KERRY PROPERTIES LIMITED

(Incorporated in Bermuda with limited liability)

嘉 里 建 設 有 限 公 司*

website: www.kerryprops.com

(Stock Code: 683)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

The Board of Directors (the "**Board**") of the Company announces the unaudited interim results of the Group for the six months ended 30 June 2017. The Audit and Corporate Governance Committee of the Company has met to review the results and the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2017 prior to recommending them to the Board for approval.

The Group's profit attributable to shareholders for the six months ended 30 June 2017 was HK$3,309 million, representing an increase of 62% compared with HK$2,041 million reported for the same period in 2016. The Group measured its investment property portfolio on a fair value basis and recorded an increase in fair value of investment properties (net of deferred taxation) of HK$476 million for the six months ended 30 June 2017 (2016: HK$607 million). Before taking into account the effects of the aforementioned increase in fair value, the Group recorded an increase of 98% in profit attributable to shareholders to HK$2,833 million for the six months ended 30 June 2017 (2016: HK$1,434 million).

Earnings per share for the six months ended 30 June 2017 was HK$2.29, representing an increase of 62% compared with HK$1.41 per share for the same period in 2016. The basis of calculating the earnings per share is detailed in Note 6 below.

* *For identification purpose only*

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

	Six months ended 30 June		
	2017	2016	
	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	**2,833**	1,434	98%
Add:			
Net increase in fair value of investment properties and related tax effects	**476**	607	
Profit attributable to shareholders after taking into account the net increase in fair value of investment properties and related tax effects	**3,309**	2,041	62%

The Directors have declared an interim dividend of HK$0.45 per share for the six months ended 30 June 2017 (the "**Interim Dividend**") (2016: HK$0.3), which is payable on Friday, 15 September 2017 to shareholders whose names appear on the registers of members of the Company (the "**Registers of Members**") on Tuesday, 5 September 2017.

At the Company's Annual General Meeting held on 12 May 2017, shareholders of the Company (the "**Shareholders**") approved the final dividend of HK$0.8 per share for the year ended 31 December 2016 which amounted to a total of approximately HK$1,155 million and was paid on 26 May 2017.

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

	Note	Unaudited Six months ended 30 June 2017 HK$'000	2016 HK$'000
Turnover	3	**17,741,993**	5,536,956
Cost of sales		**(11,723,696)**	(1,583,994)
Direct operating expenses		**(1,916,213)**	(1,340,813)
Gross profit	3	**4,102,084**	2,612,149
Other income and net gains		**293,711**	131,136
Administrative and other operating expenses		**(486,293)**	(584,197)
Increase in fair value of investment properties		**474,400**	919,275
Operating profit before finance costs		**4,383,902**	3,078,363
Finance costs		**(215,970)**	(213,840)
Operating profit	4	**4,167,932**	2,864,523
Share of results of associates		**687,983**	547,725
Profit before taxation		**4,855,915**	3,412,248
Taxation	5	**(1,057,620)**	(894,802)
Profit for the period		**3,798,295**	2,517,446
Profit attributable to :			
Company's shareholders		**3,309,224**	2,040,920
Non-controlling interests		**489,071**	476,526
		3,798,295	2,517,446
Earnings per share	6		
- Basic		**HK$2.29**	HK$1.41
- Diluted		**HK$2.29**	HK$1.41

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Six months ended 30 June	
	2017	2016
	HK$'000	HK$'000
Profit for the period	**3,798,295**	2,517,446
Other comprehensive income		
Items that may be reclassified to profit or loss		
Cash flow hedges	**(176,395)**	3,593
Fair value (loss)/gain on available-for-sale investments	**(2,980)**	71,528
Share of other comprehensive income of associates	**160,583**	26,200
Net translation differences on foreign operations	**1,479,854**	(799,480)
Other comprehensive income for the period, net of tax	**1,461,062**	(698,159)
Total comprehensive income for the period	**5,259,357**	1,819,287
Total comprehensive income attributable to:		
Company's shareholders	**4,442,866**	1,547,840
Non-controlling interests	**816,491**	271,447
	5,259,357	1,819,287

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

	Note	**Unaudited As at 30 June 2017 HK$'000**	Audited As at 31 December 2016 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	7	**5,659,476**	5,758,321
Investment properties	7	**59,614,767**	56,949,967
Leasehold land and land use rights	7	**1,914,461**	1,893,221
Properties under development		**23,091,067**	22,307,035
Land deposits		**1,100,120**	1,085,695
Associates		**18,915,655**	18,650,834
Derivative financial instruments		**34,195**	100,139
Available-for-sale investments		**4,947,663**	4,856,190
Long-term receivables		**3,056,360**	1,001,386
Intangible assets	7	**122,504**	122,504
		118,456,268	112,725,292
Current assets			
Properties under development		**15,718,514**	34,984,502
Completed properties held for sale		**13,318,171**	3,787,415
Accounts receivable, prepayments and deposits	8	**7,181,679**	2,492,279
Tax recoverable		**177,057**	137,434
Tax reserve certificates		**189,346**	189,255
Listed securities at fair value through profit or loss		**6,653**	5,709
Derivative financial instruments		**240**	59,388
Restricted bank deposits		**138,224**	206,719
Cash and bank balances		**15,358,812**	16,274,538
		52,088,696	58,137,239
Non-current assets reclassified as held for sale		-	385,574
Assets of disposal groups classified as held for sale		-	1,397,583
		52,088,696	59,920,396
Current liabilities			
Accounts payable, deposits received and accrued charges	9	**6,704,891**	6,659,401
Deposits received on sale of properties		**13,575,706**	13,874,666
Taxation		**1,294,499**	1,490,836
Short-term bank loans and current portion of long-term bank loans	10	**4,585,596**	3,856,100
Fixed rate bonds		-	4,652,074
Derivative financial instruments		**41,798**	62,125
		26,202,490	30,595,202
Liabilities of disposal groups classfied as held for sale		-	339,245
		26,202,490	30,934,447
Net current assets		**25,886,206**	28,985,949
Total assets less current liabilities		**144,342,474**	141,711,241
Non-current liabilities			
Long-term bank loans	10	**33,166,618**	34,507,291
Fixed rate bonds		**2,332,005**	2,317,612
Amounts due to non-controlling interests		**2,655,509**	2,590,684
Derivative financial instruments		-	150,164
Deferred taxation		**7,070,685**	6,927,118
		45,224,817	46,492,869
ASSETS LESS LIABILITIES		**99,117,657**	95,218,372
EQUITY			
Capital and reserves attributable to the Company's shareholders			
Share capital		**1,443,273**	1,443,148
Share premium		**12,412,718**	12,408,816
Other reserves		**9,436,667**	8,179,121
Retained profits		**62,838,463**	60,713,322
		86,131,121	82,744,407
Non-controlling interests		**12,986,536**	12,473,965
TOTAL EQUITY		**99,117,657**	95,218,372

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Basis of preparation and accounting policies

These unaudited condensed consolidated interim financial statements are prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 'Interim Financial Reporting' issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

These unaudited condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2016. The accounting policies used in the preparation of these condensed consolidated interim financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2016.

The amendments to standards which are effective for the accounting period beginning on 1 January 2017 are not material to the Group.

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2016.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

2. Financial risk management and fair value measurement

(i) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk.

These condensed consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; and should be read in conjunction with the Group's annual financial statements as at 31 December 2016. There have been no changes in the Group's financial risk management structure and policies since the year end.

(ii) Fair value estimation of financial instruments

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).

- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).

- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table presents the Group's financial assets and liabilities that are measured at fair value at 30 June 2017:

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Assets				
Derivative financial instruments	**-**	**34,435**	**-**	**34,435**
Available-for-sale investments	**51,812**	**-**	**4,895,851**	**4,947,663**
Listed securities at fair value through profit or loss	**6,653**	**-**	**-**	**6,653**
Total assets	**58,465**	**34,435**	**4,895,851**	**4,988,751**
Liabilities				
Derivative financial instruments	**-**	**41,798**	**-**	**41,798**
Total liabilities	**-**	**41,798**	**-**	**41,798**

2. Financial risk management and fair value measurement (continued)

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2016:

	Level 1	Level 2	Level 3	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Assets				
Derivative financial instruments	-	159,527	-	159,527
Available-for-sale investments	51,408	-	4,804,782	4,856,190
Listed securities at fair value through profit or loss	5,709	-	-	5,709
Total assets	57,117	159,527	4,804,782	5,021,426
Liabilities				
Derivative financial instruments	-	212,289	-	212,289
Total liabilities	-	212,289	-	212,289

There were no transfers between Levels during the period.

(iii) Valuation techniques used to derive fair values of Level 2 financial instruments

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

(iv) Fair value measurements of financial instruments using significant unobservable inputs (Level 3)

The following table presents the changes in Level 3 instruments:

	Available-for-sale investments	
	2017	2016
	HK$'000	HK$'000
Opening balance as at 1 January	**4,804,782**	1,638,717
(Losses)/gains recognised in comprehensive income	**(3,384)**	14,668
Additions	**13,264**	-
Disposals	**-**	(21)
Exchange adjustment	**81,189**	-
Closing balance as at 30 June	**4,895,851**	1,653,364

2. Financial risk management and fair value measurement (continued)

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

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

There were no changes in valuation techniques during the period.

(v) Group's valuation processes for financial instruments

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

(vi) Fair value of financial assets and liabilities measured at amortised cost

The fair value of the listed fixed rate bonds as at 30 June 2017 was HK$2,540,122,000 (31 December 2016: HK$7,175,419,000).

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

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

2. Financial risk management and fair value measurement (continued)

(vii) Valuation of investment properties

	Completed residential properties	Completed commercial properties		Commercial properties under development	Total
	Hong Kong	Hong Kong	PRC	PRC	
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2017	**12,141,800**	**9,884,650**	**34,923,517**	**-**	**56,949,967**
Net gains from fair value adjustment	**200,615**	**-**	**273,785**	**-**	**474,400**
Disposals	**-**	**-**	**(59,384)**	**-**	**(59,384)**
Transfer	**1,353,385**	**-**	**-**	**-**	**1,353,385**
Exchange adjustments	**-**	**-**	**896,399**	**-**	**896,399**
At 30 June 2017	**13,695,800**	**9,884,650**	**36,034,317**	**-**	**59,614,767**
At 1 January 2016	11,606,600	9,324,990	30,479,044	5,654,073	57,064,707
Additions	-	-	37,847	206,353	244,200
Net gains from fair value adjustment	-	-	277,226	642,049	919,275
Disposals	-	-	(37,823)	-	(37,823)
Transfer	-	-	674,305	(1,963,015)	(1,288,710)
Exchange adjustments	-	-	(378,839)	(46,808)	(425,647)
At 30 June 2016	11,606,600	9,324,990	31,051,760	4,492,652	56,476,002

Valuation processes of the Group

The Group measures its investment properties at fair value. The Group's finance department includes a team that reviews significant unobservable inputs and performs valuation adjustments. This team reports directly to the senior management and the Audit and Corporate Governance Committee.

Valuation techniques

Fair value of completed residential and commercial properties in Hong Kong and the People's Republic of China ("**PRC**") is mainly derived using the income capitalisation method and whenever appropriate, by direct comparison method.

Income capitalisation method is based on the capitalisation of the net income and reversionary income potential by adopting appropriate capitalisation rates, which are derived from analysis of sale transactions and valuers' interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to recent lettings, within the subject properties and other comparable properties.

2. Financial risk management and fair value measurement (continued)

Direct comparison method is based on comparing the property to be valued directly with other comparable properties, which have recently transacted. However, given the heterogeneous nature of real estate properties, appropriate adjustments are usually required to allow for any qualitative differences that may affect the price likely to be achieved by the property under consideration.

Fair value of commercial properties under development in the PRC is generally derived using the residual method. This valuation method is essentially a means of valuing the completed properties by reference to its development potential by deducting development costs together with developer's profit and risk from the estimated capital value of the proposed development assuming completed as at the date of valuation.

The valuation techniques used in the preparation of these condensed consolidated interim financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2016.

<u>Significant unobservable inputs used to determine fair value</u>

Capitalisation rates are estimated based on the risk profile of the investment properties being valued. The higher the rates, the lower the fair value. At 30 June 2017, capitalisation rates of 3.1% to 5.5% (31 December 2016: 3.1% to 5.5%) and 5% to 9% (31 December 2016: 5% to 9%) are used in the income capitalisation method for Hong Kong and the PRC properties respectively.

Prevailing market rents are estimated based on recent lettings for Hong Kong and the PRC investment properties, within the subject properties and other comparable properties. The lower the rents, the lower the fair value.

Estimated costs to completion, developer's profit and risk margins required are estimated based on market conditions at valuation date for the PRC investment properties under development. The estimates are largely consistent with the budgets developed internally by the Group based on management's experience and knowledge of market conditions. The higher the costs and the margins, the lower the fair value.

3. Principal activities and segmental analysis of operations

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

	Turnover		Gross profit	
	Six months ended 30 June		Six months ended 30 June	
	2017	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000
Principal activities:				
Property rental and others				
- PRC Property	**1,672,947**	1,451,699	**1,337,649**	1,164,372
- Hong Kong Property	**540,019**	512,426	**437,639**	404,269
	2,212,966	1,964,125	**1,775,288**	1,568,641
Property sales				
- PRC Property (Note)	**4,520,649**	2,566,219	**980,518**	880,416
- Hong Kong Property	**10,084,927**	202,471	**1,175,965**	68,345
	14,605,576	2,768,690	**2,156,483**	948,761
Hotel operations - PRC Property	**923,451**	804,141	**170,313**	94,747
	17,741,993	5,536,956	**4,102,084**	2,612,149
Principal markets:				
- PRC	**7,117,047**	4,822,059	**2,488,480**	2,139,535
- Hong Kong	**10,624,946**	714,897	**1,613,604**	472,614
	17,741,993	5,536,956	**4,102,084**	2,612,149

Note: Sales of investment properties for the six months ended 30 June 2017 amounting to HK$78,811,000 (2016: HK$51,238,000) are excluded from turnover.

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

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

	Six months ended 30 June 2017				
	PRC Property HK$'000	Hong Kong Property HK$'000	Total Operating Segments HK$'000	Others HK$'000	Total HK$'000
Revenue					
Turnover	**7,117,047**	**10,624,946**	**17,741,993**	**-**	**17,741,993**
Results					
Segment results - gross profit	**2,488,480**	**1,613,604**	**4,102,084**	**-**	**4,102,084**
Other income and net gains					**293,711**
Administrative and other operating expenses					**(486,293)**
Increase in fair value of investment properties					**474,400**
Operating profit before finance costs					**4,383,902**
Finance costs					**(215,970)**
Operating profit					**4,167,932**
Share of results of associates					**687,983**
Profit before taxation					**4,855,915**
Taxation					**(1,057,620)**
Profit for the period					**3,798,295**
Profit attributable to:					
Company's shareholders					**3,309,224**
Non-controlling interests					**489,071**
					3,798,295
Depreciation and amortisation	**264,332**	**15,743**	**280,075**	**2,664**	**282,739**

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

	Six months ended 30 June 2016				
	PRC Property HK$'000	Hong Kong Property HK$'000	Total Operating Segments HK$'000	Others HK$'000	Total HK$'000
Revenue					
Turnover	4,822,059	714,897	5,536,956	-	5,536,956
Results					
Segment results - gross profit	2,139,535	472,614	2,612,149	-	2,612,149
Other income and net gains					131,136
Administrative and other operating expenses					(584,197)
Increase in fair value of investment properties					919,275
Operating profit before finance costs					3,078,363
Finance costs					(213,840)
Operating profit					2,864,523
Share of results of associates					547,725
Profit before taxation					3,412,248
Taxation					(894,802)
Profit for the period					2,517,446
Profit attributable to:					
Company's shareholders					2,040,920
Non-controlling interests					476,526
					2,517,446
Depreciation and amortisation	217,391	10,026	227,417	2,149	229,566

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

(iii) An analysis of the Group's total assets and total liabilities by operating segment is as follows:

As at 30 June 2017

	PRC Property HK$'000	Hong Kong Property HK$'000	Overseas Property HK$'000	Total Operating Segments HK$'000	Others HK$'000	Eliminations HK$'000	Consolidated HK$'000
Total assets	**90,732,449**	**74,404,637**	**2,727,717**	**167,864,803**	**63,102,270**	**(60,422,109)**	**170,544,964**
Total liabilities	**52,780,167**	**41,951,086**	**344,699**	**95,075,952**	**36,773,464**	**(60,422,109)**	**71,427,307**

As at 31 December 2016

	PRC Property HK$'000	Hong Kong Property HK$'000	Overseas Property HK$'000	Total Operating Segments HK$'000	Others HK$'000	Eliminations HK$'000	Consolidated HK$'000
Total assets	92,406,704	74,512,090	2,554,018	169,472,812	70,928,619	(67,755,743)	172,645,688
Total liabilities	57,611,439	42,589,558	135,803	100,336,800	44,846,259	(67,755,743)	77,427,316

4. Operating profit

	Six months ended 30 June	
	2017	2016
	HK$'000	HK$'000
Operating profit is stated after crediting/charging the following :		
Crediting		
Dividend income from listed and unlisted investments	**35,976**	53,947
Interest income	**205,227**	127,116
Gain on sale of investment properties, net	**14,862**	9,944
Charging		
Depreciation of property, plant and equipment and amortisation of leasehold land and land use rights	**282,739**	229,566
Provision for impairment loss for hotel property	**-**	80,682
Total finance costs incurred	**762,120**	672,123
Less: amount capitalised in properties under development and investment properties under construction	**(324,355)**	(448,035)
	437,765	224,088
Fair value gain on derivative financial instruments	**(221,795)**	(10,248)
Total finance costs expensed during the period	**215,970**	213,840

5. Taxation

	Six months ended 30 June	
	2017	2016
	HK$'000	HK$'000
The taxation (charge)/credit comprises:		
PRC taxation		
Current	**(713,226)**	(432,169)
Under-provision in prior years	**(283)**	(911)
Deferred	**(111,417)**	(381,980)
	(824,926)	(815,060)
Hong Kong profits tax		
Current	**(222,717)**	(65,770)
Over-provision in prior years	**46**	13
Deferred	**(1,172)**	(4,506)
	(223,843)	(70,263)
Overseas taxation		
Current	**(4,603)**	(4,920)
Over-provision in prior years	**-**	25
Deferred	**(4,248)**	(4,584)
	(8,851)	(9,479)
	(1,057,620)	(894,802)

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profit for the six months ended 30 June 2017. Income tax on PRC and overseas profits has been calculated on the estimated assessable profit for the six months ended 30 June 2017 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.

6. 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 period.

	Six months ended 30 June	
	2017	2016
Weighted average number of ordinary shares in issue	**1,443,202,968**	1,443,564,420
	HK$'000	HK$'000
Profit attributable to shareholders	**3,309,224**	2,040,920
Basic earnings per share	**HK$2.29**	HK$1.41

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.

	Six months ended 30 June	
	2017	2016
Weighted average number of ordinary shares in issue	**1,443,202,968**	1,443,564,420
Adjustment for share options	**209,642**	69,752
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**1,443,412,610**	1,443,634,172
	HK$'000	HK$'000
Profit attributable to shareholders	**3,309,224**	2,040,920
Diluted earnings per share	**HK$2.29**	HK$1.41

7. Capital expenditure

	Property, plant and equipment HK$'000	Investment properties HK$'000	Leasehold land and land use rights HK$'000	Intangible assets HK$'000
Net book value at 1 January 2017	**5,758,321**	**56,949,967**	**1,893,221**	**122,504**
Additions	**17,632**	**-**	**-**	**-**
Fair value gains	**-**	**474,400**	**-**	**-**
Disposals	**(318)**	**(59,384)**	**-**	**-**
Transfer	**(573)**	**1,353,385**	**-**	**-**
Depreciation and amortisation	**(255,936)**	**-**	**(27,203)**	**-**
Exchange adjustment	**140,350**	**896,399**	**48,443**	**-**
Net book value at 30 June 2017	**5,659,476**	**59,614,767**	**1,914,461**	**122,504**
Net book value at 1 January 2016	5,404,614	57,064,707	1,269,770	122,504
Additions	90,934	244,200	-	-
Fair value gains	-	919,275	-	-
Disposals	(490)	(37,823)	-	-
Impairment	(80,682)	-	-	-
Transfer	942,594	(1,288,710)	837,676	-
Depreciation and amortisation	(206,702)	-	(23,414)	-
Exchange adjustment	(81,348)	(425,647)	(37,260)	-
Net book value at 30 June 2016	6,068,920	56,476,002	2,046,772	122,504

8. 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 30 June 2017 is as follows:

	As at 30 June 2017 HK$'000	As at 31 December 2016 HK$'000
Below 1 month	**1,055,017**	104,343
Between 1 month and 3 months	**624,799**	48,912
Over 3 months	**1,277,632**	194,533
	2,957,448	347,788

9. 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 30 June 2017 is as follows:

	As at 30 June 2017 HK$'000	As at 31 December 2016 HK$'000
Below 1 month	**332,781**	535,487
Between 1 month and 3 months	**36,932**	34,763
Over 3 months	**12,784**	32,489
	382,497	602,739

10. Bank loans

	As at 30 June 2017 HK$'000	As at 31 December 2016 HK$'000
Bank loans - unsecured	**32,495,100**	33,195,720
Bank loans - secured	**5,257,114**	5,167,671
Total bank loans (note (i))	**37,752,214**	38,363,391
Less: Short-term bank loans and current portion of long-term bank loans	**(4,585,596)**	(3,856,100)
	33,166,618	34,507,291

(i) As at 30 June 2017, the Group's bank loans were repayable as follows:

	As at 30 June 2017 HK$'000	As at 31 December 2016 HK$'000
Within one year	**4,585,596**	3,856,100
In the second to fifth year		
- In the second year	**6,326,121**	8,888,834
- In the third year	**13,848,525**	8,891,789
- In the fourth year	**7,201,931**	8,095,992
- In the fifth year	**5,281,257**	7,743,122
	32,657,834	33,619,737
Repayable within five years	**37,243,430**	37,475,837
Over five years	**508,784**	887,554
	37,752,214	38,363,391

11. Commitments

At 30 June 2017, the Group had capital and other commitments in respect of property, plant and equipment, investment properties, leasehold land and land use rights, properties under development and others contracted for at the end of the period but not provided for in these financial statements as follows:

	As at 30 June 2017 HK$'000	As at 31 December 2016 HK$'000
Property, plant and equipment	**691**	3,237
Investment properties	**4,532**	4,314
Leasehold land and land use rights	**914,981**	1,014,419
Properties under development	**4,923,165**	7,253,699
Others	**297,805**	303,319
	6,141,174	8,578,988

12. Contingent liabilities

Guarantees for banking and other facilities

	As at 30 June 2017 HK$'000	As at 31 December 2016 HK$'000
Guarantees for banking and other facilities of certain associates (note (i))	**1,287,951**	862,338
Guarantees to certain banks for mortgage facilities granted to first buyers of certain properties in the PRC (note (ii))	**4,515,245**	4,195,988
	5,803,196	5,058,326

(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 30 June 2017 amounted to approximately HK$1,287,951,000 (31 December 2016: HK$862,338,000). The total amount of such facilities covered by the Group's guarantees as at 30 June 2017 amounted to approximately HK$1,303,951,000 (31 December 2016: HK$890,338,000).

(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 30 June 2017 amounted to approximately HK$4,515,245,000 (31 December 2016: HK$4,195,988,000).

Apart from the above, there are no material changes in contingent liabilities of the Group since 31 December 2016.

13. Pledge of assets

As at 30 June 2017, the Group's total bank loans of HK$37,752,214,000 (31 December 2016: HK$38,363,391,000) included an aggregate amount of HK$32,495,100,000 (31 December 2016: HK$33,195,720,000) which is unsecured and an aggregate amount of HK$5,257,114,000 (31 December 2016: HK$5,167,671,000) 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$21,561,242,000 (31 December 2016: HK$20,670,324,000); and

(ii) assignments of insurance proceeds of certain properties.

MANAGEMENT DISCUSSION AND ANALYSIS

(A) OVERALL RESULTS

Turnover of the Group for the six months ended 30 June 2017 was HK$17,742 million, which registered an increase of 220% when compared with the turnover of HK$5,537 million for the corresponding six months ended 30 June 2016. The Group's turnover mainly comprises proceeds from the sales of properties, rental income as well as revenue from hotel operations.

Profit attributable to shareholders before taking into account the net increase in fair value of investment properties and related tax effects for the six months ended 30 June 2017 was HK$2,833 million (2016: HK$1,434 million), representing an increase of 98% over the period.

During the six months ended 30 June 2017, the net increase in fair value of the Group's investment properties and related tax effects in the aggregate amount of HK$476 million (2016: HK$607 million) was recognised in the Group's consolidated income statement.

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

	Six months ended 30 June		
	2017	2016	
	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	**2,833**	1,434	98%
Add:			
Net increase in fair value of investment properties and related tax effects	**476**	607	
Profit attributable to shareholders after taking into account the net increase in fair value of investment properties and related tax effects	**3,309**	2,041	62%

(B) PRC PROPERTY DIVISION

The Division delivered a turnover of HK$7,117 million (2016: HK$4,822 million) during the six months ended 30 June 2017, an increase of 48%, benefitting from a 76% growth in sales revenue from completed properties and a 15% increase in rental revenue. Gross profit also grew by 16% to HK$2,488 million (2016: HK$2,139 million).

In view of the regulatory and monetary tightening policies from the central government on property purchases, the Division has adjusted the pace of its property sales. Meanwhile, the investment property portfolio reported generally robust rental performance.

(i) Investment Properties

During the six months ended 30 June 2017, the Group recorded a turnover of HK$1,673 million (2016: HK$1,452 million) and a gross profit of HK$1,338 million (2016: HK$1,164 million) from its portfolio of completed investment properties in the PRC, representing an increase of 15% in both turnover and gross profit.

As at 30 June 2017, the Group held an investment property portfolio in the PRC with an aggregate gross floor area ("**GFA**") of 7.39 million square feet (as at 31 December 2016: 7.53 million square feet). Their respective composition and occupancy rates were as follows:

As at 30 June 2017:

	Group's attributable GFA						
	Beijing	**Shanghai**	**Shenzhen**	**Tianjin**	**Hangzhou**	**Total**	**Occupancy Rate**
			('000 square feet)				
Office	**711**	**1,440**	**1,552**	**-**	**100**	**3,803**	**97%**
Commercial	**98**	**1,096**	**104**	**428**	**812**	**2,538**	**95%**
Apartment	**277**	**774**	**-**	**-**	**-**	**1,051**	**87%**
	1,086	**3,310**	**1,656**	**428**	**912**	**7,392**	

As at 31 December 2016:

	Group's attributable GFA							
	Beijing	Shanghai	Shenzhen	Tianjin	Hangzhou	Fuzhou	Total	Occupancy Rate
			('000 square feet)					
Office	711	1,453	1,552	-	100	-	3,816	97%
Commercial	98	1,096	212	428	812	12	2,658	93%
Apartment	277	774	-	-	-	-	1,051	89%
	1,086	3,323	1,764	428	912	12	7,525	

Comparative occupancy rates of key completed investment properties in the PRC are set out below:

Property	**Occupancy rate as at 30 June 2017**	Occupancy rate as at 31 December 2016
Jing An Kerry Centre Phase I	**95%**	97%
Jing An Kerry Centre Phase II (1)	**98%**	98%
Kerry Parkside (1)	**97%**	94%
Beijing Kerry Centre (1)	**96%**	98%
Shenzhen Kerry Plaza Phase I	**93%**	91%
Shenzhen Kerry Plaza Phase II	**97%**	100%
Hangzhou Kerry Centre (1)	**94%**	87%

Note:
(1) Excluding hotel.

Jing An Kerry Centre, Shanghai

This landmark mixed-use development is located in the heart of Shanghai's Nanjing Road business district. The Group holds 74.25% and 51% interests in its Phases I and II respectively. With a GFA of 3.74 million square feet, Jing An Kerry Centre integrates hotel, retail, office and residential space overlooking a beautifully landscaped piazza. While the luxurious Shangri-La Hotel is a key feature, the development is also the pre-eminent shopping venue and most exclusive office address in Shanghai. As at 30 June 2017, 99% of the office (as at 31 December 2016: 99%) and 98% of the retail space (as at 31 December 2016: 96%) were leased. The serviced apartments were 86% leased (as at 31 December 2016: 90%). Jing An Shangri-La Hotel achieved an average occupancy rate of 80% (2016: 75%) during the period under review.

Kerry Parkside, Shanghai

Kerry Parkside, located 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 30 June 2017, the retail space and offices were 98% and 100% leased respectively (as at 31 December 2016: 95% and 100%, respectively). The occupancy rate of the serviced apartments was 87% (as at 31 December 2016: 78%). Kerry Hotel Pudong, Shanghai reported an average occupancy rate of 76% (2016: 73%) during the period under review.

Beijing Kerry Centre

Beijing Kerry Centre, located in the heart of the capital city, combines high-quality office space, a world-class shopping mall, and Kerry Hotel Beijing together with serviced apartments. The Group holds a 71.25% interest in this mixed-use development. As at 30 June 2017, the occupancy rate of the retail portion was 97% (as at 31 December 2016: 98%), while the offices were 98% leased (as at 31 December 2016: 98%). The serviced apartments were 92% leased (as at 31 December 2016: 97%). Kerry Hotel Beijing delivered an average occupancy rate of 84% (2016: 81%) during the period under review.

Shenzhen Kerry Plaza

Shenzhen Kerry Plaza, wholly owned by the Group, 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 30 June 2017, Phases I and II of the development were 93% and 97% leased respectively (as at 31 December 2016: 91% and 100%, respectively).

Hangzhou Kerry Centre

Hangzhou Kerry Centre is located at the intersection of Yan'an Road and Qingchun Road, adjacent to the Xihu (West Lake). This 2.2 million square-foot mixed-use property comprises a luxury hotel, Grade-A offices, premium apartments and a retail mall complex. Construction has been completed and as at 30 June 2017, the offices were 100% leased (as at 31 December 2016: 100%). Midtown Shangri-La, Hangzhou reported an average occupancy rate of 73% (2016: 51%) during the period under review. The mall was soft opened in November 2016, with 93% (as at 31 December 2016: 85%) of the total space leased. The Group holds a 75% stake in the project.

Tianjin Kerry Centre

Tianjin Kerry Centre is located on the east bank of the Haihe CBD in Hedong District, Tianjin, where it enjoys convenient access to a major transportation network. Phase I of this 49%-owned mixed-use project includes a hotel, upscale residences and a shopping mall. The completed Phase I development delivered a GFA of approximately 3.6 million square feet. As at 30 June 2017, the Riverview Place mall was 82% leased (as at 31 December 2016: 87%). Shangri-La Hotel, Tianjin reported an average occupancy rate of 68% (2016: 59%) during the period under review.

(ii) Sales of Properties

During the six months ended 30 June 2017, sales of completed properties in the PRC generated a turnover of HK$4,521 million (2016: HK$2,566 million), mainly from recognised sales of The Metropolis-Arcadia Court in Chengdu, Castalia Court in Hangzhou, Shenyang Arcadia Court, Habitat in Qinhuangdao and Nanchang Arcadia Court. A gross profit of HK$980 million (2016: HK$880 million) was derived therefrom.

The Metropolis-Arcadia Court, Chengdu

The Metropolis-Arcadia Court in Chengdu is located in the southern part of the High-Tech Industrial Development Zone. The Phase I residential units had all been sold and delivered. Phase II, with a total GFA of approximately 2.15 million square feet, is due for completion by stages during 2017. As at 30 June 2017, 92% of the total of 1,905 Phase II residential units had been sold. The Group holds a 55% interest in this project.

Castalia Court, Hangzhou

The Group's wholly-owned residential and commercial development 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, it will yield a GFA of approximately 2.27 million square feet of residential development, the Castalia Court, as well as approximately 210,000 square feet of commercial space. As at 30 June 2017, 97% of the total of 408 Phase I units had been sold.

Shenyang Arcadia Court and Enterprise Square

Six towers of Shenyang Arcadia Court and a tower of Enterprise Square have been completed and delivered for occupation. As at 30 June 2017, 89% of all 972 Phase I residential units, and 65% of the total of 229 office units had been sold. The Group holds a 60% interest in this project.

Habitat, Qinhuangdao

Phase I of Habitat, the Group's 60%-owned deluxe seaside residential project close to Beidaihe in Qinhuangdao, Hebei Province, has been completed. As at 30 June 2017, 64% of the total of 778 Phase I residential units had been sold. The Phase I development has a GFA of approximately 1.6 million square feet.

Nanchang Arcadia Court

Three completed towers of Nanchang Arcadia Court have been delivered consecutively from late 2015. Two additional towers have been completed with handover commencing in December 2016. As at 30 June 2017, 95% of the total of 436 units had been sold. The Group holds an 80% interest in this project.

(iii) Properties under Development

The Group focuses on developing its portfolio of iconic mixed-use projects in the CBDs of major cities, in parallel with residential developments in prime locations. The Group has made selective divestments in line with this strategy.

Qianhai, Shenzhen

The Group holds a 350,000 square-foot commercial site for development in the Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone. This site has a total buildable GFA of approximately 2.2 million square feet, with seafront view, and is designated for office, apartment and commercial property development. The project is wholly owned by the Group and represents the first substantial investment in Qianhai by a major Hong Kong corporation. It is expected to be completed in 2019.

On 7 December 2016, the Company, Kerry Holdings Limited and The Bank of East Asia, Limited jointly acquired an adjacent site with an area of approximately 207,000 square feet. Development of the site is planned to yield a GFA of approximately 1.3 million square feet for commercial use. The Group holds a 25% interest in this new project.

Qianhai is a special economic zone situated in a key location in the Pearl River Delta. Both sites lie conveniently close to the Guangshen-Yanjiang Expressway. The Group believes that the development of the two adjacent sites will create a highly synergistic effect.

Hangzhou

Construction works for the Group's wholly-owned residential development, Castalia Court Phases II and III, are currently underway. As at 30 June 2017, 75% of the total of 1,275 Phases II and III units 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 13 million square feet. This mixed-use project will include a hotel, offices, a shopping mall and residences. Phase I of the development has been completed. Phase II is under construction, while Phase III of the development is now at the planning stage. As at 30 June 2017, 10% of the total 495 Phase II residential units had been pre-sold. Shangri-La Hotel, Shenyang, which was completed as part of the Phase I development, recorded an average occupancy rate of 68% (2016: 64%) during the period under review.

Nanchang

In Nanchang, the provincial capital of Jiangxi Province, the Group is developing a property through a joint venture with Shangri-La Asia Limited ("**Shangri-La**"). This 80%-held project is situated on the west bank of the Ganjiang River in the heart of Honggutan Central District. Its development includes a hotel, offices, and commercial and high-end residential properties. The hotel and residential portion delivers a GFA of approximately 1.7 million square feet. Shangri-La Hotel, Nanchang recorded an average occupancy rate of 72% (2016: 57%) during the period under review. The planning of the remaining office site is in progress.

Zhengzhou

The Group and Shangri-La are also collaborating on a development located on the east side of Huayuan Road and to the south of Weier Road in Zhengzhou City, Henan Province. The site will yield a GFA of approximately 2 million square feet for development into hotel, residential, commercial and office properties. The project is expected to be completed in phases from 2021 onwards. The Group holds a 55% interest in this project.

Jinan

The Group is co-developing with Shangri-La a project located in Lixia District, Jinan City. The Group holds a 55% stake in this development, which has a GFA of approximately 1.1 million square feet. The project will comprise a hotel, offices and commercial space, and is being completed in phases from the second half of 2017 onwards.

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 900,000 square feet. The Group holds a 55% interest in this project, which is scheduled to be completed in 2019.

Nanjing

The Group is developing a residential site located at Da Guang Road in Nanjing's Qin Huai District. This wholly-owned project, Nanjing Jinling Arcadia Court, has a site area of approximately 396,000 square feet and a GFA of approximately 1 million square feet. Project construction is in progress, and is scheduled for completion in the second half of 2017. As at 30 June 2017, 76% of the total of 429 units had been pre-sold.

Ningbo

The site under development in Ningbo is located in the Eastern New Town Core Region and is earmarked for The Berylville, a high-end residential project, in which the Group holds a 50% interest. Construction works for Phase I, with a GFA of approximately 400,000 square feet, have been completed. As at 30 June 2017, 97% of the total of 97 Phase I units had been sold, and 94% of the total of 437 Phase II units had also been pre-sold. Construction works for Phase II are in progress and are expected to be completed in 2019.

Putian

The Group and Shangri-La are co-developing a hotel property, as part of the Putian project development, at Jiuhua Road, Putian City, Fujian Province. The Group holds a 60% interest in this project.

Shanghai

The Group has acquired an indirect equity interest of approximately 24.4% in a project company. This company owns a site located in Pudong New Area, Shanghai, with a gross area of approximately 4.43 million square feet, which is currently designated for industrial use.

Changsha and Yingkou

In 2016, the Group signed share transfer agreements with independent third parties to divest its investments in Changsha and Yingkou. Share transfers were completed in the first half of 2017.

(C) HONG KONG PROPERTY DIVISION

During the six months ended 30 June 2017, the Hong Kong Property Division reported a turnover of HK$10,625 million (2016: HK$715 million) and a gross profit of HK$1,614 million (2016: HK$473 million).

The Division's turnover for the period was mainly derived from recognised sales of completed residential properties at Mantin Heights.

The Hong Kong investment property portfolio continued to contribute a steady stream of recurrent income to the Group as it benefited from high occupancy levels and stable rental rates.

(i) Investment Properties

The Group's completed investment properties in Hong Kong generated a turnover of HK$540 million (2016: HK$512 million) and produced a gross profit of HK$438 million (2016: HK$404 million) for the period under review.

As at 30 June 2017, the Group's completed investment property portfolio in Hong Kong had an aggregate GFA of 2.86 million square feet (as at 31 December 2016: 2.78 million square feet). Set out below are the breakdown of GFA and the respective occupancy rates, together with the comparative figures:

	As at 30 June 2017		As at 31 December 2016	
	Group's attributable GFA ('000 square feet)	**Occupancy rate**	Group's attributable GFA ('000 square feet)	Occupancy rate
Apartment	**803**	**99%#**	722	98%
Commercial	**1,219**	**99%**	1,219	99%
Office	**841**	**94%**	841	85%
	2,863		2,782	

Note:
\# *Excluding Resiglow with leasing commenced in third quarter of 2017.*

Enterprise Square Five/MegaBox, Kowloon Bay

MegaBox blends shopping, recreation, dining and sports into one innovatively designed complex in Kowloon East. This pioneering retail and lifestyle hub offers a GFA of 1.1 million square feet. As at 30 June 2017, the mall had an occupancy rate of 99% (as at 31 December 2016: 99%).

The two Grade-A office towers of Enterprise Square Five, with a GFA of 519,000 square feet, were 93% leased (as at 31 December 2016: 79%) as at 30 June 2017. Occupancy increased as new tenants took up the space vacated during the previous year.

MegaBox continued to record nearly full occupancy and robust rental rates with a tenant mix designed to serve local families and shoppers.

Kerry Centre, Quarry Bay

Kerry Centre, at No. 683 King's Road, Quarry Bay, is the Group's 40%-held flagship office property in Hong Kong. This Grade-A office tower has a GFA of approximately 511,000 square feet. Office units at Kerry Centre remained in high demand, with 100% of the space leased (as at 31 December 2016: 100%) as at 30 June 2017.

Resiglow, Happy Valley

The new residential project, Resiglow, at No. 7A Shan Kwong Road, Happy Valley, is designed to yield a buildable GFA of approximately 81,000 square feet. This contemporary residential development provides 106 units including two penthouses. Occupying a superior location, Resiglow is held by the Group for rental purposes with leasing commenced in July 2017. The project was completed in June 2017, with the units scheduled to be handed over to tenants in the second half of 2017.

(ii) Sales of Properties

During the first six months of 2017, sales of completed properties held for sale in Hong Kong contributed a turnover of HK$10,085 million (2016: HK$203 million) to the Group. A gross profit of HK$1,176 million (2016: HK$69 million) was derived from recognised sales of Mantin Heights.

The Division also derived a satisfactory profit from the sale of Dragons Range. Pre-sales of The Bloomsway also recorded steady performance during the period.

Mantin Heights, Ho Man Tin

The Group developed a residential project at No. 28 Sheung Shing Street, Ho Man Tin, with a saleable area of approximately 992,000 square feet. The project obtained its occupation permit in March 2017. As at 30 June 2017, 53% of the total of 1,429 units had been sold.

Dragons Range, Kau To, Sha Tin

Together with Sino Group and Manhattan Group, the Group has co-developed Dragons Range, a residential project with a saleable area of approximately 878,000 square feet. This development, situated at No. 33 Lai Ping Road, Kau To, Sha Tin, has been completed and delivered. The Group holds a 40% stake in the project. As at 30 June 2017, 99% of the total of 973 units had been sold.

(iii) Properties under Development

The Bloomsway, So Kwun Wat

The Group developed The Bloomsway, a residential project at Nos. 18, 28 & 29 Tsing Ying Road, So Kwun Wat. The project has a saleable area of approximately 838,000 square feet and obtained its occupation permit in July 2017. As at 30 June 2017, 83% of the total of 1,100 units had been pre-sold.

Lung Cheung Road, Beacon Hill

The Group is developing a site in Beacon Hill with an area of approximately 115,000 square feet and a buildable GFA of approximately 116,000 square feet. The site is planned to be developed into a low-density premium residential project, and is scheduled for completion in 2018.

On 5 October 2016, the Group acquired an adjacent site in Beacon Hill through public tender. This new site, occupying an area of 235,000 square feet, will be developed into a low-density upscale residential property with a buildable GFA of approximately 343,000 square feet. The project is scheduled to be completed in 2019.

Hing Hon Road, Sai Ying Pun

The Group is developing a residential project at Nos. 5-8 Hing Hon Road, following amalgamation of the original development at Nos. 5-6 with the adjacent development at Nos. 7-8. The joint redevelopment project, in which the Group holds a 71% interest, will deliver a buildable GFA of approximately 68,000 square feet. The project is scheduled to be completed in 2019.

La Salle Road/Boundary Street, Ho Man Tin

In June 2016, the Group completed the acquisition of the entire building at Nos. 168-168C Boundary Street in Ho Man Tin and will redevelop the site together with an adjacent site at Nos. 10-12A La Salle Road, which it acquired in 2013. Lying next to 8 LaSalle, this redevelopment project will deliver an aggregate developable GFA of 45,000 square feet and is scheduled for completion in 2020.

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.

In respect of the Nam Van Lake project, the land concession period ended on 30 July 2016. Up to date, no declaration of the lease expiry has been published in the Official Gazette of Macau or notified to the registered lessee, a wholly-owned subsidiary of the Group. As such, the subsidiary remains as the registered lessee of the land.

The Group has sought advice from a legal advisor in Macau. Based on the fact that the non-development was not attributable to the Group, the Group would have a right to pursue a claim for damages and loss of profits should the Macau SAR Government repossess the land without any compensation. Considering the above, the Directors are of the opinion that no provision is required for the Nam Van Lake project as at 30 June 2017.

(D) OVERSEAS PROPERTY DIVISION

The Group holds a portfolio of upscale properties in the Philippines. These investments are 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 30 June 2017, the occupancy rates of Shangri-La Plaza Mall and The Enterprise Center were 89% and 96% respectively (as at 31 December 2016: 90% and 96%, respectively).

SPI currently has three major projects under development:

The first is a project in Makati City to redevelop a site into a high-rise residential building, Shang Salcedo Place, with a GFA of approximately 655,000 square feet. As at 30 June 2017, 83% of the total of 749 residential units had been sold.

SPI is also developing a site of more than 116,000 square feet located in Malugay Street, Makati City. This project, The Rise, will have a GFA of approximately 1.63 million square feet, comprising 3,044 residential units and approximately 96,000 square feet of commercial space. Sales of The Rise have met with a strong market response, with 81% of the total of 3,044 units sold as at 30 June 2017.

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 a total 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. As at 30 June 2017, 85% of the total of 98 units available for sale had been sold.

(E) OUTLOOK

(i) PRC Property Division

Following the robust performance in 2016, the Division continued to deliver satisfactory results for the first half of 2017. The Division was able to meet management's sales targets despite a degree of uncertainty surrounding China's housing policies and economic growth.

The Group's ability to sustain its resilient performance through successive business cycles stems from two major advantages. An astute landbanking strategy has laid the foundation for our competitiveness, while our professional property management services help differentiate the Group in the market. Our approach is pragmatic yet innovative, and we excel by adding unique personal touches to the services provided to tenants.

The Division will continue to develop its portfolio of mixed-use landmark properties in the CBDs of major cities. New properties, including those under development in Qianhai and Shenyang, will be added to the rental portfolio as they come on stream in the next few years. Through this prime investment asset base, the Division will reaffirm its presence in China and grow its recurrent rental income.

The performance of the office segment is expected to remain stable at a generally high occupancy level. The retail portfolio is also recording mildly improved rental results after a series of adjustments to the tenant mix. Retail sales at major malls have registered healthy growth, validating the Division's efforts to meet ongoing operating challenges by optimising the tenant portfolio and enhancing the shopper experience.

Recent central government policies have aimed at reining in soaring property prices to ensure the stability of the economy and the long-term healthy development of the real estate sector. Acknowledging the impact of these regulatory and monetary tightening policies on home purchases, the Division has adjusted the pace of its property sales in various cities. Nevertheless, in view of China's continued economic growth, management remains confident in the long-term prospects for the PRC Property Division.

The Group holds a cautiously optimistic view of the Division's outlook for the full year, but will stay alert to the macroeconomic challenges ahead.

(ii) Hong Kong Property Division

The Hong Kong Property Division's half-year results were in line with management expectations. For the remainder of 2017, the local economy will continue to be supported by solid fundamentals and favourable employment conditions. The Group's Hong Kong segment is expected to maintain stable sales momentum in the coming quarters.

The Division's resilient performance reflects its strong position in the luxury residential sector, where prices have been holding firm owing to solid demand and the scarcity of new supply. With a long-term commitment to quality developments in prestigious locations, the Group has maintained a leading role in the upper end of the market. These are complemented by a full range of management services that best meet the needs of owners and tenants.

The rental portfolio in Hong Kong will also continue to contribute stable revenue and earnings. The Mid-Levels portfolio of premier residences, the Island East flagship office property and MegaBox are expected to continue to register solid results. Improvement is also foreseen in the performance of the Kowloon East office portfolio.

Although the local economy has posted reasonable growth in the first half of the year, management will nevertheless remain vigilant against macroeconomic uncertainties and other market challenges. Overall, the Group remains prudently optimistic about the full-year performance of the Hong Kong segment.

(F) 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 30 June 2017, total foreign currency borrowings (excluding RMB borrowings) amounted to the equivalence of HK$2,332 million and RMB loans amounted to the equivalence of HK$6,626 million. Therefore, non-RMB total foreign currency borrowings and RMB loans represented approximately 6% and 17% respectively, of the Group's total borrowings of HK$40,084 million as at 30 June 2017.

The non-RMB total foreign currency borrowings of HK$2,332 million include the Fixed Rate Bonds amounting to US$300 million (net of direct issue costs). The Group has arranged cross currency swap contracts amounting to US$297 million to hedge the exchange rate exposure between United States dollars and Hong Kong dollars.

Out of the Group's total borrowings as at 30 June 2017, HK$4,586 million (representing approximately 11%) was repayable within one year, HK$6,326 million (representing approximately 16%) was repayable in the second year, HK$28,663 million (representing approximately 72%) was repayable in the third to fifth years and HK$509 million (representing approximately 1%) was repayable over five years. The Group continued to maintain most of its borrowings on an unsecured basis, with unsecured debt accounting for approximately 87% of total borrowings as at 30 June 2017. 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 30 June 2017, the gearing ratio for the Group was 28.5% (as at 31 December 2016: 34.9%), calculated based on net debt of HK$24,587 million and shareholders' equity of HK$86,131 million.

As at 30 June 2017, 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.

The Group has also arranged forward exchange contracts to sell RMB1,100 million and buy HK$1,219 million for hedging the anticipated RMB dividend distribution from PRC to Hong Kong.

In terms of the Group's available financial resources as at 30 June 2017, the Group had total undrawn bank loan facilities of HK$11,067 million and cash and bank deposits of HK$15,497 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 15 February 2017, the Group fully redeemed the 5 years US$600 million fixed rate bonds issued in February 2012.

Details of contingent liabilities and pledge of assets are set out in notes 12 and 13 to the financial statements of the Group included in this announcement.

STAFF

As at 30 June 2017, the Company and its subsidiaries had approximately 8,100 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.

As at 30 June 2017, a total of 43,112,000 Share Options were outstanding which comprised 10,740,000 and 32,372,000 Share Options granted under the 2002 Share Option Scheme and the 2011 Share Option Scheme respectively.

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 six months ended 30 June 2017.

CORPORATE GOVERNANCE

During the six months ended 30 June 2017, 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 except that Mr. Wong Siu Kong is both the Chairman and the Chief Executive Officer ("**CEO**") of the Company. This is a deviation from A.2.1 of the code provisions which requires that the roles of chairman and chief executive should be separated and should not be performed by the same individual.

As Mr. Wong has extensive experience in the business of the Group, it is more efficient for Mr. Wong to perform the role of Chairman as well as CEO of the Company. It is also more favorable to the development and management of the Group's business. Moreover, Mr. Ho Shut Kan, the President of the Company, is responsible for the day-to-day management of the business of the Group and all other members of the Board have the experience and expertise to ensure balance of power and authority so that the power is not concentrated in any one individual.

CLOSURE OF REGISTERS OF MEMBERS

The Registers of Members will be closed on Tuesday, 5 September 2017 for the purpose of determining Shareholders' entitlement to the Interim Dividend and no transfer of shares will be effected on that date. In order to qualify for the Interim Dividend, 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 Monday, 4 September 2017. The Interim Dividend is payable on Friday, 15 September 2017 to Shareholders whose names appear on the Registers of Members on Tuesday, 5 September 2017.

By Order of the Board
Kerry Properties Limited
Li Siu Ching, Liz
Company Secretary

Hong Kong, 21 August 2017

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

Executive Directors:	*Messrs. Wong Siu Kong, Ho Shut Kan and Bryan Pallop Gaw*
Non-executive Director:	*Mr. Kuok Khoon Hua*
Independent Non-executive Directors:	*Mr. Ku Moon Lun, Ms. Wong Yu Pok, Marina, JP and Mr. Chang Tso Tung, Stephen*