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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 2018

The Board of Directors (the "**Board**") of the Company announces the unaudited interim results of the Group for the six months ended 30 June 2018. 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 2018 prior to recommending them to the Board for approval.

The Group's profit attributable to shareholders for the six months ended 30 June 2018 was HK$3,990 million, representing an increase of 21% compared with HK$3,309 million reported for the same period in 2017. The Group measured its investment property portfolio on a fair value basis and recorded an increase in fair value of investment properties (net of deferred taxation) of HK$2,438 million for the six months ended 30 June 2018 (2017: HK$476 million). Before taking into account the effects of the aforementioned increase in fair value, the Group recorded a decrease of 45% in profit attributable to shareholders to HK$1,552 million for the six months ended 30 June 2018 (2017: HK$2,833 million). The decrease was mainly due to the adoption of new accounting standards starting from 1 January 2018 (Note 2) and the provision for impairment loss for property under development in Macau amounting to HK$1,175 million (2017: Nil) (Note 6).

Earnings per share for the six months ended 30 June 2018 was HK$2.75, representing an increase of 20% compared with HK$2.29 per share for the same period in 2017. The basis of calculating the earnings per share is detailed in Note 8 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		
	2018	2017	
	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	**1,552**	2,833	-45%
Add:			
Net increase in fair value of investment properties and related tax effects	**2,438**	476	
Profit attributable to shareholders after taking into account the net increase in fair value of investment properties and related tax effects	**3,990**	3,309	+21%

The Directors have declared an interim dividend of HK$0.40 per share for the six months ended 30 June 2018 (the "**Interim Dividend**") (2017: HK$0.45), which is payable on Tuesday, 18 September 2018 to the shareholders of the Company (the "**Shareholders**") whose names appear on the registers of members of the Company (the "**Registers of Members**") on Thursday, 6 September 2018.

At the Company's Annual General Meeting held on 18 May 2018, the Shareholders approved the final dividend of HK$0.90 per share and a special dividend of HK$0.15 per share for the year ended 31 December 2017 which amounted to a total of approximately HK$1,524 million and was paid on 5 June 2018.

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

		Unaudited	
		Six months ended 30 June	
		2018	2017
	Note	**HK$'000**	HK$'000
Turnover	4	**10,560,085**	17,741,993
Cost of sales and direct expenses		**(6,298,326)**	(13,639,909)
Gross profit	4	**4,261,759**	4,102,084
Other income and net gains/(losses)		**(726,631)**	293,711
Administrative and other operating expenses		**(532,260)**	(486,293)
Increase in fair value of investment properties		**3,386,745**	474,400
Operating profit before finance costs		**6,389,613**	4,383,902
Finance costs		**(350,858)**	(215,970)
Operating profit	5	**6,038,755**	4,167,932
Share of results of associates and joint ventures		**805,594**	687,983
Profit before taxation		**6,844,349**	4,855,915
Taxation	7	**(1,947,846)**	(1,057,620)
Profit for the period		**4,896,503**	3,798,295
Profit attributable to:			
Company's shareholders		**3,990,095**	3,309,224
Non-controlling interests		**906,408**	489,071
		4,896,503	3,798,295
Earnings per share	8		
- Basic		**HK$2.75**	HK$2.29
- Diluted		**HK$2.75**	HK$2.29

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
Profit for the period	**4,896,503**	3,798,295
Other comprehensive income		
Items that may be reclassified to profit or loss		
Cash flow hedges	**9,341**	(176,395)
Fair value loss on available-for-sale investments	-	(2,980)
Share of other comprehensive income of associates and joint ventures	**(98,500)**	160,583
Net translation differences on foreign operations	**114,493**	1,479,854
Items that will not be reclassified to profit or loss		
Fair value loss on equity investments at fair value through other comprehensive income	**(15,805)**	-
Other comprehensive income for the period, net of tax	**9,529**	1,461,062
Total comprehensive income for the period	**4,906,032**	5,259,357
Total comprehensive income attributable to:		
Company's shareholders	**3,945,253**	4,442,866
Non-controlling interests	**960,779**	816,491
	4,906,032	5,259,357

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

	Note	**Unaudited As at 30 June 2018 HK$'000**	Audited As at 31 December 2017 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	9	**5,990,348**	6,109,169
Investment properties	9	**73,951,879**	64,340,586
Leasehold land and land use rights	9	**2,092,127**	2,114,323
Properties under development		**16,158,068**	20,545,581
Land deposits		**523,690**	1,803,074
Associates and joint ventures		**23,925,577**	23,832,979
Derivative financial instruments		**60,650**	37,342
Available-for-sale investments		**-**	5,344,294
Financial assets at fair value		**5,355,226**	-
Mortgage loans receivable		**3,769,932**	3,641,905
Intangible assets	9	**122,504**	122,504
		131,950,001	127,891,757
Current assets			
Properties under development		**5,422,013**	6,849,586
Completed properties held for sale		**13,795,866**	16,871,931
Accounts receivable, prepayments and deposits	10	**2,116,786**	7,566,211
Current portion of mortgage loans receivable		**31,486**	30,025
Tax recoverable		**236,257**	145,952
Tax reserve certificates		**189,598**	189,347
Listed securities at fair value through profit or loss		**7,104**	7,732
Derivative financial instruments		**-**	3,645
Restricted bank deposits		**590,149**	595,906
Cash and bank balances		**13,517,240**	13,151,714
		35,906,499	45,412,049
Current liabilities			
Accounts payable, deposits received and accrued charges	11	**6,556,447**	7,630,548
Contract liabilities		**4,871,046**	-
Deposits received on sale of properties		**-**	8,133,574
Taxation		**2,092,019**	2,093,149
Short-term bank loans and current portion of long-term bank loans	12	**7,364,583**	8,903,148
		20,884,095	26,760,419
Net current assets		**15,022,404**	18,651,630
Total assets less current liabilities		**146,972,405**	146,543,387
Non-current liabilities			
Long-term bank loans	12	**22,736,389**	26,781,716
Fixed rate bonds		**2,348,037**	2,336,901
Amounts due to non-controlling interests		**2,127,965**	2,106,291
Deferred taxation		**8,503,860**	7,606,669
		35,716,251	38,831,577
ASSETS LESS LIABILITIES		**111,256,154**	107,711,810
EQUITY			
Capital and reserves attributable to the Company's shareholders			
Share capital		**1,454,570**	1,446,538
Share premium		**12,997,246**	12,515,673
Other reserves		**11,485,676**	12,294,722
Retained profits		**71,088,224**	68,092,523
		97,025,716	94,349,456
Non-controlling interests		**14,230,438**	13,362,354
TOTAL EQUITY		**111,256,154**	107,711,810

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 2017. 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 2017 except for the followings:

The Group has adopted Hong Kong Financial Reporting Standard ("**HKFRS**") 9 "Financial instruments" and HKFRS 15 "Revenue from contracts with customers" on 1 January 2018.

HKFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

HKFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to be recognised through a 5-step approach: (i) identify the contract(s) with customer; (ii) identify separate performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations; and (v) recognise revenue when a performance obligation is satisfied.

From 1 January 2018 onwards, the Group has adopted the following accounting policies on revenue.

Revenue is recognised when or as the control of the good or service is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the good or service may be transferred over time or at a point in time.

Control of the good or service is transferred over time if the Group's performance:
- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

1. Basis of preparation and accounting policies (continued)

If control of the asset is transferred over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

The progress towards complete satisfaction of the performance obligation is measured based on one of the following methods that best depict the Group's performance in satisfying the performance obligation:

- direct measurements of the value transferred by the Group to the customer; or
- the Group's efforts or inputs to the satisfaction of the performance obligation relative to the total expected efforts or inputs.

The other standards and amendments which are effective for the accounting period beginning on 1 January 2018 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 2017. In addition, the adoption of HKFRS 15 requires significant judgement in the recognition of sales of properties, while the adoption of HKFRS 9 requires significant judgement when applying the business model test for classification and measurement or assumption made in incorporating forward-looking information into expected credit loss calculations.

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

The impacts of the above changes are disclosed in Note 2.

2. Changes in accounting policies

As explained in Note 1, the Group has adopted HKFRS 9 and HKFRS 15 from 1 January 2018, which results in changes in accounting policies and adjustments to the amounts recognised in the unaudited condensed consolidated interim financial statements. In accordance with the transitional provisions in HKFRS 9 and HKFRS 15, comparatives figures have not been restated.

HKFRS 9 replaces the provisions of HKAS 39 "Financial instruments" that relate to the recognition, classification and measurement of financial assets and financial liabilities; derecognition of financial instruments; impairment of financial assets and hedge accounting. HKFRS 9 also significantly amends other standards dealing with financial instruments such as HKFRS 7 "Financial instruments – disclosures".

HKFRS 15 replaces both the provisions of HKAS 18 "Revenue" and HKAS 11 "Construction contracts" and the related interpretations that relate to the recognition, classification and measurement of revenue and costs.

The effects of the adoption of HKFRS 9 and HKFRS 15 are as follows:

(i) Impact on the financial statements

(a) The impact on the Group's financial position as at 1 January 2018 by the application of HKFRS 9 and HKFRS 15 is as follows:

	As at 1 January 2018			
	As previously stated	Effect of adoption of HKFRS 9 (Note 2(ii))	Effect of adoption of HKFRS 15 (Note 2(iii))	As restated
	HK$'000	HK$'000	HK$'000	HK$'000
Condensed consolidated interim statement of financial position (extract)				
Available-for-sale investments ("AFS")	5,344,294	(5,344,294)	-	-
Financial assets at fair value	-	5,344,294	-	5,344,294
Deposits received on sale of properties	8,133,574	-	(8,133,574)	-
Contract liabilities	-	-	8,133,574	8,133,574
Other reserves	12,294,722	(580,277)	-	11,714,445
Retained profits	68,092,523	580,277	-	68,672,800

2. Changes in accounting policies (continued)

(i) Impact on the financial statements (continued)

(b) The amount by each financial statement line items affected in the current period and period to date by the application of HKFRS 9 and HKFRS 15 is as follows:

	As at 30 June 2018			
	Without the adoption of HKFRS 9 and HKFRS 15 HK$'000	Effect of adoption of HKFRS 9 HK$'000	Effect of adoption of HKFRS 15 HK$'000	As reported HK$'000
Condensed consolidated interim statement of financial position (extract)				
Associates and joint ventures	23,876,539	-	49,038	23,925,577
Available-for-sale investments	5,311,657	(5,355,226)	43,569	-
Financial assets at fair value	-	5,355,226	-	5,355,226
Completed properties held for sale	11,440,071	-	2,355,795	13,795,866
Accounts receivable, prepayment and other receivables	5,821,387	-	(3,704,601)	2,116,786
Accounts payable, deposits received and accrued charges	6,789,022	-	(232,575)	6,556,447
Contract liabilities	-	-	4,871,046	4,871,046
Deposits received on sale of properties	4,575,454	-	(4,575,454)	-
Taxation	2,324,970	-	(232,951)	2,092,019
Other reserves	12,035,982	(590,915)	40,609	11,485,676
Retained profits	71,624,183	590,915	(1,126,874)	71,088,224

	For the six months ended 30 June 2018			
	Without the adoption of HKFRS 9 and HKFRS 15 HK$'000	Effect of adoption of HKFRS 9 HK$'000	Effect of adoption of HKFRS 15 HK$'000	As reported HK$'000
Condensed consolidated interim income statement (extract)				
Revenue	14,529,294	-	(3,969,209)	10,560,085
Cost of sales and direct expenses	(8,855,712)	-	2,557,386	(6,298,326)
Other income and net gains/(losses)	(737,269)	10,638	-	(726,631)
Share of results of associates and joint ventures	753,596	-	51,998	805,594
Taxation	(2,180,797)	-	232,951	(1,947,846)
Profit attributable to:				
Company's shareholders	5,106,331	10,638	(1,126,874)	3,990,095
Earnings per share	HK$	HK$	HK$	HK$
- Basic	3.52	0.01	(0.78)	2.75
- Diluted	3.52	0.01	(0.78)	2.75

The adoption of HKFRS 9 and HKFRS 15 has no impact to the condensed consolidated statement of cash flows.

2. Changes in accounting policies (continued)

(ii) HKFRS 9 - impact of adoption

(a) Classification and measurement of financial instruments

Management has assessed the business models and the contractual terms of the cash flows apply to the financial assets held by the Group at the date of initial application of HKFRS 9 (1 January 2018) and has classified its financial instruments into the appropriate HKFRS 9 categories, which are those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss), and those to be measured at amortised cost.

The main effects resulting from this reclassification are as follows:

	Available-for-sale investments HK$'000	Financial assets at fair value HK$'000
Opening balance - HKAS 39	5,344,294	-
Reclassifications	(5,344,294)	5,344,294
Opening balance - HKFRS 9	-	5,344,294

The main effects resulting from this reclassification on the Group's equity are as follows:

	AFS revaluation reserve HK$'000	Fair value through other comprehensive income ("FVOCI") reserve HK$'000	Retained profits HK$'000
Opening balance - HKAS 39	1,521,613	-	68,092,523
Reclassify investments from AFS to financial assets at fair value	(1,521,613)	941,336	580,277
Opening balance - HKFRS 9	-	941,336	68,672,800

Accumulated fair value gains of certain investments amounting to HK$580,277,000 were reclassified from AFS revaluation reserve to retained profits on 1 January 2018.

The Group elected to present in other comprehensive income the changes in fair value of certain investments previously classified as available-for-sale because these investments are held as long-term strategic investments. As a result, accumulated fair value gains of these investments amounting to HK$941,336,000 were reclassified from AFS revaluation reserve to FVOCI reserve on 1 January 2018.

2. Changes in accounting policies (continued)

(ii) HKFRS 9 - impact of adoption (continued)

(b) Impairment of financial assets

The new impairment model requires the recognition of impairment provisions based on expected credit losses ("**ECL**") rather than only incurred credit losses as is the case under HKAS 39. The Group has two types of financial assets at amortised cost subject to HKFRS 9's new expected credit loss model:

- second mortgage loans receivable
- trade and other receivables (excluding prepayments and second mortgage loans receivable)

The Group revised its impairment methodology under HKFRS 9 for each of these classes of assets.

(I) Second mortgage loans receivable

For second mortgage loans receivable already in place at 1 January 2018, the Group has determined that reliably assessing the probability of default at the initial recognition of each second mortgage loans receivable would result in undue cost and effort. As permitted by HKFRS 9, the credit provision will be determined based on whether credit risk is low only at each reporting date, until the loan is derecognised. The impairment provision based on the ECL for the second mortgage loans receivable whose credit risk has been assessed as other than low and for which the impairment methodology has been applied is immaterial to the financial position of the Group as at 1 January 2018 and 30 June 2018.

(II) Trade and other receivables (excluding prepayments and second mortgage loans receivable)

For trade and other receivables (excluding prepayments and second mortgage loans receivable), the Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9, which requires the use of the lifetime expected loss provision for all trade and other receivables (excluding prepayments and second mortgage loans receivable). The impairment provision based on the ECL for the trade and other receivables (excluding prepayments and second mortgage loans receivable) whose credit risk has been assessed as other than low and for which the impairment methodology has been applied is immaterial to the financial position of the Group as at 1 January 2018 and 30 June 2018.

2. Changes in accounting policies (continued)

(iii) HKFRS 15 - impact of adoption

Accounting for property development activities

In prior reporting periods, the Group accounted for property development activities when significant risks and rewards of ownership of properties have been transferred to the customers.

Under HKFRS 15, revenue from pre-sales of properties is recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and laws that apply to the contract, control of the properties under development may transfer over time or at a point in time. If properties have no alternative use to the Group contractually and the Group has an enforceable right to payment from the customers for performance completed to date, the Group satisfies the performance obligation over time and therefore, recognises revenue over time in accordance with the input method for measuring progress. Otherwise, revenue is recognised at a point in time when the customer obtains control of the completed property.

The progress towards complete satisfaction of the performance obligation is measured based on the property development costs incurred as a percentage of total estimated costs for complete satisfaction as allocated to the contract.

The timing of revenue recognition for sale of certain completed properties, which was previously based on whether significant risks and rewards of ownership of properties transfer, will be recognised at a later point in time when the underlying property is legally or physically transferred to the customer under the control transfer model.

The Group currently offers different payment schemes to customers, the transaction price and the amount of revenue for the sale of property will be adjusted when significant financing component exists in that contract.

The Group provides different incentives to customers when they sign a property sale contract. Certain incentives represents separate performance obligation in a contract. Part of the consideration of the contract will be allocated to those performance obligations and recognised as revenue only when performance obligation is satisfied. The amount of revenue for the sale of property will also be reduced for any cash payment to customer which does not represent fair value of good or service provided by the customer.

Certain costs incurred for obtaining a pre-sale property contract, which were previously expensed off in profit and loss directly, will be eligible for capitalisation under HKFRS 15 and match with revenue recognition pattern of related contract in the future.

The excess of cumulative revenue recognised in profit or loss over the cumulative payments made by customers is recognised as contract assets. The excess of cumulative payments made by customers over the cumulative revenue recognised in profit or loss is recognised as contract liabilities. Contract liabilities recognised in relation to property development activities were previously presented as deposits received on sale of properties (HK$8,133,574,000 as at 1 January 2018).

Other than the presentation of contract liabilities, the adoption of HKFRS 15 has no material impact on the condensed consolidated interim financial statements of the Group as at 1 January 2018.

3. 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 2017. 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 2018:

	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Assets				
Derivative financial instruments	**-**	**60,650**	**-**	**60,650**
Financial assets at fair value	**50,197**	**-**	**5,305,029**	**5,355,226**
Listed securities at fair value through profit or loss	**7,104**	**-**	**-**	**7,104**
First mortgage loans receivable	**-**	**-**	**2,499,589**	**2,499,589**
Total assets	**57,301**	**60,650**	**7,804,618**	**7,922,569**

3. 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 2017:

	Level 1	Level 2	Level 3	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Assets				
Derivative financial instruments	-	40,987	-	40,987
Available-for-sale investments	61,501	-	5,282,793	5,344,294
Listed securities at fair value through profit or loss	7,732	-	-	7,732
First mortgage loans receivable	-	-	2,442,536	2,442,536
Total assets	69,233	40,987	7,725,329	7,835,549

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 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:

	First mortgage loans receivable		**Financial assets at fair value (2017: Available-for-sale investments)**	
	2018	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000
Opening balance as at 1 January	**2,442,536**	611,329	**5,282,793**	4,804,782
Gains recognised in profit or loss	**-**	-	**21,942**	-
Losses recognised in comprehensive income	**-**	-	**(15,805)**	(3,384)
Additions	**57,853**	1,529,566	**-**	13,264
Repayments	**(800)**	-	**-**	-
Exchange adjustment	**-**	-	**16,099**	81,189
Closing balance as at 30 June	**2,499,589**	2,140,895	**5,305,029**	4,895,851

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

The Group established fair value of unlisted financial asset 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 2018 was HK$2,460,466,000 (31 December 2017: HK$2,507,681,000).

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
- Second mortgage loans receivable

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

(vii) Valuation of investment properties

	Residential properties under development	Completed residential properties	Completed commercial properties		Commercial properties under development	Total
	Hong Kong	Hong Kong	Hong Kong	PRC	PRC	
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2018	**865,000**	**14,383,100**	**10,649,720**	**38,442,766**	**-**	**64,340,586**
Net gains from fair value adjustment	**9,389**	**405,520**	**97,000**	**1,368,249**	**1,506,587**	**3,386,745**
Additions	**33,611**	**-**	**-**	**26,430**	**-**	**60,041**
Disposals	**-**	**-**	**-**	**(14,392)**	**-**	**(14,392)**
Transfer	**-**	**-**	**-**	**583,042**	**5,414,821**	**5,997,863**
Exchange adjustments	**-**	**-**	**-**	**181,036**	**-**	**181,036**
At 30 June 2018	**908,000**	**14,788,620**	**10,746,720**	**40,587,131**	**6,921,408**	**73,951,879**
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

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.

3. 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 properties under development 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 2017.

Significant unobservable inputs used to determine fair value

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 2018, capitalisation rates of 2.8% to 5.3% (31 December 2017: 2.8% to 5.3%) and 4.8% to 8.8% (31 December 2017: 4.8% to 8.8%) 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 the reporting date for 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.

4. 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	
	2018	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000
Principal activities:				
Property rental and others				
- PRC Property	**1,862,142**	1,672,947	**1,495,371**	1,337,649
- Hong Kong Property	**565,599**	540,019	**453,151**	437,639
	2,427,741	2,212,966	**1,948,522**	1,775,288
Property sales				
- PRC Property (Note)	**5,385,205**	4,520,649	**1,599,244**	980,518
- Hong Kong Property	**1,668,317**	10,084,927	**504,567**	1,175,965
	7,053,522	14,605,576	**2,103,811**	2,156,483
Hotel operations - PRC Property	**1,078,822**	923,451	**209,426**	170,313
	10,560,085	17,741,993	**4,261,759**	4,102,084
Principal markets:				
- PRC	**8,326,169**	7,117,047	**3,304,041**	2,488,480
- Hong Kong	**2,233,916**	10,624,946	**957,718**	1,613,604
	10,560,085	17,741,993	**4,261,759**	4,102,084

Note: Sales of investment properties for the six months ended 30 June 2018 amounting to HK$25,309,000 (2017: HK$78,811,000) are excluded from turnover.

4. 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 2018				
	PRC Property HK$'000	**Hong Kong Property HK$'000**	**Total Operating Segments HK$'000**	**Others HK$'000**	**Total HK$'000**
Revenue					
Turnover	**8,326,169**	**2,233,916**	**10,560,085**	**-**	**10,560,085**
Results					
Segment results - gross profit	**3,304,041**	**957,718**	**4,261,759**	**-**	**4,261,759**
Other income and net gains/(losses)					**(726,631)**
Administrative and other operating expenses					**(532,260)**
Increase in fair value of investment properties					**3,386,745**
Operating profit before finance costs					**6,389,613**
Finance costs					**(350,858)**
Operating profit					**6,038,755**
Share of results of associates and joint ventures					**805,594**
Profit before taxation					**6,844,349**
Taxation					**(1,947,846)**
Profit for the period					**4,896,503**
Profit attributable to:					
Company's shareholders					**3,990,095**
Non-controlling interests					**906,408**
					4,896,503
Depreciation and amortisation	**265,917**	**8,081**	**273,998**	**3,033**	**277,031**

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

	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

4. 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 2018

	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	**93,393,965**	**63,161,632**	**3,636,472**	**160,192,069**	**53,753,554**	**(46,089,123)**	**167,856,500**
Total liabilities	**47,465,679**	**28,182,955**	**1,052,033**	**76,700,667**	**25,988,802**	**(46,089,123)**	**56,600,346**

As at 31 December 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	92,082,474	71,035,281	3,580,442	166,698,197	57,453,985	(50,848,376)	173,303,806
Total liabilities	49,838,432	34,715,646	952,892	85,506,970	30,933,402	(50,848,376)	65,591,996

5. Operating profit

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
Operating profit is stated after crediting/charging the following :		
Crediting		
Dividend income	**38,318**	35,976
Interest income	**312,262**	205,227
Gain on sale of investment properties, net	**10,371**	14,862
Charging		
Depreciation of property, plant and equipment and amortisation of leasehold land and land use rights	**277,031**	282,739
Provision for impairment loss for property under development (Note 6)	**1,175,281**	-
Total finance costs incurred	**525,989**	762,120
Less: amount capitalised in properties under development and investment properties under development	**(164,809)**	(324,355)
	361,180	437,765
Fair value gain on derivative financial instruments	**(10,322)**	(221,795)
Total finance costs expensed during the period	**350,858**	215,970

6. Provision for impairment loss for property under development

The Group had acquired 100% interest of a project located at Lot C12 at Nam Van Lake, Macau ("**Nam Van Lake Project**") in 2007 through acquisition of the land owning company which is now a wholly owned subsidiary of the Group. The land lease of the Nam Van Lake Project was valid until 30 July 2016. Despite continuous submission of various applications and development proposals to proceed with the project, the development works were forced to come to a halt after the completion of foundation and site formation works due to Macau SAR Government's suspension of review of building plan submissions. It was not until 2012 that the Group was officially informed by the Macau SAR Government that it was reconsidering the master planning of Areas C&D of Nam Van Lake district in light of the inclusion of the Historic Centre of Macau SAR into the World Heritage List. Over the years, the Group has continuously chased Macau SAR Government to finalise the master planning of Areas C&D of Nam Van Lake district and to process the building plan submissions but to no avail.

In June 2016, the Group submitted to Macau SAR Government a request for the renewal of the land lease and was subsequently informed by the Macau SAR Government in July of the same year that the Land Law does not allow for the renewal of leases which had not been developed. The land lease period ended on 30 July 2016. Prior to the expiry of the land the Macau SAR Government had published a list of land stating that non-development of the land was not attributable to the fault of the lessees and Lot C12 at Nam Van Lake, Macau was included in this list. In May 2018, Macau SAR Government nonetheless gazetted the expiry of the land lease of the Nam Van Lake Project for the reason of non-development and the Group was formally notified of the aforesaid expiry by letter from Macau SAR Government.

In June 2018, the Group filed an appeal ("**Appeal**") to the Court of Second Instance of Macau SAR ("**Court**") against the decision of the Chief Executive of Macau SAR in declaring the expiry of the land lease. Macau SAR Government will have to submit its defense to the Appeal within a definite time period after it has been summoned for the relevant proceedings by the Court.

As Macau SAR Government has officially declared expiry of the land lease, full impairment provision for the Nam Van Lake project amounting to approximately HK$1,175 million was made.

7. Taxation

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
The taxation (charge)/credit comprises:		
PRC taxation		
Current	**(880,805)**	(713,226)
Over/(under)-provision in prior years	**1,665**	(283)
Deferred	**(922,450)**	(111,417)
	(1,801,590)	(824,926)
Hong Kong profits tax		
Current	**(140,750)**	(222,717)
Over-provision in prior years	**228**	46
Deferred	**16**	(1,172)
	(140,506)	(223,843)
Overseas taxation		
Current	**(5,889)**	(4,603)
Under-provision in prior years	**(2,015)**	-
Deferred	**2,154**	(4,248)
	(5,750)	(8,851)
	(1,947,846)	(1,057,620)

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profit for the six months ended 30 June 2018. Income tax on PRC and overseas profits has been calculated on the estimated assessable profit for the six months ended 30 June 2018 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.

8. 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	
	2018	2017
Weighted average number of ordinary shares in issue	**1,449,666,510**	1,443,202,968
	HK$'000	HK$'000
Profit attributable to shareholders	**3,990,095**	3,309,224
Basic earnings per share	**HK$2.75**	HK$2.29

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	
	2018	2017
Weighted average number of ordinary shares in issue	**1,449,666,510**	1,443,202,968
Adjustment for share options	**3,303,968**	209,642
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**1,452,970,478**	1,443,412,610
	HK$'000	HK$'000
Profit attributable to shareholders	**3,990,095**	3,309,224
Diluted earnings per share	**HK$2.75**	HK$2.29

9. 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 2018	**6,109,169**	**64,340,586**	**2,114,323**	**122,504**
Additions	**83,501**	**60,041**	**-**	**-**
Fair value gains	**-**	**3,386,745**	**-**	**-**
Disposals	**(219)**	**(14,392)**	**-**	**-**
Transfer	**11,395**	**5,997,863**	**-**	**-**
Depreciation and amortisation	**(244,417)**	**-**	**(32,901)**	**-**
Exchange adjustment	**30,919**	**181,036**	**10,705**	**-**
Net book value at 30 June 2018	**5,990,348**	**73,951,879**	**2,092,127**	**122,504**
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

10. 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 2018 is as follows:

	As at 30 June 2018 HK$'000	As at 31 December 2017 HK$'000
Below 1 month	**188,134**	1,905,122
Between 1 month and 3 months	**24,022**	427,595
Over 3 months	**16,142**	1,999,300
	228,298	4,332,017

11. 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 2018 is as follows:

	As at 30 June 2018 HK$'000	As at 31 December 2017 HK$'000
Below 1 month	**271,769**	669,119
Between 1 month and 3 months	**21,837**	29,869
Over 3 months	**6,287**	15,079
	299,893	714,067

12. Bank loans

	As at 30 June 2018 HK$'000	As at 31 December 2017 HK$'000
Bank loans - unsecured	**27,082,259**	32,439,379
Bank loans - secured	**3,018,713**	3,245,485
Total bank loans (note (i))	**30,100,972**	35,684,864
Less: Short-term bank loans and current portion of long-term bank loans	**(7,364,583)**	(8,903,148)
	22,736,389	26,781,716

(i) As at 30 June 2018, the Group's bank loans were repayable as follows:

	As at 30 June 2018 HK$'000	As at 31 December 2017 HK$'000
Within one year	**7,364,583**	8,903,148
In the second to fifth year		
- In the second year	**12,412,399**	8,263,691
- In the third year	**4,473,990**	8,665,414
- In the fourth year	**4,850,000**	5,702,611
- In the fifth year	**1,000,000**	4,150,000
	22,736,389	26,781,716
Repayable within five years	**30,100,972**	35,684,864

13. Commitments

At 30 June 2018, 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, interest in joint ventures and others contracted for at the end of the period but not provided for in these financial statements as follows:

	As at 30 June 2018 HK$'000	As at 31 December 2017 HK$'000
Property, plant and equipment	**4,036**	5,189
Investment properties	**1,246,985**	48,191
Leasehold land and land use rights	**342,636**	342,636
Properties under development	**3,060,192**	3,789,833
Interest in joint ventures	**1,056,517**	1,092,326
Others	**314,677**	313,205
	6,025,043	5,591,380

14. Contingent liabilities

Guarantees for banking facilities

	As at 30 June 2018 HK$'000	As at 31 December 2017 HK$'000
Guarantees for banking facilities of certain associates (note (i))	**1,307,155**	1,313,629
Guarantees to certain banks for mortgage facilities granted to first buyers of certain properties in the PRC (note (ii))	**4,035,044**	4,242,516
	5,342,199	5,556,145

(i) The Group has executed guarantees for banking 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 2018 amounted to approximately HK$1,307,155,000 (31 December 2017: HK$1,313,629,000). The total amount of such facilities covered by the Group's guarantees as at 30 June 2018 amounted to approximately HK$1,307,155,000 (31 December 2017: HK$1,313,629,000).

(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 2018 amounted to approximately HK$4,035,044,000 (31 December 2017: HK$4,242,516,000).

Apart from the above, there are no material changes in contingent liabilities of the Group since 31 December 2017.

15. Pledge of assets

As at 30 June 2018, the Group's total bank loans of HK$30,100,972,000 (31 December 2017: HK$35,684,864,000) included an aggregate amount of HK$27,082,259,000 (31 December 2017: HK$32,439,379,000) which is unsecured and an aggregate amount of HK$3,018,713,000 (31 December 2017: HK$3,245,485,000) 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$17,226,055,000 (31 December 2017: HK$16,585,886,000); and

(ii) assignments of insurance proceeds of certain properties.

MANAGEMENT DISCUSSION AND ANALYSIS

(A) OVERALL RESULTS

The Group recorded a turnover of HK$10,560 million for the six months ended 30 June 2018, representing a decrease of 40% when compared with the HK$17,742 million posted for the corresponding six months ended 30 June 2017. 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 2018 was HK$1,552 million (2017: HK$2,833 million), representing a decrease of 45% period over period.

Due to the adoption of HKFRS 15 in 2018, recognition of property sales has been deferred from the transfer of significant risks and rewards of ownership to that of control of property to customers. This has resulted in a significant change in the sales recognised during the first six months of 2017 and 2018.

During the six months ended 30 June 2018, the net increase in fair value of the Group's investment properties and related tax effects in the aggregate amount of HK$2,438 million (2017: HK$476 million) was recognised in the Group's consolidated income statement.

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

	Six months ended 30 June		
	2018	2017	
	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	**1,552**	2,833	-45%
Add:			
Net increase in fair value of investment properties and related tax effects	**2,438**	476	
Profit attributable to shareholders after taking into account the net increase in fair value of investment properties and related tax effects	**3,990**	3,309	+21%

(B) PRC PROPERTY DIVISION

The Division recorded a turnover of HK$8,326 million (2017: HK$7,117 million) during the six months ended 30 June 2018, an increase of 17%, as a result of a 19% growth in sales revenue from completed properties and a 13% increase in recurring revenue from rental and hotel operations. Gross profit rose by 33% to HK$3,304 million (2017: HK$2,488 million).

The Division continued to adjust its pace of sales activity as the central government maintained its policies to stabilise the housing market. The investment property portfolio recorded a steady rental performance.

(i) Investment Properties

During the six months ended 30 June 2018, the Group generated a turnover of HK$1,862 million (2017: HK$1,673 million) and a gross profit of HK$1,496 million (2017: HK$1,338 million) from its portfolio of completed investment properties in the PRC, representing increases of 11% and 12% respectively.

As at 30 June 2018, the Group held an investment property portfolio in the PRC with an aggregate gross floor area ("**GFA**") of 7.61 million square feet (as at 31 December 2017: 7.39 million square feet). Their respective composition and occupancy rates were as follows:

As at 30 June 2018:

	Group's attributable GFA ('000 square feet)							
	Beijing	**Shanghai**	**Shenzhen**	**Tianjin**	**Hangzhou**	**Others**	**Total**	**Occupancy Rate**
Office	**711**	**1,430**	**1,552**	**-**	**100**	**195**	**3,988**	**93%**
Commercial	**98**	**1,096**	**104**	**428**	**812**	**34**	**2,572**	**92%**
Apartment	**277**	**774**	**-**	**-**	**-**	**-**	**1,051**	**91%** #
	1,086	**3,300**	**1,656**	**428**	**912**	**229**	**7,611**	

As at 31 December 2017:

	Group's attributable GFA ('000 square feet)							
	Beijing	Shanghai	Shenzhen	Tianjin	Hangzhou	Others	Total	Occupancy Rate
Office	711	1,436	1,552	-	100	-	3,799	97%
Commercial	98	1,096	104	428	812	-	2,538	95%
Apartment	277	774	-	-	-	-	1,051	91% #
	1,086	3,306	1,656	428	912	-	7,388	

Note:

\# *Excluding an apartment building at Central Residences II, Shanghai where refurbishment commenced in the fourth quarter of 2017.*

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

Property	**Occupancy rate as at 30 June 2018**	Occupancy rate as at 31 December 2017
Jing An Kerry Centre Phase I	**95%**	95%
Jing An Kerry Centre Phase II (1)	**99%**	98%
Kerry Parkside (1)	**97%**	97%
Beijing Kerry Centre (1)	**97%**	97%
Shenzhen Kerry Plaza Phase I	**92%**	94%
Shenzhen Kerry Plaza Phase II	**95%**	94%
Hangzhou Kerry Centre (1)	**95%**	95%

Note:
(1) Excluding hotel.

Jing An Kerry Centre, Shanghai

This landmark mixed-use development stands 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 2018, 99% of the office (as at 31 December 2017: 98%) and 97% of the retail space (as at 31 December 2017: 99%) were leased. Jing An Shangri-La Hotel achieved an average occupancy rate of 77% (2017: 80%) during the period under review.

Kerry Parkside, Shanghai

Kerry Parkside, located in Shanghai's Pudong District, 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 2018, the retail space and offices were both 100% leased (as at 31 December 2017: both 100%). The occupancy rate of the serviced apartments was 87% (as at 31 December 2017: 85%). Kerry Hotel Pudong, Shanghai reported an average occupancy rate of 72% (2017: 76%) during the period under review.

Beijing Kerry Centre

Beijing Kerry Centre, located in the heart of the capital city, integrates high-quality office space, a shopping mall, the Kerry Hotel Beijing and serviced apartments. The Group holds a 71.25% interest in this mixed-use development. As at 30 June 2018, the occupancy rate of the retail portion was 97% (as at 31 December 2017: 94%), while the offices were 98% leased (as at 31 December 2017: 98%). The serviced apartments were 94% leased as at 30 June 2018 (as at 31 December 2017: 96%). Kerry Hotel Beijing recorded an average occupancy rate of 84% (2017: 84%) during the period under review.

Shenzhen Kerry Plaza

Shenzhen Kerry Plaza, wholly owned by the Group, comprises three Grade-A office towers. 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 which is now completed and is expected to enter service in the third quarter of 2018. As at 30 June 2018, Phases I and II of the development were 92% and 95% leased respectively (as at 31 December 2017: both 94%).

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. As at 30 June 2018, the offices were 98% leased (as at 31 December 2017: 97%), while 94% of the retail space was leased (as at 31 December 2017: 94%). Midtown Shangri-La, Hangzhou reported an average occupancy rate of 77% (2017: 73%) during the period under review. 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. Phase II of the development is under planning. As at 30 June 2018, the Riverview Place mall was 74% leased (as at 31 December 2017: 76%). Shangri-La Hotel, Tianjin reported an average occupancy rate of 72% (2017: 68%) during the period under review.

(ii) Sales of Properties

During the six months ended 30 June 2018, sales of completed properties in the PRC delivered a turnover of HK$5,385 million (2017: HK$4,521 million), mainly from recognised sales of Castalia Court in Hangzhou, Jinling Arcadia Court in Nanjing, The Metropolis - Arcadia Court Phase II in Chengdu, Lake Grandeur in Hangzhou, Shenyang Arcadia Court and Habitat in Qinhuangdao. A gross profit of HK$1,599 million (2017: HK$980 million) was derived therefrom.

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, the development will yield a GFA of approximately 2.27 million square feet of residential property, Castalia Court, as well as approximately 210,000 square feet of commercial space. As at 30 June 2018, almost 100% of the total of 408 Phase I units and 548 Phase II units had been sold. Construction work for Phases III is currently underway. As at 30 June 2018, 97% of the total of 725 Phases III units had been pre-sold.

Jinling Arcadia Court, Nanjing

The Group has developed a residential project located at Da Guang Road in Nanjing's Qin Huai District. This wholly-owned project, Jinling Arcadia Court, has a site area of approximately 396,000 square feet and a GFA of approximately 1 million square feet. Project construction was completed in the fourth quarter of 2017. As at 30 June 2018, 79% of the total of 429 units had been sold.

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 have all been sold and delivered. Phase II has a total GFA of approximately 2.1 million square feet. At 30 June 2018, all Phase II residential and commercial units had been sold and delivered. The Group holds a 55% interest in this project.

Lake Grandeur, Hangzhou

Lake Grandeur, with a GFA of approximately 330,000 square feet, is situated at Hangzhou Kerry Centre. The development, located adjacent to the renowned West Lake in Hangzhou, was completed in 2017. As at 30 June 2018, 21% of the total of 121 units had been sold. The Group holds a 75% interest in this development.

Shenyang Arcadia Court and Enterprise Square

Six towers at Shenyang Arcadia Court and one tower at Enterprise Square of the Shenyang Kerry Centre Phase I development have been completed and delivered for occupation. As at 30 June 2018, 99% of all 972 Phase I residential units, and 67% 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 2018, 77% 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.

(iii) Properties under Development

The Group continues to develop mixed-use property landmarks and residential projects in various prime locations.

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 unobstructed seafront view, and is designated for a mixed-use development comprising office, apartment and commercial space. 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 2020. The pre-sale of units of an apartment tower was launched in June 2018 with a strong market response.

The Group also holds a 25% interest in another project under development on an adjacent site. The Company, Kerry Holdings Limited and The Bank of East Asia, Limited jointly acquired this site, with an area of approximately 207,000 square feet, in December 2016. This project is designed to yield a GFA of approximately 1.3 million square feet for commercial use.

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.

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, while Phases II and III are under construction. As at 30 June 2018, 54% of the total 495 residential units at Arcadia Heights under the Phase II development had been pre-sold.

Nanchang

In Nanchang, the provincial capital of Jiangxi Province, the Group is developing a project 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 the Honggutan Central District. The development includes a hotel, offices, and commercial and high-end residential properties. The hotel and residential portions are completed delivering a GFA of approximately 1.7 million square feet. Planning of the forthcoming 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 2.1 million square feet for development into hotel, residential, commercial and office properties. The project is expected to be completed in phases from 2022 onwards. The Group holds a 55% interest in this project.

Kunming

The Group, together with Shangri-La, is developing two adjoining sites in Kunming City, Yunnan Province. The sites are earmarked for hotel and apartment use, with a GFA of approximately 675,000 square feet. The Group holds a 55% interest in this project, which is scheduled to be completed in 2021.

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. The entire project will deliver a total GFA of approximately 1 million square feet with construction works for Phase I already completed. As at 30 June 2018, 98% of the total of 97 Phase I units had been sold, and 100% 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 the fourth quarter of 2018.

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. Construction works for Phase I, with a GFA of approximately 368,000 square feet, are now in progress and are expected to be completed in 2020.

Shanghai

The Group has acquired an equity interest of approximately 24.4% in a project company which owns a site located in Pudong New Area, Shanghai. The site, where the land is designated for industrial use, has a gross area of approximately 4.43 million square feet. In May 2016, the Shanghai Municipal Government issued an approval covering the planning change for the site to commercial development use ("**May approval**"). Subsequently in August 2017, another approval was granted by the Shanghai Municipal Government to include the site as part of the newly planned World Expo Cultural Park.

The Group's investments made in the second half of 2016 were on the basis of the May approval. Amongst the investors, a state-owned company through different investment vehicles collectively is the largest investor in the project.

Up to the end of the first quarter of 2018, there was no verbal or written notice issued by the Shanghai Municipal Government to the project company regarding the change in the development plan of the area and its implications for the original development plan of the project company. In the second quarter of 2018, the Shanghai municipal authorities contacted the project company and expressed their intention to include the project site under the World Expo Cultural Park development. Discussions and negotiations have been ongoing with the Shanghai municipal authorities with a view to arriving at a mutually acceptable solution. The carrying value of the Group's investments amounted to approximately HK$3,441 million as at 30 June 2018. Up to the date of this announcement, the project company remains as the legal and registered owner of the site with all the rights conferred as per the original land grant.

(C) HONG KONG PROPERTY DIVISION

During the six months ended 30 June 2018, the Hong Kong Property Division reported a turnover of HK$2,234 million (2017: HK$10,625 million) and a gross profit of HK$958 million (2017: HK$1,614 million).

The Division's turnover for the period was mainly derived from recognised sales of completed residential properties at Mantin Heights and The Bloomsway. The significant change in turnover was mainly attributable to the adoption of HKFRS 15 with effect from 1 January 2018, which has resulted in the deferred recognition of sales to the transfer of control of property to customers.

The Hong Kong investment property portfolio continued to contribute a steady stream of recurrent income as it achieved high occupancy levels and stable rental rates during the period under review.

(i) Investment Properties

The Group's completed investment properties in Hong Kong generated a turnover of HK$566 million (2017: HK$540 million) and produced a gross profit of HK$453 million (2017: HK$438 million) for the period under review.

As at 30 June 2018, the portfolio of completed investment properties in Hong Kong had an aggregate GFA of 2.86 million square feet (as at 31 December 2017: 2.86 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 2018		As at 31 December 2017	
	Group's attributable GFA *('000 square feet)*	**Occupancy rate**	Group's attributable GFA *('000 square feet)*	Occupancy rate
Apartment	**803**	**94%**	803	86% #
Commercial	**1,219**	**98%**	1,219	99%
Office	**841**	**95%**	841	96%
	2,863		2,863	

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

Enterprise Square Five/MegaBox, Kowloon Bay

MegaBox blends shopping, entertainment, dining and sports into one innovatively designed complex in Kowloon East. This pioneering retail and lifestyle hub has a GFA of 1.1 million square feet. As at 30 June 2018, the mall had an occupancy rate of 98% (as at 31 December 2017: 99%).

The two Grade-A office towers of Enterprise Square Five, with a GFA of 519,000 square feet, recorded stable occupancy rates and were 93% leased (as at 31 December 2017: 94%) as at 30 June 2018.

MegaBox maintains a dynamic tenant mix designed to serve the shifting consumption and lifestyle trends of local families and shoppers. The mall therefore consistently achieves nearly full occupancy and robust rental rates.

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 2017: 100%) as at 30 June 2018.

Resiglow, Happy Valley

The new residential project, Resiglow, at No. 7A Shan Kwong Road, Happy Valley, provides 106 units, including two penthouses, over a GFA of approximately 81,000 square feet. As at 30 June 2018, 85% of the units (as at 31 December 2017: 57%) were leased.

(ii) Sales of Properties

During the first six months of 2018, sales of completed properties held for sale in Hong Kong contributed a turnover of HK$1,668 million (2017: HK$10,085 million) to the Group. A gross profit of HK$505 million (2017: HK$1,176 million) was derived from recognised sales of Mantin Heights and The Bloomsway.

Mantin Heights, Ho Man Tin

The Group has 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 Certificate of Compliance in November 2017. As at 30 June 2018, 86% of the total of 1,429 units had been sold.

The Bloomsway, So Kwun Wat

The Bloomsway is a residential project at Nos. 18, 28 and 29 Tsing Ying Road, So Kwun Wat. The project has a saleable area of approximately 838,000 square feet and obtained its Certificate of Compliance in February 2018. As at 30 June 2018, 90% of the total of 1,100 units had been sold.

(iii) Properties under Development

Hing Hon Road, Sai Ying Pun

The Group is developing a residential project at No. 8 Hing Hon Road, following amalgamation of the original development at Nos. 5-6 with the adjacent development at Nos. 7-8. This redevelopment project will deliver a buildable GFA of approximately 68,000 square feet, and is scheduled to be completed in 2019.

Lung Kui Road, Beacon Hill

The Group is developing a site at No. 9 Lung Kui Road 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 the fourth quarter of 2018.

The Group acquired a further site in Beacon Hill in 2016. This adjacent site, at No. 3 Lung Kui Road, occupying an area of 235,000 square feet, will be developed into an upscale low-density residential property with a buildable GFA of approximately 343,000 square feet. The project is scheduled to be completed in 2020.

La Salle Road, Ho Man Tin

The Group is developing a residential project at No. 10 La Salle Road in Ho Man Tin, following amalgamation of the entire building at Nos. 168-168C Boundary Street with the adjacent plot at No. 10 La Salle Road. Lying next to 8 LaSalle, this redevelopment project will deliver an aggregate buildable GFA of 45,000 square feet and is scheduled for completion in 2020.

Wong Chuk Hang Station Package Two Property Development, Wong Chuk Hang

On 5 December 2017, the Group and Sino Land Company Limited were jointly awarded a tender by MTR Corporation Limited for the Wong Chuk Hang Station Package Two Property Development. The Group holds a 50% stake in the project. Located at the southwestern part of the Wong Chuk Hang Station Property Development, the site is designated for private residential purposes. This project will enjoy direct MTR connection and the upside of the vibrant neighbourhood of Wong Chuk Hang. It occupies an area of approximately 92,000 square feet and will generate a buildable GFA of approximately 493,000 square feet. The project is scheduled for completion in 2023.

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 as regards the land exchange issue.

In May 2018, Macau SAR Government gazetted the expiry of the land lease of the Nam Van Lake project for the reason of non-development. The Group filed an appeal in June 2018 to the Court of Second Instance of Macau SAR against the decision of the Chief Executive of Macau SAR in declaring the expiry of the land lease.

Considering the above and as a matter of prudence, a full impairment provision was made on the carrying value of the Nam Van Lake project.

(D) OVERSEAS PROPERTY DIVISION

The Philippines

The Group maintains 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 a 70.04% interest in The Enterprise Center, an office and commercial property in Makati, Manila's financial district. As at 30 June 2018, the occupancy rates of Shangri-La Plaza Mall and The Enterprise Center were 92% and 97% respectively (as at 31 December 2017: 90% and 97%, respectively).

Apart from the Shangri-La Plaza Mall and the Enterprise Center, SPI currently has three major developments:

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 2018, 98% 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, and 86% of the total of 3,044 units had been sold as at 30 June 2018.

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 2018, 97% of the total of 98 units available for sale had been sold. The hotel recorded an average occupancy rate of 64% (2017: 64%) during the period under review, while the serviced apartments were 94% leased as at 30 June 2018 (as at 31 December 2017: 51%).

Sri Lanka

The Group and SPI have formed a joint venture, Shang Properties (Pvt) Ltd, in Sri Lanka, to develop a mixed-use project strategically located in the heart of Colombo, the country's commercial capital and largest city. The site is situated on a six-acre parcel of leased land on Sir James Peiris Mawatha overlooking Beira Lake in Colombo. The Group holds an 80% stake, while SPI holds a 20% interest in the joint venture.

The project will be developed in two phases with master planning currently underway. In Phase I, a high-rise residential tower will be developed. Construction is expected to commence by the end of 2018. The Phase II development will comprise residential and retail components. The entire project will take eight to nine years to complete.

The development will be complemented by an integrated podium featuring jogging tracks, a clubhouse fully equipped with swimming pools and other facilities, a garden, and car-parking floors.

(E) OUTLOOK

(i) PRC Property Division

In China, the housing market continues to be subject to the impact of restrictive measures. The PRC Property Division has adjusted its pace of sales and marketing strategy accordingly, and its resilient interim performance attests to the Group's brand value and ability to cope with market challenges.

Sales and pre-sales of various properties remain on track, recording stable contracted sales for the Group. Among these, the successful launch of the apartment units in Qianhai highlights the strong demand for premier quality homes in prime locations. The projects in Shenyang, Qinhuangdao and Hangzhou have also continued to meet with robust demand, and are expected to register satisfactory sales performances going forward.

The Division will grow its recurrent income base further on the foundation of its portfolio of iconic mixed-use developments in the CBDs of major metropolises. The office and retail components of these developments are generating a stable stream of rental income, helping the Group to deliver steady returns over the long term.

The Group believes that China's real estate market is adjusting and maturing towards long-term stable development. Management is confident of the ongoing growth of the PRC segment, but will carefully guard against risks brought about by economic or market volatility.

(ii) Hong Kong Property Division

With an overall positive economic outlook, sentiment in Hong Kong's property market has remained robust. The Hong Kong Property Division has achieved its sales target during the first half of 2018. Going forward, management anticipates greater uncertainty in the macroeconomic environment, but remains confident in the Division's performance in the forthcoming quarters.

The Division has a prime portfolio of residential projects under development in Hong Kong. Among these, the first of the two residential projects in Beacon Hill is scheduled for completion this year. This development will represent an exclusive collection of exquisite homes in Hong Kong. The sales of the remaining units at Mantin Heights and The Bloomsway have also been proceeding smoothly and recording solid performances.

The resilience of the segment's performance is also supported by its strong investment asset base. Its Mid-Levels portfolio of premier residences, offices in Island East and Kowloon East, and the MegaBox mall are all recording high occupancies and steady rental rates. This investment property portfolio will contribute continuously to the Group's growing recurrent income base.

Hong Kong is an open economy which will inevitably be exposed to macroeconomic uncertainties, including those generated by the interest rate hikes in the United States and the ongoing international trade disputes. The Division will continue to take forward its business development plans in a prudent manner.

(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 2018, total foreign currency borrowings (excluding RMB borrowings) amounted to the equivalence of HK$2,348 million and RMB loans amounted to the equivalence of HK$6,840 million. Therefore, non-RMB total foreign currency borrowings and RMB loans represented approximately 7% and 21% respectively, of the Group's total borrowings of HK$32,449 million as at 30 June 2018.

The non-RMB total foreign currency borrowings of HK$2,348 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 2018, HK$7,365 million (representing approximately 23%) was repayable within one year, HK$12,412 million (representing approximately 38%) was repayable in the second year, HK$12,672 million (representing approximately 39%) was repayable in the third to fifth years. The Group continued to maintain most of its borrowings on an unsecured basis, with unsecured debt accounting for approximately 91% of total borrowings as at 30 June 2018. 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 2018, the gearing ratio for the Group was 18.9% (as at 31 December 2017: 25.7%), calculated based on net debt of HK$18,342 million and shareholders' equity of HK$97,026 million.

As at 30 June 2018, the Group had outstanding interest rate swap contracts which amounted to HK$1,500 million in total, enabling the Group to hedge its interest rate exposure and to have a more stable interest rate profile.

In terms of the Group's available financial resources as at 30 June 2018, the Group had total undrawn bank loan facilities of HK$12,109 million and cash and bank deposits of HK$14,107 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.

Details of contingent liabilities and pledge of assets are set out in notes 14 and 15 to the financial statements of the Group included in this announcement.

STAFF

As at 30 June 2018, 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 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 2018, a total of 21,504,500 Share Options were outstanding which comprised 265,000 and 21,239,500 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 2018.

CORPORATE GOVERNANCE

During the six months ended 30 June 2018, 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 before 1 February 2018. 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. However, the Board believes that the balance of power and authority will not be impaired by such arrangement as the Board comprises experienced and high calibre individuals.

On 1 February 2018, Mr. Wong has relinquished his position as the CEO of the Company and remains as the Chairman and an Executive Director of the Company and Mr. Ho Shut Kan, the President of the Company, has been re-designated as the CEO of the Company. The Company has therefore complied with A.2.1 of the code provisions since 1 February 2018.

CLOSURE OF REGISTERS OF MEMBERS

The Registers of Members will be closed on Thursday, 6 September 2018 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 Wednesday, 5 September 2018. The Interim Dividend is payable on Tuesday, 18 September 2018 to Shareholders whose names appear on the Registers of Members on Thursday, 6 September 2018.

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

Hong Kong, 21 August 2018

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*