained at competitive levels while bonuses are granted on a discretionary basis. Other employee benefits include provident fund, insurance, medical cover, subsidised educational and training programmes as well as share option schemes.

SHARE OPTIONS

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

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

As at 31 December 2014, a total of 48,425,000 Share Options were outstanding which comprised 11,545,000 and 36,880,000 Share Options granted under the 2002 Share Option Scheme and the 2011 Share Option Scheme respectively.

CORPORATE GOVERNANCE

During the financial year ended 31 December 2014, the Company has complied with the code provisions set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 of the Listing Rules.

CLOSURE OF REGISTERS OF MEMBERS

The registers of members of the Company (the "**Registers of Members**") will be closed on Wednesday, 6 May 2015 and Thursday, 7 May 2015 for the purpose of determining Shareholders' eligibility to attend and vote at the annual general meeting of the Company to be held on 7 May 2015 (the "**2015 AGM**") and during which period no transfer of shares will be effected. In order to be entitled to attend and vote at the 2015 AGM, all transfers accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong, Tricor Abacus Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Tuesday, 5 May 2015.

The Registers of Members will also be closed on Wednesday, 13 May 2015 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 transfers accompanied by the relevant share certificates must be lodged for registration with Tricor Abacus Limited at the above address not later than 4:30 p.m. on Tuesday, 12 May 2015. The Final Dividend is payable on Thursday, 21 May 2015 to Shareholders whose names appear on the Registers of Members on Wednesday, 13 May 2015.

2015 AGM

The 2015 AGM will be held at 2:30 p.m. on Thursday, 7 May 2015 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 2014.

By Order of the Board
Wong Siu Kong
Chairman

Hong Kong, 18 March 2015

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

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

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

* *For identification purpose only*