THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Kerry Properties Limited, you should at once hand this circular and the enclosed form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

嘉 里 建 設 有 限 公 司*

KERRY PROPERTIES LIMITED

(Incorporated in Bermuda with limited liability)

website: www.kerryprops.com

(Stock Code: 683)

VERY SUBSTANTIAL ACQUISITION SUCCESSFUL TENDER OF LAND IN HUANGPU DISTRICT, SHANGHAI, THE PRC

All capitalised terms used in this circular have the meanings set out in the section headed "Definitions" of this circular.

A letter from the Board is set out on pages 4 to 9 of this circular.

* *For identification purpose only*

27 June 2023

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In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

"associate(s)", "connected person(s)", "percentage ratio(s)", "subsidiary(ies)", "PRC Governmental Body", "Qualified Property Acquisition"	each has the meaning ascribed to it under the Listing Rules;
"Board"	the board of Directors;
"BPL"	Brilliant Prestige Limited, a wholly-owned subsidiary of the Company incorporated in Hong Kong with limited liability;
"Company"	Kerry Properties Limited, an exempted company incorporated in Bermuda with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 683);
"Consideration"	the total consideration for the acquisition of the Remaining Plots, being RMB8,783,273,000 (approximately HK$9,661,600,000);
"Current Acquisition"	the acquisition of the land use rights of the Remaining Plots;
"Director(s)"	the director(s) of the Company;
"Excluded Businesses"	the businesses of the Directors which, as at the Latest Practicable Date, competed or were likely to compete either directly or indirectly, with the business of the Group, other than those businesses in which (a) the Group was interested; and (b) the Directors' only interests were as directors appointed to represent the interests of the Group;
"GFA"	gross floor area;
"Group"	the Company and its subsidiaries;
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong;

"Hong Kong"	the Hong Kong Special Administrative Region of the PRC;
"Initial Plots"	Plots 064-01, 065-01, 066-01, 067-01, Unit C010102, Guangchang Community, Huangpu District, Shanghai, the PRC (黃浦區廣場社區C010102單元064-01、065-01、066-01、067-01地塊), located east to Shengze Road, south to Renmin Road, west to Zhejiang Nan Road, north to Ninghai Dong Road (東至盛澤路、南至人民路、西至浙江南路、北至寧海東路), with a total site area of 38,102.7 sq.m. with term of use of 70 years for residential use, 50 years for office use and 40 years for commercial use;
"Land Use Rights Grant Contracts"	state-owned construction land use rights grant contracts (國有建設用地使用權出讓合同) to be entered into pursuant to the Letter of Intent;
"Latest Practicable Date"	23 June 2023, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular;
"Letter of Intent"	a letter of intent entered into between Shanghai Huangpu District Planning and Natural Resources Bureau and BPL on 20 June 2023 after BPL successfully won the Remaining Plots at the tender;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange as amended from time to time;
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers, as set out in Appendix 10 to the Listing Rules;
"PRC" or "Mainland"	the People's Republic of China;
"Previous Acquisition"	the acquisition of the land use rights of the Initial Plots;
"Project"	heritage preservation and development project of the Initial Plots and the Remaining Plots;

"Remaining Plots"	the plots of land situated at Huangpu District, Shanghai, the PRC, details of which are set out in the paragraph headed "Information of the Remaining Plots" under the section headed "Letter from the Board" of this circular;
"RMB"	Renminbi, the lawful currency of the PRC;
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
"Shanghai Huangpu District Planning and Natural Resources Bureau"	Shanghai Municipal Huangpu District Planning and Natural Resources Bureau* (上海市黃浦區規劃和自然資源局), a PRC Governmental Body responsible for, among other things, managing the primary land market, the tendering, auction and listing-for-sale of rights to use state-owned land in Huangpu District, Shanghai, the PRC;
"Share(s)"	ordinary share(s) of par value HK$1.00 each in the capital of the Company;
"Shareholder(s)"	the holder(s) of the Share(s);
"sq.ft."	square feet, unit of area;
"sq.m."	square metre, unit of area;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited; and
"%"	per cent.

For the purpose of this circular and for illustration purpose only, conversion of RMB to HK$ is based on the exchange rate of RMB1 = HK$1.1. No representation is made that any amounts in RMB have been or could be converted at the above rate or at any other rates.

* *For identification purpose only*

嘉里建設有限公司*
KERRY PROPERTIES LIMITED
(Incorporated in Bermuda with limited liability)
website: www.kerryprops.com
(Stock Code: 683)

Executive Directors:
Mr. Kuok Khoon Hua
(Chairman and Chief Executive Officer)
Mr. Au Hing Lun, Dennis
(Deputy Chief Executive Officer)

Independent Non-executive Directors:
Ms. Wong Yu Pok, Marina, JP
Mr. Hui Chun Yue, David
Mr. Cheung Leong
Mr. Chum Kwan Lock, Grant

Registered Office:
Victoria Place, 5th Floor
31 Victoria Street
Hamilton HM 10
Bermuda

Head Office and Principal Place of Business in Hong Kong:
25/F, Kerry Centre
683 King's Road
Quarry Bay
Hong Kong

27 June 2023

To the Shareholders and, for information only,
the option-holders of Kerry Properties Limited

Dear Sir or Madam,

VERY SUBSTANTIAL ACQUISITION
SUCCESSFUL TENDER OF LAND IN HUANGPU DISTRICT,
SHANGHAI, THE PRC

INTRODUCTION

Reference is made to the announcement dated 20 June 2023 made by the Company. BPL successfully won the tender for the acquisition of the land use rights of the Remaining Plots offered for sale by Shanghai Huangpu District Planning and Natural Resources Bureau, at a Consideration of RMB8,783,273,000 (approximately HK$9,661,600,000) for mixed-use development. The Letter of Intent has also been signed on 20 June 2023, and pursuant to the Letter of Intent, the Land Use Rights Grant Contracts will be entered into in due course.

The purpose of this circular is to provide you with, among other things, further details of the Current Acquisition and other information required under the Listing Rules.

* *For identification purpose only*

PRINCIPAL TERMS OF THE CURRENT ACQUISITION

The principal terms of the Current Acquisition pursuant to the Letter of Intent are as follows:

Parties

(1) Shanghai Huangpu District Planning and Natural Resources Bureau, as the vendor; and

(2) BPL, as the purchaser.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, Shanghai Huangpu District Planning and Natural Resources Bureau and its ultimate beneficial owner(s) are independent third parties of the Company and its connected persons.

Information of the Remaining Plots

The Remaining Plots consist of six plots of land for Plots 198-1, 200-3, Unit C010201, Bund Community, Plots 070-01, 071-01, 072-01, 073-01, Unit C010102, Guangchang Community, and the underground spaces of Jiangxi Nan Road, Shandong Nan Road, Shengze Road and Plot 070-02, situated at Huangpu District, Shanghai, the PRC (黃浦區外灘社區C010201單元198-1、200-3地塊、廣場社區C010102單元070-01、071-01、072-01、073-01地塊及江西南路、山東南路、盛澤路、070-02地下空間地塊), located east to Land Parcel 200 Planning green area, Henan Nan Road, south to Renmin Road, west to Zijin Road, Shengze Road, north to Jinling Dong Road, Ning Hai Dong Road (東至200街坊規劃綠地、河南南路、南至人民路，西至紫金路、盛澤路，北至金陵東路、寧海東路), with a total site area of 44,355.6 sq.m. with term of use of 50 years for office use and 40 years for commercial use.

Consideration and Payment Terms

The Consideration for the Remaining Plots is RMB8,783,273,000 (approximately HK$9,661,600,000) and will be payable as follows pursuant to the Letter of Intent:

(a) RMB1,756,654,600 (approximately HK$1,932,320,000) (representing 20% of the Consideration, being the deposits) to be payable within five working days of the signing of the Land Use Rights Grant Contracts;

(b) RMB2,634,981,900 (approximately HK$2,898,480,000) (representing 30% of the Consideration) to be payable within one month of the signing of the Land Use Rights Grant Contracts; and

(c) RMB4,391,636,500 (approximately HK$4,830,800,000) (representing the balance of the Consideration) to be payable within one year of the signing of the Land Use Rights Grant Contracts.

The Consideration, being the tender price submitted by BPL under the said tender, was determined by the Company with reference to the current and future business prospect and development potential in the region which the Remaining Plots are situated and the overall prospect of the property market in Shanghai, the PRC. The Consideration for the Remaining Plots will be financed by the Group's internal resources and external financing.

FINANCIAL EFFECTS OF THE CURRENT ACQUISITION ON THE GROUP

Immediately upon the completion of the Current Acquisition, the major financial effects of the Current Acquisition on the Group are (i) an increase in the Group's total assets by the Consideration of approximately HK$9,661,600,000; and (ii) an aggregate increase of approximately HK$9,661,600,000 in the Group's bank borrowings. As a result, there is no material change in the Group's net assets immediately upon the completion of the Current Acquisition.

Save for the abovementioned, the Directors consider that the Current Acquisition will not have any other material effect on the total assets, total liabilities and earnings of the Group.

REASONS FOR AND BENEFITS OF THE CURRENT ACQUISITION

The Project (the Initial Plots and the Remaining Plots) is a transit-oriented mixed-use development that will consist of real estate for residential, office, retail and hotel usage within an urban gentrification and historical restoration master design plan. Based on current planning, the Initial Plots will consist primarily of residential apartments and shikumen townhouses, together with offices, retail and hotel amounting to approximately 198,500 sq.m. GFA. The Remaining Plots will consist primarily of office and retail usage that will yield approximately 308,000 sq.m. GFA. When combined together, the Project (the Initial Plots and the Remaining Plots) can offer approximately 506,500 sq.m. of maximum allowable GFA, subject to design and the government's planning approval and construction approval. Subject to the prevailing market conditions, and planning, design and construction approvals by the PRC government, the expected completion date by phases for the Initial Plots is from 2027 onwards, and from 2028 onwards for the Remaining Plots. The Current Acquisition for the Remaining Plots, together with the Initial Plots is a rare business development opportunity for the Group to grow its development properties pipeline in a tier-one city with robust demand, and to build its premium investment properties portfolio in Shanghai's proven downtown core.

The Project is centrally located in the heart of Huangpu District, Shanghai, the PRC, and is in close proximity to landmarks such as The Bund, Yu Gardens, East Nanjing Road High Street and the People's Square. With its prime location and one-of-a-kind place-making opportunity, the Project is well aligned with the Group's selective landbanking strategy of deep-rooting in tier-one cities, and presents the Group with a value-creation opportunity to connect The Bund to Huaihai Road, and Xintiandi to the Old City.

An important feature of the Remaining Plots and the Initial Plots is its location within the Shanghai government's urban redevelopment plan for Huangpu District. Situated in a neighbourhood with over 160 years of history, the Remaining Plots have a network of shikumens (石庫門 or lane houses), "li-long" alleyways (里弄), and rows of historical arcade buildings. This unique blend of Chinese and French architectural styles is representative of Shanghai's historical East-meets-West culture, and is a sight-seeing attraction for locals and foreigners alike. As part of the Shanghai government's regeneration plan, certain designated historical sites and heritage architecture will be restored and rebuilt, while its surrounding area will be redeveloped by the Group to create an iconic mixed-use development. With its historical value and close proximity to the established landmarks that have high foot traffic, the Group believes these factors will add to the attraction of the Project's development properties portion, as well as support the long-term growth of the Project's investment properties portion.

As a transit-oriented development, the Project has access to several key landmarks in Shanghai's downtown core. The Remaining Plots together with the Initial Plots both have access to the Yuyuan Station, which is an interchange station of the existing Metro Line 10 and Metro Line 14 that offers excellent connectivity. For instance, the Yuyuan Station is one station away from the Lujiazui Central Business District. Moreover, the Project also provides good vehicular accessibility via Yan'an Elevated Expressway, Renmin Road Tunnel, and Yan'an Road Tunnel. The Initial Plots and the Remaining Plots are adjacently situated next to each other along Jinling Road, and their amalgamation will benefit end-users and the Group. These may include shared access to transit entryways, common pathways to access various areas of the mixed-use neighbourhood, and the potential opportunity for the Group to better manage unit rent and leasing strategies as a mixed-use development.

The Group is optimistic of the medium and long-term prospects of the Project, and considers this a value-accretive landbanking transaction that will strengthen the Group's development properties pipeline, and its premium investment properties portfolio. The Group anticipates that the Remaining Plots will contribute meaningful recurrent rental income as the investment properties launch by phases, while its capital value will grow in line with the growth of the Mainland.

The Directors (including the independent non-executive Directors) believe that the Current Acquisition is conducted in the ordinary and usual course of business of the Group, and that the terms of the Current Acquisition are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Board confirms that none of the Directors had any material interests in the Current Acquisition and accordingly none of the Directors was required to abstain from voting on the resolutions in relation to the Current Acquisition.

GENERAL

BPL is a wholly-owned subsidiary of the Company and incorporated in Hong Kong with limited liability. The principal activity of BPL is investment holding.

The principal activity of the Company is investment holding and the principal activities of the Company's subsidiaries, associates and joint ventures comprise property development, investment and management in Hong Kong, the Mainland and the Asia Pacific region; hotel ownership in Hong Kong, and hotel ownership and operations in the Mainland; and integrated logistics and international freight forwarding.

LISTING RULES IMPLICATIONS

Reference is made to the Company's announcement dated 4 January 2022.

On 4 January 2022, the Company entered into the letter of intent on the acquisition of the land use rights of the Initial Plots. As the Current Acquisition and the Previous Acquisition involve the development of the Project and form a series of transactions, the Current Acquisition is required to be aggregated with the Previous Acquisition pursuant to Rule 14.22 of the Listing Rules.

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) for the Current Acquisition in aggregate with the Previous Acquisition exceed 100%, therefore they constitute a very substantial acquisition for the Company.

As the Group's principal business activities include property development, the Company is regarded as a "Qualified Issuer" under Rule 14.04(10B) of the Listing Rules. Besides, the Current Acquisition involves an acquisition of state-owned land from a PRC Governmental Body through a tender governed by the Laws of the PRC and is undertaken by the Company (through BPL) in its ordinary and usual course of business as contemplated under Rule 14.33A(1) of the Listing Rules. Accordingly, the Current Acquisition constitutes a Qualified Property Acquisition as defined under Rule 14.04(10C) of the Listing Rules, and is subject to announcement and circular requirements but is exempt from (i) Shareholders' approval requirement pursuant to Rule 14.33A of the Listing Rules; and (ii) the requirement to include a valuation report on the Remaining Plots in this circular pursuant to Rule 14.33B(3) of the Listing Rules.

The Board confirms that the Current Acquisition is in the ordinary and usual course of business of the Group and is of the view that the terms of the Current Acquisition are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
For and on behalf of
Kerry Properties Limited
Kuok Khoon Hua
Chairman and Chief Executive Officer

1. FINANCIAL INFORMATION OF THE GROUP FOR EACH OF THE THREE FINANCIAL YEARS ENDED 31 DECEMBER 2020, 2021 AND 2022

Details of the financial information of the Group for each of the three financial years ended 31 December 2020, 2021 and 2022 are disclosed in the following documents which have been published on the websites of the Company (www.kerryprops.com) and the Stock Exchange (www.hkexnews.hk) and can be accessed at the website addresses below:

(i) annual report of the Company for the year ended 31 December 2020 (pages 115 – 211) (https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0415/2021041500315.pdf).

(ii) annual report of the Company for the year ended 31 December 2021 (pages 133 – 229) (https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0412/2022041200363.pdf).

(iii) annual report of the Company for the year ended 31 December 2022 (pages 101 – 200) (https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0426/2023042601146.pdf).

2. INDEBTEDNESS

Bank Loans

Out of the Group's total bank loans of HK$54,480,570,000 as at 31 May 2023, HK$13,922,214,000 (representing approximately 26%) was classified as current liabilities and HK$40,558,356,000 (representing approximately 74%) was classified as non-current liabilities. As at 31 May 2023, the Group maintained all of its bank loans on an unsecured and guaranteed basis and no assets were pledged. As at 31 May 2023, the Group had total undrawn bank loan facilities of HK$25,665,870,000 which may be used to fund material capital expenditure. The Group will also continue to secure financing as and when the need arises.

Derivative Financial Instruments

As at 31 May 2023, the Group had derivative financial assets and liabilities of HK$900,618,000 and HK$576,424,000 respectively with total nominal values of HK$14,750,000,000 and HK$10,588,535,000 respectively.

Amounts due to Associates and Joint Ventures, Non-Controlling Interests and Lease Liabilities

As at 31 May 2023, the Group had amounts due to associates and joint ventures, non-controlling interests and lease liabilities of approximately HK$429,557,000, HK$2,506,529,000 and HK$108,644,000 respectively.

Contingent Liabilities and Guarantees

As at 31 May 2023, the Group had the following contingent liabilities:

(a) The Group has executed guarantees for banking facilities granted to certain associates and joint ventures. The utilised amount of such facilities covered by the Group's guarantees which also represented the financial exposure of the Group as at 31 May 2023 amounted to approximately HK$4,060,327,000. The total amount of such facilities covered by the Group's guarantees as at 31 May 2023 amounted to approximately HK$5,221,715,000; and

(b) The Group has executed guarantees to certain banks for mortgage facilities granted to first hand buyers of certain properties developed by the Group in the Mainland. The utilised amount of such facilities covered by the Group's guarantees which also represented the financial exposure of the Group as at 31 May 2023 amounted to approximately HK$1,831,163,000.

Save as set out above and apart from intra-group liabilities and guarantees, the Group did not have any outstanding indebtedness in respect of mortgages, charges, debentures or loan capital, bank overdrafts, loans, debt securities or other similar indebtedness or acceptance credits (other than trade bills in the ordinary and usual course of the business) or hire purchase commitments or any guarantees or other material contingent liabilities at the close of business on 31 May 2023.

3. WORKING CAPITAL

Taking into account the Group's internal resources, available banking facilities and the effect of the Current Acquisition, the Directors are of the opinion that the Group will have sufficient working capital for its present requirements for at least the next 12 months from the date of this circular.

The Company has obtained the relevant confirmation as required under Rule 14.66(12) of the Listing Rules.

4. FINANCIAL AND TRADING PROSPECTS

Strong Financial Position

The Group maintains a strong financial position through its prudent approach toward managing its capital resources and liquidity. By proactively managing the Group's liquidity, the Group is able to ensure there is ample headroom for its capital resources to meet its financing needs, to selectively pursue strategic investment opportunities in a disciplined manner, and to protect against unexpected external economic shocks. Moreover, funding needs are closely monitored and regularly reviewed to allow a fair degree of financial flexibility and liquidity, while optimising the cost of funds.

Interest Rate and Foreign Exchange Management

The Group actively monitors the cash flow forecasts of its subsidiaries and arranges to transfer surplus cash to the corporate level to reduce its gross debt. To effectively utilise surplus cash and minimise overall interest costs, the Group has arranged intra-group loans from cash-rich group companies to meet funding needs of other group companies. The Group regularly reviews the intra-group financing arrangements in response to changes in foreign exchange rates and interest rates.

In addition to raising funds directly on a fixed rate basis, the Group endeavours to hedge its interest rate risks arising from its floating rate loans by entering floating-to-fixed interest-rate swap contracts. As of 31 December 2022, the Group's fixed rate debt ratio (after swap contracts and fixed rate loans) was 48% on a net debt level.

The Group closely reviews and monitors its foreign exchange exposure, and conducts its business primarily in Hong Kong with related cash flows, assets, and liabilities being denominated mainly in Hong Kong dollars. The Group's primary foreign exchange exposure arises from its property developments and investments in the Mainland which are denominated in Renminbi and the bank loans which are denominated in Renminbi, Australian dollar, and Japanese yen. To hedge the exchange rate exposure of the foreign currency borrowings, the Group has arranged cross currency swap contracts denominated in Renminbi, Australian dollar, and Japanese yen. Project bank loans in the Mainland are not hedged as the Group endeavours to establish a natural hedge by maintaining an appropriate level of external borrowings in Renminbi.

Selective Landbanking Strategy

The Group maintains a strong presence in Hong Kong and key cities in the Mainland. In 2022, the Group had twelve development properties projects for sale in eight cities including Hong Kong, Fuzhou, Hangzhou, Kunming, Qianhai, Qinhuangdao, Shenyang and Zhengzhou. It also operated nine major mixed-use projects in Hong Kong, Beijing, Hangzhou, Qianhai, Shanghai, Shenzhen and Shenyang.

The business development focus for the Group is to build a portfolio of premium investment properties consisting of office, retail, hotel, and apartments for lease primarily in the Mainland; and to manage a robust and balanced pipeline of development properties in the Mainland and Hong Kong.

In the Mainland, the Group will focus on deep rooting and investing in well located mixed-use developments in core and major cities in the Yangtze River Delta and the Greater Bay Area. In Hong Kong, the Group will continue to invest in high quality, urban gentrification development property project opportunities. The Group aims to maintain its disciplined landbank acquisition strategy to support long-term sustainable growth and with the aim of the acquisitions being accretive to the Shareholders' value.

Sustainable Development Properties Revenue Pipeline

The Group benefits from twin revenue pillars that consist of a strong development properties pipeline, and steady recurrent revenue from its investment properties in Hong Kong and the Mainland.

In terms of its development properties, the Group has a total attributable GFA of for-sale development properties of 11.29 million sq.ft. as of 31 December 2022. This consists of projects that are currently being sold on the market, those that are to be launched in 2023, as well as projects under development to be brought to the market in the coming years. The Group's entire development properties pipeline is comprised of a balanced product mix. These include high-end luxury projects in Hong Kong such as Mont Verra on Beacon Hill and Shanghai's Jinling Road residential project, middle-market residences such as Hong Kong's La Marina and the Mainland's Fuzhou Rivercity projects, and family residential projects with mass appeal such as the Group's Hong Kong To Kwa Wan Urban Renewal Authority project, among others. This entire pipeline is more than sufficient to support a robust stream of development property revenue over the next five years and beyond.

On the Mainland, the Group has a strong pipeline of development properties that will yield 9.59 million sq.ft. of attributable GFA as of 31 December 2022. These projects have target completion dates from 2023 up till 2027 onwards, giving the Group a sustainable sales pipeline over the next five years and beyond. The projects are all part of a larger mixed-use development located in key areas of their respective cities that offer the convenience of nearby major metro stations, bus lines, and expressways. They will be positioned as high-quality homes whose residents will be able to enjoy the facilities and amenities of the projects' commercial portion such as shopping malls and well-designed public areas.

The Hong Kong Property Division has a robust pipeline of high-quality projects currently under development, and a landbank of future developments with good potential that amounts to approximately 1.70 million sq.ft. of attributable GFA to the Group as of 31 December 2022. These projects have target completion dates from 2023 up till 2027 onwards, giving the Group a sustainable sales pipeline over the next five years and beyond. In Hong Kong, the Group aims to build a development properties pipeline that balances good margins with shorter capital recycle periods. The result is a diverse product mix that includes premium luxury residences, middle-market designer homes, and family homes with mass appeal.

Stable Recurrent Revenue from Investment Properties Portfolio

The Group has recorded stable recurrent revenue from its investment properties portfolio in Hong Kong and the Mainland over the years. In total, the Group has 16.31 million sq.ft. of GFA under management in its major investment properties portfolio as of 31 December 2022. This is comprised of office, retail, apartment, hotel, and warehouse. Of this portfolio, Hong Kong accounts for 19% and the Mainland accounts for 81% of the total major investment properties portfolio, or 3.11 million sq.ft. and 13.20 million sq.ft. of the Group's total attributable GFA respectively.

In the next five years and onwards, the Group is expected to add another 8.93 million sq.ft. GFA to its investment properties portfolio from its pipeline of major mixed-use projects, including hotels, under development in the Mainland. This is mainly comprised of approximately 4.30 million sq.ft. GFA of office, approximately 3.48 million sq.ft. GFA of retail, and approximately 0.77 million sq.ft. GFA of hotel properties. The top contributing cities to this pipeline are Shanghai with projects in Pudong and Huangpu districts, Wuhan, Hangzhou, and other cities.

Upon completion, the Group's investment properties and hotel portfolio will increase by 43%, or a total combined footprint of 29.69 million sq.ft. GFA from 2027 onwards. This will give the Group a strong platform to progressively increase its recurrent revenue with new assets being introduced on a steady schedule, and the opportunity to continue optimising its rental reversion and existing assets.

Prospects

2022 was an eventful year that saw many new challenges emerge – massive disruption of trade and travel brought about by strict Covid-19 related restrictions on the Mainland, a depressed property market in Hong Kong and on the Mainland, sharply higher U.S., and therefore Hong Kong, interest rates, and geopolitical tensions from the ongoing Russia-Ukraine war coupled with a strained Sino-U.S. relationship.

Against this backdrop, the Group selectively added to its landbank with important land acquisitions and embarked on asset enhancement initiatives to improve a few of its investment properties in Shanghai, Beijing, and Hangzhou. The Group also strengthened its management team with a few new appointments and continued to recycle capital resources through the sale of its two warehouses in Hong Kong for a consideration of HK$4,620 million.

During the year ended 31 December 2022, the Group delivered steady financial results despite the difficult business environment, with consolidated revenue of HK$14,590 million, slightly down by 4.8% year-on-year (2021: HK$15,327 million). Total property sales for 2022 was HK$9,974 million, which included contracted sales of HK$5,354 million for Hong Kong and the Mainland, and the sale of the two aforementioned warehouses.

Property rental revenue for the Group was HK$4,991 million, declining 6.6% compared to the same period last year (2021: HK$5,344 million). Investment properties in Hong Kong achieved HK$1,199 million (2021: HK$1,291 million), down 7.1% year-on-year. Excluding one-off rental relief offered to tenants in the first half of 2022 and the rental income received on the two disposed warehouses in Hong Kong, revenue from investment properties was HK$1,142 million (2021: HK$1,172 million), declining 2.6%. The Mainland's investment properties achieved revenue of HK$3,792 million (2021: HK$4,053 million), declining 6.4% compared to 2021. In local currency terms, the performance of the investment property portfolio from the Mainland Property Division was largely in line with 2021.

As we enter into the early half of 2023, the Group is encouraged by the lifting of Covid-19 restrictions and the reopening of borders in Hong Kong and on the Mainland. With the Mainland Government's clear message of focusing on economic growth and reform in 2023 and beyond, the Group is hopeful that this will allow business and investment sentiment to gradually improve. On the Mainland, there are indications of a recovery in retail and hotel business to pre-Covid-19 levels, while interest and transactions in residential projects are showing early signs of warming up. In Hong Kong, the Group has observed that the local economy is gradually benefitting from its borders being fully open to the Mainland and to the rest of the world. The Group will remain focused on capturing opportunities as they arise; while also managing its capital, revenue, and assets with innovation and financial prudence to achieve the Group's growth strategy.

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirm that there has been no material adverse change in the financial or trading position of the Group since 31 December 2022, being the date to which the latest published audited consolidated financial statements of the Group have been made up.

6. MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

Set out below are the details of management discussion and analysis of the Group for each of the three financial years ended 31 December 2020, 2021, and 2022. The financial data in respect of the Group, for the purpose of this circular, is derived from the annual report of the Company for each of the three financial years ended 31 December 2020, 2021, and 2022.

For the year ended 31 December 2022

Key Financial Highlights

The Group recorded consolidated revenue of HK$14,590 million, down 4.8% year-on-year (2021: HK$15,327 million).

Gross profit margin for the Group was 48% (2021: 57%). The gross profit margin recorded from the sales of development properties was 37% (2021: 51%), which was less than last year due to a different product mix in 2022. The gross profit margin generated from rental income from investment properties was recorded at 74% (2021: 75%), remaining stable when compared to last year despite the rental relief provided to our tenants during the pandemic period.

Profit attributable to the Shareholders, after taking into account the change in fair value of investment properties and the one-off gain of HK$2,094 million in 2021 from the disposal of shares in Kerry Logistics Network Limited, was HK$2,755 million (2021: HK$10,358 million).

Earnings per share was HK$1.90 (2021: HK$7.11), decreasing 73% compared to 2021.

Property Sales

The Group achieved total property sales of HK$9,974 million which included contracted sales of HK$5,354 million for Hong Kong and the Mainland, and the sale of two warehouses in Hong Kong for a consideration of HK$4,620 million.

Property Rental

The Group measured its investment properties portfolio on a fair value basis and recorded a decrease in attributable fair value of investment properties (net of deferred taxation) of HK$1,765 million (2021: an increase of HK$1,998 million) to reflect the fair market value for the investment properties in Hong Kong and the Mainland.

Property rental revenue for the Group was HK$4,991 million, declining 6.6% compared to the same period last year (2021: HK$5,344 million).

Hotel Operations

The revenue from hotel operations for the Group was HK$1,056 million, declining 34% compared to the same period last year (2021: HK$1,612 million) due to Covid-19 related restrictions.

Commitments

At 31 December 2022, the Group had capital and other commitments in respect of property, plant and equipment, investment properties, land costs and properties under development contracted for at the end of the year but not provided for in the financial statements of HK$9,658 million (2021: HK$18,496 million).

Contingent Liabilities

The Group has executed guarantees for banking facilities granted to certain associates and joint ventures. 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 2022 amounted to approximately HK$4,018 million (2021: HK$4,792 million). The total amount of such facilities covered by the Group's guarantees as at 31 December 2022 amounted to approximately HK$5,239 million (2021: HK$5,082 million).

The Group has executed guarantees to certain banks for mortgage facilities granted to first hand buyers of certain properties developed by the Group in the Mainland. 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 2022 amounted to approximately HK$2,029 million (2021: HK$2,312 million).

Pledged Assets

No assets were pledged and there were no charges on the Group's assets as at 31 December 2022.

Significant Investments

The Group did not have any significant investments during the year ended 31 December 2022.

Major Land Acquisition and Sales of Assets and Investments

In January 2022, the Group, through a wholly-owned subsidiary, successfully won the tender for the acquisition of the land use rights of the lots offered for sale by Shanghai Huangpu District Planning and Natural Resources Bureau for Plots 064-01, 065-01, 066-01, 067-01, Unit C010102, Guangchang Community, Huangpu District, Shanghai, the PRC, located east to Shengze Road, south to Renmin Road, west to Zhejiang Nan Road, north to Ninghai Dong Road at a consideration of RMB13,329 million for mixed-use development.

The Group is optimistic of the long-term prospects of this project, and considers this to be a strategic addition that will strengthen the Group's high-end development property pipeline, and its premium investment property portfolio. The Group anticipates the aforementioned lots will contribute good property sales income as the development properties launch by phases, and will add recurrent rental income, with capital value-creation in line with the growth of the Mainland.

As disclosed in an announcement in June 2022, the Group disposed two warehouses in Hong Kong for an aggregate consideration of HK$4,620 million. This was comprised of HK$2,290 million for the subsidiary of the Company holding the Chai Wan Warehouse, and HK$2,330 million for the subsidiary of the Company holding the Shatin Warehouse. A one-time gain of HK$877 million was recorded.

Save as disclosed above, the Group did not have any material acquisitions and disposals of subsidiaries and associated companies during the year ended 31 December 2022.

Future Plans for Material Investment or Capital Assets

Apart from the tender for the acquisition of the land use rights of the Remaining Plots in Huangpu District, Shanghai, the PRC, the Group did not have any future plans for material investment or capital assets as of 31 December 2022.

Capital Resources and Liquidity

In terms of the Group's available financial resources as at 31 December 2022, the Group had total undrawn bank loan facilities of HK$28,875 million and cash and bank deposits of HK$11,701 million.

Foreign Exchange Management

As at 31 December 2022, total foreign currency borrowings (excluding RMB bank loans) amounted to the equivalent of HK$3,221 million and RMB bank loans amounted to the equivalent of HK$7,331 million. As such, non-RMB total foreign currency borrowings and RMB bank loans represented approximately 6% and 14% respectively, of the Group's total borrowings of HK$52,870 million as at 31 December 2022.

The total foreign currency borrowings of HK$10,552 million include approximately RMB6,498 million (equivalent to HK$7,331 million) bank loans, JPY8,000 million (equivalent to HK$477 million) bank loan and approximately AUD516 million (equivalent to HK$2,744 million) bank loan. To hedge the exchange rate exposure of the foreign currency borrowings, the Group has arranged cross currency swap contracts amounting to RMB2,290 million, JPY8,000 million, and approximately AUD516 million for bank loans drawn in Hong Kong. The remaining RMB4,208 million bank loans are project bank loans in the Mainland which are not hedged as the Group endeavours to establish a natural hedge by maintaining an appropriate level of external borrowings in RMB.

Interest Rate Management

As at 31 December 2022, the Group had outstanding interest rate swap contracts, which amounted to HK$19,300 million in total, enabling the Group to hedge its interest rate exposure and to have a more stable interest rate profile. Compared to the total of outstanding interest rate swap contracts of HK$6,200 million as at 31 December 2021, the entering into more interest rate swap contracts in 2022 was in response to hedging a portion of our borrowing against the anticipated rising interest rate environment. As at 31 December 2022, the Group's fixed rate debt ratio (after swap contracts and fixed rate loan) was 37% and 48% on gross debt level and net debt level respectively. All these interest-rate swap contracts qualify for hedge accounting.

Debt Maturity Profile and Gearing Ratio

The Group's total borrowings as at 31 December 2022 were HK$52,870 million (2021: HK$37,479 million). The majority of the loans will be repayable within 5 years. The maturity profile is set out below:

	2022		2021	
Repayable:	*HK$ Million*		*HK$ Million*	
Within 1 year	5,997	*11%*	5,268	*14%*
In the second year	12,851	*24%*	4,413	*12%*
In the third to fifth year	33,022	*63%*	25,507	*68%*
Over 5 years	1,000	*2%*	2,291	*6%*
Total	52,870	*100%*	37,479	*100%*

As at 31 December 2022, the Group's gearing ratio, representing net debt to total equity, is 33.6% (31 December 2021: 15.1%), calculated based on net debt of HK$41,169 million and total equity of HK$122,482 million.

Taxation

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profit for the year. Income tax on the Mainland and overseas profits has been calculated on the estimated assessable profit for the year at the respective rates of taxation prevailing in the Mainland and the overseas countries in which the Group operates.

Land appreciation tax in the Mainland is levied on properties developed and sold by the Group, 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 taxation for the year ended 31 December 2022 was HK$1,693 million (2021: HK$2,936 million). The Group recorded land appreciation tax of HK$607 million (2021: HK$1,115 million) for the year ended 31 December 2022 on sale of properties in the Mainland.

The Group's share of taxation of associates and joint ventures for the year of HK$411 million (2021: HK$545 million) is included in the share of results of associates and joint ventures in the consolidated income statement.

Employees and Remuneration Policies

As at 31 December 2022, the Group had approximately 7,700 employees. Salaries of employees are maintained at competitive levels while bonuses are granted on a discretionary basis. The Group's emolument policy is formulated based on the performance, contribution and responsibilities of individual employees together with reference to the profitability of the Group, remuneration benchmarks in the industry, and prevailing market conditions within the general framework of the Group's salary and bonus system. Other employee benefits include provident fund, insurance, medical cover, subsidised educational and training programmes as well as share option schemes and share award scheme.

For the year ended 31 December 2021

Key Financial Highlights

The Group recorded consolidated revenue of HK$15,327 million, up 6% year-on-year (2020: HK$14,526 million).

Gross profit margin for the Group was 57% (2020: 58%). The development property sales recorded 51% (2020: 50%) in gross profit margins, up 1% compared to the same period last year, and the gross profit margins of rental income from investment properties recorded 75% (2020: 77%), down 2% compared to the same period last year.

Profit attributable to the Shareholders was HK$10,358 million (2020: HK$5,403 million), up 92%.

Earnings per share was HK$7.11 (2020: HK$3.71), an increase of 92% compared to 2020.

Property Sales

The Group achieved total property sales of HK$17,906 million which is comprised of contracted sales for Hong Kong and the Mainland.

Property Rental

The Group measured its investment properties portfolio on a fair value basis and recorded an increase in fair value of investment properties (net of deferred taxation) of HK$1,998 million (2020: HK$1,170 million) to reflect the fair market value for the investment properties in Hong Kong and the Mainland.

Property rental revenue for the Group was HK$5,344 million, up 11% compared to the same period last year (2020: HK$4,827 million).

Hotel Operations

The revenue from hotel operations for the Group was HK$1,612 million, increasing 37% compared to the same period last year (2020: HK$1,180 million).

Commitments

At 31 December 2021, the Group had capital and other commitments in respect of investment properties, land costs and properties under development contracted for at the end of the year but not provided for in the financial statements of HK$18,496 million (2020: HK$9,643 million).

Contingent Liabilities

The Group has executed guarantees for banking facilities granted to certain associates and joint ventures. 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 2021 amounted to approximately HK$4,792 million (2020: HK$4,532 million). The total amount of such facilities covered by the Group's guarantees as at 31 December 2021 amounted to approximately HK$5,082 million (2020: HK$5,071 million).

The Group has executed guarantees to certain banks for mortgage facilities granted to first hand buyers of certain properties developed by the Group in the Mainland. 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 2021 amounted to approximately HK$2,312 million (2020: HK$1,639 million).

Pledged Assets

No assets were pledged and there were no charges on the Group's assets as at 31 December 2021.

Significant Investments

The Group did not have any significant investments during the year ended 31 December 2021.

Major Land Acquisition and Sales of Assets and Investments

In February 2021, the Group, through a joint venture with GIC (Realty) Pte. Ltd., acquired a mixed-use development site located in the Jinqiao sub-district of Pudong New District for a consideration of RMB2,672 million. The Pudong site delivers a high degree of accessibility through direct access to the Jufeng Road interchange station that connects to Shanghai's Metro Lines 12 and 6 and accommodates a bus terminus with eight routes. The mixed-use project will yield approximately 3.1 million sq.ft. GFA, with approximately 0.5 million sq.ft. GFA of residential for sale, 2.3 million sq.ft. GFA for retail, and 0.3 million sq.ft. GFA for office. Upon completion, the shopping complex will provide an integrated customer experience featuring shopping, dining, leisure and entertainment for a core catchment of around 700,000 consumers; while the residential and office portion will offer unbridled views of the Caojiagou River, Puxing Culture Park, and the future Jufeng Sports Park.

In July 2021, the Group entered into a 50/50 joint venture with Top Spring International Holdings Limited (stock code: 3688). The venture consists of two land parcels in Yuen Long's Shap Pat Heung Road and Tai Tong Road. The sites are located in a fast-developing neighbourhood and are a few minutes away from Yuen Long's town centre and the Yuen Long West Rail Station, with good accessibility and many bus and minibus routes along the Yuen Long section of Castle Peak Road. The process to convert the two sites from agricultural land reserves to private residential usage has been successfully completed, with the Shap Pat Heung Road and Tai Tong Road sites expected to generate approximately 245,000 sq.ft. and 36,000 sq.ft. of GFA respectively. The Group will develop them into a new high-quality residential project with approximately 676 units that will offer unobstructed open views.

In September 2021, the Group recorded a one-time gain of HK$2,094 million from the disposal of shares in Kerry Logistics Network Limited ("**KLN**") (stock code: 636). This was in connection with a partial offer for KLN shares and reduced the Group's shareholding interest in KLN from 39.75% to 20.84% as of 31 December 2021 ("**Partial Offer**"). Total net proceeds of HK$11,587 million was received by the Company from the disposal of KLN shares, the placing of KLN shares by the Company in connection to the Partial Offer, and the special dividend declared by KLN.

In December 2021, the Group won a To Kwa Wan tender site from the Urban Renewal Authority ("**URA**"). The site lies in a core urban area in Kowloon that is set for transformation under the urban renewal master development blueprint of To Kwa Wan. The project will generate approximately 444,000 sq.ft. of GFA, of which about 370,000 sq.ft. will accommodate the development of residential apartments, with the remaining floor area of 74,000 sq.ft. designated for the creation of commercial and retail spaces. The project is in close proximity to To Kwa Wan MTR station, and will create synergy with adjoining URA developments by enhancing connectivity within the district. Through a combination of building design, placemaking and sustainability elements, the project will bring vitality to the surrounding communities while enriching people's lives.

Save as disclosed above, the Group did not have any material acquisitions and disposals of subsidiaries and associated companies during the year ended 31 December 2021.

Future Plans for Material Investment or Capital Assets

Apart from the tender for the acquisition of the land use rights of the Initial Plots and Remaining Plots in Huangpu District, Shanghai, the PRC, the Group did not have any future plans for material investment or capital assets as of 31 December 2021.

Capital Resources and Liquidity

In terms of the Group's available financial resources as at 31 December 2021, the Group had total undrawn bank loan facilities of HK$34,866 million and cash and bank deposits of HK$17,435 million.

Foreign Exchange Management

As at 31 December 2021, total foreign currency borrowings (excluding RMB bank loans) amounted to the equivalence of HK$3,461 million and RMB bank loans amounted to the equivalence of HK$8,690 million. As such, non-RMB total foreign currency borrowings and RMB bank loans represented approximately 9% and 23% respectively, of the Group's total borrowings of HK$37,479 million as at 31 December 2021.

The total foreign currency borrowings of HK$12,151 million include approximately RMB7,090 million (equivalent to HK$8,690 million) bank loans, JPY8,000 million (equivalent to HK$542 million) bank loan and approximately AUD516 million (equivalent to HK$2,919 million) bank loan. To hedge the exchange rate exposure of the foreign currency borrowings, the Group has arranged cross currency swap contracts amounting to RMB3,290 million, JPY8,000 million, and approximately AUD516 million for bank loans drawn in Hong Kong. The remaining RMB3,800 million bank loans are project bank loans in the Mainland.

Interest Rate Management

As at 31 December 2021, the Group had outstanding interest rate swap contracts, which amounted to HK$6,200 million in total, enabling the Group to hedge its interest rate exposure and to have a more stable interest rate profile. Comparing to the total of outstanding interest rate swap contracts of HK$2,500 million as at 31 December 2020, the entering of more interest rate swap contracts in 2021 was in response to hedging a portion of our borrowing against the anticipated rising interest rate environment.

Debt Maturity Profile and Gearing Ratio

The Group's total borrowings as at 31 December 2021 were HK$37,479 million (2020: HK$44,534 million). The majority of the borrowings will be repayable within 5 years. The maturity profile is set out below:

	2021		2020	
Repayable:	*HK$ Million*		*HK$ Million*	
Within 1 year	5,268	*14%*	6,912	*15%*
In the second year	4,413	*12%*	8,998	*20%*
In the third to fifth year	25,507	*68%*	25,229	*57%*
Over 5 years	2,291	*6%*	3,395	*8%*
Total	37,479	*100%*	44,534	*100%*

As at 31 December 2021, the Group's gearing ratio, representing net debt to the Shareholders' equity, is 17.2% (as at 31 December 2020: 25.1%), calculated based on net debt of HK$20,044 million and the Shareholders' equity of HK$116,829 million.

Taxation

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profit for the year. Income tax on the Mainland and overseas profits has been calculated on the estimated assessable profit for the year at the respective rates of taxation prevailing in the Mainland and the overseas countries in which the Group operates.

Land appreciation tax in the Mainland is levied on properties developed and sold by the Group, 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 taxation for the year ended 31 December 2021 was HK$2,936 million (2020: HK$3,241 million). The Group recorded land appreciation tax of HK$1,115 million (2020: HK$1,082 million) for the year ended 31 December 2021 on sale of properties in the Mainland.

The Group's share of taxation of associates and joint ventures for the year of HK$545 million (2020: HK$446 million) is included in the share of results of associates and joint ventures in the consolidated income statement.

Employees and Remuneration Policies

As at 31 December 2021, the Group had approximately 7,600 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.

For the year ended 31 December 2020

Key Financial Highlights

The Group recorded consolidated revenue of HK$14,526 million, down 19% year-on-year (2019: HK$18,025 million).

Gross profit margin for the Group was 58% (2019: 50%). The gross profit margin recorded from the sales of development properties was 50% (2019: 40%). The gross profit margin generated from rental income from investment properties was recorded at 77% (2019: 77%), remaining stable.

The Group's profit attributable to the Shareholders for the year ended 31 December 2020 was HK$5,403 million (2019: HK$6,897 million).

Earnings per share was HK$3.71 (2019: HK$4.74), decreasing 22% compared to 2019.

Property Sales

The Group achieved total property sales of HK$12,880 million which is comprised of contracted sales for Hong Kong and the Mainland.

Property Rental

The Group measured its investment properties portfolio on a fair value basis and recorded an increase in fair value of investment properties (net of deferred taxation) attributable to the Shareholders of HK$1,170 million for the year ended 31 December 2020 (2019: HK$1,501 million) to reflect the fair market value for the investment properties in Hong Kong and the Mainland.

Property rental revenue for the Group was HK$4,827 million, down 1.7% compared to the same period last year (2019: HK$4,911 million).

Hotel Operations

The revenue from hotel operations for the Group was HK$1,180 million, declining 40% compared to the same period last year (2019: HK$1,953 million) due to Covid-19 related restrictions.

Commitments

At 31 December 2020, the Group had capital and other commitments in respect of investment properties, land costs and properties under development contracted for at the end of the year but not provided for in the financial statements of HK$9,643 million (2019: HK$17,397 million).

Contingent Liabilities

The Group has executed guarantees for banking facilities granted to certain associates and joint ventures. 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 2020 amounted to approximately HK$4,532 million (2019: HK$2,703 million). The total amount of such facilities covered by the Group's guarantees as at 31 December 2020 amounted to approximately HK$5,071 million (2019: HK$3,303 million).

The Group has executed guarantees to certain banks for mortgage facilities granted to first buyers of certain properties developed by the Group in the Mainland. 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 2020 amounted to approximately HK$1,639 million (2019: HK$1,826 million).

Pledged Assets

No assets were pledged and there were no charges on the Group's assets as at 31 December 2020.

Significant Investments

The Group did not have any significant investments during the year ended 31 December 2020.

Major Land Acquisition and Sales of Assets and Investments

In October 2020, the Group, through a consortium comprising the Company, Sino Land Company Limited (stock code: 083), K. Wah International Holdings Limited (stock code: 173) and China Merchants Land Limited (stock code: 978) was awarded the tender for the LOHAS Park Package Thirteen Property Development Project by MTR Corporation Limited. Located on the scenic Tseung Kwan O waterfront, this Package represents the final phase of the LOHAS Park master development. It will yield a GFA of approximately 1.55 million sq.ft. and about 2,550 units, and is the largest waterfront project atop LOHAS Park Station in recent years.

Save as disclosed above, the Group did not have any material acquisitions and disposals of subsidiaries and associated companies during the year ended 31 December 2020.

Future Plans for Material Investment or Capital Assets

The Group did not have any future plans for material investment or capital assets as of 31 December 2020.

Capital Resources and Liquidity

In terms of the Group's available financial resources as at 31 December 2020, the Group had total undrawn bank loan facilities of HK$16,131 million and cash and bank deposits of HK$16,995 million.

Foreign Exchange Management

As of 31 December 2020, total foreign currency borrowings (excluding RMB bank loans) amounted to the equivalence of HK$6,002 million and RMB bank loans amounted to the equivalence of HK$7,106 million. Therefore, non-RMB total foreign currency borrowings and RMB bank loans represented approximately 13% and 16% respectively, of the Group's total borrowings of HK$44,534 million as of 31 December 2020.

The non-RMB total foreign currency borrowings of HK$6,002 million include US$300 million Fixed Rate Bonds (net of direct issue costs), JPY8,000 million bank loan and approximately AUD516 million bank loans. The Group has arranged cross currency swap contracts amounting to US$297 million, JPY8,000 million and approximately AUD516 million to hedge the exchange rate exposure between United States dollars and Hong Kong dollars, between Japanese Yen and Hong Kong dollars and between Australian dollars and Hong Kong dollars, respectively.

Interest Rate Management

As of 31 December 2020, the Group had outstanding interest rate swap contracts which amounted to HK$2,500 million in total, enabling the Group to hedge its interest rate exposure and to have a more stable interest rate profile.

Debt Maturity Profile and Gearing Ratio

The Group's total borrowings as at 31 December 2020 were HK$44,534 million (2019: HK$39,541 million). The majority of the borrowings will be repayable within 5 years. The maturity profile is set out below:

	2020		2019	
Repayable:	*HK$ Million*		*HK$ Million*	
Within 1 year	6,912	*15%*	8,494	*22%*
In the second year	8,998	*20%*	7,921	*20%*
In the third to fifth year	25,229	*57%*	22,726	*57%*
Over 5 years	3,395	*8%*	400	*1%*
Total	44,534	*100%*	39,541	*100%*

As at 31 December 2020, the Group's gearing ratio, representing net debt to the Shareholders' equity, is 25.1% (2019: 26.8%), calculated based on net debt of HK$27,539 million and the Shareholders' equity of HK$109,873 million.

Taxation

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profit for the year. Income tax on the Mainland and overseas profits has been calculated on the estimated assessable profit for the year at the respective rates of taxation prevailing in the Mainland and the overseas countries in which the Group operates.

Land appreciation tax in the Mainland is levied on properties developed and sold by the Group, 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 taxation for the year ended 31 December 2020 was HK$3,241 million (2019: HK$2,343 million). The Group recorded land appreciation tax of HK$1,082 million (2019: HK$383 million) for the year ended 31 December 2020 on sale of properties in the Mainland.

The Group's share of taxation of associates and joint ventures for the year of HK$446 million (2019: HK$451 million) is included in the share of results of associates and joint ventures in the consolidated income statement.

Employees and Remuneration Policies

As at 31 December 2020, the Group had approximately 7,800 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.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Interests of Directors and Chief Executive of the Company

As at the Latest Practicable Date, the interests of the Directors in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (the "**Associated Corporations**") as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

(i) Long Position in the Shares

	Number of Shares interested				
Name of Directors	Personal interests[1]	Corporate interests[2]	Other interests[3]	Total interests	Approximate % of shareholding[4]
Kuok Khoon Hua	2,746,413	1,000,000	3,297,763	7,044,176	0.49
Au Hing Lun, Dennis	–	–	50,000	50,000	<0.01

Notes:

1. This represents interests held by the relevant Director as beneficial owner.

2. This represents interests deemed to be held by the relevant Director through his controlled corporation(s).

3. This represents interests deemed to be held by the relevant Director through discretionary trust(s) of which the relevant Director is a discretionary beneficiary.

4. The percentage represents the number of Shares interested divided by the total number of the issued Shares as at the Latest Practicable Date (i.e. 1,451,305,728 Shares).

(ii) Long Position in Ordinary Shares of the Associated Corporations

Associated Corporations	Names of Directors	Personal interests[1]	Corporate interests[2]	Other interests[3]	Total interests	Approximate % of shareholding[4]
		Number of ordinary shares interested				
Kerry Group Limited	Kuok Khoon Hua	2,000,000	–	240,765,702	242,765,702	15.74
	Au Hing Lun, Dennis	–	–	3,115,476	3,115,476	0.20
Kerry Logistics Network Limited	Kuok Khoon Hua	600,428	–	1,132,479	1,732,907	0.10
	Au Hing Lun, Dennis	–	–	717,588	717,588	0.04
	Wong Yu Pok, Marina	20,796	–	–	20,796	<0.01
Hopemore Ventures Limited	Kuok Khoon Hua	50	–	–	50	3.57
Kerry Mining (Mongolia) Limited	Kuok Khoon Hua	–	–	500	500	0.46
Majestic Tulip Limited	Kuok Khoon Hua	10	–	–	10	3.33
Marine Dragon Limited	Kuok Khoon Hua	1,200	–	–	1,200	4.00
Medallion Corporate Limited	Kuok Khoon Hua	48	–	–	48	4.80
Ocean Fortune Enterprises Limited	Kuok Khoon Hua	91,262	–	–	91,262	6.75
Oceanic Ally Global Limited	Kuok Khoon Hua	1,500	3,000	–	4,500	15.00
Rubyhill Global Limited	Kuok Khoon Hua	1	–	–	1	10.00
United Beauty Limited	Kuok Khoon Hua	–	–	15	15	15.00
Vencedor Investments Limited	Kuok Khoon Hua	5	–	–	5	5.00

Notes:

1. This represents interests held by the relevant Director as beneficial owner.

2. This represents interests deemed to be held by the relevant Director through his controlled corporation(s).

3. This represents interests deemed to be held by the relevant Director through discretionary trust(s) of which the relevant Director is a discretionary beneficiary.

4. The percentage has been compiled based on the total number of ordinary shares of the respective Associated Corporations in issue as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying shares or debentures of the Company or any of its Associated Corporations which had been recorded in the register kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

(b) Interests of Substantial Shareholders in the Share Capital of the Company

As at the Latest Practicable Date, the following companies, other than the Directors, had long positions of 5% or more in the Shares as recorded in the register required to be kept by the Company under Section 336 of the SFO. Their interests were as follows:

Long Position in the Shares

Name	Capacity in which Shares were held	Number of Shares interested	Approximate % of shareholding[2]
Kerry Group Limited	Interest of controlled corporations	874,090,494[1]	60.23
Kerry Holdings Limited	Interest of controlled corporations	746,230,656[1]	51.42
Caninco Investments Limited	Beneficial owner	312,248,193[1]	21.51
Darmex Holdings Limited	Beneficial owner	256,899,261[1]	17.70
Schroders Plc	Investment manager	87,107,500	6.00
Moslane Limited	Beneficial owner	73,821,498[1]	5.09

Notes:

1. Caninco Investments Limited ("**Caninco**"), Darmex Holdings Limited ("**Darmex**") and Moslane Limited ("**Moslane**") are wholly-owned subsidiaries of Kerry Holdings Limited ("**KHL**"). KHL itself is a wholly-owned subsidiary of Kerry Group Limited ("**KGL**"). Accordingly, the Shares in which Caninco, Darmex and Moslane were shown to be interested had also been included in the Shares in which KHL was shown to be interested, and KGL was deemed to be interested in the Shares in which KHL was shown to be interested.

2. The percentage represents the number of Shares interested divided by the total number of the issued Shares as at the Latest Practicable Date (i.e. 1,451,305,728 Shares).

Save as disclosed above, as at the Latest Practicable Date, no other person (other than the Directors) had any interests or short positions in the Shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

3. DIRECTORS' INTEREST IN THE CONTRACT AND ASSETS OF THE GROUP

(a) As at the Latest Practicable Date, no Director was materially interested in any contract or arrangement subsisting which is significant in relation to the business of the Group taken as a whole.

(b) Since 31 December 2022 (being the date to which the latest published audited consolidated financial statements of the Group were made up), none of the Directors has or has had any direct or indirect interest in any assets acquired or disposed of by or leased to or proposed to be acquired or disposed of by or leased to any member of the Group.

4. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into, or proposed to enter into, a service contract with any member of the Group which does not expire or is not terminable by such member of the Group within one year without payment of compensation, other than statutory compensation.

5. COMPETING INTERESTS

As at the Latest Practicable Date, Mr. Kuok Khoon Hua was considered to have interests in the following Excluded Businesses:

Mr. Kuok was a director of certain subsidiaries of Shangri-La Asia Limited ("**SA**") and had interests in shares of SA, the businesses of which consisted of hotel ownership and operation. The Directors believed that as the size of that part of these Excluded Businesses in the Mainland, where the Group has hotel businesses, is not insignificant when compared with the hotel business of the Group in the Mainland, it is likely that these Excluded Businesses may compete with the hotel business of the Group in the Mainland.

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

6. LITIGATION

As at the Latest Practicable Date, no member of the Group was or is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was or is known to the Directors to be pending or threatened by or against any member of the Group.

7. GENERAL

This circular has been prepared in both English and Chinese. In case of any discrepancy, the English version shall prevail.

The registered office of the Company is at Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, Bermuda. The principal place of business of the Company in Hong Kong is at 25/F, Kerry Centre, 683 King's Road, Quarry Bay, Hong Kong.

The company secretary of the Company is Ms. Cheng Wai Sin. Ms. Cheng is a qualified accountant with membership of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.

8. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary and usual course of business) have been entered into by members of the Group within the two years immediately preceding the Latest Practicable Date, and are or may be material:

(a) the Letter of Intent;

(b) the letter of intent entered into between Shanghai Huangpu District Planning and Natural Resources Bureau and BPL on 4 January 2022 in relation to the successful tender of the Initial Plots by BPL at a consideration of RMB13,329,070,000 for the purpose of carrying out the Project ("**Initial Plots LOI**"), the details of which are set out in the circular of the Company dated 20 January 2022; and

(c) the land use rights grant contracts entered into between Shanghai Huangpu District Planning and Natural Resources Bureau and BPL pursuant to the Initial Plots LOI on 26 January 2022 in relation to the acquisition and development of the Initial Plots.

9. DOCUMENTS ON DISPLAY

The Letter of Intent will be published on the websites of the Company (www.kerryprops.com) and the Stock Exchange (www.hkexnews.hk) for a period of 14 days from the date of this circular (both days inclusive).