



嘉里建設有限公司

KERRY PROPERTIES LIMITED

*(Incorporated in Bermuda with limited liability)*



2021  
**ANNUAL  
REPORT**



Cover Design:

While respecting the heritage of the company, we also seek to innovate. Taking an outward-looking approach, we explore and embrace opportunities to move forward purposefully and strategically.



**Kerry Properties Limited** ("KPL") is a well-established property company with significant investments in Asia. The Company is known for its property development activities in mainland China and Hong Kong. In both markets, KPL focuses on investing in premium quality property developments in prime locations. The Company has developed a successful business model for doing this over many years and has considerable experience as a developer and manager of quality properties. We act on principles of fairness and integrity, and we value the many relationships we have developed over our long history with staff, suppliers, partners, government agencies, and other key stakeholders.

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# FINANCIAL HIGHLIGHTS

Two-year Overview		FY 2021	FY 2020	% Change
Revenue	(HK\$M)	<b>15,327</b>	14,526	+6%
Gross profit	(HK\$M)	<b>8,743</b>	8,387	+4%
Gross profit margin	(%)	<b>57.0</b>	57.7	
Operating profit	(HK\$M)	<b>10,824</b>	7,572	+43%
Operating profit margin	(%)	<b>70.6</b>	52.1	
EBITDA <sup>N1</sup>	(HK\$M)	<b>7,498</b>	7,351	+2%
Profit attributable to shareholders	(HK\$M)			
– before fair value change of investment properties*		<b>6,266</b>	4,233	+48%
– after fair value change of investment properties		<b>10,358</b>	5,403	+92%
Net profit margin	(%)			
– before fair value change of investment properties*		<b>40.9</b>	29.1	
– after fair value change of investment properties		<b>67.6</b>	37.2	
Earnings per share	(HK\$)			
– before fair value change of investment properties*		<b>4.30</b>	2.91	+48%
– after fair value change of investment properties		<b>7.11</b>	3.71	+92%
Shareholders' equity	(HK\$M)	<b>116,829</b>	109,873	+6%
Net borrowings	(HK\$M)	<b>20,044</b>	27,539	-27%
Net asset value per share	(HK\$)	<b>80.32</b>	75.44	+6%
Share price as at 31 December	(HK\$)	<b>20.30</b>	19.64	
Price earnings ratio <sup>N2</sup>	(times)			
– before fair value change of investment properties*		<b>4.7</b>	6.7	
– after fair value change of investment properties		<b>2.9</b>	5.3	
Market capitalisation as at 31 December <sup>N2</sup>	(HK\$M)	<b>29,526</b>	28,606	
Dividend per share – Interim and Final	(HK\$)	<b>1.35</b>	1.35	
Dividend per share – Special	(HK\$)	<b>2.30</b>	–	
Dividend payout ratio	(%)			
– before fair value change of investment properties* <sup>N3</sup>		<b>31.4</b>	46.4	
– after fair value change of investment properties		<b>51.3</b>	36.4	
Dividend cover	(times)			
– before fair value change of investment properties* <sup>N3</sup>		<b>3.2</b>	2.2	
– after fair value change of investment properties		<b>1.9</b>	2.7	
Dividend yield <sup>N2</sup>	(%)	<b>18.0</b>	6.9	
Return on shareholders' equity	(%)			
– before fair value change of investment properties*		<b>5.4</b>	3.9	
– after fair value change of investment properties		<b>8.9</b>	4.9	
Gearing	(%)	<b>17.2</b>	25.1	
Interest cover	(times)			
– before fair value change of investment properties*		<b>36.0</b>	11.6	
– after fair value change of investment properties		<b>41.0</b>	13.3	
Current ratio	(times)	<b>2.3</b>	2.3	
Liquidity ratio	(times)	<b>0.9</b>	0.9	
Discount to net asset value <sup>N2</sup>	(%)	<b>(74.7)</b>	(74.0)	

<sup>N1</sup> Being earnings before interest, tax, depreciation, fair value change of investment properties and certain non-recurring items.

<sup>N2</sup> Based on share prices as at 31 December 2021 and 31 December 2020, respectively.

<sup>N3</sup> Based on interim and final dividend only.

\* Also before gain on disposal of partial interest in an associate.

# FINANCIAL HIGHLIGHTS

## Revenue

**HK\$15.3B**

▲ 6% YoY

Property Sales	▼	2% YoY
Property Rental	▲	11% YoY
Hotel Operations	▲	37% YoY

## Gross Profit

**HK\$8.7B**

▲ 4% YoY

Property Sales	▼	1% YoY
Property Rental	▲	8% YoY
Hotel Operations	▲	31% YoY

## Profit Attributable to Shareholders

**HK\$10.4B**

▲ 92% YoY

Underlying Profit	HK\$6.3B	▲	48% YoY
Earnings Per Share*	HK\$4.30	▲	48% YoY

## Full Year Dividend

**HK\$3.65/share**

▲ 170% YoY

Interim	HK\$0.40	Maintained
Final	HK\$0.95	Maintained
Special	HK\$2.30	N/A

## Contracted Sales

**HK\$17.9B**

133% of FY21 Target  
of HK\$13.5B

Hong Kong	HK\$9.3B
Mainland	HK\$8.6B

## Total Capital Resources

**HK\$52.3B**

▲ 58% YoY

Cash and Bank Balances	HK\$17.4B	▲	3% YoY
Undrawn Bank Loan Facilities	HK\$34.9B	▲	116% YoY

## Gearing

(Net Debt to Net Assets  
Attributable to Shareholders)

**17.2%**

▼ 790 bp YoY

## Net Assets Attributable to Shareholders

**HK\$80.32/  
share**

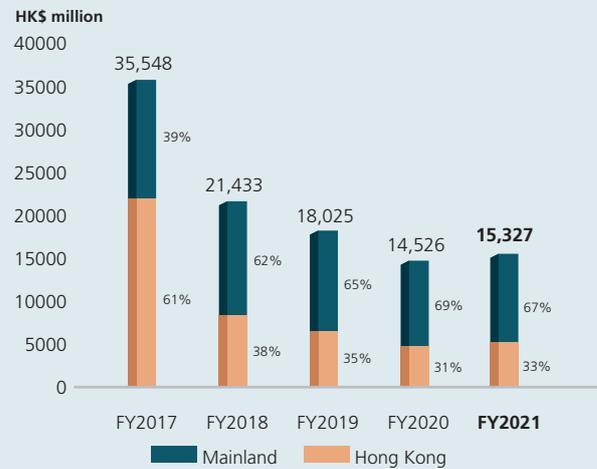
▲ 6% YoY

\* based on underlying profit

### Revenue by Principal Activities



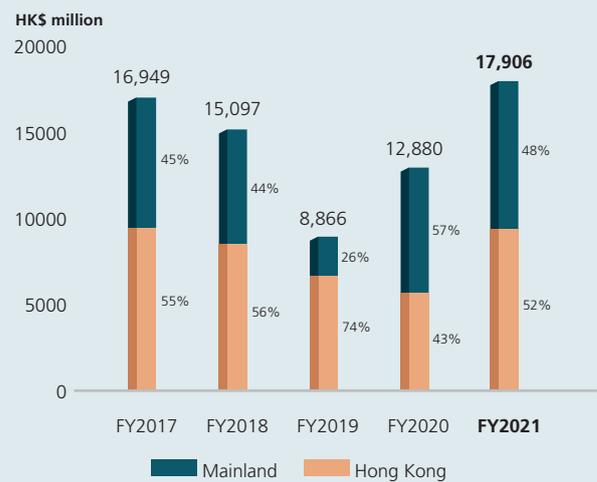
### Revenue by Principal Markets



### Gross Profit



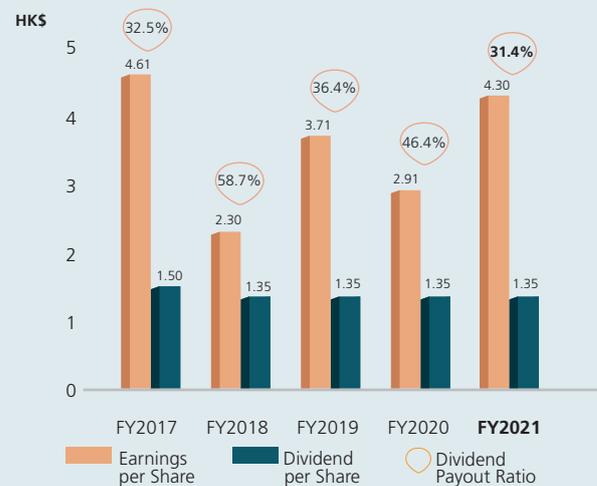
### Contracted Sales



### Profit Attributable to Shareholders



### Earnings per Share, Dividend per Share and Dividend Payout Ratio\*



\* Before fair value change of investment properties, gain on disposal of partial interest in an associate and special dividend in 2021.

# CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board, I am pleased to present the annual results of the Group for the year ended 31 December 2021. The Group recorded consolidated net profit attributable to shareholders for the year, before taking into account the effects of the increase in fair value of investment properties and the one-time gain from the disposal of shares in Kerry Logistics Network Limited ("KLN"), of HK\$6.3 billion (2020: HK\$4.2 billion), an increase of 48% when compared to 2020. Profit attributable to shareholders of the Company was HK\$10.4 billion (2020: HK\$5.4 billion), increasing 92% year-on-year. Earnings per share for the year was HK\$7.11, compared with 2020's HK\$3.71 per share.

The Board recommends the payment of a final dividend of HK\$0.95 per share for the year. Together with the interim dividend of \$0.40 per share, and the special dividend of HK\$2.30 per share, the total cash dividend for the year will amount to HK\$3.65 per share (2020: HK\$1.35 per share).

## Strong Fundamentals Cultivate a Robust Platform for Growth

During the past year, the Mainland and Hong Kong economies had to contend with uncertainties that were brought about by sporadic outbreaks of the pandemic, while certain industries had to adapt their operations to the Mainland's policy adjustments that were announced in the second half of 2021. Although these developments muted the business environment to a degree, the Central Government's Dual Circulation policy helped to provide economic stability by boosting domestic consumption and investment. With the Mainland's continued growth and Hong Kong's robust demand for high-quality residential units, the Group was able to achieve strong results for our shareholders in 2021.

We firmly believe in our strategy of prudent financial management, pursuing sustainable growth for the long-term by investing in mixed-use developments in key cities, investing in and growing our people, and building a green and sustainable portfolio to benefit the communities and cities that we work and operate in. These efforts will enable the Group to build a platform for sustained and recurrent growth.

## Fostering Sustainability Through Stakeholder Engagement

The Group is committed to sustainability. We do so by improving stakeholder engagement and advocacy through the projects we build. On sustainable buildings, the Group is proud to be the first in Asia to achieve the LEED Zero Waste accreditation for Kerry Everbright City Phase III; and to be commended by our industry peers at the MIPIM Asia Awards with the Gold Award for Best Mixed-Use Development for our newly launched Qianhai Kerry Centre.

Outside the built environment, the Group continues to build on the work we have established to enhance our stakeholder engagement and sustainability advocacy, which guides us towards our goals in our Vision 2030 sustainability blueprint. These initiatives include programmes designed to ingrain a sustainability mindset into our operations and corporate culture, and to adopt Climate Risk and Vulnerability Assessment and Science-Based Targets upstream via our contractors, and downstream through our tenants. On this front, the Group has been recognized as a constituent member of the Global Real Estate Sustainability Benchmark (GRESB), and the Hang Seng Corporate Sustainability Index (upgraded to AA+ rating in 2021); while our ESG reporting was recognized with the Platinum Benchmark Award at The Asset ESG Corporate Awards 2021, and with the Grand and Gold awards at the ASTRID Awards 2021.



**Mr Wong Siu Kong**  
Chairman

We are encouraged with our inclusion in top sustainability indices and remain dedicated to enriching our communities through sustainable practices. We are thankful to our banking partners for their recognition and support, enabling us to put in place various sustainability-linked bank loans totalling approximately HK\$10 billion in 2021. Moving ahead, we will continue to foster our sustainability culture and pioneer more green programmes, while engaging a broader set of stakeholders along our value chain.

### Resilience Through Our People

Hong Kong and the Mainland have strong fundamentals in the form of the spirit of its people, the resourcefulness and creativity of its industries, and its abundance of resources and opportunities. While we face the near-term headwinds from geopolitical events and the current pandemic waves, we are confident that the resilience of our community will enable us to eventually step through the fog of uncertainty towards a clearer path of growth. The Group remains positive on the outlook of our Hong Kong and Mainland businesses. We expect Hong Kong to be able to navigate through this current Covid-19 crisis and that the focus of the Mainland Government on economic and financial stability will help to bring back confidence and place the economy back on a growth track. Our Group has a strong pipeline of properties for sale and for lease, coupled with a robust balance sheet. With this foundation, the Group is well positioned to capture future opportunities.

### **Wong Siu Kong**

*Chairman*

Hong Kong, 17 March 2022

# CEO'S MESSAGE

Dear Shareholders,

2021 was a year of significant ups and downs and a tale of two halves – the first half and second half of the year. The Mainland had a strong first half with an early recovery from the pandemic coupled with positive economic momentum, while Hong Kong had a slow first half while managing the challenges from the fourth wave of Covid-19. In the second half of 2021 we saw Hong Kong's economy and sentiment recover, while on the Mainland we saw a significant slowdown of the Mainland economy due to increased Government regulations in a few important sectors of the economy and from Covid-19 outbreaks. Despite these challenges our teams did well to capture opportunities for contracted sales and rental revenue across Hong Kong and the Mainland.

In 2021, Kerry Properties delivered a record HK\$17.9 billion in contracted sales, surpassing our target of HK\$13.5 billion. On the Mainland, the strong sales momentum in the first half of the year allowed us to secure decent sales volume from our development projects, which delivered HK\$8.6 billion as compared to our target of HK\$7.9 billion. In Hong Kong, despite a slow first half, we were able to record HK\$9.3 billion in contracted sales, as compared to our target of HK\$5.6 billion.

In 2021, we saw our efforts to diversify our Hong Kong development properties portfolio bear fruit, with this year's contracted sales being contributed by different product tiers. From the luxury residences line, we had good sales from Mont Rouge; and from the mid-upper segment, LA MARINA delivered strong results. For the high-quality mass-market segment, we have upcoming projects in LOHAS Park, Yuen Long and To Kwa Wan.

Our non-hotel investment properties both in the Mainland and Hong Kong continued to generate steady income in 2021, with total gross profits of HK\$4 billion; an increase from 2020's HK\$3.7 billion. Our hotels' performance improved, benefitting from the Mainland's positive economic momentum in the first three quarters of 2021; and despite sporadic Covid-19 outbreaks in the fourth quarter, we saw gross profit increase to HK\$504 million, as compared to HK\$386 million in 2020. This increase, together with an overall improvement in occupancy rates across our Mainland investment properties resulted in our higher gross profit.

In 2021, we increased our land bank by approximately 6 million square feet with strategic acquisitions in three projects in 2021, and one project in January 2022. In Hong Kong, we acquired two mass-market residential projects to further complement our portfolio of luxury and mid-market residential developments. The first is a joint venture project in Yuen Long, that enjoys good accessibility, and the second is a site in To Kwa Wan that we won by tender from the Urban Renewal Authority. This site will be a good opportunity for the Group to use its placemaking expertise to bring new vitality to the surrounding community upon completion.

On the Mainland, we increased our mixed-use properties pipeline by another 5.2 million square feet with two exciting projects in Shanghai. The first is a transit-oriented mixed-use site in Pudong, which we acquired through a joint venture in February 2021. The second is a site we successfully tendered for in January 2022. This mixed-use development site is located in the heart of Shanghai's Huangpu district and is close to The Bund and Yu Gardens. The project will have direct access to the new Yuyuan metro interchange station, and will provide 2.1 million square feet of Residential, Retail, Office and Hotel. We believe that the good mix of residential development properties and commercial investment properties in this central business location will present good healthy returns to the group.

In October 2021, we completed the partial disposal of KLN shares, and reduced the Group's interest in KLN from 39.75% to 20.84%. Through this deal, the Group recorded a one-time gain of HK\$2 billion and distributed a one-time special dividend of HK\$2.30 per share in October to shareholders. It also enabled the Group to reinforce its balance sheet and pursue good business development opportunities.

As a socially responsible developer, we believe in enriching the communities where we operate in. We strive to enhance our neighbourhoods through placemaking initiatives, and to design spaces with wellbeing and sustainability at the forefront. To this end, the Group has committed itself to ensuring that all new assets meet the highest standards of sustainability and wellness. We view this as an integral part of our business and will continue to develop projects that improve living quality, while doing our part to minimize our contribution to climate risks.



**Mr Kuok Khoon Hua**  
Vice Chairman &  
Chief Executive Officer

I am encouraged that we have been able to achieve modest results in-line with the strategy that the management team and I have set over two years ago. We will continue to pursue this strategy and further strengthen our twin revenue pillars of high-quality development properties and investment properties.

In Hong Kong, we will continue to build a diversified pipeline of luxury, mid-tier, and mass market residential properties projects to balance high margins and quick turn projects to facilitate capital recycling, while meeting the demand of a broad base of buyers.

On the Mainland, we will launch five major mixed-use projects over the next five years. Qianhai Kerry Centre Phase 1 launched in late 2020, and this will be followed by our other projects in Hangzhou, Shanghai Pudong, Wuhan and Shanghai Huangpu from 2026 onwards. These new projects would roughly double our current investment properties portfolio in five years' time and significantly increase our recurrent income base, while contributing meaningful development properties revenue in the near term.

While we continue to focus on key cities in the Greater Bay Area, the Yangtze River Delta, and Beijing, in the nearer term we will focus on developing our landbank, improving the financial performance of our existing investment properties, and on capital recycling, in order to better optimize returns to shareholders.

Last but not least, on behalf of my fellow directors, I would like to thank our colleagues for their tremendous efforts and commitment in navigating an unprecedented year and yielding good results. We are proud of the teams who have worked tirelessly to keep our tenants and residents safe while working on various growth initiatives and investments.

**Kuok Khoon Hua**

*Vice Chairman & Chief Executive Officer*  
Hong Kong, 17 March 2022

# MANAGEMENT DISCUSSION & ANALYSIS

## OVERALL RESULTS



Kerry Parkside, Shanghai



Mont Rouge, Hong Kong



Mid-Levels Portfolio, Hong Kong



Lake Grandeur, Hangzhou

- The Group recorded consolidated revenue of HK\$15.33 billion, up 6% year on year. Underlying profit (excluding fair value changes and one-time gain from the disposal of shares in Kerry Logistics Network Limited (“KLN”)) was HK\$6.27 billion, up 48%. Profit attributable to shareholders of the Company was HK\$10.36 billion, up 92%.
- The Group achieved contracted sales of HK\$17.91 billion for Hong Kong and the Mainland, which surpassed the 2021 full-year sales target by 33%. Hong Kong achieved HK\$9.30 billion, 166% of Hong Kong’s full-year sales target, and the Mainland achieved HK\$8.61 billion, 109% of Mainland’s full-year sales target.
- Property rental revenue for the Group was HK\$5.34 billion, up 11% compared to the same period last year. Investment properties in Hong Kong achieved HK\$1.29 billion, similar to the same period last year, and the Mainland achieved HK\$4.05 billion, up 15% compared to the same period last year. Hong Kong and the Mainland accounted for 24% and 76% respectively of total rental revenue for the Group.
- Gross profit margin for the Group was 57% (2020: 58%). The Property Sales business recorded 51% (2020: 50%) in gross profit margins, up 1% compared to the same period last year, and the Property Rental business recorded 75% (2020: 77%), down 2% compared to the same period last year.
- Earnings per share was HK\$7.11, an increase of 92% compared to 2020, and Net Assets Attributable to Shareholders was HK\$80.32 per share, an increase of 6% compared to 2020.
- The Group measured its investment properties portfolio on a fair value basis and recorded an increase in fair value of investment properties (net of deferred taxation) of HK\$2.0 billion (2020:HK\$1.17 billion).
- Total capital resources for the Group were HK\$52.31 billion as at 31 December 2021. This includes cash and bank deposits of HK\$17.44 billion and undrawn loan facilities from banks of HK\$34.87 billion.
- Gearing ratio decreased 790 basis points to 17.2% as at 31 December 2021 (31 December 2020: 25.1%).
- The Group recorded a one-time gain of HK\$2.09 billion from the disposal of shares in KLN in September 2021. This was in connection with a partial offer for KLN shares and reduced the Group’s shareholding interest in KLN from 39.75% to 20.84% as



Shenzhen Kerry Plaza, Shenzhen



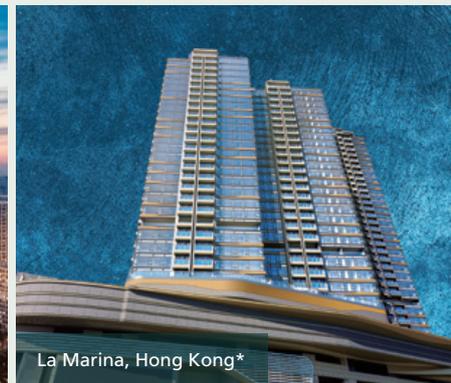
Qianhai Kerry Centre, Shenzhen



Arcadia Height, Shenyang



Arcadia Court, Zhengzhou\*



La Marina, Hong Kong\*

of 31 December 2021 (“**Partial Offer**”). Total net proceeds of HK\$11.59 billion was received by the Company from the disposal of KLN shares, the placing of KLN shares by the Company in connection to the Partial Offer, and the special dividend declared by KLN. From the total net proceeds, approximately 29% was distributed to eligible shareholders of the Company in the form of a one-time special dividend of HK\$2.30 per share in October 2021; while the remaining balance was retained by the Group to fortify its balance sheet, and for business development purposes.

- The Directors have recommended the payment of a Final Dividend of HK\$0.95 per share for the year ended 31 December 2021. Together with the interim dividend of HK\$0.40 per share and the special dividend of HK\$2.30 per share, the total cash dividend for the year ended 31 December 2021 will be HK\$3.65 per share (2020: HK\$1.35 per share).



Jing An Kerry Centre, Shanghai



Rivercity, Fuzhou



Hangzhou Kerry Centre, Hangzhou

\* Artist's Impression



Mixed-Use Development Sites in Huangpu District, Shanghai\*



# STRATEGIC LANDBANKING INVESTMENTS



Mixed-Use Development Site in Jinqiao Sub-District, Pudong, Shanghai\*



Development Site in Hung Fook Street/ Ngan Hon Street, To Kwa Wan, Hong Kong



Development Site in Shap Pat Heung Road and Tai Tong Road, Yuen Long, Hong Kong

\* Artist's Impression

# MANAGEMENT DISCUSSION & ANALYSIS

## BUSINESS REVIEW

### PRESENCE IN THE MAINLAND AND HONG KONG



### Landbanking

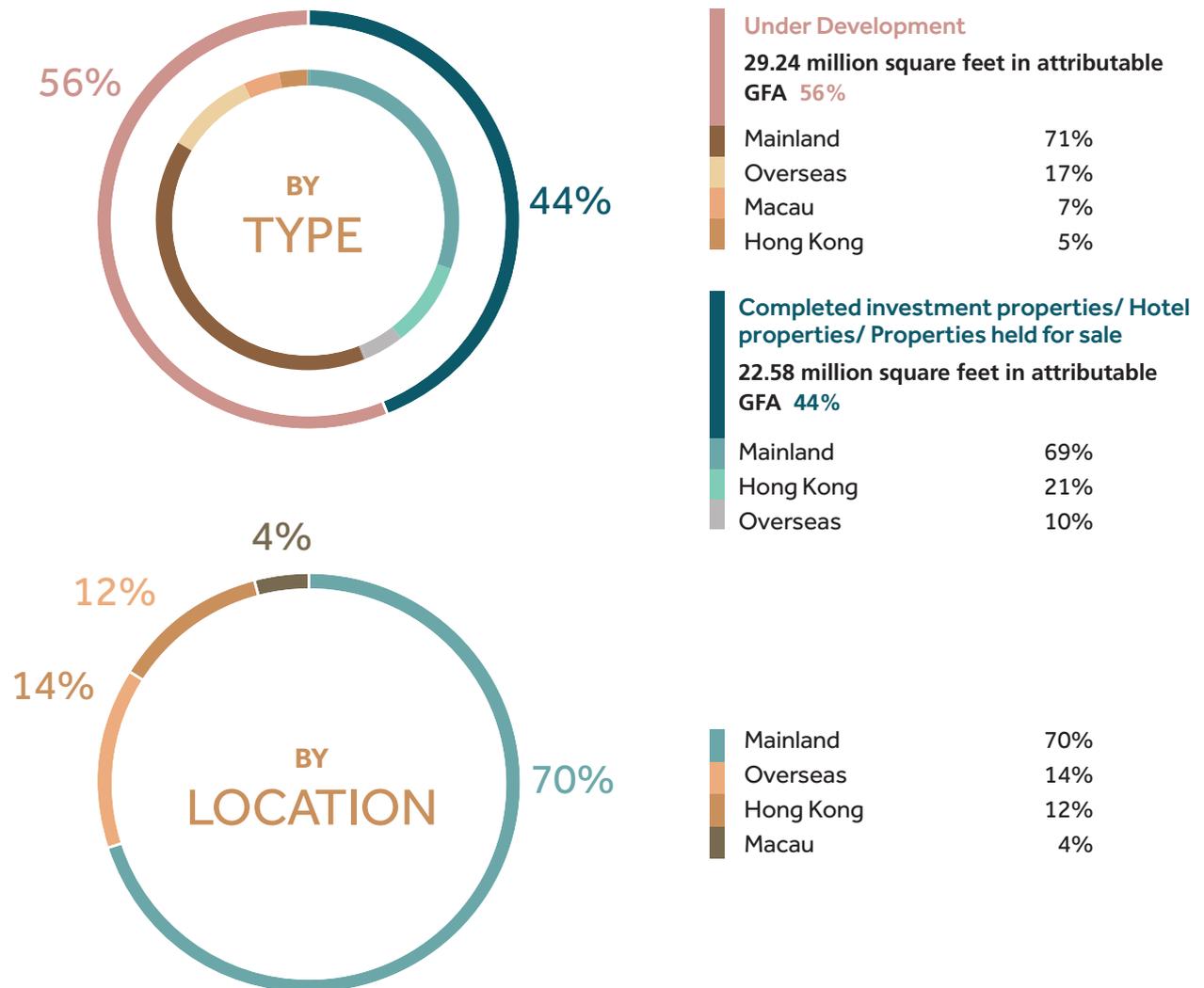
The Group has a strong presence in the Mainland and Hong Kong, with 12 development properties projects for sale in 8 cities including Hong Kong, Zhengzhou, Shenyang, Qianhai, Fuzhou, Hangzhou, Qinhuangdao and Kunming in 2021; and 8 major mixed-use projects in Shanghai, Beijing, Shenzhen, Qianhai, Hangzhou, Shenyang and Hong Kong.

As of 31 December 2021, the Group has total gross floor area (“GFA”) of 51.82 million square feet in its property portfolio, which is comprised of Completed Investment Properties of 15.91 million square feet GFA, Properties Held For Sale of 1.78 million square feet GFA, Hotel Properties of 4.89 million square feet GFA, and Projects Under Development which includes properties for sale and to be held for investment of 29.24 million square feet GFA. In terms of the Group’s Projects Under Development, approximately 12.56 million square feet GFA are development properties for sale in Hong Kong and the Mainland, and 9.74 million square feet GFA are earmarked as potential investment properties in the Mainland. The remaining 6.94 million square feet GFA consist of projects under development in Macau and Overseas, which include the Philippines, Sri Lanka and Singapore.

The total net asset value for the Group at the end of the reporting period increased 6% to HK\$132.31 billion (2020: HK\$124.66 billion), and the total net assets attributable to shareholders is HK\$80.32 per share, increasing 6% (2020: HK\$75.44 per share).

## Property Portfolio Composition

51.82 million square feet in attributable GFA



## Property Portfolio Composition

As of 31 December 2021:	Group's attributable GFA				Total
	Mainland	Hong Kong	Macau <sup>(1)</sup>	Overseas	
	('000 square feet)				
Completed Investment Properties	9,914	4,128	–	1,867	15,909
Hotel Properties	4,347	38	–	504	4,889
Properties Under Development	20,765	1,537	1,988	4,948	29,238
Properties Held for Sale	1,248	535	–	–	1,783
<b>Total GFA</b>	<b>36,274</b>	<b>6,238</b>	<b>1,988</b>	<b>7,319</b>	<b>51,819</b>

Notes:

- (1) The property portfolio in Macau represents the buildable GFA of a site that was surrendered to the Macau SAR Government in September 2009. According to the Macau SAR Government Notice gazetted on 14 October 2009, a piece of land will be granted in exchange for this, with size and location to be identified and agreed upon.
- (2) Properties Under Development for Hong Kong excludes Mont Verra, which was completed during 2021. Including Mont Verra, which has 343,000 square feet GFA, the total Properties Under Development for Hong Kong amounts to 1.88 million square feet GFA.

# MANAGEMENT DISCUSSION & ANALYSIS

## BUSINESS REVIEW

Compared to the same period in 2020, the Group increased its landbank by approximately 6 million square feet GFA with high potential investments in three new land projects in 2021, and one new project in January 2022. In the Mainland, the Group acquired two transit-oriented mixed-use developments in Shanghai, with a combined GFA of approximately 5.3 million square feet in 2021 and early 2022. The first project, a joint venture with GIC (Realty) Pte. Ltd., was acquired in February 2021, and is located in the Jinqiao sub-district of Pudong New District. The Pudong site delivers a high degree of accessibility through direct access to the Jufeng Road interchange station that connects to Shanghai's Metro Lines 12 and 6 and accommodates a bus terminus with eight routes. The mixed-use project will yield approximately 3.1 million square feet GFA, with approximately 0.5 million square feet GFA of residential for sale, 2.3 million square feet GFA for retail, and 0.3 million square feet GFA for office. Upon completion, the shopping complex will provide an integrated customer experience featuring shopping, dining, leisure and entertainment for a core catchment of around 700,000 consumers; while the residential and office portion will offer unbridled views of the Caojiagou River, Puxing Culture Park, and the future Jufeng Sports Park.

The second project is situated in the heart of Huangpu district, Shanghai, and is located in close proximity to landmarks such as The Bund, Yu Gardens, People's Square and Xintiandi. In November 2021, the Group was confirmed as the selected tenderer in a tender process of 10 adjacent plots of land for development. The tender process for the 10 plots of land consists of (stage one) tenderer selection, and (stage two) two separate tender processes. Subject to the tender process, all 10 plots of land can offer total planned GFA of approximately 5.29 million square feet for residential, high-rise and low-rise offices, retail and hotel. In January 2022, the Group successfully won the tender for the acquisition of the land use rights for 4 adjacent mixed-use development plots. The land has direct access to the newly opened Yuyuan Station which is an important interchange station for Metro Line 10 and Metro Line 14 and is one station away from the Lujiazui Central Business District. The land also provides good vehicular accessibility via Yan'an Elevated Expressway, Renmin Road Tunnel and Yan'an Road Tunnel. The total GFA for the four plots of land amount to approximately 2.14 million square feet, of which 1.34 million square feet is for residential, comprising residential high-rise apartments and shikumen townhouses; around 0.8 million square feet is for hotel, office and retail. The Group envisions the project to be a rare placemaking opportunity in the heart of Shanghai to connect The Bund to Huaihai Road, and Xintiandi to the Old City. In terms of the result for the tender of the other 6 plots of land, it is subject to the subsequent arrangement for the grant of land use rights and announcement to be made by the Shanghai Municipal Huangpu District Planning and Natural Resources Bureau<sup>(Note)</sup>.

Note: The project and the second batch of land are separate tenders and the Group considers that in the event that the acquisition of the second batch of land were not to proceed, the development of the first batch of land will not be materially affected.

In Hong Kong, the Group acquired two residential projects during the year, totalling approximately 725,000 square feet GFA. The first project is a 50/50 joint venture that the Group entered into in July 2021 with Top Spring International Holdings Limited (HKEx: 3688). The venture consists of two land parcels in Yuen Long's Shap Pat Heung Road and Tai Tong Road. The sites are located in a fast-developing neighbourhood and are a few minutes away from Yuen Long's town centre and the Yuen Long West Rail Station, with good accessibility and many bus and minibus routes along the Yuen Long section of Castle Peak Road. The process to convert the two sites from agricultural land reserves to private residential usage has been successfully completed, with the Shap Pat Heung Road and Tai Tong Road sites expected to generate approximately 245,000 square feet and 36,000 square feet of gross floor area respectively. The Group will develop them into a new high-quality residential project with approximately 676 units that will offer unobstructed open views.

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

### Landbanking Strategy

The Group maintains a business development strategy of building a portfolio of premium investment properties consisting of office, retail, hotels and apartments for lease primarily in the Mainland, while managing a robust pipeline of development properties in the Mainland and Hong Kong. The Group continues to focus on: (1) In the Mainland – deep rooting and investing in well located mixed-use developments in core and major cities in the Yangtze River Delta and the Greater Bay Area; and (2) In Hong Kong, to continue to invest in high quality, urban gentrification development property project opportunities. This is aimed at growing the company's recurrent income base while fueling further growth through non-recurrent revenue from development properties.

Based on this strategy, the Group's property rental revenue has grown steadily, with property rental income from the Mainland and Hong Kong increasing 11% year-on-year from HK\$4.83 billion in 2020 to HK\$5.34 billion in 2021. We see this as a robust strategy to add to our solid recurrent income pipeline to support our sustainable dividend policy.

## Development Properties Update and Pipeline

During the period under review, the Group achieved positive results with contracted sales of HK\$17.91 billion for Hong Kong and the Mainland, surpassing the full year target of HK\$13.5 billion by 33%. This result was contributed by Hong Kong, which achieved HK\$9.30 billion, or 166% of its full-year target of HK\$5.60 billion; and the Mainland, which achieved HK\$8.61 billion, or 109% of its full-year target of HK\$7.90 billion.

Our strategic and proactive landbanking approach over the past few years has built up a robust development properties pipeline in the Mainland and Hong Kong. As at 31 December 2021, the total attributable GFA of for-sale development properties is 12.56 million square feet, with the Mainland yielding 11.03 million square feet GFA, and Hong Kong providing 1.53 million square feet GFA. This pipeline is sufficient to provide a consistent supply of contracted sales for the Group for the next 5 years and beyond.

The Group's Development Properties Completion Pipeline

Mainland Projects	Equity Stake	Attributable GFA ('000 square feet)	Completion	Hong Kong Projects	Equity Stake	Attributable GFA ('000 square feet)
			2021	Mont Verra	100%	343
Fuzhou	100%	2,360	2022			
Shenyang	60%	1,998	2022 onwards			
Kunming	55%	124	2023	La Marina	50%	246
Zhengzhou	55%	580	2023 onwards			
Hangzhou	100%	1,006	2024			
Shenzhen	70%	75	2024			
Shanghai Pudong	40%	199	2024 onwards			
Qinhuangdao	60%	1,894	2024 onwards			
Tianjin	49%	150	2025	THE SOUTHSIDE Pk. 4	50%	319
Wuhan	100%	2,640	2025 onwards	Yuen Long	50%	141
			2026	LOHAS Park Pk. 13	25%	387
			2027	To Kwa Wan	100%	444
<b>Total</b>		<b>11,026</b>		<b>Total</b>		<b>1,880</b>

Note: The Shanghai Huangpu project will add a further 1.34 million square feet GFA of development properties for sale, with completion expected in 2026.

# MANAGEMENT DISCUSSION & ANALYSIS

## BUSINESS REVIEW

### Investment Properties Update and Pipeline

The Group's investment properties portfolio and hotel operations currently has 16.35 million square feet GFA under active management, consisting of Office, Retail, Apartment, Hotel and Warehouses. Of the total GFA, Hong Kong comprised 4.17 million square feet, or 25% of the total investment properties and hotels portfolio, and the Mainland comprised 12.18 million square feet, or 75% of the total investment properties and hotels portfolio. As at 31 December 2021, the Group's investment properties portfolio including hotel operations delivered HK\$6.96 billion in revenue, a 16% increase compared to the same period last year. Of this revenue, Hong Kong contributed HK\$1.29 billion, similar to last year, and the Mainland achieved HK\$5.67 billion, a year-on-year increase of 21%.

Their respective composition follows:

As of 31 December 2021:	The Group's Investment Properties and Hotels Portfolio in Major Cities (Attributable GFA)							Total
	Hong Kong	Beijing	Shanghai	Shenzhen	Hangzhou	Shenyang	Tianjin	
	('000 square feet)							
Office	778	711	1,388	2,839	102	354	–	6,172
Retail	1,213	98	1,096	327	798	486	435	4,453
Apartment	871	277	774	–	–	–	–	1,922
Hotel	38	500	760	–	461	394	382	2,535
Warehouse	1,266	–	–	–	–	–	–	1,266
<b>TOTAL</b>	<b>4,166</b>	<b>1,586</b>	<b>4,018</b>	<b>3,166</b>	<b>1,361</b>	<b>1,234</b>	<b>817</b>	<b>16,348</b>

Our current pipeline of major mixed-use projects including hotels under development in the Mainland will produce an additional 9.7 million square feet GFA to the portfolio by 2026. This is largely comprised of approximately 4.4 million square feet GFA of Office, approximately 4.2 million square feet GFA of Retail, and approximately 0.8 million square feet GFA of Hotel properties. Key contributors to our growing investment properties portfolio will come from projects in Shanghai, Wuhan, Hangzhou, Qianhai and Shenyang. This will add on significantly to our recurrent income base.

These 5 major projects will be launched over the next 5 years with Phase 1 of Qianhai Kerry Centre having launched in late 2020, and culminating with our Wuhan project in 2025. In addition to other mixed-use project under development in the Mainland, the total combined GFA in the Mainland under the Group's asset management will be approximately 24 million square feet, increasing our current mixed-use development portfolio in the Mainland by close to 70%. This gives the Group a robust investment properties pipeline to progressively grow our recurrent income base with the introduction of new assets on a steady schedule, while offering further upside as we proactively look to optimise our mix and rental reversion.

## Mainland / Hong Kong, Macau &amp; Overseas

City	Group's Major Mixed-Use Projects Under Development in the Mainland (Attributable GFA)					Target Completion
	Apartment	Office	Retail	Hotel	Total	
	('000 square feet)					
Qianhai	187	632	129	107	1,055	From 2021
Fuzhou	–	334	822	–	1,156	2022
Shenyang	–	447	618	–	1,065	From 2022
Nanchang	–	496	18	–	514	2023
Kunming	–	–	–	258	258	2023
Zhengzhou	–	349	–	226	575	From 2023
Hangzhou	196	245	1,109	175	1,725	From 2024
Shanghai Pudong	–	108	932	–	1,040	From 2024
Tianjin	–	489	92	–	581	2025
Wuhan	–	1,318	453	–	1,771	From 2025
<b>Total</b>	<b>383</b>	<b>4,418</b>	<b>4,173</b>	<b>766</b>	<b>9,740</b>	

Note: Not including Shanghai Huangpu site that was awarded on 4 January 2022, that will add 1.34 million square feet of Residential GFA, and 0.8 million square feet GFA in Office, Retail and Hotel.

# MANAGEMENT DISCUSSION & ANALYSIS

## BUSINESS REVIEW

### MAINLAND PROPERTY DIVISION

For the year ended 31 December 2021, the Mainland Property Division recorded revenues of HK\$10.25 billion (2020: HK\$9.96 billion) and a gross profit of HK\$6.33 billion (2020: HK\$6.04 billion). This represents a yearly increase of 3% and 5% respectively. The improvement can be attributable to strong development properties sales driven in the first half of 2021, the stability and resilience of the Group's rental properties business, and an overall improvement in sentiment and increase in domestic travel to uplift the hotel operations.

During the period under review, the Mainland's commercial climate was dampened by sporadic spikes of Covid-19. In spite of this, the local markets continued at their own pace to return to normalcy in the first half, with local retail and services improving year-on-year, while the demand for high-quality well located residential properties remained strong. Against this backdrop, the Group saw good sales launches and momentum in the first half to achieve HK\$6.17 billion, or 78% of the full year target of HK\$7.9 billion. In the second half of 2021, businesses entered into an acclimatisation period to adopt the macro policy changes introduced by the Central Government. As the Group navigated this shift in market dynamics, its regional sales teams continued to drive contracted sales of its mixed-use linked residential projects. As at 31 December 2021, the Group surpassed its full year contracted sales target for the Mainland of HK\$7.9 billion by 9%, and recorded HK\$8.61 billion (2020: HK\$7.28 billion) in attributable contracted sales.

The performance of the Mainland's investment properties portfolio and hotel operations continued to grow in 2021, with total revenue contributed from properties for rental and hotel operations increasing year-on-year by 21% at HK\$5.66 billion (2020: HK\$4.7 billion). This improvement is mainly driven by an occupancy growth across the Group's major mixed-use projects in core cities, and across the Office (86%), Retail (88%) and Apartments (90%) segments, which grew year-on-year by 9%, 8% and 6% (including Qianhai Kerry Centre on a like-for-like basis) respectively. Moreover, this was further supported by a partial recovery of the Hotel Operations, which also saw hotel occupancy rates improve during the period under review.

#### (i) Development Property Portfolio Performance

The Mainland Division completed HK\$8.61 billion (2020: HK\$7.28 billion) in contracted sales as at 31 December 2021, or 9% over the 2021 full year contracted sales target for the Mainland, which was HK\$7.9 billion. In terms of revenue, the Mainland recorded HK\$4.59 billion (2020: HK\$5.26 billion), and gross profit of HK\$2.83 billion (2020: HK\$2.99 billion) mainly contributed

from recognised sales of apartments from Qianhai Kerry Centre Phase I and Lake Grandeur in Hangzhou. This is down by 13% and 5% respectively when compared to the same period last year. The decline is mainly due to a higher 2020 base and more inventory sold in two of our higher margin projects Lake Grandeur and Qianhai Kerry Centre in 2020.



Qianhai Kerry Centre, Shenzhen

The Mainland's contracted sales results were largely attributed to six major projects. Zhengzhou's Arcadia Court was met with strong market demand to record HK\$2.0 billion in contracted sales. The good market momentum was halted in the second half due to the effects of the flooding that halted much of the city's activity for some time. At the reporting period's end, the Group is pleased to see the city of Zhengzhou largely return to normal, and that the local colleagues and project associates are able to recover from the broad effects of the flood. Sales momentum also resumed by the fourth quarter of 2021.



Arcadia Court, Zhengzhou\*

In Northern China, Shenyang Phase 3 – The Arcadia, which is located in the heart of the city's golden corridor of Youth Avenue, recorded strong contracted sales of HK\$1.74 billion, while the Bohai seafont Habitat Phases 1 and 2 in Qinhuangdao delivered around HK\$0.6 billion.

\* Artist's Impression

## Mainland / Hong Kong, Macau &amp; Overseas



Rivercity, Fuzhou



Lake Grandeur, Hangzhou\*

Fuzhou Rivercity, which was launched in late 2020, carried its positive sales momentum into 2021 to contribute HK\$1.34 billion in contracted sales. Located along the famous Sanjiangkou, the project provides unobstructed waterfront views and direct access to various lifestyle amenities along the river promenade.

In Hangzhou, the Group stepped up its effort to drive sales of its completed luxury residence – Lake Grandeur, by delivering HK\$1.0 billion in contracted sales for the period. This was a concerted effort by the local team to focus on the high quality of the project's build, the highly sought-after address near the West Lake, and the strength of the Kerry Properties brand and its good reputation in property management services. As of 31 December 2021, a total of 111 units, or 92% of total stock has been sold.

An important mixed-use development for the Group in the South is the Qianhai Kerry Centre, whose residential apartment sales have been consistently popular with buyers. For the year ended 31 December 2021, contracted sales was HK\$1.33 billion, with 449 units, or 99% of total units sold.

As at 31 December 2021, total unrecognised attributable income from contracted sales in the Mainland is approximately HK\$7.18 billion, with HK\$4.06 billion to be booked in 2022, and around HK\$3.12 billion to be booked in 2023 and subsequent years.

A summary of the Mainland's contracted sales achieved as of 31 December 2021:

Project Name	Group's attributable interest	Approximate total saleable area (square feet)	Percentage of all units sold	Number of units sold in 2021	Total Contracted Sales in 2021 (HK\$ 'Billion)
The Arcadia, Shenyang	60%	3,321,000	17%	250	1.7
Rivercity, Fuzhou	100%	2,010,000	35%	340	1.3
Habitat Phase II, Qinhuangdao	60%	1,965,000	6%	58	0.4
Habitat Phase I, Qinhuangdao	60%	1,576,000	95%	36	0.2
Arcadia Height, Shenyang	60%	1,177,000	99%	9	0.2
Arcadia Court, Zhengzhou	55%	1,012,000	79%	276	2.0
Qianhai Kerry Centre Phase 1, Shenzhen	100%	459,000	99%	112	1.3
Lake Grandeur, Hangzhou	75%	333,000	92%	21	1.0
Others					0.5
<b>TOTAL</b>					<b>8.6</b>

Note: Others include projects in Kunming, and non-core asset sales in Nanjing, Chengdu, and Shanghai.

\* Computer Processed Image

# MANAGEMENT DISCUSSION & ANALYSIS

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### PROJECT BACKGROUND ON DEVELOPMENT PROPERTIES FOR SALE IN THE MAINLAND



Qianhai Kerry Centre, Shenzhen



Lake Grandeur, Hangzhou



Arcadia Height, Shenyang

#### Qianhai Kerry Centre Phase I, Shenzhen

Qianhai Kerry Centre Phase 1 has total saleable area of approximately 459,000 square feet, and is located close to the Guangshen Yanjiang Expressway, while enjoying unobstructed seafront views. The site is designated for a mixed-use development comprising office, apartment, and commercial space, and as a whole has a total buildable GFA of approximately 2.2 million square feet. The project was partially completed in 2020, with the first apartment tower launched for pre-sale in 2018 to strong take-up response.

#### Lake Grandeur, Hangzhou

Lake Grandeur is the residential portion of Hangzhou Kerry Centre, and delivers residential GFA of approximately 333,000 square feet. Offering both urban convenience with close proximity to the upscale lifestyle offerings at Hangzhou Kerry Centre and nearby metro and traffic access, Lake Grandeur also offers panoramic views of the renowned West Lake. The project was completed in 2017.

#### Arcadia Height, Shenyang

As part of the Shenyang Kerry Centre Phase II development, Arcadia Height has three residential towers with a GFA of approximately 1.2 million square feet that provides convenience and access to Shenyang's downtown core – Youth Avenue, while providing open views of the city and nearby greenery. Sales of this completed project was met with strong response and two towers of Arcadia Height at the Shenyang Kerry Centre Phase II development have been completed and delivered for occupation.

#### The Arcadia, Shenyang

The Arcadia is Phase III of the Shenyang Kerry Centre development, and provides approximately 3.3 million square feet of with a residential GFA. Located on the east side of Youth Avenue, and south of Youth Park, the project resides at the core of the city's landmark Golden Corridor development, and is an integrally connect part of the Shenyang Kerry Centre which in its entire yields approximately 11 million square feet of GFA. This mixed-use property comprises Shenyang Arcadia Court, Shenyang Arcadia Heights, the Enterprise Square office towers, a hotel, and a shopping mall. Phases I and II of the development have been completed. Pre-sales by phases for The Arcadia commenced in 2021, and construction is in progress with completion expected in by phases from 2022.



Habitat, Qinquangdao\*



Arcadia Court, Zhengzhou\*



Rivercity, Fuzhou

### Habitat, Qinquangdao

Habitat Qinquangdao, is a seafront residential complex located on the coast of the Bohai Sea, 200 miles east of Beijing. The project provides over 1,000 apartment units distributed across two 30-story terraced buildings. Designed by world renowned architect Moshe Safdie, Habitat Qinquangdao offers high quality living in a garden environment, combining private terraces, balconies, and solariums with numerous public gardens. The construction permit for Phase II was issued in January 2021, with approximately 2.0 million square feet currently being work in progress. Phases II and III have a combined GFA of approximately 3.2 million square feet. Pre-sales for Phase II began in the fourth quarter of 2021.

### Arcadia Court, Zhengzhou

Zhengzhou Arcadia Court is located on the east side of Huayuan Road and to the south of Weier Road with approximately 2.1 million square feet GFA comprising of office, residential, retail and hotel. The residential portion has approximately 1.0 million square feet GFA. Pre-sales commenced in the fourth quarter of 2020, and the project is scheduled to be completed in phases from 2023 onwards.

### Rivercity, Fuzhou

Fuzhou Rivercity is located in the Sanjiangkou area where it enjoys a captivating waterfront view. It also lies conveniently at the intersection of the Fuzhou-Xiamen Expressway, and will be linked to the Fuzhou Metro Line 6. The project has an aggregate site area of approximately 1.4 million square feet, the project is planned to yield a total GFA of approximately 3.5 million square feet, with a residential GFA of approximately 2.0 million square feet. The Group plans to develop an integrated complex with office, commercial and residential space. The pre-sale of the residential portion launched in April 2020.

\* Artist's Impression

# MANAGEMENT DISCUSSION & ANALYSIS

## BUSINESS REVIEW

### (ii) Investment Property Portfolio Performance

During the period under review, the Group's Mainland portfolio of completed investment properties of mixed-use assets including Office, Retail, Apartment for Lease, and Hotel Operations produced a good result amid sporadic cluster cases of Covid-19 and dampened economic sentiment that affected the Mainland to deliver combined revenue of HK\$5.66 billion (2020: HK\$4.70 billion) and gross profit of HK\$3.50 billion (2020: HK\$3.06 billion); growing 21% and 14% year-on-year respectively.

As of 31 December 2021, the Group's aggregate attributable GFA of its major completed investment property portfolio in the Mainland was 9.69 million square feet covering Office, Retail and Apartment for Lease. Their respective gross floor area and occupancy rate by asset type follows:

The Group's Attributable GFA for Major Completed Investment Properties in the Mainland								
As of 31 December 2021:	Beijing	Shanghai	Shenzhen	Hangzhou	Shenyang	Tianjin	Total	Occupancy Rate
('000 square feet)								
Office	711	1,388	2,839	102	354	–	5,394	86%#
Retail	98	1,096	327	798	486	435	3,240	88%#
Apartment	277	774	–	–	–	–	1,051	90%
	1,086	3,258	3,166	900	840	435	9,685	

The Group's Attributable GFA for Major Completed Investment Properties in the Mainland								
As of 31 December 2020:	Beijing	Shanghai	Shenzhen	Hangzhou	Shenyang	Tianjin	Total	Occupancy Rate
('000 square feet)								
Office	711	1,388	2,839	102	354	–	5,394	91%#
Retail	98	1,096	327	798	486	435	3,240	89%#
Apartment	277	774	–	–	–	–	1,051	84%
	1,086	3,258	3,166	900	840	435	9,685	

Note #: 2021 Occupancy Rates include Qianhai Kerry Centre Phase I which recorded committed tenancy rates of 62% for Office and 54% for Retail as of 31 December 2021. 2020 excludes offices and retail space of Qianhai Kerry Centre Phase I, where leasing commenced in third quarter of 2020. If including Qianhai Kerry Centre Phase 1, Office was 77%; retail was 80%.

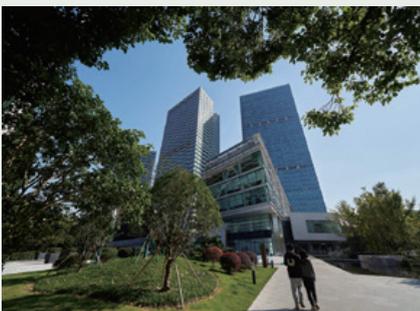
## Mainland / Hong Kong, Macau &amp; Overseas

In 2021, the Mainland economy's forward pace was impeded by sporadic outbreaks of Covid-19 across different cities and the adaptation period required by industries to acclimatise themselves to policy changes introduced by the government in the second half. While these factors dampened the overall market sentiment in the second half of 2021, the Central Government's implementation of the Dual Circulation policy, which was introduced to build-up and boost domestic consumption and investment, saw overall retail sales grow despite the macro considerations. This is especially evident when considering the figures published by the National Bureau of Statistics that showed overall retail sales increasing 12.5% year-on-year. The Group sees this as a positive signal, which is aligned with the Group's positive performance in terms of its full year uplift in revenue and occupancy in its retail and office segment.

On the Retail side, revenue as of 31 December 2021 was HK\$1.1 billion, improving 23% compared to 2020. This was supported by an improvement in the overall occupancy for the Group's retail operations in the Mainland, which was up year on year by 8% (including Qianhai Kerry Centre on a like-for-like basis) at 88%. The Group's key mixed-use shopping malls in Shanghai, Hangzhou and Beijing saw positive rental reversion on higher year-on-year occupancies, with Jing An Kerry Centre up 6% at 97%, Hangzhou Kerry Centre up 1% at 93%, and Beijing Kerry Centre up 5% at 92%. The Group's other retail operations recorded flattish to single digit occupancy growth. The Group's newest retail space in Qianhai Kerry Centre recorded occupancy levels of 43%, with another 11% of committed retail tenancies scheduled to take up occupancy in 2022.

The Office segment showed its resiliency in 2021 with overall Office segment occupancy levels at 86%, up 9% compared to 2020 (including Qianhai Kerry Centre on a like-for-like basis), and remained a solid contributor with projects in major mixed-use assets and provincial capital cities delivering occupancy levels in line with expectations. In Shanghai, Jing An Kerry Centre and Pudong Kerry Parkside delivered 99% and 100% occupancy, growing 4% and 2% over the same period last year. In Hangzhou, our office occupancy was at 88% with 2020 at 95%.

In Southern China, Shenzhen Kerry Plaza recorded 94% occupancy for 2021, growing 1% over 2020, while Qianhai Kerry Centre Phase 1 office occupancy levels were 46%, and committed tenancies were 16%. In the North, Beijing Kerry Centre's office occupancy was 97%, up around 9% from tenancy reshuffling, while Shenyang Kerry Centre's office occupancy delivered a yearly gain of 8% to record occupancy levels of 88% from proactive leasing efforts to secure commitments from reputable domestic tenants. The overall improvement in occupancy contributed to the Office segment's revenue of HK\$2.1 billion as of 31 December 2021, which represents a year-on-year improvement of 12%.



Kerry Parkside, Shanghai



Shenzhen Kerry Plaza, Shenzhen



Beijing Kerry Centre, Beijing

# MANAGEMENT DISCUSSION & ANALYSIS

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The Group's Apartment for Lease segment saw the strongest yearly occupancy increase, growing by 6% to reach 90% for the year in review to reverse the decline in 2020. This strong result saw good performances from all four of the Group's apartment business. Shanghai's apartments saw most significant growth – Pudong Kerry Parkside apartments grew 3% to record 95% occupancy, Central Residence II saw its occupancy grow year-on-year by 16% to reach 85% occupancy, and Jing An Kerry Centre apartments recorded 97% occupancy, or annual growth of 1%. In spite of strong pandemic lockdown measures in the nation's capital, Beijing Kerry Centre apartments maintained its high occupancy level of 93%, up 1% compare to last year. On Apartment revenue, the segment recorded HK\$0.3 billion for the year in review, representing a year-on-year increase of 16%.

A summary of the occupancy level for the Group's major investment properties in the Mainland follows:

Property	Occupancy rate as of 31 December 2021	Occupancy rate as of 31 December 2020	Year-on-year variance
Jing An Kerry Centre Phase I, Shanghai	98%	92%	6%
Jing An Kerry Centre Phase II, Shanghai <sup>(1)</sup>	98%	95%	3%
Pudong Kerry Parkside, Shanghai <sup>(1)</sup>	98%	97%	1%
Beijing Kerry Centre <sup>(1)</sup>	95%	89%	6%
Hangzhou Kerry Centre <sup>(1)</sup>	92%	93%	-1%
Shenzhen Kerry Plaza	95%	93%	2%
Shenyang Kerry Centre <sup>(1)</sup>	87%	81%	6%
Tianjin Kerry Centre <sup>(1)</sup>	86%	79%	7%
Qianhai Kerry Centre Phase I <sup>(2)</sup>	45%	12%	33%

Notes:

(1) Excluding the hotel portion.

(2) Qianhai Kerry Centre Phase I had committed tenancy rates of 62% for Office and 54% for Retail as of 31 December 2021.

## Mainland / Hong Kong, Macau &amp; Overseas

Hotel Operations benefitted from a recovery in the first half, and drove to increase revenue via food and beverages offerings, MICE services, and packages to attract domestic business and leisure travel spending. However, due to sporadic outbreaks leading to pandemic localised lockdowns and travel restrictions, Hotel Operations ended the year with a 37% year-on-year increase in revenue of HK\$1.61 billion (2020: HK\$1.18 billion).

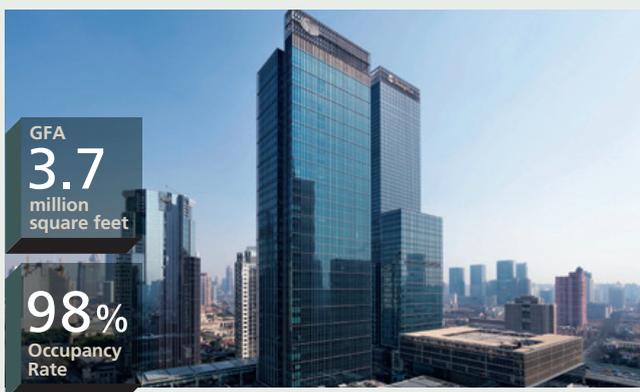
A summary of the Group's hotel operations performance for the year ended 31 December 2021 follows:

Property name	Group's attributable interest	Average occupancy rate for the year ended 31 December 2021	Average occupancy rate for the year ended 31 December 2020	Year-on-year variance
Jing An Shangri-La Hotel	51%	<b>66%</b>	51%	15%
Kerry Hotel Beijing	71.25%	<b>55%</b>	35%	20%
Kerry Hotel Pudong, Shanghai	40.80%	<b>54%</b>	39%	15%
Midtown Shangri-La Hotel, Hangzhou	75%	<b>63%</b>	57%	6%
Shangri-La Hotel, Shenyang	60%	<b>39%</b>	36%	3%
Shangri-La Hotel, Nanchang	80%	<b>63%</b>	55%	8%
Shangri-La Hotel, Jinan	55%	<b>69%</b>	55%	14%
Shangri-La Hotel, Putian	60%	<b>29%</b>	N/A	–
Shangri-La Hotel, Tianjin	49%	<b>56%</b>	40%	16%
Shangri-La Hotel, Nanjing	45%	<b>59%</b>	50%	9%
Shangri-La Hotel, Tangshan	40%	<b>51%</b>	44%	7%

# MANAGEMENT DISCUSSION & ANALYSIS

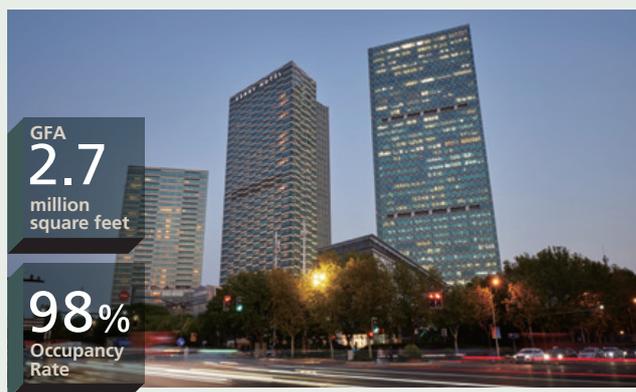
## BUSINESS REVIEW

### PROJECT BACKGROUND ON MAJOR MIXED-USE DEVELOPMENTS IN THE MAINLAND



#### Jing An Kerry Centre, Shanghai

Jing An Kerry Centre, located in Shanghai's Jingan District, is a mixed-use development whereby the Group holds 74.25% and 51% interests in its Phases I and II respectively. With a total GFA of 3.7 million square feet, Jing An Kerry Centre integrates office, residential and retail components with a Shangri-La Hotel. As of 31 December 2021, 99% of the offices (2020: 95%), 97% of the retail space (2020: 91%), and 97% of the apartments (2020: 96%) were leased.



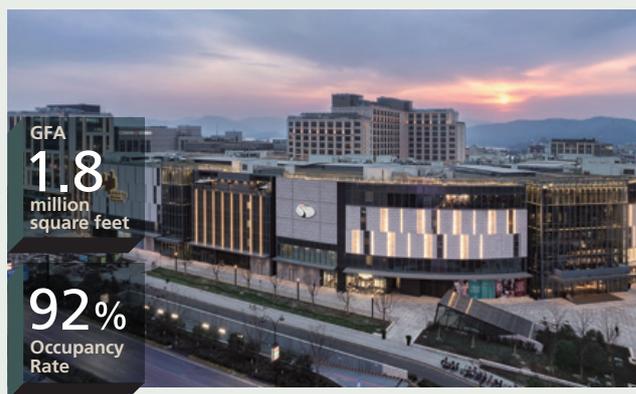
#### Pudong Kerry Parkside, Shanghai

Pudong Kerry Parkside is situated in Shanghai's Pudong New Area and is a 40.8%-held mixed-use development comprising office, residential, retail space and a Kerry Hotel with a total GFA of 2.7 million square feet. As of 31 December 2021, the retail space and offices were 95% and 100% leased respectively (2020: both 98%), while the residential portion was 95% occupied (2020: 92%).



#### Beijing Kerry Centre

Beijing Kerry Centre is a 71.25%-held mixed-use development in Chaoyang District. Comprising office, residential and retail properties and a Kerry Hotel, it has a total GFA of 2.2 million square feet. As of 31 December 2021, the occupancy rate of the retail space was 92% (2020: 87%), and the offices were 97% leased (2020: 88%). The residential portion was 93% leased (2020: 92%).



#### Hangzhou Kerry Centre

Hangzhou Kerry Centre, located in Gongshu District, is 75% held by the Group. This 2.2 million square feet mixed-use development comprises office, residential and retail properties and a Shangri-La Hotel. As of 31 December 2021, the offices were 88% leased (2020: 95%), and 93% of the retail space was leased (2020: 92%).



### Shenzhen Kerry Plaza

Shenzhen Kerry Plaza is situated in the core of the Futian CBD and is wholly owned by the Group. This 1.7 million square feet development comprises three office towers and retail properties. As of 31 December 2021, the occupancy rate of the development was 95% (2020: 93%).



### Shenyang Kerry Centre

Shenyang Kerry Centre is located in Shenhe District. The Group holds a 60% stake in this mixed-use project that includes office, residential and retail properties as well as a Shangri-La Hotel, delivering a GFA of 11 million square feet. As of 31 December 2021, 88% of the offices (2020: 80%) and 86% of the retail space (2020: 81%) were leased.



### Tianjin Kerry Centre

Tianjin Kerry Centre is a riverfront property located in the Hedong CBD. Phase I of this 49%-owned mixed-use project includes residential and retail properties along with a Shangri-La Hotel, delivering a total GFA of approximately 3.6 million square feet. Construction of Phase II is currently underway. As of 31 December 2021, the Riverview Place mall was 86% leased (2020: 79%).



### Qianhai Kerry Centre Phase I, Shenzhen

Situated in the Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone, Qianhai Kerry Centre will be developed in three phases. All three sites are designated for a mixed-use development comprising office, residential and retail properties and a hotel. This development represents the first substantial investment in Qianhai by a major Hong Kong corporation.

Phase I is wholly owned by the Group and has a total buildable GFA of approximately 2.2 million square feet, on a commercial site of 350,000 square feet. This phase includes a portfolio of office, residential and retail properties, with the office and retail portions already completed. As of 31 December 2021, the offices and retail were 46% (2020: 15%) and 43% (2020: Nil) leased respectively.

\* Artist's Impression

# MANAGEMENT DISCUSSION & ANALYSIS

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### Jinan Enterprise Square

Jinan Enterprise Square is located in Lixia District. This 55%-owned project comprises office and retail properties and a Shangri-La Hotel, with a total GFA of approximately 1 million square feet. As of 31 December 2021, the offices were 80% leased (2020: 80%), and 100% of the retail space was leased (2020: 100%).

### (iii) Mainland Properties Under Development and Landbank

As of 31 December 2021, the Mainland Property Division has a pipeline of projects under development amounting to 20.8 million square feet GFA. This supply will produce 11.0 million square feet GFA of development properties for sale across 10 projects that will provide for at least the next five years, and a strong roadmap of investment properties for lease and hotels that will add 9.8 million square feet of commercial properties to grow the Group's recurrent income base beyond the next five years.

An overview of the Group's projects under development in the Mainland follows:

As of 31 December 2021	Group's Attributable GFA of Projects in the Mainland upon Completion					Target Completion
	Residential/ Apartment	Office	Retail	Hotel	Total	
('000 square feet)						
Wuhan	2,640	1,318	453	–	4,411	From 2025
Fuzhou	2,010	684	822	–	3,516	2022
Shenyang	1,992	447	623	–	3,062	From 2022
Hangzhou	1,202	245	1,109	175	2,731	From 2024
Qinhuangdao	1,817	–	77	–	1,894	From 2024
Shanghai Pudong	199	108	932	–	1,239	From 2024
Zhengzhou	557	349	23	226	1,155	From 2023
Shenzhen	187	707	129	107	1,130	From 2022
Tianjin	150	489	92	–	731	2025
Nanchang	–	496	18	–	514	2023
Kunming	124	–	–	258	382	2023
<b>Total</b>	<b>10,878</b>	<b>4,843</b>	<b>4,278</b>	<b>766</b>	<b>20,765</b>	

Note: Not including Shanghai Huangpu site that was awarded on 4 January 2022, that will add 1.34 million square feet of Residential GFA, and 0.8 million square feet GFA in Office, Retail and Hotel.

## PROJECT BACKGROUND ON MAJOR PROPERTIES UNDER DEVELOPMENTS IN THE MAINLAND



Wuhan Development, Wuhan\*



Rivercity, Fuzhou



Shenyang Kerry Centre, Shenyang



Mixed-Use Development in Gongshu District, Hangzhou\*

### Wuhan

The Group has acquired the land-use rights to a site located in Jiangnan District. This wholly owned project, with an aggregate site area of approximately 700,000 square feet, is designed to yield a total GFA of approximately 4.4 million square feet. The Group plans to develop a large-scale complex with office, residential, retail and educational components. The project has a residential GFA of approximately 2.6 million square feet with pre-sales scheduled to commence in 2023.

### Fuzhou

The Group has an office, residential and retail development in the Sanjiangkou area of Cangshan District. This wholly owned project, with an aggregate site area of approximately 1.4 million square feet, is designed to yield a total GFA of approximately 3.5 million square feet, with completion targeted for 2022, pre-sales of the residential portion were launched in 2020.

### Shenyang

The Group's 60%-owned Shenyang Kerry Centre project will yield a GFA of approximately 11 million square feet. This mixed-use project will include office, residential and retail properties and a hotel. Phases I and II of the development have been completed, with Phase III targeted for completion from 2022 onwards.

### Hangzhou

In 2019, the Group won a bid for a residential and commercial site in Gongshu District. With a site area of approximately 1 million square feet, this wholly owned project is planned to yield a GFA of approximately 2.7 million square feet. The Group plans to develop the site into a large-scale complex with office, residential and retail properties and a hotel. Completion is scheduled from 2024 onwards.

\* Artist's Impression

# MANAGEMENT DISCUSSION & ANALYSIS

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Habitat, Qinhuangdao



Qianhai Kerry Centre, Shenzhen



Mixed-Use Development Site in Jinqiao Sub-District, Pudong, Shanghai\*

### Qinhuangdao

Habitat, centrally located in Haigang District, is planned for residential and retail development in three phases. Phase II with a GFA of approximately 2.0 million square feet is currently under construction, and Phase III with 1.2 million square feet GFA currently under planning. The Group holds a 60% interest in the project, and completion is targeted from 2024 onwards.

### Qianhai, Shenzhen

Qianhai Kerry Centre is a mixed-use project under development in three phases. Phase I is wholly owned by the Group and has a total buildable GFA of approximately 2.2 million square feet, on a commercial site of 350,000 square feet. This phase includes a portfolio of office, residential and retail properties, and was partially completed in 2020 with decoration works in progress.

The Group, Kerry Holdings Limited and The Bank of East Asia, Limited are jointly developing Phase II on an adjacent site with an area of approximately 207,000 square feet. This phase is designed to yield a GFA of approximately 1.3 million square feet for office, retail and hotel developments. The Group holds a 25% interest in the Phase II development, and completion is scheduled from 2022 onwards.

Phase III of the project is situated in the Qianwan area, adjacent to the other two developments. This new phase occupies an area of approximately 184,000 square feet, which is planned to yield a GFA of approximately 886,000 square feet, accommodating office and retail spaces, as well as complementary community facilities. This phase, in which the Group holds a 70% interest, is developed through a joint venture with Sino Land Company Limited ("**Sino Land**"), with completion scheduled in 2024.

### Shanghai Pudong

On 23 February 2021, the Group, together with GIC (Realty) Pte. Ltd., was awarded a mixed-use development site in Shanghai's Pudong New Area. The site has an area of approximately 711,000 square feet and, is expected to yield a GFA of approximately 3.1 million square feet, including a residential GFA of approximately 496,000 square feet, approximately 272,000 square feet of offices, a mega shopping complex with approximately 2.3 million square feet of retail space. The Group holds a 40% interest in this mixed-use development, and completion is scheduled from 2024 onwards. Pre-sale is expected to commence in 2023.

\* Artist's Impression

## Mainland / Hong Kong, Macau &amp; Overseas



Zhengzhou Development, Zhengzhou\*



Tianjin Kerry Centre, Tianjin\*



Creative Enterprises Centre, Nanchang

### Zhengzhou

The Group and Shangri-La Asia Limited (“**Shangri-La**”) are collaborating on a development located in Jinshui District. The site will yield approximately 2.1 million square feet GFA for development into office, residential, retail and hotel. The project is scheduled for completion in phases from 2023 onwards, with pre-sales of the residential portion currently ongoing. The Group holds a 55% interest in this project.

### Tianjin

The Group has a 49% interest in this mixed-use project in the Hedong CBD. The site, with a GFA of approximately 5.1 million square feet, is being developed in two phases. With Phase I already completed, construction of Phase II is currently underway and scheduled for completion in 2025.

### Nanchang

The Group holds 80% in this joint venture with Shangri-La. The project is situated on the west bank of the Ganjiang River in Honggutan Central District. The development includes office, residential and retail properties and a hotel. The hotel and residential portions of Phase I have been completed. Phase II, with a GFA of approximately 643,000 square feet, is planned for completion in 2023.

### Kunming

The Group is developing two adjoining sites in Panlong District with Shangri-La. The sites are for residential and hotel use, with approximately 694,000 square feet of GFA. Pre-sales commenced in 2021. The Group holds a 55% interest in this project, with completion expected in 2023.

\* Artist's Impression

# MANAGEMENT DISCUSSION & ANALYSIS

## BUSINESS REVIEW

### HONG KONG PROPERTY DIVISION

During the year ended 31 December 2021, the Hong Kong Property Division reported revenue of HK\$5.08 billion (2020: HK\$4.57 billion) and a gross profit of HK\$2.41 billion (2020: HK\$2.34 billion), reflecting a year-on-year growth of 11% and 3% respectively. These results were mainly driven by the sales recognition of Mont Rouge, Mantin Heights and The Bloomsway.

Hong Kong's contracted sales performance was HK\$9.3 billion, exceeding the full year contracted sales target for Hong Kong of HK\$5.6 billion by 66%. This achievement was mainly driven by very strong sales results of the well-received launch of La Marina, the first of the Group's two Wong Chuk Hang MTR transit oriented residential projects. Coupled with Mont Rouge, the luxury project on Beacon Hill provided continued robust sales together with other projects The Bloomsway, Mantin Heights, and 10 LaSalle.

Hong Kong's investment properties portfolio which is comprised of premium residential apartments, Grade A office spaces, and the Kowloon East family shopping mall MegaBox all contributed steadily to the Division's recurrent income to generate HK\$1.29 billion for the reporting period.

#### **(i) Development Property Portfolio Performance**

During the reporting period, Hong Kong contributed HK\$3.79 billion in revenue, and HK\$1.41 billion in gross profit from the sale of development properties. This represents an increase year-on-year of 16% and 8% respectively (2020: HK\$3.26 billion and HK\$1.31 billion).

For the year under review, the Group's attributable contracted sales in Hong Kong recorded HK\$9.3 billion. This strong result was mainly contributed by five residential projects across different product tiers. At the premium luxury spectrum, Mont Rouge provided strong contracted sales of HK\$2.03 billion across our low-rise apartments and Victoria Harbour view villas and townhouses throughout the year. At the luxury tier, the Group actively drove the sales of special units at Mantin Heights, Gold Coast facing houses at The Bloomsway, and apartments at Ho Man Tin's 10 LaSalle projects. The combined contracted sales contribution of those three projects for the year under review was HK\$1.58 billion.

In September 2021, the Group launched the Island South MTR-connected project La Marina to robust reception from the market. Comprised of about 600 residential units, this is the first of the Group's two major projects at Wong Chuk Hang's THE SOUTHSIDE. As at 31 December 2021, 458 units or 76% of the project was sold, contributing HK\$5.5 billion in attributable contracted sales to the Group. Completion is expected in the second half of 2023.

As at 31 December 2021, among the unrecognised attributable income from contracted sales in Hong Kong, around HK\$2.46 billion will be booked in 2022, and approximately HK\$7.79 billion will be booked in 2023 and subsequent years.

## Mainland / Hong Kong, Macau &amp; Overseas

A summary of Hong Kong's contracted sales achieved during the year in review follows:

Project Name	Group's attributable interest	Approximate total saleable area (square feet)	Total number of units sold	Percentage of total units sold
Mantin Heights, No. 28 Sheung Shing Street, Ho Man Tin	100%	992,000	1,428	99.9%
Mont Rouge, No. 9 Lung Kui Road, Beacon Hill	100%	115,000	29	64%
The Bloomsway, Nos. 18, 28, 29 Tsing Ying Road, So Kwun Wat	100%	838,000	1,097	99.7%
10 LaSalle, No. 10 La Salle Road, Ho Man Tin	100%	36,000	6	8%
La Marina, No. 11 Heung Yip Road, Wong Chuk Hang	50%	425,800	458	76%



La Marina, Wong Chuk Hang, Hong Kong\*



Mont Rouge, Beacon Hill, Hong Kong



10 LaSalle, Ho Man Tin, Hong Kong

\* Artist's Impression

# MANAGEMENT DISCUSSION & ANALYSIS

## BUSINESS REVIEW

### PROJECT BACKGROUND ON DEVELOPMENT PROPERTIES FOR SALE IN HONG KONG



Mantin Heights, Ho Man Tin, Hong Kong



Mont Rouge, Beacon Hill, Hong Kong



Mont Verra, Beacon Hill, Hong Kong

#### **Mantin Heights, Ho Man Tin**

Mantin Heights, a residential project wholly owned by the Group, is situated at No. 28 Sheung Shing Street, Ho Man Tin. The project has a saleable area of approximately 992,000 square feet and comprises nine apartment buildings with each 21 to 23 floors providing a total of 1,429 units. Over 85% of the units are two- or three-bedroom flats with saleable areas ranging from 505 to 1,046 square feet.

#### **Mont Rouge, Beacon Hill**

Mont Rouge, at No. 9 Lung Kui Road in Beacon Hill, is a residential jewel that secures panoramic views, low density and luxuriant living. The project offers 5 villas, 14 houses and 2 residential towers in such exclusive and remarkable locale. It has a saleable area of approximately 115,000 square feet.

#### **Mont Verra, Beacon Hill**

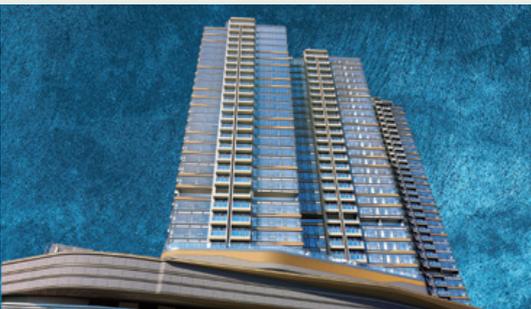
Mont Verra, at No. 3 Lung Kui Road, is adjacent to Mont Rouge, at No. 9 Lung Kui Road in Beacon Hill, and shares the panoramic views of the harbour and Kowloon East. This unique premium luxury project comprises 5 apartment buildings and 3 mansions. Each low-rise apartment building has 7 storeys, offering only 61 apartment units with saleable areas ranging from 3,466 square feet to 8,583 square feet. There are diversified flat layouts including standard apartment units, garden units and penthouse units. The saleable size of the 3 exclusive mansions range from 11,382 square feet to 11,692 square feet and each of the mansions provide a high degree of privacy, security, together with luxurious accoutrements such as a front garden, back garden, outdoor swimming pool, private lift and private carport. This low-density residential property with a buildable GFA of approximately 343,000 square feet.



The Bloomsway, So Kwun Wat, Hong Kong



10 LaSalle, Ho Man Tin, Hong Kong



La Marina, Wong Chuk Hang, Hong Kong\*

### The Bloomsway, So Kwun Wat

The Bloomsway is a wholly owned residential project at Nos. 18, 28 and 29 Tsing Ying Road, So Kwun Wat. This project has a saleable area of approximately 838,000 square feet and offers 1,100 units, with the site layers across a hillside site at So Kwun Wat, between mountains and the sea. The project has three distinct platforms – The Laguna, The Terrace and The Highland, providing a wide choice of low-density living styles to suit all manner of needs.

The Laguna comprises apartments ranging from studios, one-bedroom to three-bedrooms cluster around the main clubhouse with facilities including approximately 50 metres outdoor pool, indoor heated pool, and gymnasium, linking via a lift with The Terrace. Four-bedroom units in low-rise towers and 9 detached houses at The Terrace provide a spacious and private living environment, while The Highland offers 34 detached houses with dedicated private gardens.

### 10 LaSalle, Ho Man Tin

10 LaSalle, a 17-storey wholly owned residential project, is located at No. 10 La Salle Road in Ho Man Tin, adjacent to another Group development, 8 LaSalle. 10 LaSalle is situated in a traditional low-density luxury residential neighbourhood famous for the surrounding prestigious schools. The project provides 73 units, including 60 one-bedroom units ranging from 298 to 409 square feet; 12 three-bedroom units at 1,132 square feet, and a four-bedroom penthouse at 1,990 square feet. It has a saleable area of approximately 36,000 square feet, the project obtained its Certificate of Compliance in January 2021 with sales launched the following month.

### La Marina, Wong Chuk Hang

Together with Sino Land, the Group is co-developing La Marina, Package Two of THE SOUTHSIDE at No. 11 Heung Yip Road in Wong Chuk Hang. The Group holds a 50% stake in this residential project. Located on the south-western segment of the Wong Chuk Hang Station property development, La Marina comprises 2 towers providing a total of 600 units – a wide variety of flat mix is offered, ranging from one-bedroom units to four-bedroom units with saleable area ranging from 320 to 1,901 square feet over a buildable GFA of approximately 493,000 square feet. The project launched in September 2021, and is scheduled for completion in 2023.

\* Artist's Impression

# MANAGEMENT DISCUSSION & ANALYSIS

## BUSINESS REVIEW

### (ii) Investment Property Portfolio Performance

The Group's completed investment properties portfolio in Hong Kong which consists of Office, Retail and Apartments for Lease remained stable and resilient during various waves of the pandemic, and generated revenues of HK\$1.29 billion (2020: HK\$1.31 billion) and delivered gross profit of HK\$995 million for the year (2020: HK\$1.03 billion).

The aggregate GFA of completed investment properties in Hong Kong as of 31 December 2021 remained stable at 4.13 million square feet GFA. A summary of the Group's Hong Kong investment property portfolio breakdown of GFA and their respective occupancy rates follows:

	As of 31 December 2021		As of 31 December 2020	
	Group's attributable GFA		Group's attributable GFA	
	('000 square feet)	Occupancy rate	('000 square feet)	Occupancy rate
<b>Apartment</b>	<b>871</b>	<b>95%</b>	871	83%
<b>Retail</b>	<b>1,213</b>	<b>95%</b>	1,213	100%
<b>Office</b>	<b>778</b>	<b>83%</b>	778	98%
<b>Warehouse</b>	<b>1,266</b>	<b>86%</b>	1,266	85%
	<b>4,128</b>		4,128	

During the year under review, the reoccurrence of Covid-19 case clusters meant that Hong Kong was required to continue operating within pandemic mandated restrictions. This has dampened the sectors leasing activity and affected retail tenant operations in the city. Those impacted by social distancing and work halt orders included the food and beverage trade, cinemas and gyms. Faced with this extraordinary operating environment, the Hong Kong team rose to the occasion by intensifying lease renewals for all asset types, while exploring new niches and service offerings to secure new commitments. On the marketing side, the Hong Kong team looked to bolster foot traffic and tenant sales by actively marketing MegaBox as a destination for using consumption vouchers and leveraging its loyalty programme to maintain recurring visitors. In parallel, MegaBox is also looking at introducing new experiences and services to position the business for post-pandemic normalisation, and in anticipation of the new demographic shift in Kowloon East where our MegaBox shopping mall, and the Enterprise Square Five office towers reside.

Investment Property Leasing performance during the twelve months ended 31 December 2021 was stable, with revenue largely in line with expectations. Although the pandemic reduced inbound traveler numbers significantly, the Group's Hong Kong retail business is largely dependent on local consumption and apart from the trade mix impacted by pandemic mandated restrictions, MegaBox maintained good occupancy levels of 95%. The Group is taking a strategic and proactive approach towards the recently vacated leasable floor area, and is working on asset enhancement plans to service the growing demographic of residents in the Kai Tak catchment.

Office rental remained steady for Kerry Centre with occupancy levels at 94%, while Enterprise Square Five reported occupancy of 80%. The slight decline in the occupancy of Enterprise Square Five is due to the departure of one of the asset's larger tenants. As of 31 December 2021, the Hong Kong team has already secured new tenants to move into a portion of the vacant space, and is proactively working on leasing these. The Group remains confident in the outlook of Kowloon East and Island East as the trend of Grade A office occupiers to decentralise from the Central Business District area continues to take hold.

## Mainland / Hong Kong, Macau &amp; Overseas

The Apartment for Lease portfolio, which includes the luxury Mid-Levels portfolio and the urban chic Resiglow product line, saw occupancy levels improve to reach 96%, an improvement from 86% in 2020. This is driven by a combination of an improve outlook on the city by tenants in the high-end segment in the second half of the year, and the effective leasing strategies deployed by the Hong Kong leasing team.

Lastly, Hong Kong's warehouse portfolio, which includes warehouses in Chai Wan, Sha Tin and Cheung Sha Wan, saw occupancy increase from 85% in 2020 to 86% in 2021 with stable retail reversion to maintain the Hong Kong investment property portfolio's overall resilience.

A summary of the occupancy level for the Group's major investment properties in Hong Kong follows:

Property	Group's attributable interest	Group's attributable approximate GFA (square feet)	Occupancy rate as of 31 December 2021	Occupancy rate as of 31 December 2020
MegaBox/ Enterprise Square Five No. 38 Wang Chiu Road Kowloon Bay	100%	1,146,000	95%	99.9%
Kerry Centre No. 683 King's Road Quarry Bay	40%	204,000	94%	100%
Mid-Levels Portfolio	100%	722,000	96%	86%
Resiglow Portfolio	100%	149,000	89%	80%
Warehouse Portfolio	50-100%	1,266,000	86%	85%

Note: The Group's attributable interest for warehouses in Sha Tin and Chai Wan are 100%, and 50% for Cheung Sha Wan as at 31 December 2021.

# MANAGEMENT DISCUSSION & ANALYSIS

## BUSINESS REVIEW

### PROJECT BACKGROUND ON MAJOR INVESTMENT PROPERTIES FOR HOLD IN HONG KONG



MegaBox/Enterprise Square Five, Kowloon Bay, Hong Kong

#### MegaBox/Enterprise Square Five, Kowloon Bay

MegaBox, a retail mall at No. 38 Wang Chiu Road in Kowloon Bay, has a GFA of 1.1 million square feet. With a focus on local family consumers, MegaBox delivered a resilient performance despite the pandemic. Enterprise Square Five is part of the MegaBox mixed-use development, combining commercial and retail spaces. Two Grade-A office towers offer a GFA of 519,000 square feet; with Kowloon East's new landmark, MegaBox, offers a wealth of shopping and entertainment choices for different lifestyle needs.



Kerry Centre, Quarry Bay, Hong Kong

#### Kerry Centre, Quarry Bay

Kerry Centre, situated at No. 683 King's Road, Quarry Bay, is the Group's 40%-held flagship office property in Hong Kong. This office tower has a GFA of approximately 511,000 square feet. Benefiting from the trend in office decentralisation, Kerry Centre continues to record high occupancy rates and stable rentals.



Resiglow-Happy Valley, Hong Kong

#### Resiglow-Happy Valley

Resiglow-Happy Valley is a wholly owned 29-storey contemporary residential development, located at No. 7A Shan Kwong Road, Happy Valley. At Resiglow – Happy Valley, all apartments are fully fitted and luxuriously furnished, together with reverse-cycle air-conditioning systems. The residence includes a comprehensive clubhouse with a modern gymnasium, function rooms, exercise rooms, lounge and BBQ area. It offers 106 units with a GFA of approximately 81,000 square feet.



Resiglow-Bonham, Sai Ying Pun, Hong Kong

#### Resiglow-Bonham, Sai Ying Pun

Resiglow-Bonham is situated at No. 8 Hing Hon Road, and is located between the glitz of Central and the greenery of Pokfulam. It has a GFA of approximately 68,000 square feet with 156 units. From unwinding in chic retro cafes, soaking up the hood's artsy vibes, leafing through the university for an evening walk, to venturing out to the city via MTR, at Resiglow-Bonham, the best mix of life is just on your doorstep.

### (iii) Hong Kong Properties Under Development and Landbank

The Hong Kong Division maintains a robust pipeline of properties under development and a landbank for future development, which in total amounts to 1.88 million square feet of gross floor area attributable to the Group. The pipeline will create a balanced mix of projects that spans diversified product tiers – premium luxury residences, middle market designer homes, and quality family homes with broad appeal.

As part of the Group's strategic approach to maintain a strong development property pipeline, the Hong Kong Division successfully acquired 3 projects during the year in review. They include 2 sites in New Territories North's Yuen Long and Kwu Tung, and 1 site in Kowloon East's To Kwa Wan. Excluding the Kwu Tung site, which the Group currently designates as land bank, the Yuen Long and To Kwa Wan sites will provide a combined attributable GFA of 585,000 square feet of residential for sale and commercial space for lease.

In July 2021, the Group entered into agreements to acquire residential projects in Yuen Long and Kwu Tung. The first project in Yuen Long is a collaboration with Top Spring International Holdings Limited (HKEx: 3688) for two neighbouring sites in Yuen Long's Shap Pat Heung Road and Tai Tong Road. Located in a fast-developing neighbourhood, the sites are a short walk away from Yuen Long's town centre and the Yuen Long West Rail Station, with good accessibility via Light Rail transit, and many bus and minibus routes along the Yuen Long section of Castle Peak Road. The two sites were originally agricultural land reserves, and the application process to convert them into private residential usage has now been completed. Upon completion of the project, the Shap Pat Heung Road and Tai Tong Road sites are expected to generate a combined GFA of approximately 281,000 square feet, and will offer unobstructed open views. The project is scheduled for completion in 2025, and the Group will develop a high-quality residential project with broad appeal on the sites.

The second proposed residential project is located in the Kwu Tung North Development Area, and is near the future Kwu Tung Station on the MTR Northern Link, giving the site good connectivity to Yuen Long town centre, West Kowloon, and more importantly to the Greater Bay Area. The project consists of 17 agricultural sites, with the potential for future residential development. The Group sees this project as a capital accretive investment for landbanking purposes.

The third project is a successfully tendered site from the Urban Renewal Authority – the Hung Fook Street/ Ngan Hon Street Development Project in To Kwa Wan, which was awarded to the Group in December 2021. Covering a site area of approximately 49,000 square feet, the land parcel will generate a buildable GFA of over 444,000 square feet, of which about 370,000 square feet, will be for the development of residential flats, with the remaining floor area of 74,000 square feet devoted to commercial spaces. The Group views this as a good opportunity to apply its place making expertise to this exciting urban gentrification project, and to create a new downtown hub with high street retail, covered pedestrian access to the neighbouring To Kwa Wan MTR station, and a milieu of lifestyle amenities nearby.

# MANAGEMENT DISCUSSION & ANALYSIS

## BUSINESS REVIEW

An overview of the Group's Hong Kong projects under development follows:

Property Name	Group's attributable interest	Group's attributable approximate GFA (square feet)	Estimated completion period
Mont Verra, No. 3 Lung Kui Road, Beacon Hill	100%	343,000	2021
La Marina, THE SOUTHSIDE Package Two Property Development, No. 11 Heung Yip Road, Wong Chuk Hang	50%	246,000	2023
THE SOUTHSIDE Package Four Property Development, No. 11 Heung Yip Road, Wong Chuk Hang	50%	319,000	2025
Shap Pat Heung Road, Yuen Long	50%	123,000	2025
Tai Tong Road, Yuen Long	50%	18,000	2025
LOHAS Park Package Thirteen Property Development, No. 1 Lohas Park Road, Tseung Kwan O	25%	387,000	2026
Hung Fook Street/Ngan Hon Street, To Kwa Wan	100%	444,000	2027
<b>TOTAL</b>		<b>1,880,000</b>	

Note: Mont Verra was completed in the second half of 2021.



MegaBox, Kowloon Bay, Hong Kong



Kerry Centre, Quarry Bay, Hong Kong



Mid-Levels Portfolio, Hong Kong

## PROJECT BACKGROUND ON PROPERTIES UNDER DEVELOPMENT IN HONG KONG



THE SOUTHSIDE Package Four Property Development, Wong Chuk Hang, Hong Kong



LOHAS Park Package Thirteen Property Development, Tseung Kwan O



Development Site in Shap Pat Heung Road and Tai Tong Road, Yuen Long, Hong Kong



Development Site in Hung Fook Street/Ngan Hon Street, To Kwa Wan, Hong Kong

### THE SOUTHSIDE Package Four Property Development, Wong Chuk Hang

In 2019, a consortium comprising the Group, Sino Land and Swire Properties Limited was awarded the tender for THE SOUTHSIDE Package Four Property Development at No. 11 Heung Yip Road in Wong Chuk Hang. Located on the south-eastern segment of the Wong Chuk Hang Station property development, this residential project is expected to offer some 800 units over a buildable GFA of approximately 638,000 square feet. The Group holds a 50% interest in this project, which is scheduled for completion in 2025.

### LOHAS Park Package Thirteen Property Development, Tseung Kwan O

In October 2020, a consortium comprising the Group, Sino Land, K. Wah International Holdings Limited and China Merchants Land Limited won the tender for the LOHAS Park Package Thirteen Property Development at No. 1 Lohas Park Road in Tseung Kwan O. Fronting Tseung Kwan O Bay, this piece of land is the last parcel on offer across the entire lot, and will be connected to The LOHAS mall. This residential project is the largest waterfront development atop LOHAS Park Station, and is planned to yield a total GFA of approximately 1.55 million square feet delivering an estimated 2,550 units. The Group holds a 25% interest in this project, which is scheduled for completion in 2026.

### Shap Pat Heung Road and Tai Tong Road, Yuen Long

In 2021, the Group acquired a 50% equity interest in two parcels of land in Yuen Long's Shap Pat Heung Road and Tai Tong Road. The sites are expected to generate approximately 245,000 square feet and 36,000 square feet of buildable GFA respectively. The project is scheduled for completion in 2025.

### Hung Fook Street/Ngan Hon Street, To Kwa Wan

In December 2021, the Group won the tender for the Hung Fook Street/Ngan Hon Street Development Project in To Kwa Wan put out by URA. Covering a site area of approximately 49,000 square feet, the land parcel will generate a buildable GFA of over 444,000 square feet, of which about 370,000 square feet will accommodate the development of residential units. The remaining floor area of 74,000 square feet will be devoted to commercial spaces.

# MANAGEMENT DISCUSSION & ANALYSIS

## BUSINESS REVIEW

### OVERSEAS PROPERTY DIVISION



Shangri-La at The Fort, Manila, The Philippines



The Rise, The Philippines\*



Shang Residences at Wack Wack, The Philippines\*

#### 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 Group maintains a 34.61% equity interest as well as a 30.75% interest in its depository receipts.

In Manila, SPI holds a 100% interest in the Shangri-La Plaza Mall and a 70.04% interest in The Enterprise Center development in the Makati financial district. As of 31 December 2021, the occupancy rates of Shangri-La Plaza Mall and The Enterprise Center were 86% and 81% respectively (2020: 90% and 96%, respectively).

SPI also holds a 60% interest in a residential and hotel development in Fort Bonifacio, Taguig, Manila. All 94 units available for sale have been sold, while four units, including two penthouse units, are being retained for long-term investment. The hotel had an average occupancy rate of 22% during the year (2020: 21%) due to the global travel ban and social restrictions caused by Covid-19.

In addition, SPI has several major projects under development. These include:

#### The Rise

Located on Malugay Street, Makati City, with a GFA of approximately 1.63 million square feet. The project, comprising 3,044 residential units and approximately 96,000 square feet of retail space, returned a strong sales performance. As of 31 December 2021, 98% of the total 3,019 units had been sold, excluding the 25 units being held for long-term investment.

#### Shang Residences

Located at Wack, Mandaluyong City, the project has a residential GFA of approximately 860,000 square feet accommodating 404 residential units. As of 31 December 2021, 61% of the total 400 units had been reserved and sold, excluding four units to be held for long-term investment.

\* Artist's Impression

## Mainland / Hong Kong, Macau &amp; Overseas



Aurelia, The Philippines\*



Laya Project, The Philippines\*



The Haraya by Shang, The Philippines\*

***Aurelia***

A residential project located in Fort Bonifacio Global City, Manila. The development has GFA of more than 98,000 square feet, with 59% of the total 279 units being reserved and sold as of 31 December 2021. SPI has a 50% interest in this joint venture.

***Shaw Boulevard***

This is a project that SPI acquired in Mandaluyong City on Shaw Boulevard. The site area is almost 24,500 square feet and will be developed as mixed-use project comprising serviced apartments with approximately 0.24 million square feet GFA and commercial office space with approximately 0.43 million square feet GFA. The project is currently at substructure stage.

***Laya Project***

SPI is also currently developing a property located at Canley Road, Pasig City with an area of approximately 36,500 square feet. This will be the site of the Laya project which will be comprised of more than 1,200 residential units with approximately 1.1 million square feet. Site clearance has been completed and excavation is projected to start in the second quarter of 2022.

***The Haraya by Shang***

This is another joint venture project with Robinsons Land Corporation to develop a site of more than 90,000 square feet located in Ortigas Avenue, Pasig City. The project is comprised of two residential towers with a total GFA of approximately 1.33 million square feet. Site clearance has been completed and construction of the diaphragm wall is projected to start in the second quarter of 2022.

\* Artist's Impression

# MANAGEMENT DISCUSSION & ANALYSIS

## BUSINESS REVIEW



Shang Residences, Sri Lanka\*



Pasir Ris 8 Project, Singapore\*

### **ABS-CBN project**

SPI recently purchased a property in South Triangle, Quezon City with an area of approximately 64,850 square feet. The site will be developed into the ABS-CBN project which is a residential tower which will have more than 1,800 residential units with GFA of approximately 1.95 million square feet. Site clearance is projected to start in the second quarter of 2022.

### **Sri Lanka**

The Group and SPI have formed a joint venture, Shang Properties (Pvt) Ltd, to develop a mixed-use project in Colombo. The Group holds an 80% stake, with SPI holding a 20% interest in the joint venture. Overlooking Beira Lake, this six-acre leased land parcel is situated on Sir James Peiris Mawatha. The project will be developed in two phases. Phase I will include a high-rise residential tower, and Phase II will comprise residential and retail components.

Originally scheduled to be developed over a period of eight to nine years, the development has been postponed due to the incidents that occurred in Sri Lanka in April 2019, and subsequently the pandemic. The project schedule is currently under review and will be updated at the soonest practicable date.

### **Singapore**

The Group and Allgreen Properties Limited have formed a joint venture in which the Group holds a 30% interest. The joint venture is currently developing a transit-oriented mixed-use development project, which features a residential portion and a shopping mall. The project will have accessibility to the MRT's East-West Line and the future Cross Island Line, and the Pasir Ris Bus interchange. The project has approximately 1.02 million square feet of GFA. The residential portion has 452,084 square feet GFA, and launched its sales in July 2021 to robust reception to record strong sales, with 429 out of 487 units (88%) sold as of 31 December 2021. The expected completion date for the residential portion is in 2026.

\* Artist's Impression

## Overseas Property Portfolio

As of 31 December 2021:	Group's attributable GFA ('000 square feet)
<b>Investment properties</b>	
Office	406
Retail	1,362
Residential	99
<b>Sub-total</b>	<b>1,867</b>
<b>Hotel properties</b>	
Hotel	335
Hotel lease	169
<b>Sub-total</b>	<b>504</b>
<b>Properties under development</b>	
Office	304
Retail	116
Residential	4,528
<b>Sub-total</b>	<b>4,948</b>
<b>Total</b>	<b>7,319</b>

# MANAGEMENT DISCUSSION & ANALYSIS

## BUSINESS REVIEW

### OUTLOOK

2021 was a strong year for the Group, and our positive result was the concerted efforts of all the business units in Hong Kong and the Mainland. We achieved strong contracted sales from eight different cities. On the investment properties side, the Group's recurrent income continued to improve organically, while Qianhai Kerry Centre Phase I has successfully launched, and will now add to the recurring income base.

In the Mainland, the Group's development properties saw strong contracted sales results, with our mixed-use linked projects such as those in Fuzhou and Zhengzhou seeing good absorption. In the first half, the team worked hard with the strong domestic demand momentum to achieve 78% of its full-year target. Though a slowdown was seen in the second half, with macro policy adjustments and tightening contributing to this dampening effect, the Mainland's contracted sales ended the year surpassing its 2021 annual target. Likewise, the Group's Hong Kong operations had a good year, with very strong contracted sales that surpassed its full-year target by 66% despite the borders with the Mainland remaining closed.

In 2022, the Mainland will focus on development property projects in six cities, namely Shenyang Phase III – The Arcadia, Qinhuangdao's Habitat, Tianjin Phase II's launch, on-going sales of Zhengzhou Arcadia Court, Fuzhou Rivercity and Kunming's The Moon Residence, which is managed by Shangri-La. Entering 2022, we are facing with the continued overhang of the Mainland's macro environment. While we are seeing some easing measures in terms of lending and the relaxation of mortgage rates, the development properties market continues to be slow, though the demand for high-quality residential remains. We are cautiously optimistic about these easing measures and will dynamically drive sales results while navigating the evolving market conditions.

In Hong Kong, there are the continued sales of Wong Chuk Hang's La Marina, The Bloomsway in So Kwun Wat, 10 LaSalle in Ho Man Tin, and Beacon Hill's luxury project Mont Rouge. In the first half of 2022, the Group is expected to launch its premium luxury Beacon Hill project Mont Verra, which we hope will ride on the success of its adjacent project, Mont Rouge. Against the backdrop of the evolving 5th wave of Covid-19 in Hong Kong as of the first quarter of 2022, we are anticipating a slowdown in sales due to social distancing restrictions and other government mandated measures, however, we remain hopeful that this Covid-19 wave will gradually be controlled and sales will eventually return to a more normal pace.

With respect to the Group's investment properties, the Mainland portfolio continued to perform well, with year-on-year improvement in occupancy rates for Office, Retail and Apartments. Our hotel operations saw a robust recovery in the first three quarters of the year, but the recovery decelerated in the fourth quarter with sporadic outbreaks and travel restrictions. In terms of Hong Kong's investment properties portfolio, occupancy rates recovered steadily since the second quarter, and the government's consumption vouchers helped to significantly boost market sentiment and the retail sector.

In view of the current evolving 5th wave of Covid-19 in Hong Kong as of the first quarter of 2022, we do expect short term impact to our retail – MegaBox asset, given the various restrictions and reduced foot traffic. We are rolling out programs to support our tenants and we are hopeful that the situation will gradually subside, and the retail segment will recover. The upcoming round of consumption vouchers by the government will also be a catalyst to aid in the recovery.

First and foremost, the Group will work with our tenants, property owners and employees to support the Hong Kong community at-large amidst the 5th wave of Covid-19 in Hong Kong. Beyond this short-term development, we continue to seek service innovation, the use of innovative property technology initiatives, asset enhancement initiatives and proactive leasing strategies to continue delivering stable returns for the portfolio.

On the Mainland, as our asset enhancement and reposition plans complete in 2022, additional leasable floor area from Hangzhou Kerry Centre, Kerry Everbright City and Jing An Kerry Centre will be released back into the market. This should further improve occupancy and increase our revenue. Additionally, Qianhai Kerry Centre Phase I will continue to increase its activated tenancy and its revenue, while Qianhai Kerry Centre Phase II will start pre-leasing in 2022.

The Group is deeply committed to sustainability – which we do within our built environment and by supporting ESG programs. On sustainable buildings, the Group is proud to share a few of our achievements: The first in Asia to be awarded the LEED Zero Waste accreditation for Kerry Everbright City Phase III; the first in China to be awarded the TRUE Zero Waste accreditation for Kerry Everbright City Phase III; the first apartment project in China to be WELL Health-Safety Rated for Central Residences II; and the first in China to receive a LEED Homes Awards

Honorable Mention for Qianhai Kerry Centre. In terms of sustainability reporting and governance, the Group received 25 awards and accolades for the Group's sustainability practice, excellence in corporate governance, and social and community outreach. Going forward, we hope to further improve on our sustainability efforts.

Kerry Properties is a committed stakeholder in Hong Kong, and we as a Group remain steadfast in pledging our support to our colleagues, tenants, and the community at-large. To this end, the Group has dedicated resources towards supporting those in need. For the Hong Kong community, the Group organised a series of Covid-19 Hardship Programmes to support those hit-hard by the pandemic, by providing personal protective equipment, rapid test kits, food, and other forms of support to help tide over those affected. For our colleagues, the Company has readied personal protective materials, testing kits, and setup dedicated channels for colleagues to share their needs or concerns arising from the pandemic. Lastly, the Company is rolling out rental relief programmes to support our tenants who are affected.

Landbanking is an integral part of the Group's growth strategy, and in 2021, the Company acquired four strategic projects. From a capital allocation perspective, the Group will continue to actively manage its gearing, balancing investments with our development property sales pipeline while reviewing non-core asset disposal for capital recycling. This balanced approach is aimed at effectively managing capital resources for long-term asset appreciation, medium-term investment returns, and the potential for unlocking and crystallising value for shareholders.

# MANAGEMENT DISCUSSION & ANALYSIS

## FINANCIAL REVIEW

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

The Group closely reviews and monitors its foreign exchange exposure. As at 31 December 2021, total foreign currency borrowings (excluding RMB bank loans) amounted to the equivalence of HK\$3.46 billion and RMB bank loans amounted to the equivalence of HK\$8.69 billion. As such, non-RMB total foreign currency borrowings and RMB bank loans represented approximately 9% and 23% respectively, of the Group's total borrowings of HK\$37.48 billion as at 31 December 2021.

The total foreign currency borrowings of HK\$12.15 billion include approximately RMB7.09 billion (equivalent to HK\$8.69 billion) bank loans, JPY8 billion (equivalent to HK\$0.54 billion) bank loan and approximately AUD516 million (equivalent to HK\$2.92 billion) bank loan. To hedge the exchange rate exposure of the foreign currency borrowings, the Group has arranged cross currency swap contracts amounting to RMB3.29 billion, JPY8 billion, and approximately AUD516 million for bank loans drawn in Hong Kong. The remaining RMB3.80 billion bank loans are project bank loans in the Mainland.

Out of the Group's total borrowings as at 31 December 2021, HK\$5.27 billion (representing approximately 14%) was repayable within one year, HK\$4.41 billion (representing approximately 12%) was repayable in the second year, HK\$25.51 billion (representing approximately 68%) was repayable in the third to fifth years and HK\$2.29 billion (representing approximately 6%) was repayable over five years. As at 31 December 2021, the Group maintained all of its borrowings on an unsecured basis and guaranteed basis and no assets were pledged. 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.

On 7 April 2021, the Group fully redeemed the 10 years US\$300 million fixed rate bonds issued in April 2011.

During 2021, the Group entered into various sustainability-linked bank loan agreements with approximately HK\$11.9 billion loan facilities (including HK\$1 billion sustainability-link loan facilities conversion from the existing loan facilities). These loan agreements are linked to the Group's

annual and cumulative sustainability performance to reinforce our commitment to improve sustainability performance and demonstrate our desire to support the development of sustainable loan market in the region. Proceeds will fund measures to drive long-term sustainability targets, enhance the climate resilience of our property portfolio, as well as general corporate financing. The Group will benefit from discounted interest rates when pre-determined sustainability milestones are achieved, including the Group's environmental impact reduction targets which form part of the Group-wide SV2030 targets, as well as key performance indicators (KPIs) ranked annually by GRESB. With more sustainability-linked bank loans in the pipeline for the next quarter, the Group will benefit more from discounted interest rates.

As at 31 December 2021, the gearing ratio for the Group was 17.2% (as at 31 December 2020: 25.1%), calculated based on net debt of HK\$20.04 billion and shareholders' equity of HK\$116.83 billion. The decrease in gearing ratio was mainly driven by the net proceeds of HK\$11.59 billion received by the Group, from the disposal of KLN shares, the placing of KLN shares by the Company in connection to the Partial Offer, and the special dividend declared by KLN, less special dividend of HK\$3.35 billion paid by the Group in 2021.

As at 31 December 2021, the Group had outstanding interest rate swap contracts, which amounted to HK\$6.2 billion in total, enabling the Group to hedge its interest rate exposure and to have a more stable interest rate profile. Comparing to the total of outstanding interest rate swap contracts of HK\$2.5 billion as at 31 December 2020, the entering of more interest rate swap contracts in 2021 was in response to hedging a portion of our borrowing against the anticipated rising interest rate environment.

In terms of the Group's available financial resources as at 31 December 2021, the Group had total undrawn bank loan facilities of HK\$34.87 billion and cash and bank deposits of HK\$17.44 billion; increasing year-on-year by 116% and 3% respectively. 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 base, and enables the Group to participate in investment opportunities as and when they arise.

Details of contingent liabilities are set out in note 41 to the financial statements of the Group included in this report.

# PARTICULARS OF PROPERTIES HELD

Particulars of major properties held by the Group as at 31 December 2021 are as follows:

Property name	Location	Type	%	Group's attributable interest		Lease term
				Approximate gross floor area (square feet)	Approximate number of carpark spaces	
<b>Mainland Properties</b>						
<b>A. Completed and held for investment</b>						
1. Shenzhen Qianhai Kerry Centre Phase I	1 Qianwan Road Nanshan District Shenzhen	Office Retail	100.00	1,287,198 222,908	720	Medium lease
				<b>1,510,106</b>		
2. Jing An Kerry Centre Phase II	1218, 1228 and 1238 Yanan Zhong Road 1539, 1551 and 1563 Nanjing Xi Road Jing An District Shanghai	Office Retail	51.00	646,802 444,478	557	Medium lease
				<b>1,091,280</b>		
3. Beijing Kerry Centre	1 Guang Hua Road Chaoyang District Beijing	Office Residential Retail	71.25	711,121 277,330 98,406	423	Medium lease
				<b>1,086,857</b>		
4. Hangzhou Kerry Centre	385 Yanan Road Gongshu District Hangzhou	Retail Office	75.00	798,300 101,582	376	Medium lease
				<b>899,882</b>		
5. Shenzhen Kerry Plaza Phase II	1 Zhong Xin Si Road Futian CBD Shenzhen	Office Retail	100.00	745,425 104,110	335	Medium lease
				<b>849,535</b>		
6. Shenyang Kerry Centre Phase II	123, 125 and 125-1 Qingnian Avenue Shenhe District Shenyang	Retail Office	60.00	486,057 353,615	550	Medium lease
				<b>839,672</b>		
7. Shenzhen Kerry Plaza Phase I	1 Zhong Xin Si Road Futian CBD Shenzhen	Office	100.00	<b>804,709</b>	306	Medium lease
8. Kerry Parkside	1155 and 1201 Fangdian Road 1378, 1388 and 1398 Hua Mu Road Pudong Shanghai	Office Retail Residential	40.80	417,189 216,592 153,300	475	Medium lease
				<b>787,081</b>		
9. Jing An Kerry Centre Phase I	1515 Nanjing Road West Jing An District Shanghai	Office Residential Retail	74.25	308,584 142,355 103,971	180	Medium lease
				<b>554,910</b>		
10. Shanghai Central Residences Phase II Towers 1 and 3	166 and 168 Lane 1038 Huashan Road Changning District Shanghai	Residential	100.00	<b>478,286</b>	211	Long lease
11. Tianjin Kerry Centre Riverview Place	238 Liuwei Road Hedong District Tianjin	Retail	49.00	<b>435,099</b>	387	Medium lease
12. Kerry Everbright City Phase I	218 Tianmu Road West Jing An District Shanghai	Retail Office	74.25	330,141 16,052	179	Medium lease
				<b>346,193</b>		
13. Jinan Enterprise Square	102 Luoyuan Street Lixia District Jinan	Office Retail	55.00	195,036 33,634	140	Medium lease
				<b>228,670</b>		
14. Shenzhen Kerry Centre	2008 Renminnan Road Lowu District Shenzhen	Office	100.00	<b>1,641</b>	193	Medium lease
<b>Total Mainland completed investment properties</b>				<b>9,913,921</b>	<b>5,032</b>	

## PARTICULARS OF PROPERTIES HELD

Property name	Location	Type	Group's attributable interest			
			%	Approximate gross floor area (square feet)	Approximate number of carpark spaces	Lease term
<b>Mainland Properties</b>						
<b>B. Hotel properties</b>						
1. Shangri-La Hotel, Nanchang	669 Cui Lin Road Honggutan New District Nanchang	Hotel	80.00	642,735	182	Medium lease
2. Kerry Hotel Beijing	1 Guang Hua Road Chaoyang District Beijing	Hotel	71.25	499,642	–	Medium lease
3. Midtown Shangri-La Hotel, Hangzhou	6 Changshou Road Gongshu District Hangzhou	Hotel	75.00	461,443	12	Medium lease
4. Jing An Shangri-La Hotel, West Shanghai	1218 Yanan Zhong Road Jing An District Shanghai	Hotel	51.00	433,566	–	Medium lease
5. Shangri-La Hotel, Nanjing	329 Zhong Yang Road Gulou District Nanjing	Hotel	45.00	412,798	187	Medium lease
6. Shangri-La Hotel, Shenyang	115 Qingnian Avenue Shenhe District Shenyang	Hotel	60.00	394,524	259	Medium lease
7. Shangri-La Hotel, Tianjin	328 Haihe East Road Hedong District Tianjin	Hotel	49.00	381,726	96	Medium lease
8. Shangri-La Hotel, Jinan	106 Luoyuan Street Lixia District Jinan	Hotel	55.00	335,779	101	Medium lease
9. Kerry Hotel Pudong, Shanghai	1388 Hua Mu Road Pudong Shanghai	Hotel	40.80	325,853	–	Medium lease
10. Shangri-La Hotel, Tangshan	889 Changhong West Road Lubei District Tangshan	Hotel	40.00	237,881	99	Medium lease
11. Shangri-La Hotel, Putian	88 Jiu Hua West Road Chengxiang District Putian	Hotel	60.00	220,509	44	Medium lease
<b>Total Mainland hotel properties</b>				<b>4,346,456</b>	<b>980</b>	

Property name	Location	Type	%	Group's attributable interest		Stage of completion	Scheduled completion
				Approximate gross floor area (square feet)	Approximate site area (square feet)		
<b>Mainland Properties</b>							
<b>C. Under development</b>							
1. Shenzhen Qianhai Kerry Centre Phase I Tower A1	1 Qianwan Road Nanshan District Shenzhen	Residential	100.00	<b>186,867</b>	30,312	Interior decoration work in progress	First half of 2022
2. Fuzhou Cangshan Mixed-Use Development	Land Parcel 2018-34 Zhanglan Village Block Cangshan District Fuzhou	Residential Retail Office	100.00	2,010,274 821,874 683,622	1,381,422	Completion verification in progress	Second half of 2022
				<b>3,515,770</b>			
3. Shenzhen Qianhai Kerry Centre Phase II	Site no. T102-0260 Land Parcel 2 & 4, Unit 7 Qianwan Area Qianhai District Shenzhen	Office Hotel Retail	25.00	166,842 107,640 48,348	51,835	Interior decoration work in progress	Second half of 2022
				<b>322,830</b>			
4. Shenyang Kerry Centre Phase III	Lot No. 2007-053 8 Golden Corridor East of Qingnian Avenue Shenhe District Shenyang	Residential Retail Office	60.00	1,992,533 623,022 446,760	428,900	Residential Curtain wall installation Mechanical work Interior decoration External decoration in progress	In phases from second half of 2022 onwards
				<b>3,062,315</b>			
5. Nanchang Development Phase II	667 Cui Lin Road Honggutan New District Nanchang	Office Retail	80.00	496,263 18,084	56,556	Basement structural and superstructure work in progress	2023
				<b>514,347</b>			
6. Kunming Development	88-96 Dong Feng Road Panlong District Kunming	Hotel Residential	55.00	257,766 123,833	91,443	Superstructure work completed Curtain wall installation work in progress	2023
				<b>381,599</b>			
7. Zhengzhou Mixed-Use Development	East of Huayuan Road South of Weier Road Zhengzhou	Residential Office Hotel Retail	55.00	556,641 348,972 226,359 23,278	263,882	Residential Interior decoration External decoration and mechanical work in progress Hotel and Office Foundation work in progress	In phases from 2023 onwards
				<b>1,155,250</b>			
<b>Sub-total</b>				<b>9,138,978</b>	<b>2,304,350</b>		

# PARTICULARS OF PROPERTIES HELD

Property name	Location	Type	%	Group's attributable interest		Stage of completion	Scheduled completion	
				Approximate gross floor area (square feet)	Approximate site area (square feet)			
<b>Mainland Properties</b>								
<b>C. Under development (Continued)</b>								
8.	Shenzhen Qianhai Kerry Centre Phase III	Site no. T102-0261 Land Parcel 3, Unit 7 Qianwan Area Qianhai District Shenzhen	Office Retail	70.00	540,245 79,869	128,689	Superstructure work in progress	2024
					<b>620,114</b>			
9.	Hangzhou Mixed-Use Development <sup>(1) (2)</sup>	East by Shengnan Road Wenhui Sub-district Plot XC0403-35 South by Wenhui Sub-district Plot XC0404-08 West by Dongxin Road, Guihua No. 9 Road North by Hangyang Street Gongshu District Hangzhou	Residential Retail Office Hotel	100.00	1,202,005 1,108,638 244,881 174,603	1,055,442	Phase I Excavation and basement structural work in progress Phase II Basement structural work in progress	In phases from 2024 onwards
					<b>2,730,127</b>			
10.	Shanghai Pudong Jufeng Road Mixed-Use Development	Plot 02-01A, Unit Y000901 East to Caojiagou projected green space South to Jufeng Road projected green space West to Zhangyang North Road and plot 02-01B North to Shuangqiao Road Puxing Community, Pudong New District Shanghai	Retail Residential Office	40.00	932,223 198,579 108,652	284,426	Schematic design in progress	In phases from 2024 onwards
					<b>1,239,454</b>			
11.	Qinhuangdao Habitat Phase II	160 Hebin Road Haigang District Qinhuangdao	Residential	60.00	<b>1,179,168</b>	511,314	Ground structural work in progress	In phases from 2024 onwards
12.	Tianjin Kerry Centre Phase II	Junction of Liuwei Road and Liujin Road Hedong District Tianjin	Office Residential Retail	49.00	488,669 150,477 92,249	149,857	Piling and excavation work in progress	2025
					<b>731,395</b>			
13.	Wuhan Mixed-Use Development <sup>(1) (2)</sup>	Land Parcel P(2018)090 South of Minquan Road North of Taiyuan Street West of Hualou Street East of Minzu Road Jiangnan District Wuhan	Residential Office Retail	100.00	2,639,527 1,318,170 453,197	695,742	Residential Foundation work in progress	In phases from 2025 onwards
					<b>4,410,894</b>			
14.	Qinhuangdao Habitat Phase III	160 Hebin Road Haigang District Qinhuangdao	Residential Retail	60.00	638,497 76,726	303,241	Schematic design in progress	In phases from 2026 onwards
					<b>715,223</b>			
<b>Sub-total</b>					<b>11,626,375</b>	<b>3,128,711</b>		
<b>Total Mainland properties under development</b>					<b>20,765,353</b>	<b>5,433,061</b>		

Property name	Location	Type	Group's attributable interest			
			%	Approximate gross floor area (square feet)	Approximate number of carpark spaces	Lease term
<b>Mainland Properties</b>						
<b>D. Held for sale</b>						
1. Shanghai Enterprise Centre	209 and 219 Gong He Road Jing An District Shanghai	Office Retail Residential	74.25	494,090 90,425 20,954 <b>605,469</b>	365	Medium lease
2. Hangzhou Zhijiang Castalia Court Phases I to III	East of Longqi Road South of Hanxiu Road West of Shanhusa River North of Zhihan Road West Lake District Hangzhou	Retail	100.00	<b>247,228</b>	513	Long lease
3. Shenyang Kerry Centre Enterprise Square	121 Qingnian Avenue Shenhe District Shenyang	Office	60.00	<b>119,132</b>	–	Medium lease
4. Qinhuangdao Habitat Phase I	160 Hebin Road Haigang District Qinhuangdao	Residential Retail	60.00	62,195 34,933 <b>97,128</b>	229	Long lease
5. Tangshan Parkside Place	889 Changhong West Road Lubei District Tangshan	Retail	40.00	<b>89,987</b>	–	Medium lease
6. Putian Arcadia Court	666 Jiuhua Road Chengxiang District Putian	Retail	60.00	<b>41,676</b>	325	Medium lease
7. Shenyang Kerry Centre Phase II Arcadia Height	4-1 and 6 Jian Yuan Street Shenhe District Shenyang	Residential	60.00	<b>16,755</b>	100	Medium lease
8. Hangzhou Kerry Centre Lake Grandeur	6 Hengchangshou Road Gongshu District Hangzhou	Residential	75.00	<b>15,528</b>	43	Medium lease
9. Shenzhen Arcadia Court	1008 Haitian Road Futian District Shenzhen	Retail	100.00	<b>4,608</b>	551	Long lease
10. Jinling Arcadia Court	99 Daguang Road Qinhuai District Nanjing	Retail	100.00	<b>2,253</b>	–	Medium lease
11. Shenzhen Qianhai Kerry Centre Phase I Tower A2	1 Qianwan Road Nanshan District Shenzhen	Residential	100.00	<b>1,776</b>	–	Medium lease
12. The Metropolis – Arcadia Court Phase I	299 Ronghua North Road Hi-Tech Industrial Development Zone Chengdu	Residential	55.00	<b>1,129</b>	75	Long lease
13. Shenyang Kerry Centre Arcadia Court Phase I	70 Wenhua Road Shenhe District Shenyang	Residential	60.00	<b>956</b>	170	Medium lease
<b>Total Mainland properties held for sale</b>				<b>1,243,625</b>	<b>2,371</b>	
<b>TOTAL MAINLAND PROPERTY PORTFOLIO</b>				<b>36,269,355</b>		

# PARTICULARS OF PROPERTIES HELD

Property name	Location	Type	Group's attributable interest			
			%	Approximate gross floor area (square feet)	Approximate number of carpark spaces	Lease term
<b>Hong Kong Properties</b>						
<b>A. Completed and held for investment</b>						
<b>I. Residential</b>						
1. Branksome Grande	3 Tregunter Path Mid-Levels Hong Kong	Residential	100.00	257,372	73	Medium lease
2. Aigburth	12 Tregunter Path Mid-Levels Hong Kong	Residential	100.00	204,940	63	Long lease
3. Branksome Crest	3A Tregunter Path Mid-Levels Hong Kong	Residential	100.00	153,375	126	Medium lease
4. Tavistock	10 Tregunter Path Mid-Levels Hong Kong	Residential	100.00	104,460	23	Long lease
5. Resiglow-Happy Valley	7A Shan Kwong Road Happy Valley Hong Kong	Residential	100.00	81,218	13	Long lease
6. Resiglow-Bonham	8 Hing Hon Road Hong Kong	Residential	100.00	67,573	–	Long lease
7. Gladdon	3 May Road Mid-Levels Hong Kong	Residential	100.00	2,300	14	Long lease
<b>Sub-total</b>				<b>871,238</b>	<b>312</b>	
<b>II. Retail/office</b>						
1. Enterprise Square Five/ MegaBox	38 Wang Chiu Road Kowloon Bay Kowloon	Retail Office	100.00	1,145,537 <sup>(3)</sup> 519,316	748	Medium lease
				<b>1,664,853</b>		
2. Kerry Centre	683 King's Road Quarry Bay Hong Kong	Office Retail	40.00	193,252 10,952	74	Medium lease
				<b>204,204</b>		
3. Hollywood Centre	233 Hollywood Road Sheung Wan Hong Kong	Office Retail	47.37	31,126 16,400	–	Long lease
				<b>47,526</b>		
4. Harbour Centre	25 Harbour Road Wanchai Hong Kong	Office Retail	15.83	34,767 <sup>(4)</sup> 6,475 <sup>(5)</sup>	45	Long lease
				<b>41,242</b>		
5. Island Crest	8 First Street Hong Kong	Retail	100.00	15,891	6	Medium lease
6. Enterprise Square Three	39 Wang Chiu Road Kowloon Bay Kowloon	Retail	100.00	14,900	–	Medium lease
7. Wing On Plaza	62 Mody Road Tsimshatsui Kowloon	Retail	10.00	2,896	–	Long lease
8. Shenwood Court Public Carpark	12-20 Kwai Sing Lane Happy Valley Hong Kong	Carpark	100.00	–	200	Long lease
<b>Sub-total</b>				<b>1,991,512</b>	<b>1,073</b>	

Property name	Location	Type	Group's attributable interest				
			%	Approximate gross floor area (square feet)	Approximate number of carpark spaces	Lease term	
<b>Hong Kong Properties</b>							
<b>A. Completed and held for investment (Continued)</b>							
<b>III. Warehouse</b>							
1	Kerry Warehouse (Chai Wan)	50 Ka Yip Street Chai Wan Hong Kong	Warehouse	100.00	535,037	53	Long lease
2.	Kerry Warehouse (Shatin)	36-42 Shan Mei Street Shatin New Territories	Warehouse	100.00	431,530	63	Medium lease
3.	Kerry Hung Kai Warehouse (Cheung Sha Wan)	3 Fat Tseung Street Cheung Sha Wan Kowloon	Warehouse	50.00	299,115	29	Medium lease
<b>Sub-total</b>					<b>1,265,682</b>	<b>145</b>	
<b>Total Hong Kong completed investment properties</b>					<b>4,128,432</b>	<b>1,530</b>	

Property name	Location	Type	Group's attributable interest				
			%	Approximate gross floor area (square feet)	Approximate number of carpark spaces	Lease term	
<b>Hong Kong Properties</b>							
<b>B. Hotel property</b>							
1.	Jen Hong Kong	508 Queen's Road West Hong Kong	Hotel	30.00	37,517	–	Long lease
<b>Total Hong Kong hotel property</b>					<b>37,517</b>	<b>–</b>	

Property name	Location	Type	Group's attributable interest				Stage of completion	Scheduled completion
			%	Approximate gross floor area <sup>(6)</sup> (square feet)	Approximate site area (square feet)			
<b>Hong Kong Properties</b>								
<b>C. Under development (Hong Kong and Macau<sup>(8)</sup>)</b>								
1.	La Marina (THE SOUTHSIDE Package Two Property Development Project)	11 Heung Yip Road Wong Chuk Hang Hong Kong	Residential	50.00 <sup>(7)</sup>	246,496	46,135	Superstructure work in progress	2023
2.	THE SOUTHSIDE Package Four Property Development Project	11 Heung Yip Road Wong Chuk Hang Hong Kong	Residential	50.00 <sup>(7)</sup>	319,153	32,508	Superstructure work in progress	2025
3.	Shap Pat Heung Development Project (L5384 DD116)	Shap Pat Heung Road/ Tai Tong Road Yuen Long New Territories	Residential	50.00	122,516	35,005	Schematic design in progress	2025
<b>Sub-total</b>					<b>688,165</b>	<b>113,648</b>		

# PARTICULARS OF PROPERTIES HELD

Property name	Location	Type	%	Group's attributable interest		Stage of completion	Scheduled completion
				Approximate gross floor area <sup>(6)</sup> (square feet)	Approximate site area (square feet)		
<b>Hong Kong Properties</b>							
<b>C. Under development (Hong Kong and Macau<sup>(8)</sup>) (Continued)</b>							
4. Shap Pat Heung Development Project (L4054 DD120)	Tai Tong Road Yuen Long New Territories	Residential	50.00	18,208	5,547	Schematic design in progress	2025
5. LOHAS Park Package Thirteen Property Development Project	1 Lohas Park Road Tseung Kwan O New Territories	Residential	25.00 <sup>(7)</sup>	386,681	32,669	Foundation work in progress	2026
6. To Kwa Wan Redevelopment Project (KIL11276)	Hung Fook Street/ Ngan Hon Street To Kwa Wan Kowloon	Residential/ Retail	100.00 <sup>(7)</sup>	443,789	49,310	Planning in progress	2027
<b>Sub-total</b>				<b>848,678</b>	<b>87,526</b>		
<b>Total Hong Kong properties under development</b>				<b>1,536,843<sup>(8)</sup></b>	<b>201,174</b>		
<b>Hong Kong Properties</b>							
<b>D. Held for sale</b>							
Property name	Location	Type	%	Approximate gross floor area (square feet)	Approximate number of carpark spaces	Lease term	
1. Mont Verra	3 Lung Kui Road Beacon Hill Kowloon	Residential	100.00	325,020	83	Medium lease	
2. The Bloomsway	18, 28 and 29 Tsing Ying Road So Kwun Wat New Territories	Residential	100.00	74,427 <sup>(5)</sup>	94	Medium lease	
3. Mont Rouge	9 Lung Kui Road Beacon Hill Kowloon	Residential	100.00	64,542 <sup>(5)</sup>	19	Medium lease	
4. 10 LaSalle	10 La Salle Road Ho Man Tin Kowloon	Residential	100.00	33,048 <sup>(5)</sup>	18	Long lease	
5. Mantin Heights	28 Sheung Shing Street Ho Man Tin Kowloon	Residential	100.00	27,513 <sup>(5)</sup>	187	Medium lease	
6. Richwood Park	33 Lo Fai Road Tai Po New Territories	Retail	50.00	7,893	–	Medium lease	
7. Larvotto	8 Ap Lei Chau Praya Road Ap Lei Chau Hong Kong	Residential/ Retail	35.00	2,357	18	Medium lease	
<b>Total Hong Kong properties held for sale</b>				<b>534,800</b>	<b>419</b>		
<b>TOTAL HONG KONG PROPERTY PORTFOLIO</b>				<b>6,237,592</b>			

Property name	Location	Type	Group's attributable interest		Lease term	
			Approximate gross floor area % (square feet)	Approximate number of carpark spaces		
<b>Overseas Properties</b>						
<b>A. Completed and held for investment</b>						
1. Shangri-La Plaza Mall	EDSA corner Shaw Blvd. Mandaluyong City Philippines	Retail	65.36 <sup>(9)</sup>	<b>1,256,926</b>	786	Freehold
2. The Enterprise Center	Ayala Avenue Cor. Paseo de Roxas Makati City Philippines	Office Retail	45.78 <sup>(10)</sup>	405,908 15,836	462	Freehold
				<b>421,744</b>		
3. Shangri-La at the Fort, Manila	Fort Bonifacio Taguig Philippines	Residential Retail	39.22 <sup>(11)</sup>	74,104 18,596	303	Freehold
				<b>92,700</b>		
4. Assembly Grounds	Fort Bonifacio Taguig Philippines	Retail	55.56 <sup>(12)</sup>	<b>53,735</b>	128	Freehold
5. The St. Francis Shangri-La Place	St. Francis St. corner Internal Road Shangri-La Place Mandaluyong City Philippines	Retail Residential	65.36 <sup>(9)</sup>	16,937 3,343	–	Freehold
				<b>20,280</b>		
6. One Shangri-La Place	EDSA corner Shaw Blvd. Mandaluyong City Philippines	Residential	65.36 <sup>(9)</sup>	<b>11,243</b>	–	Freehold
7. Horizon Homes	Fort Bonifacio Taguig Philippines	Residential Residential	39.22 <sup>(11)</sup> 65.36 <sup>(9)</sup>	5,629 2,944	–	Freehold
				<b>8,573</b>		
8. Shang Salcedo Place	Sen. Gil Puyat Ave. Cor. Tordesillas St. and HV Dela Costa St. Makati City Philippines	Residential	65.36 <sup>(9)</sup>	<b>2,074</b>	–	Freehold
9. Carpark Building	EDSA corner Shaw Blvd. Mandaluyong City Philippines	Carpark building	65.36 <sup>(9)</sup>	–	324	Freehold
<b>Total overseas completed investment properties</b>				<b>1,867,275</b>	<b>2,003</b>	

Property name	Location	Type	Group's attributable interest		Lease term	
			Approximate gross floor area % (square feet)	Approximate number of carpark spaces		
<b>Overseas Properties</b>						
<b>B. Hotel properties</b>						
1. Shangri-La at the Fort, Manila	Fort Bonifacio Taguig Philippines	Hotel	39.22 <sup>(11)</sup>	<b>334,715</b>	241	Freehold
2. Land leased to EDSA Shangri-La Hotel	EDSA corner Shaw Blvd. Mandaluyong City Philippines	Hotel lease	65.36 <sup>(9)</sup>	<b>169,733<sup>(13)</sup></b>	–	Freehold
<b>Total overseas hotel properties</b>				<b>504,448</b>	<b>241</b>	

## PARTICULARS OF PROPERTIES HELD

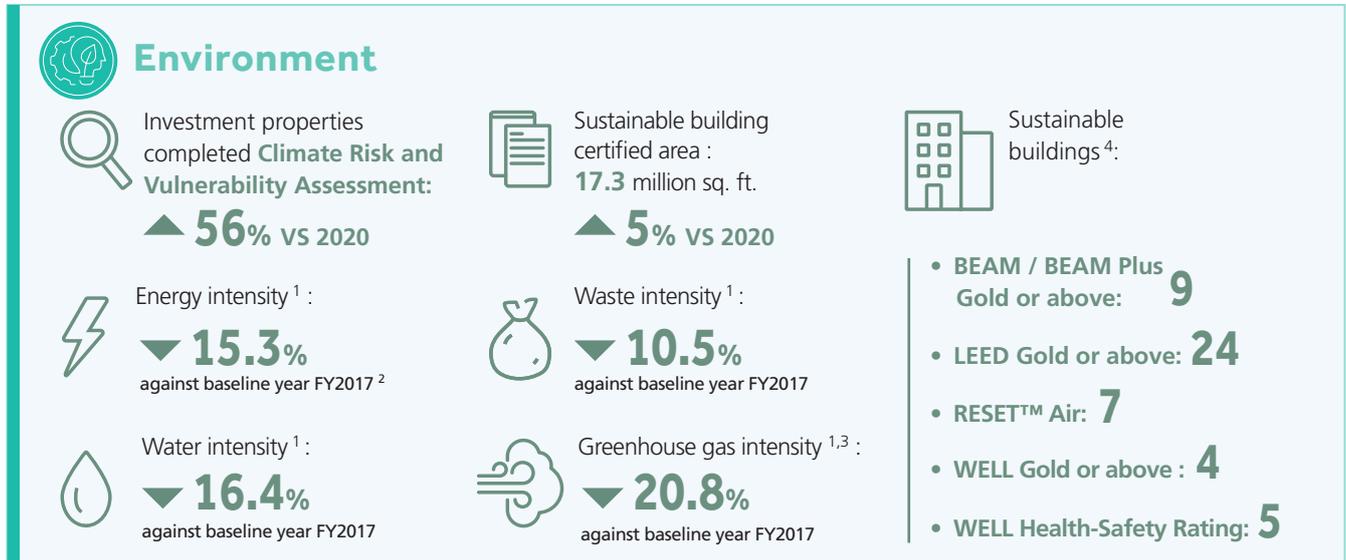
Property name	Location	Type	Group's attributable interest		Approximate site area (square feet)	Stage of completion	Scheduled completion
			%	Approximate gross floor area (square feet)			
<b>Overseas Properties</b>							
<b>C. Under development</b>							
1. The Rise	Malugay Street Makati City Philippines	Residential	58.18 <sup>(14)</sup>	951,260	67,854	Finishing works	2022
2. Shang Residences at Wack Wack	Wack Wack Road Mandaluyong City Philippines	Residential	65.36 <sup>(9)</sup>	563,247	23,647	Superstructure and architectural works in progress	2024
3. Pasir Ris 8 Project	Pasir Ris Drive 3/ Pasir Ris Drive 8/ Pasir Ris Central Singapore	Retail Residential	30.00	115,927 133,817	122,720	Foundation work in progress	2024
				<b>249,744</b>			
4. Aurelia	Fort Bonifacio Taguig Philippines	Residential	32.68 <sup>(15)</sup>	292,530	32,075	Superstructure work in progress	2025
5. Shang One Horizon	Shaw Boulevard Mandaluyong City Philippines	Serviced Apartments Offices & Others	65.36 <sup>(9)</sup>	158,567 303,851	16,006	Substructure works ongoing and Superstructure schedule to start in May 2022	2026
				<b>462,418</b>			
6. Laya	Canley Road and St. Peter Streets Pasig City, Philippines	Residential	65.36 <sup>(9)</sup>	721,682	23,851	Site clearance completed and Excavation works scheduled to start in April 2022	2027
7. Haraya	Corner Ortigas and Amang Rodriguez Avenue Pasig City, Philippines	Residential	32.68 <sup>(15)</sup>	434,904	29,690	Site clearance completed and Diaphragm Wall works scheduled to start in March 2022	2028
8. ABS-CBN	Sct. Bayoran corner Sct. Esguerra Avenue South Triangle Quezon City, Philippines	Residential	65.36 <sup>(9)</sup>	1,271,520	42,383	Site clearance works schedule to start in May 2022	2028
<b>Total overseas properties under development</b>				<b>4,947,305</b>	<b>358,226</b>		
<b>TOTAL OVERSEAS PROPERTY PORTFOLIO</b>				<b>7,319,028</b>			

## Notes:

- (1) Application for land use certificate in progress.
- (2) Payment for land use right in progress.
- (3) Included other facility with gross floor area of approximately 65,000 square feet.
- (4) Being lettable floor area.
- (5) Being net floor area.
- (6) Subject to final Hong Kong SAR Government approval plans and documentations.
- (7) Property in which the Group is entitled to share of development profits in accordance with the terms and conditions of the development agreement.
- (8) As regards the reclamation project in Macau, according to the Macau SAR Government Notice which was gazetted on 14 October 2009, a piece of land will be granted in exchange with location and size to be identified and agreed.
- (9) Including attributable interest of 30.75% held through Philippine Deposit Receipts.
- (10) Including attributable interest of 21.54% held through Philippine Deposit Receipts.
- (11) Including attributable interest of 18.45% held through Philippine Deposit Receipts.
- (12) Including attributable interest of 26.14% held through Philippine Deposit Receipts.
- (13) Being site area.
- (14) Including attributable interest of 27.37% held through Philippine Deposit Receipts.
- (15) Including attributable interest of 15.38% held through Philippine Deposit Receipts.
- (16) Gross floor areas exclude carpark spaces.

# SUSTAINABLE DEVELOPMENT AND CSR ACTIVITIES

## SUSTAINABILITY AT A GLANCE



## VISION 2030 HIGHLIGHTED TARGETS

Aspects	Vision 2030	Getting Started	On Plan	Achieved	Progress in 2021
Environment	100% of investment properties adopt climate-resilient building features	<div style="width: 82%; background-color: #00a651;"></div>			82%
	100% of investment properties adopt wellness features in building design	<div style="width: 87%; background-color: #00a651;"></div>			87%
	100% of new investment properties achieve green certifications	<div style="width: 100%; background-color: #00a651;"></div>			100%
People	Maintain record of zero work-related fatalities of all our employees	<div style="width: 100%; background-color: #f4a460;"></div>			0 case
	100% of employees receive gender equality, anti-sexual harassment and related ethical training	<div style="width: 35%; background-color: #f4a460;"></div>			35%
	At least one third of senior positions is held by women	<div style="width: 31%; background-color: #f4a460;"></div>			31%
Community	100% of new mixed-use developments plan and design with cultural and heritage conservation consideration	<div style="width: 50%; background-color: #6a3d9a;"></div>			50%
	100% of new mixed-use developments plan and design through a mandatory community engagement process, with but not limited to women, children, elderly and disabled persons	<div style="width: 50%; background-color: #6a3d9a;"></div>			50%
Value Chain	100% of operations governed by green procurement manual which includes use of sustainable resources throughout property development and operation	<div style="width: 68%; background-color: #0056b3;"></div>			68%
	100% of contractors/suppliers are governed by sustainable procurement guidelines which contain mandatory diversity requirements	<div style="width: 24%; background-color: #0056b3;"></div>			24%

<sup>1</sup> Intensity calculated per 1,000 sq. ft. of total GFA against baseline year of 2017.  
<sup>2</sup> The property usage was greatly restricted by Covid-19 in 2020; the impact of Covid-19 on property usage in 2021 was relatively smaller, so we had less energy reduction in 2021.  
<sup>3</sup> Calculation covers scope 1, 2 and 3 emissions from Hong Kong and the Mainland operations, excluding properties under development; and hotel properties, figures were adjusted with using the latest emission factor of local utility companies in Hong Kong and regional grid in the Mainland.  
<sup>4</sup> For BEAM / BEAM Plus, LEED and RESET™ Air certification, counting pre-certified and certified projects as at 31 Dec 2021, number excludes expired pre-certificates.  
<sup>5</sup> Injury rate (per 1,000 employees) = total number of injuries / total workforce at the end of the reporting period x 1,000. Report injuries refer to work-related accidents happened to employee that resulted in incapacity for a period exceeding three days.  
<sup>6</sup> Average training hours = total hours of training received by employees of the category / total workforce of the category at the end of the reporting period.  
<sup>7</sup> Counting organisations that received our monetary donation or in-kind donation in Hong Kong and the Mainland.

## SUSTAINABILITY HIGHLIGHTS IN 2021

<p><b>Sustainability governance:</b></p> <ul style="list-style-type: none"> <li>Under the supervision of the Sustainability Steering Committee, we have established a total of 14 policies</li> <li>Initiated 2 new policies – Climate Change Policy and Biodiversity Policy</li> <li>Adopted online system to enhance sustainability data collection process</li> <li>Enhanced internal control to improve data accuracy</li> <li>Improved information accessibility by launching Kerry Properties' sustainability mini-site</li> </ul>	<p><b>Sustainability-linked loans:</b></p> <p>No. of loan facilities:</p> <p style="font-size: 2em; text-align: center;">8</p> <hr style="width: 20%; margin: auto;"/> <p>Total amount of loans unsecured:</p> <p style="font-size: 1.5em; text-align: center; color: #00796b;">HK\$11.9 billion</p>	<p><b>Pioneering achievements:</b></p> <ol style="list-style-type: none"> <li>Shanghai Kerry Everbright City Phase III – Enterprise Centre (“KEC III”)             <ol style="list-style-type: none"> <li>Asia’s 1st LEED Zero Waste-certified commercial mixed-use complex project</li> <li>Mainland’s 1st TRUE Zero Waste-certified project</li> <li>1st self-owned functional office (Tower 2, 7/F Office) receiving WELL Certification at Platinum Level</li> </ol> </li> <li>Qianhai Kerry Centre (Apartments Portion Bayview A1-2-3)             <ol style="list-style-type: none"> <li>Mainland’s 1st project receiving “LEED Homes Awards – Honorable Mention”</li> </ol> </li> </ol>
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## SUSTAINABILITY ACCREDITATIONS

 <p><b>Global Real Estate Sustainability Benchmark</b></p> <ul style="list-style-type: none"> <li>- Rating: Upgraded to 5-star rating in 2021</li> <li>- Ranked 1st in terms of Public Disclosure scores under the China-HKSAR/Diversified comparison group</li> <li>- Ranked 2nd in Eastern Asia Diversified Listed category</li> </ul>	 <p><b>Hang Seng Corporate Sustainability Index Series</b></p> <p>ESG Rating: Upgraded to AA+</p>	 <p><b>MSCI ESG Ratings<sup>1</sup></b></p> <p>Rating: BBB</p>	
 <p><b>Refinitiv</b></p> <p>12th out of 378 Real Estate Companies (as of February 2022)</p>	 <p><b>Sustainalytics</b></p> <p>ESG Risk Rating: Low Risk</p>	 <p><b>Vigeo Eiris ESG Assessment</b></p> <p>Rating: Limited</p>	 <p><b>Greater Bay Area Business Sustainability Index 2020</b></p> <p>Top 10</p>
 <p><b>HKMA - HK Sustainability Awards 2020/21</b></p> <p>Certificate of Excellence</p>	 <p><b>Hong Kong Corporate Governance &amp; ESG Excellence Awards 2021</b></p> <p>ESG Excellence Awards (Category 2 Hang Seng Composite Index Constituent Companies)</p>	 <p><b>MIPIM Asia Awards 2020</b></p> <p>Best Mixed-Use Development - Gold Best Green Development - Silver</p>	

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# SUSTAINABLE DEVELOPMENT AND CSR ACTIVITIES

## KEY MATERIAL ISSUES AND ACTIONS TAKEN



### Climate change and resilience

We are determined to manage climate change across our operations through various actions:

- Consistent with the recommendations of the Task Force on Climate-related Financial Disclosures (“TCFD”), the transition and physical risk assessment conducted will be part of our foundation to fight climate change
- The science-based target setting has progressed beyond the preliminary stage, and we have conducted training to facilitate data collection on contractors’ emissions:
  - Percentage of project sites within the Scope 3 data collection scope: 100%
  - Percentage of investment properties within the Scope 3 data collection scope: 82%
- Raised stakeholder awareness of climate change by holding a conference on climate risk for office tenants at KEC III and communicating with tenants at Hong Kong Kerry Centre on measures to address climate vulnerability



Solar Panels, Qianhai Kerry Centre, Shenzhen



### Community engagement and investment

We encourage our staff to give back to society through different initiatives:

- Step Challenge: A walking competition with charitable elements, taken place in Hong Kong and the Mainland
  - Staff participation: 2,079 staff
  - Donations generated: over HK\$1.22 million
  - Beneficiaries: 71 NGOs



### Innovation and smart technologies

We strive to raise the quality of our projects and services through innovation and smart technologies:

- We have transformed the traditional off-site mock-up for building construction into a virtual spatial mock-up, saving energy, construction materials and land resources
- Utilising smart service robots for delivery and recycling via a mobile application has offered convenience to our office tenants in the Mainland



Step Challenge, Shenyang



Smart Service Robots, KEC III, Shanghai

## ENVIRONMENT

### Combating Climate Change

Our forward-thinking leadership team has developed a long-term plan with a focus on mitigating climate-related risks and taking action on related policies. Through establishing the Climate Change Policy, we strive to decarbonise our entire value chain.



Beverage Cartons Recycling Programme, MegaBox, Hong Kong



Botanical Garden, Kerry Parkside, Shanghai



LEED Certification Presentation, Qianhai Kerry Centre, Shenzhen

### Improving Energy and Water Efficiency

Guided by our Group Environmental Protection Policy, we have a well-structured approach towards maximising energy and water efficiency and constantly monitor relevant performance parameters at buildings in our portfolio.

### Risk Management

We are dedicated to raising our risk management standards in line with recommendations from the TCFD. With the support from various departments, scenario-based risk assessments were initiated to identify potential transition and physical risks.

In 2021, we conducted Climate Risk and Vulnerability Assessments for two more properties, namely Beijing Kerry Centre and Enterprise Square Five/MegaBox in Hong Kong; 53% of our investment properties in total had conducted the assessment.

### Monitoring Carbon Emission Online

Through introducing an online platform, we extended the scope of our data collection to our contractors and tenants to better monitor the emissions along our value chain. This data is collected regularly to provide insights for setting science-based target and risk screening.

### Tenant Engagement

In 2021, we conducted a Climate Risk Engagement Conference for KEC III office tenants and communicated with Hong Kong Kerry Centre tenants our findings and measures taken in response to the property's Climate Risk and Vulnerability Assessment.

We have installed solar panels at multiple properties in Hong Kong and the Mainland and implemented plans to extend the use of renewable energy to more properties.

We are committed to reducing water consumption through the application of practical designs, as well as enhancing wastewater recycling at our construction sites. Our Enhanced Safety Performance and Environmental Protection Scheme rewards contractors if more than 30% of wastewater is reused on-site.

### Minimising Waste

A number of waste reduction programmes for specific types of waste across our residential and commercial properties have been launched.

### Beverage Cartons Recycling

Recycling bins have been placed at our residential and investment properties for the collection of beverage cartons which are then sent to Mil Mill, the first local beverage carton recycling plant.

# SUSTAINABLE DEVELOPMENT AND CSR ACTIVITIES

## Reusable Lunch Boxes

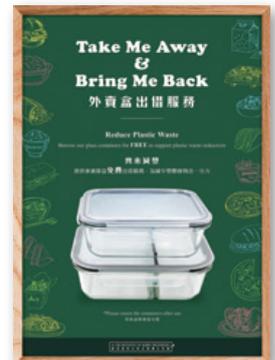
Under a pilot scheme, we provided glass lunch boxes to our office tenants in Enterprise Square series as well as the residents of the Resiglow, Mantin Heights, Dragons Range and the Bloomsway. Our food and beverage tenants in these properties have also been encouraged to provide incentives for customers who use them.

## Reducing Plastic Waste

In the Mainland, we use degradable garbage bags and provide degradable umbrella bags for our tenants and customers on rainy days. We also promote the use of reusable utensils and straws and continuously raise awareness for more environmentally friendly substitutes to single-use plastics.

## On-site Food Composting

Food waste decomposers were installed at KEC III and Jing An Kerry Centre. Waste is collected every day and processed with aerobic digestion machines to reduce solid waste to liquid form.



Reusable Lunch Boxes Programme

## Reducing Impact on Biodiversity

We are committed to reducing the impact on biodiversity of our development activities with our Biodiversity Policy that addresses relevant activities. Biodiversity assessment for our new investment projects will soon be commenced while more educational events to be organised for our stakeholders.

## Highlight Story

### Setting Standard For Zero Waste

Under our Sustainability Vision 2030, we have aligned our business with the United Nations Sustainable Development Goal (“**UNSDGs**”) and taken actions at various levels across different sectors of our business.

With Goal 11: Sustainable Cities and Communities, Goal 12: Responsible Consumption and Production with Goal 13: Climate Action as part of our key focuses, our ongoing efforts in tackling waste issues have started to yield results. Our KEC III has set an exemplar and become the 1<sup>st</sup> LEED Zero Waste-certified project in Asia. This achievement was made through collaborating closely with our stakeholders.

#### LEED Zero Waste Project

To integrate “The Circular Economy” model into our operations, KEC III property management team has actively explored sustainable options to reduce waste produced by adopting the “5R” principles in our waste



Lingering Court, KEC III, Shanghai

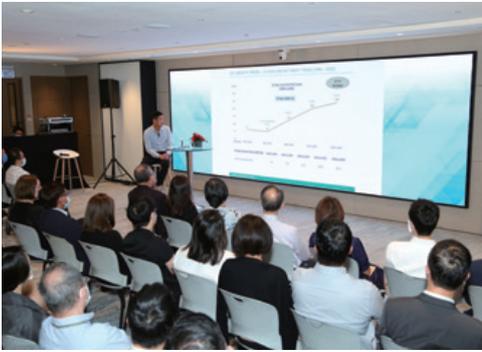
management policies, namely “Redesign, Reduce, Reuse, Recycle and Rethink”. It successfully led to a 91% waste diversion rate.

KEC III has also established an “Environmentally Preferable Purchasing Policy” to facilitate zero waste practices, which serves as a guideline for the property management team to track down all purchasing activities through an online platform.

**91% waste diversion rate**

**100% food waste processed by bio-chemical processor on site**

## PEOPLE



CEO Town Hall Meeting



Team Building Event, Hangzhou



Team Building Event, Shenzhen

### Promoting Wellness in the Workplace

To enhance the monitoring and reporting structure on staff safety and health issues, senior management oversee and provide guidance to the Health and Safety Management Taskforce. As the landscape of the pandemic changes, a series of response and precautionary measures have been put in place and are constantly updated. Vaccination leave and medical subsidies have also been offered to support the staff members who wish to get vaccinated.

At Kerry Properties, the mental health of our staff is a top priority. In addition to the Kerry Engagement's 24-hour counselling hotline, a free professional counselling service for our employees, we have now extended the medical outpatient coverage to include mental illnesses. We hope this financial support encourages those who need help to seek it, while respecting the privacy of individuals.

### Fostering a Learning and Transparent Culture

To encourage two-way communication and open dialogue between senior management and employees at all levels, a hybrid Town Hall meeting with our Vice Chairman and Chief Executive Officer, Mr. Kuok Khoo Hua, was held in 2021. During the meeting, he shared the Company's visions and latest developments, celebrated our achievements and, more importantly, offered every staff member the chance to share their views and their aspirations towards the Company.

From 2021 onwards, orientation for new hires includes a course to learn about the Company's sustainability strategy and roadmap. An interactive e-learning platform was also launched this year, offering a wide range of training courses

to all full-time employees in Hong Kong and all existing staff members were invited to enrol in a sustainability programme on this platform. In the Mainland, a training course was designed to help colleagues improve their leadership, communication, and problem-solving skills, equipping them to deal with the fast-changing environment.

### Celebrating Excellence and Contributions

Our mission is to build and manage quality homes and offices that delight our customers down to every detail. To adhere to the "ONE KPL" spirit and maintain best-in-class service standards, we have organised a "Top Achiever Award" for the staff of Kerry Property Management Service Limited in Hong Kong. A Kerry Service Ambassador Programme has also been launched to recognise the exemplars of exceptional service across cities in the Mainland.

### Bringing Teams Closer Together

Kerry Properties is committed to building an inclusive and collaborative work environment for all staff. To help achieve this, our team in Qianhai, Shenzhen, organised an informal team-building event in early January 2022, and invited staff from Qianhai Kerry Centre and Shenzhen Kerry Plaza to map out their vision for the future. In Mainland cities, including Shenyang and Hangzhou, competitions and tournaments for sports such as badminton and gym training were held to promote team bonding. This helped encourage a healthy lifestyle while keeping staff physically fit.

# SUSTAINABLE DEVELOPMENT AND CSR ACTIVITIES

## Highlight Story

### Creating Shared Value as a Whole

Launched in 2018, Step Challenge has been one of our key annual staff engagement events. All staff in the Mainland and Hong Kong are encouraged to develop a healthy habit of walking while converting their steps and sweat into donations to local charities. In 2021, 2,079 colleagues across the nation, participated in the six-week campaign and raised a donation of over HK\$1.22 million, which benefited 71 NGOs of their choices.

Inaugurated in 2020, our dollar-for-dollar Matching Fund programme engages all levels of the company collaboratively to help non-profit organisations and social enterprises during a challenging time, matching every dollar donated by a staff member to an approved charity. Given positive responses from our staff members, the Programme continued in 2021 and matched donations up to \$10,000 per staff member annually to support the good causes of charities in Hong Kong.

Our Shanghai volunteer team also worked closely with the Future Smile Foundation by supporting the free meals



Step Challenge, Hong Kong

programme for elderly over age of 80 who live alone in the Baoshan community. Along with offering hot meals for over 100 elderly every day, the volunteer team visited the under-resourced elderly in regular basis and shared warmth and love in the community.

To encourage teams to generate ideas that help realise their visions, an ESG Think Tank was formed in 2021 by a group of staff with a diverse range of expertise and backgrounds. They volunteered to design and execute sustainability-themed campaigns and initiatives. This led to the creation of the Charity Bazaar in early 2022, where our generous staff members donated a variety of brand-new items for charitable and environmental purposes. Another round of sales will be held in Q2 2022, with all profits generated benefitting three NGOs in Hong Kong.

## COMMUNITY



Green Escape<sup>ST</sup>, Jing An Kerry Centre, Shanghai

### Cultivating a Sustainable Community

The high-traffic shopping malls in our portfolio are ideal places to seed and grow awareness for sustainability in local communities. MegaBox made 2021 a year of Good Life Goals, featuring six different UNSDGs, and booths were set up every month from March to August 2021. MegaBox also set up an Urban Farm and a Sky Herbs Garden in the outdoor podium areas where harvests were shared with food and beverage tenants for healthy dishes and drinks. Green Escape<sup>ST</sup> in Shanghai created value for the community by boosting the evening economies and providing a platform for small businesses to thrive.

## Offering COVID-19 Relief to Community

We kick-started our collaboration with local food drives at the start of the pandemic, offering urgent assistance to those without access to sufficient and nutritious food due to lockdowns and unemployment.

As the number of COVID-19 cases in Hong Kong soared in early 2022 and the city was troubled by the widespread pandemic, our efforts extended swiftly to support deprived children and elderly, low-income groups, and persons with disabilities. We donated food, rapid test kits and other anti-pandemic items to the people in need via big and small NGOs in Hong Kong. In view of the increasing demand of medicines, we distributed anti-epidemic proprietary Chinese medicines to our employees, workers of our contractors working at our sites, and underprivileged groups via NGOs.



Extending rental relief and supports to eligible tenants in MegaBox



Supporting food banks with daily necessities for vulnerable groups



Supporting various NGOs with anti-pandemic items



Giving out anti-epidemic proprietary Chinese medicines to our employees, contractors' staff and the needy

## Providing Emergency Support

In July 2021, floodwaters ripped through Henan Province in Central China. This catastrophic flood devastated the province, displacing thousands of people. We donated RMB10 million in support of flood control, emergency relief and restoration work in Zhengzhou. Sanitisers and PPE items were promptly delivered to Henan to help prevent the spread of the pandemic.

## Mitigating Food Insecurity

Together with our charity partner, Hong Kong Christian Shuen Tao Church, we have been supporting a food assistance programme for households that struggled against food insecurity since 2020. We will continue our efforts in relieving food insecurity and have extended coverage from Tai Kok Tsui, Mong Kok and Sham Shui Po to Sheung Shui. This year, our food donations amounted to HK\$1.1 million, benefiting 2,400 families.

We are also pleased to note that our business partners have joined our efforts. A Rice Packing Programme initiated by the Kerry Project – Community Caring Scheme was warmly supported by our contractors. Teams were sent to help with

packing and distributing rice to the underprivileged through FOOD-CO, a data-sharing platform launched by St. James' Settlement, aiming to handle food donations more efficiently by leveraging technology and data analysis.

## Empowering Youth for a Better Future

In Hong Kong, volunteers from the Kerry Project – Community Caring Scheme joined students of Hong Chi Morninglight School, Yuen Long, to participate in their STEM Fun Day. Our property management arm, Kerry Property Management Services Limited also partnered with the Hong Kong Institute of Vocational Education to offer practical arboriculture and tree pruning sessions for their diploma students.

In Shanghai, we have provided support for the Future Smile Foundation, offering after-school care and activities for the children of migrant families for the last two years. Starting in 2021, Kerry Properties has been working on our partnership with Shenzhen University for the Kerry Chair Professor Programme. This programme will last for at least five years and is intended to drive enhancements in teaching quality by introducing reputable scholars to the University as guest professors, to broaden students' horizons in Shenzhen.



Kinetic Space, Jing An Kerry Centre, Shanghai



Rice Packing Workshop, Hong Kong



Love The World • Without Borders Exhibition, Beijing Kerry Centre, Beijing

# SUSTAINABLE DEVELOPMENT AND CSR ACTIVITIES

## Highlight Story

### Caring for People of All Ages

As a property developer, we are committed to building quality homes, strengthening local communities, and making a difference in people's lives through a holistic approach.

In Beijing and Hangzhou, we collaborated with local charities to benefit autistic children and their families. In collaboration with the World of Art Brut Culture Charity Foundation (WABC), Beijing Kerry Centre launched the first "Different Socks Day" in 2020, with a mission to eliminate discrimination against people with mental disabilities and to promote an inclusive society for all. They also co-organised an immersive exhibition "Love The World • Without Borders" to showcase art pieces created by autistic children in 2021.

On World Autism Awareness Day, our Hangzhou team held the very first concert with Autism Parents, a mutual help organisation for autistic children, offering them a performance opportunity. Some children are graduates of the ukulele and basketball classes sponsored by the Company since 2020.



Concert with Autism Parents, Hangzhou

In Shanghai, KerryOn, a lifestyle platform in Jing An Kerry Centre, transformed some of our spaces at Jing An Kerry Centre and Pudong Kerry Parkside into fun-filled venues for the younger generation to share companionship and care for each other. The launch of "THE GREEN HOUSE" in 2021 provided an online and offline interactive platform, enabling people to socialise and dine. Kinetic Space in Jing An Kerry Centre also served as an ideal place to host different wellness and mindfulness activities for office occupants to relax after work.

In Shenyang, we supported the setup of a Chinese Medicine Rehabilitation Section at the Shenyang Social Welfare Home, which helped serve veterans, "three-not" elderly people, family members of deceased soldiers, and persons with disabilities.

## VALUE CHAIN



ESG Accelerator Programme, Hong Kong



Coffee Grounds Recycling Programme, Kerry Parkside, Shanghai

### Leading the Way Through Innovation

Our Technology & Innovation Department is dedicated to the promotion and adoption of innovative technologies in different fields, including data management, digital transformation and cybersecurity.

In Qianhai Kerry Centre and our properties in Beijing, Tianjin and Hangzhou, we piloted a new IoT platform, Kerry+, which is designed to improve building management and service quality and bring added convenience for building managers and tenants. Combined with IoT, big data and cloud computing, Kerry+ can be used to monitor the environment and energy consumption, allocate office resources and increase community engagement. This platform has been adopted across our Shanghai portfolio in early 2022 and will be released in other cities in the future.

Innovative technology is also applied in the planning and construction stage of our properties. To reduce waste caused by traditional off-site mock-ups for construction, we have utilised Building Information Modelling (BIM) technology and Virtual Spatial Mock-Up (VSMU) at our construction sites.

This year, in support of the local innovation and technology industry, we joined the ESG Accelerator Programme, and engaged local tech start-ups to explore potential areas where we can make good use of their products and services.

## Caring for Our Suppliers and Contractors

In 2021, we provided training on fair labour practices to over 50 suppliers and contractors in Hong Kong. In Hangzhou, free physical examinations were provided for over 100 contract workers through the We Care About You – Health Check programme to offer elementary body checks for contract staff.

## Highlight Story

### Building a Sustainable Future

Ongoing engagement with our key stakeholders, including the local community, suppliers, contractors, tenants, and customers, helps us to identify key sustainable topics in our value chain. It enables us to further allocate resources and efforts in these focused areas. One example is our new land site in Huangpu District, Shanghai, where we considered stakeholders' needs during the design and planning phase to build a more inclusive and sustainable community.

The public is also invited to learn more about the latest green trends through our sustainable building design with various ongoing recycling initiatives. In KEC III, our Sustainable Library features green furniture made from recycled cartons, which are collected from the building and then processed by a local environmental company.

We also encourage our tenants to participate in the sustainability journey. In 2021, through the KPL Sustainability Sponsorship Fund Programme, we supported a total of 20 events on waste reduction in our Hong Kong and Mainland portfolios.



ReThink HK 2021, Hong Kong

To facilitate exchanges with our peers, ESG practitioners and the public, we actively participated in related seminars, conferences and forums on sustainability to share insights. In Shanghai and Shenzhen, our representative participated in the "Carbon Neutral 2060" forum organised by U.S. Green Building Council, sharing green practices we have adopted in our buildings. In Hong Kong, we participated in ReThink HK 2021, a high-level conference and expo for green solution providers and practitioners. Our green-themed booth attracted visitors to learn more about our waste reduction practices by interacting with an upcycled apple tree installation.

We have sponsored a series of forums and talks in our Mainland portfolios to provide the latest updates on the sustainability and ESG trends for our tenants and partners. At Shenzhen Kerry Plaza and Qianhai Kerry Centre, we invited experts to share professional insights on sustainable development with our tenants.

# AWARDS AND CITATIONS

As we look back at some of our exceptional moments from 2021, we are encouraged not only by the milestones we achieved, but also the positive impact we were able to make on people, society and the environment. Here are some of the awards we have received along the way. They rightfully belong to our team members, partners and stakeholders who have inspired us to continue on our transformative journey.

## GREEN

Guided by clearly defined and measurable targets, and with an absolute commitment to achieving them, the Group has set itself on a path to future-proof growth. Among many other awards for these sustainability efforts, we have been rated GRESB 5-Star and also recognised with a Gold and a Grand Award in the Hong Kong Green Awards. Our various developments in Hong Kong have also received Gold and Silver ratings under BEAM Plus.



### Environmental Management System – ISO 14001:2015 Certification

- Maintained by Kerry Properties Limited, MegaBox Management Services Limited and Kerry Property Management Services Limited

### Energy Management System – ISO 50001:2018 Certification

- Maintained by Head Office of Kerry Properties Limited and Kerry Properties Development Management (Shanghai) Co., Ltd.

### Global Real Estate Sustainability Benchmark (GRESB) – 5 – Star Rating

#### GRESB

- 1st in Public Disclosure scores under the China-HKSAR/Diversified comparison group; 2nd in Eastern Asia Diversified Listed; and 3rd in Global Diversified Listed categories: Kerry Properties Limited

### Hong Kong Green Awards 2021

#### Green Council

- Green Management Award – Corporate (Large Corporation) – Gold and Sustained Performance (12 years +);
- Sustainable Procurement Award (Large Corporation) – Grand Award: Kerry Properties Limited

### RESET™ Air for Core & Shell

#### GIGA

- Maintained by Beijing Kerry Centre; Hangzhou Kerry Centre; Enterprise Centre at Kerry Everbright City Phase III, Jing An Kerry Centre and Kerry Parkside, Shanghai; Kerry Centre, Hong Kong; and Shenzhen Kerry Plaza

Award or Certification	Issuing or Organising Authority
<p><b>4T Charter</b></p> <ul style="list-style-type: none"> <li>Participation Certificate: 1&amp;3 Ede Road, 8 LaSalle, Belgravia, Bayview, Branksome Grande &amp; Branksome Crest, Elm Tree Towers, Enterprise Square, Enterprise Square Three, Head Office of Kerry Properties Limited, Kerry Centre, Lions Rise, Mantin Heights, May Towers, MegaBox, Ocean Pointe, Primrose Hill, Regency Park, Resiglow-Bonham, Resiglow-Happy Valley, SOHO 189, SOHO 38, Tavistock, Tavistock II &amp; Aigburth, The Altitude, The Summa, and Valverde (all in Hong Kong)</li> </ul>	<p>Environment Bureau and Electrical and Mechanical Services Department</p>
<p><b>BEAM Plus New Buildings (NB) Version 1.2</b></p> <ul style="list-style-type: none"> <li>Final Silver Rating: 10 LaSalle, Hong Kong</li> <li>Provisional Gold Rating: Proposed Residential Development at Site D of Wong Chuk Hang Station Property Development, Hong Kong</li> </ul>	<p>Hong Kong Green Building Council</p>
<p><b>BEC Jockey Club Intelligent Resource Management Programme</b></p> <ul style="list-style-type: none"> <li>Certificate of Good Waste Reduction and Recycling Performance: Branksome Grande, Lions Rise and Regency Park (all in Hong Kong)</li> </ul>	<p>Business Environment Council</p>
<p><b>CarbonCare® Label and CarbonCare® Star Label 2021</b></p> <ul style="list-style-type: none"> <li>Kerry Properties Limited</li> </ul>	<p>CarbonCare InnoLab</p>
<p><b>Certificate of Green Building Label - 2-Star</b></p> <ul style="list-style-type: none"> <li>Tianjin Kerry Centre Phase II; Kerry Parkside and Jing An Kerry Centre, Shanghai</li> </ul>	<p>Tianjin Housing and Urban-Rural Construction Commission and Shanghai Green Building Council</p>
<p><b>Charter on External Lighting 2020 – 2021</b></p> <ul style="list-style-type: none"> <li>Platinum Award: 15 Homantin Hill, 8 LaSalle, Bayview, Elm Tree Towers, Enterprise Square, Enterprise Square Two, Island Crest, Head Office of Kerry Properties Limited, Kerry Centre, May Towers, MegaBox, Primrose Hill, Tavistock, Tavistock II &amp; Aigburth, The Altitude and Valverde (all in Hong Kong)</li> <li>Gold Award: 1 &amp; 3 Ede Road, Belgravia, Lions Rise, Ocean Pointe, SOHO 189 and The Summa (all in Hong Kong)</li> </ul>	<p>Environment Bureau</p>

# AWARDS AND CITATIONS

Award or Certification	Issuing or Organising Authority
<p><b>CLP Smart Energy Award 2020</b></p> <ul style="list-style-type: none"> <li>• Certificate of Merit: 1 &amp; 3 Ede Road, 15 Homantin Hill, 8 LaSalle, Bayview, Constellation Cove, Dragons Range, Enterprise Square, Enterprise Square Two, Enterprise Square Three, Lions Rise, Mantin Heights, Ocean Pointe, Primrose Hill, Regency Park and The Bloomsway (all in Hong Kong)</li> </ul>	CLP Power Hong Kong Limited
<p><b>Corporate Environmental Leadership Awards 2020 – EcoPartner</b></p> <ul style="list-style-type: none"> <li>• Kerry Centre, Hong Kong</li> </ul>	Bank of China (Hong Kong) and Federation of Hong Kong Industries
<p><b>ECO CREATIVITY Award</b></p> <ul style="list-style-type: none"> <li>• Beijing Kerry Residence</li> </ul>	<i>Voyage</i>
<p><b>Energy Saving Charter 2021</b></p> <ul style="list-style-type: none"> <li>• Participation Certificate: 1&amp;3 Ede Road, 15 Homantin Hill, 8 LaSalle, Bayview, Belgravia, Branksome Grande &amp; Branksome Crest, Elm Tree Towers, Enterprise Square, Enterprise Square Three, Island Crest, Head Office of Kerry Properties Limited, Jupiter Terrace, Kerry Centre, Lions Rise, Mantin Heights, May Towers, MegaBox, Ocean Pointe, Primrose Hill, Regency Park, Resiglow-Bonham, Resiglow-Happy Valley, SOHO 189 and SOHO 38, Tavistock, Tavistock II &amp; Aigburth, The Altitude, The Summa and Valverde (all in Hong Kong)</li> </ul>	Environment Bureau and Electrical and Mechanical Services Department
<p><b>Green Office Awards and Eco-Healthy Workplace Labels 2021</b></p> <ul style="list-style-type: none"> <li>• Kerry Properties Limited</li> </ul>	World Green Organisation
<p><b>Hong Kong Awards for Environmental Excellence 2020</b></p> <ul style="list-style-type: none"> <li>• Certificate of Merit: Lions Rise, Hong Kong</li> <li>• Certificate of Appreciation: 1 &amp; 3 Ede Road, 15 Homantin Hill, 8 LaSalle, Bayview, Belgravia, Branksome Grande &amp; Branksome Crest, Century Towers, Constellation Cove, Dragons Range, Elm Tree Towers, Enterprise Square, Enterprise Square Two, Enterprise Square Three, Heng Fa Villa, Island Crest, Jupiter Terrace, Kerry Centre, Mantin Heights, May Towers, Ocean Pointe, Primrose Hill, Regency Park, Resiglow-Bonham, Resiglow-Happy Valley, SOHO 189, SOHO 38, Tavistock, Tavistock II &amp; Aigburth, The Altitude, The Summa and Valverde (all in Hong Kong)</li> </ul>	Environmental Campaign Committee and Environmental Protection Department
<p><b>Hong Kong Green Organisation</b></p> <ul style="list-style-type: none"> <li>• Kerry Properties Limited and 29 managed properties in Hong Kong</li> </ul>	Environmental Campaign Committee, Environmental Protection Department and nine leading trade and professional bodies

Award or Certification	Issuing or Organising Authority
<p><b>Hong Kong Green Organisation Certification – Carbon Reduction Certificate</b></p> <ul style="list-style-type: none"> <li>• Kerry Properties Limited</li> </ul>	<p>Environmental Campaign Committee, Environmental Protection Department and nine leading trade and professional bodies</p>
<p><b>Hong Kong Green Organisation Certification – Energywi\$e Certificate</b></p> <ul style="list-style-type: none"> <li>• Excellence Level: The Altitude, Hong Kong</li> <li>• Good Level: May Towers, SOHO 38 and Valverde (all in Hong Kong)</li> <li>• Basic Level: 1 &amp; 3 Ede Road, Branksome Grande &amp; Branksome Crest, Belgravia, Constellation Cove, Enterprise Square, Enterprise Square Two, Enterprise Square Three, Heng Fa Villa, Island Crest, Jupiter Terrace, Lions Rise, MegaBox, Ocean Pointe, Regency Park, Resiglow-Happy Valley, Tavistock, Tavistock II &amp; Aigburth and The Summa (all in Hong Kong)</li> </ul>	<p>Environmental Campaign Committee, Environmental Protection Department and nine leading trade and professional bodies</p>
<p><b>Hong Kong Green Organisation Certification – IAQwi\$e Certificate</b></p> <ul style="list-style-type: none"> <li>• Excellence Level: Head Office of Kerry Properties Limited and common areas of Kerry Centre, Hong Kong</li> </ul>	<p>Environmental Campaign Committee, Environmental Protection Department and nine leading trade and professional bodies</p>
<p><b>Hong Kong Green Organisation Certification – Wastewi\$e Certificate</b></p> <ul style="list-style-type: none"> <li>• Excellence Level: Kerry Properties Limited and 27 managed properties in Hong Kong</li> <li>• Basic Level: Dragons Range, Lions Rise and Resiglow-Happy Valley (all in Hong Kong)</li> </ul>	<p>Environmental Campaign Committee, Environmental Protection Department and nine leading trade and professional bodies</p>
<p><b>Indoor Air Quality Certificate</b></p> <ul style="list-style-type: none"> <li>• Excellent Class: Branksome Crest, Head Office of Kerry Properties Limited and common areas of Kerry Centre (all in Hong Kong)</li> <li>• Good Class: Common areas of Enterprise Square &amp; Enterprise Square Three, Tavistock and Tavistock II &amp; Aigburth (all in Hong Kong)</li> </ul>	<p>Environmental Protection Department</p>
<p><b>International Facility Management Association 2021 – Asia Pacific Awards of Excellence in Environmental Stewardship</b></p> <ul style="list-style-type: none"> <li>• Certificate of Merit: Enterprise Centre at Kerry Everbright City Phase III, Shanghai</li> </ul>	<p>International Facility Management Association</p>
<p><b>Shanghai Household Waste Classification Top 100 2021</b></p> <ul style="list-style-type: none"> <li>• Jing An Kerry Centre, Shanghai</li> </ul>	<p>Shanghai Landscaping &amp; City Appearance Administrative Bureau</p>
<p><b>Sustainable Procurement Charter</b></p> <ul style="list-style-type: none"> <li>• Kerry Properties Limited</li> </ul>	<p>Green Council</p>

# AWARDS AND CITATIONS

## PROPERTY DEVELOPMENT AND MANAGEMENT

These awards are dedicated to our project teams who always strive to consistently achieve high building performances, as verified against recognised standards. A notable accreditation was LEED Zero Waste, achieved by our Enterprise Centre in Shanghai and making it the first certified project in Asia under this international rating system. Our portfolio of ecologically sensitive projects in the past year has also placed us as one of the BCI Asia Awards Top Ten Developers.



### BCI Asia Awards 2021 – Top Ten Developers – Hong Kong

BCI Central

- Kerry Properties Limited

### LEED Homes Awards

U.S. Green Building Council

- Honorable Mention for Project of the Year: Qianhai Kerry Centre (Apartments), Shenzhen

### LEED Zero Waste and TRUE Zero Waste Platinum Certifications

U.S. Green Building Council

- Enterprise Centre at Kerry Everbright City Phase III, Shanghai

### Quality Management Systems – ISO 9001:2015 Certification

- Property in Beijing: Beijing Kerry Centre
- Properties in Shanghai: Central Residences II, Enterprise Square at Kerry Everbright City Phase II, Jing An Kerry Centre and Kerry Parkside
- Properties in Hangzhou: Castalia Court and Hangzhou Kerry Centre
- Property in Shenzhen: Shenzhen Kerry Plaza
- Properties in Shenyang: Shenyang Arcadia Court and Shenyang Kerry Centre (Enterprise Square Tower A)
- Property in Tianjin: Tianjin Arcadia Court

### Occupational Health and Safety Management Systems – ISO 45001:2018 Certification

- Maintained by Kerry Project Management (H.K.) Limited, Kerry Properties Development Management (Shanghai) Co., Ltd. and MegaBox Management Services Limited
- Properties in Hong Kong: Branksome Grande & Branksome Crest, Enterprise Square Five, Kerry Centre, MegaBox, Resiglow-Happy Valley, Tavistock, Tavistock II & Aigburth
- Properties in Shanghai: Central Residences II, Jing An Kerry Centre, Kerry Parkside, Enterprise Square at Kerry Everbright City Phase II and Enterprise Centre at Kerry Everbright City Phase III
- Properties in Shenyang: Shenyang Arcadia Court and Shenyang Kerry Centre (Enterprise Square Tower A)
- Property in Shenzhen: Shenzhen Kerry Plaza
- Property in Tianjin: Tianjin Arcadia Court

Award or Certification	Issuing or Organising Authority
<b>A&amp;D Awards 2021 – Architecture – Best Residential/Housing – Gold</b> <ul style="list-style-type: none"> <li>• 10 LaSalle, Hong Kong</li> </ul>	Asian Integrated Media
<b>Advanced Group in 119 FS Award in Jing An 2021</b> <ul style="list-style-type: none"> <li>• Jing An Kerry Centre, Shanghai</li> </ul>	Shanghai Municipal Jing'an District Fire Safety Committee
<b>Advanced Group in Fire Safety 2021</b> <ul style="list-style-type: none"> <li>• Jing An Kerry Centre and Kerry Everbright City, Shanghai</li> </ul>	Shanghai Municipal Fire Safety Professional Committee and Tianmu West Road Police Station of Jing An District
<b>Beijing Engineering and Construction Quality Management Group Class II Achievements 2021</b> <ul style="list-style-type: none"> <li>• Qianhai Kerry Centre, Shenzhen</li> </ul>	Beijing Construction Association
<b>Certified Micro Fire Station</b> <ul style="list-style-type: none"> <li>• Jing An Kerry Centre, Shanghai</li> </ul>	Jing'an District Fire and Rescue Detachment
<b>Charter on Preferential Appointment of OSH Star Enterprise</b> <ul style="list-style-type: none"> <li>• Primrose Hill, Hong Kong</li> </ul>	Occupational Safety and Health Council (OSHC)
<b>Excellent Model Unit in Hangzhou Against Terrorism 2020</b> <ul style="list-style-type: none"> <li>• Hangzhou Kerry Centre</li> </ul>	Hangzhou Municipal Anti-terrorist Working Group
<b>Guangdong High Quality Structural Engineering Award 2021</b> <ul style="list-style-type: none"> <li>• Qianhai Kerry Centre Phase II, Shenzhen</li> </ul>	Guangdong Construction Industry Association
<b>LEED v4 Operations and Maintenance: Existing Buildings Certification</b> <ul style="list-style-type: none"> <li>• Gold: Shenyang Kerry Centre (Towers A &amp; B) and Kerry Parkside</li> <li>• Pre-certification: Qianhai Kerry Centre (Phase III), Shenzhen</li> </ul>	U.S. Green Building Council
<b>LEED v4.1 Operations and Maintenance: Existing Buildings Certification</b> <ul style="list-style-type: none"> <li>• Platinum: Jing An Kerry Centre (Towers 1, 2 &amp; 3) and Kerry Parkside - Office Tower, Shanghai</li> <li>• Pre-certification: Fuzhou Rivercity</li> </ul>	U.S. Green Building Council

# AWARDS AND CITATIONS

Award or Certification	Issuing or Organising Authority
<p><b>Kowloon East Best Security Services Awards 2020-2021</b></p> <ul style="list-style-type: none"> <li>The Outstanding Security Partnership Award: MegaBox Management Services Limited</li> </ul>	Hong Kong Police Force
<p><b>Kowloon West Best Security Services Awards 2020</b></p> <ul style="list-style-type: none"> <li>Best Managed Property Award: 15 Homantin, Bayview, Mantin Heights (all in Hong Kong)</li> <li>Best Security Personnel: Chan Hing Oi (Bayview) and Lam Chun Hung (15 Homantin)</li> </ul>	Hong Kong Police Force
<p><b>Outstanding Building in Lujiazui</b></p> <ul style="list-style-type: none"> <li>Kerry Parkside, Shanghai</li> </ul>	Lujiazui Finance & Trade Zone Buildings Association
<p><b>Pandemic-Free Model Neighborhood</b></p> <ul style="list-style-type: none"> <li>Putian Arcadia Court</li> </ul>	Chengxiang District Command Center for Novel Coronavirus Prevention and Control
<p><b>Premier Smoke-Free Housing Management Recognition</b></p> <ul style="list-style-type: none"> <li>Lions Rise, Hong Kong</li> </ul>	Hong Kong Council on Smoking and Health
<p><b>Security Services Best Training Award 2020</b></p> <ul style="list-style-type: none"> <li>Gold Award (Licensed Security Company – Type I): MegaBox Management Services Limited</li> </ul>	Vocational Training Council and Hong Kong Police Force Crime Prevention Bureau
<p><b>Shenzhen High Quality Structural Engineering Award 2021</b></p> <ul style="list-style-type: none"> <li>Qianhai Kerry Centre, Shenzhen</li> </ul>	Shenzhen Construction Industry Association
<p><b>Shenzhen High Quality Structural Engineering Award Single-Stage Tender Office Buildings in Second Half of 2020</b></p> <ul style="list-style-type: none"> <li>Fuzhou Rivercity</li> </ul>	Shenzhen Construction Industry Association
<p><b>Shenzhen High Quality Structural Engineering Award Single-Stage Tender Office Buildings in First Half of 2021</b></p> <ul style="list-style-type: none"> <li>Qianhai Kerry Centre, Shenzhen</li> </ul>	Shenzhen Construction Industry Association
<p><b>Super A 6-Star in Building Quality Certification</b></p> <ul style="list-style-type: none"> <li>Beijing Kerry Centre</li> </ul>	Beijing Municipal Chaoyang District CBD Alliance

Award or Certification	Issuing or Organising Authority
<p><b>The 20th Hong Kong Occupational Safety and Health Award – Safety Performance Award – Outstanding</b></p> <ul style="list-style-type: none"> <li>• Kerry Project Management (H.K.) Limited</li> </ul>	Occupational Safety and Health Council (OSHC)
<p><b>The 22nd Construction Safety Award</b></p> <ul style="list-style-type: none"> <li>• Outstanding Metal Scaffolder in Occupational Safety and Health – Merit: Wong Chuk Hang Station Package Two Property Development, Hong Kong</li> </ul>	Occupational Safety and Health Council (OSHC)
<p><b>The Greater Bay Area Navigation Award 2021 – Remarkable Developer for the Greater Bay Area</b></p> <ul style="list-style-type: none"> <li>• Kerry Properties Limited</li> </ul>	Hong Kong Ta Kung Wen Wei Media Group
<p><b>Top 100 Chinese Real Estate Companies (Non-Mainland Enterprises) and Top 100 China Commercial Real Estate Companies 2021</b></p> <ul style="list-style-type: none"> <li>• Kerry Properties Limited</li> </ul>	<i>Guandian</i>
<p><b>Top 100 Investment and Operation Award for Commercial Office Buildings in China 2020</b></p> <ul style="list-style-type: none"> <li>• Beijing Kerry Centre</li> </ul>	The Committee of the Top 100 Commercial Office Buildings Investment and Operation in China
<p><b>Unconventional Water Resources Utilisation (Rainwater Utilisation) Case Selection in Shanghai</b></p> <ul style="list-style-type: none"> <li>• Selected Success Case: Jing An Kerry Centre, Shanghai</li> </ul>	Shanghai Water Authority
<p><b>Workplace Hygiene Competition 2021</b></p> <ul style="list-style-type: none"> <li>• Runner Up: Main Contract Works for Wong Chuk Hang Station Package Two Property Development, Hong Kong</li> </ul>	MTR Corporation Limited

# AWARDS AND CITATIONS

## CORPORATE GOVERNANCE AND CITIZENSHIP

As part of our commitment to pursuing business excellence, we create spaces for tenants, visitors and the community where people’s well-being and safety always come first. This has driven us to build a succession of WELL-certified projects in an effort to improve the human experience. From green building, we have taken further steps to embed sustainability in our operations and management. Our consistent protocols have helped us make a positive impact on society and the environment, while maintaining important index inclusions and other recognition. These honours gave us a lot of encouragement, in particular, The Asset ESG Corporate Awards and Hong Kong Corporate Governance and ESG Excellence Awards.



### Greater Bay Area Business Sustainability Index 2020 – Top 10 Achiever

The Chinese University of Hong Kong and Centre for Business Sustainability, CUHK Business School

- Kerry Properties Limited

### Hang Seng Corporate Sustainability Index Series 2021

Hang Seng Indexes Company Limited

- Constituent Member of the Hang Seng Corporate Sustainability Benchmark Index
- AA+ Rating: Kerry Properties Limited

### Hong Kong Corporate Governance and ESG Excellence Awards 2021 – Winner of ESG Excellence Awards

Chamber of Hong Kong Listed Companies and the Centre for Corporate Governance and Financial Policy, Hong Kong Baptist University

- Kerry Properties Limited

### Hong Kong Sustainability Award 2020/21 – Certificate of Excellence

The Hong Kong Management Association

- Kerry Properties Limited

### The Asset ESG Corporate Awards 2021 – Benchmark Award – Platinum Award

The Asset

- Kerry Properties Limited



Hong Kong Corporate Governance and ESG Excellence Awards 2021

Award or Certification	Issuing or Organising Authority
<b>5th CSR China Education Award 2021 – Top 100</b> <ul style="list-style-type: none"> <li>• Kerry Properties Limited</li> </ul>	CSR China Education Award Organising Committee
<b>10 Years Plus Caring Company</b> <ul style="list-style-type: none"> <li>• MegaBox Development Company Limited and MegaBox Management Services Limited</li> </ul>	The Hong Kong Council of Social Services
<b>15 Years Plus Caring Company</b> <ul style="list-style-type: none"> <li>• Kerry Properties Limited</li> </ul>	The Hong Kong Council of Social Services
<b>2021 Happy Company</b> <ul style="list-style-type: none"> <li>• Kerry Centre, Hong Kong</li> </ul>	Promoting Happiness Index Foundation
<b>Best Art Design Project for Public Welfare</b> <ul style="list-style-type: none"> <li>• Beijing Kerry Centre</li> </ul>	Tsinghua Tongheng Urban Planning & Design Institute – Architectural Design Branch
<b>CAPITAL ESG Award 2021</b> <ul style="list-style-type: none"> <li>• Kerry Properties Limited</li> </ul>	<i>CAPITAL</i>
<b>Construction Industry Volunteer Award Scheme 2021</b> <ul style="list-style-type: none"> <li>• Excellence in Construction Industry Volunteering Project – Merit and Participation Award: Kerry Project Management (H.K.) Limited</li> </ul>	Construction Industry Council

# AWARDS AND CITATIONS

Award or Certification	Issuing or Organising Authority
<b>Future Smile – Whole Heart and Brightness Award</b> • Kerry Properties Limited	Future Smile Charitable Foundation
<b>HKQAA – Sustainability Rating AA+</b> • Kerry Properties Limited	Hong Kong Quality Assurance Agency
<b>HKQAA CSR Index Plus – CSR Advocate Mark</b> • Kerry Properties Limited	Hong Kong Quality Assurance Agency
<b>Life First Safety Promotional Campaign 2021 – Most Engaging Client</b> • Kerry Project Management (H.K.) Limited	Development Bureau and Construction Industry Council
<b>Outstanding Caring Enterprise 2021</b> • Kerry (Shenyang) Real Estate Development Company Limited	Liaoning Provincial Foundation for Disabled Persons
<b>Public Welfare Practice Award</b> • Beijing Kerry Centre	The 11 <sup>th</sup> China Charity Festival
<b>RICS Hong Kong Awards 2021 – Finalist in Sustainability Awards</b> • Kerry Properties Limited	The Royal Institution of Chartered Surveyors (RICS)
<b>Sustainable Business Award &amp; Sustainable Leadership Award 2021</b> • Kerry Properties Limited	World Green Organisation

Award or Certification	Issuing or Organising Authority
<p><b>WELL Building Certifications</b></p> <ul style="list-style-type: none"> <li>• Platinum: 7/F Office of Tower 2, Enterprise Centre at Kerry Everbright City Phase III</li> <li>• Gold: Bayview A2 and T1 &amp; T2 Offices, Qianhai Kerry Centre, Shenzhen</li> <li>• Pre-certification: Qianhai Kerry Centre Phase III, Shenzhen; Podium AEI of Kerry Everbright City Phase 1, Shanghai</li> </ul>	<p>International WELL Building Institute</p>
<p><b>WELL Health-Safety Rating</b></p> <ul style="list-style-type: none"> <li>• Properties in Hong Kong: Kerry Centre &amp; Enterprise Square Five</li> <li>• Properties in the Mainland: Central Residences II, Jing An Kerry Centre (residence) and Kerry Parkside (serviced residence), Shanghai and Beijing Kerry Residence</li> </ul>	<p>International WELL Building Institute</p>

# AWARDS AND CITATIONS

## COMMUNICATIONS AND PROMOTIONS

Communication and engagement are essential to enhancing mutual understanding and collaboration with stakeholders at all levels. As a public company, we have the added task of maintaining a high degree of transparency and accountability. We are delighted that our financial and sustainability reports have been recognised as among the best by IR Magazine, The Hong Kong Management Association and other worldwide award programmes.



### ASTRID Awards 2021

MerComm, Inc.

- Grand and Gold Awards in Annual Reports – Specialized – Sustainability Report: Sustainability Report 2019

### iNOVA Awards 2021

MerComm, Inc.

- Grand and Gold Awards in Speciality Reports – Environment, Social & Governance Report: Sustainability Report 2020

### IR Magazine Greater China Awards 2021

IR Magazine

- Best ESG Materiality Reporting (small to mid-cap): Sustainability Report 2020

### The Best Annual Reports Awards 2021

The Hong Kong Management Association

- Excellence Award in Environmental, Social and Governance Reporting: Sustainability Report 2020



HKMA – Best Annual Reports Awards

Award	Issuing or Organising Authority
<p><b>2021 Annual Online Grand Ceremony – Home for Collectors</b></p> <ul style="list-style-type: none"> <li>Habitat, Qinhuangdao</li> </ul>	NetEase
<p><b>3 Years IR Awards Winning Company</b></p> <ul style="list-style-type: none"> <li>Kerry Properties Limited</li> </ul>	Hong Kong Investor Relations Association
<p><b>A Must-visit Shopping Mall in Shanghai</b></p> <ul style="list-style-type: none"> <li>Jing An Kerry Centre, Shanghai</li> </ul>	Dianping
<p><b>Annual Lifestyle Awards 2022</b></p> <ul style="list-style-type: none"> <li>Beijing Kerry Centre</li> </ul>	GOGO Beijing
<p><b>ARC Awards 2021</b></p> <ul style="list-style-type: none"> <li>Gold Award in Traditional Annual Report – Real Estate Integrated Development &amp; Investment: Annual Report 2020</li> <li>Silver Award in Design/Graphics – Sustainability Report: Hong Kong: Sustainability Report 2019</li> <li>Bronze Award in Late Published (Online A.R.): Sustainability Report 2019</li> </ul>	MerComm, Inc.
<p><b>Asia Sustainability Reporting Awards 2020</b></p> <ul style="list-style-type: none"> <li>Bronze Award in Asia’s Best Sustainability Report (Design): Sustainability Report 2019</li> </ul>	CSRWorks International
<p><b>ASTRID Awards 2021</b></p> <ul style="list-style-type: none"> <li>Silver Award in Annual Reports – Covers – Illustrations: Annual Report 2019</li> <li>Bronze Award in Annual Reports – Specialized – ESG Report: Sustainability Report 2019</li> <li>Honors in Employee Publications – Internal Newsletter for Staff: E-newsletter</li> <li>Silver Award in Special Projects – Summer/Seasonal Promotion: MegaBox x LEGO LEVEL UP Your Imagination</li> <li>Silver Award in Special Projects – Venue Design: MegaBox x GUDETAMA Eggcellent New Year</li> </ul>	MerComm, Inc.
<p><b>Arts in Shanghai – Outstanding Events 2020</b></p> <ul style="list-style-type: none"> <li>Green Escape<sup>ST</sup> at Jing An Kerry Centre, Shanghai</li> </ul>	Shanghai Municipal Administration of Culture and Tourism and Shanghai Municipal Commission of Commerce

# AWARDS AND CITATIONS

Award	Issuing or Organising Authority
<b>BEST 50 2020 – Best Market</b> <ul style="list-style-type: none"> <li>• Green Escape<sup>ST</sup> at Jing An Kerry Centre, Shanghai</li> </ul>	Shanghai WOW!
<b>Breastfeeding Star Premise</b> <ul style="list-style-type: none"> <li>• MegaBox Management Services Limited</li> </ul>	Department of Health
<b>Characteristic Night Economy District in Shenyang</b> <ul style="list-style-type: none"> <li>• Shenyang Kerry Centre</li> </ul>	Shenyang Municipal Commerce Bureau
<b>China’s Best Serviced Apartment Brand</b> <ul style="list-style-type: none"> <li>• Beijing Kerry Residence, Jing An Kerry Residence and Residences at Kerry Parkside in Shanghai</li> </ul>	CHA China Hotel Awards
<b>Citylife 2021 – Popular Shopping Mall</b> <ul style="list-style-type: none"> <li>• Jing An Kerry Centre, Shanghai</li> </ul>	Shanghai Jiaotong Guangbo
<b>CSVB 2020 China Shopping-Mall Value Board</b> <ul style="list-style-type: none"> <li>• Gold Award in Popup Innovation: Jing An Kerry Centre, Shanghai</li> <li>• Bronze Award in IP Marketing Event: Hangzhou Kerry Centre</li> <li>• Shortlisted for Marketing Innovation Category: Hangzhou Kerry Centre</li> </ul>	Commercial Real Estate & Retail
<b>DigiZ Awards 2021</b> <ul style="list-style-type: none"> <li>• Bronze Award in Most Engaging Mobile Campaign: MegaBox App Revamp</li> <li>• Bronze Award in Best Digital CRM Campaign: MegaBox App Revamp</li> </ul>	Marketing-Interactive
<b>Excellent Project Team of the Year</b> <ul style="list-style-type: none"> <li>• Project Development Team of Qianhai Kerry Centre, Shenzhen</li> </ul>	Qianhai Shekou Free Trade Zone Construction Command Office
<b>Fashion 100+ – New Fashion Landmark of the Year</b> <ul style="list-style-type: none"> <li>• Green Escape<sup>ST</sup> at Jing An Kerry Centre, Shanghai</li> </ul>	Shanghai Fashion Capital Promotion Center
<b>Fashion Landmark 2021</b> <ul style="list-style-type: none"> <li>• Jing An Kerry Centre, Shanghai</li> </ul>	GOGO Shanghai

Award	Issuing or Organising Authority
<p><b>Galaxy Awards 2021</b></p> <ul style="list-style-type: none"> <li>• Bronze Award in Brochures – Corporate Magazine: Dress Circle Magazine</li> <li>• Honors in Mobile Media – Annual Report: Sustainability Report 2020 Website</li> <li>• Honors in Design – Various – Environmental/Societal/Governance (ESG) Report: Sustainability Report 2020</li> </ul>	MerComm, Inc.
<p><b>Golden Light Award 2021</b></p> <ul style="list-style-type: none"> <li>• Night Economy Landmark Award: Green Escape<sup>ST</sup>. at Jing An Kerry Centre, Shanghai</li> <li>• Artistic Innovation Award: Beijing Kerry Centre</li> </ul>	MCWzg.com
<p><b>International Annual Report Design Awards 2021</b></p> <ul style="list-style-type: none"> <li>• Gold Award in Cover Design: Annual Report 2020</li> <li>• Silver Award in Integrated Presentation: Annual Report 2020</li> <li>• Silver Award in Integrated Presentation: Sustainability Report 2020</li> <li>• Bronze Award in Cover Design: Sustainability Report 2020</li> </ul>	IADA
<p><b>iNOVA Awards 2021</b></p> <ul style="list-style-type: none"> <li>• Gold Award in Video – Property Development &amp; Investment: La Marina Sales Video</li> <li>• Bronze Award in Environmental Awareness: Step Challenge 2021 Highlight Video</li> </ul>	MerComm, Inc.
<p><b>Mercury Excellence Awards 2020-2021</b></p> <ul style="list-style-type: none"> <li>• Silver Award in Annual Reports – Specialized – Sustainability Report: Sustainability Report 2019</li> <li>• Bronze Award in Promotion/Marketing – Christmas Campaign: MegaBox x MY MELODY Sparkling X'mas Town</li> <li>• Bronze Award in Special Events – Shopping Mall Campaign: MegaBox x LEGO LEVEL UP Your Imagination</li> <li>• Honors in Annual Reports – Overall Presentation – Property Development: Sustainability Report 2019</li> </ul>	MerComm, Inc.
<p><b>MIPIM Asia Awards 2020</b></p> <ul style="list-style-type: none"> <li>• Gold Award in Best Mixed-Use Development: Qianhai Kerry Centre, Shenzhen</li> <li>• Silver Award in Best Green Development: Qianhai Kerry Centre, Shenzhen</li> </ul>	Reed MIDEM

# AWARDS AND CITATIONS

Award	Issuing or Organising Authority
<p><b>New Landmarks of China Building Economy</b></p> <ul style="list-style-type: none"> <li>• Beijing Kerry Centre</li> </ul>	<p>Ministry of Commerce and China Building Economic Research Center, Characteristic Town Branch of China Real Estate Chamber of Commerce</p>
<p><b>Competition of Promoting Consumption, Improving Quality and Expanding Capacity in Jing'an District 2021 – Outstanding Contribution Award</b></p> <ul style="list-style-type: none"> <li>• Jing An Kerry Centre, Shanghai</li> </ul>	<p>Jing'an District Commerce Commission</p>
<p><b>Pinnacle Awards 2021 – Popular Mall of the Year</b></p> <ul style="list-style-type: none"> <li>• Jing An Kerry Centre, Shanghai</li> </ul>	<p>Shanghai WOW!</p>
<p><b>Property Projects with Highest Brand Value in 2020</b></p> <ul style="list-style-type: none"> <li>• Habitat, Qinhuangdao</li> </ul>	<p>Anjuke</p>
<p><b>SAIL TO NEW Lifestyle Awards 2020 – THE BEST Luxury Landmark of the City</b></p> <ul style="list-style-type: none"> <li>• Jing An Kerry Centre, Shanghai</li> </ul>	<p><i>CHANCE</i> and <i>NewsShanghai</i></p>
<p><b>Special Award of Merit 2020</b></p> <ul style="list-style-type: none"> <li>• Jing An Kerry Centre, Shanghai</li> </ul>	<p>Shanghai Services Federation</p>
<p><b>That's Hospitality Awards 2021</b></p> <ul style="list-style-type: none"> <li>• Outstanding Serviced Apartment Brand of the Year: Kerry Residence</li> <li>• Award for Excellent Hotelier: Jennie Ma, Kerry Residence</li> </ul>	<p><i>That's Magazine</i></p>
<p><b>The 2nd Voice of the Future – Enterprise Innovation Practice Award</b></p> <ul style="list-style-type: none"> <li>• Business Model Innovation Practice Award: Jing An Kerry Centre, Shanghai</li> </ul>	<p>Shanghai Media Group and Radio Shanghai</p>

Award	Issuing or Organising Authority
<p><b>The Best BANG! Awards 2021-22</b></p> <ul style="list-style-type: none"> <li>• Family Entertainment Mall of the Year: Kerry Parkside, Shanghai</li> <li>• Landmark of the Year: Jing An Kerry Centre, Shanghai</li> <li>• Best Commercial/Charity Complex: Beijing Kerry Centre</li> </ul>	BANG Media
<p><b>The Loyalty &amp; Engagement Awards 2021</b></p> <ul style="list-style-type: none"> <li>• Silver Award in Best Engagement Campaign – Mass Audience: MegaBox App Revamp</li> </ul>	Marketing-Interactive
<p><b>The Marketing Events Awards 2021</b></p> <ul style="list-style-type: none"> <li>• Bronze Award in Best Event – Gamification: MegaBox x LEGO LEVEL UP Your Imagination</li> </ul>	Marketing-Interactive
<p><b>TimeOut Hospitality Awards 2021</b></p> <ul style="list-style-type: none"> <li>• Family-Friendly Destination of the Year – Kerry Parkside, Shanghai</li> <li>• Premium Real Estate of the Year – Central Residences II, Shanghai</li> </ul>	<i>TimeOut</i>
<p><b>Top 30 in Commercial Real Estate Value 2021</b></p> <ul style="list-style-type: none"> <li>• Beijing Kerry Centre</li> </ul>	<i>Guandian</i>

# CORPORATE GOVERNANCE

## DIRECTORS AND SENIOR MANAGEMENT

### DIRECTORS

#### Executive Directors



**Mr Wong Siu Kong**

Aged 70, is the Chairman of the Company, the chairman of the Company's Nomination Committee and a member of the Company's Remuneration Committee, Finance Committee and Executive Committee. Mr Wong has been an Executive Director of the Company since 1996 and the Chairman of the Board of the Company since 2013. Mr Wong was a Joint Managing Director of the Company from 1999 to 2003, the Deputy Chairman of the Board and the Managing Director of the Company from 2003 to 2008, the President and Chief Executive Officer of the Company from 2008 to 2013 and the Chairman and Chief Executive Officer of the Company from September 2015 to January 2018 and from December 2018 to May 2019. Mr Wong is also a director of Kerry Holdings Limited (the controlling shareholder of the Company) and a director of China World Trade Center Co., Ltd. (a listed company in Shanghai). Mr Wong graduated from the South China Normal University in the PRC.



**Mr Kuok Khoon Hua**

Aged 43, is the Vice Chairman and Chief Executive Officer of the Company. He is also a member of the Company's Remuneration Committee, Nomination Committee, Finance Committee and Executive Committee. Prior to his appointment as the Vice Chairman and the Chief Executive Officer, Mr Kuok was a Non-executive Director of the Company from June 2015 to May 2019. Mr Kuok is the chairman of Kerry Holdings Limited ("**KHL**") and a director of Kerry Group Limited ("**KGL**") and Kuok (Singapore) Limited. Both KHL and KGL are the controlling shareholders of the Company. Mr Kuok is the vice chairman and a non-executive director of Kerry Logistics Network Limited (a listed company in Hong Kong). He is also a non-executive and non-independent director of Wilmar International Limited (a listed company in Singapore) and a director of Sea Limited (a listed company in New York). Mr Kuok holds a Bachelor's degree in Economics from Harvard University. He is the brother-in-law of Mr Bryan Pallop Gaw, an Executive Director of the Company.



### Mr Bryan Pallop Gaw

Aged 45, has been an Executive Director of the Company since 2012 and is a member of the Company's Executive Committee. Mr Gaw has previous experience in private equity, management consulting, strategic planning and business development. He holds a Bachelor of Arts in Political Science from Princeton University and a Master of Business Administration from Stanford's Graduate School of Business. Mr Gaw is the brother-in-law of Mr Kuok Khoon Hua, the Vice Chairman and Chief Executive Officer of the Company.



### Ms Serene Siew Noi Nah

Aged 42, has been an Executive Director of the Company since October 2021 and the Chief Financial Officer of the Company since September 2020. She is also a member of the Company's Finance Committee and Executive Committee. She was the Chief Strategy Officer of the Company from October 2019 to August 2020. Prior to joining the Company, Ms Nah was Head of Portfolio Management, Asia of SilverLake Partners, where she worked closely with portfolio company executives on value creation and Asian expansion initiatives. Prior to SilverLake Partners, she has spent ten years at General Electric in finance, M&A and various transformation teams. In her last role as Chief Financial Officer of GE Capital Greater China, she spearheaded the build out of GE's commercial and consumer finance businesses in Mainland China, Hong Kong and Taiwan. Ms Nah graduated from The Nanyang Technological University, Singapore with a Bachelor degree in Business Studies, and also holds an Executive Master of Business Administration from Kellogg-HKUST Executive MBA program.

# CORPORATE GOVERNANCE

## DIRECTORS AND SENIOR MANAGEMENT

### **DIRECTORS** (Continued)

#### Independent Non-executive Directors



**Ms Wong Yu Pok, Marina, JP**

Aged 73, has been an Independent Non-executive Director of the Company since 2008. She is now the chairman of the Company's Audit and Corporate Governance Committee and Remuneration Committee and also a member of the Company's Nomination Committee. She had been with PricewaterhouseCoopers for over 30 years specialising in the PRC tax and business advisory services, and has extensive experience in advising both Hong Kong and foreign investors in the structuring of their businesses and investments in the PRC. Ms Wong joined Tricor Services Limited as a director from 2004 to 2006 after her retirement as a partner from PricewaterhouseCoopers in 2004. Ms Wong is now an independent non-executive director of Kerry Logistics Network Limited, Hong Kong Ferry (Holdings) Company Limited, Luk Fook Holdings (International) Limited and SJM Holdings Limited (all of which are listed companies in Hong Kong). She is a Fellow Member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants.



**Mr Chang Tso Tung, Stephen**

Aged 73, has been an Independent Non-executive Director of the Company since 2012. He is now a member of the Company's Audit and Corporate Governance Committee, Remuneration Committee and Nomination Committee. He has been practising as a certified public accountant in Hong Kong for around 30 years and has extensive experience in accounting, auditing and financial management. He was the deputy chairman of Ernst & Young Hong Kong and China until his retirement in 2003. He is a member of the Investment Committee of Shanghai Fudan University Education Development Foundation and Shanghai Fudan University Overseas Education Development Foundation. Mr Chang is an independent non-executive director of Hua Hong Semiconductor Limited (a listed company in Hong Kong). He was formerly an independent non-executive director of China Cinda Asset Management Co., Ltd. (a listed company in Hong Kong) and China Life Insurance Company Limited (a listed company in Hong Kong and Shanghai). Mr Chang holds a Bachelor of Science degree from the University of London.



### **Mr Hui Chun Yue, David**

Aged 50, has been an Independent Non-executive Director of the Company since May 2020. He is now a member of the Company's Audit and Corporate Governance Committee, Remuneration Committee and Nomination Committee. Mr Hui is the Partner in charge of the Hong Kong office of Heidrick & Struggles International, Inc. (a publicly traded company on the NASDAQ stock market) and is the Regional Managing Partner of the Industrial Practice for Asia Pacific and the Middle East and leads the Chief Executive Officer and Board Practice in Hong Kong. He has over 20 years of experience in executive search and consulting globally and across the Asia Pacific region in the industrial and financial services sectors. Earlier in his career, Mr Hui was a banking and finance lawyer at Allen & Overy and Baker McKenzie. He is qualified to practise as a solicitor in England, Wales and Hong Kong. Mr Hui holds a Bachelor of Law with joint honors in Law and Chinese Studies from the University of Leeds, a Master of Law from the University of London and an Executive Master of Business Administration from Kellogg-HKUST Executive MBA program.

The Executive Directors of the Company are members of senior management of the Group.

# CORPORATE GOVERNANCE

## CORPORATE GOVERNANCE REPORT

### GOVERNANCE CULTURE



Corporate governance is the structure of roles, practices, and processes used to direct and manage a business ensuring that a company's objectives are met, and evolves with each business and operating environment. Kerry Properties Limited ("KPL") is committed to high standards of corporate governance and recognises that good governance is vital for the long-term success and sustainability of KPL's businesses. KPL is also committed to ensuring that its affairs are conducted in accordance with high ethical standards so that its shareholders' interest will be maximised in the long-term and that its employees, business partners, communities and stakeholders will all benefit. The Board is committed to and regularly enhancing KPL's corporate governance practices to ensure high standards of ethics are maintained with the balancing of returns to the shareholders.

### CORPORATE GOVERNANCE



The Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Exchange") sets out (a) the mandatory requirements for disclosure in Corporate Governance Report; and (b) the principles of good corporate governance, the code provisions on a "comply or explain" basis and certain recommended best practices.

KPL complied with all the code provisions set out in the CG Code throughout 2021.

More details about KPL's corporate governance structure, principles and practices are available on the website of KPL.

## THE BOARD OF DIRECTORS

### Role of the Board

KPL is governed by a Board of the Directors (the "Board"), which has responsibility for providing strategic leadership and control. Responsibility for achieving KPL's objectives and running the business on a day-to-day basis is delegated to the senior management. A clear formal schedule of matters specifically reserved for Board's approval is well in place.

Major responsibilities of the Board include:

- Setting the tone and continuing KPL's corporate culture
- Leading, directing and supervising KPL's affairs to enable its long-term success
- Setting long-term strategic objectives and strategic policies with appropriate focus on value creation and risk management and alignment with KPL's values and standards
- Ensuring appropriate and adequate reporting in the annual reports, including financial statements, environmental, social and governance ("ESG") reporting, disclosures of the Board's practices (e.g. the terms of references of the Board Committees of KPL, and various policies of KPL (e.g. Shareholders Communication Policy, Directors' Remuneration Policy, Nomination Policy, Dividend Policy and Board Diversity Policy))
- Being accountable for its actions or inactions, and where appropriate, taking the shareholders' and the stakeholders' views into account in its decisions
- Ensuring adequacy of resources, staff qualifications and experience, training programmes and budget, especially for KPL's accounting, internal audit and financial reporting, ESG performance and reporting functions
- Overseeing KPL's businesses, corporate governance and financial performance
- Ensuring efficient communication with the shareholders and recognition of the shareholders' interest

To assist it in fulfilling its duties, the Board has delegated specific responsibilities to five Board Committees, which are (1) Audit and Corporate Governance Committee; (2) Remuneration Committee; (3) Nomination Committee; (4) Finance Committee; and (5) Executive Committee. An overview of the delegated responsibilities of each Board Committee is set forth in page 97 of this annual report.

## Chairman and Chief Executive

The CG Code requires the roles of Chairman and Chief Executive be separated and not performed by the same individual to ensure there is a clear division of responsibilities between the management of the Board and the day-to-day business management.

Mr Wong Siu Kong, the Chairman of KPL, is responsible for providing leadership to the Board in terms of establishing policies and business directions. He ensures all Directors are properly briefed and received adequate information on issues arising at the board meetings, facilitates active and effective contributions from and dialogue with all Directors and constructive relations between them to ensure that the Board discharges its responsibilities effectively and all key and appropriate issues are discussed by the Board timely. He promotes culture of openness and trust and ensures, through the Board, that good corporate governance practices and procedures are established.

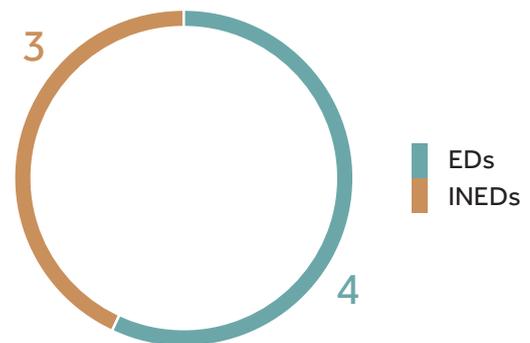
Mr Kuok Khoon Hua, the Vice Chairman and Chief Executive Officer (“CEO”) of KPL, is responsible for the overall operation and the executive responsibilities of KPL, and the full implementation of the directions and policies established by the Board to ensure the successful day-to-day business management.

Throughout the year, there was a clear division of responsibilities between the Chairman and CEO.

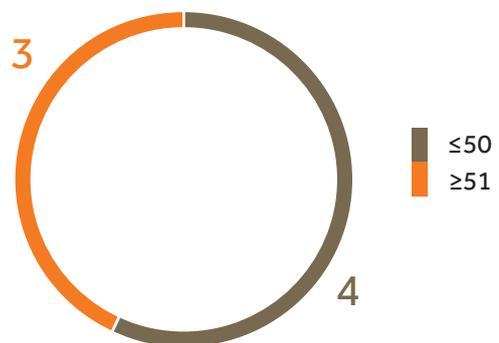
## Board Composition

The Board is structured with a view to ensuring it is of a high calibre and has a balance of key skills, experience and diversity of perspectives. A strong independent element is maintained so that the Board works effectively as a team with no individual nor group dominating decision-making. The Board comprises of the Chairman, three Executive Directors (“EDs”), and three Independent Non-executive Directors (“INEDs”). A list of all the Directors’ roles, functions, titles and biographical details is set out in the section headed “Directors and Senior Management” on pages 90 to 93 of this annual report and is posted on KPL’s website.

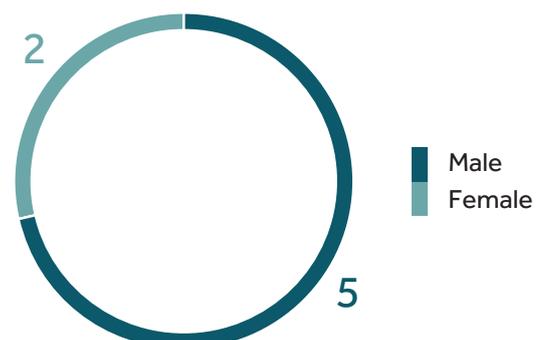
## COMPOSITION



## AGE



## GENDER DIVERSITY



# CORPORATE GOVERNANCE

## CORPORATE GOVERNANCE REPORT

The Board considers that all of its three INEDs are independent in character and judgement and fulfil the independence guidelines set out in Rule 3.13 of the Listing Rules. Confirmations have been received from all INEDs that they are independent as set out in Rule 3.13 of the Listing Rules. The Nomination Committee has assessed their independence by reviewing potential conflicts of interests, and concluded that all INEDs are independent within the definition of the Listing Rules. None of INEDs holds cross-directorships or has significant links with other Directors through involvement in other companies or bodies, or has material/relevant relationships with other Directors.

Throughout the year, the number of INEDs exceeds the requirement of the Listing Rules (i.e. one third of the Board).

### Appointment and Re-election

Potential new directors shall be identified and considered for appointment by the Nomination Committee. Pursuant to KPL's Bye-law 102, a director appointed by the Board is subject to election by the shareholders at the next general meeting following his/her appointment. Every director should be subject to retirement by rotation at least once every three years.

For the INED who has served KPL for more than nine years, his/her further appointment will be subject to a separate resolution to be approved by the shareholders and the papers to the shareholders accompanying that resolution should state why the Board, or the Nomination Committee, believes he/she is still independent and should be re-elected, including the factors considered, the process and the discussion of the Board, or the Nomination Committee, in arriving at such determination.

### Board Diversity

The Board has adopted a Board Diversity Policy since 2019. The Board's composition reflects an appropriate mix of gender, skills, experience and diversity of perspectives among its members that are relevant to KPL's strategy and business. It is the policy of KPL to consider a number of factors when deciding on appointments to the Board and the continuation of those appointments. Such factors include gender, age, culture, educational background, ethnicity, professional experience, skills, knowledge and length of service. Details of principles of the Board Diversity Policy are set out in the section headed "Nomination Committee Report" of this annual report.

### Responsibilities of Directors

Executive Directors are involved in the day-to-day operations of KPL's business. Being a member of senior management, they ensure management is accountable to the Board, and ultimately to the shareholders. They work closely with other Board members and are delegated with responsibilities to oversee and monitor the business operations and to implement the strategies and policies set by the Board.

The INEDs bring strong independent advice, judgement and, through constructive challenge, scrutiny of executives and review of performance and risks. Apart from their appointments as INEDs, none of the INEDs has any form of service contract with KPL or any of its subsidiaries. The INEDs are also members of various Board Committees and devote sufficient amount of time and attention to the affairs of KPL. The INEDs are able to give the Board and the Board Committees which they served the benefit of their skills, expertise and knowledge through their regular attendance and active participation of KPL's businesses.

Newly appointed directors will be given a comprehensive, formal and tailored induction on appointment to facilitate their discharge of responsibilities, including:

- the role of the Board and the matters reserved for its attention
- the role and terms of references of the Board Committees
- KPL's corporate governance practices and procedures
- the powers delegated to management
- the latest financial information

The Directors update their skills, knowledge and familiarise with KPL through participation at meetings of the Board and its Board Committees. The Directors are regularly updated by the Company Secretary on their legal and other duties as the Directors of a listed company as well as the corporate governance best practices. Continuous professional development opportunities received by the Directors subsequent to their appointment are set out in page 99 of this annual report.

Each Director ensures that he/she can give sufficient time and attention to KPL's affairs. All Directors disclose to the Board on their first appointment their interests as Director or otherwise in other companies or organisations and such information is updated regularly.

During the year, the Board has regularly reviewed the contributions from the Directors and confirmed that they have spent sufficient time in performing their responsibilities.

## Delegation by the Board

Specific responsibilities are delegated by the Board to its Board Committees through the Board's approval and adoption of written terms of references. The terms of references of the Audit and Corporate Governance Committee, Remuneration Committee and Nomination Committee are available at KPL's website.

Below are major responsibilities rested with each Board Committee:

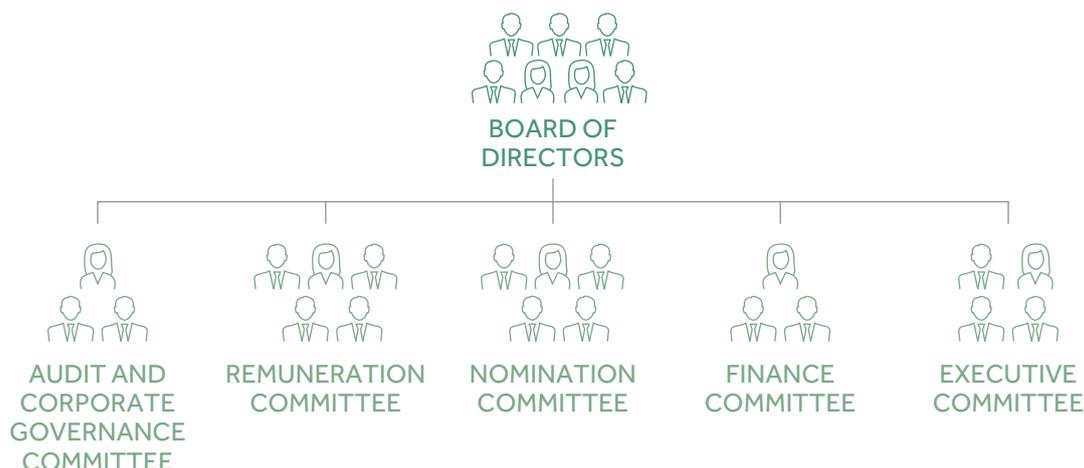
- Audit and Corporate Governance Committee** – delegated with responsibility for reviewing and monitoring external audit, internal audit, risk management and internal controls and corporate governance related matters.
- Remuneration Committee** – delegated with responsibility for reviewing and approving remuneration proposals for all EDs and senior management with reference to KPL's performance, individual's responsibilities and performance, KPL's goals and objectives, the market condition and other relevant factors.
- Nomination Committee** – delegated with responsibility for reviewing composition of the Board, identifying and assessing potential Board members, and making recommendations to the Board.
- Finance Committee** – members of this Committee are appointed by the Board and comprises of not less than two EDs. The Committee is delegated with responsibility for reviewing and approving certain financial matters for KPL, including investment of surplus funds, undertakings, determination and approval of investment, acquisitions and disposals with amounts not exceeding HK\$2.5 billion, arrangement of banking facilities and approval of guarantees and indemnities within designated limits.

- Executive Committee** – this committee comprises of all EDs and it meets from time to time as determined by the Committee members and operates as a general management committee. The Board has approved and adopted a written terms of reference of the Executive Committee for it to (i) discuss KPL's corporate and development strategies; (ii) evaluate and determine the nature and extent of the risks KPL is willing to take in achieving its strategic objectives; (iii) consider and assess the potential adverse impact on KPL's business caused by prevailing internal and external risks and formulate corrective or mitigating actions required; and (iv) deal with other matters delegated by the Board from time to time.

Full details of major work performed by the following Board Committees during the year are set out in their respective reports as follows:

- Audit and Corporate Governance Committee Report: pages 104 to 106.
- Remuneration Committee Report: pages 107 to 108.
- Nomination Committee Report: pages 109 to 110.

Responsibility for delivering KPL's strategies and objectives, as established by the Board, and responsibility for day-to-day management is delegated to CEO and senior management, with division heads responsible for different aspects of the Group's business. CEO has been given clear guidelines and directions as to his powers and, in particular, the circumstances under which he should report back to, and obtain prior approval from, the Board before making significant commitments on behalf of KPL.



# CORPORATE GOVERNANCE

## CORPORATE GOVERNANCE REPORT

### Board Meeting Processes

The Board and all Board Committees follow the same meeting processes. Board meetings are structured so as to encourage open discussion and active participation by the Directors in meetings. Management provides the Board with information and explanations as are necessary to enable the Directors to make an informed assessment of the financial and other information put before the Board. Queries raised by the Directors are answered fully and promptly.

The Chairman, at least annually, holds meetings separately with the INEDs without the presence of other Directors.

Regular meeting dates for a coming year are agreed in the final Board meeting in the preceding year. The Board normally schedules at least four meetings a year at approximately quarterly interval and meets more frequently as and when required. Notice for each meeting shall be given to all Directors at least 14 days in advance.

All Directors have the access to the advice and services of the Company Secretary, who ensures that the Board receives appropriate and timely information for its decision-making and that Board procedures, and all applicable law, rules and regulations, are followed. The Directors can also obtain independent professional advice at KPL's expense. The Board meeting agendas and accompanying board papers shall be sent in any event no less than 3 days in advance of the intended meeting date. Suitable arrangements are in place to allow the Directors to include items in the agenda for regular Board meetings. To facilitate decision-making process, the Directors are free to have access to the management for enquiries and to obtain further information, when required.

Minutes of the Board meetings and the Board Committee meetings are kept by the Company Secretary and are sent to the Directors for records and are open for inspections by the Directors.

The timeline for the Board meetings, Board Committees meetings, annual general meeting ("AGM") and special general meeting ("SGM") held in 2021 is set out below:



ACGC = Audit and Corporate Governance Committee Meeting  
 NC = Nomination Committee Meeting  
 RC = Remuneration Committee Meeting

During the year, the Directors participated extensively in KPL's affairs and the Board's discussions and decisions, as reflected in their high attendance records in the Board meetings and the Board Committee meetings. The attendance of each Director of the Board, the Board Committee, AGM and SGM is set out in the table below:

Directors	Meetings Attended/Held					
	Board Meeting	ACGC	RC	NC	AGM	SGM
Wong Siu Kong		–				
Kuok Khoon Hua		–				
Bryan Pallop Gaw		–	–	–		
Serene Siew Noi Nah (appointed on 15 October 2021)						
Wong Chi Kong, Louis (retired on 31 December 2021)		–	–	–		
Wong Yu Pok, Marina, JP						
Chang Tso Tung, Stephen						
Hui Chun Yue, David						

Attended

Attended by telephone/video

Attended in the capacity of management to present updates and/or answer relevant questions in order to facilitate the decision-making process

Apologies

## Continuous Professional Development



In addition to the Board and the Board Committee meetings, the Directors are encouraged to participate various professional development opportunities to keep abreast of industry trends, knowledge and skills. KPL makes available continuous professional development opportunities for all Directors at the expense of KPL so as to develop and refresh their knowledge and skills. During the year, continuous professional development for all Directors was conducted through the followings:

- the Directors were provided with training materials about matters relevant to their duties as the Directors
- the Directors were invited to attend courses, seminars, webcasts and conferences about financial, commercial, economical, legal, regulatory and/or business affairs

- the Directors received briefings from the Company Secretary, and/or other external professionals on legal updates as well as the corporate governance best practices

Members of the management and the Company Secretary had access to a variety of training activities in 2021, including attending seminars and conferences and receiving regulatory updates relevant to their business and duties. They received sufficient internal and external trainings to equip themselves for fulfilment of their roles in supporting KPL.

## Directors' and Officers' Liability Insurance

KPL has arranged appropriate insurance cover in respect of potential legal actions against its Directors and officers.

# CORPORATE GOVERNANCE

## CORPORATE GOVERNANCE REPORT

### Conflict of Interest

If a Director has a material conflict of interest in relation to a transaction or proposal to be considered by the Board, that Director is required to declare such interest and abstain from voting. The matter is considered at a Board meeting and voted on by the Directors who have no material interest in that transaction. When necessary, an Independent Board Committee of KPL comprising of all INEDs will be formed to advise the independent shareholders on a connected transaction or any other transaction to be approved by the independent shareholders at a SGM.

### Securities Transaction

KPL has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules as the code for securities transactions by Directors of KPL (the "Model Code"). A copy of the Model Code has been sent to all Directors. In addition, regular reminders are sent to the Directors regarding restrictions on dealings in KPL's securities and derivatives during blackout period before KPL's interim and final results have been published.

Under the Model Code, the Directors are required to notify the Chairman and receive a dated written acknowledgement before dealing in the securities and derivatives of KPL and, in case of the Chairman himself, he must notify a Director designated by the Board and receive a dated written acknowledgement before any dealing.

KPL made specific enquiries with all Directors and they have confirmed compliance with the required standards set out in the Model Code throughout 2021. KPL's employees, who are likely to be in possession of unpublished inside information, have been requested to comply with provisions similar to those terms in the Model Code.

KPL is not aware of any non-compliance with the Model Code throughout 2021.

### ACCOUNTABILITY IN FINANCIAL REPORTING

The Board acknowledges its responsibility for the following:

- Providing proper stewardship of KPL's affairs to ensure the integrity of financial information
- Ensuring appropriate and adequate reporting in KPL's annual and interim financial statements and other related information

- Selecting appropriate accounting policies and ensuring that these are consistently applied
- Ensuring judgements and estimates are prudent and reasonable
- Ensuring the application of going concern assumption is appropriate

The external auditor has a primary responsibility for auditing and reporting on the financial statements and the Auditor's Report to the shareholders is included in this annual report.

Towards the end of 2021, the Board reviewed KPL's financial projections in respect of the five financial years ending 31 December 2026. On the basis of this review, the Board is not aware of any material uncertainties relating to events or conditions which may cast significant doubt over KPL's ability to continue as a going concern. Accordingly, the Board has continued to adopt the going concern basis in preparing the financial statements.

### INTERNAL AUDIT DEPARTMENT

KPL has an efficient Internal Audit Department, which plays a crucial role in monitoring KPL's governance practice and provides independent and objective assurance on the adequacy and effectiveness of the risk management and internal control systems. The Internal Audit Department is staffed by eight professionals, based in Hong Kong, Beijing and Shanghai, with appropriate internal audit, financial audit and industry specific skillsets.

The Internal Audit Department reports directly to the Audit and Corporate Governance Committee without the need to consult with the management, and via the Audit and Corporate Governance Committee to the Board. The Internal Audit Department has unrestricted access to all areas of KPL's business units, assets, records and personnel in the course of conducting its work.

The annual internal audit work plan and resources are reviewed and agreed with the Audit and Corporate Governance Committee.

KPL has adopted a Whistleblowing and Complaints Policy, which has been adopted for its employees, customers, suppliers and the community it connects with. A formalised procedure will be undertaken upon receipt of whistleblowing and complaint reports to ensure KPL's affairs are conducted in a high ethical standard.

## EXTERNAL AUDITORS

The Audit and Corporate Governance Committee acts as a point of contact, independent management, with the external auditor. The auditor has direct access to the Chairman of the Audit and Corporate Governance Committee, who meets with them periodically without management present.

KPL's external auditor is PricewaterhouseCoopers, Hong Kong ("PwC"). The Audit and Corporate Governance Committee has developed and implemented policy on engaging PwC to supply non-audit services. Services which may be considered to be in conflict with PwC's role as auditor have to be submitted to the Audit and Corporate Governance Committee for approval.

The Audit and Corporate Governance Committee considers and reviews PwC's independence and objectivity in relation to both audit and non-audit services provided to KPL and the effectiveness of the audit process in accordance with applicable standards. PwC writes annually to the members of the Audit and Corporate Governance Committee confirming that they are independent accountants within the meaning of Section 290 of the Code of Ethics for Professional Accountants of the Hong Kong Institute of Certified Public Accountants and they are not aware of any matters which may reasonably be thought to bear on their independence.

Nature of Services	HK\$'000
<b>Audit and audit related services</b>	11,395
<b>Non-audit services</b>	
– Taxation services	2,676
– Non-recurring tax advisory services <sup>(Note (i))</sup>	13,367
– Other services <sup>(Note (ii))</sup>	1,233
<b>Total</b>	<b>28,671</b>

Notes:

- (i) Non-recurring tax advisory services were the advisory services for the liquidation of several project companies in the Mainland. This was a continuation of the 2020 exercise.
- (ii) Other services were the implementation services for a non-financial system completed in 2021.

Auditor's remuneration is set out in note 7 to the financial statements of this annual report.

## INSIDE INFORMATION

With respect to procedures and internal controls for the handling and dissemination of inside information, KPL has adopted an Inside Information Disclosure Policy since 2013 to ensure compliance with the Listing Rules. The procedures and internal controls for the handling and dissemination of inside information are summarised below:

- KPL is required to disclose inside information as soon as reasonably practicable in accordance with the Securities and Futures Ordinance and the Listing Rules
- Business units shall conduct their affairs with close regard to the "Guidelines on Disclosure of Inside Information" issued by the Securities and Futures Commission
- A strict prohibition on the unauthorised use of confidential or inside information is included in KPL's Employee Handbook
- The Directors, the Chief Financial Officer ("CFO") and/or the Company Secretary shall be informed immediately in any event of leakage of inside information so that remediation actions can be taken at the earliest opportunity
- KPL shall ensure, through its own internal reporting process and the consideration of the outcome by senior management, the appropriate handling and dissemination of inside information
- KPL's Group Finance Department shall keep track of KPL's threshold levels for disclosure pursuant to the size tests under the Listing Rules, so that announcements can be made as soon as practicable should a notifiable transaction arise
- Inside information shall be announced promptly through the Exchange's and KPL's websites
- Briefing sessions on KPL's performance and results will be organised for analysts and the media in the afternoon on the same day after the announcement of interim and final results

# CORPORATE GOVERNANCE

## CORPORATE GOVERNANCE REPORT

### SHAREHOLDERS ENGAGEMENT

KPL is committed to carefully evaluating the impact of operations to its stakeholders, including the shareholders, the employees and the investors, as well as the wider community. The Board has established the Shareholders Communication Policy since 2012 and will review it on a regular basis to ensure its effectiveness.

#### Communication with Shareholders and Investors

KPL aims to maintain open and constructive dialogue with its shareholders, and to provide them with the information they require to make sound investment decision. The Board and senior management recognise their responsibility to represent the interests of all shareholders and to maximise the shareholders' value.

Communication with the shareholders and accountability to the shareholders are of the highest priority to KPL. The methods used to communicate with the shareholders include the followings:

- Press and analysts' conferences in relation to the interim and final results announcements are held twice a year, at which the EDs are available to answer questions regarding KPL's operation and financial performance.
- CEO and CFO make themselves available for meetings with major shareholders, investors and analysts over a defined period immediately after the announcement of the interim and final results, and at certain other times during the year.
- KPL also avails itself of opportunities to communicate and explain its strategies to the shareholders and the investor community, through active participation in investors' conferences and regular meetings with financial analysts, fund managers and potential investors. KPL participated in a number of roadshows and investors' conferences in 2021 and some of them are set out below:

Event	Venue
Citi's Asia Pacific Property Conference	Hong Kong
DBS Vickers HK Property Conference	Hong Kong
JP Morgan's HK Property Corporate Day	Hong Kong
Citi Annual China Investor Conference	Hong Kong
Goldman Sachs China Conference	Hong Kong

- KPL's website includes important corporate information, key corporate governance policies, interim and annual reports, announcements and circulars issued by KPL, as well as general information about KPL's business which enables the shareholders and the investor community to have timely access to updated information about KPL.

- The shareholders can raise any comments on the performance and future directions of KPL with the Directors at general meetings.
- KPL's corporate communication will be provided to the shareholders in plain language and in both English and Chinese versions to facilitate the shareholders' understanding. The shareholders have the right to choose the language (either English or Chinese) or means of receipt of the corporate communications (in hard copy or through electronic means).
- The shareholders holding not less than one-tenth of KPL's paid-up capital may deposit a requisition to convene a SGM and state the purpose therefor at KPL's registered office.
- The shareholders who wish to put forward proposals for KPL's consideration at the general meetings can send their proposals to the Company Secretary at KPL's head office and principal place of business as stated in the section headed "Corporate Information & Financial Calendar" of this annual report.
- Pursuant to Bye-law 103 of KPL, if a shareholder wishes to propose a person, other than a retiring Director, for election as a Director at a general meeting, he or she should deposit a notice in writing of the intention to propose that person for election as a Director and that person should also deposit a notice in writing of his or her willingness to be elected including that person's biographical details as required by Rule 13.51(2) of the Listing Rules at KPL's head office and principal place of business or at KPL's Hong Kong Branch Registrar and Transfer Office at Tricor Abacus Limited as stated in the section headed "Corporate Information & Financial Calendar" of this annual report. The period for lodgement of the notice required under the said Bye-law will be at least seven days commencing no earlier than the day after the despatch of the notice of the general meeting appointed for such election and ending no later than seven days prior to the date of such general meeting. The procedures for nominating candidates to stand for election as Directors at general meetings are set out in KPL's website.
- All shareholders are welcomed at all times to offer feedback to, communicate with and send their enquiries to the Corporate Communication Department and/or Investor Relations Department of KPL by post or email it at communication@kerryprops.com and/or ir@kerryprops.com. The relevant contact details are set out in KPL's website and the section headed "Corporate Information & Financial Calendar" of this annual report.
- The shareholders who wish to put enquiries to the Board can send their enquiries to the Company Secretary at KPL's head office and principal place of business as stated in the section headed "Corporate Information & Financial Calendar" of this annual report. The Company Secretary will ensure these enquiries are properly directed to the Board.

## General Meetings

AGM is an important forum in which to engage with the shareholders. The meeting is open to the shareholders. The members of the Board and the Board Committees or their duly appointed delegates, are available at AGM to answer questions raised by the shareholders. The chairmen of the Board and the Board Committees are also present to answer questions at any general meeting which is convened to approve a connected transaction or any other transaction that requires the independent shareholders' approval. The external auditor also attends AGM to answer questions relating to the conduct of the audit, the preparation and content of the auditor's report, the accounting policy and auditor independence.

The most recent AGM and SGM were held on 27 May 2021. The Directors who attended the meetings were shown in the table on page 99. KPL had sent the notice of AGM and notice of SGM to the shareholders more than 20 clear business days and more than 10 clear business days before AGM and SGM respectively. The shareholders who are unable to attend AGM and SGM can appoint proxies to attend and vote at the meetings. Relevant resolutions were passed by way of poll. To facilitate enforcement of the shareholders' rights, significant issues, including the election of the Directors, are dealt with under separate resolutions at general meetings. The procedures for conducting a poll were explained at the relevant meetings prior to the polls being taken.



KPL's AGM and SGM held on 27 May 2021

## Dividend Policy

The Board has adopted a Dividend Policy since 2019 which will be subject to review on a regular basis. In proposing any distribution of dividend, the Board will take into consideration of the following factors:

- The long-term interest of the Group
- The general interest of all the shareholders
- The sustainable development of the Group
- The earnings, cash flow, financial condition, capital requirement and distributable reserves of the Group
- Any other factors that the Board deems relevant

## Other Information for Shareholders

No amendment has been made to KPL's Memorandum of Association and Bye-laws in 2021.

From information publicly available to KPL and within the knowledge of its Directors, at least 25% (being the minimum public float percentage which KPL is required to maintain) of KPL's total number of issued shares are held by the public. Details of substantial shareholders' and other interests are included in the section headed "Report of Directors" of this annual report.

## COMPANY SECRETARY

The Company Secretary is an employee of KPL and is appointed by the Board, who is responsible for facilitating the Board's processes and communications among Board members. The Company Secretary undertakes at least 15 hours of relevant professional training annually to update her skills and knowledge. The Company Secretary is responsible for ensuring the Board procedures are followed and facilitating information flows and communications among Directors, as well as management and shareholders.

# CORPORATE GOVERNANCE

## AUDIT AND CORPORATE GOVERNANCE COMMITTEE REPORT

### KEY RESPONSIBILITIES

The Audit and Corporate Governance Committee oversees the Group's financial and risk management and reporting processes and monitors the work carried out by the external auditor. Within this process, the management is responsible for the preparation of the Group's financial statements, including the selection of suitable accounting policies, while the external auditor is responsible for auditing and attesting to the Group's financial statements and evaluating the Group's system of internal controls in this regard.

The Audit and Corporate Governance Committee operates pursuant to written terms of reference which are available on the website of KPL. Some of its key responsibilities are set out in the following:

- Consider and responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and approve the remuneration and terms of engagement of the external auditor, etc.
- Review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable accounting standards.
- Review and monitor the integrity of KPL's financial statements and accounts, results announcements, interim and annual reports, and review significant financial reporting judgements contained in them.
- Review, together with the external auditor, the developments of any new accounting standards and assess the potential impacts on the Group's financial statements and disclosures.
- Review KPL's financial controls, risk management and internal control systems.
- Review the adequacy of resources, staff qualifications and experience, training programmes and budget of KPL's accounting and financial reporting function.

- Review reports on the major risks faced by KPL and consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and the management's response to these findings.
- Ensure co-ordination between the internal and external auditors, and ensure that the internal audit function is adequately resourced and has appropriate standing within KPL, and reviewing and monitoring its effectiveness.
- Review KPL and its subsidiaries' financial and accounting policies and practices.

As regards the corporate governance duties, the Audit and Corporate Governance Committee shall be responsible for:

- Develop and review KPL's policies and practices on corporate governance and making recommendations to the Board.
- Review the Whistleblowing and Complaints Policy. Under this Policy, employees and related parties can raise in confidence and anonymity about any integrity or operational concerns. The Audit and Corporate Governance Committee ensures that the concerns raised are investigated and followed up as appropriate.
- Review and monitor the training and continuous professional development of the Directors and senior management of the Group.
- Review and monitor KPL's policies and practices on compliance with legal and regulatory requirements.
- Develop, review and monitor the code of conduct and compliance manual applicable to employees of the Group and the Directors.
- Ensure that good corporate governance practices and procedures are established.

The Audit and Corporate Governance Committee shall have sufficient resources to perform its duties and where necessary, it shall seek independent professional advice, at KPL's expense, to perform its responsibilities.

## COMPOSITION

All members of the Audit and Corporate Governance Committee are the Independent Non-executive Directors. This exceeds the Listing Rules' requirement that the Audit and Corporate Governance Committee shall comprise of the majority of the Independent Non-executive Directors.

## AUDIT AND CORPORATE GOVERNANCE COMMITTEE MEMBERS

**Wong Yu Pok, Marina, JP (Chairman)\***

**Chang Tso Tung, Stephen\***

**Hui Chun Yue, David\***

\* Independent Non-executive Director

Their biographies are set out in the section headed "Directors and Senior Management" on pages 90 to 93 of this annual report.

## MEETING SCHEDULES

The Audit and Corporate Governance Committee generally meets not less than three times a year under its terms of reference. Senior management may be invited to the meetings to present updates and answer relevant questions in order to facilitate the decision-making process. During the year, the Audit and Corporate Governance Committee held four meetings. Members' attendance records are disclosed in the table on page 99 of this annual report.

## KEY ACTIVITIES

In 2021, the Audit and Corporate Governance Committee carried out the following major activities and reported to the Board on its findings and recommendations after each Committee meeting.

### Financial Reporting

- Reviewed the draft annual and interim financial statements and the draft results announcements of KPL, focusing on main areas of judgement, consistency of and changes in accounting policies and adequacy of information disclosure prior to recommending them to the Board for approval.
- Reviewed, in conjunction with the external auditor, the developments of accounting standards and assessed their potential impacts on the Group's financial statements.

### External auditor

- Reviewed and monitored the external auditor's independence and objectivity and the effectiveness of audit process in accordance with applicable standards.
- Assessed the independence of KPL's external auditor, prior to formally engaging the external auditor to carry out the audit for KPL's financial statements for the year ended 31 December 2021.
- Discussed the proposed scope of work and approach of the audit with the external auditor prior to the actual commencement of the audit. Upon completion of the audit, the Audit and Corporate Governance Committee reviewed the results of the external audit, and discussed with the external auditor on any significant findings and audit issues.
- Recommended to the Board regarding the appointment and remuneration of the external auditor.
- Reviewed and approved the non-audit fees paid/payable to the external auditor.

### Internal Auditor

- Reviewed and approved the annual internal audit plan, reviewed the internal audit reports and discussed any significant issues with KPL's Internal Audit Department and the Group's senior management.
- Reviewed the independence of the internal audit function and the level of support and co-operation given by the Group's management to the Internal Audit Department, as well as the resources of the Internal Audit Department when undertaking its duties and responsibilities.
- Provided business partnership and advisory services to centralised functions on enhancing policies and procedures and on systems controls.
- Expanded the Internal Audit Department to focus more on addressing information technology and system related risks.
- Implemented a new audit management tool to facilitate automation on risk management, end-to-end internal audit process, internal audit reports, issue tracking and management and dashboard analysis.

# CORPORATE GOVERNANCE

## AUDIT AND CORPORATE GOVERNANCE COMMITTEE REPORT

### Risk Management and Internal Control Systems

- Reviewed the adequacy and effectiveness of the Group's systems of risk management and internal controls through a review of the work undertaken by the Group's internal and external auditors, and written representations by the senior management of each of the Group's business divisions and centralised functions and business divisions and functions leaders and discussions with the Board.
- Received a confirmation from the management on the effectiveness on KPL's risk management and internal control system.
- Reviewed the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions through a review of the work undertaken by the Group's senior financial management and internal audit, as well as the questionnaire report by the financial head of each of the Group's business divisions and discussions with the Board.
- Considered the key risks registers presented by the management.

### Corporate Governance

The Audit and Corporate Governance Committee ensures that good corporate governance practices and procedures are established and is responsible for reviewing the corporate governance of KPL. Below is a summary of the corporate governance work performed by the ACGC during the financial year ended 31 December 2021:

- Reviewed KPL's policies and practices on corporate governance and made recommendations to the Board.
- Reviewed and monitored KPL's policies and practices on compliance with legal and regulatory requirements.
- Reviewed KPL's compliance with the code provisions of the Corporate Governance Code and Corporate Governance Report issued by the Stock Exchange.
- Reviewed reports on KPL's continuing connected transactions and connected transactions with the connected persons.
- Reviewed all the legal and regulatory updates, requirements and trends that may affect KPL and their implications.

In March 2022, the Audit and Corporate Governance Committee, apart from the major activities mentioned aforesaid, carried out the following specific activities and reported to the Board on its findings and recommendations after the Committee meeting:

- Reviewed the draft audited financial statements for the year ended 31 December 2021 and the draft results announcement of KPL.
- Reviewed the Group's sustainability strategies, targets, and performance with a detailed presentation from the Sustainability Committee.
- Reviewed the market valuations of investment properties and investment properties under development of the Group as at 31 December 2021.
- Reviewed the risk matrix as at 31 December 2021.
- Considered the annual confirmation for the disclosable continuing connected transactions during the year.
- Made recommendations to the Board to adopt the Anti-Corruption Policy covering anti-corruption, anti-bribery and anti-fraud activities.

Members of the Audit and Corporate Governance Committee  
**Wong Yu Pok, Marina, JP (Chairman)**  
**Chang Tso Tung, Stephen**  
**Hui Chun Yue, David**

Hong Kong, 17 March 2022

# CORPORATE GOVERNANCE

## REMUNERATION COMMITTEE REPORT

### KEY RESPONSIBILITIES

The Remuneration Committee reviews and advises the Board on the remuneration proposals, including benefits in kinds, pension rights and compensation payments, for all Directors and senior management with reference to individual's performance, goals and objectives of KPL, market trend and other relevant factors to ensure that the remuneration packages are commensurate with the qualifications and competencies of the Directors and senior management and are appropriate to the best interests of KPL and its shareholders. The Chairman and/or CEO, are consulted with regards to the remuneration proposals for other Executive Directors, and where necessary, independent professional advice can be sought.

The Remuneration Committee operates pursuant to written terms of reference which are available at the website of KPL. Some of its key responsibilities are set out in the following:

- Review the structure and policies for the remuneration of all Directors and senior management of KPL, and make recommendations to the Board.
- Review and advise the Board on remuneration of Executive Directors and senior management.
- Review the share option scheme of KPL.

Sufficient resources have been provided to the Remuneration Committee to perform its duties.

### COMPOSITION

The majority of the members of Remuneration Committee are the Independent Non-executive Directors.

### REMUNERATION COMMITTEE MEMBERS

**Wong Yu Pok, Marina, JP (Chairman)\***

**Wong Siu Kong**

**Kuok Khoon Hua**

**Chang Tso Tung, Stephen\***

**Hui Chun Yue, David\***

\* Independent Non-executive Director

Their biographies are set out in the section headed "Directors and Senior Management" on pages 90 to 93 of this annual report.

### MEETING SCHEDULES

The Remuneration Committee generally meets at least once a year. Senior management may be invited to the meetings to present updates and answer relevant questions in order to facilitate the decision-making process. No Director is involved in deciding his/her own remuneration. The Remuneration Committee met for one time in 2021. Members' attendance records are disclosed in the table on page 99 of this annual report.

### DIRECTORS' REMUNERATION POLICY

KPL adopted a Directors' Remuneration Policy since 2012, which aims to provide remuneration levels which shall be sufficient to motivate, retain and attract best talent for KPL to maximise shareholder value, through a set of formal and transparent procedures for implementing the Remuneration Policy. Pursuant to the Remuneration Policy, the following key principles have been established for the remuneration for both the Executive Directors' and Non-executive Directors' fees:

- Executive Directors' salaries shall be reviewed annually by the Remuneration Committee.
- Revision to the Executive Directors' salaries shall be made to reflect the individual performance, contribution and responsibilities and/or by reference to market trends.
- Executive Directors shall be eligible to receive a discretionary bonus taking into consideration factors such as market conditions as well as corporate and individual performances.
- The Remuneration Committee shall annually review and recommend, if appropriate, to the Board for approval the grant of share options to Executive Directors under KPL's share option scheme.
- Non-executive Directors' fees shall be reviewed annually by the Board.
- Recommendations shall be made by the Board to KPL's shareholders to approve at the shareholders' meeting any revision to the Non-executive Directors' fees according to their responsibilities and/or by reference to market trends.

# CORPORATE GOVERNANCE REMUNERATION COMMITTEE REPORT

## KEY ACTIVITIES

In January 2021, the Remuneration Committee carried out the following major activities and reported to the Board on its findings and recommendations after each Committee meeting.

- Reviewed the salaries and pension contributions of the Executive Directors for 2021.
- Reviewed the payment of bonuses to the Executive Directors, which amounted to HK\$42,000,000, for 2020.
- Reviewed the fees for Non-executive Directors and Board Committee members.

Details of the amount of the Directors' emoluments, including Executive Directors who are members of senior management of KPL, in 2021 are set out in notes 12 and 13 to the financial statements of this annual report. Details of the share option scheme of KPL are set out in the Directors' Report and note 35 to the financial statements of this annual report.

In January 2022, the Remuneration Committee also held a meeting to:

- Review the salaries and pension contributions of the Executive Directors for 2022.
- Review the payment of bonuses to the Executive Directors, which amounted to HK\$53,985,000, for 2021.
- Review the fees for Non-Executive Directors and Board Committee members.
- Review the terms of reference of the Remuneration Committee.

Members of the Remuneration Committee

**Wong Yu Pok, Marina, JP (Chairman)**

**Wong Siu Kong**

**Kuok Khoon Hua**

**Chang Tso Tung, Stephen**

**Hui Chun Yue, David**

Hong Kong, 17 March 2022

# CORPORATE GOVERNANCE

## NOMINATION COMMITTEE REPORT

### KEY RESPONSIBILITIES

The primary roles for the Nomination Committee are to review the Board's structure, composition, and diversity, and to recommend Board appointments. The Nomination Committee operates pursuant to written terms of reference which are available at KPL's website.

### COMPOSITION

The majority of the members of Nomination Committee are the Independent Non-executive Directors.

### NOMINATION COMMITTEE MEMBERS

**Wong Siu Kong (Chairman)**

**Kuok Khoon Hua**

**Wong Yu Pok, Marina, JP\***

**Chang Tso Tung, Stephen\***

**Hui Chun Yue, David\***

\* Independent Non-executive Director

Their biographies are set out in the section headed "Directors and Senior Management" on pages 90 to 93 of this annual report.

### MEETING SCHEDULES

The Nomination Committee generally meets at least once a year. The meeting of the Nomination Committee held on 19 January 2021. The Nomination Committee members' attendance records are disclosed in the table on page 99 of this annual report.

### BOARD DIVERSITY POLICY

KPL has adopted a Board Diversity Policy (the "**Board Diversity Policy**") since 2019 and the implementation and effectiveness of the Board Diversity Policy will be subject to review on an annual basis. The key principles of the Board Diversity Policy are set out below:

- In reviewing the Board's composition, the Nomination Committee shall consider a number of aspects of the Board diversity, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of services (the "**Board Diversity Criteria**"), and consider the appropriate balance of skills, experience and knowledge of the Board members that are required to complement KPL's corporate strategy.
- In identifying qualified individuals to become Board members, the Nomination Committee will consider the Board Diversity Criteria according to the circumstances of KPL and take into account factors based on KPL's own business model and specific needs.
- Selection of the Board members to ensure diversity will be, in part, dependent on the pool of such candidates with the necessary skills, knowledge and experience. All Board appointments will be based on merit and contribution that the chosen candidate will bring to the Board.
- The ultimate decision on the appointment of the Board members will be made by the Board after consideration of the recommendation made by the Nomination Committee.
- The Nomination Committee will consider appropriate measurable objectives for implementing Board diversity and recommend them to the Board for adoption.

Our Board currently has two women Directors out of seven Directors (around 29%) and is committed to improving gender diversity as and when suitable candidates are identified.

# CORPORATE GOVERNANCE

## NOMINATION COMMITTEE REPORT

### NOMINATION POLICY AND PROCEDURES

KPL has adopted a Nomination Policy since 2019 and the implementation and effectiveness of the Nomination Policy will be subject to review on a regular basis. The Nomination Policy defines how potential candidates can be identified and ensure the selection process is transparent and fair.

Selection criteria for potential Board candidates adopted by the Nomination Committee are:

- Perspective, skill and experience that the candidate can bring to the Board.
- Merit and contribution which the candidate is expected to bring to the Board.
- Accomplishment and experience of the candidate in relation to similar nature of business of KPL.
- Expected time commitment of the candidate.
- Candidate's contribution to diversity of the Board.
- Aspects of the Board Diversity Criteria as stated in the Board Diversity Policy.
- Any other relevant factors.

KPL's procedures for nominating a Director are set forth below:

- A meeting of the Nomination Committee will be called or a written resolution of the Nomination Committee will be circulated to the Nomination Committee members to consider a candidate to be nominated before a meeting of the Board to be held or a written resolution of the Board to be circulated to the Board members to approve the appointment of the candidate as a Board member.
- Each proposed new appointment, election or re-election of a Director will be evaluated, assessed and/or considered against the factors as stated in the selection criteria above. The Nomination Committee will recommend its views to the Board and/or the shareholders for consideration and determination.
- The ultimate decision of appointment will be made by the Board after consideration of the recommendation made by the Nomination Committee.
- Sufficient resources have been provided to the Nomination Committee to perform its duties.

### KEY ACTIVITIES

In 2021, the Nomination Committee carried out the following major activities. The Nomination Committee reported to the Board on its findings and recommendations after the meeting of the Nomination Committee held on 19 January 2021.

- The Nomination Committee agreed that the Board has a strong independent element and balanced composition of skills, expertise, experience and qualifications to contribute to the corporate strategy and the development of the businesses of KPL through the review of the Board's structure, size and composition of the Board.
- Through the review of potential conflict of interests, considering KPL's Independent Non-executive Directors have not been engaged in any executive management positions since their appointment and each of them has confirmed his/her independence by issuing an annual confirmation pursuant to the requirements of the Listing Rules, it was agreed that each of the Independent Non-executive Directors was considered to be independent under Rule 3.13 of the Listing Rules.
- During the year, the Nomination Committee has approved the recommendation to the Board for the appointment of Ms Serene Siew Noi Nah as an Executive Director and a member of each of the Finance Committee and the Executive Committee of KPL.

Members of the Nomination Committee

**Wong Siu Kong (Chairman)**  
**Kuok Khoon Hua**  
**Wong Yu Pok, Marina, JP**  
**Chang Tso Tung, Stephen**  
**Hui Chun Yue, David**

Hong Kong, 17 March 2022

# CORPORATE GOVERNANCE RISK MANAGEMENT AND INTERNAL CONTROLS REPORT

## RESPONSIBILITY

Responsibility for risk management is shared among the Board of Directors and the management of KPL. The Board has the overall responsibility of reviewing and maintaining sound and effective risk management and internal control systems. The management's role is to design and implement these systems, and report to the Board and the Audit and Corporate Governance Committee on the risks identified and how they are managed. Each business unit of KPL is responsible for the management and maintenance of its own appropriate and effective systems.

The systems are designed to meet KPL's particular needs and to minimise the risks to which KPL is exposed, and are designed to manage rather than eliminate the risks of failure to achieve business objective, and can only provide reasonable and not absolute assurance against material misstatements or losses. This process is essential for KPL to achieve its business objectives.

The Audit and Corporate Governance Committee, with the assistance of KPL's Internal Audit Department, supports the Board in monitoring KPL's risk exposures, as well as the design and operating effectiveness of the underlying risk management and internal control systems. The Audit and Corporate Governance Committee reviews reports from Internal Audit Department and external auditor, including action plans to address identified control weaknesses, as well as receiving status updates and monitoring the implementation of audit recommendations.

The Audit and Corporate Governance Committee reports its findings to the Board, which then considers these findings in order to form its own view of the effectiveness of KPL's risk management and internal control systems.

## OUR RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

KPL's risk management and internal control framework is based on that of the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") for internal control, but with due consideration given to our organisation structure and business nature. The framework consists with following four components:

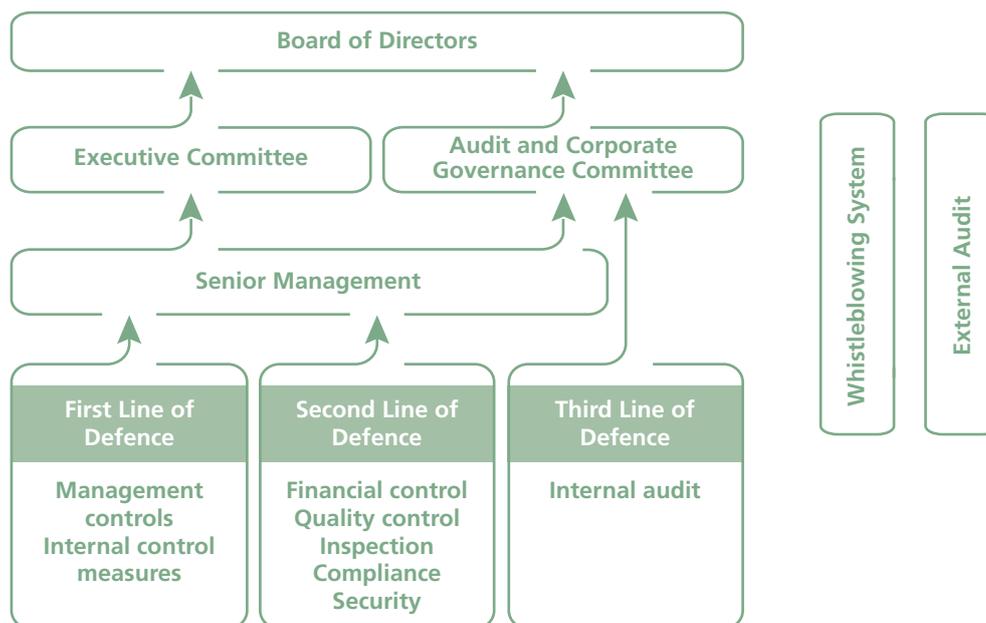
1. **Setting of Objectives, Budgets and Targets** – Strategies and objectives of KPL are determined by the Board. Budgets are prepared annually and financial projections for the next five years are also reviewed by

the Board. In implementing these strategies and achieving these objectives, each Executive Director has specific responsibilities for monitoring the conduct and operations of individual business units. This includes the review and approval of business strategies and plans, the setting of business-related performance targets as well as the design and implementation of internal controls and risk management.

2. **Establishment of Regular Reporting of Financial Information** – Monthly financial information is provided to the Directors. Variance analysis between actual performances and targets are prepared and documented in the Board paper, for discussions at Board Meetings with explanations noted for any material variances and deviations between actual performances and budgets/targets. This helps the Board and the Group's management (the "Management") to monitor the Group's business operations and to plan on a prudent and timely basis. Other regular and ad hoc reports will also be prepared for the Board and its various committees, to ensure that the Directors are supplied with all the requested information in a timely and appropriate manner.
3. **Delegation of Authority and Establishment of Clear Lines of Accountability** – To allow for delegation of authority as well as to enhance segregation of duties and accountability, a clear organizational structure exists which details different levels of authority and control responsibilities within each business units. Certain specific matters are reserved for the Board's decision and are not delegated. These include, amongst others, the approval of annual and interim results, annual budgets, capital structure, declaration of dividends, material acquisitions, disposals and capital expenditure, Board structure and its composition and succession.
4. **Review and Evaluation of the Systems** – In order to better review and evaluate the adequacy and effectiveness of KPL's existing systems, an annual internal self-assessment process was conducted. Under this process, individual business unit and functions leaders was requested to assess the effectiveness of its operations including financial controls, operating controls, risk management and other contingency measures. Each business unit then submitted to the Board the confirmation of the internal self-assessment questionnaires on the adequacy and effectiveness of its risk management and controls system, which were discussed at the ACGC Meeting of 18 November 2021.

# CORPORATE GOVERNANCE RISK MANAGEMENT AND INTERNAL CONTROLS REPORT

To reinforce KPL’s risk management capabilities and compliance culture across all business units, KPL adopts a “Three Lines of Defence” model to address how specific duties related to risk and control could be assigned and coordinated.



## RISK MANAGEMENT PROCESS

KPL has a robust process to review and communicate risks across its risk governance levels through the adoption of a combination of bottom-up and top-down approach. This consists of (i) an ongoing process integrated into day-to-day operations, in which risk owners dynamically evaluate and report emerging risks they encounter to the Risk Management Committee; and (ii) a periodic risk assessment process through which key risks identified by management are assessed systematically.

KPL continues to improve the risk management process and quality of information, while maintaining a simple and practical approach. We seek to embed risk management into all our operations and business units. Business units review and update their risk registers on an annual basis, providing assurance that controls are appropriately embedded and operating effectively.

At management level, the senior management and Internal Audit Department, sets relevant policies and regularly monitors potential weaknesses and action items to ensure appropriate identification and assessing risks of a macro and strategic nature, including emerging risks through the implementation of risk management framework and procedure.

The Internal Audit Department reviews the major operational, financial and risk management controls of the KPL businesses on a continuing basis. A sophisticated methodology is designed for formulating annual audit plan. One of the consideration factors of the methodology is the risk assessment result which ensures areas of relatively higher perceived risks are considered in Internal Audit’s scope of review. Audit plans are approved by the Audit and Corporate Governance Committee at the end of the preceding financial year in conjunction with the management.

The Internal Audit Department reports directly to the Audit and Corporate Governance Committee. Accordingly, Internal Audit reports are quarterly circulated to the Chairman, CEO, members of the Audit and Corporate Governance Committee, CFO and the external auditor.

## 2021 REVIEW OF RISK MANAGEMENT AND INTERNAL CONTROL EFFECTIVENESS

For 2021, the Board has received a written confirmation of the internal self-assessment questionnaires on the adequacy and effectiveness of the systems from each business units and functions. An annual review of the effectiveness of the systems (including business, operational and functional risks) and material controls (including financial, operational and compliance controls) has been conducted by the Internal Audit Department. There is no significant change in the nature and extent of risks and KPL's ability to respond to changes in its business and the external environment since the last annual review. There were no significant control failings or weaknesses identified in 2021 which might have a material impact on the Company's financial performance or condition. Based on the results of the annual review, the Board considered that the systems are effective and adequate.

Based on the quarterly financial reporting by CFO, the quarterly Listing Rules compliance reporting by the Company Secretary and the quarterly Internal Audit reports, KPL's processes for financial reporting and Listing Rules compliance and the Internal Audit Function are considered as effective by the Audit and Corporate Governance Committee and the Board.

Resources, qualifications and experience of KPL's accounting, internal audit and financial reporting functions staff and their training programmes and budget were reviewed and considered as adequate for 2021. Each of the Internal Audit and Divisional Finance Head was requested to assess such adequacy at its own level by submission of an internal questionnaire report to KPL and the Audit and Corporate Governance Committee.



# CORPORATE GOVERNANCE REPORT OF DIRECTORS

The Directors have pleasure in submitting their report together with the audited financial statements for the year ended 31 December 2021.

## PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding.

The principal activities of the Company's subsidiaries, associates and joint ventures comprise the following:

- (i) property development, investment and management in Hong Kong, the Mainland and the Asia Pacific region;
- (ii) hotel ownership in Hong Kong, and hotel ownership and operations in the Mainland; and
- (iii) integrated logistics and international freight forwarding.

An analysis of the Group's revenue and contribution to gross profit for the year by principal activity and market is set out in note 5 to the financial statements.

## BUSINESS REVIEW

A business review of the Group and a discussion and analysis of the Group's performance during the year, the material factors underlying its results and financial position and material attributable factors relating to the development and likely future developments of the Group's business, are provided in different sections of this annual report as set out below. The following sections shall form an integral part of this Report of Directors.

Sections	Page Number(s)
Financial Highlights	3 to 5
Chairman's Statement	6 to 7
CEO's Message	8 to 9
Management Discussion & Analysis	10 to 50
Sustainable Development and CSR Activities	62 to 71

During the financial year ended 31 December 2021, the Company has complied with the requirements under The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO") and the Bermuda Companies Act. Details of the Company's compliance with the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules are provided in the Corporate Governance Report of this annual report.

During the financial year ended 31 December 2021, the Group has also complied with the Residential Properties (First-hand Sales) Ordinance through established internal procedures and engagement of external professional advisors including architects, surveyors and solicitors for the checking of the accuracy of the information contained in the relevant documents made available to the public in connection with the sales of first-hand residential properties in Hong Kong.

To protect the privacy of its employees, tenants and purchasers of its properties and to safeguard the interests of its employees, the Group has complied with the requirements of the Personal Data (Privacy) Ordinance, the Employment Ordinance, the Minimum Wage Ordinance and ordinances relating to disability, sex, family status, race discrimination and occupational safety through established internal policies and/or procedures during the financial year ended 31 December 2021.

In addition, a discussion on the Group's policies and performance in the areas of environmental, social and governance and its key relationships with stakeholders are discussed in the section of Sustainable Development and CSR Activities in this annual report.

## RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the section headed "Consolidated Income Statement" of this annual report.

Particulars of dividends proposed and paid during the year are set out in note 10 to the financial statements.

## DONATIONS

Charitable and other donations made by the Group during the year amounted to HK\$22,647,000.

## INVESTMENT, HOTEL AND DEVELOPMENT PROPERTIES

Particulars of investment, hotel and development properties of the Group are set out in the section headed “Particulars of Properties Held” of this annual report.

## DISTRIBUTABLE RESERVES

As at 31 December 2021, the reserves of the Company available for distribution amounted to approximately HK\$26,246,432,000 (2020: HK\$18,752,396,000).

## SHARE CAPITAL

The movements in the share capital of the Company during the year are set out in note 34 to the financial statements.

## BONDS

Details of the bonds of the Group are set out in note 30 to the financial statements.

## SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Particulars of the Group’s principal subsidiaries, associates and joint ventures as at 31 December 2021 are set out in note 45 to the financial statements.

## PARTICULARS OF BANK LOANS

Particulars of bank loans of the Group as at 31 December 2021 are set out in note 29 to the financial statements.

## FIVE-YEAR FINANCIAL SUMMARY

The results, assets and liabilities of the Group for the last five financial years are summarised in the section headed “Five-Year Financial Summary” of this annual report.

## DIRECTORS

The Directors who held office as at the date of this report of Directors are:

### Executive Directors

Mr Wong Siu Kong (Chairman)  
Mr Kuok Khoon Hua (Vice Chairman and Chief Executive Officer)  
Mr Bryan Pallop Gaw  
Ms Serene Siew Noi Nah (Chief Financial Officer)

### Independent Non-executive Directors

Ms Wong Yu Pok, Marina, JP  
Mr Chang Tso Tung, Stephen  
Mr Hui Chun Yue, David

Mr Wong Siu Kong and Mr Chang Tso Tung, Stephen will retire from the Board by rotation in accordance with bye-law 99 of the Company’s bye-laws (“**Bye-laws**”) and Ms Serene Siew Noi Nah will retire from the Board in accordance with Bye-law 102 at the Company’s forthcoming annual general meeting to be held on 19 May 2022 (the “**2022 AGM**”). Mr Wong and Mr Chang have decided not to stand for re-election. The retiring Director, Ms Nah, being eligible, offer herself for re-election.

Set out below are the changes in the Directors’ information since the Company’s last interim report, which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:

- (1) With effect from 15 October 2021, Ms Serene Siew Noi Nah has been appointed as an Executive Director of the Company; and
- (2) With effect from 31 December 2021, Mr Wong Chi Kong, Louis has retired as an Executive Director and the Senior Vice President of the CEO Office of the Company.

Save as disclosed above, there is no other information which is required to be disclosed under Rule 13.51B(1) of the Listing Rules.

## BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

Biography of Directors and senior management are set out in the section headed “Directors and Senior Management” of this annual report.

# CORPORATE GOVERNANCE REPORT OF DIRECTORS

## DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2021, the interests of the Directors in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (the "Associated Corporations") as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules were as follows:

### (i) Long position in ordinary shares of the Company

Names of Directors	Number of ordinary shares interested				Total interests	Approximate % of shareholding <sup>#</sup>
	Personal interests <sup>1</sup>	Family interests <sup>2</sup>	Corporate interests <sup>3</sup>	Other interests <sup>4</sup>		
Wong Siu Kong	–	–	–	50,000	50,000	0.00
Kuok Khoon Hua	2,199,413	–	1,000,000	3,297,763	6,497,176	0.45
Bryan Pallop Gaw	–	4,324,763	–	1,202,048	5,526,811	0.38
Serene Siew Noi Nah	–	–	–	50,000	50,000	0.00

Notes:

1. This represents interests held by the relevant Director as beneficial owner.
2. This represents interests held and/or deemed to be held by the spouse of the relevant Director.
3. This represents interests deemed to be held by the relevant Director through his controlled corporation(s).
4. This represents interests deemed to be held by the relevant Director through discretionary trust(s) of which the relevant Director is a discretionary beneficiary.

### (ii) Long position in underlying shares of the Company – physically settled unlisted equity derivatives

Names of Directors	Capacity in which the underlying shares were held	Number of underlying shares in respect of share options granted <sup>(Note)</sup>	Approximate % of shareholding <sup>#</sup>
Wong Siu Kong	Beneficial Owner	3,784,000	0.26
Bryan Pallop Gaw	Beneficial Owner	350,000	0.02

Note: Information on the movement of the Company's share options during the year ended 31 December 2021 is set out in the section headed "Share Options" of this report.

# The percentage represents the number of ordinary shares of the Company interested divided by the total number of the Company's issued shares as at 31 December 2021 (i.e. 1,454,471,728 ordinary shares).

**(iii) Long position in ordinary shares of the Associated Corporations**

Associated Corporations	Names of Directors	Number of ordinary shares interested				Total interests	Approximate % of shareholding <sup>5</sup>
		Personal interests <sup>1</sup>	Family interests <sup>2</sup>	Corporate interests <sup>3</sup>	Other interests <sup>4</sup>		
<b>Kerry Group Limited</b>	Wong Siu Kong	4,955,973	7,504,300	–	3,115,476	15,575,749	1.00
	Kuok Khoon Hua	2,000,000	–	–	236,789,615	238,789,615	15.39
	Bryan Pallop Gaw	2,500,000	187,894,152	–	49,515,464	239,909,616	15.47
	Serene Siew Noi Nah	–	–	–	3,115,476	3,115,476	0.20
<b>Kerry Logistics Network Limited</b>	Wong Siu Kong	–	–	–	717,588	717,588	0.04
	Kuok Khoon Hua	600,428	–	–	1,132,479	1,732,907	0.10
	Bryan Pallop Gaw	–	189,781	–	1,308,612	1,498,393	0.08
	Wong Yu Pok, Marina	20,796	–	–	–	20,796	0.00
<b>Hopemore Ventures Limited</b>	Kuok Khoon Hua	50	–	–	–	50	3.57
<b>Kerry Mining (Mongolia) Limited</b>	Kuok Khoon Hua	–	–	–	500	500	0.46
	Bryan Pallop Gaw	–	–	–	500	500	0.46
<b>Majestic Tulip Limited</b>	Kuok Khoon Hua	10	–	–	–	10	3.33
<b>Marine Dragon Limited</b>	Kuok Khoon Hua	1,200	–	–	–	1,200	4.00
<b>Medallion Corporate Limited</b>	Kuok Khoon Hua	48	–	–	–	48	4.80
	Bryan Pallop Gaw	26	26	–	–	52	5.20
<b>Ocean Fortune Enterprises Limited</b>	Kuok Khoon Hua	1,000	–	–	–	1,000	6.67
	Bryan Pallop Gaw	–	–	200	500	700	4.67
<b>Oceanic Ally Global Limited</b>	Kuok Khoon Hua	1,500	–	3,000	–	4,500	15.00
	Bryan Pallop Gaw	900	2,400	–	–	3,300	11.00
<b>Rubyhill Global Limited</b>	Kuok Khoon Hua	1	–	–	–	1	10.00
<b>Shang Properties, Inc.</b>	Bryan Pallop Gaw	–	–	–	248,482	248,482	0.01
<b>United Beauty Limited</b>	Kuok Khoon Hua	–	–	–	15	15	15.00
	Bryan Pallop Gaw	–	10	–	5	15	15.00
<b>Vencedor Investments Limited</b>	Kuok Khoon Hua	5	–	–	–	5	5.00
	Bryan Pallop Gaw	5	5	–	–	10	10.00

## Notes:

1. This represents interests held by the relevant Director as beneficial owner.
2. This represents interests held and/or deemed to be held by the spouse of the relevant Director.
3. This represents interests deemed to be held by the relevant Director through his controlled corporation(s).
4. This represents interests deemed to be held by the relevant Director through discretionary trust(s) of which the relevant Director is a discretionary beneficiary.
5. The percentage has been compiled based on the total number of ordinary shares of the respective Associated Corporations in issue as at 31 December 2021.

# CORPORATE GOVERNANCE

## REPORT OF DIRECTORS

### DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES (Continued)

Save as disclosed above, as at 31 December 2021, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying shares or debentures of the Company or any of its Associated Corporations which had been entered in the register kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

As at 31 December 2021, the number of outstanding Share Options granted by the Company to the Directors to subscribe for shares of the Company (the "Shares"), as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code is set out in the section headed "Share Options" of this report of Directors.

Apart from the aforesaid, at no time during the year ended 31 December 2021 was the Company, its subsidiaries, its fellow subsidiaries or its holding companies a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

### INTERESTS OF SUBSTANTIAL SHAREHOLDERS IN THE SHARE CAPITAL OF THE COMPANY

As at 31 December 2021, the interests of those persons (other than the Directors) in the shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

#### Long position in ordinary shares of the Company

Name	Capacity in which ordinary shares were held	Number of ordinary shares interested	Approximate % of shareholding <sup>#</sup>
<b>Kerry Group Limited</b>	Interest of controlled corporations	874,090,494 <sup>(Note)</sup>	60.10
<b>Kerry Holdings Limited</b>	Interest of controlled corporations	746,230,656 <sup>(Note)</sup>	51.31
<b>Caninco Investments Limited</b>	Beneficial owner	312,248,193 <sup>(Note)</sup>	21.47
<b>Darmex Holdings Limited</b>	Beneficial owner	256,899,261 <sup>(Note)</sup>	17.66
<b>Schroders Plc</b>	Investment Manager	101,727,500	6.99
<b>Moslane Limited</b>	Beneficial owner	73,821,498 <sup>(Note)</sup>	5.08

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

# The percentage represents the number of ordinary shares of the Company interested divided by the total number of the Company's issued shares as at 31 December 2021 (i.e. 1,454,471,728 ordinary shares).

Save as disclosed above, as at 31 December 2021, no interests or short positions in the shares or underlying shares of the Company had been recorded in the register kept by the Company under Section 336 of the SFO.

## STAFF

As at 31 December 2021, the Company and its subsidiaries had approximately 7,600 employees. Salaries of employees are maintained at competitive levels while bonuses are granted on a discretionary basis. Other employee benefits include provident fund, insurance, medical cover, subsidised educational and training programmes as well as share option schemes. Details of employee benefit expense are set out in note 12 to the financial statements.

## SHARE OPTIONS

On 20 May 2020, the shareholders of the Company (the “**Shareholders**”) approved the adoption of a new share option scheme (the “**2020 Share Option Scheme**”) and the termination of the share option scheme adopted by the Company on 5 May 2011 (the “**2011 Share Option Scheme**”). Accordingly, with effect from 20 May 2020, the 2020 Share Option Scheme has taken effect whereas the 2011 Share Option Scheme has been terminated such that no further share options of the Company (the “**Share Options**”) shall be offered or granted under the 2011 Share Option Scheme, but the Share Options which has been granted during the life of the 2011 Share Option Scheme and remains outstanding should continue to be valid and exercisable in accordance with the terms thereof.

Both of the 2020 Share Option Scheme and the 2011 Share Option Scheme fall within the ambit of, and are subject to the regulations under Chapter 17 of the Listing Rules. The purposes of the said two schemes are to motivate directors, executives and key employees of the Group and other participants as detailed in these schemes (collectively referred to as the “**Eligible Participants**”) to optimise their future contributions to the Group and/or to reward them for their past contributions, and also to attract, retain or otherwise maintain on-going relationships with Eligible Participants who are significant to and/or whose contributions are or will be beneficial to the performance, growth and success of the Group.

The maximum number of Shares which may be issued upon exercise of all Share Options to be granted under the 2020 Share Option Scheme (and under any other scheme of the Company) shall not in aggregate exceed 10% of the Shares in issue as at the date of the adoption of the 2020 Share Option Scheme provided that the Company may seek approval from the Shareholders to refresh such limit. Moreover, the maximum number of Shares which may be issued upon exercise of all outstanding Share Options granted and yet to be exercised under the 2020 Share Option Scheme (and under any other scheme of the Company) shall not exceed 30% of the Shares in issue from time to time. As at 17 March 2022 (the date of this annual report), a total of 145,650,122 Shares (representing approximately 10% of the number of issued shares of the Company as at 17 March 2022) are available for issue under the 2020 Share Option Scheme. The maximum entitlement of each participant under the 2020 Share Option Scheme in any 12-month period is 1% of the Shares in issue from time to time.

The period within which a Share Option may be exercised will be determined by the Board at its absolute discretion but no Share Option may be exercised later than 10 years from the date on which the Share Option is granted. The minimum period for which a Share Option must be held before it can be exercised is determined by the Board upon the grant of a Share Option. The amount payable on acceptance of a Share Option is HK\$1.

The subscription price of the Share Option under the 2020 Share Option Scheme shall be determined by the Board at its absolute discretion at the time of grant of the Share Option but it shall not be less than whichever is the highest of (a) the nominal value of a Share; (b) the closing price of the Shares as stated in the Stock Exchange’s daily quotations sheet on the date of the Board resolution approving the grant of Share Options; and (c) the average of the closing prices of the Shares as stated in the Stock Exchange’s daily quotations sheet for the five business days immediately preceding the date of the Board resolution approving the grant of Share Options.

The 2020 Share Option Scheme will expire on 19 May 2030. No Share Option has been granted under the 2020 Share Option Scheme since its adoption on 20 May 2020.

# CORPORATE GOVERNANCE

## REPORT OF DIRECTORS

### SHARE OPTIONS (Continued)

#### Movement of Share Options

Details of movement of the Share Options of the 2011 Share Option Scheme during the year ended 31 December 2021 are listed below in accordance with Rule 17.07 of the Listing Rules:

Name or category of option holders	Date of grant	Tranche	Number of Share Options				Outstanding as at 31/12/2021	Exercise price per share HK\$	Exercise period
			Outstanding as at 01/01/2021	Transferred to other category during the year <sup>2</sup>	Transferred from other category during the year <sup>2</sup>	Lapsed during the year			
<b>1. Directors</b>									
Wong Siu Kong	30/04/2012	I	1,500,000	-	-	-	1,500,000	35.45	31/10/2012 – 29/04/2022
	30/04/2012	II	1,500,000	-	-	-	1,500,000	35.45	31/10/2013 – 29/04/2022
	08/01/2014	II	784,000	-	-	-	784,000	26.88	08/01/2015 – 07/01/2024
Bryan Pallop Gaw	30/04/2012	I	100,000	-	-	-	100,000	35.45	31/10/2012 – 29/04/2022
	30/04/2012	II	150,000	-	-	-	150,000	35.45	31/10/2013 – 29/04/2022
	08/01/2014	II	100,000	-	-	-	100,000	26.88	08/01/2015 – 07/01/2024
Wong Chi Kong, Louis (retired on 31 December 2021)	30/04/2012	I	250,000	(250,000)	-	-	-	35.45	31/10/2012 – 29/04/2022
	30/04/2012	II	250,000	(250,000)	-	-	-	35.45	31/10/2013 – 29/04/2022
	08/01/2014	I	400,000	(400,000)	-	-	-	26.88	08/07/2014 – 07/01/2024
	08/01/2014	II	400,000	(400,000)	-	-	-	26.88	08/01/2015 – 07/01/2024
<b>2. Continuous Contract Employees</b>	30/04/2012	I	1,786,500	(200,000)	-	(25,000)	1,561,500	35.45	31/10/2012 – 29/04/2022
	30/04/2012	II	2,275,000	(350,000)	-	(25,000)	1,900,000	35.45	31/10/2013 – 29/04/2022
	08/01/2014	I	817,000	-	-	-	817,000	26.88	08/07/2014 – 07/01/2024
	08/01/2014	II	1,384,000	(300,000)	-	-	1,084,000	26.88	08/01/2015 – 07/01/2024
<b>3. Others</b>	30/04/2012	I	2,608,000	-	450,000	(130,000)	2,928,000	35.45	31/10/2012 – 29/04/2022
	30/04/2012	II	3,061,000	-	600,000	(130,000)	3,531,000	35.45	31/10/2013 – 29/04/2022
	08/01/2014	I	738,000	-	400,000	-	1,138,000	26.88	08/07/2014 – 07/01/2024
	08/01/2014	II	850,000	-	700,000	-	1,550,000	26.88	08/01/2015 – 07/01/2024
<b>Total:</b>			<b>18,953,500</b>	<b>(2,150,000)</b>	<b>2,150,000</b>	<b>(310,000)</b>	<b>18,643,500</b>		

Notes:

1. The vesting period of the Share Options is from the date of grant until the commencement of the exercise period.
2. The transfers were due to retirement of a Director and employees of continuous contracts.
3. During the year ended 31 December 2021, no Share Option was granted, granted for adjustment, exercised or cancelled under the 2011 Share Option Scheme.

## SERVICE CONTRACT

There is no service contract, which is not determinable by the Company within one year without payment of compensation (other than statutory compensation), in respect of any Director proposed for re-election at the 2022 AGM.

## MANAGEMENT CONTRACT

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

## MAJOR CUSTOMERS AND SUPPLIERS

The percentages of the five largest customers combined and the five largest suppliers combined are less than 30% of the Group's total revenue and purchases, respectively.

## DIRECTOR'S INTERESTS IN COMPETING BUSINESS

Pursuant to Rule 8.10 of the Listing Rules, the following Directors have disclosed that during the year ended 31 December 2021, they are considered to have interests in the following businesses ("**Excluded Businesses**"), being businesses which competed or are likely to compete, either directly or indirectly, with the businesses of the Group, other than those businesses in which (a) the Group was interested; and (b) the Directors' only interests are as directors appointed to represent the interests of the Group.

During the year ended 31 December 2021, Messrs Wong Siu Kong, Kuok Khoon Hua, Bryan Pallop Gaw and Wong Chi Kong, Louis were directors of subsidiaries of Shangri-La Asia Limited ("**SA**") and Messrs Wong Siu Kong, Kuok Khoon Hua and Bryan Pallop Gaw had interests in shares of SA, the businesses of which consisted of hotel ownership and operation. The Directors believed that as the size of that part of these Excluded Businesses in the Mainland, where the Group has hotel businesses, is not insignificant when compared with the hotel business of the Group in the Mainland, it is likely that these Excluded Businesses may compete with the hotel business of the Group in the Mainland.

During the year ended 31 December 2021, Mr Wong Siu Kong was a director of China World Trade Center Co., Ltd. ("**CWTC**") but he did not have any interests in shares of CWTC, the businesses of which consisted of property and hotel business in the Mainland. The Directors believed that as the size of these

Excluded Businesses is not insignificant when compared with the property and hotel businesses of the Group in the Mainland, it is likely that these Excluded Businesses may compete with the property and hotel businesses of the Group in the Mainland.

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

The Directors, including those interested in the Excluded Businesses, will, as and when required under the Bye-laws, abstain from voting on any resolution of the Board in respect of any contract, arrangement or proposal in which he/she or any of his/her associate(s) has a material interest.

## PERMITTED INDEMNITY PROVISION

Pursuant to the Bye-laws, the Directors shall be indemnified against all losses and liabilities which they may incur in connection with their duties. The Company has arranged appropriate directors' and officers' liability insurance coverage for the directors and officers of the Group.

## DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No transactions, arrangements or contracts of significance in relation to the Group's business to which the Company, its subsidiaries, its fellow subsidiaries or its holding companies was a party or were parties and in which a Director of the Company or any entities connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## PUBLIC FLOAT

Based on the information that is publicly available to the Company as at the date of this report of Directors and within the knowledge of the Directors, there was a sufficiency of public float of the Company's securities as required under the Listing Rules.

## PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Bye-laws or the laws in Bermuda.

# CORPORATE GOVERNANCE REPORT OF DIRECTORS

## CONNECTED TRANSACTIONS

During the financial year ended 31 December 2021, the Group entered into the connected transactions that are subject to the reporting requirements under Chapter 14A of the Listing Rules. Details of the transactions are as follows:

### (i) Disposal of Shares in Kerry Logistics Network Limited

As disclosed in the announcement jointly published by the Company, Flourish Harmony Holdings Company Limited (the “**Offeror**”) and Kerry Logistics Network Limited (“**KLN**”) dated 9 February 2021 whereby J.P. Morgan Securities (Asia Pacific) Limited, on behalf of the Offeror, made a voluntary conditional partial cash offer to the shareholders of KLN to acquire 931,209,117 ordinary shares of KLN (“**KLN Shares**”) at the offer price of HK\$18.80 per such offer share (the “**Partial Offer**”).

Reference is made to (i) the circular of the Company dated 5 May 2021 (the “**KPL Circular**”) in relation to, amongst others, the Disposal in relation to the Partial Offer pursuant to the KPL Irrevocable Undertaking and the Placing Agreements, and (ii) the announcement of the Company dated 9 August 2021 in relation to the entering into of the Placing Agreements (the “**Placing Announcement**”).

In connection with the Partial Offer and the Disposal, *inter alia*, the following agreements were entered into by the Company:

- 1) Shareholders’ Agreement dated 10 February 2021;
- 2) KPL Irrevocable Undertaking dated 30 March 2021;
- 3) Participation Agreement dated 30 March 2021; and
- 4) Placing Agreements all dated 9 August 2021.

### Completion of the Disposal

On 16 September 2021, being the final closing date in respect of the Partial Offer, 326,595,369 KLN Shares were tendered by the Company and taken up by the Offeror at the offer price of HK\$18.80 per KLN Share. Pursuant to the Placing Agreements, an aggregate of 15,043,003 KLN Shares were placed to six placees as disclosed in the Placing Announcement at the sale price of HK\$16.92 per KLN Share (the “**KLN Transactions**”).

Immediately after the completion of the abovementioned disposals, the Company held a total of 376,702,626 KLN Shares representing approximately 20.8% of KLN Shares in issue as at 16 September 2021.

The Offeror was deemed to be a connected person of the Company since the Offeror entered into transaction with the Company, namely, the KPL Irrevocable Undertaking and the Offeror also entered into the controlling shareholders irrevocable undertakings with the relevant subsidiaries of Kerry Holdings Limited (“**KHL**”) (a controlling shareholder of the Company) which are connected persons of the Company under the Listing Rules. As such, the KPL Irrevocable Undertaking constituted a connected transaction of the Company under the Listing Rules.

The placees under the Placing Agreement(s) are also deemed to be connected persons of the Company pursuant to Rule 14A.20(1) of the Listing Rules since the relevant subsidiaries of KHL are also entered into Placing Agreement(s) with some or all of the same placees. As such, the Placing Mandate constituted a connected transaction of the Company under Chapter 14A of the Listing Rules. As KHL is a controlling shareholder and a connected person of the Company, the Shareholders’ Agreement and the Participation Agreement (together with the KPL Irrevocable Undertaking and the Placing Mandate) also constituted connected transactions of the Company under the Listing Rules.

Given the Partial Offer in respect of all the Relevant Undertaking Shares pursuant to the KPL Irrevocable Undertaking and the placement of the relevant KLN Shares under the Placing Mandate, the applicable percentage ratios of the Company under Rule 14.07 of the Listing Rules exceeded 25% but all were less than 75%, the KPL Irrevocable Undertaking and the Placing Mandate also constituted a major transaction of the Company under the Listing Rules.

Accordingly, the KLN Transactions were approved by the independent shareholders of the Company at the special general meeting held on 27 May 2021.

Further details of the KLN Transactions are set out in the relevant announcements dated 9 February 2021, 30 March 2021, 16 September 2021, the Placing Announcement and the KPL Circular. Unless otherwise stated, capitalised terms used in this section shall have the same meanings as defined in the KPL Circular.

## (ii) Disposal of Interests in Two Chengdu Companies

As disclosed in the Company's announcement dated 29 April 2021 ("**Chengdu Announcement**"), two equity transfer agreements in relation to the disposal of the entire equity interests in two Chengdu companies, namely, 嘉里置業(成都)有限公司 (Kerry Development (Chengdu) Ltd.\*) ("**Chengdu Company I**") and 裕豐置業(成都)有限公司 (Wealthy Plaza Development (Chengdu) Ltd.\*) ("**Chengdu Company II**") were entered into on 29 April 2021 (the "**Disposal**"), details of these transactions are set out below:

- (1) Kerry Properties (China) Limited, a wholly-owned subsidiary of the Company ("**KPL Subsidiary**"), Total Joy International Limited (貴天國際有限公司), an indirect wholly-owned subsidiary of KHL ("**KHL Subsidiary A**") and Allgreen Properties (Chengdu) Pte. Ltd., a wholly-owned subsidiary of Allgreen Properties Limited ("**AG Subsidiary**"), entered into an agreement with 深圳市花樣年地產集團有限公司 (Shenzhen Fantasia Property Development Group Co., Ltd.\*) ("**Fantasia**") for the sale of the entire equity interest in Chengdu Company I to Fantasia at the total consideration of RMB8,896,000 (approximately HK\$10,675,200). The Chengdu Company I is owned by KPL Subsidiary, KHL Subsidiary A and AG Subsidiary as to 55%, 20% and 25% respectively; and
- (2) KPL Subsidiary, Goody Trend Limited (晉貴有限公司), an indirect wholly-owned subsidiary of KHL ("**KHL Subsidiary B**") and AG Subsidiary, entered into an agreement with Fantasia for the sale of the entire equity interest in Chengdu Company II to Fantasia at the total consideration of RMB38,124,000 (approximately HK\$45,748,800). The Chengdu Company II is owned by KPL Subsidiary, KHL Subsidiary B and AG Subsidiary as to 55%, 20% and 25% respectively.

KHL Subsidiary A and KHL Subsidiary B are indirect wholly-owned subsidiaries of KHL and KHL is the controlling shareholder of the Company.

AG Subsidiary is a wholly-owned subsidiary of Allgreen Properties Limited which is an associate of both KHL and Mr Kuok Khoon Hua (the Vice Chairman and Chief Executive Officer of the Company). As such, KHL Subsidiary A, KHL Subsidiary B and AG Subsidiary are connected persons of the Company and the Disposal constituted connected transactions for the Company under the Listing Rules.

Details of the connected transaction are set out in the Chengdu Announcement.

## (iii) Sale of Two Lake Grandeur Units

As disclosed in the Company's announcement dated 25 May 2021 ("**Lake Grandeur Announcement**"), Kerry Real Estate (Hangzhou) Co. Ltd. ("**KREH**"), a joint venture held by the Company and Shangri-La Asia Limited in the proportion of 75% and 25% respectively, entered into the agreements dated 25 May 2021 with (i) 杭州譽泰管理諮詢有限公司 (Hangzhou Yutai Management Consultancy Ltd.\*) ("**Yutai**") and (ii) 杭州譽祥管理諮詢有限公司 (Hangzhou Yuxiang Management Consultancy Ltd.\*) ("**Yuxiang**"), both are indirect wholly-owned subsidiaries of KHL, for sale of two units in Lake Grandeur which are situated at 385 Yanan Road, Gongshu District, Hangzhou, Zhejiang, the People's Republic of China (the "**Lake Grandeur Units**") by KREH to Yutai and Yuxiang, respectively, at a total consideration of RMB71,508,400 (approximately HK\$85,810,080) (the "**Lake Grandeur Transactions**").

Yutai and Yuxiang are indirect wholly-owned subsidiaries of KHL and KHL is the controlling shareholder of the Company, Yutai and Yuxiang are associates of KHL. Accordingly, Yutai and Yuxiang are the connected persons of the Company and the Lake Grandeur Transactions constituted connected transactions for the Company under the Listing Rules.

Details of the connected transaction are set out in the Lake Grandeur Announcement.

\* For identification purposes only

# CORPORATE GOVERNANCE REPORT OF DIRECTORS

## CONTINUING CONNECTED TRANSACTIONS

Certain transactions entered into by the Group constituted continuing connected transactions that were subject to the reporting requirements in the annual report under Chapter 14A of the Listing Rules. Details of the transactions are disclosed below:

### (i) Hotel Management Agreements and Marketing and Training Services Agreement

#### (a) Kerry Hotel, Beijing

Shangri-La International Hotel Management Limited (“**SLIM-HK**”) and Shangri-La Hotel Management (Shanghai) Co., Ltd. (“**SLIM-PRC**”), both wholly-owned subsidiaries of Shangri-La Asia Limited (“**SA**”), are providing hotel management, reservation, sales, marketing and training services to Kerry Hotel, Beijing pursuant to the hotel management agreement (the “**Beijing HM Agreement**”) and the marketing and training services agreement (the “**MTS Agreement**”) (collectively, the “**Beijing Agreements**”) entered into by Beijing Kerry Hotel Co., Ltd. (“**BKH**”) with SLIM-HK and SLIM-PRC respectively on 26 August 2019. The Beijing HM Agreement was entered into for 20 years ending on 27 August 2039, with an option to renew for 10 years which is exercisable by mutual agreement of both parties. The MTS Agreement was entered into from 28 August 2019 to the termination date of the Beijing HM Agreement.

BKH, being the owner of Kerry Hotel, Beijing, is owned as to 71.25% by the Group, 23.75% by the SA group and 5% by an independent third party. SA, SLIM-HK and SLIM-PRC are connected persons of the Company. Accordingly, the provision of the hotel management, reservation, sales, marketing and training services by SLIM-HK and SLIM-PRC to BKH are treated as continuing connected transactions of the Company under the Listing Rules.

The annual aggregate fee payable by the Group pursuant to the Beijing Agreements for the year ended 31 December 2021 is not expected to exceed RMB110,000,000 (“**Cap A**”). The fee paid by the Group under the Beijing Agreements for the year ended 31 December 2021 amount to approximately HK\$18,585,000 which is within Cap A.

#### (b) Jing An Shangri-La Hotel

SLIM-HK is providing the hotel management, marketing and reservation services (the “**HM Services**”) to Jing An Shangri-La Hotel pursuant to the hotel management agreement (the “**Jing An Agreement**”) entered into between Shanghai Ji Xiang Properties Co., Ltd. (“**SJXP**”) and SLIM-HK on 17 October 2012. The Jing An Agreement was entered into for a term of 20 years ending on 28 June 2033.

SJXP, being the owner of Jing An Shangri-La Hotel, is owned as to 51% by the Group and 49% by the SA group. SA and SLIM-HK are connected persons of the Company. Accordingly, the provision of the HM Services by SLIM-HK to SJXP is treated as a continuing connected transaction of the Company under the Listing Rules.

The annual aggregate fee payable by the Group pursuant to the Jing An Agreement for the year ended 31 December 2021 is not expected to exceed US\$14,000,000 (“**Cap B**”). The fee paid by the Group under the Jing An Agreement for the year ended 31 December 2021 amount to approximately HK\$39,197,000 which is within Cap B.

#### (c) Midtown Shangri-La Hotel, Hangzhou

SLIM-HK and SLIM-PRC are providing the HM Services to Midtown Shangri-La Hotel, Hangzhou (the “**Hangzhou Hotel**”) pursuant to the hotel management agreement (the “**Hangzhou HM Agreement**”) and the marketing services agreement (the “**MS Agreement**”) (collectively, the “**Hangzhou Agreements**”), entered into by KREH with SLIM-HK and SLIM-PRC respectively on 4 March 2016. The Hangzhou HM Agreement was entered into for a term of 20 years ending on 11 March 2036. The MS Agreement was entered into from 4 March 2016 to the termination date of the Hangzhou HM Agreement.

KREH, being the owner of the Hangzhou Hotel, is owned as to 75% by the Group and 25% by the SA group. SA, SLIM-HK and SLIM-PRC are connected persons of the Company. Accordingly, the provision of the HM Services by SLIM-HK and SLIM-PRC to KREH are treated as continuing connected transactions of the Company under the Listing Rules.

The annual aggregate fee payable by the Group pursuant to the Hangzhou Agreements for the year ended 31 December 2021 is not expected to exceed RMB93,000,000 (“**Cap C**”). The fee paid by the Group under the Hangzhou Agreements for the year ended 31 December 2021 amount to approximately HK\$15,709,000 which is within Cap C.

## (ii) Framework Agreement

On 29 August 2019, the Company had entered into a framework agreement (the “**Framework Agreement**”) with KLN in relation to (a) the lease of premises by the Group to KLN and its subsidiaries (the “**KLN Group**”) from time to time, which include but not limited to, office premises, residential premises and warehouses (the “**Leased Premises**”); and (b) the provision of such services by the KLN Group to the Group from time to time, comprising delivery services, local courier services, freight services, freight agency services, insurance brokerage and related services, and services relating to management and operation of warehouse facilities, including building management, leasing and licensing management, warrant operations, IT support, human resources, administration and related services (the “**KLN Services**”).

The Framework Agreement was entered into for a term of 3 years from 1 January 2020 to 31 December 2022 which may be extended for a further term of three years by the parties, subject to compliance by each party with the applicable requirements under the Listing Rules.

Before the completion of the KLN Transactions in September 2021, KLN was a subsidiary of the controlling shareholder of the Company and was therefore a connected person of the Company. Accordingly, the transactions between the Group and the KLN Group from time to time in relation to the lease of the Leased Premises by the Group to the KLN Group and the provision of the KLN Services by the KLN Group to the Group constitute continuing connected transactions of the Company under the Listing Rules. Upon the disposal of the KLN Shares under the KLN Transaction, the Company is holding approximately 20.8% of the KLN Shares.

The maximum annual aggregate rental income receivable by the Group for the lease of the Leased Premises and the maximum annual aggregate service fees payable by the Group for the KLN Services for the year ended 31 December 2021 are not expected to exceed HK\$90,000,000 (“**Cap D**”) and HK\$50,000,000 (“**Cap E**”) respectively. The rental income and service fees under the Framework Agreement for the year ended 31 December 2021 amount to approximately HK\$34,835,000 and HK\$16,767,000 which are within Cap D and Cap E respectively.

## (iii) Annual Review by Independent Non-executive Directors and the auditor of the Company

The continuing connected transactions mentioned above have been reviewed by the Independent Non-executive Directors of the Company who have confirmed that the transactions have been entered into:

1. in the ordinary and usual course of business of the Group;
2. either on normal commercial terms or better; and
3. in accordance with the relevant agreements governing the transactions on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The auditor of the Company was engaged to report on the Group’s continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” and with reference to Practice Note 740 “Auditor’s Letter on Continuing Connected Transactions under the Hong Kong Listing Rules” issued by the Hong Kong Institute of Certified Public Accountants and has issued his unqualified letter containing his findings and conclusions in respect of the abovementioned continuing connected transactions in accordance with rule 14A.56 of the Listing Rules. A copy of the auditor’s letter has been provided by the Company to the Stock Exchange.

# CORPORATE GOVERNANCE REPORT OF DIRECTORS

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31 December 2021, the Company repurchased a total of 2,029,500 shares on the Stock Exchange at an aggregate consideration of HK\$40,269,050 (the "Repurchase"). The Repurchase was made for the enhancement of the Shareholders' value. Details of the Repurchase are as follows:

Month	Number of ordinary shares repurchased	Price paid per share		Aggregate consideration HK\$
		Highest HK\$	Lowest HK\$	
September 2021	514,000	19.98	19.56	10,143,920
December 2021	1,515,500	19.98	19.54	30,125,130
<b>Total</b>	<b>2,029,500</b>			<b>40,269,050</b>

All 2,029,500 shares repurchased were cancelled during the year ended 31 December 2021. Apart from the above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2021.

## AUDITOR

The financial statements have been audited by PricewaterhouseCoopers who retires and, being eligible, offers itself for re-appointment.

On behalf of the Board  
**Wong Siu Kong**  
Chairman

Hong Kong, 17 March 2022

# INDEPENDENT AUDITOR'S REPORT



羅兵咸永道

**INDEPENDENT AUDITOR'S REPORT  
TO THE SHAREHOLDERS OF KERRY PROPERTIES LIMITED**  
*(incorporated in Bermuda with limited liability)*

## OPINION

### What we have audited

The consolidated financial statements of Kerry Properties Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 133 to 229, comprise:

- the consolidated statement of financial position as at 31 December 2021;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

### Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

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# INDEPENDENT AUDITOR'S REPORT

## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Valuation of investment properties;
- Recoverability of properties under development and completed properties held for sale; and
- Impairment assessment of carrying amounts of hotels properties in mainland China.

### Key Audit Matter

#### **Valuation of investment properties**

Refer to notes 15 and 20 to the consolidated financial statements.

As at 31 December 2021, the investment properties held by the Group were stated at a fair value of HK\$87,202 million with a fair value gain of HK\$1,666 million was recognised and presented as an "increase in fair value of investment properties" in the consolidated income statement. The Group also has investment properties held by its associated companies which the revaluation gain was recognised and presented as "share of results of associates and joint ventures" in the consolidated income statement. The Group's investment property portfolio comprises of commercial and residential properties, and warehouses in Hong Kong and mainland China.

Management has engaged independent valuers, to determine the fair value of the completed investment properties and investment properties under development held by the Group's subsidiaries and associates as at 31 December 2021. Investment properties were valued using the income capitalisation method and, wherever appropriate, the direct comparison method. For investment properties under development, fair value was derived using the residual method.

The valuation of completed investment properties and investment properties under development is subject to high degree of estimation uncertainty. The inherent risk in relation to the valuation of investment properties is considered significant. For completed investment properties, key assumptions included capitalisation rates and prevailing market rents. For investment properties under development, key assumptions included development costs and developer's profit and risk margins.

The estimation uncertainty and management judgement, as mentioned in note 4(a)(i) to the consolidated financial statements, led us to consider this a key audit matter.

### How our audit addressed the Key Audit Matter

Our procedures in relation to the key assumptions used in management's valuation of investment properties held by the Group's subsidiaries and associates included:

- Understanding management's control and process for determining the valuation of investment properties and assessing the inherent risk of material misstatement by considering the degree of estimation uncertainty and the judgement involved in determining assumptions to be applied;
- Evaluating the independent valuers' competence, capabilities and objectivity;
- Obtaining the valuation reports and meeting with the independent valuers to discuss the valuation methodologies and key assumptions;
- Involving our in-house valuation experts and assessing the valuation methodologies and the reasonableness of the key assumptions used in the valuation of investment properties on a sample basis;
- Checking the accuracy of the input data, on a sample basis, used by the independent valuers including rental income, estimated development cost and developer's profit and risk margins by agreeing them back to management's records, invoices received or other supporting documentations including:
  - key terms of lease agreements;
  - rental income schedules; and
  - construction cost schedules and approved budgets.
- Comparing the key assumptions used by the independent valuers against our own expectations using evidence from comparable market transactions, historical records and approved budgets by comparing:
  - capitalisation rates to published market yields;
  - prevailing market rents to leasing transactions of comparable properties; and
  - estimated development cost, developer's profit and risk margins for the investment properties under development to invoices and approved budgets.
- Assessing the adequacy of the disclosures related to the valuation of investment properties in the context of HKFRSs disclosure requirements.

Based on the procedures performed, we considered that the risk assessment of valuation of investment properties remained appropriate, and the methods, key assumptions and data used in management's valuation of investment properties were supported by the available evidence.

**Key Audit Matter*****Recoverability of properties under development and completed properties held for sale***

Refer to notes 17, 20 and 25 to the consolidated financial statements.

As at 31 December 2021, the carrying values of the Group's properties under development and completed properties held for sale amounted to HK\$31,364 million and HK\$18,112 million respectively. The Group also has significant properties under development and completed properties held for sale held by its associated companies and joint ventures.

Management assessed the recoverability of properties under development and completed properties held for sale based on an estimation of the net realisable value of the underlying properties. This involves considerable analyses of estimated costs to completion, estimated cost necessary to make the sale, construction costs contracts, pre-sale contracts and expected future sales price based on prevailing market conditions such as current market prices of comparable standards and locations.

If the carrying amounts of the underlying stock of properties differ from those net realisable values estimated as a result of changes in market condition, reversal of or provision for impairment losses on properties under development and completed properties held for sale may result.

We focused on the recoverability of properties under development and completed properties held for sale because the estimation of net realisable value is subject to high degree of estimation uncertainty and the related inherent risk is considered significant. The estimation uncertainty and management judgement, as mentioned in note 4(a)(ii) to the consolidated financial statements, led us to consider this a key audit matter.

**How our audit addressed the Key Audit Matter**

Our procedures in relation to management's assessments of recoverability of properties under development and completed properties held for sale included:

- Understanding management's control and process for assessing the recoverability of properties under development and completed properties held for sale and assessing the inherent risk of material misstatement by considering the degree of estimation uncertainty and the judgement involved in determining assumptions to be applied;
- Testing the key controls around the property construction cycle with particular focus on, but not limited to, controls over cost budgeting for estimated costs to completion;
- Assessing the reasonableness of key assumptions and estimates in management's assessments, on a sample of properties selected, including:
  - expected future sales prices which we compared, on a sample basis to contracted sales prices of the underlying properties or current market prices of properties of comparable standards and locations, where applicable; and
  - estimated costs necessary to make the sales and costs to completion that we assessed the reasonableness of the costs necessary to make sales and the latest budgets of total construction costs and tested, on a sample basis, to committed contracts and other supporting documentation.
- Assessing the adequacy of the disclosures related to the recoverability of properties under development and completed properties held for sale in the context of HKFRSs disclosure requirements.

Based on the procedures performed, we considered that the risk assessment of recoverability of properties under development and completed properties held for sale remained appropriate, and the methods, significant assumptions and data used by management are supported by the available evidence.

# INDEPENDENT AUDITOR'S REPORT

## Key Audit Matter

### ***Impairment assessment of carrying amounts of hotels properties in mainland China***

Refer to notes 14, 16 and 20 to the consolidated financial statements.

The Group had hotel operations in mainland China, and the major assets were held as property, plant and equipment and right-of-use assets through its subsidiaries amounted to HK\$4,930 million and HK\$1,880 million respectively. The Group also had hotel operations that were held as property, plant and equipment and right-of-use assets by its associated companies at 31 December 2021. Given the impact of Covid-19 pandemic and the different region where the Group's hotels operate in mainland China, there existed impairment indicators at some of the hotels as at 31 December 2021.

Management has carried out impairment assessments which involved estimating the recoverable amount, using the value in use method and considered that no further provision for impairment loss or no write back of provision for hotel operations was necessary as at 31 December 2021. The key assumptions and judgements adopted by management in the relevant discounted cash flow method included discount rates, estimated occupancy rates and room rates.

As mentioned in note 4(b)(v) to the consolidated financial statements, the analysis to identify the hotels properties with indicators of impairment is subject to management judgement. For those subject to a more detailed impairment assessment, the estimation of recoverable amount is dependent on certain key assumptions that are subject to high degree of estimation uncertainty. The inherent risk in relation to the assessment is considered significant. Due to the estimation uncertainty and management judgement involved, we considered this a key audit matter.

## How our audit addressed the Key Audit Matter

Our procedures in relation to management's assessments of impairment of property, plant and equipment and right-of-use assets held by the Group's subsidiaries and associated companies for the hotel operations in mainland China included:

- Understanding and testing management's assessments based on respective hotel performance as to which property, plant and equipment and right-of-use assets demonstrated indicators of impairment;
- Understanding management's control and process for determining the carrying amounts of hotels properties in mainland China and assessing the inherent risk of material misstatement by considering the degree of estimation uncertainty and the judgement involved in determining assumptions to be applied;
- Evaluating management's discounted cash flow method to estimate the recoverable amount based on value in use, including testing the underlying calculations and comparing them to the latest approved budgets and the actual results of the prior period;
- Checking, on a sample basis, the accuracy of the input data used by management in their discounted cash flow method including estimated occupancy rates and room rates, by agreeing to management's records, historical actual information or other supporting documentations;
- Involving our in-house valuation experts and assessing the reasonableness of the discount rates and terminal capitalisation rates adopted with reference to the published industry benchmarks, comparable market transactions and our experience in this industry; and
- Evaluating the sensitivity analysis completed by the management on the key input data and assumptions to understand the impact of reasonable changes in assumptions on the estimated recoverable amounts.

Based on the procedures performed, we considered that the risk assessment of carrying amounts of hotels properties in mainland China remained appropriate. The methods, significant assumptions and data used by management in relation to the impairment of property, plant and equipment and right-of-use assets held by the Group's subsidiaries and associates for the hotel operations in mainland China are supported by the available evidence.

## OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## RESPONSIBILITIES OF DIRECTORS AND AUDIT AND CORPORATE GOVERNANCE COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit and Corporate Governance Committee is responsible for overseeing the Group's financial reporting process.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

# INDEPENDENT AUDITOR'S REPORT

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit and Corporate Governance Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit and Corporate Governance Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit and Corporate Governance Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Cho Kin Lun.

**PricewaterhouseCoopers**  
Certified Public Accountants

Hong Kong, 17 March 2022

# CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2021

	Note	2021 HK\$'000	2020 HK\$'000
Revenue	5	<b>15,326,764</b>	14,526,102
Cost of sales and direct expenses		<b>(6,583,757)</b>	(6,139,239)
Gross profit	5	<b>8,743,007</b>	8,386,863
Other income and net gains	6	<b>2,992,814</b>	801,128
Selling, administrative and other operating expenses		<b>(2,003,343)</b>	(1,613,699)
Increase in fair value of investment properties		<b>1,666,422</b>	1,087,762
Operating profit before finance costs	7	<b>11,398,900</b>	8,662,054
Finance costs	8	<b>(575,135)</b>	(1,089,726)
Operating profit		<b>10,823,765</b>	7,572,328
Share of results of associates and joint ventures	20(d)	<b>3,402,332</b>	1,597,010
Profit before taxation		<b>14,226,097</b>	9,169,338
Taxation	9	<b>(2,936,131)</b>	(3,240,982)
Profit for the year		<b>11,289,966</b>	5,928,356
Profit attributable to:			
Company's shareholders		<b>10,358,011</b>	5,403,203
Non-controlling interests		<b>931,955</b>	525,153
		<b>11,289,966</b>	5,928,356
Earnings per share			
– Basic	11	<b>HK\$7.11</b>	HK\$3.71
– Diluted	11	<b>HK\$7.11</b>	HK\$3.71

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Note	2021 HK\$'000	2020 HK\$'000
Profit for the year		11,289,966	5,928,356
Other comprehensive income			
<b>Items that may be reclassified to profit or loss</b>			
Cash flow hedges	37	120,346	(188,759)
Share of other comprehensive income of associates and joint ventures	37	(258,068)	680,355
Net translation differences on foreign operations		2,356,147	5,056,530
<b>Items that will not be reclassified to profit or loss</b>			
Fair value (losses)/gains on financial assets at fair value through other comprehensive income	37	(22,826)	124,165
Release of exchange fluctuation reserve upon disposal of partial interest in an associate	37	168,949	–
Other comprehensive income for the year, net of tax		2,364,548	5,672,291
<b>Total comprehensive income for the year</b>		<b>13,654,514</b>	11,600,647
Total comprehensive income attributable to:			
Company's shareholders		12,312,984	10,134,304
Non-controlling interests		1,341,530	1,466,343
		<b>13,654,514</b>	11,600,647

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Note	2021 HK\$'000	2020 HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	14	5,406,884	5,224,126
Investment properties	15	87,201,879	83,823,976
Right-of-use assets	16	1,965,609	2,010,595
Properties under development	17	18,307,942	8,306,893
Land deposits	18	3,102,446	14,304,249
Associates and joint ventures	20	28,326,935	30,598,430
Derivative financial instruments	21	186,310	293,496
Financial assets at fair value through other comprehensive income	22	1,555,092	1,577,918
Financial assets at fair value through profit or loss	23	679,056	737,532
Mortgage loans receivable	24	1,181,321	1,944,669
Intangible assets		122,504	122,504
		<b>148,035,978</b>	148,944,388
<b>Current assets</b>			
Properties under development	17	13,056,483	18,015,885
Completed properties held for sale	25	18,112,492	9,731,371
Accounts receivable, prepayments and deposits	26	2,305,111	1,616,939
Current portion of mortgage loans receivable	24	386,924	98,301
Tax recoverable		466,309	176,984
Tax reserve certificates		189,255	189,255
Derivative financial instruments	21	68,457	779
Restricted bank deposits	27	920,902	565,770
Cash and bank balances	27	16,513,645	16,429,494
		<b>52,019,578</b>	46,824,778
<b>Current liabilities</b>			
Accounts payable, deposits received and accrued charges	28	6,978,489	6,608,922
Contract liabilities	28	8,040,581	4,962,150
Current portion of lease liabilities	16	48,012	52,555
Taxation		2,107,384	2,080,298
Short-term bank loans and current portion of long-term bank loans	29	5,268,298	4,587,085
Fixed rate bonds	30	–	2,325,147
Derivative financial instruments	21	–	843
		<b>22,442,764</b>	20,617,000
<b>Net current assets</b>		<b>29,576,814</b>	26,207,778

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Note	2021 HK\$'000	2020 HK\$'000
<b>Total assets less current liabilities</b>		<b>177,612,792</b>	175,152,166
<b>Non-current liabilities</b>			
Long-term bank loans	29	<b>32,210,214</b>	37,622,263
Amounts due to non-controlling interests	31	<b>2,299,732</b>	2,749,035
Lease liabilities	16	<b>381</b>	48,444
Derivative financial instruments	21	<b>166,083</b>	261,349
Deferred taxation	32	<b>10,623,256</b>	9,814,735
		<b>45,299,666</b>	50,495,826
<b>ASSETS LESS LIABILITIES</b>		<b>132,313,126</b>	124,656,340
<b>EQUITY</b>			
Capital and reserves attributable to the Company's shareholders			
Share capital	34	<b>1,454,472</b>	1,456,501
Share premium	36	<b>13,027,720</b>	13,062,999
Other reserves	37	<b>15,534,100</b>	13,310,301
Retained profits		<b>86,812,603</b>	82,042,736
		<b>116,828,895</b>	109,872,537
Non-controlling interests		<b>15,484,231</b>	14,783,803
<b>TOTAL EQUITY</b>		<b>132,313,126</b>	124,656,340

The financial statements on pages 133 to 229 were approved by the Board of Directors on 17 March 2022 and were signed on its behalf.

**Wong Siu Kong**  
Director

**Kuok Khoon Hua**  
Director

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Note	2021 HK\$'000	2020 HK\$'000
<b>Operating activities</b>			
Net cash generated from operations	38(a)	<b>8,930,268</b>	9,917,414
Interest paid		<b>(800,595)</b>	(1,123,222)
Income tax paid		<b>(2,650,860)</b>	(2,839,755)
Net cash generated from operating activities		<b>5,478,813</b>	5,954,437
<b>Investing activities</b>			
Additions of property, plant and equipment		<b>(86,835)</b>	(58,221)
Additions of investment properties		<b>(191,432)</b>	(886,320)
Increase in land deposits		<b>(615,107)</b>	(5,548,584)
Proceeds from disposal of subsidiaries	38(c)	<b>149,440</b>	–
Proceeds from disposal of partial interest in an associate	38(d)	<b>6,357,048</b>	–
Increase in investments in associates and joint ventures		<b>(3,244,401)</b>	–
Dividends received from associates		<b>5,897,014</b>	590,257
Additional loans to associates and joint ventures		<b>(1,322,992)</b>	(1,922,079)
Repayment of loans by associates and joint ventures		<b>157,587</b>	1,905,559
Additional loans from associates and joint ventures		<b>5,449</b>	53,182
Repayment of loans to associates and joint ventures		<b>(34,255)</b>	(277)
Mortgage loans to buyers		<b>(156,414)</b>	(133,143)
Repayment of mortgage loans from buyers		<b>570,487</b>	1,167,159
Interest received		<b>506,137</b>	384,417
Return of investment from financial assets at fair value through profit or loss		<b>52,131</b>	285,768
Increase in restricted bank deposits		<b>(339,321)</b>	(20,772)
Decrease/(increase) in short-term bank deposits maturing after more than three months		<b>528,574</b>	(512,868)
Dividends received from listed and unlisted investments		<b>48,729</b>	57,267
Proceeds from sale of property, plant and equipment		<b>13,524</b>	544
Proceeds from sale of investment properties		<b>2,000</b>	451,407
Proceeds from sale of financial assets at fair value through profit or loss		<b>–</b>	7,405
Net cash generated from/(used in) investing activities		<b>8,297,363</b>	(4,179,299)

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Note	2021 HK\$'000	2020 HK\$'000
<b>Financing activities</b>			
Consideration and expenses for shares repurchased for cancellation		<b>(40,396)</b>	–
Repayment of bank loans	38(b)	<b>(41,610,936)</b>	(33,000,670)
Drawdown of bank loans	38(b)	<b>36,876,256</b>	37,243,625
Principal elements of lease payments	38(b)	<b>(55,237)</b>	(55,048)
Dividends paid	10(a)	<b>(5,316,230)</b>	(1,966,277)
Redemption of fixed rate bonds	38(b)	<b>(2,330,430)</b>	–
Return of capital to non-controlling interests		<b>(444,112)</b>	(96,578)
Dividends of subsidiaries paid to non-controlling interests		<b>(196,990)</b>	(264,479)
Additional loans from non-controlling interests	38(b)	–	15,745
Repayment of loans to non-controlling interests	38(b)	<b>(458,800)</b>	(61,243)
Net cash (used in)/generated from financing activities		<b>(13,576,875)</b>	1,815,075
Increase in cash and cash equivalents		<b>199,301</b>	3,590,213
Effect of exchange rate changes		<b>402,446</b>	583,604
Cash and cash equivalents at 1 January		<b>15,874,948</b>	11,701,131
Cash and cash equivalents at 31 December	27(b)	<b>16,476,695</b>	15,874,948

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Note	Attributable to the shareholders of the Company					Non-controlling interests	Total equity
		Share capital	Share premium	Other reserves	Retained profits	Total		
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
Balance as at 1 January 2021		1,456,501	13,062,999	13,310,301	82,042,736	109,872,537	14,783,803	124,656,340
Profit for the year		-	-	-	10,358,011	10,358,011	931,955	11,289,966
Cash flow hedges	37	-	-	120,346	-	120,346	-	120,346
Share of reserves of associates and joint ventures	37	-	-	(258,068)	-	(258,068)	-	(258,068)
Net translation differences on foreign operations	37	-	-	1,946,572	-	1,946,572	409,575	2,356,147
Fair value losses on financial assets at fair value through other comprehensive income	37	-	-	(22,826)	-	(22,826)	-	(22,826)
Release of exchange fluctuation reserve upon disposal of partial interest in an associate	37	-	-	168,949	-	168,949	-	168,949
Total comprehensive income for the year ended 31 December 2021		-	-	1,954,973	10,358,011	12,312,984	1,341,530	13,654,514
Lapse of share options		-	3,088	(3,088)	-	-	-	-
Repurchase of shares		(2,029)	(38,367)	-	-	(40,396)	-	(40,396)
Dividends paid		-	-	-	(5,316,230)	(5,316,230)	(196,990)	(5,513,220)
Transfer	37	-	-	423,854	(423,854)	-	-	-
Transfer upon disposal of partial interest in an associate	37	-	-	(151,940)	151,940	-	-	-
Capital reduction of subsidiaries		-	-	-	-	-	(444,112)	(444,112)
Total transactions with owners		(2,029)	(35,279)	268,826	(5,588,144)	(5,356,626)	(641,102)	(5,997,728)
<b>Balance at 31 December 2021</b>		<b>1,454,472</b>	<b>13,027,720</b>	<b>15,534,100</b>	<b>86,812,603</b>	<b>116,828,895</b>	<b>15,484,231</b>	<b>132,313,126</b>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Note	Attributable to the shareholders of the Company					Non-controlling interests	Total equity
		Share capital	Share premium	Other reserves	Retained profits	Total		
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
Balance as at 1 January 2020		1,456,501	13,061,007	8,526,697	78,660,305	101,704,510	13,678,517	115,383,027
Profit for the year		-	-	-	5,403,203	5,403,203	525,153	5,928,356
Cash flow hedges	37	-	-	(188,759)	-	(188,759)	-	(188,759)
Share of reserves of associates and joint ventures	37	-	-	680,355	-	680,355	-	680,355
Net translation differences on foreign operations	37	-	-	4,115,340	-	4,115,340	941,190	5,056,530
Fair value gains on financial assets at fair value through other comprehensive income	37	-	-	124,165	-	124,165	-	124,165
Total comprehensive income for the year ended 31 December 2020		-	-	4,731,101	5,403,203	10,134,304	1,466,343	11,600,647
Lapse of share options		-	1,992	(1,992)	-	-	-	-
Dividends paid		-	-	-	(1,966,277)	(1,966,277)	(264,479)	(2,230,756)
Transfer	37	-	-	54,495	(54,495)	-	-	-
Capital reduction of subsidiaries		-	-	-	-	-	(96,578)	(96,578)
Total transactions with owners		-	1,992	52,503	(2,020,772)	(1,966,277)	(361,057)	(2,327,334)
Balance at 31 December 2020		1,456,501	13,062,999	13,310,301	82,042,736	109,872,537	14,783,803	124,656,340

# NOTES TO THE FINANCIAL STATEMENTS

## 1 GENERAL INFORMATION

Kerry Properties Limited (the “Company”) is a limited liability company incorporated in Bermuda. The address of its registered office is Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, Bermuda.

The Company has its primary listing on The Stock Exchange of Hong Kong Limited (“Hong Kong Stock Exchange”).

The principal activities of the Company’s subsidiaries, associates and joint ventures comprise the following:

- (i) property development, investment and management in Hong Kong, the Mainland and the Asia Pacific region;
- (ii) hotel ownership in Hong Kong, and hotel ownership and operations in the Mainland; and
- (iii) integrated logistics and international freight forwarding.

These financial statements have been approved for issue by the Board of Directors on 17 March 2022.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### (a) Basis of preparation

The consolidated financial statements of the Company and its subsidiaries (together, the “Group”) have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative financial instruments and first mortgage loans) at fair value through other comprehensive income or through profit or loss, and investment properties, which are carried at fair value.

The preparation of consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies of the Group. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4.

# NOTES TO THE FINANCIAL STATEMENTS

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (a) Basis of preparation (Continued)

#### (i) Adoption of amendments to existing standards

The following amendments to existing standards have been published that are effective for the accounting period of the Group beginning on 1 January 2021:

Amendments to HKFRS 16, 'Covid-19-related rent concessions'

Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16, 'Interest rate benchmark reform – Phase 2'

The adoption of the above amendments to existing standards had no material impact on the consolidated financial statements of the Group.

#### (ii) Standard, amendments to existing standards, interpretation and accounting guideline which are not yet effective

The following standard, amendments to existing standards, interpretation and accounting guideline, which are relevant to the operations of the Group, have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2022, but the Group has not early adopted them:

	Applicable for accounting periods beginning on/after
Amendments to HKFRS 16, 'Covid-19-related rent concessions beyond 2021'	1 April 2021
Amendments to HKFRS 3, HKAS 16 and HKAS 37, 'Narrow-scope amendments'	1 January 2022
Annual improvements to HKFRSs 2018 – 2020 cycle	1 January 2022
Revised Accounting Guideline 5, 'Merger accounting for common control combinations'	1 January 2022
HKFRS 17, 'Insurance contracts'	1 January 2023
Amendments to HKFRS 17, 'Insurance contracts'	1 January 2023
Amendments to HKAS 1, 'Classification of liabilities as current or non-current'	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2, 'Disclosure of accounting policies'	1 January 2023
Amendments to HKAS 8, 'Definition of accounting estimates'	1 January 2023
Amendments to HKAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction'	1 January 2023
Hong Kong Interpretation 5 (2020), 'Presentation of financial statements – Classification by the borrower of a term loan that contains a repayment on demand clause'	1 January 2023
Amendments to HKFRS 10 and HKAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (b) Consolidation

The financial statements include the financial statements of the Company and all its subsidiaries made up to 31 December.

#### (i) *Subsidiaries*

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's statement of financial position, the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

# NOTES TO THE FINANCIAL STATEMENTS

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (b) Consolidation (Continued)

#### **(ii) Transactions with non-controlling interests**

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

#### **(iii) Associates**

Associates are all entities over which the Group has significant influence but not control. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

The Group's share of its associates post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associates are recognised in the consolidated income statement.

#### **(iv) Joint arrangements**

Under HKFRS 11 'Joint arrangements', investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement.

##### *Joint ventures*

Interests in joint ventures are accounted for using the equity method, after initially being recognised at cost in the consolidated statement of financial position.

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from joint ventures are recognised as a reduction in the carrying amount of the investment.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (b) Consolidation (Continued)

#### (iv) Joint arrangements (Continued)

##### *Joint ventures (Continued)*

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in note 2(j).

#### (v) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. It means the amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

### (c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

### (d) Foreign currency translation

#### (i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Hong Kong dollar (HK\$), which is the Company's functional and the Group's presentation currency.

#### (ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

Changes in the fair value of monetary securities denominated in foreign currency classified as fair value through other comprehensive income are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss and other changes in carrying amount are recognised in other comprehensive income.

# NOTES TO THE FINANCIAL STATEMENTS

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (d) Foreign currency translation (Continued)

#### (ii) Transactions and balances (Continued)

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in the profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as fair value through other comprehensive income are included in other comprehensive income.

#### (iii) Group companies

The results and financial position of all the Group's entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position of the Group's entities are translated at the closing rate at the end of the reporting period;
- income and expenses for each income statement of the Group's entities are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the consolidated income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

### (e) Property, plant and equipment

Properties comprise hotel properties, warehouse, buildings and staff quarters. All property, plant and equipment are stated at historical cost less aggregate depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are expensed in the consolidated income statement during the financial period in which they are incurred.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (e) Property, plant and equipment (Continued)

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their cost or re-valued amounts less their residual values over their estimated useful lives as follows:

Properties*	Shorter of remaining lease term of 20 to 50 years or useful lives
Leasehold improvements	Shorter of remaining lease term of 20 to 50 years or useful lives
Motor vehicles, furniture, fixtures and office equipment	3 to 10 years

\* Hotel properties included the respective fixtures and equipment with estimated useful lives of 5 to 10 years.

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The gain or loss on disposal of all property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant assets and is recognised in the consolidated income statement.

### (f) Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies of the Group, is classified as investment property. Investment property also includes property that is being constructed or developed for future use as investment property.

Investment property is measured initially at its cost, including related transaction costs and borrowing costs. Borrowing costs incurred for the purpose of acquiring or constructing a qualifying asset are capitalised as part of its cost. Borrowing costs are capitalised while acquisition or construction is actively underway and ceased once the asset is substantially complete, or suspended if the development of the asset is suspended.

After initial recognition, investment property is carried at fair value. Fair value is based on valuations carried out by professional valuers. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active continues to be measured at fair value.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

# NOTES TO THE FINANCIAL STATEMENTS

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (f) Investment properties (Continued)

Subsequent expenditure is capitalised to the carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the consolidated income statement during the financial period in which they are incurred.

Changes in fair values of investment property are recognised in the consolidated income statement. Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

When an investment property undergoes a change in use, evidenced by commencement of development with a view to sale, the property is transferred to 'Completed properties held for sale' at its fair value at the date of change in use.

If an investment property becomes owner-occupied, it is reclassified as 'Property, plant and equipment', and its fair value at the date of reclassification becomes its cost for accounting purposes.

If an item of owner-occupied property becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property, plant and equipment under HKAS 16. Any resulting increase in the carrying amount of the property is recognised in the consolidated income statement to the extent that it reverses a previous impairment loss, with any remaining increase recognised directly to revaluation surplus within equity. Any resulting decrease in the carrying amount of the property is charged to the consolidated income statement. Upon the subsequent disposal of the investment property, any revaluation reserve balance of the property is transferred to retained profits and is shown as a movement in equity.

### (g) Properties under development

Properties under development comprise leasehold land, land use rights, construction costs, borrowing costs capitalised for qualifying assets and professional fees incurred during the development period. Costs of leasehold land and land use rights are amortised over the lease term in accordance with the pattern of benefit provided or on a straight-line basis over the lease term. The amortisation during the period of construction of the properties is capitalised as the cost of properties under development. Properties under development are stated at cost less accumulated impairment losses where applicable.

Upon completion of the properties which are pre-determined for self-use purpose, the leasehold land portion under lease are classified as 'Right-of-use assets', while the buildings portion are classified as 'Property, plant and equipment'.

Upon the completion of the properties which are pre-determined for sale purpose, the properties including the costs of leasehold land and land use rights are classified as 'Completed properties held for sale' in current assets.

Properties under development are classified as non-current assets unless the construction period of the relevant property development project is expected to be completed within the normal operating cycle and are intended for sale.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (h) Completed properties held for sale

Completed properties held for sale are initially measured at the carrying amount of the property at the date of reclassification from properties under development. Subsequently, completed properties held for sale are carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

### (i) Intangible assets – goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary or associate or joint venture at the date of acquisition. Goodwill on acquisitions of subsidiaries is recognised separately as a non-current asset. Goodwill on acquisitions of associates and joint ventures is included in investments in associates and joint ventures and is tested for impairment as part of the overall balance. Separately recognised goodwill on acquisitions of subsidiaries is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The Group allocates goodwill to each operating segment in which it operates.

### (j) Impairment of investments in subsidiaries, associates, joint ventures and non-financial assets

Assets that have an indefinite useful life or have not yet been available for use are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment testing of the investments in subsidiaries or associates or joint ventures is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary or associate or joint venture in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

# NOTES TO THE FINANCIAL STATEMENTS

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (k) Investments and financial assets

#### (i) Classification

The Group classifies its financial assets in the measurement categories of those to be measured subsequently at fair value (either through other comprehensive income ("OCI") or through profit or loss) and those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in OCI or profit or loss. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

#### (ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

#### (iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in consolidated income statement.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

#### *Debt instruments*

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in other income and net gains using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in consolidated income statement and presented in other income and net gains together with foreign exchange gains and losses. Impairment losses, if material, are presented as separate line item in the consolidated income statement.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (k) Investments and financial assets (Continued)

#### (iii) Measurement (Continued)

##### *Debt instruments (Continued)*

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in consolidated income statement. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other income and net gains. Interest income from these financial assets is included in other income and net gains using the effective interest rate method. Foreign exchange gains and losses are presented in other income and net gains and impairment losses, if material, are presented as separate line item in the consolidated income statement.
- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in consolidated income statement.

##### *Equity instruments*

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in consolidated income statement as other income and net gains when the Group's right to receive payments is established.

### (l) Impairment of financial assets

The Group assesses on a forward looking basis the expected credit losses ("ECL") associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

The Group's other financial assets carried at amortised cost include second mortgage loans receivable, other receivables, amounts due from subsidiaries, associates and joint ventures. The impairment loss of other financial assets carried at amortised cost is measured based on twelve months expected credit loss. The twelve months expected credit loss is the portion of lifetime expected credit loss that results from default events on a financial instrument that are possible within twelve months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime expected credit loss.

The carrying amount of the receivables is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated income statement within selling, administrative and other operating expenses. Subsequent recoveries of amounts previously written off are credited against selling, administrative and other operating expenses in the consolidated income statement.

# NOTES TO THE FINANCIAL STATEMENTS

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **(m) Derivative financial instruments and hedging activities**

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either: (1) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges); (2) hedges of a particular risk associated with a recognised asset or liability or highly probable forecast transactions (cash flow hedges); or (3) hedges of net investments in foreign operations (net investment hedges).

The Group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative financial instruments are disclosed in note 21. Movements on the hedging reserve in shareholders' equity are shown in note 37. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months after the end of the reporting period. Trading derivatives are classified as a current asset or liability.

#### **(i) Fair value hedge**

Changes in fair value of derivatives that are designated and qualify as fair value hedges are recorded in the consolidated income statement, with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to the consolidated income statement over the period to maturity.

#### **(ii) Cash flow hedge**

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated income statement.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the consolidated income statement within finance costs.

When a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the consolidated income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the consolidated income statement.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (m) Derivative financial instruments and hedging activities (Continued)

#### **(iii) Net investment hedge**

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated income statement.

Gains and losses accumulated in equity are included in the consolidated income statement when the foreign operation is disposed of or sold.

#### **(iv) Derivatives that do not qualify for hedge accounting**

Derivatives that do not qualify for hedge accounting are accounted for at fair value through profit or loss.

Changes in the fair value of these derivatives instruments that do not qualify for hedge accounting are recognised immediately in the consolidated income statement.

### (n) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

Restricted bank deposits are not included in cash and cash equivalents.

### (o) Accounts payable

Accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Accounts payable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

### (p) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

# NOTES TO THE FINANCIAL STATEMENTS

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (q) Current and deferred income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries, associates and joint ventures operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary difference arising on investments in subsidiaries, associates and joint ventures, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

### (r) Employee benefits

#### (i) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

#### (ii) Defined contribution plan

A defined contribution plan is a pension plan which the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (r) Employee benefits (Continued)

#### **(iii) Share-based payments**

The Group has outstanding options granted under share option scheme. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any service and non-market performance vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the consolidated income statement with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares, the proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

#### **(iv) Termination benefits**

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to a termination when the entity has a detailed formal plan to terminate the employment of current employees without possibility of withdrawal. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

#### **(v) Bonus plans**

The Group recognises a liability and an expense for bonuses when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of such obligation can be made.

### (s) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

# NOTES TO THE FINANCIAL STATEMENTS

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (t) Financial guarantees

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- the amount determined in accordance with the expected credit loss model under HKFRS 9 and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates or joint ventures are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

### (u) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

Revenue is recognised when it is probable that future economic benefits will flow to the Group and specific criteria for each of the Group's activities as described below have been met. Estimates are based on historical results, taking into consideration the type of customers, the type of transactions and the specifics of each arrangement.

- (i) Revenue from 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 Group recognised revenue from sales of properties at a point in time during the year.

For property development and sales contract for which the control of the property is transferred at a point in time, revenue is recognised when the customer obtains the physical possession or the legal title of the completed property and the Group has present right to payment and the collection of the consideration is probable.

In determining the transaction price, the Group adjusts the promised amount of consideration for the effect of a financing component if it is significant.

Contract acquisition costs incurred to obtain contracts are capitalised and amortised when the related revenue is recognised.

- (ii) Rental revenue and other revenues incidental to the letting of properties are recognised on a straight-line basis over the periods of the respective leases.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (u) Revenue recognition (Continued)

- (iii) Income on development consultancy and project management is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation.
- (iv) Income from property management is recognised when services are rendered.
- (v) Hotel revenue from room rental is recognised over time during the period of stay for hotel guests. Revenue from food and beverages sales and other ancillary services is generally recognised at the point in time when the services are rendered.
- (vi) Dividend income is recognised when the right to receive payment is established.
- (vii) Interest income is recognised on a time proportion basis, using the effective interest method.

### (v) Leases

#### (i) *The Group is the lessee*

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

# NOTES TO THE FINANCIAL STATEMENTS

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (v) Leases (Continued)

#### (i) *The Group is the lessee* (Continued)

Lease payments are allocated between principal and finance cost. The finance cost is charged to the consolidated income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

When right-of-use assets meet the definition of investment properties, they are presented in investment properties, and are initially measured at cost and subsequently measured at fair value, in accordance with the Group's accounting policy.

The Group also has interests in leasehold land and land use rights for use in its operations. Lump sum payments were made upfront to acquire these land interests from their previous registered owners or governments in the jurisdictions where the land is located. There are no ongoing payments to be made under the term of the land leases, other than insignificant lease renewal costs or payments based on rateable value set by the relevant government authorities. These payments are stated at cost and are amortised over the term of the lease which includes the renewal period if the lease can be renewed by the Group without significant cost.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the consolidated income statement. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

Lease liabilities are classified as non-current liabilities unless payments are within 12 months from the end of the reporting period.

#### (ii) *The Group is the lessor*

Lease income from operating leases where the Group is a lessor is recognised as income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expenses over the lease term on the same basis as lease income. The respective leased assets are included in the consolidated statement of financial position based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (w) Borrowing costs

Borrowing costs are accounted for on the accrual basis and charged to the consolidated income statement in the period in which they are incurred, except for costs related to funding of construction or acquisition of qualifying assets which are capitalised as part of the cost of that asset during the construction period and up to the date of completion of construction.

### (x) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are declared by the Directors in the case of interim dividends or approved by the Company's shareholders in the case of final dividends.

### (y) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resource will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

## 3 FINANCIAL RISK MANAGEMENT

### (a) Financial risk factors

The Group's major financial instruments include financial assets at fair value through other comprehensive income or through profit or loss, derivative financial instruments, mortgage loans receivable, accounts receivable, cash and bank balances, restricted bank deposits, accounts payable, bank loans, bonds and amounts with associates, joint ventures and non-controlling interests. Details of these financial instruments are disclosed in respective notes.

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. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to manage certain risk exposures.

Risk management is carried out by the Group's management under the supervision of the Finance Committee. The Group's management identifies, evaluates and manages significant financial risks in the Group's individual operating units. The Finance Committee provides guidance for overall risk management.

# NOTES TO THE FINANCIAL STATEMENTS

## 3 FINANCIAL RISK MANAGEMENT (Continued)

### (a) Financial risk factors (Continued)

#### (i) Market risk

##### (I) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the Group entities' functional currency.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

During the year, the currencies of certain countries where the Group has foreign operations, including the United States dollar and Renminbi, fluctuated against the Hong Kong dollar. This gave rise to an unrealised gain of approximately HK\$1,756,747,000 (2020: HK\$4,339,767,000) on translation of these operations' net assets to the Group's Hong Kong dollar reporting currency, including the Group's share of the translation gains and losses of associates and joint ventures. This unrealised gain/loss is reflected as a movement in other reserves under the heading of exchange fluctuation reserve.

##### (II) Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing liabilities and assets. Cash flow interest rate risk is the risk that changes in market interest rates will impact cash flows arising from variable rate financial instruments. The Group's interest bearing assets mainly include deposits at bank and amounts due from associates and joint ventures. The Group's floating rate borrowings will be affected by fluctuation of prevailing market interest rates and will expose the Group to cash flow interest rate risk. The Group's borrowings if issued at fixed rates will expose the Group to fair value interest rate risk.

To mitigate the risk, the Group has maintained fixed and floating rate debts. To match with underlying risk faced by the Group, the level of fixed rate debt for the Group is decided after taking into consideration the potential impact of higher interest rates, interest cover and the cash flow cycles of the Group's businesses and investments.

Furthermore, the Group manages its cash flow interest rate risk on certain bank borrowings by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates.

At the end of the reporting periods, if interest rates had been increased or decreased by 25 (2020: 25) basis points and all other variables were held constant, the profit of the Group would have decreased or increased by approximately HK\$10,670,000 (2020: HK\$13,116,000) resulting from the change in interest income on bank deposits and the borrowing costs of bank borrowings after capitalisation of interest expenses.

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### (a) Financial risk factors (Continued)

##### (i) Market risk (Continued)

###### (iii) Price risk

The Group is exposed to equity securities price risk arising from the listed equity investments held by the Group. The performance of the Group's listed and unlisted equity investments are monitored regularly, together with an assessment of their relevance to the Group's strategic plans. The Group is not exposed to commodity price risk.

The carrying amount of the listed portion of financial assets at fair value through profit or loss would be an estimated HK\$4,629,000 (2020: HK\$6,217,000) lower or higher if the year end share prices of the above-mentioned investments were to differ by 20% (2020: 20%).

The carrying amount of the unlisted portion of financial assets at fair value through profit or loss would be an estimated HK\$129,793,000 (2020: HK\$129,610,000) lower or higher if the year end underlying fair value of the above-mentioned investments were to differ by 20% (2020: 20%).

##### (ii) Credit risk

The carrying amounts of cash and bank balances, restricted bank deposits, mortgage loans receivable, accounts receivable and amounts due from associates and joint ventures represent the Group's maximum exposure to credit risk in relation to financial assets. The Group reviews the recoverable amount on a regular basis and an allowance for doubtful debts is made when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables.

In order to minimise the credit risk, management of the Company has delegated a team in each business unit responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each debtor at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors of the Company consider that the Group's credit risk is adequately covered.

The Group applies the HKFRS 9 simplified approach in measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables are grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the historical payment profiles and the corresponding historical credit losses. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors and industry trends affecting the ability of the debtors to settle the outstanding balance.

There is no concentration of credit risk with respect to trade receivables from third party customers as the Group has a large number of customers which are internationally dispersed.

In respect of credit exposures to customers for sale of properties and mortgage loans, the Group normally receives deposits or progress payments from individual customers prior to the completion of sale transactions. If a customer defaults on the payment of the sale of properties, the Group is able to forfeit the customer's deposit and re-sell the property to another customer. Therefore, the Group's credit risk is significantly reduced.

# NOTES TO THE FINANCIAL STATEMENTS

## 3 FINANCIAL RISK MANAGEMENT (Continued)

### (a) Financial risk factors (Continued)

#### (ii) Credit risk (Continued)

For mortgage loans receivable, similar to other financial institutions, credit assessments are part of the normal process before approving loans to applicants. Regular review is carried out and stringent monitoring procedures are in place to deal with overdue debts. At the end of each reporting period, the Group reviews the recoverable amount of each individual receivable to ensure that adequate provisions for impairment are made for irrecoverable amounts, if any.

Management considered the credit risk of other receivables and amounts due from associates and joint ventures is low, as counterparties have a strong capacity to meet their contractual cash flow obligations in the near term. The Group has assessed that the expected credit losses for these other receivables and amounts due from associates and joint ventures were minimal under 12 months expected losses method and no provision was recognised.

The credit risk on liquid funds is limited because approximately 93% (2020: 97%) of the funds are placed in banks with high credit rankings, ranging from BBB – to AA-, and the remaining 7% (2020: 3%) in local banks with close monitoring by the management and there is no concentration in any particular bank.

#### (iii) Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its current obligations when they fall due.

The Group measures and monitors its liquidity through the maintenance of prudent ratio regarding to the liquidity structure of the overall assets, liabilities, loans and commitments of the Group.

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group aims to maintain flexibility in funding by keeping committed credit lines available.

Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group Treasury. Group Treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal statement of financial position ratio targets and, if applicable external regulatory or legal requirements – for example, currency restrictions.

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### (a) Financial risk factors (Continued)

##### (iii) Liquidity risk (Continued)

The following tables detail the contractual maturity of the Group for financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

	Less than 1 year HK\$'000	Between 1 and 2 years HK\$'000	Between 2 and 5 years HK\$'000	Over 5 years HK\$'000	Total HK\$'000
At 31 December 2021					
Amounts due to associates and joint ventures	–	599,650	–	–	599,650
Bank loans	5,827,896	4,911,734	26,071,778	2,327,538	39,138,946
Amounts due to non-controlling interests	–	2,303,836	–	–	2,303,836
Accounts payable, deposits received and accrued charges	6,899,482	–	–	–	6,899,482
Lease liabilities	48,835	267	160	–	49,262
Derivative financial instruments	32,534	26,459	119,501	(4,788)	173,706
<b>Total</b>	<b>12,808,747</b>	<b>7,841,946</b>	<b>26,191,439</b>	<b>2,322,750</b>	<b>49,164,882</b>

	Less than 1 year HK\$'000	Between 1 and 2 years HK\$'000	Between 2 and 5 years HK\$'000	Over 5 years HK\$'000	Total HK\$'000
At 31 December 2020					
Amounts due to associates and joint ventures	–	632,657	–	–	632,657
Bank loans	5,277,517	9,500,402	26,031,718	3,426,710	44,236,347
Fixed rate bonds	2,394,007	–	–	–	2,394,007
Amounts due to non-controlling interests	–	2,762,871	–	–	2,762,871
Accounts payable, deposits received and accrued charges	6,473,067	–	–	–	6,473,067
Lease liabilities	55,259	48,857	465	–	104,581
Derivative financial instruments	42,853	41,780	118,185	79,906	282,724
<b>Total</b>	<b>14,242,703</b>	<b>12,986,567</b>	<b>26,150,368</b>	<b>3,506,616</b>	<b>56,886,254</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 3 FINANCIAL RISK MANAGEMENT (Continued)

### (b) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the loan and equity balance.

The Directors of the Company review the capital structure periodically. As a part of this review, the Directors of the Company assess the annual budget prepared by the finance department which reviews the planned construction projects proposed by project department and prepared the annual budget taking into account of the provision of funding. Based on the proposed annual budget, the Directors of the Company consider the cost of capital and the risks associated with capital. The Directors of the Company also balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

The Group monitors capital by maintaining prudent gearing ratio based on prevailing market environment and economic condition. This ratio is calculated as net debt to equity attributable to the Company's shareholders. Net debt is calculated as borrowings (including current and non-current borrowings, as shown in the consolidated statement of financial position) less cash and cash equivalents, short-term bank deposits maturing after more than three months and restricted bank deposits.

The gearing ratios at 31 December 2021 and 2020 were as follows:

	2021	2020
Net debt (HK\$ million)	20,044	27,539
Equity attributable to the Company's shareholders (HK\$ million)	116,829	109,873
Gearing ratio	17.2%	25.1%

### (c) Fair value estimation

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).

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### (c) Fair value estimation (Continued)

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2021:

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
<b>Assets</b>				
Derivative financial instruments	–	254,767	–	254,767
Financial assets at fair value through other comprehensive income	–	–	1,555,092	1,555,092
Financial assets at fair value through profit or loss	23,147	–	655,909	679,056
First mortgage loans receivable	–	–	424,971	424,971
<b>Total assets</b>	<b>23,147</b>	<b>254,767</b>	<b>2,635,972</b>	<b>2,913,886</b>
<b>Liabilities</b>				
Derivative financial instruments	–	166,083	–	166,083
<b>Total liabilities</b>	<b>–</b>	<b>166,083</b>	<b>–</b>	<b>166,083</b>

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2020:

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
<b>Assets</b>				
Derivative financial instruments	–	294,275	–	294,275
Financial assets at fair value through other comprehensive income	–	–	1,577,918	1,577,918
Financial assets at fair value through profit or loss	31,086	–	706,446	737,532
First mortgage loans receivable	–	–	836,012	836,012
<b>Total assets</b>	<b>31,086</b>	<b>294,275</b>	<b>3,120,376</b>	<b>3,445,737</b>
<b>Liabilities</b>				
Derivative financial instruments	–	262,192	–	262,192
<b>Total liabilities</b>	<b>–</b>	<b>262,192</b>	<b>–</b>	<b>262,192</b>

There were no transfers between Levels during the year.

# NOTES TO THE FINANCIAL STATEMENTS

## 3 FINANCIAL RISK MANAGEMENT (Continued)

### (c) Fair value estimation (Continued)

#### (i) Financial instruments in Level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1. Instruments included in Level 1 comprise primarily equity investments listed on the Hong Kong Stock Exchange classified as financial assets at fair value through profit or loss.

#### (ii) Financial instruments in Level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

Level 2 financial instruments of the Group 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 exchange rates that are quoted in an active market and/or forward interest rates extracted from observable yield curves.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

#### (iii) Financial instruments in Level 3

The following table presents the changes in Level 3 instruments:

	First mortgage loans receivable (note)		Financial assets at fair value through other comprehensive income		Financial assets at fair value through profit or loss	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
At 1 January	836,012	1,717,988	1,577,918	1,453,753	706,446	1,055,735
Return of investment	-	-	-	-	(52,131)	(285,768)
(Losses)/gains recognised in other comprehensive income or profit or loss	-	-	(22,826)	124,165	87	(89,305)
Additions	-	34,704	-	-	-	-
Repayments	(411,041)	(916,680)	-	-	-	-
Exchange adjustment	-	-	-	-	1,507	25,784
At 31 December	424,971	836,012	1,555,092	1,577,918	655,909	706,446

Note: The fair value of the first mortgage loans receivable approximates their carrying amount.

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### (c) Fair value estimation (Continued)

##### **(iii) Financial instruments in Level 3** (Continued)

The Group established fair value of unlisted financial assets by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, 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 year.

##### **(iv) Valuation techniques used to determine fair value**

Special valuation techniques used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similar instruments,
- for interest rate swaps – the present value of the estimated future cash flows based on observable yield curves,
- for cross currency swaps – present value of future cash flows based on forward exchange rates that are quoted in an active market and forward interest rates extracted from observable yield curves, and
- for other financial instruments – discounted cash flow analysis.

##### **(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 31 December 2021 was HK\$Nil (2020: HK\$2,359,296,000).

The fair value of the following financial assets and liabilities approximates 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

# NOTES TO THE FINANCIAL STATEMENTS

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

### (a) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### (i) *Estimate of fair value of investment properties*

The valuation of investment properties is performed in accordance with the 'The HKIS Valuation Standards on Properties (2020 Edition)' published by the Hong Kong Institute of Surveyors and the 'International Valuation Standards' published by the International Valuation Standards Committee.

Details of the judgement and assumptions have been disclosed in note 15(a).

#### (ii) *Provision for properties under development and completed properties held for sale*

The Group assesses the carrying amounts of properties under development and completed properties held for sale according to their recoverable amounts based on an estimation of the net realisable value of the underlying properties, taking into account estimated costs to completion based on past experience and committed contracts and expected future sales price/rental value based on prevailing market conditions. If the carrying amounts of the underlying stock of properties differ from those values estimated as a result of changes in market condition, material reversal of or provision for impairment losses on properties under development and completed properties held for sale may result. The assessment requires the use of judgement and estimates.

#### (iii) *Income taxes*

Significant judgement is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provision in the period in which such determination is made.

The Group is subject to land appreciation taxes and withholding tax on capital gains in the Mainland. Significant judgement is required in determining the amount of the land appreciation and capital gains, and its related taxes. The Group recognised these land appreciation taxes and withholding tax on capital gains based on management's best estimates according to the understanding of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income tax and deferred income tax provision in the periods in which such taxes have been finalised with local tax authorities.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

### (a) Critical accounting estimates and assumptions (Continued)

#### **(iv) Useful lives of property, plant and equipment**

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of the property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovation. Management will change the depreciation charge where useful lives are different from the previously estimated lives. It will also write-off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

#### **(v) Fair value of certain financial assets and derivative financial instruments**

The fair value of financial assets and derivative financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

#### **(vi) Impairment of financial assets**

The Group assesses whether there is objective evidence as stated in note 2(l) that trade receivables are impaired. 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 receivables based on the expected credit loss model.

The measurement of the expected credit losses for financial assets measured at amortised cost other than trade receivables is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour.

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

### (b) Critical judgements in applying the Group's accounting policies

#### **(i) Distinction between investment properties and owner-occupied properties**

The Group determines whether a property qualifies as investment property. In making its judgement, the Group considers whether the property generates cash flows largely independently of the other assets. Owner-occupied properties generate cash flows that are attributable not only to property but also to other assets used in the production or supply process.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions can be sold separately (or leased out separately), the Group accounts for the portions separately. If the portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgement.

#### **(ii) Revenue recognition**

The Group has recognised revenue from the sale of properties held for sale as disclosed in note 5 according to the accounting policy as stated in note 2(u)(i). To assess the enforceability of right to payment, the Group has reviewed the terms of its contracts and the relevant local laws, considered the local regulators' views and obtained legal advice, where necessary. Revenue is recognised at a point in time when the underlying completed property unit is legally and/or physically transferred to the customer.

# NOTES TO THE FINANCIAL STATEMENTS

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

### (b) Critical judgements in applying the Group's accounting policies (Continued)

#### **(iii) Financial implication of regulations of idle land**

Under the Mainland laws and regulations, if a property developer fails to commence the development of land within the timeframe designated in the land grant contract, the Mainland government may regard the land as idle land and issue a warning or impose a penalty on the developer or reclaim the land.

In making this judgement, the Group evaluates the extent of development of the whole tracts of land, status of negotiation with the government authorities as to the extension of time of commencement or revision of development plans.

#### **(iv) Impairment of associates and joint ventures**

The investments in associates or joint ventures are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amount of investments is evaluated based on the financial position of associates or joint ventures, historical and expected future performance by management judgement. A considerable amount of judgement is required in assessing the ultimate recoverability of the investments.

#### **(v) Impairment of property, plant and equipment**

The Group regularly reviews whether there are any indications of impairment and will recognise an impairment loss if the carrying amount of an asset is higher than its recoverable amount which is the greater of its net selling price or its value in use. In determining the value in use, the Group assesses the present value of the estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life. Estimates and judgements are applied in determining these future cash flows and the discount rates, estimated occupancy rates and room rates. Additional information for the impairment assessment of property, plant and equipment is disclosed in note 14.

## 5 PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATIONS

(a) Revenue recognised during the year is as follows:

	2021 HK\$'000	2020 HK\$'000
<b>Revenue</b>		
Sale of properties	<b>8,371,059</b>	8,519,063
Rental and others	<b>5,344,121</b>	4,826,864
Hotel revenue	<b>1,611,584</b>	1,180,175
	<b>15,326,764</b>	14,526,102

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

	Revenue		Gross profit	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Principal activities:				
Property rental and others				
– Mainland property	<b>4,053,111</b>	3,520,141	<b>2,998,954</b>	2,671,575
– Hong Kong property	<b>1,291,010</b>	1,306,723	<b>995,479</b>	1,029,454
	<b>5,344,121</b>	4,826,864	<b>3,994,433</b>	3,701,029
Property sales				
– Mainland property	<b>4,584,914</b>	5,255,112	<b>2,830,331</b>	2,987,140
– Hong Kong property	<b>3,786,145</b>	3,263,951	<b>1,414,109</b>	1,313,056
	<b>8,371,059</b>	8,519,063	<b>4,244,440</b>	4,300,196
Hotel operations				
– Mainland property	<b>1,611,584</b>	1,180,175	<b>504,134</b>	385,638
	<b>15,326,764</b>	14,526,102	<b>8,743,007</b>	8,386,863
Principal markets:				
– Mainland	<b>10,249,609</b>	9,955,428	<b>6,333,419</b>	6,044,353
– Hong Kong	<b>5,077,155</b>	4,570,674	<b>2,409,588</b>	2,342,510
	<b>15,326,764</b>	14,526,102	<b>8,743,007</b>	8,386,863

# NOTES TO THE FINANCIAL STATEMENTS

## 5 PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATIONS (Continued)

(c) Information about operating segment:

Management has determined the operating segments based on the reports reviewed by the Board of Directors.

The Board of Directors considers the business by principal activities and markets, management assesses the performance of the principal activities of the Group namely property business. The property business is further segregated into the Mainland property, Hong Kong property and Overseas property.

Property segment derives revenue primarily from sales of properties, rental revenue and hotel revenue.

Others mainly include corporate activities including central treasury management and administrative function and results of other business not categorised as operating segments.

The Board of Directors assesses the performance of the operating segments based on a measure of gross profit.

## 5 PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATIONS (Continued)

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

	2021				
	Mainland Property HK\$'000	Hong Kong Property HK\$'000	Total Operating Segments HK\$'000	Others HK\$'000	Total HK\$'000
Revenue	10,249,609	5,077,155	15,326,764	–	15,326,764
Results					
Segment results – gross profit	6,333,419	2,409,588	8,743,007	–	8,743,007
Other income and net gains					2,992,814
Selling, administrative and other operating expenses					(2,003,343)
Increase in fair value of investment properties					1,666,422
Operating profit before finance costs					11,398,900
Finance costs					(575,135)
Operating profit					10,823,765
Share of results of associates and joint ventures					3,402,332
Profit before taxation					14,226,097
Taxation					(2,936,131)
Profit for the year					11,289,966
Profit attributable to:					
Company's shareholders					10,358,011
Non-controlling interests					931,955
					11,289,966
Depreciation	449,381	69,499	518,880	1,457	520,337

# NOTES TO THE FINANCIAL STATEMENTS

## 5 PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATIONS (Continued)

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

	2020				
	Mainland Property	Hong Kong Property	Total Operating Segments	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	9,955,428	4,570,674	14,526,102	–	14,526,102
Results					
Segment results – gross profit	6,044,353	2,342,510	8,386,863	–	8,386,863
Other income and net gains					801,128
Selling, administrative and other operating expenses					(1,613,699)
Increase in fair value of investment properties					1,087,762
Operating profit before finance costs					8,662,054
Finance costs					(1,089,726)
Operating profit					7,572,328
Share of results of associates and joint ventures					1,597,010
Profit before taxation					9,169,338
Taxation					(3,240,982)
Profit for the year					5,928,356
Profit attributable to:					
Company's shareholders					5,403,203
Non-controlling interests					525,153
					5,928,356
Depreciation	407,793	67,773	475,566	2,042	477,608

## 5 PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATIONS (Continued)

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

	2021						
	Mainland 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
Segment assets	113,518,805	54,384,549	1,152,607	169,055,961	70,148,605	(72,188,669)	167,015,897
Associates and joint ventures	9,702,727	11,698,876	2,035,873	23,437,476	4,889,459	-	28,326,935
Derivative financial instruments	-	-	-	-	254,767	-	254,767
Financial assets at fair value through other comprehensive income	-	-	1,555,092	1,555,092	-	-	1,555,092
Financial assets at fair value through profit or loss	7,416	670,814	-	678,230	826	-	679,056
Mortgage loans receivable	-	1,568,245	-	1,568,245	-	-	1,568,245
Tax recoverable	412,006	12,690	-	424,696	41,613	-	466,309
Tax reserve certificates	-	-	-	-	189,255	-	189,255
<b>Total assets</b>	<b>123,640,954</b>	<b>68,335,174</b>	<b>4,743,572</b>	<b>196,719,700</b>	<b>75,524,525</b>	<b>(72,188,669)</b>	<b>200,055,556</b>
Segment liabilities	47,632,609	26,839,872	1,270,065	75,742,546	11,513,586	(72,188,669)	15,067,463
Bank loans	4,657,071	-	-	4,657,071	32,821,441	-	37,478,512
Derivative financial instruments	-	-	-	-	166,083	-	166,083
Taxation and deferred taxation	11,469,870	893,644	167,831	12,531,345	199,295	-	12,730,640
Amounts due to non-controlling interests	1,491,930	636,483	171,944	2,300,357	(625)	-	2,299,732
<b>Total liabilities</b>	<b>65,251,480</b>	<b>28,369,999</b>	<b>1,609,840</b>	<b>95,231,319</b>	<b>44,699,780</b>	<b>(72,188,669)</b>	<b>67,742,430</b>
Segment non-current assets*	90,505,158	46,166,602	2,867,174	139,538,934	4,895,265	-	144,434,199

\* Other than derivative financial instruments, financial assets at fair value through other comprehensive income and through profit or loss and mortgage loans receivable, additions to non-current assets mainly comprise of additions to investment properties and properties under development as set out in notes 15 and 17 to the financial statements respectively.

# NOTES TO THE FINANCIAL STATEMENTS

## 5 PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATIONS (Continued)

(e) An analysis of the Group's financial position by operating segment is as follows: (Continued)

	2020						
	Mainland 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
Segment assets	106,844,227	56,037,223	1,141,965	164,023,415	78,331,996	(82,203,609)	160,151,802
Associates and joint ventures	6,349,883	10,649,876	2,017,172	19,016,931	11,581,499	–	30,598,430
Derivative financial instruments	–	–	–	–	294,275	–	294,275
Financial assets at fair value through other comprehensive income	–	–	1,577,918	1,577,918	–	–	1,577,918
Financial assets at fair value through profit or loss	58,866	678,666	–	737,532	–	–	737,532
Mortgage loans receivable	–	2,042,970	–	2,042,970	–	–	2,042,970
Tax recoverable	28,844	103,182	240	132,266	44,718	–	176,984
Tax reserve certificates	–	–	–	–	189,255	–	189,255
<b>Total assets</b>	<b>113,281,820</b>	<b>69,511,917</b>	<b>4,737,295</b>	<b>187,531,032</b>	<b>90,441,743</b>	<b>(82,203,609)</b>	<b>195,769,166</b>
Segment liabilities	44,556,897	28,936,368	1,248,301	74,741,566	19,134,114	(82,203,609)	11,672,071
Bank loans	3,123,485	–	–	3,123,485	39,085,863	–	42,209,348
Fixed rate bonds	–	–	–	–	2,325,147	–	2,325,147
Derivative financial instruments	–	–	–	–	262,192	–	262,192
Taxation and deferred taxation	10,668,069	858,516	169,120	11,695,705	199,328	–	11,895,033
Amounts due to non-controlling interests	1,942,255	636,395	171,010	2,749,660	(625)	–	2,749,035
<b>Total liabilities</b>	<b>60,290,706</b>	<b>30,431,279</b>	<b>1,588,431</b>	<b>92,310,416</b>	<b>61,006,019</b>	<b>(82,203,609)</b>	<b>71,112,826</b>
Segment non-current assets*	86,098,118	43,873,810	2,834,142	132,806,070	11,584,703	–	144,390,773

\* Other than derivative financial instruments, financial assets at fair value through other comprehensive income and through profit or loss and mortgage loans receivable, additions to non-current assets mainly comprise of additions to investment properties and properties under development as set out in notes 15 and 17 to the financial statements respectively.

## 5 PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATIONS (Continued)

(f) An analysis of the Group's operating segment non-current assets by geographical area is as follows:

	Operating segment non-current assets*	
	2021 HK\$'000	2020 HK\$'000
Mainland	90,505,158	86,098,118
Hong Kong	45,642,644	43,349,929
Others	3,391,132	3,358,023
	<b>139,538,934</b>	<b>132,806,070</b>

\* Other than derivative financial instruments, financial assets at fair value through other comprehensive income and through profit or loss and mortgage loans receivable.

## 6 OTHER INCOME AND NET GAINS

	2021 HK\$'000	2020 HK\$'000
Dividend income	48,729	57,267
Interest income	561,714	512,704
Gain/(loss) on disposal of property, plant and equipment	114	(430)
Gain/(loss) on sale of investment properties net of selling expenses	1,240	(427)
Exchange gain, net	50,181	208,858
Net decrease in fair value of financial assets at fair value through profit or loss	(7,853)	(97,790)
Gain on disposal of subsidiaries (note 38(c))	117,838	–
Gain on disposal of partial interest in an associate (note 38(d))	2,093,943	–
Others	126,908	120,946
	<b>2,992,814</b>	<b>801,128</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 7 OPERATING PROFIT BEFORE FINANCE COSTS

Operating profit before finance costs is stated after charging the following:

	2021 HK\$'000	2020 HK\$'000
Cost of sales of properties and sales related expenses	4,206,547	4,223,938
Direct operating expenses in respect of investment properties	873,186	748,058
Depreciation of property, plant and equipment	404,018	366,212
Depreciation of right-of-use assets – leasehold land and land use rights	64,197	59,316
Depreciation of right-of-use assets – buildings – offices	52,122	52,080
Hotel direct operating expenses	1,107,450	794,537
Expenses relating to short-term leases	10,034	9,842
Auditors' remuneration		
– audit services	11,684	10,844
– audit related services	1,443	–
– non-audit services	18,322	26,628

## 8 FINANCE COSTS

	2021 HK\$'000	2020 HK\$'000
Finance costs		
– bank loans	717,825	941,735
– fixed rate bonds	36,738	138,926
– derivative financial instruments	36,797	35,977
– lease liabilities	2,698	4,567
– fair value loss/(gain) on derivative financial instruments designated as cash flow hedges, transfer from equity (note 37)	63,745	(292,520)
– others (note)	(88,063)	564,554
Total finance costs incurred	769,740	1,393,239
Less: amount capitalised in properties under development and investment properties under development	(194,605)	(303,513)
Total finance costs expensed during the year	575,135	1,089,726

The capitalised interest rate applied to funds borrowed and used for the development of properties is between 1.3% and 4.9% per annum (2020: between 1.8% and 5.0% per annum).

Note: The amount included net exchange gain from financing activities of HK\$101,657,000 (2020: loss of HK\$540,035,000) for the year ended 31 December 2021, comprising net exchange loss of HK\$2,179,000 (2020: HK\$245,954,000) arising from the translation of unhedged RMB bank loans.

## 9 TAXATION

### Hong Kong and overseas profits tax

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

### Mainland corporate income tax

Mainland corporate income tax has been provided at the rate of 25% (2020: 25%) on the estimated assessable profit for the year.

### Withholding tax on distributed/undistributed profits

Withholding tax is levied on profit distribution upon declaration/remittance at the rates of taxation prevailing in the Mainland and overseas countries.

### Mainland land appreciation tax

Land appreciation tax in the Mainland is levied on properties developed and sold by the Group, at progressive rates ranging from 30% to 60% on the appreciation of land value, which under the applicable regulations is calculated based on the proceeds of sales of properties less deductible expenditures including land costs, borrowing costs and all property development expenditures.

The amount of taxation (charged)/credited to the consolidated income statement represents:

	2021 HK\$'000	2020 HK\$'000
Mainland taxation		
– Current	(2,023,716)	(2,143,090)
– Over/(under)-provision in prior years	23,921	(73,925)
– Deferred	(571,180)	(643,999)
	<b>(2,570,975)</b>	(2,861,014)
Hong Kong profits tax		
– Current	(340,539)	(363,937)
– (Under)/over-provision in prior years	(382)	1,007
– Deferred	(10,397)	(4,303)
	<b>(351,318)</b>	(367,233)
Overseas taxation		
– Current	(6,092)	(7,527)
– Deferred	(7,746)	(5,208)
	<b>(13,838)</b>	(12,735)
	<b>(2,936,131)</b>	(3,240,982)

The Group recorded land appreciation tax of HK\$1,114,877,000 (2020: HK\$1,081,692,000) for the year ended 31 December 2021 on sale of properties in the Mainland.

# NOTES TO THE FINANCIAL STATEMENTS

## 9 TAXATION (Continued)

The Group's share of taxation of associates and joint ventures for the year of HK\$545,189,000 (2020: HK\$446,362,000) is included in the share of results of associates and joint ventures in the consolidated income statement.

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the taxation rate of Hong Kong as follows:

	2021 HK\$'000	2020 HK\$'000
Profit before taxation	<b>14,226,097</b>	9,169,338
Less: Share of results of associates and joint ventures	<b>(3,402,332)</b>	(1,597,010)
	<b>10,823,765</b>	7,572,328
Calculated at Hong Kong profits tax rate of 16.5% (2020: 16.5%)	<b>1,785,921</b>	1,249,434
Tax effect of different taxation rates in other countries	<b>533,506</b>	588,244
Utilisation of previously unrecognised tax losses	<b>(21,726)</b>	(42,831)
Tax effect of net income/expenses that are not taxable/deductible in determining taxable profit	<b>(462,222)</b>	263,968
Tax loss not recognised	<b>120,373</b>	151,122
(Over)/under-provision of taxation in prior years	<b>(23,539)</b>	72,918
	<b>1,932,313</b>	2,282,855
Withholding tax on distributed/undistributed profits	<b>167,660</b>	146,858
Land appreciation tax	<b>1,114,877</b>	1,081,692
Tax effect of deduction of land appreciation tax	<b>(278,719)</b>	(270,423)
Taxation charge	<b>2,936,131</b>	3,240,982

## 10 DIVIDENDS

### (a) Ordinary shares

	2021 HK\$'000	2020 HK\$'000
Final dividend for the year ended 31 December 2020 of HK\$0.95 (2019: HK\$0.95) per fully paid share	<b>1,383,676</b>	1,383,676
Interim dividend for the year ended 31 December 2021 of HK\$0.4 (2020: HK\$0.4) per fully paid share	<b>582,601</b>	582,601
Special dividend for the year ended 31 December 2021 of HK\$2.3 (2020: HK\$Nil) per fully paid share	<b>3,349,953</b>	–
Total dividends paid	<b>5,316,230</b>	1,966,277

### (b) Dividends not recognised at the end of the reporting period

At a meeting held on 17 March 2022, the Board of Directors proposed a final dividend of HK\$0.95 (2020: HK\$0.95) per ordinary share for the year ended 31 December 2021 totalling to HK\$1,381,748,000 based on 1,454,471,728 ordinary share in issue as at 31 December 2021 (2020: HK\$1,383,676,000 based on 1,456,501,228 ordinary share in issue as at 31 December 2020). The actual amount of final dividend payable in respect of the year ended 31 December 2021 will be subject to the actual number of ordinary shares in issue on the record date, which is expected to be on or about 25 May 2022.

## 11 EARNINGS PER SHARE

### Basic

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the year.

	2021	2020
Weighted average number of ordinary shares in issue	<b>1,456,307,188</b>	1,456,501,228

	2021 HK\$'000	2020 HK\$'000
Profit attributable to shareholders	<b>10,358,011</b>	5,403,203
Basic earnings per share	<b>HK\$7.11</b>	HK\$3.71

# NOTES TO THE FINANCIAL STATEMENTS

## 11 EARNINGS PER SHARE (Continued)

### 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.

	2021	2020
Weighted average number of ordinary shares in issue	<b>1,456,307,188</b>	1,456,501,228
Adjustment for share options	–	–
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<b>1,456,307,188</b>	1,456,501,228

	2021 HK\$'000	2020 HK\$'000
Profit attributable to shareholders	<b>10,358,011</b>	5,403,203
Diluted earnings per share	<b>HK\$7.11</b>	HK\$3.71

## 12 EMPLOYEE BENEFIT EXPENSE

	2021 HK\$'000	2020 HK\$'000
Staff costs, including directors' emoluments	<b>1,591,493</b>	1,365,575
Pension costs – defined contribution plans (note 33)	<b>89,779</b>	49,019
	<b>1,681,272</b>	1,414,594

### 13 BENEFITS AND INTERESTS OF DIRECTORS

#### (a) Directors' and senior management's emoluments

The remuneration of the Directors for the year ended 31 December 2021, excluding share option benefits, is set out below:

Name of Director	Fees HK\$'000	Salary HK\$'000	Discretionary bonuses HK\$'000	Employer's contribution to retirement benefit scheme HK\$'000	Total HK\$'000
Mr Wong Siu Kong*	–	6,960	15,000	120	22,080
Mr Kuok Khoon Hua**	–	4,800	20,000	120	24,920
Mr Bryan Pallop Gaw	–	4,620	7,000	120	11,740
Ms Serene Siew Noi Nah <sup>1</sup>	–	988	7,110	25	8,123
Mr Wong Chi Kong, Louis <sup>2</sup>	–	5,244	4,875	120	10,239
Ms Wong Yu Pok, Marina, JP	615	–	–	–	615
Mr Chang Tso Tung, Stephen	570	–	–	–	570
Mr Hui Chun Yue, David	575	–	–	–	575

\* *Chairman*

\*\* *Vice Chairman and Chief Executive Officer*

<sup>1</sup> *Appointed as an executive director on 15 October 2021*

<sup>2</sup> *Retired as an executive director on 31 December 2021*

The remuneration of the Directors for the year ended 31 December 2020, excluding share option benefits, is set out below:

Name of Director	Fees HK\$'000	Salary HK\$'000	Discretionary bonuses HK\$'000	Employer's contribution to retirement benefit scheme HK\$'000	Total HK\$'000
Mr Wong Siu Kong*	–	6,960	15,000	120	22,080
Mr Kuok Khoon Hua**	–	4,800	12,500	120	17,420
Mr Bryan Pallop Gaw	–	4,500	7,000	120	11,620
Mr Wong Chi Kong, Louis	–	5,244	7,500	120	12,864
Ms Wong Yu Pok, Marina, JP	600	–	–	–	600
Mr Chang Tso Tung, Stephen	560	–	–	–	560
Mr Hui Chun Yue, David <sup>1</sup>	345	–	–	–	345
Mr Ku Moon Lun <sup>2</sup>	216	–	–	–	216

\* *Chairman*

\*\* *Vice Chairman and Chief Executive Officer*

<sup>1</sup> *Appointed as independent non-executive director on 20 May 2020*

<sup>2</sup> *Retired as independent non-executive director on 20 May 2020*

# NOTES TO THE FINANCIAL STATEMENTS

## 13 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

### (b) Share options granted to the Directors of the Company

Pursuant to the Share Option Scheme of the Company (note 35), the Company granted to the Directors share options to subscribe for shares in the Company subject to terms and conditions stipulated therein. The fair values of share options granted to the Directors were included in the total employee benefit expense during the vesting period.

During the years ended 31 December 2021 and 31 December 2020, there were no share options granted to the Directors.

As at 31 December 2021 and 31 December 2020, certain Directors held the following share options to acquire shares of the Company:

Number of share options held		Exercise price per share HK\$	Exercise period
2021	2020		
1,600,000	1,850,000	35.45	31/10/2012 – 29/04/2022
1,650,000	1,900,000	35.45	31/10/2013 – 29/04/2022
–	400,000	26.88	08/07/2014 – 07/01/2024
884,000	1,284,000	26.88	08/01/2015 – 07/01/2024

The closing market price of the Company's share as at 31 December 2021 was HK\$20.30 (2020: HK\$19.64) per share.

### (c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include four (2020: four) Directors. The emoluments payable to the five highest paid individuals during the year are as follows:

	2021 HK\$'000	2020 HK\$'000
Salaries and fees	26,364	27,085
Discretionary bonuses	53,985	56,900
Pension contributions	600	587
	<b>80,949</b>	<b>84,572</b>

**13 BENEFITS AND INTERESTS OF DIRECTORS** (Continued)**(c) Five highest paid individuals** (Continued)

The emoluments fell within the following bands:

	Number of individuals	
	2021	2020
HK\$10,000,001 – HK\$10,500,000	1	–
HK\$11,500,001 – HK\$12,000,000	2	1
HK\$12,500,001 – HK\$13,000,000	–	1
HK\$17,000,001 – HK\$17,500,000	–	1
HK\$20,500,001 – HK\$21,000,000	–	1
HK\$22,000,001 – HK\$22,500,000	1	1
HK\$24,500,001 – HK\$25,000,000	1	–
	<b>5</b>	<b>5</b>

Pursuant to the Share Option Scheme of the Company (note 35), the Company granted to the individual share options to subscribe for shares in the Company subject to terms and conditions stipulated therein. The fair values of share options granted to the individual were included in the total employee benefit expense during the vesting period.

**(d) Directors' material interests in transactions, arrangements or contracts**

No transactions, arrangements or contracts of significance in relation to the Group's business to which the Company, its subsidiaries, its fellow subsidiaries or its holding companies was a party or were parties and in which a Director of the Company or any entities connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

# NOTES TO THE FINANCIAL STATEMENTS

## 14 PROPERTY, PLANT AND EQUIPMENT

	Hotel properties HK\$'000	Warehouse and buildings HK\$'000	Staff quarters HK\$'000	Leasehold improvements HK\$'000	Motor vehicles, furniture, fixtures and office equipment HK\$'000	Total HK\$'000
Cost						
At 1 January 2021	7,289,036	481,881	50,154	85,797	299,472	8,206,340
Additions	58,895	–	–	1,764	26,176	86,835
Disposals	(15,957)	–	(31)	–	(12,019)	(28,007)
Transfer and reclassification	375,650	–	–	–	–	375,650
Exchange adjustment	209,787	2,287	1,407	591	5,426	219,498
At 31 December 2021	7,917,411	484,168	51,530	88,152	319,055	8,860,316
Aggregate depreciation and accumulated impairment losses						
At 1 January 2021	2,554,217	106,469	14,386	66,292	240,850	2,982,214
Charge for the year	360,571	16,053	1,740	7,277	18,861	404,502
Disposals	(2,966)	–	(15)	–	(11,616)	(14,597)
Exchange adjustment	75,429	668	437	439	4,340	81,313
At 31 December 2021	2,987,251	123,190	16,548	74,008	252,435	3,453,432
<b>Net book value as at 31 December 2021</b>	<b>4,930,160</b>	<b>360,978</b>	<b>34,982</b>	<b>14,144</b>	<b>66,620</b>	<b>5,406,884</b>
Net book value as at 1 January 2021	4,734,819	375,412	35,768	19,505	58,622	5,224,126

## 14 PROPERTY, PLANT AND EQUIPMENT (Continued)

	Hotel properties HK\$'000	Warehouse and buildings HK\$'000	Staff quarters HK\$'000	Leasehold improvements HK\$'000	Motor vehicles, furniture, fixtures and office equipment HK\$'000	Total HK\$'000
<b>Cost</b>						
At 1 January 2020	6,841,713	492,682	47,075	66,277	270,526	7,718,273
Additions	9,139	–	–	18,137	30,945	58,221
Disposals	(3,033)	–	–	–	(13,950)	(16,983)
Transfer and reclassification	–	(16,832)	–	–	–	(16,832)
Exchange adjustment	441,217	6,031	3,079	1,383	11,951	463,661
<b>At 31 December 2020</b>	<b>7,289,036</b>	<b>481,881</b>	<b>50,154</b>	<b>85,797</b>	<b>299,472</b>	<b>8,206,340</b>
<b>Aggregate depreciation and accumulated impairment losses</b>						
At 1 January 2020	2,079,548	88,685	11,876	63,479	224,655	2,468,243
Charge for the year	326,960	16,485	1,624	2,338	19,469	366,876
Disposals	(2,874)	–	–	–	(13,135)	(16,009)
Exchange adjustment	150,583	1,299	886	475	9,861	163,104
<b>At 31 December 2020</b>	<b>2,554,217</b>	<b>106,469</b>	<b>14,386</b>	<b>66,292</b>	<b>240,850</b>	<b>2,982,214</b>
<b>Net book value as at 31 December 2020</b>	<b>4,734,819</b>	<b>375,412</b>	<b>35,768</b>	<b>19,505</b>	<b>58,622</b>	<b>5,224,126</b>
<b>Net book value as at 1 January 2020</b>	<b>4,762,165</b>	<b>403,997</b>	<b>35,199</b>	<b>2,798</b>	<b>45,871</b>	<b>5,250,030</b>

The Group had property, plant and equipment held by subsidiaries and associates which included hotel operations in the Mainland as at 31 December 2021. Given the different economic environments in which the Group's hotels operate, there is a risk that the carrying amounts of these hotels held by subsidiaries and associates are higher than their recoverable amounts. The Group assesses the carrying amounts of hotel properties when there is any indicator that the assets may be impaired. These indicators include continuing adverse changes in the local market conditions in which the hotel operates or will operate, or when the hotel continues to operate at a loss position and its financial performance is worse than expected.

During the year ended 31 December 2021 and 31 December 2020, the Group considered that no provision for impairment loss or written back of hotel properties was necessary. The Group has made key assumptions and estimates on the appropriate discount rate, estimated occupancy rate and room rate. The discount rates adopted in the model by the Group range from 8.75% to 9.75% (2020: 8.25% to 9.5%).

# NOTES TO THE FINANCIAL STATEMENTS

## 15 INVESTMENT PROPERTIES

	2021 HK\$'000	2020 HK\$'000
At 1 January	83,823,976	80,209,689
Additions	191,432	886,320
Increase in fair value	1,666,422	1,087,762
Disposals	(750)	(438,140)
Transfer	50,617	(983,000)
Exchange adjustment	1,470,182	3,061,345
At 31 December	<b>87,201,879</b>	83,823,976

(a) Valuation of investment properties

	Residential properties under development	Completed residential properties		Completed commercial properties		Completed warehouses	Total
	Hong Kong HK\$'000	Hong Kong HK\$'000	Mainland HK\$'000	Hong Kong HK\$'000	Mainland HK\$'000	Hong Kong HK\$'000	
At 1 January 2021	504,000	16,553,600	4,447,121	10,876,750	47,272,505	4,170,000	83,823,976
Additions	2,324	11,684	17,243	37,601	121,097	1,483	191,432
Change in fair value	2,676	820,043	116,630	(119,601)	778,157	68,517	1,666,422
Disposals	-	-	-	(750)	-	-	(750)
Transfer	-	(27,527)	-	-	78,144	-	50,617
Exchange adjustment	-	-	126,446	-	1,343,736	-	1,470,182
<b>At 31 December 2021</b>	<b>509,000</b>	<b>17,357,800</b>	<b>4,707,440</b>	<b>10,794,000</b>	<b>49,593,639</b>	<b>4,240,000</b>	<b>87,201,879</b>

## 15 INVESTMENT PROPERTIES (Continued)

### (a) Valuation of investment properties (Continued)

	Residential properties under development	Commercial properties under development	Completed residential properties		Completed commercial properties		Completed warehouses	Total
	Hong Kong	Mainland	Hong Kong	Mainland	Hong Kong	Mainland	Hong Kong	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2020	1,394,000	5,640,882	16,605,050	4,170,827	11,580,750	36,718,180	4,100,000	80,209,689
Additions	136,137	579,088	82,540	16,818	12,652	58,806	279	886,320
Change in fair value	(43,137)	1,592,176	(133,990)	(11,235)	(293,722)	(92,051)	69,721	1,087,762
Disposals	-	-	-	-	(422,930)	(15,210)	-	(438,140)
Transfer	(983,000)	(8,234,172)	-	-	-	8,234,172	-	(983,000)
Exchange adjustment	-	422,026	-	270,711	-	2,368,608	-	3,061,345
At 31 December 2020	504,000	-	16,553,600	4,447,121	10,876,750	47,272,505	4,170,000	83,823,976

#### Valuation processes of the Group

The Group measures its investment properties at fair value. The investment properties were revalued by Cushman & Wakefield Limited, Savills Valuation and Professional Services Limited and Prudential Surveyors (Hong Kong) Limited, independent qualified valuers not related to the Group, who hold recognised relevant professional qualifications and have recent experience in the locations and segments of the investment properties valued, at 31 December 2021. For all investment properties, their current use equates to the highest and best use.

The Group's finance department includes a team that reviews the valuation performed by the independent valuers for financial reporting purposes. This team reports directly to the senior management and the Audit and Corporate Governance Committee. Discussions of valuation processes and results are held between the management and valuers.

At each financial year end, the finance department:

- verifies all major inputs to the independent valuation report;
- assesses property valuation movements when compared to the prior year valuation report; and
- holds discussions with the independent valuers.

#### Valuation techniques

Fair value of completed properties in Hong Kong and the Mainland is mainly derived using the income approach and wherever appropriate, by market approach.

Income approach 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 15 INVESTMENT PROPERTIES (Continued)

### (a) Valuation of investment properties (Continued)

#### Valuation techniques (Continued)

Market approach 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 investment properties under development in Hong Kong and the Mainland 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 margins from the estimated capital value of the proposed development assuming completed as at the date of valuation.

#### Significant unobservable inputs used to determine fair value

Capitalisation rates are estimated by valuers based on the risk profile of the investment properties being valued. The higher the rates, the lower the fair value. At 31 December 2021, capitalisation rates of 2.4% to 5.0% (2020: 2.4% to 5.2%) and 4.8% to 8.3% (2020: 4.8% to 8.8%) are used in the income approach for Hong Kong and the Mainland properties respectively.

Prevailing market rents are estimated based on recent lettings for Hong Kong and the Mainland 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 by valuers 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.

The valuations of investment properties were based on the economic, market and other conditions as they exist on, and information available to management as of 31 December 2021. Given the outbreak of Covid-19 has caused high volatility to Hong Kong and Mainland economy and uncertainties to the property market, this disruption has increased the uncertainty of the assumptions adopted in the valuation process. Consequently, the ongoing development of Covid-19 may cause unexpected volatility in the future fair value of the investment properties subsequent to 31 December 2021.

## 16 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The consolidated statement of financial position shows the following amounts relating to leases:

	2021 HK\$'000	2020 HK\$'000
<b>Right-of-use assets</b>		
Leasehold land and land use rights	1,919,127	1,911,766
Buildings – offices (note (a))	46,482	98,829
	<b>1,965,609</b>	2,010,595

(a) For the year ended 31 December 2021, in respect of buildings – offices, additions to the right-of-use assets were HK\$Nil (2020: HK\$1,060,000) and total cash outflows of leases was HK\$55,237,000 (2020: HK\$55,048,000).

Rental contracts for offices are typically made for fixed periods of three years, but have extension options which majority of these options are exercisable only by the Group and not by the respective lessor.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that held by the lessor.

	2021 HK\$'000	2020 HK\$'000
<b>Lease liabilities</b>		
Current portion of lease liabilities	48,012	52,555
Non-current portion of lease liabilities	381	48,444
	<b>48,393</b>	100,999

As at 31 December 2021, the weighted average lessee's incremental borrowing rates applied was 3.5% (2020: 3.5%).

As at 31 December 2021, the balance included the lease liabilities payable to an associate of HK\$47,825,000 (2020: HK\$100,217,000).

# NOTES TO THE FINANCIAL STATEMENTS

## 17 PROPERTIES UNDER DEVELOPMENT

	2021 HK\$'000	2020 HK\$'000
At 1 January	26,322,778	23,039,962
Additions	5,042,993	3,833,892
Disposal of subsidiaries (note 38(c))	(31,602)	–
Transfer	(672,145)	(1,416,221)
Exchange adjustment	702,401	865,145
At 31 December	<b>31,364,425</b>	26,322,778

	2021 HK\$'000	2020 HK\$'000
The above are represented by:		
Amount included in non-current assets		
Hong Kong	675,278	162,146
Outside Hong Kong	17,632,664	8,144,747
	<b>18,307,942</b>	8,306,893
Amount included in current assets		
Hong Kong	–	10,435,650
Outside Hong Kong	13,056,483	7,580,235
	<b>13,056,483</b>	18,015,885
	<b>31,364,425</b>	26,322,778

## 18 LAND DEPOSITS

Balance as at 31 December 2021 mainly comprised land deposits paid for the acquisition of lands located in the Mainland. These deposits will be transferred to properties under development once the respective land use rights certificate is obtained.

## 19 SUMMARISED FINANCIAL INFORMATION OF A SUBSIDIARY WITH MATERIAL NON-CONTROLLING INTERESTS

Set out below are the summarised financial information of a subsidiary, Shanghai Ji Xiang Properties Co., Ltd., that has non-controlling interests of 49% that are material to the Group. The principal place of business of Shanghai Ji Xiang Properties Co., Ltd. is Shanghai, the Mainland.

### Summarised statement of financial position as at 31 December 2021

	2021 HK\$'000	2020 HK\$'000
Current		
Assets	756,455	909,923
Liabilities	(643,182)	(1,047,731)
Total current net asset/(liabilities)	113,273	(137,808)
Non-current		
Assets	16,363,930	15,039,692
Liabilities	(4,031,210)	(4,009,302)
Total non-current net assets	12,332,720	11,030,390
Net assets	12,445,993	10,892,582

### Summarised statement of comprehensive income for the year ended 31 December 2021

	2021 HK\$'000	2020 HK\$'000
Revenue	707,830	1,415,118
Profit before income tax	1,654,042	679,348
Income tax expenses	(426,597)	(199,348)
Profit for the year	1,227,445	480,000
Other comprehensive income	188,695	414,008
Total comprehensive income	1,416,140	894,008
Total comprehensive income allocated to non-controlling interests	693,909	438,064
Dividend paid to non-controlling interests	–	–

# NOTES TO THE FINANCIAL STATEMENTS

## 19 SUMMARISED FINANCIAL INFORMATION OF A SUBSIDIARY WITH MATERIAL NON-CONTROLLING INTERESTS (Continued)

### Summarised cash flows for the year ended 31 December 2021

	2021 HK\$'000	2020 HK\$'000
Cash flows from operating activities		
Cash generated from operations	1,069,230	931,987
Interest paid	(63,006)	(51,057)
Income tax paid	(148,549)	(140,700)
Net cash generated from operating activities	857,675	740,230
Net cash generated from investing activities	2,770	1,261
Net cash used in financing activities	(647,987)	(307,110)
Net increase in cash and cash equivalents	212,458	434,381
Cash and cash equivalents at 1 January	873,600	409,133
Effect of exchange rate changes	17,213	30,086
Cash and cash equivalents at 31 December	1,103,271	873,600

The information above is the amount before inter-company eliminations.

## 20 ASSOCIATES AND JOINT VENTURES

	2021			2020		
	Associates	Joint ventures	Total	Associates	Joint ventures	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Unlisted investments	11,186,861	1,189,813	12,376,674	7,859,986	1,020,298	8,880,284
Listed equity securities, in Hong Kong	4,756,964	–	4,756,964	11,781,286	–	11,781,286
Listed equity securities, outside Hong Kong	1,581,002	–	1,581,002	1,574,574	–	1,574,574
Share of net assets, including goodwill (note (a))	17,524,827	1,189,813	18,714,640	21,215,846	1,020,298	22,236,144
Amounts due from associates and joint ventures (note (b))	3,623,062	6,588,883	10,211,945	3,609,130	5,385,813	8,994,943
Amounts due to associates (note (c))	(599,650)	–	(599,650)	(632,657)	–	(632,657)
	<b>20,548,239</b>	<b>7,778,696</b>	<b>28,326,935</b>	24,192,319	6,406,111	30,598,430

- (a) Details of principal associates and joint ventures are set out in note 45(b).
- (b) The amounts due from associates and joint ventures are unsecured, not repayable within twelve months from the end of each reporting period and interest-free except for amounts totalling HK\$8,616,131,000 (2020: HK\$7,406,492,000) which bear interest at prevailing market rates.
- (c) The amounts due to associates are unsecured, interest-free and not repayable within twelve months from the end of each reporting period.
- (d) The following sets out the aggregate amount of the Group's share of results of associates and joint ventures for the year:

	2021 HK\$'000	2020 HK\$'000
Share of results of associates	3,445,581	1,603,233
Share of results of joint ventures	(43,249)	(6,223)
	<b>3,402,332</b>	1,597,010

- (e) The following sets out the commitments in respect of associates and joint ventures:

	2021 HK\$'000	2020 HK\$'000
Commitments to provide funding for capital commitments of associates and joint ventures, if called	<b>2,860,262</b>	3,799,889

# NOTES TO THE FINANCIAL STATEMENTS

## 20 ASSOCIATES AND JOINT VENTURES (Continued)

- (f) Set out below are the summarised financial information for the associate of the Group, Kerry Logistics Network Limited (“Kerry Logistics”), which, in the opinion of the Directors, is material to the Group. The associate is accounted for using the equity method.

### Summarised consolidated statement of financial position as at 31 December 2021

	2021 HK\$'000	2020 HK\$'000
Current		
Assets	27,014,774	21,731,420
Liabilities	(17,840,700)	(14,908,632)
Total current net assets	9,174,074	6,822,788
Non-current		
Assets	22,374,215	36,395,240
Liabilities	(5,615,379)	(9,641,899)
Total non-current net assets	16,758,836	26,753,341
Net assets	25,932,910	33,576,129

### Summarised consolidated statement of comprehensive income for the year ended 31 December 2021

	2021 HK\$'000	2020 HK\$'000 (restated)
Revenue	78,954,724	49,617,150
Operating expenses and others	(71,189,554)	(45,524,985)
Depreciation and amortisation	(1,999,117)	(1,793,303)
Interest income	48,960	52,531
Interest expense	(250,756)	(250,624)
Profit before taxation	5,564,257	2,100,769
Taxation	(1,299,167)	(593,004)
Profit for the year from continuing operations	4,265,090	1,507,765
Profit for the year from discontinued operations	4,765,506	1,961,754
Profit for the year	9,030,596	3,469,519
Other comprehensive income	(454,717)	654,685
Total comprehensive income	8,575,879	4,124,204
Dividends received from the associate	5,552,058	307,450

The information above reflects the amounts presented in the consolidated financial statements of Kerry Logistics (and not the Group's share of those amounts) for the year adjusted for differences in accounting policies between the Group and the associate.

**20 ASSOCIATES AND JOINT VENTURES** (Continued)

(f) (Continued)

**Reconciliation of summarised financial information**

	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
Opening net assets as at 1 January	<b>26,256,285</b>	21,480,490
Profit for the year attributable to shareholders	<b>7,938,653</b>	2,895,757
Other comprehensive income attributable to shareholders	<b>(372,711)</b>	500,697
Dividends paid	<b>(13,967,664)</b>	(768,057)
Changes in other reserves	<b>(152,437)</b>	1,070,798
Others	<b>155,264</b>	1,076,600
Closing net assets as at 31 December	<b>19,857,390</b>	26,256,285
Interest in the associate (approximately 20.84%) (2020: 39.97%)	<b>4,138,280</b>	10,494,637
Goodwill	<b>618,684</b>	1,286,649
Carrying value as at 31 December	<b>4,756,964</b>	11,781,286

As at 31 December 2021, the fair value of the Group's interest in Kerry Logistics, which is listed on the Hong Kong Stock Exchange, was HK\$7,179,954,000 (2020: HK\$12,211,797,000).

(g) The aggregate amount of the Group's share of results of its associates and joint ventures which are individually immaterial are as follows:

	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
Results for the year	<b>531,349</b>	439,576
Other comprehensive income	<b>(8,976)</b>	480,226
Total comprehensive income	<b>522,373</b>	919,802

# NOTES TO THE FINANCIAL STATEMENTS

## 21 DERIVATIVE FINANCIAL INSTRUMENTS

	2021		2020	
	Assets HK\$'000	Liabilities HK\$'000	Assets HK\$'000	Liabilities HK\$'000
Cash flow hedges				
Cross currency and interest rate swap contracts, at fair value (note (a))				
Non-current	<b>186,310</b>	<b>166,083</b>	293,496	261,349
Current	<b>68,457</b>	–	779	843
	<b>254,767</b>	<b>166,083</b>	294,275	262,192

Derivatives holding for trading purpose are classified as a current asset or liability. The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months after the end of the reporting period and, as a current asset or liability, if the maturity of the hedged item is less than 12 months after the end of the reporting period.

(a) Cross currency swap and interest rate swap contracts that qualify for hedge accounting – cash flow hedges

The changes in fair value of cross currency swap and interest rate swap contracts that are designated and qualified as cash flow hedges amounting to a gain of HK\$56,601,000 (2020: HK\$103,761,000) are recognised in hedging reserve in equity. Under cash flow hedges, the loss of HK\$63,745,000 (2020: gain of HK\$292,520,000) was reclassified from hedging reserve to finance costs in the consolidated income statement.

(i) Hedge for fixed rate bonds

During the year ended 31 December 2011, an indirect wholly-owned subsidiary of the Company entered into cross currency swap contracts amounting to US\$297,000,000, under which the principal amounts were exchanged at inception and were re-exchanged on expiring date in April 2021 at an average exchange rate of US\$1 to HK\$7.776. Under these contracts, the fixed interest rates ranging from 5.26% to 5.275% per annum on the exchanged Hong Kong dollar principal amounts had been paid and the fixed interest rate of 5.875% per annum on the United States dollar principal amounts had been received.

(ii) Hedge for Hong Kong dollar bank borrowings

During the year ended 31 December 2020, the Group entered into notional principal amount of HK\$800,000,000 5-year to 10-year interest rate swap contracts. Such interest rate swap contract has the economic effect of converting borrowings from floating rates to fixed rates. The contracted fixed rate is 1.065% to 1.565% per annum.

During the year ended 31 December 2021, the Group entered into notional principal amounts of HK\$3,700,000,000 3-year to 10-year interest rate swap contracts. Such interest rate swap contracts have the economic effect of converting borrowings from floating rates to fixed rates. The contracted fixed rates range from 0.415% to 1.52% per annum.

As at 31 December 2021, the outstanding total notional principal amounts of interest rate swap contracts were HK\$6,200,000,000 (2020: HK\$2,500,000,000). The contracted fixed rates range from 0.415% to 2.5% (2020: 1.065% to 2.5%) per annum.

## 21 DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

### (a) Cross currency swap and interest rate swap contracts that qualify for hedge accounting – cash flow hedges (Continued)

#### (iii) Hedge for Australian dollar bank borrowings

During the year ended 31 December 2018, the Group entered into cross currency swap contract amounting to AUD180,000,000, under which the principal amount was exchanged at inception in December 2018 and will be re-exchanged on expiring date in December 2023 at an exchange rate of AUD1 to HK\$5.6709. Under the contract, the floating Hong Kong dollar interest rate on the exchanged Hong Kong dollar principal amount would be paid and the floating Australian dollar interest rate on the Australian dollar principal amount would be received.

During the year ended 31 December 2019, the Group entered into cross currency swap contract amounting to AUD148,478,000, under which the principal amount was exchanged at inception in September 2019 and will be re-exchanged on expiring date in September 2023 at an exchange rate of AUD1 to HK\$5.388. Under the contract, the floating Hong Kong dollar interest rate on the exchanged Hong Kong dollar principal amount would be paid and the floating Australian dollar interest rate on the Australian dollar principal amount would be received.

During the year ended 31 December 2020, the Group entered into cross currency swap contract amounting to approximately AUD187,350,000, under which the principal amount was exchanged at inception in February 2020 and will be re-exchanged on expiring date in February 2026 at an exchange rate of AUD1 to HK\$5.3376. Under the contract, the floating Hong Kong dollar interest rate on the exchanged Hong Kong dollar principal amount would be paid and the floating Australian dollar interest rate on the Australian dollar principal amount would be received.

#### (iv) Hedge for Japanese yen bank borrowings

During the year ended 31 December 2020, the Group entered into cross currency swap contract amounting to JPY8,000,000,000, under which the principal amount was exchanged at inception in June 2020 and will be re-exchanged on expiring date in June 2027 at an exchange rate of JPY1 to HK\$0.0719. Under the contract, the floating Hong Kong dollar interest rate on the exchanged Hong Kong dollar principal amount would be paid and the floating Japanese yen interest rate on the Japanese yen principal amount would be received.

#### (v) Hedge for Renminbi bank borrowings

During the year ended 31 December 2021, the Group entered into various cross currency swap contracts amounting to RMB3,290,000,000, under which the principal amounts were exchanged without cash settlements at inception in April to June 2021 and will be re-exchanged with cash settlements on expiring dates in March 2022 to January 2025 at an exchange rate of RMB1 to a range of HK\$1.1839 to HK\$1.2154. Under these contracts, the floating Hong Kong dollar interest rates on the exchanged Hong Kong dollar principal amounts would be paid and the floating Renminbi interest rates on the Renminbi principal amounts would be received.

The maximum exposure to credit risk at the reporting date is the fair value of the derivative assets in the consolidated statement of financial position.

# NOTES TO THE FINANCIAL STATEMENTS

## 22 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and which the Group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the Group considers this classification to be more relevant.

	2021 HK\$'000	2020 HK\$'000
Unlisted equity securities, at fair value	1,555,092	1,577,918

## 23 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group classifies the following financial assets at fair value through profit or loss:

- investments that are held for trading, and
- investments for which the Group has not elected to recognise fair value gains and losses through other comprehensive income.

	2021 HK\$'000	2020 HK\$'000
Non-current portion		
Listed equity securities	23,147	31,086
Unlisted equity securities	655,909	706,446
	<b>679,056</b>	<b>737,532</b>

Listed equity securities are denominated in Hong Kong dollar, whereas the unlisted equity securities are denominated in Hong Kong dollar and Renminbi.

## 24 MORTGAGE LOANS RECEIVABLE

	2021 HK\$'000	2020 HK\$'000
Non-current mortgage loans receivable	1,181,321	1,944,669
Current portion of mortgage loans receivable	386,924	98,301
<b>Total mortgage loans receivable</b>	<b>1,568,245</b>	<b>2,042,970</b>

The balance included first mortgage loans of HK\$424,971,000 (2020: HK\$836,012,000) offered to buyers of certain properties developed by the Group in Hong Kong. For these first mortgage loans receivable, the fair value was calculated based on cash flows discounted using lending rates from financial institutions and assuming the loans will be repaid according to the contract terms. The valuation process of the Group is set out in note 3(c)(v) to the consolidated financial statements.

The remaining amounts mostly represented the second mortgage loans receivable which are carried at amortised cost.

The mortgage loans receivable are repayable by monthly instalments with various tenors not more than 30 years (2020: not more than 30 years) at the date of the consolidated statement of financial position and carrying interest at floating rates.

The Group determines the provision for expected credit losses by grouping together second mortgage loans receivable with similar credit risk characteristics and collectively assessing them for likelihood of recovery, taking into account prevailing economic conditions, the asset value and realisability of the underlying collateral, and forward looking information. For second mortgage loans receivable relating to amounts which are long over-due with significant amounts or known insolvencies or non-response to collection activities, they are assessed individually for impairment allowance.

The Group has not provided any loss allowance for its mortgage loans receivable during the year (2020: Nil).

Mortgage loans receivable are denominated in Hong Kong dollars.

## 25 COMPLETED PROPERTIES HELD FOR SALE

	2021 HK\$'000	2020 HK\$'000
Land costs	10,566,064	4,588,264
Other development costs	7,546,428	5,143,107
	<b>18,112,492</b>	<b>9,731,371</b>

These completed properties held for sale are located in Hong Kong and the Mainland.

# NOTES TO THE FINANCIAL STATEMENTS

## 26 ACCOUNTS RECEIVABLE, PREPAYMENTS AND DEPOSITS

	2021 HK\$'000	2020 HK\$'000
Trade receivables (note (a))	161,509	143,909
Prepayments	425,560	350,516
Others	1,718,042	1,122,514
	<b>2,305,111</b>	1,616,939

The carrying amounts of accounts receivable approximate their fair value.

The carrying amounts of the Group's accounts receivable, prepayments and deposits are denominated in the following currencies:

	2021 HK\$'000	2020 HK\$'000
Hong Kong dollar	985,149	893,052
Renminbi	1,236,898	640,775
Other currencies	83,064	83,112
	<b>2,305,111</b>	1,616,939

- (a) The Group maintains defined credit policies and applies those appropriate to the particular business circumstances of the Group. At 31 December 2021, the ageing analysis of the trade receivables based on date of the invoice or the terms of the related sales and purchase agreements and net of impairment losses of the Group is as follows:

	2021 HK\$'000	2020 HK\$'000
Below 1 month	92,870	69,377
Between 1 month and 3 months	23,762	50,597
Over 3 months	44,877	23,935
	<b>161,509</b>	143,909

The Group applies the HKFRS 9 simplified approach to measure expected credit losses which use a lifetime expected credit loss allowance for all trade receivables. Trade receivables are grouped based on shared credit risk characteristics and the days past due as follows:

	2021 HK\$'000	2020 HK\$'000
Up to 3 months	116,632	119,974
Over 3 months	44,877	23,935

The Group determines the provision for expected credit losses by grouping together trade receivables with similar credit risk characteristics and collectively assessing them for likelihood of recovery, taking into account prevailing and forward looking economic conditions. For trade receivables relating to accounts which are long overdue with significant amounts or known insolvencies or non-response to collection activities, they are assessed individually for impairment allowance.

## 26 ACCOUNTS RECEIVABLE, PREPAYMENTS AND DEPOSITS (Continued)

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above. The Group does not hold any collateral as security.

The management considers the credit risk for the net balance is not high.

The trade receivables, other receivables and deposits do not contain impaired asset.

## 27 RESTRICTED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

### (a) Restricted bank deposits

	2021 HK\$'000	2020 HK\$'000
Restricted bank deposits (note)	920,902	565,770

Note: As at 31 December 2021, certain bank balances of the Group were deposited in certain banks respectively as guarantee deposits for bank facilities of the Group, including mortgage loan facilities (note 41(b)) granted by the banks to the purchasers of the Group's certain properties and as amounts required to be reserved by the relevant Mainland authorities for the Group's pre-sale of certain properties. The restricted bank deposits are denominated in Renminbi.

### (b) Cash and cash equivalents

	2021 HK\$'000	2020 HK\$'000
Cash at bank and on hand	15,556,361	13,559,234
Short-term bank deposits (note (i))	957,284	2,870,260
Cash and bank balances (note (ii))	16,513,645	16,429,494
Less: short-term bank deposits maturing after more than three months	(36,950)	(554,546)
Cash and cash equivalents	16,476,695	15,874,948

Cash and bank balances are denominated in the following currencies:

	2021 HK\$'000	2020 HK\$'000
Renminbi	15,061,600	14,909,603
Hong Kong dollar	1,368,747	1,415,160
United States dollar	39,306	57,165
Other currencies	43,992	47,566
	16,513,645	16,429,494

- (i) The effective interest rate on short-term bank deposits was 1.41% (2020: 1.99%) per annum; these deposits have an average maturity of less than 6 months.
- (ii) Cash at bank and on hand and short-term bank deposits of HK\$15,546,692,000 (2020: HK\$15,366,529,000) are held in the Mainland and are subject to local exchange control regulations.

# NOTES TO THE FINANCIAL STATEMENTS

## 28 ACCOUNTS PAYABLE, DEPOSITS RECEIVED AND ACCRUED CHARGES AND CONTRACT LIABILITIES

### (a) Accounts payable, deposits received and accrued charges

	2021 HK\$'000	2020 HK\$'000
Trade payables	365,335	318,834
Construction costs payable	2,905,829	3,346,759
Rental deposits	1,624,502	1,495,278
Others	2,082,823	1,448,051
	<b>6,978,489</b>	6,608,922

The ageing analysis of trade payables of the Group as at 31 December 2021 is as follows:

	2021 HK\$'000	2020 HK\$'000
Below 1 month	310,547	288,376
Between 1 month and 3 months	49,327	24,121
Over 3 months	5,461	6,337
	<b>365,335</b>	318,834

The carrying amounts of the Group's accounts payable, deposits received and accrued charges are denominated in the following currencies:

	2021 HK\$'000	2020 HK\$'000
Renminbi	5,195,621	4,588,700
Hong Kong dollar	1,674,744	1,925,541
Other currencies	108,124	94,681
	<b>6,978,489</b>	6,608,922

### (b) Contract liabilities

	2021 HK\$'000	2020 HK\$'000
Contract liabilities	<b>8,040,581</b>	4,962,150

The balance represents the contract liabilities recognised in relation to property development activities. The increase in balance as at 31 December 2021 is mainly attributable to the increased pre-sales of properties in the Mainland.

## 28 ACCOUNTS PAYABLE, DEPOSITS RECEIVED AND ACCRUED CHARGES AND CONTRACT LIABILITIES (Continued)

### (b) Contract liabilities (Continued)

- (i) The following table shows the amount of revenue recognised in the current reporting period that relates to contract liability balance at the beginning of the year:

	2021 HK\$'000	2020 HK\$'000
Property sales	<b>4,570,136</b>	3,811,749

- (ii) The following table shows the aggregate amount of the transaction price allocated to the unsatisfied/partially satisfied performance obligations resulting from property sales for contracts with an original expected duration of one year or more:

	2021 HK\$'000	2020 HK\$'000
Revenue expected to be recognised within one year	<b>6,511,575</b>	4,592,261
Revenue expected to be recognised after one year	<b>5,412,744</b>	4,136,262
	<b>11,924,319</b>	8,728,523

## 29 BANK LOANS

	2021 HK\$'000	2020 HK\$'000
Bank loans, unsecured		
Non-current	<b>32,210,214</b>	37,622,263
Current	<b>5,268,298</b>	4,587,085
Total bank loans	<b>37,478,512</b>	42,209,348

As at 31 December 2021, all bank loans are unsecured but guaranteed by the Company and/or shareholders of subsidiaries.

# NOTES TO THE FINANCIAL STATEMENTS

## 29 BANK LOANS (Continued)

The maturity of bank loans is as follows:

	2021 HK\$'000	2020 HK\$'000
Within 1 year	5,268,298	4,587,085
Between 1 and 2 years	4,412,469	8,998,313
Between 2 and 5 years	25,506,709	25,228,689
Repayable within 5 years	35,187,476	38,814,087
Over 5 years	2,291,036	3,395,261
	<b>37,478,512</b>	42,209,348

The effective annual interest rates of the major bank loans at the end of the reporting period were as follows:

	2021		2020	
	HK\$	RMB	HK\$	RMB
Bank loans	0.99%	3.86%	1.06%	3.87%

The carrying amounts of all bank loans approximate their fair value.

The carrying amounts of the bank loans are denominated in the following currencies:

	2021 HK\$'000	2020 HK\$'000
Hong Kong dollar	25,328,000	31,426,000
Renminbi	8,689,428	7,105,839
Australian dollar	2,919,484	3,076,709
Japanese yen	541,600	600,800
	<b>37,478,512</b>	42,209,348

## 30 FIXED RATE BONDS

	2021 HK\$'000	2020 HK\$'000
Fixed rate bonds		
Current	–	2,325,147

### 30 FIXED RATE BONDS (Continued)

On 6 April 2011, Wiseyear Holdings Limited ("Wiseyear"), a wholly-owned subsidiary of the Company, issued fixed rate bonds in the aggregate principal amount of US\$300,000,000. The fixed rate bonds are guaranteed by the Company as to repayment, and carry a coupon rate of 5.875% per annum and have a maturity term of 10 years.

The fixed rate bonds are listed on the Singapore Exchange Securities Trading Limited. The market value of the fixed rate bonds as at 31 December 2021 was HK\$Nil (2020: HK\$2,359,296,000). The fair value of the fixed rate bonds is within Level 1 of the fair value hierarchy.

On 7 April 2021, the Group fully redeemed the fixed rate bonds.

### 31 AMOUNTS DUE TO NON-CONTROLLING INTERESTS

The amounts due to non-controlling interests represent proportionate funding from the non-controlling interests of subsidiaries including an amount of approximately HK\$324,905,000 (2020: HK\$777,755,000) due to certain subsidiaries of Shangri-La Asia Limited ("SA"), a related company whose shares are listed on Hong Kong Stock Exchange. These loans are unsecured, subordinated to the bank loans of the relevant subsidiaries, not repayable within twelve months from the end of reporting period, and interest-free except for a total amount of HK\$327,428,000 (2020: HK\$641,804,000) which bears interest at prevailing market rates.

The carrying values of the Group's amounts due to non-controlling interests are denominated in the following currencies:

	2021 HK\$'000	2020 HK\$'000
Hong Kong dollar	1,673,680	2,013,358
United States dollar	468,485	583,799
Other currencies	157,567	151,878
	<b>2,299,732</b>	2,749,035

### 32 DEFERRED TAXATION

	2021 HK\$'000	2020 HK\$'000
At 1 January	9,814,735	8,631,391
Deferred taxation charged to consolidated income statement	589,323	653,510
Exchange adjustment	219,198	529,834
At 31 December	<b>10,623,256</b>	9,814,735

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through the future taxable profits is probable. The Group has unrecognised tax losses of HK\$2,164,629,000 (2020: HK\$2,178,365,000) to be carried forward in offsetting the future taxable profits. These tax losses have no expiry dates except for the tax losses of HK\$798,584,000 (2020: HK\$943,540,000) which will expire at various dates up to and including year 2026 (2020: year 2025).

# NOTES TO THE FINANCIAL STATEMENTS

## 32 DEFERRED TAXATION (Continued)

As at 31 December 2021, the aggregate amount of unrecognised deferred tax liabilities associated with investments in subsidiaries totalled approximately HK\$1,190,887,000 (2020: HK\$1,156,672,000), as the Directors consider that the timing of reversal of the related temporary differences can be controlled and the temporary differences will not reverse in the foreseeable future.

The movements in deferred tax (assets) and liabilities during the year were as follows:

	Revaluation HK\$'000	Accelerated depreciation allowances HK\$'000	Tax losses HK\$'000	Others HK\$'000	Total HK\$'000
At 1 January 2021	8,421,492	599,502	(127)	793,868	9,814,735
Deferred taxation charged to consolidated income statement	440,134	10,364	127	138,698	589,323
Exchange adjustment	244,649	17,028	–	(42,479)	219,198
<b>At 31 December 2021</b>	<b>9,106,275</b>	<b>626,894</b>	<b>–</b>	<b>890,087</b>	<b>10,623,256</b>

	Revaluation HK\$'000	Accelerated depreciation allowances HK\$'000	Tax losses HK\$'000	Others HK\$'000	Total HK\$'000
At 1 January 2020	7,418,513	583,728	(127)	629,277	8,631,391
Deferred taxation charged to consolidated income statement	509,257	5,540	–	138,713	653,510
Exchange adjustment	493,722	10,234	–	25,878	529,834
At 31 December 2020	8,421,492	599,502	(127)	793,868	9,814,735

### 33 RETIREMENT BENEFITS

Group companies operate various pension schemes. The schemes are funded through payments to independent trustee-administered funds. The Group has defined contribution plans during the year.

#### Defined contribution plans

Pursuant to the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) (the "MPF Ordinance"), companies within the Group in Hong Kong have enrolled all employees in Hong Kong aged between 18 and 65 into a mandatory provident fund scheme (the "MPF Scheme") from 1 December 2000.

The MPF Scheme is a master trust scheme established under a trust arrangement and governed by laws in Hong Kong. The assets of the MPF Scheme are held separately from the assets of the employer, the trustees and other service providers. Employees and employer who are covered by the MPF system are each required to make regular mandatory contributions calculated at 5% of the employee's relevant income as defined in the MPF Ordinance to the MPF Scheme, subject to the minimum and maximum relevant income levels. The MPF Contributions made by the employer (the "MPF Contribution") are fully and immediately vested in the employees as accrued benefits once they are paid to the approved trustees of the MPF Scheme. Investment income or profit derived from the investment of accrued benefits (after taking into account any loss arising from such investment) is also immediately vested in the employees.

Certain companies within the Group are also participants of the Kerry Trading Co. Limited – Provident Fund Scheme (the "Fund") which is a defined contribution scheme as defined in the Occupational Retirement Schemes Ordinance (Chapter 426 of the Laws of Hong Kong). The Fund is for certain salaried persons (the "Fund Members") under the employment of the companies participating in the Fund. The assets of the Fund are managed by the trustees of the Fund. Contributions are made to the Fund by companies participating in the Fund at 10% of the Fund Members' monthly basic salaries up to a maximum of HK\$10,000 (2020: HK\$10,000) per Fund Member per month (the "Basic Contribution") less the MPF Contribution if the Basic Contribution is higher than the MPF Contribution. Fund Members are entitled to 100% of the employers' contributions to the Fund plus investment earnings upon leaving employment after completing ten years of service or more, or upon retirement after attaining the retirement age after any number of years of service, or upon retirement due to ill health. Fund Members are also entitled to the employers' contributions to the Fund plus investment earnings calculated at a reduced scale of between 20% and 90% after completing a period of service of at least two but less than ten years. The unvested benefits of employees terminating employment forfeited in accordance with the terms of the Fund can be utilised by the companies participating in the Fund to reduce future contributions. During the year, forfeited contributions totalling HK\$Nil (2020: HK\$Nil) were utilised leaving HK\$5,739,000 (2020: HK\$3,437,000) at the year end to reduce future contributions.

The Group also made defined contributions to pension plans as required by the relevant municipality or provincial governments in the Mainland. The rates of contributions for the relevant periods ranged from 14% to 24% (2020: 8% to 16%) of the staff's salary.

### 34 SHARE CAPITAL

	Authorised Ordinary shares of HK\$1 each	
	Number of shares	HK\$'000
At 31 December 2020 and 2021	10,000,000,000	10,000,000

# NOTES TO THE FINANCIAL STATEMENTS

## 34 SHARE CAPITAL (Continued)

	Issued and fully paid Ordinary shares of HK\$1 each			
	2021		2020	
	Number of shares	HK\$'000	Number of shares	HK\$'000
At 1 January	<b>1,456,501,228</b>	<b>1,456,501</b>	1,456,501,228	1,456,501
Repurchase of shares (note (a))	<b>(2,029,500)</b>	<b>(2,029)</b>	–	–
At 31 December	<b>1,454,471,728</b>	<b>1,454,472</b>	1,456,501,228	1,456,501

Notes:

- (a) During the year ended 31 December 2021, the Company repurchased 2,029,500 shares on the Stock Exchange at an aggregate consideration of HK\$40,269,050 for cancellation.
- (b) During the years ended 31 December 2021 and 31 December 2020, no share options were exercised.

## 35 SHARE OPTIONS

### (a) 2011 Share Option Scheme

Under the 2011 Share Option Scheme, the Directors of the Company may, at their discretion, grant share options to executives and key employees in the service of the Group and other persons who may make a contribution to the Group subject to terms and conditions stipulated therein. The exercise price for any particular share option shall be such price as the Board of Directors of the Company may in its absolute discretion determine at the time of grant of the relevant share option subject to the compliance with the Listing Rules.

The 2011 Share Option Scheme was terminated on 20 May 2020 such that no further share options shall be offered but the share options which had been granted during its life shall continue to be valid and exercisable in accordance with their terms of issue and in all other respects its provisions shall remain in full force and effect.

Details of the movement of the share options under the 2011 Share Option Scheme are as follows:

	2021		2020	
	Weighted average exercise price in HK\$ per share	Number of share options	Weighted average exercise price in HK\$ per share	Number of share options
At 1 January	<b>32.98</b>	<b>18,953,500</b>	33.00	19,153,500
Lapsed during the year	<b>35.45</b>	<b>(310,000)</b>	35.45	(200,000)
At 31 December (note (i))	<b>32.93</b>	<b>18,643,500</b>	32.98	18,953,500

### 35 SHARE OPTIONS (Continued)

#### (a) 2011 Share Option Scheme (Continued)

As at 31 December 2021, 18,643,500 (2020: 18,953,500) outstanding share options granted under the 2011 Share Option Scheme were exercisable. Since no share option was exercised during the year, there was no weighted average share price (2020: HK\$Nil) and no proceeds received (2020: HK\$Nil). No share option was granted, granted for adjustment or cancelled during the year (2020: Nil).

Note:

(i) Terms of share options at the end of the reporting period were as follows:

Exercise period	Exercise price per share	Number of share options	
	(HK\$)	2021	2020
31/10/2012 – 29/04/2022	35.45	<b>6,089,500</b>	6,244,500
31/10/2013 – 29/04/2022	35.45	<b>7,081,000</b>	7,236,000
08/07/2014 – 07/01/2024	26.88	<b>1,955,000</b>	1,955,000
08/01/2015 – 07/01/2024	26.88	<b>3,518,000</b>	3,518,000
		<b>18,643,500</b>	18,953,500

#### (b) 2020 Share Option Scheme

The 2020 Share Option Scheme was adopted by the Company on 20 May 2020. Under the 2020 Share Option Scheme, the Directors of the Company may, at their discretion, grant share options to executives and key employees in the service of the Group and other persons who may make a contribution to the Group subject to terms and conditions stipulated therein. The exercise price for any particular share option shall be such price as the Board of Directors of the Company may in its absolute discretion determine at the time of grant of the relevant share option subject to the compliance with the Listing Rules.

No share option has been granted under the 2020 Share Option Scheme which will expire on 19 May 2030.

### 36 SHARE PREMIUM

	2021 HK\$'000	2020 HK\$'000
At 1 January	<b>13,062,999</b>	13,061,007
Repurchase of shares	<b>(38,367)</b>	–
Transfer from share options reserve (note 37(a))	<b>3,088</b>	1,992
At 31 December	<b>13,027,720</b>	13,062,999

# NOTES TO THE FINANCIAL STATEMENTS

## 37 OTHER RESERVES

	Other property revaluation reserve HK\$'000	Financial assets at FVOCI reserve HK\$'000	Hedging reserve HK\$'000	Others (note (a)) HK\$'000	Total HK\$'000
At 1 January 2021	46,241	1,261,550	(243,123)	12,245,633	13,310,301
Cash flow hedges:					
– Fair value gains	–	–	56,601	–	56,601
– Transfer to finance costs (note 8)	–	–	63,745	–	63,745
Fair value losses on financial assets at fair value through other comprehensive income	–	(22,826)	–	–	(22,826)
Share of exchange fluctuation reserve of associates and joint ventures	–	–	–	(189,825)	(189,825)
Share of other reserves of associates and joint ventures	(255)	20,631	–	(88,619)	(68,243)
Net translation differences on foreign operations	–	–	–	1,946,572	1,946,572
Transfer to share premium (note 36)	–	–	–	(3,088)	(3,088)
Release of exchange fluctuation reserve upon disposal of partial interest in an associate	–	–	–	168,949	168,949
Transfer upon disposal of partial interest in an associate	(21,871)	3,376	–	(133,445)	(151,940)
Transfer from retained profits	–	(3,118)	–	426,972	423,854
<b>At 31 December 2021</b>	<b>24,115</b>	<b>1,259,613</b>	<b>(122,777)</b>	<b>14,373,149</b>	<b>15,534,100</b>

**37 OTHER RESERVES** (Continued)

	Other property revaluation reserve HK\$'000	Financial assets at FVOCI reserve HK\$'000	Hedging reserve HK\$'000	Others (note (a)) HK\$'000	Total HK\$'000
Balance at 1 January 2020	48,427	1,139,429	(54,364)	7,393,205	8,526,697
Cash flow hedges:					
– Fair value gains	–	–	103,761	–	103,761
– Transfer to finance costs (note 8)	–	–	(292,520)	–	(292,520)
Fair value gains on financial assets at fair value through other comprehensive income	–	124,165	–	–	124,165
Share of exchange fluctuation reserve of associates and joint ventures	–	–	–	224,427	224,427
Share of other reserves of associates and joint ventures	(2,186)	(2,044)	–	460,158	455,928
Net translation differences on foreign operations	–	–	–	4,115,340	4,115,340
Transfer to share premium (note 36)	–	–	–	(1,992)	(1,992)
Transfer from retained profits	–	–	–	54,495	54,495
At 31 December 2020	46,241	1,261,550	(243,123)	12,245,633	13,310,301

# NOTES TO THE FINANCIAL STATEMENTS

## 37 OTHER RESERVES (Continued)

(a) Others

	Capital reserve (note (b)) HK\$'000	Share options reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Enterprise expansion and general reserve funds (note (c)) HK\$'000	Capital redemption reserve (note (d)) HK\$'000	Acquisition reserve (note (e)) HK\$'000	Put option reserve (note (f)) HK\$'000	Total HK\$'000
At 1 January 2021	7,935,251	164,392	2,955,598	755,431	10,576	426,221	(1,836)	12,245,633
Share of exchange fluctuation reserve of associates and joint ventures	-	-	(189,825)	-	-	-	-	(189,825)
Share of other reserves of associates and joint ventures	-	-	-	(8,975)	-	(79,654)	10	(88,619)
Net translation differences on foreign operations	-	-	1,946,572	-	-	-	-	1,946,572
Transfer to share premium (note 36)	-	(3,088)	-	-	-	-	-	(3,088)
Release of exchange fluctuation reserve upon disposal of partial interest in an associate	-	-	168,949	-	-	-	-	168,949
Transfer upon disposal of partial interest in an associate	-	-	-	(171)	-	(134,142)	868	(133,445)
Transfer from retained profits	-	-	(6,496)	76,592	2,030	354,846	-	426,972
<b>At 31 December 2021</b>	<b>7,935,251</b>	<b>161,304</b>	<b>4,874,798</b>	<b>822,877</b>	<b>12,606</b>	<b>567,271</b>	<b>(958)</b>	<b>14,373,149</b>

	Capital reserve (note (b)) HK\$'000	Share options reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Enterprise expansion and general reserve funds (note (c)) HK\$'000	Capital redemption reserve (note (d)) HK\$'000	Acquisition reserve (note (e)) HK\$'000	Put option reserve (note (f)) HK\$'000	Total HK\$'000
At 1 January 2020	7,935,251	166,384	(1,384,169)	703,862	10,576	447,978	(486,677)	7,393,205
Share of exchange fluctuation reserve of associates and joint ventures	-	-	224,427	-	-	-	-	224,427
Share of other reserves of associates and joint ventures	-	-	-	(2,926)	-	(21,757)	484,841	460,158
Net translation differences on foreign operations	-	-	4,115,340	-	-	-	-	4,115,340
Transfer to share premium (note 36)	-	(1,992)	-	-	-	-	-	(1,992)
Transfer from retained profits	-	-	-	54,495	-	-	-	54,495
<b>At 31 December 2020</b>	<b>7,935,251</b>	<b>164,392</b>	<b>2,955,598</b>	<b>755,431</b>	<b>10,576</b>	<b>426,221</b>	<b>(1,836)</b>	<b>12,245,633</b>

### 37 OTHER RESERVES (Continued)

- (b) Capital reserve of the Group arose from the Group's reorganisation in preparation for its listing on Hong Kong Stock Exchange in August 1996, adjusted by the excess or deficit of the fair values of the net assets of subsidiaries and associates subsequently acquired over the cost of investment at the date of acquisition before 1 January 2001.
- (c) Enterprise expansion and general reserve funds are set up by subsidiaries and associates established and operating in the Mainland. According to the Mainland Foreign Enterprise Accounting Standards, upon approval, the enterprise expansion reserve fund may be used for increasing capital while the general reserve fund may be used for making up losses and increasing capital.
- (d) Capital redemption reserve arose from the purchase of the Company's shares for cancellation and represents a transfer from the Company's retained profits equivalent to the nominal value of the shares purchased for cancellation.
- (e) Acquisition reserve arose from the acquisition of additional interest or disposal of interest in subsidiaries that do not result in a loss of control, and represents any differences between the amount by which the non-controlling interests are adjusted (to reflect the changes in the interests in the subsidiaries) and the fair value of the consideration paid or received.
- (f) Put option reserve is set up by an associate of the Group, Kerry Logistics, which has granted written put options to its certain subsidiaries' non-controlling interests to sell their interests to Kerry Logistics.

# NOTES TO THE FINANCIAL STATEMENTS

## 38 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

### (a) Reconciliation of profit before taxation to net cash generated from operations

	2021 HK\$'000	2020 HK\$'000
Profit before taxation	14,226,097	9,169,338
Depreciation of property, plant and equipment and right-of-use assets	520,337	477,608
Dividend income on listed and unlisted investments	(48,729)	(57,267)
Interest income	(561,714)	(512,704)
(Gain)/loss on disposal of property, plant and equipment	(114)	430
Gain on disposal of subsidiaries	(117,838)	–
Gain on disposal of partial interest in an associate	(2,093,943)	–
Gain on sale of investment properties	(1,250)	(13,267)
Gain on disposal of financial assets at fair value through profit or loss	–	(547)
Net decrease in fair value of financial assets at fair value through profit or loss	7,853	97,790
Increase in fair value of investment properties	(1,666,422)	(1,087,762)
Finance costs	575,135	1,089,726
Share of results of associates and joint ventures	(3,402,332)	(1,597,010)
Operating profit before working capital changes	7,437,080	7,566,335
Increase in properties under development	(4,847,731)	(3,922,395)
Decrease in completed properties held for sale	3,657,823	3,549,019
Increase in accounts receivable, prepayments and deposits	(628,346)	(93,854)
Increase in accounts payable, deposits received and accrued charges	355,346	552,031
Increase in contract liabilities	2,956,096	2,266,278
Net cash generated from operations	8,930,268	9,917,414

### 38 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

#### (b) Reconciliation of liabilities arising from financing activities

	Bank loans non-current HK\$'000	Bank loans current HK\$'000	Fixed rate bonds HK\$'000	Amounts due to non- controlling interests HK\$'000	Lease liabilities HK\$'000	Derivative financial instruments held to hedge fixed rate bonds and bank loans HK\$'000	Total HK\$'000
Balances as at 1 January 2021	37,622,263	4,587,085	2,325,147	2,749,035	100,999	(32,083)	47,352,446
Cash flows	1,628,641	(6,363,321)	(2,330,430)	(458,800)	(55,237)	–	(7,579,147)
Non-cash changes							
Reclassifications	(7,001,327)	7,001,327	–	–	–	–	–
Foreign exchange movement	(39,363)	43,207	5,283	5,679	(66)	–	14,740
Other non-cash movement	–	–	–	3,818	2,697	(56,601)	(50,086)
<b>Balances as at 31 December 2021</b>	<b>32,210,214</b>	<b>5,268,298</b>	<b>–</b>	<b>2,299,732</b>	<b>48,393</b>	<b>(88,684)</b>	<b>39,737,953</b>

	Bank loans non-current HK\$'000	Bank loans current HK\$'000	Fixed rate bonds HK\$'000	Amounts due to non- controlling interests HK\$'000	Lease liabilities HK\$'000	Derivative financial instruments held to hedge fixed rate bonds and bank loans HK\$'000	Total HK\$'000
Balances as at 1 January 2020	28,712,976	8,494,117	2,334,345	2,772,606	150,419	71,678	42,536,141
Cash flows	13,004,906	(8,761,951)	–	(45,498)	(55,048)	–	4,142,409
Non-cash changes							
Reclassifications	(4,831,978)	4,831,978	–	–	–	–	–
Foreign exchange movement	736,359	22,941	(9,198)	5,946	–	–	756,048
New leases	–	–	–	–	1,060	–	1,060
Other non-cash movement	–	–	–	15,981	4,568	(103,761)	(83,212)
<b>Balances as at 31 December 2020</b>	<b>37,622,263</b>	<b>4,587,085</b>	<b>2,325,147</b>	<b>2,749,035</b>	<b>100,999</b>	<b>(32,083)</b>	<b>47,352,446</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 38 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

### (c) Analysis of the net cash inflow in respect of the disposal of subsidiaries

On 3 February 2021, the Group disposed subsidiaries, Ample Port Limited and Group Bright Holdings Limited, to a third party.

	2021 HK\$'000
Net assets disposed of:	
Properties under development (note 17)	31,602
Accounts receivable, prepayments and deposits	337
Cash and bank balances	63
Accounts payable, deposits received and accrued charges	(337)
	31,665
Gain on disposal of subsidiaries (note 6)	117,838
Total consideration	149,503
Cash and bank balances disposed of	(63)
Net cash inflow in respect of the disposal of subsidiaries	149,440

### (d) Analysis of the net cash inflow in respect of the disposal of partial interest in an associate

On 28 September 2021, the Group disposed partial interest in an associate, Kerry Logistics, to a third party. Immediately upon completion of the partial disposal, the shareholding in the associate held by the Group was reduced from 39.75% to 20.84%. The Group continues to have significant influence and account the investment as an associate.

	2021 HK\$'000
Net assets disposed of:	
Share of net assets of an associate	4,094,156
Release of exchange fluctuation reserve upon disposal of partial interest in an associate	168,949
	4,263,105
Gain on disposal of partial interest in an associate (note 6)	2,093,943
Net cash inflow in respect of the disposal of partial interest in an associate	6,357,048

### 39 RELATED PARTY TRANSACTIONS

The following significant transactions were carried out with related parties during the year:

#### (a) Purchases of services/lease of premises

	2021 HK\$'000	2020 HK\$'000
Marketing, consultancy and administrative management fees expense (note (i))	101,272	70,871
Rental expenses/lease payments (note (ii))	65,031	64,576
Logistics, insurance brokerage and service fee paid (note (iii))	16,767	16,571
Rental income (note (iv))	34,835	36,864

- (i) This represents payment of services fees to Shangri-La International Hotel Management Limited and Shangri-La Hotel Management (Shanghai) Co., Ltd., subsidiaries of SA, which provided marketing, consultancy and administrative management services to members of the Group. The service fees payable during the year were determined at either a fixed amount or a certain percentage of the gross operating revenue of the relevant company in accordance with the agreement for the provision of the above services.
- (ii) This represents payment of rental expenses/lease payments to Ubagan Limited, an associate of the Group, in respect of leasing of several units and floors of Kerry Centre as corporate offices and several car parking spaces for the use by the Group in conjunction with such offices.

On 13 November 2019, the Group renewed and/or took up new tenancies in respect of certain units and floors of Kerry Centre with Ubagan Limited for a term of 3 years from 19 November 2019 to 18 November 2022. In accordance with HKFRS 16, the rental payment under these tenancy agreements was recognised as right-of-use assets on 19 November 2019 for an amount of HK\$156,185,000.

- (iii) This represents payment for delivery services, local courier services, freight services, freight agency services, insurance brokerage and related services, and services relating to management and operation of warehouse facilities provided by Kerry Logistics.
- (iv) This represents rental income received from Kerry Logistics in relation to the lease of certain premises held by the Group.

#### (b) Key management compensation, excluding share option benefits

	2021 HK\$'000	2020 HK\$'000
Salaries and other short-term benefits	76,597	63,504
Post-employment benefits	505	480
	<b>77,102</b>	<b>63,984</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 39 RELATED PARTY TRANSACTIONS (Continued)

### (c) Year-end balances

	2021 HK\$'000	2020 HK\$'000
Receivables from related parties:		
Associates and joint ventures (note 20)	10,211,945	8,994,943
Payables to related parties:		
Included under amounts due to non-controlling interests (note 31)		
– Subsidiaries of SA	324,905	777,755
Associates and joint ventures (note 20)	599,650	632,657
Lease liabilities (note 16)	47,825	100,217

### (d) Guarantees for banking facilities of certain associates and joint ventures

The Group has executed guarantees for banking facilities granted to certain associates and joint ventures. The utilised amount of such facilities covered by the Group's guarantees which also represented the financial exposure of the Group as at 31 December 2021 amounted to approximately HK\$4,791,647,000 (2020: HK\$4,532,449,000). The total amount of such facilities covered by the Group's guarantees as at 31 December 2021 amounted to approximately HK\$5,082,268,000 (2020: HK\$5,071,415,000). The above-mentioned amounts are also reflected in the guarantees given by the Group for banking facilities disclosed in note 41(a).

### (e) Other related party transactions

During the year ended 31 December 2021, certain subsidiaries of the Group entered into sale and purchase agreements with certain related parties for sale of properties for a total consideration of RMB71,508,400 (approximately HK\$85,810,080) (2020: HK\$Nil). The sale of the properties to related parties were in the ordinary course of business of the Group.

## 40 COMMITMENTS

- (a) At 31 December 2021, the Group had capital and other commitments in respect of investment properties, land costs and properties under development contracted for at the end of the year but not provided for in these financial statements as follows:

	2021 HK\$'000	2020 HK\$'000
Investment properties	39,715	64,367
Land costs	8,205,255	2,710,342
Properties under development	10,250,897	6,868,220
	18,495,867	9,642,929

## 40 COMMITMENTS (Continued)

- (b) At 31 December 2021, the Group had future aggregate minimum lease rental receivable under non-cancellable operating leases as follows:

	2021 HK\$'000	2020 HK\$'000
Land and buildings:		
Within one year	3,829,630	3,383,725
In the second to fifth year, inclusive	5,734,936	4,875,672
Over five years	242,941	210,591
	<b>9,807,507</b>	8,469,988

## 41 CONTINGENT LIABILITIES

### Guarantees for banking facilities

	2021 HK\$'000	2020 HK\$'000
Guarantees for banking facilities of certain associates and joint ventures (note (a))	4,791,647	4,532,449
Guarantees to certain banks for mortgage facilities granted to first hand buyers of certain properties in the Mainland (note (b))	2,312,364	1,639,013
	<b>7,104,011</b>	6,171,462

- (a) The Group has executed guarantees for banking facilities granted to certain associates and joint ventures. The utilised amount of such facilities covered by the Group's guarantees which also represented the financial exposure of the Group as at 31 December 2021 amounted to approximately HK\$4,791,647,000 (2020: HK\$4,532,449,000). The total amount of such facilities covered by the Group's guarantees as at 31 December 2021 amounted to approximately HK\$5,082,268,000 (2020: HK\$5,071,415,000).
- (b) The Group has executed guarantees to certain banks for mortgage facilities granted to first hand buyers of certain properties developed by the Group in the Mainland. The utilised amount of such facilities covered by the Group's guarantees which also represented the financial exposure of the Group as at 31 December 2021 amounted to approximately HK\$2,312,364,000 (2020: HK\$1,639,013,000).

## 42 ULTIMATE HOLDING COMPANY

The Directors regard Kerry Group Limited, a company incorporated in the Cook Islands, as being the ultimate holding company.

# NOTES TO THE FINANCIAL STATEMENTS

## 43 EVENTS AFTER THE REPORTING PERIOD

On 4 January 2022, Brilliant Prestige Limited, a wholly-owned subsidiary of the Company, successfully won the tender for the acquisition of the land use rights of the lots offered for sale by Shanghai Huangpu District Planning and Natural Resources Bureau for Plots 064-01, 065-01, 066-01, 067-01, Unit C010102, Guangchang Community, Huangpu District, Shanghai, the PRC, located east to Shengze Road, south to Renmin Road, west to Zhejiang Nan Road, north to Ninghai Dong Road at a consideration of RMB13,329,070,000 (approximately HK\$16,261,465,400) for mixed-use development.

## 44 STATEMENT OF FINANCIAL POSITION AND RESERVES MOVEMENT OF THE COMPANY

### Statement of financial position of the Company as at 31 December 2021

	Note	2021 HK\$'000	2020 HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment		5,578	2,988
Interests in subsidiaries		16,029,195	16,029,185
Associates		1,501,244	2,436,515
		<b>17,536,017</b>	18,468,688
<b>Current assets</b>			
Amounts receivable from subsidiaries		27,342,428	26,507,162
Accounts receivable, prepayments and deposits		4,738	3,751
Cash and bank balances		433,423	290,295
		<b>27,780,589</b>	26,801,208
<b>Current liabilities</b>			
Amounts payable to subsidiaries		4,302,346	11,712,572
Accounts payable and accrued charges		124,332	121,036
		<b>4,426,678</b>	11,833,608
<b>Net current assets</b>		<b>23,353,911</b>	14,967,600
<b>ASSETS LESS LIABILITIES</b>		<b>40,889,928</b>	33,436,288
<b>EQUITY</b>			
Capital and reserves attributable to the Company's shareholders			
Share capital	34	1,454,472	1,456,501
Share premium	36	13,027,720	13,062,999
Other reserves (note (a))		10,601,425	10,602,483
Retained profits (note (b))		15,806,311	8,314,305
<b>TOTAL EQUITY</b>		<b>40,889,928</b>	33,436,288

Certain comparative figures have been reclassified to conform with current year's presentation.

**44 STATEMENT OF FINANCIAL POSITION AND RESERVES MOVEMENT OF THE COMPANY** (Continued)**(a) Other reserves movement of the Company**

	Contributed Surplus (note (i)) HK\$'000	Share options reserve HK\$'000	Capital redemption reserve (note (ii)) HK\$'000	Total HK\$'000
At 1 January 2021	10,427,515	164,392	10,576	10,602,483
Transfer to share premium (note 36)	–	(3,088)	–	(3,088)
Transfer from retained profits	–	–	2,030	2,030
<b>At 31 December 2021</b>	<b>10,427,515</b>	<b>161,304</b>	<b>12,606</b>	<b>10,601,425</b>
At 1 January 2020	10,427,515	166,384	10,576	10,604,475
Transfer to share premium (note 36)	–	(1,992)	–	(1,992)
At 31 December 2020	10,427,515	164,392	10,576	10,602,483

- (i) The contributed surplus of the Company arose when the Company issued shares in exchange for the shares of companies being acquired, and represents the difference between the nominal value of the Company's shares issued and the value of net assets of the companies acquired. At Group level, the contributed surplus is reclassified into its components of reserves of the underlying subsidiaries.
- (ii) The capital redemption reserve arose from the purchase of the Company's shares for cancellation and represents a transfer from the Company's retained profits equivalent to the nominal value of the shares purchased for cancellation.

**(b) Retained profits movement of the Company**

	2021 HK\$'000	2020 HK\$'000
At 1 January	8,314,305	8,226,979
Profit for the year	12,810,266	2,053,603
Dividends paid	(5,316,230)	(1,966,277)
Transfer to capital redemption reserve	(2,030)	–
At 31 December	<b>15,806,311</b>	8,314,305

# NOTES TO THE FINANCIAL STATEMENTS

## 45 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

### (a) Principal subsidiaries

As at 31 December 2021, the Company held interests in the following subsidiaries which are categorised according to the business divisions of the Group, namely, Property Division and Other Divisions as listed below:

Name	Place of incorporation/ operation	Principal activities	Issued share capital <sup>(1)</sup> / Registered capital	Indirect interest held	Notes
<b>Property Division – Mainland</b>					
Beijing Jia Ao Real Estate Development Co., Ltd.	PRC	Property investment	US\$77,967,600	71.25%	(6)(9)
Beijing Kerry Hotel Co., Ltd.	PRC	Hotel ownership and operation	US\$33,000,000	71.25%	(6)(9)
Beijing Kerry Huayuan Real Estate Development Co., Ltd.	PRC	Property trading	RMB68,500,000	71%	(3)(6)(9)
Excellent (Beijing) Management Consultancy Ltd.	PRC	Investment holding and management	RMB100,000	100%	(3)(5)(9)
Full Fortune Real Estate (Putian) Co., Ltd.	PRC	Property trading	RMB20,000,000	60%	(3)(5)
Grand Glory Real Estate (Wuhan) Co., Ltd.	PRC	Property development	RMB6,700,000,000	100%	(3)(5)
Grand Luck Real Estate (Fuzhou) Co., Ltd.	PRC	Property development	RMB2,600,000,000	100%	(3)(5)
Great Universe Development (Shenzhen) Co., Ltd.	PRC	Property development	RMB2,800,000,000	70%	(5)
Hong Kong Shanghai Development Co Limited	HK	Investment holding	HK\$8,000,000	75%	
Huilong Real Estate (Hangzhou) Co., Ltd.	PRC	Property trading	RMB200,000,000	100%	(3)(5)(9)
Huiyao Real Estate (Hangzhou) Co., Ltd.	PRC	Property trading	RMB1,000,000	100%	(3)(5)(9)
Jian'an Real Estate (Kunming) Co., Ltd.	PRC	Property development	RMB400,000,000	55%	(3)(5)(9)
Kerry Asset Management (Shanghai) Co., Ltd.	PRC	Real estate and project management	RMB10,000,000	100%	(3)(5)(9)
Kerry Cao Jia Yan Properties (Shanghai) Co., Ltd.	PRC	Property investment and trading	US\$5,000,000	100%	(3)(5)
Kerry Centre Real Estate (Shenzhen) Co. Ltd.	PRC	Property investment	HK\$1,500,000	100%	(3)(5)(9)
Kerry Development (Chengdu) Ltd.	PRC	Property trading	RMB1,000,000	55%	(3)(5)(9)
Kerry Development (Manzhouli) Co., Ltd.	PRC	Property trading	US\$6,800,000	100%	(3)(5)
Kerry Development (Shanghai) Co., Ltd.	PRC	Property investment	US\$2,500,000	100%	(3)(5)
Kerry Development (Shenzhen) Co., Ltd.	PRC	Property investment	HK\$708,350,000	100%	(3)(5)(9)
Kerry Huafeng Property Development (Hangzhou) Co., Ltd.	PRC	Property trading	HK\$1,000,000	100%	(3)(5)
Kerry Properties (China) Investment Co., Ltd.	PRC	Provision of consultancy services	RMB4,053,626,513.09	100%	(3)(5)
Kerry Properties (China) Limited	HK	Investment holding and provision of administrative support services	HK\$10,000,000,000	100%	
Kerry Properties (China) Project Management Co., Ltd.	PRC	Provision of consultancy and administrative services	RMB50,000,000	100%	(3)(5)
Kerry Properties (Shenzhen) Co., Ltd.	PRC	Property trading	HK\$1,500,000	100%	(3)(5)(9)
Kerry Properties Development Management (Shanghai) Co., Ltd.	PRC	Real estate and project management	RMB8,962,190	100%	(5)(9)
Kerry Real Estate (Hangzhou) Co. Ltd.	PRC	Property investment, trading and hotel ownership and operation	US\$347,750,000	75%	(5)
Kerry Real Estate (Nanchang) Co., Ltd.	PRC	Property trading and development	RMB800,000,000	80%	(3)(5)
Kerry (Shenyang) Real Estate Development Co., Ltd.	PRC	Property investment, trading and development	RMB3,887,500,000	60%	(3)(5)
Lucky Billion Development (Qinhuangdao) Co., Ltd.	PRC	Property trading and development	RMB1,617,000,000	60%	(3)(5)(9)
Million Palace Development (Shenzhen) Co., Ltd.	PRC	Property trading and development	RMB4,980,000,000	100%	(5)(9)
Risenland Development (Fuzhou) Co., Ltd.	PRC	Property investment	HK\$1,500,000	100%	(3)(5)

## 45 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (Continued)

### (a) Principal subsidiaries (Continued)

Name	Place of incorporation/ operation	Principal activities	Issued share capital <sup>(1)</sup> / Registered capital	Indirect interest held	Notes
<b>Property Division – Mainland (Continued)</b>					
Shanghai Brilliant Prestige Real Estate Co., Ltd.	PRC	Property investment and development	RMB14,000,000,000	100%	(3)(5)
Shanghai Gang Hu Properties Co., Ltd.	PRC	Property investment and trading	US\$90,000,000	74.25%	(3)(6)
Shanghai Ji Xiang Properties Co., Ltd.	PRC	Property investment, hotel ownership and operation	US\$311,250,000	51%	(5)
Shanghai Kerry Real Estate Development Co., Ltd.	PRC	Property investment	US\$140,000	55.20%	(3)(6)
Shanghai Xin Ci Hou Properties Co., Ltd.	PRC	Property investment	US\$60,000,000	74.25%	(6)
Shangri-La Hotel (Shenyang) Co., Ltd.	PRC	Hotel ownership and operation	RMB700,000,000	60%	(3)(5)
Wealthy Plaza Development (Chengdu) Ltd.	PRC	Property trading	RMB97,000,000	55%	(3)(5)(9)
Well Fortune Real Estate (Putian) Co., Ltd.	PRC	Hotel ownership and operation	RMB200,000,000	60%	(3)(5)
Xiang Heng Real Estate (Jinan) Co., Ltd.	PRC	Property investment, trading and hotel ownership and operation	RMB600,000,000	55%	(3)(5)
Ying He Company Limited	HK	Investment holding	HK\$10 HK\$21,000,000 <sup>(2)</sup>	100%	
Yinlong Real Estate (Hangzhou) Co., Ltd.	PRC	Property development	RMB7,100,000,000	100%	(3)(5)
Yong Yu Real Estate (Nanjing) Co., Ltd.	PRC	Property trading	RMB4,000,000	100%	(3)(5)(9)
Zhengzhou Yuheng Real Estate Co., Ltd.	PRC	Property development	RMB600,000,000	55%	(3)(5)
<b>Property Division – Hong Kong</b>					
All First Investments Limited	BVI / HK	Property investment	US\$2	100%	
Asia Insight Investments Limited	HK	Restaurant operation	HK\$1	100%	
Best Insight Limited	HK	Property investment	HK\$1	100%	
Bethan Company Limited	HK	Property trading	HK\$2	100%	
Classic Gold Holdings Limited	HK	Property trading	HK\$1	100%	
Crystal Talent Limited	HK	Property investment	HK\$1	100%	
Fine Century Holdings Limited	HK	Restaurant operation	HK\$1	100%	
Golden Concord Properties Limited	HK	Property trading	HK\$1	100%	
High Dynamic Holdings Limited	HK	Property development	HK\$1	100%	
Kerry D.G. Warehouse (Kowloon Bay) Limited	HK	Warehouse ownership	HK\$20,000,000	100%	
Kerry Properties (H.K.) Limited	HK	Investment holding and provision of administrative support services	HK\$1,000 HK\$200,000,000 <sup>(2)</sup>	100%	
Kerry Properties (Macau) Limited	Macau	Property development	MOP1,000,000	71%	
Kerry Warehouse (Chai Wan) Limited	HK	Warehouse ownership	HK\$10,000,000	100%	
Kerry Warehouse (Shatin) Limited	HK	Warehouse ownership	HK\$10,000,000	100%	
Kildare Limited	HK	Property trading	HK\$2	100%	
Magnifair Company Limited	HK	Property trading	HK\$10,000	100%	
Mani Holdings Limited	HK	Property investment	HK\$1	100%	
Many Treasure Limited	HK	Property investment	HK\$1	100%	
Maple Crest Development Limited	BVI / HK	Recreation park operation	US\$120	75%	
MegaBox Development Company Limited	HK	Property investment	HK\$2	100%	

# NOTES TO THE FINANCIAL STATEMENTS

## 45 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (Continued)

### (a) Principal Subsidiaries (Continued)

Name	Place of incorporation/ operation	Principal activities	Issued share capital <sup>(1)</sup> / Registered capital	Indirect interest held	Notes
<b>Property Division – Hong Kong</b> (Continued)					
MegaBox Management Services Limited	HK	Property management	HK\$2	100%	
Mid-Levels Portfolio (Aigburth) Limited	Cook Islands / HK	Property investment	US\$9	100%	
Mid-Levels Portfolio (Branksome) Limited	HK	Property investment	HK\$1,000	100%	
Mid-Levels Portfolio (Gladdon) Limited	HK	Property investment	HK\$1,000	100%	
Mid-Levels Portfolio (Tavistock) Limited	HK	Property investment	HK\$1,000	100%	
Mid-Levels Portfolio (Valverde) Limited	HK	Property trading	HK\$1,000	100%	
NMC 6 Limited	BVI / HK	Property development	US\$1	100%	
NMC 7 Limited	BVI / HK	Property investment	US\$1	100%	
NMC 8 Limited	BVI / HK	Property trading	US\$1	100%	
NMC 9 Limited	BVI / HK	Property investment	US\$1	100%	
Norminster Limited	HK	Property investment	HK\$1,000	100%	
Pettico Limited	HK	Provision of financial services	HK\$20	100%	
Port Destiny Limited	HK	Property development	HK\$2	100%	
Precise Skill Investments Limited	HK	Provision of financial services	HK\$1	71%	
Prismatic Limited	HK	Property trading and investment	HK\$20	100%	
Rayhay Company Limited	HK	Provision of financial services	HK\$2	100%	
Rink Management Group Limited	HK	Ice rink operation	HK\$1,000,000	100%	
Senworld Investment Limited	HK	Property trading	HK\$2	100%	
Smart Value Investments Limited	HK	Property development	HK\$1	100%	
Taskan Limited	HK	Property trading	HK\$2	100%	
Trebanos Investment Company Limited	HK	Investment holding	HK\$2	100%	
Wealthy State Investments Limited	HK	Property investment	HK\$1	100%	
<b>Property Division – Overseas</b>					
SHANG PROPERTIES (PVT) LTD	Sri Lanka	Property development	LKR1,000	80%	
<b>Other Divisions</b>					
Apex Ally Limited	HK	Group financing	HK\$1	100%	
Dragon Fame Limited	HK	Group financing	HK\$1	100%	
Kerry Project Management (H.K.) Limited	HK	Project management	HK\$300,000	100%	
Kerry Properties (Beijing) Development Co. Ltd.	PRC	Project management and investment holding	RMB5,000,000	100%	(3)(5)(9)
Kerry Property Management Services Limited	HK	Property management	HK\$20	100%	
Kerry Real Estate Agency Limited	HK	Estate agency	HK\$2	100%	
Perfect Delight Limited	HK	Group financing	HK\$1	100%	
Thinkwise Technovation Limited	HK	IT system and consulting services	HK\$1	100%	
Twickenham Limited	HK	Group financing	HK\$1	100%	
Upsmart Investments Limited	HK	Provision of administrative support services	HK\$2	100%	
Win House Industries Limited	HK	Provision of construction work	HK\$1,000,000	100%	

## 45 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (Continued)

### (b) Principal associates and joint ventures

As at 31 December 2021, the Company held interests in the following associates and joint ventures which are categorised according to the business divisions of the Group, namely, Property Division and Other Divisions as listed below:

Name	Place of incorporation/ operation	Principal activities	Class of shares/ Registered capital	Indirect interest held unless denoted with*	Notes
<b>Associates</b>					
<b>Property Division – Mainland</b>					
Hengyun Real Estate (Tangshan) Co., Ltd.	PRC	Property trading	RMB561,000,000	40%	(3)(5)
Ningbo Rui Feng Real Estate Co., Ltd.	PRC	Property trading	RMB8,000,000	50%	(3)(5)
Ruihe Real Estate (Tangshan) Co., Ltd.	PRC	Hotel ownership and operation	RMB600,000,000	40%	(3)(5)
Shanghai Pudong Kerry City Properties Co., Ltd.	PRC	Property investment, hotel ownership and operation	US\$171,361,400	40.80%	(6)(9)
Shanghai Xin Zhuo Real Estate Co., Ltd.	PRC	Property investment and development	RMB6,200,000,000	40%	(3)(5)(9)
Shangri-La Hotel (Nanjing) Co., Ltd.	PRC	Hotel ownership and operation	RMB750,000,000	45%	(3)(5)
Tianjin Kerry Real Estate Development Co., Ltd.	PRC	Property investment, trading and development, hotel ownership and operation	RMB2,261,250,000	49%	(3)(5)
Zhuhai HZM#2 Partnership	PRC	Property development	RMB180,000,000	30%	(3)(6)(9)
<b>Property Division – Hong Kong</b>					
Capital Faith (Hong Kong) Limited	HK	Property investment	Ordinary	47.37%	(3)
Cardiff Investments Limited	HK	Investment holding	Ordinary	30%	(3)
Century Link (Hong Kong) Limited	HK	Property investment	Ordinary	47.37%	(3)
Cheerjoy Development Limited	HK	Property trading	Ordinary	35%	
Dragons Range Finance Company Limited	HK	Provision of financial services	Ordinary	40%	
Dynamic Wish Limited	HK	Property development	Ordinary	25%	
Enterprico Investment Limited	HK	Loan financing	Ordinary	47.50%	(3)
Excel Wisdom Development Limited	HK	Property investment	Ordinary	47.37%	(3)
Fine Winner Holdings Limited	HK	Hotel ownership and operation	Ordinary	30%	
Grand Rise Investments Limited	HK	Property investment	Ordinary	47.37%	(3)
Harley Investments Limited	HK	Property investment	Ordinary	47.37%	(3)
Jet Fame (Hong Kong) Limited	HK	Property investment	Ordinary	47.37%	(3)
Joint Prospect Limited	HK	Property investment	Ordinary	47.37%	(3)
Kerry Hung Kai Warehouse (Cheung Sha Wan) Limited	HK	Warehouse operation	Ordinary	50%	(3)
Lohas Park Package Thirteen (Project Management) Limited	HK	Project management	Ordinary	25%	
Orient Field Holdings Limited	HK	Property investment	Ordinary	47.37%	(3)
Sky Vision Development Limited	HK	Property investment	Ordinary	47.37%	(3)
Time Rank Limited	HK	Property trading	Ordinary	50%	(4)

# NOTES TO THE FINANCIAL STATEMENTS

## 45 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (Continued)

### (b) Principal associates and joint ventures (Continued)

Name	Place of incorporation/ operation	Principal activities	Class of shares/ Registered capital	Indirect interest held unless denoted with*	Notes
<b>Property Division – Hong Kong</b> (Continued)					
Ubagan Limited	HK	Property investment	Ordinary	40%	
Union Top Properties Limited	HK	Property investment	Ordinary	47.37%	(3)
Victory Top Properties Limited	HK	Property investment	Ordinary	47.37%	(3)
Win Chanford Enterprises Limited	HK	Investment holding and property investment	Ordinary	47.37%	(3)
Wise Grand Limited	HK	Property investment	Ordinary	47.37%	(3)
Wolver Hollow Company Limited	HK	Warehouse ownership	Ordinary	50%	(3)
Wu Wing International Company, Limited	HK	Property trading and investment	Ordinary	45%	(3)(4)
<b>Property Division – Overseas</b>					
Phoenix Commercial Pte. Ltd.	Singapore	Property development	Ordinary	30%*	(3)
Phoenix Residential Pte. Ltd.	Singapore	Property development	Ordinary	30%*	(3)
Shang Properties, Inc.	Philippines	Property development, real estate management and investment holding	Common	34.61%	(7)
<b>Other Divisions</b>					
Kerry Logistics Network Limited	BVI (continued into Bermuda)/HK	Integrated logistics and international freight forwarding business	Ordinary	20.84%*	(7)
Western Harbour Tunnel Company Limited	HK	Tunnel operation and management	Ordinary	15%	(3)(4)(8)
<b>Joint Ventures</b>					
<b>Property Division – Mainland</b>					
Million Fortune Development (Shenzhen) Co., Ltd.	PRC	Property development	RMB3,500,000,000	25%	(5)
<b>Property Division – Hong Kong</b>					
Great Billion Corporation Limited	HK	Property development	Ordinary	50%	
High Crown Holdings Limited	HK	Property development	Ordinary	50%	
WCH Property Development Company Limited	HK	Property development	Ordinary	50%	
Wealth Channel Holdings Limited	HK	Property development	Ordinary	50%	

**45 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES** (Continued)*Notes:*

- (1) *all being ordinary shares and fully paid up except otherwise stated*
- (2) *non-voting deferred shares*
- (3) *companies not audited by PricewaterhouseCoopers*
- (4) *companies having a financial accounting period which is not coterminous with the Group*
- (5) *wholly foreign-owned enterprise*
- (6) *sino-foreign equity joint venture enterprise*
- (7) *listed company*
- (8) *significant influence is obtained by the Group through participation in the board of directors of this associate*
- (9) *English translation of name only*

*BVI British Virgin Islands*

*HK Hong Kong*

*PRC The People's Republic of China*

# FIVE-YEAR FINANCIAL SUMMARY

The results, assets and liabilities of the Group for the last five financial years are as follows:

	<b>2021</b>	2020	2019	2018	2017
	<b>HK\$'000</b>	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Results</b>					
Revenue	<b>15,326,764</b>	14,526,102	18,025,422	21,433,216	35,548,123
Profit attributable to shareholders	<b>10,358,011</b>	5,403,203	6,897,450	7,499,295	9,242,116
<b>Assets and liabilities</b>					
Non-current assets	<b>148,035,978</b>	148,944,388	147,341,417	135,513,007	127,891,757
Net current assets	<b>29,576,814</b>	26,207,778	10,707,114	10,867,879	18,651,630
Total assets less current liabilities	<b>177,612,792</b>	175,152,166	158,048,531	146,380,886	146,543,387
Long-term liabilities and non-controlling interests	<b>(60,783,897)</b>	(65,279,629)	(56,344,021)	(48,839,922)	(52,193,931)
Shareholders' funds	<b>116,828,895</b>	109,872,537	101,704,510	97,540,964	94,349,456

# CORPORATE INFORMATION & FINANCIAL CALENDAR

## BOARD OF DIRECTORS

### Executive Directors

Mr Wong Siu Kong (Chairman)  
 Mr Kuok Khoon Hua (Vice Chairman and  
 Chief Executive Officer)  
 Mr Bryan Pallop Gaw  
 Ms Serene Siew Noi Nah (Chief Financial Officer)

### Independent Non-executive Directors

Ms Wong Yu Pok, Marina, JP  
 Mr Chang Tso Tung, Stephen  
 Mr Hui Chun Yue, David

## AUDIT AND CORPORATE GOVERNANCE COMMITTEE

Ms Wong Yu Pok, Marina, JP (Chairman)  
 Mr Chang Tso Tung, Stephen  
 Mr Hui Chun Yue, David

## REMUNERATION COMMITTEE

Ms Wong Yu Pok, Marina, JP (Chairman)  
 Mr Wong Siu Kong  
 Mr Kuok Khoon Hua  
 Mr Chang Tso Tung, Stephen  
 Mr Hui Chun Yue, David

## NOMINATION COMMITTEE

Mr Wong Siu Kong (Chairman)  
 Mr Kuok Khoon Hua  
 Ms Wong Yu Pok, Marina, JP  
 Mr Chang Tso Tung, Stephen  
 Mr Hui Chun Yue, David

## FINANCE COMMITTEE

Mr Wong Siu Kong  
 Mr Kuok Khoon Hua  
 Ms Serene Siew Noi Nah

## EXECUTIVE COMMITTEE

Mr Wong Siu Kong  
 Mr Kuok Khoon Hua  
 Mr Bryan Pallop Gaw  
 Ms Serene Siew Noi Nah

## COMPANY SECRETARY

Ms Cheung Ka Ki

## AUDITOR

PricewaterhouseCoopers  
 (Certified Public Accountants and  
 Registered Public Interest Entity Auditor)

## REGISTERED OFFICE

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

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

25/F, Kerry Centre, 683 King's Road  
 Quarry Bay, Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited  
 4th Floor North, Cedar House, 41 Cedar Avenue  
 Hamilton HM 12, Bermuda

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Abacus Limited  
 Level 54, Hopewell Centre  
 183 Queen's Road East, Hong Kong

## CORPORATE COMMUNICATION

Kerry Properties Limited  
 25/F, Kerry Centre, 683 King's Road  
 Quarry Bay, Hong Kong  
 Telephone: (852) 2967 2200  
 Facsimile: (852) 2967 2900  
 Email: communication@kerryprops.com

## INVESTOR RELATIONS

Kerry Properties Limited  
 25/F, Kerry Centre, 683 King's Road  
 Quarry Bay, Hong Kong  
 Telephone: (852) 2967 2200  
 Facsimile: (852) 2967 2900  
 Email: ir@kerryprops.com

## THE OMBUDSPERSON OF KERRY PROPERTIES LIMITED

(For receipt of all whistleblowing/complaints reports)

### Hong Kong

Kerry Properties Limited  
 25/F, Kerry Centre, 683 King's Road  
 Quarry Bay, Hong Kong

### Mainland

Kerry Properties Development Management  
 (Shanghai) Co., Ltd.  
 7/F, Tower 2  
 Enterprise Centre  
 209 Gong He Road, Jing'an District  
 Shanghai, China 200070

### Email

ombuds@kerryprops.com

# CORPORATE INFORMATION & FINANCIAL CALENDAR

## WEBSITE

[www.kerryprops.com](http://www.kerryprops.com)

## STOCK CODES

Stock Exchange of Hong Kong: 683

Bloomberg: 683 HK

Reuters: 683.HK

## FINANCIAL CALENDAR

### **Latest time to lodge transfer documents for registration with Tricor Abacus Limited (for Annual General Meeting)**

At 4:30 p.m. on 13 May 2022

### **Closure of Registers of Members (for Annual General Meeting)**

16 to 19 May 2022 (both days inclusive)

### **Annual General Meeting**

19 May 2022

### **Ex-dividend Date (for Final Dividend)**

24 May 2022

### **Latest time to lodge transfer documents for registration with Tricor Abacus Limited (for Final Dividend)**

At 4:30 p.m. on 25 May 2022

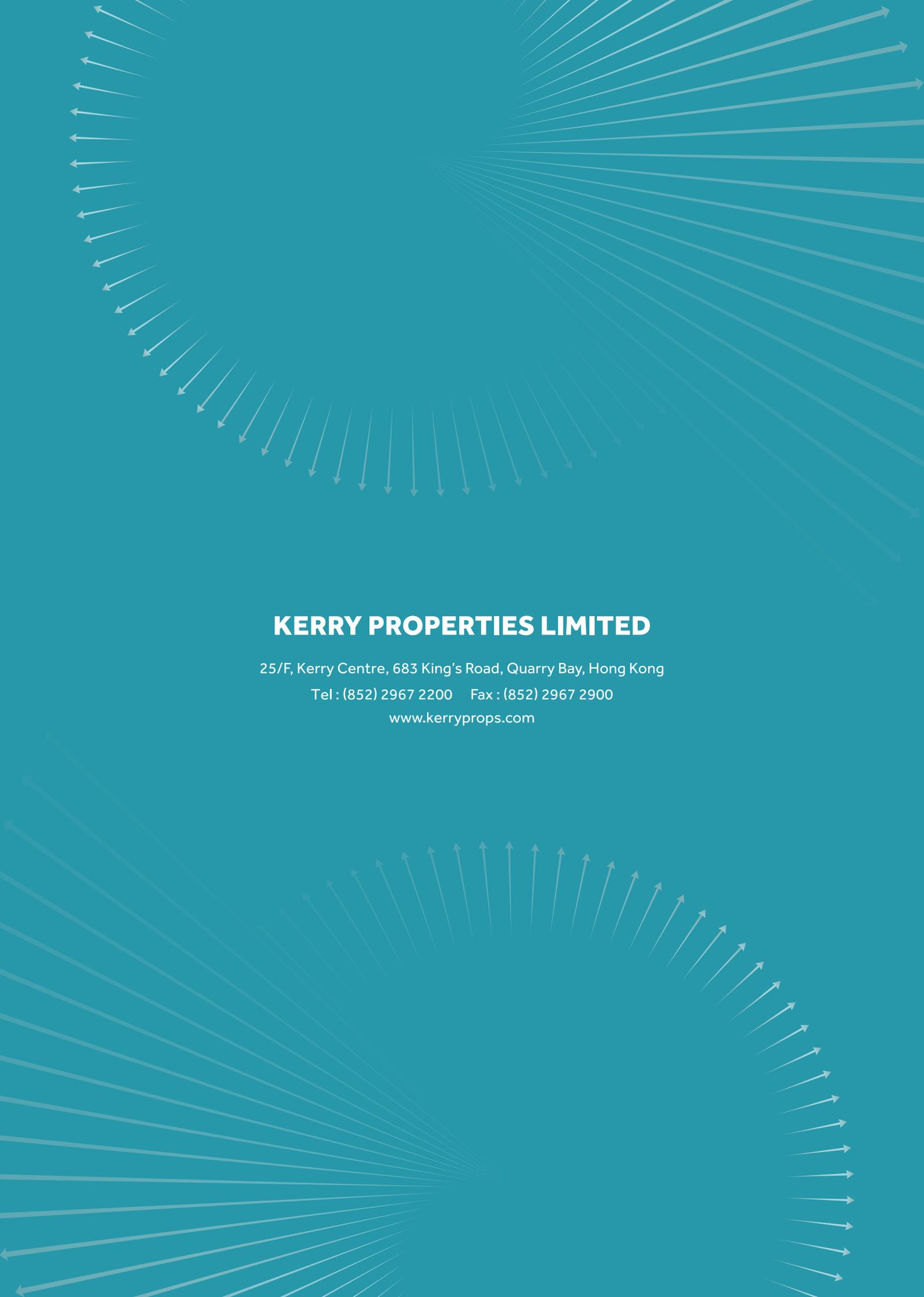
### **Record Date (for Final Dividend)**

25 May 2022

### **Proposed Payment Date of Final Dividend**

7 June 2022





## **KERRY PROPERTIES LIMITED**

25/F, Kerry Centre, 683 King's Road, Quarry Bay, Hong Kong

Tel : (852) 2967 2200 Fax : (852) 2967 2900

[www.kerryprops.com](http://www.kerryprops.com)