



KERRY PROPERTIES LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code : 683

2023 INTERIM REPORT

For the six months ended 30 June 2023





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FINANCIAL HIGHLIGHTS

	1H 2023	1H 2022	% Change
	HK\$'M	HK\$'M	
Revenue	5,472	4,641	18%
Property Sales	2,123	1,714	24%
Property Rental and others	2,498	2,502	–
Hotel Operations	851	425	100%
Underlying Profit ⁽¹⁾	1,739	1,508	15%
Profit Attributable to Shareholders	1,739	2,747	-37%
Financial information			
	1H 2023	1H 2022	% Change
	HK\$	HK\$	
Earnings per share ("EPS")	1.20	1.89	-37%
Adjusted EPS ⁽²⁾	1.20	1.04	15%
Interim dividend per share	0.40	0.40	Maintain

Note:

- (1) Underlying Profit represents Profit Attributable to Shareholders excluding exceptional gains from the disposal of two warehouses in Hong Kong in 2022 and change in fair value of investment properties.
- (2) Calculated based on Underlying Profit.

CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to report the 2023 interim results on behalf of Kerry Properties Limited. During this period we saw an improvement in the business environment as compared with the same period in 2022. However, the post-covid recovery has fallen short of what we had expected and the property markets in both Hong Kong and the Mainland remain weak. Economic data coming out of the Mainland has been disappointing since the brief rebound in the first quarter of 2023, this is despite Mainland policymakers maintaining their pro-growth position and backing for the property market through measures designed to support home users and promote stability.

The Group recorded a decent performance for the first half of 2023: Our development properties were well received, especially in Hong Kong, Hangzhou, and Shanghai; our retail and office portfolio remained stable and delivered steady rental income; and our hotels saw a significant uplift in performance as business activities and leisure travel resumed.

Financial Performance and Dividend

The Group recorded profit attributable to shareholders of HK\$1,739 million (1H 2022: HK\$2,747 million). Excluding exceptional gains from the disposal of two warehouses in Hong Kong in 2022 and the change in fair value of investment properties, underlying profit increased 15% year-on-year to HK\$1,739 million in the first half of 2023 (1H 2022: HK\$1,508 million). EPS for the period ended 30 June 2023 was HK\$1.20 per share (1H 2022: HK\$1.89 per share, or HK\$1.04 per share based on underlying profit).

The Board has declared the payment of an interim dividend of HK\$0.40 per share for the six months ended 30 June 2023 (1H 2022: HK\$0.40 per share). The Board expects to maintain stable dividends, with the aim of delivering sustainable growth over the longer term.

Satisfactory Business Results

In the first half of 2023, the Group's total revenue grew by 18% year-on-year to achieve HK\$5,472 million (1H 2022: HK\$4,641 million). Development properties revenue contributed HK\$2,123 million (1H 2022: HK\$1,714 million), increasing 24% as compared with the same period last year. Contracted sales for this period of HK\$8,170 million (1H 2022: HK\$3,098 million) was mainly driven by the selling-through of our residential project in Hangzhou; ongoing sales in Fuzhou, Shenyang, Tianjin, and Zhengzhou; and the pre-sales of our project in Wuhan on the Mainland. In Hong Kong, results were contributed by the sell-through of Mont Rouge, the positive launch of The Aster, and continued sales of La Marina.

Our investment properties portfolio, excluding hotels, delivered steady revenue of HK\$2,498 million (1H 2022: HK\$2,502 million) on stable occupancy levels, the slight reduction was mainly due to the loss of rental revenue from the warehouses disposed in 2022 as well as the impact of foreign exchange. As covid-related travel restrictions lifted in the first half of the year, our hotels achieved revenue of HK\$851 million (1H 2022: HK\$425 million), bouncing back with an increment of 100% as compared to the same period last year, or close to 90% of the pre-covid levels in 2019.

Building a High-Quality Landbank

We acquired two high-quality projects in the first half of 2023 to bring our total property portfolio to 51.61 million square feet of gross floor area ("GFA") (48.49 million square feet GFA as of 31 December 2022). In February 2023, we won the tender for a Hong Kong residential site in Tsuen Wan. Nestled against green hills and facing the Tsing Yi and Ting Kau Bridge waterfront, this project is a good addition to our Hong Kong development property portfolio.

In June 2023 we acquired the remaining six plots of mixed-use development land adjacent to our existing four plots, acquired in 2022, in central Shanghai. With over 5.45 million square feet of total GFA, this project will strengthen the Group's development properties pipeline for good nearer-term income and grow our recurrent revenue base over the longer-term by fortifying our investment properties portfolio in metropolitan Shanghai.

Sustainable Development

We continue striving to achieve best-in-class sustainability standards for our assets and throughout our communities. Every project in our pipeline is designed to meet LEED/WELL Gold or above certifications, while all of our major mixed-use developments in key cities have been retrofitted to meet similar standards. For the communities that live, work, and play in our projects, we are similarly focused on creating buildings and environments that foster good health and well-being. I am pleased that we were recently recognised by the International WELL Building Institute, where Kerry Properties Limited won the Regional WELL Leadership Award (Asia) for our engagement and advocacy for creating "people-first places". We are grateful for this recognition and will continue to commit resources to pursue Environmental, Social and Governance ("ESG") best practices.

Outlook

Save for any impactful stimulus from the Mainland Government, we expect the property markets in Hong Kong and on the Mainland to remain lacklustre in the foreseeable future. Businesses and investors remain cautious and non-committal after three years of covid-related restrictions and slower than expected recovery. In Hong Kong, the significantly higher interest rate environment has translated into higher costs of homeownership, dampening the sentiment of the residential market.

While we remain positive on the longer term fundamentals of both markets, we recognise that sentiment and market confidence will need more time to rebuild. In line with our more cautious approach, we will be focusing on delivering projects under development, asset optimisation, and delaying all unnecessary capital expenditure.

Last but not least, on behalf of the Board, I wish to extend my appreciation to the management team and all our colleagues for their dedication and tireless efforts, and to our stakeholders, including our tenants, customers, and shareholders, for their continued trust and support.

Kuok Khoon Hua

Chairman

Hong Kong, 29 August 2023

MANAGEMENT DISCUSSION & ANALYSIS

BUSINESS REVIEW

PRESENCE IN THE MAINLAND AND HONG KONG

Landbanking Strategy

The Group has a strong presence in Hong Kong and key cities in the Mainland. In the first half of 2023, the Group had twelve development property projects for sale in eight cities, including Hong Kong, Fuzhou, Hangzhou, Kunming, Qinhuangdao, Shenyang, Zhengzhou, and Wuhan. It also operated nine major mixed-use projects in Hong Kong, Beijing, Hangzhou, Qianhai, Shanghai, Shenzhen and Shenyang.

The landbanking strategy for the Group is to build a portfolio of premium investment properties consisting of office, retail, hotel, and apartments-for-lease primarily in the Mainland; and to manage a robust and balanced pipeline of development properties in the Mainland and Hong Kong. The Group has a healthy landbank that will drive its growth for years to come, and aims to maintain its disciplined and selective landbanking strategy to support long-term sustainable growth.

Property Portfolio Composition

The Group's property portfolio is comprised of the Group's share of 51.61 million square feet of GFA as of 30 June 2023 (31 December 2022: 48.49 million square feet), which covers the Mainland, Hong Kong and Overseas.

The increase in GFA is from the Group's acquisition of two projects in the first half of 2023. The first project in 2023 was acquired from a successful tender in Hong Kong for a residential site in Tsuen Wan with approximately 314,000 square feet GFA.

The second project acquired in June 2023 consists of six plots of mixed-use development land in Shanghai to unify 10 adjacent plots of land along Huangpu district's Jinling Road that will yield approximately 5.45 million square feet of total GFA for residential apartments and shikumen townhouses, office, retail, hotel and amenities use. This project will strengthen the Group's development properties pipeline for good medium-term profits, and fortify its investment properties portfolio in metropolitan Shanghai by increasing its stable recurrent revenue base in the long-term.

A summary of the Group's property portfolio in attributable GFA follows:

The Group's property portfolio in attributable GFA					
As of 30 June 2023:	Mainland	Hong Kong	Overseas	Total as of	Total as of
				30 June 2023	31 December 2022
<i>('000 square feet)</i>					
Properties Under Development	21,622	1,765	4,012	27,399	24,233
Investment Properties	10,813	3,073	1,867	15,753	15,752
Hotel Properties	4,467	38	504	5,009	5,009
Properties Held for Sale	2,913	530	3	3,446	3,498
Total GFA	39,815	5,406	6,386	51,607	48,492

Development Properties Pipeline

Based on the Group's portfolio of properties under development, the Group has a robust pipeline of contracted sales supported by upcoming development properties that will be sufficient for the next five years and beyond. As of 30 June 2023, the total attributable GFA of for-sale development properties is 11.24 million square feet.

On the Mainland, the Group has a strong pipeline of development properties that will yield 9.59 million square feet of attributable GFA. In Hong Kong, the Group has a robust pipeline of high-quality projects under development, and a landbank of future projects with good potential that amounts to approximately 1.65 million square feet of attributable GFA to the Group.

The Group's attributable development properties completion pipeline

Target Completion	Mainland Projects	Equity Stake	Attributable GFA (<i>'000 square feet</i>)	Hong Kong Projects	Equity Stake	Attributable GFA (<i>'000 square feet</i>)
2023	Zhengzhou	55%	580			
2024	Kunming	55%	124			
2024	Qianhai	70%	42			
2024 onwards	Qinhuangdao	60%	1,894			
2024 onwards	Shenyang	60%	1,666			
2024 onwards	Hangzhou	100%	1,007			
2025	Tianjin	49%	147	La Montagne	50%	319
2025				Yuen Long	90%	254
2025 onwards	Wuhan	100%	2,613			
2025 onwards	Shanghai Pudong	40%	205			
2026				LOHAS Park Package 13	25%	387
2027 onwards	Shanghai Huangpu	100%	1,316			
2028				To Kwa Wan	100%	370
2028				Tsuen Wan	100%	314
	Total		9,594	Total		1,644

Investment Properties Pipeline and Hotels

The Group has 18.39 million square feet of GFA under management in its major investment properties portfolio, which is comprised of office, retail, apartment, hotel and warehouse. Hong Kong accounts for 17% and the Mainland accounts for 83% of the total major investment properties portfolio, or 3.11 million square feet and 15.28 million square feet of the Group's total attributable GFA respectively. The portfolio's composition follows:

The Group's Investment Properties and Hotels Portfolio in Major Cities (Attributable GFA)*

As of 30 June 2023:	Hong Kong	Beijing	Shanghai	Shenzhen	Hangzhou	Shenyang	Others	Total as of 30 June 2023	Total as of 31 December 2022
<i>('000 square feet)</i>									
Office	778	711	1,519	3,004	102	354	195	6,663	6,525
Retail	1,197	98	959	347	798	486	1,189	5,074	5,231
Hotel	38	500	759	121	461	395	2,231	4,505	4,485
Apartment	799	277	774	–	–	–	–	1,850	1,850
Warehouse	299	–	–	–	–	–	–	299	299
TOTAL	3,111	1,586	4,011	3,472	1,361	1,235	3,615	18,391	18,390

Note: * Excludes 2,371,000 square feet of attributable GFA from Overseas' investment properties and hotels.

The Group plans to add another 12.03 million square feet GFA to its investment properties portfolio in the next few years from its pipeline of major mixed-use projects, including hotels under development in the Mainland. The GFA composition consists of approximately 6.27 million square feet of office, approximately 4.61 million square feet of retail, and approximately 0.77 million square feet of hotel properties. The top contributing cities to this growth roadmap are Shanghai with projects in Pudong and Huangpu districts, Wuhan, Hangzhou, and other cities.

The Group's Major Mixed-Use Projects and Hotels Under Development in the Mainland (Attributable GFA)

Target Completion	City	Apartment	Office	Retail	Hotel	Total
		<i>('000 square feet)</i>				
2023	Nanchang	–	496	18	–	514
2024	Kunming	–	–	–	258	258
2024	Qianhai	187	503	76	–	766
2025	Tianjin	–	489	92	–	581
2025	Hangzhou	196	241	1,043	175	1,655
From 2025	Shenyang	–	452	593	–	1,045
2026	Zhengzhou	–	349	–	226	575
2026	Shanghai Pudong	–	110	981	–	1,091
From 2028	Shanghai Huangpu	–	2,307	1,355	112	3,774
2032	Wuhan	–	1,318	451	–	1,769
	Total	383	6,265	4,609	771	12,028

Upon completion, the Group's investment properties and hotel portfolio will increase by 58%, or a total combined footprint of 32.79 million square feet GFA. This will give the Group a strong platform to progressively increase its recurrent revenue with new assets being introduced on a steady timeline, and the opportunity to continue optimising its rental reversion and existing assets.

MAINLAND PROPERTY DIVISION

Overview

The Mainland Property Division recorded total revenue of HK\$2,956 million (1H 2022: HK\$2,664 million) and gross profit of HK\$1,795 million (1H 2022: HK\$1,604 million) for the six months ended 30 June 2023.

Entering into the first half of 2023, the Mainland market was in the early innings of removing social distancing measures and reopening its borders with Hong Kong and the world. Soft consumer sentiment, coupled with the need to restart market momentum from a relatively stagnant second half of 2022, led to a slower than expected pace of recovery in the first half of 2023. Against this backdrop, the Group recorded development properties sales revenue of HK\$185 million (1H 2022: HK\$356 million) and corresponding gross profit of HK\$41 million (1H 2022: HK\$173 million). The gross profit margin was 22% (1H 2022: 48%). The change in gross profit margin was due to a different product mix sold year-on-year.

In terms of investment properties excluding hotel operations, the Mainland Property Division recorded HK\$1,920 million (1H 2022: HK\$1,883 million) in revenue. Gross profit for the rental income from investment properties was HK\$1,439 million (1H 2022: HK\$1,409 million), where the gross profit margin was steady at 75% (1H 2022: 75%).

(i) Development Property Portfolio Performance

For the six months ended 30 June 2023, the Mainland Property Division achieved HK\$6,595 million in contracted sales. The results were contributed mainly by the encouraging launch of Hangzhou Riverside, and other projects in Fuzhou, Shenyang, Tianjin, Wuhan and Zhengzhou. A summary of the Mainland's major contracted sales achieved for the six months ended 30 June 2023 follows:

Project Name	Group's attributable interest	Location	Approximate total saleable area (square feet)	Total Contracted Sales for the six months ended 30 June 2023 (HK\$ Million)
Riverside	100%	Hangzhou	1,006,000	5,432
The Arcadia	60%	Shenyang	3,338,000	488
Arcadia Court	55%	Zhengzhou	1,012,000	241
Arcadia Court	49%	Tianjin	299,000	116
Habitat Phase II	60%	Qinhuangdao	1,965,000	94
Rivercity	100%	Fuzhou	2,544,000	74
River Mansion	100%	Wuhan	1,626,000	64
Others	–	–	–	86
TOTAL				6,595

Note: Others include Kunming contracted sales and other non-core assets sales.

(ii) Investment Property Portfolio Performance

For the six months ended 30 June 2023, the Group's rental income received from investment properties under the Mainland Property Division excluding hotel revenue was HK\$1,920 million (1H 2022: HK\$1,883 million). Based on local currency, the Mainland's rental revenue improved 9% when compared to the same period last year. The combined rental income from investment properties, including contributions from associates and joint ventures, was HK\$2,086 million (1H 2022: HK\$2,027 million). During the reporting period, the Group's gross profit was HK\$1,439 million (1H 2022: HK\$1,409 million). A summary of the Mainland Property Division's combined rental income follows:

Combined Rental Income of the Mainland Property Division (excluding hotel revenue)			
Investment Properties	1H 2023	1H 2022	Change
	HK\$ Million	HK\$ Million	
The Company and its subsidiaries	1,920	1,883	2%
Share of associates and joint ventures	166	144	15%
Total	2,086	2,027	3%

A summary of the Group's Mainland investment property portfolio breakdown of GFA by asset type and their respective occupancy rates follows:

	As of 30 June 2023		As of 31 December 2022	
	Group's attributable GFA ('000 square feet)	Occupancy rate	Group's attributable GFA ('000 square feet)	Occupancy rate
Office	5,885	85%	5,747	88%
Retail	3,877	81%	4,014	83% [#]
Apartment	1,051	88%	1,051	86%
	10,813		10,812	

Note: [#] 2022 Occupancy rates exclude the retail space of Fuzhou Rivercity Commercial Centre with leasing commencing in 2023.

Amid a slower than expected market, the Group's retail portfolio saw stable occupancy levels with the overall occupancy for the segment at 81% (31 December 2022: 83%). The Group's office portfolio recorded overall occupancy of 85% (31 December 2022: 88%), and occupancy for the Group's apartment-for-lease portfolio was 88% (31 December 2022: 86%). The Group will continue to optimise its occupant mix with new tenants, and focus on renewals with its longstanding blue-chip and red-chip tenant base.

A summary of the overall occupancy for the Group's major mixed-use developments in key Mainland cities follows:

Property name	Occupancy rate as of 30 June 2023	Occupancy rate as of 31 December 2022
Jing An Kerry Centre, Shanghai *	96%	96%
Pudong Kerry Parkside, Shanghai *	98%	96%
Beijing Kerry Centre *	89%	96%
Hangzhou Kerry Centre *	89%	86%
Shenzhen Kerry Plaza	89%	91%

Note: * Excludes the hotel portion.

Hotel operations in the Mainland experienced a strong recovery from a slow 2022 to record a year-on-year increase of 100% in revenue of HK\$851 million (1H 2022: HK\$425 million). This performance is close to 90% of the pre-covid levels in the first half of 2019. The Group's hotel occupancy performance in key Mainland cities follows:

Property name	Group's attributable interest	Average occupancy rate for the six months ended 30 June 2023	Average occupancy rate for the year ended 31 December 2022	Period-on-period variance
Jing An Shangri-La Hotel	51%	75%	35%	40%
Kerry Hotel Beijing	71.25%	72%	31%	41%
Kerry Hotel Pudong, Shanghai	40.80%	65%	44%	21%
Midtown Shangri-La Hotel, Hangzhou	75%	78%	57%	21%

HONG KONG PROPERTY DIVISION

Overview

The Hong Kong Property Division reported revenue of HK\$2,516 million (1H 2022: HK\$1,977 million) and gross profit of HK\$966 million (1H 2022: HK\$943 million) during the first six months of 2023.

In early 2023, the removal of social distancing measures and the reopening of borders to the Mainland helped the Hong Kong market to warm up and embark on its road to recovery from the pandemic era. This period saw the Group's development properties receive positive market reception, while the investment properties portfolio delivered stable results. For the six months ended 30 June 2023, the Group reported revenue from the sale of development properties of HK\$1,938 million (1H 2022: HK\$1,358 million), and gross profit of HK\$504 million (1H 2022: HK\$452 million). The gross profit margin of Hong Kong's development properties was 26% (1H 2022: 33%), with the change due to a different product mix. Revenue from investment properties was HK\$578 million (1H 2022: HK\$619 million), and gross profit was HK\$462 million (1H 2022: HK\$491 million). The gross profit margin of Hong Kong's investment properties was steady at 80% (1H 2022: 79%).

(i) Development Property Portfolio Performance

For the six months ended 30 June 2023, the Hong Kong Property Division achieved total contracted sales of HK\$1,575 million. This included contracted sales of HK\$428 million from the high-end luxury project Mont Rouge that sold-through in the first half of 2023, and HK\$737 million in contracted sales from The Aster, a development property project that was successfully converted from an investment property asset in Happy Valley. The Group's Wong Chuk Hang MTR station project, La Marina, recorded HK\$174 million in attributable contracted sales.

A summary of Hong Kong's contracted sales achieved during the reporting period follows:

Project Name	Group's attributable interest	Location	Approximate total saleable area (square feet)	Total Contracted Sales for the six months ended 30 June 2023 (HK\$ Million)
The Aster	100%	Happy Valley	36,000	737
Mont Rouge	100%	Beacon Hill	115,000	428
La Marina	50%	Wong Chuk Hang	425,800	174
The Bloomsway	100%	So Kwun Wat	838,000	170
Others	–	–	–	66
TOTAL				1,575

Note: Others refer to non-residential asset sales including car parks.

(ii) Investment Property Portfolio Performance

In Hong Kong, the Group has an investment properties portfolio of office and retail from its mixed-use development MegaBox/Enterprise Square Five and Kerry Centre, and apartments-for-lease mainly from its Mid-Levels residential portfolio. For the six months ended 30 June 2023, the Group's rental income received from investment properties amounted to HK\$578 million (1H 2022: HK\$619 million), decreasing by 7% year-on-year. If excluding the rental income from the warehouses disposed in the first half of 2022 and the rental relief offered in 2022, the overall rental income increased by 2%. The combined rental income from investment properties including contributions from associates and joint ventures was HK\$640 million (1H 2022: HK\$695 million). The reduction of the rental income was mainly due to the loss of rental income from the warehouses disposed in the first half of 2022. The Group's gross profit was HK\$462 million (1H 2022: HK\$491 million). A summary of the Hong Kong Property Division's combined rental income follows:

Combined Rental Income of the Hong Kong Property Division			
Investment Properties	1H 2023	1H 2022	Change
	HK\$ Million	HK\$ Million	
The Company and its subsidiaries	578	619	-7%
Share of associates and joint ventures	62	76	-18%
Total	640	695	-8%

A summary of the Group's Hong Kong investment property portfolio breakdown of GFA by asset type and their respective occupancy rates follows:

	As of 30 June 2023		As of 31 December 2022	
	Group's attributable GFA ('000 square feet)	Occupancy rate	Group's attributable GFA ('000 square feet)	Occupancy rate
Retail	1,197	95%	1,197	92%
Apartment	799	93%*	799	90%
Office	778	88%	778	86%
Warehouse	299	34%	299	78%
	3,073		3,073	

Note: * As of 30 June 2023, occupancy rate excludes Branksome Crest due to major refurbishment.

As of 30 June 2023, occupancy at Hong Kong’s retail mall MegaBox was 95% (31 December 2022: 92%). The office portfolio of Enterprise Square Five and Kerry Centre recorded occupancy levels at 87% (31 December 2022: 85%) and 93% (31 December 2022: 89%) respectively.

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

Property name	Occupancy rate as of 30 June 2023	Occupancy rate as of 31 December 2022
MegaBox/	95%	92%
Enterprise Square Five	87%	85%
Kerry Centre	93%	89%
Mid-Levels Portfolio	93%*	89%

Note: * As of 30 June 2023, occupancy rate excludes Branksome Crest from Mid-Levels Portfolio due to major refurbishment.

MANAGEMENT DISCUSSION & ANALYSIS

CAPITAL RESOURCES AND LIQUIDITY

Treasury Policies

The Group adopts prudent policies on liquidity and debt management. The Group's treasury policies, approved by the Finance Committee of the Company and subject to periodic review by the Group's internal audit function, are designed to mitigate the liquidity, foreign exchange, interest rate and credit risks in the normal course of business. The entire Group's liquidity management and financing activities are centrally coordinated and controlled at the corporate level. It achieves better control of the Group's treasury operations and lowers the average cost of funds.

Foreign Exchange Management

The Group closely reviews and monitors its foreign exchange exposure, and conducts its businesses primarily in Hong Kong with the related cash flows, assets and liabilities being denominated mainly in Hong Kong dollar. The Group's primary foreign exchange exposure arises from its property developments and investments in the Mainland which are denominated in Renminbi ("RMB") and the bank loans which are denominated in RMB, Australian dollar ("AUD") and Japanese yen ("JPY").

As at 30 June 2023, the total foreign currency borrowings (excluding RMB bank loans) amounted to the equivalent of HK\$3,133 million and RMB bank loans amounted to the equivalent of HK\$7,236 million. As such, non-RMB total foreign currency borrowings and RMB bank loans represented approximately 6% and 13% respectively, of the Group's total borrowings of HK\$56,312 million as at 30 June 2023.

As at 30 June 2023, the total foreign currency borrowings of HK\$10,369 million included approximately RMB6,668 million (equivalent to HK\$7,236 million) bank loans, JPY8,000 million (equivalent to HK\$436 million) bank loans and approximately AUD516 million (equivalent to HK\$2,697 million) bank loans. To hedge the exchange rate exposure of the foreign currency borrowings, the Group has arranged cross currency swap contracts amounting to RMB2,040 million, JPY8,000 million, and approximately AUD516 million for bank loans drawn in Hong Kong. The remaining RMB4,628 million bank loans are RMB bank loans for projects in the Mainland which are not hedged as the Group endeavours to establish a natural hedge by maintaining an appropriate level of external borrowings in RMB.

Interest Rate Management

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

In addition to raising funds directly on a fixed rate basis, the Group endeavours to hedge its interest rate risks arising from its floating rate loans by entering into floating-to-fixed interest-rate swap contracts. As at 30 June 2023, the Group had outstanding interest rate swap contracts, which amounted to HK\$19,500 million in total, enabling the Group to hedge its interest rate exposure and to have a more stable interest rate profile. As at 30 June 2023, the Group's fixed rate debt ratio (after swap contracts and fixed rate loans) was 36% and 51% on gross debt level and net debt level respectively. All these interest-rate swap contracts qualify for hedge accounting.

Liquidity and Financing Management

Total borrowings of HK\$56,312 million (31 December 2022: HK\$52,870 million) included HK\$45,943 million of Hong Kong dollar borrowings, HK\$7,236 million RMB borrowings, HK\$2,697 million Australian dollar borrowings and HK\$436 million Japanese yen borrowings. The total cash and bank deposit balances amounted to HK\$16,469 million as at 30 June 2023, and the net debt balance was HK\$39,843 million (31 December 2022: HK\$41,169 million).

The Group uses a proactive approach to manage the Group's liquidity to ensure ample headroom for capital resources to meet its financing needs, to pursue disciplined investment opportunities and to protect against unexpected external economic shocks. Funding needs are closely monitored and regularly reviewed to allow a fair degree of financial flexibility and liquidity while optimising the costs of funds. As at 30 June 2023, the Group maintained all of its borrowings on both an unsecured 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.

In terms of the Group's available financial resources as at 30 June 2023, the Group had total undrawn bank loan facilities of HK\$23,091 million and cash and bank deposits of HK\$16,469 million, decreasing by 20% and increasing by 41% respectively when compared to 31 December 2022.

Sustainable Finance Initiatives

The Group recognises sustainable finance as a key course to facilitate long-term investments in sustainable economic activities and projects. The Group established a sustainable finance framework in 2022 to further set out how the utilisation of sustainable finance instruments would contribute to the Group's sustainability strategy and vision.

As at 30 June 2023, the Group's total sustainability-linked loan facilities stood at approximately HK\$30,735 million. These loan facilities 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, and 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. With more sustainability-linked bank loans in the pipeline, the Group will benefit more from discounted interest rates. We aim to gradually increase the sustainable finance portion of the Group's overall debt portfolio.

Debt Maturity Profile and Gearing Ratio

The Group's total borrowings as at 30 June 2023 were HK\$56,312 million (31 December 2022: HK\$52,870 million). The maturity profile is set out below:

Repayable:	30 June 2023		31 December 2022	
	HK\$ Million		HK\$ Million	
Within 1 year	11,172	20%	5,997	11%
In the second year	14,408	25%	12,851	24%
In the third to fifth year	30,232	54%	33,022	63%
Over 5 years	500	1%	1,000	2%
Total	56,312	100%	52,870	100%

As at 30 June 2023, the Group's gearing ratio, representing net debt to total equity, is 33.3% (31 December 2022: 33.6%), calculated based on net debt of HK\$39,843 million and total equity of HK\$119,481 million.

The Group provided guarantees for (i) banking facilities of certain associates and joint ventures, and (ii) mortgage facilities provided by banks to first-hand buyers of certain properties developed by the Group in the Mainland.

Details of contingent liabilities are set out in note 12 to the financial statements of the Group included in this report.

INDEPENDENT AUDITOR'S REVIEW REPORT

Report On Review Of Interim Financial Information To the Board of Directors of Kerry Properties Limited

(incorporated in Bermuda with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 18 to 41, which comprises the condensed consolidated interim statement of financial position of Kerry Properties Limited (the “**Company**”) and its subsidiaries (together, the “**Group**”) as at 30 June 2023 and the condensed consolidated interim income statement, the condensed consolidated interim statement of comprehensive income, the condensed consolidated interim statement of changes in equity and the condensed consolidated interim statement of cash flows for the six-month period then ended, and selected explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope Of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

Other Matter

The comparative information for the condensed consolidated interim statement of financial position is based on the audited financial statements as at 31 December 2022. The comparative information for the condensed consolidated interim income statement, condensed consolidated interim statements of comprehensive income, changes in equity and cash flows, and selected explanatory notes, for the six months ended 30 June 2022 has not been audited or reviewed.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 29 August 2023

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

	Note	Unaudited Six months ended 30 June	
		2023 HK\$'000	2022 HK\$'000
Revenue	3	5,472,374	4,641,295
Cost of sales and direct expenses		(2,711,627)	(2,094,072)
Gross profit	3	2,760,747	2,547,223
Other income and net gains		373,832	1,141,443
Selling, administrative and other operating expenses		(904,492)	(844,197)
Increase/(decrease) in fair value of investment properties		146,300	(119,078)
Operating profit before finance costs		2,376,387	2,725,391
Finance costs	4	(317,789)	(361,439)
Operating profit	4	2,058,598	2,363,952
Share of results of associates and joint ventures		843,236	1,095,740
Profit before taxation		2,901,834	3,459,692
Taxation	5	(871,014)	(542,719)
Profit for the period		2,030,820	2,916,973
Profit attributable to:			
Company's shareholders		1,738,831	2,746,670
Non-controlling interests		291,989	170,303
		2,030,820	2,916,973
Earnings per share	6		
– Basic		HK\$1.20	HK\$1.89
– Diluted		HK\$1.20	HK\$1.89

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	
	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Profit for the period	2,030,820	2,916,973
Other comprehensive income		
Items that may be reclassified to profit or loss		
Cash flow hedges	104,634	658,376
Share of other comprehensive income of associates and joint ventures	(33,705)	(159,086)
Net translation differences on foreign operations	(3,618,973)	(5,412,499)
Items that will not be reclassified to profit or loss		
Fair value gains/(losses) on financial assets at fair value through other comprehensive income	85,144	(50,683)
Other comprehensive income for the period, net of tax	(3,462,900)	(4,963,892)
Total comprehensive income for the period	(1,432,080)	(2,046,919)
Total comprehensive income attributable to:		
Company's shareholders	(1,150,107)	(1,128,623)
Non-controlling interests	(281,973)	(918,296)
	(1,432,080)	(2,046,919)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

	Note	Unaudited As at 30 June 2023 HK\$'000	Audited As at 31 December 2022 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	7	4,421,741	4,617,237
Investment properties	7	75,438,137	77,063,008
Right-of-use assets	7	1,714,733	1,830,251
Properties under development and land deposits		32,912,580	31,515,644
Associates and joint ventures		25,712,226	25,802,012
Derivative financial instruments		984,516	954,781
Financial assets at fair value through other comprehensive income		607,266	522,122
Financial assets at fair value through profit or loss		671,386	674,057
Mortgage loans receivable		985,705	1,079,619
Intangible assets	7	122,504	122,504
		143,570,794	144,181,235
Current assets			
Properties under development		23,420,269	22,982,883
Completed properties held for sale		18,591,012	20,162,050
Accounts receivable, prepayments and deposits	8	2,065,658	1,676,993
Current portion of mortgage loans receivable		228,416	255,463
Tax recoverable		434,437	325,421
Tax reserve certificates		189,255	189,255
Derivative financial instruments		14,017	–
Restricted bank deposits		434,569	354,814
Cash and bank balances		16,034,285	11,346,645
		61,411,918	57,293,524
Current liabilities			
Accounts payable, deposits received and accrued charges	9	6,104,631	6,783,829
Contract liabilities		8,011,885	4,372,308
Current portion of lease liabilities		42,512	41,284
Taxation		2,080,807	2,198,798
Short-term bank loans and current portion of long-term bank loans	10	11,171,510	5,997,133
Derivative financial instruments		255,089	103,846
		27,666,434	19,497,198
Net current assets		33,745,484	37,796,326

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

		Unaudited As at 30 June 2023 HK\$'000	Audited As at 31 December 2022 HK\$'000
Total assets less current liabilities		177,316,278	181,977,561
Non-current liabilities			
Long-term bank loans	10	45,140,483	46,873,144
Amounts due to non-controlling interests		2,572,133	2,495,861
Lease liabilities		62,615	84,206
Derivative financial instruments		299,829	347,584
Deferred taxation		9,760,080	9,694,605
		57,835,140	59,495,400
ASSETS LESS LIABILITIES		119,481,138	122,482,161
EQUITY			
Capital and reserves attributable to the Company's shareholders			
Share capital		1,451,306	1,451,306
Shares held for share award scheme		(42,173)	(18,097)
Share premium		13,103,312	13,102,767
Other reserves		3,842,681	6,834,882
Retained profits		87,878,801	87,415,992
		106,233,927	108,786,850
Non-controlling interests		13,247,211	13,695,311
TOTAL EQUITY		119,481,138	122,482,161

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

	Unaudited Six months ended 30 June	
	2023 HK\$'000	2022 HK\$'000
Operating activities		
Net cash generated from operations	3,660,812	877,677
Interest paid	(1,163,173)	(390,271)
Income tax paid	(646,125)	(637,251)
Net cash generated from/(used in) operating activities	1,851,514	(149,845)
Investing activities		
Additions of property, plant and equipment	(37,349)	(10,625)
Additions of investment properties	(85,223)	(147,613)
Increase in land deposits	–	(24,648,497)
Disposal of subsidiaries	–	4,585,800
Increase in investment in associates and joint ventures	(84,090)	–
Dividends received from associates and joint ventures	295,992	339,158
Additional loans to associates and joint ventures	(559,058)	(390,434)
Repayment of loans by associates and joint ventures	879,518	613,790
Additional loans from associates and joint ventures	166,934	97,581
Repayment of loans to associates and joint ventures	(4)	(31,779)
Mortgage loans to buyers	(7,885)	(27,427)
Repayment of mortgage loans from buyers	87,078	178,454
Interest received	306,933	277,724
(Increase)/decrease in restricted bank deposits	(93,270)	93,237
Decrease/(increase) in bank deposits maturing after more than three months	2,254	(344)
Dividends received from listed and unlisted investments	31,791	24,461
Proceeds from sale of property, plant and equipment	1,256	447
Proceeds from sale of investment properties	–	350,000
Net cash generated from/(used in) investing activities	904,877	(18,696,067)

	Unaudited Six months ended 30 June	
	2023 HK\$'000	2022 HK\$'000
Financing activities		
Consideration and expenses for shares repurchased for cancellation	-	(13,313)
Purchase of shares for share award scheme	(24,076)	-
Repayment of bank loans	(14,751,963)	(22,606,118)
Drawdown of bank loans	18,567,531	43,207,038
Principal elements of lease payments	(23,612)	(27,569)
Dividends paid	(1,378,740)	(1,381,748)
Return of capital to non-controlling interests	(136,286)	-
Dividends of subsidiaries paid to non-controlling interests	(29,841)	(45,147)
Additional loans from non-controlling interests	83,434	242
Net cash generated from financing activities	2,306,447	19,133,385
Increase in cash and cash equivalents	5,062,838	287,473
Effect of exchange rate changes	(376,355)	(628,523)
Cash and cash equivalents at 1 January	11,325,404	16,476,695
Cash and cash equivalents at 30 June	16,011,887	16,135,645
Analysis of cash and cash equivalents		
Cash and bank balances (excluding bank deposits maturing after more than three months)	16,011,887	16,135,645

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY – UNAUDITED

	Attributable to the shareholders of the Company							Non-controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Shares held for share award scheme HK\$'000	Share premium HK\$'000	Other reserves HK\$'000	Retained profits HK\$'000	Total HK\$'000			
Balance as at 1 January 2023	1,451,306	(18,097)	13,102,767	6,834,882	87,415,992	108,786,850	13,695,311	122,482,161	
Profit for the period	-	-	-	-	1,738,831	1,738,831	291,989	2,030,820	
Cash flow hedges	-	-	-	104,634	-	104,634	-	104,634	
Share of other comprehensive income of associates and joint ventures	-	-	-	(33,705)	-	(33,705)	-	(33,705)	
Net translation differences on foreign operations	-	-	-	(3,045,011)	-	(3,045,011)	(573,962)	(3,618,973)	
Fair value gains on financial assets at fair value through other comprehensive income	-	-	-	85,144	-	85,144	-	85,144	
Total comprehensive income for the six months ended 30 June 2023	-	-	-	(2,888,938)	1,738,831	(1,150,107)	(281,973)	(1,432,080)	
Lapse of share options	-	-	545	(545)	-	-	-	-	
Purchase of shares for share award scheme	-	(24,076)	-	-	-	(24,076)	-	(24,076)	
Dividends paid	-	-	-	-	(1,378,740)	(1,378,740)	(29,841)	(1,408,581)	
Transfer	-	-	-	(102,718)	102,718	-	-	-	
Capital reduction of subsidiaries	-	-	-	-	-	-	(136,286)	(136,286)	
Total transactions with owners	-	(24,076)	545	(103,263)	(1,276,022)	(1,402,816)	(166,127)	(1,568,943)	
Balance as at 30 June 2023	1,451,306	(42,173)	13,103,312	3,842,681	87,878,801	106,233,927	13,247,211	119,481,138	

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY – UNAUDITED

	Attributable to shareholders of the Company					Non-controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Other reserves HK\$'000	Retained profits HK\$'000	Total HK\$'000		
Balance as at 1 January 2022	1,454,472	13,027,720	15,534,100	86,812,603	116,828,895	15,484,231	132,313,126
Profit for the period	–	–	–	2,746,670	2,746,670	170,303	2,916,973
Cash flow hedges	–	–	658,376	–	658,376	–	658,376
Share of other comprehensive income of associates and joint ventures	–	–	(159,086)	–	(159,086)	–	(159,086)
Net translation differences on foreign operations	–	–	(4,323,900)	–	(4,323,900)	(1,088,599)	(5,412,499)
Fair value losses on financial assets at fair value through other comprehensive income	–	–	(50,683)	–	(50,683)	–	(50,683)
Total comprehensive income for the six months ended 30 June 2022	–	–	(3,875,293)	2,746,670	(1,128,623)	(918,296)	(2,046,919)
Lapse of share options	–	131,456	(131,456)	–	–	–	–
Repurchase of shares	(665)	(12,648)	665	(665)	(13,313)	–	(13,313)
Dividends paid	–	–	–	(1,381,748)	(1,381,748)	(45,147)	(1,426,895)
Share of other reserves of associates and joint ventures	–	–	(726,191)	–	(726,191)	–	(726,191)
Transfer	–	–	102,294	(102,294)	–	–	–
Total transactions with owners	(665)	118,808	(754,688)	(1,484,707)	(2,121,252)	(45,147)	(2,166,399)
Balance as at 30 June 2022	1,453,807	13,146,528	10,904,119	88,074,566	113,579,020	14,520,788	128,099,808

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

These unaudited condensed consolidated interim financial statements should be read in conjunction with the Group's 2022 annual financial statements. The accounting policies used in the preparation of these condensed consolidated interim financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2022. The adoption of new and amended standards which are effective for the accounting period beginning on 1 January 2023 had no material impact on these condensed consolidated interim financial statements.

2. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT

(i) Financial risk factors

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

These condensed consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; and should be read in conjunction with the Group's 2022 annual financial statements. There have been no changes in the Group's financial risk management structure and policies since the year end.

(ii) Fair value estimation of financial instruments

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

2. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (continued)**(ii) Fair value estimation of financial instruments** (continued)

The following table presents the Group's financial assets and liabilities that are measured at fair value at 30 June 2023:

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Assets				
Derivative financial instruments	–	998,533	–	998,533
Financial assets at fair value through other comprehensive income	–	–	607,266	607,266
Financial assets at fair value through profit or loss	15,745	–	655,641	671,386
First mortgage loans receivable	–	–	209,139	209,139
Total assets	15,745	998,533	1,472,046	2,486,324
Liabilities				
Derivative financial instruments	–	554,918	–	554,918
Total liabilities	–	554,918	–	554,918

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2022:

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Assets				
Derivative financial instruments	–	954,781	–	954,781
Financial assets at fair value through other comprehensive income	–	–	522,122	522,122
Financial assets at fair value through profit or loss	18,437	–	655,620	674,057
First mortgage loans receivable	–	–	256,512	256,512
Total assets	18,437	954,781	1,434,254	2,407,472
Liabilities				
Derivative financial instruments	–	451,430	–	451,430
Total liabilities	–	451,430	–	451,430

There were no transfers between levels during the period.

2. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (continued)**(iii) Valuation techniques used to derive fair values of Level 2 financial instruments**

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 exchanges rates that are quoted in an active market and/or forward interest rates extracted from observable yield curves.

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

The following table presents the changes in Level 3 instruments:

	First mortgage loans receivable		Financial assets at fair value through other comprehensive income		Financial assets at fair value through profit or loss	
	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
At 1 January	256,512	424,971	522,122	1,555,092	655,620	655,909
Gains/(losses) recognised in other comprehensive income or profit or loss	–	–	85,144	(50,683)	264	(661)
Repayments	(47,373)	(70,247)	–	–	–	–
Exchange adjustment	–	–	–	–	(243)	(329)
At 30 June	209,139	354,724	607,266	1,504,409	655,641	654,919

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 period.

(v) Group's valuation processes for financial instruments

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

2. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (continued)

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

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

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

(vii) Valuation of investment properties

	Residential properties under development	Commercial properties under development	Completed residential properties		Completed commercial properties		Completed warehouses	Total
	Hong Kong HK\$'000	Hong Kong HK\$'000	Hong Kong HK\$'000	Mainland HK\$'000	Hong Kong HK\$'000	Mainland HK\$'000	Hong Kong HK\$'000	HK\$'000
At 1 January 2023	484,000	404,000	16,096,100	4,375,903	10,346,000	44,857,005	500,000	77,063,008
Additions	4,998	–	2,542	7,785	11,387	58,421	90	85,223
Change in fair value	(59,998)	(19,916)	(62,542)	30,459	(11,387)	269,774	(90)	146,300
Disposals	–	–	–	–	–	(4,847)	–	(4,847)
Transfer	–	25,916	–	–	–	–	–	25,916
Exchange adjustment	–	–	–	(166,941)	–	(1,710,522)	–	(1,877,463)
At 30 June 2023	429,000	410,000	16,036,100	4,247,206	10,346,000	43,469,831	500,000	75,438,137
At 1 January 2022	509,000	–	17,357,800	4,707,440	10,794,000	49,593,639	4,240,000	87,201,879
Additions	102,585	–	1,764	5,900	6,462	30,902	–	147,613
Change in fair value	(2,585)	–	(1,764)	(5,728)	(6,462)	(102,539)	–	(119,078)
Disposals	–	–	–	–	(278,000)	–	–	(278,000)
Disposal of subsidiaries	–	–	–	–	–	–	(3,740,000)	(3,740,000)
Exchange adjustment	–	–	–	(196,454)	–	(2,067,868)	–	(2,264,322)
At 30 June 2022	609,000	–	17,357,800	4,511,158	10,516,000	47,454,134	500,000	80,948,092

2. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (continued)

(vii) Valuation of investment properties (continued)

Valuation processes of the Group

The Group measures its investment properties at fair value. The investment properties were revalued by Cushman & Wakefield Limited at 30 June 2023.

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.

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 from the estimated capital value of the proposed development assuming completed as at the date of valuation.

The valuation techniques used in the preparation of these condensed consolidated interim financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2022.

Significant unobservable inputs used to determine fair value

Capitalisation rates are estimated based on the risk profile of the investment properties being valued. The higher the rates, the lower the fair value. At 30 June 2023, capitalisation rates of 2.2% to 5.0% (31 December 2022: 2.2% to 5.0%) and 4.8% to 7.3% (31 December 2022: 4.8% to 7.3%) 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 and developer's profit required are estimated based on market conditions at the reporting date for investment properties under development. The estimates are largely consistent with the budgets developed internally by the Group based on management's experience and knowledge of market conditions. The higher the costs and developer's profit, 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 30 June 2023.

3. PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATIONS

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

	Six months ended 30 June 2023			
	Revenue			Gross profit
	The Company and its subsidiaries HK\$'000	Share of associates and joint ventures HK\$'000	Combined HK\$'000	The Company and its subsidiaries HK\$'000
Property rental and others				
– Mainland property	1,919,970	166,015	2,085,985	1,438,932
– Hong Kong property	578,030	62,002	640,032	461,403
	2,498,000	228,017	2,726,017	1,900,335
Property sales				
– Mainland property	185,198	476	185,674	41,027
– Hong Kong property	1,938,226	3,599,908	5,538,134	504,161
	2,123,424	3,600,384	5,723,808	545,188
Hotel operations				
– Mainland property	850,950	226,364	1,077,314	315,224
– Hong Kong property	–	15,860	15,860	–
	850,950	242,224	1,093,174	315,224
Total	5,472,374	4,070,625	9,542,999	2,760,747
	Six months ended 30 June 2022			
	Revenue			Gross profit
	The Company and its subsidiaries HK\$'000	Share of associates and joint ventures HK\$'000	Combined HK\$'000	The Company and its subsidiaries HK\$'000
Property rental and others				
– Mainland property	1,882,783	143,864	2,026,647	1,409,454
– Hong Kong property	619,537	76,169	695,706	490,763
	2,502,320	220,033	2,722,353	1,900,217
Property sales				
– Mainland property	355,693	583	356,276	172,504
– Hong Kong property	1,358,253	–	1,358,253	452,032
	1,713,946	583	1,714,529	624,536
Hotel operations				
– Mainland property	425,029	108,980	534,009	22,470
– Hong Kong property	–	14,075	14,075	–
	425,029	123,055	548,084	22,470
Total	4,641,295	343,671	4,984,966	2,547,223

3. PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATIONS (continued)

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

	Six months ended 30 June 2023				
	Mainland Property HK\$'000	Hong Kong Property HK\$'000	Total Operating Segments HK\$'000	Others HK\$'000	Total HK\$'000
Revenue	2,956,118	2,516,256	5,472,374	–	5,472,374
Results					
Segment results – gross profit	1,795,183	965,564	2,760,747	–	2,760,747
Other income and net gains					373,832
Selling, administrative and other operating expenses					(904,492)
Increase in fair value of investment properties					146,300
Operating profit before finance costs					2,376,387
Finance costs					(317,789)
Operating profit					2,058,598
Share of results of associates and joint ventures					843,236
Profit before taxation					2,901,834
Taxation					(871,014)
Profit for the period					2,030,820
Profit attributable to:					
Company's shareholders					1,738,831
Non-controlling interests					291,989
					2,030,820
Depreciation	198,382	30,155	228,537	1,395	229,932

3. PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATIONS (continued)

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

	Six months ended 30 June 2022				
	Mainland Property HK\$'000	Hong Kong Property HK\$'000	Total Operating Segments HK\$'000	Others HK\$'000	Total HK\$'000
Revenue	2,663,505	1,977,790	4,641,295	–	4,641,295
Results					
Segment results – gross profit	1,604,428	942,795	2,547,223	–	2,547,223
Other income and net gains					1,141,443
Selling, administrative and other operating expenses					(844,197)
Decrease in fair value of investment properties					(119,078)
Operating profit before finance costs					2,725,391
Finance costs					(361,439)
Operating profit					2,363,952
Share of results of associates and joint ventures					1,095,740
Profit before taxation					3,459,692
Taxation					(542,719)
Profit for the period					2,916,973
Profit attributable to:					
Company's shareholders					2,746,670
Non-controlling interests					170,303
					2,916,973
Depreciation	215,352	34,521	249,873	776	250,649

3. PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATIONS (continued)

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

As at 30 June 2023							
	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
Total assets	129,422,996	73,553,560	3,619,336	206,595,892	80,679,046	(82,292,226)	204,982,712
Total liabilities	80,661,376	27,977,294	1,417,357	110,056,027	57,737,773	(82,292,226)	85,501,574

As at 31 December 2022							
	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
Total assets	126,596,355	72,899,188	3,372,442	202,867,985	81,317,640	(82,710,866)	201,474,759
Total liabilities	76,118,515	27,642,252	1,375,448	105,136,215	56,567,249	(82,710,866)	78,992,598

4. OPERATING PROFIT

	Six months ended 30 June	
	2023 HK\$'000	2022 HK\$'000
Operating profit is stated after crediting/charging the following:		
<i>Crediting</i>		
Dividend income	31,791	24,461
Interest income	306,933	277,724
(Loss)/gain on sale of investment properties, net	(4,847)	71,726
Gain on disposal of subsidiaries	–	876,993
<i>Charging</i>		
Depreciation of property, plant and equipment and right-of-use assets	229,932	250,649
Total finance costs incurred	1,162,884	475,616
Less: amount capitalised in properties under development and investment properties under development	(845,095)	(114,177)
Total finance costs expensed during the period	317,789	361,439

5. TAXATION

	Six months ended 30 June	
	2023 HK\$'000	2022 HK\$'000
The taxation (charge)/credit comprises:		
Mainland taxation		
Current	(320,069)	(319,497)
Under-provision in prior years	–	(718)
Deferred	(406,152)	(69,643)
	(726,221)	(389,858)
Hong Kong profits tax		
Current	(126,174)	(130,836)
(Under)/Over-provision in prior years	(3,870)	56
Deferred	–	(12,734)
	(130,044)	(143,514)
Overseas taxation		
Current	(6,749)	(3,286)
Deferred	(8,000)	(6,061)
	(14,749)	(9,347)
	(871,014)	(542,719)

Hong Kong profits tax has been provided at the rate of 16.5% (2022: 16.5%) on the estimated assessable profit for the six months ended 30 June 2023. Income tax on the Mainland and overseas profits has been calculated on the estimated assessable profit for the six months ended 30 June 2023 at the respective rates of taxation prevailing in the Mainland and the overseas countries in which the Group operates.

Land appreciation tax in the Mainland is levied on properties developed and sold by the Group, at progressive rates ranging from 30% to 60% on the appreciation of land value, which under the applicable regulations is calculated based on the proceeds of sales of properties less deductible expenditures including land costs, borrowing costs and all property development expenditures.

6. EARNINGS PER SHARE

Basic

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30 June	
	2023	2022
Weighted average number of ordinary shares in issue	1,451,305,728	1,454,401,200
	HK\$'000	HK\$'000
Profit attributable to shareholders	1,738,831	2,746,670
	HK\$1.20	HK\$1.89

Diluted

Diluted earnings per share is calculated by adjusting the profit attributable to shareholders of the Company and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

	Six months ended 30 June	
	2023	2022
Weighted average number of ordinary shares in issue	1,451,305,728	1,454,401,200
Adjustment for share options (note)	–	–
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	1,451,305,728	1,454,401,200
	HK\$'000	HK\$'000
Profit attributable to shareholders	1,738,831	2,746,670
	HK\$1.20	HK\$1.89

Note: The share options outstanding during the six months ended 30 June 2023 had an anti-dilutive effect.

7. CAPITAL EXPENDITURE

	Property, plant and equipment HK\$'000	Investment properties HK\$'000	Right-of-use assets HK\$'000	Intangible assets HK\$'000
Net book value at 1 January 2023	4,617,237	77,063,008	1,830,251	122,504
Additions	37,349	85,223	–	–
Fair value gains	–	146,300	–	–
Disposals	(1,860)	(4,847)	–	–
Depreciation	(178,202)	–	(51,730)	–
Transfer	112,124	25,916	–	–
Exchange adjustment	(164,907)	(1,877,463)	(63,788)	–
Net book value at 30 June 2023	4,421,741	75,438,137	1,714,733	122,504
Net book value at 1 January 2022	5,406,884	87,201,879	1,965,609	122,504
Additions	10,625	147,613	–	–
Fair value losses	–	(119,078)	–	–
Disposals	(1,351)	(278,000)	–	–
Disposal of subsidiaries	–	(3,740,000)	–	–
Depreciation	(192,860)	–	(58,112)	–
Exchange adjustment	(207,515)	(2,264,322)	(80,736)	–
Net book value at 30 June 2022	5,015,783	80,948,092	1,826,761	122,504

8. ACCOUNTS RECEIVABLE, PREPAYMENTS AND DEPOSITS

Included in accounts receivable, prepayments and deposits are trade receivables. The Group maintains defined credit policies and applies those appropriate to the particular business circumstances of the Group. The ageing analysis of trade receivables as at 30 June 2023 is as follows:

	As at 30 June 2023 HK\$'000	As at 31 December 2022 HK\$'000
Below 1 month	369,733	85,199
Between 1 month and 3 months	25,618	17,638
Over 3 months	11,415	14,417
	406,766	117,254

9. ACCOUNTS PAYABLE, DEPOSITS RECEIVED AND ACCRUED CHARGES

Included in accounts payable, deposits received and accrued charges are trade payables. The ageing analysis of trade payables as at 30 June 2023 is as follows:

	As at 30 June 2023 HK\$'000	As at 31 December 2022 HK\$'000
Below 1 month	91,811	305,169
Between 1 month and 3 months	6,855	24,145
Over 3 months	21,761	6,458
	120,427	335,772

10. BANK LOANS

	As at 30 June 2023 HK\$'000	As at 31 December 2022 HK\$'000
Bank loans – unsecured		
Non-current	45,140,483	46,873,144
Current	11,171,510	5,997,133
	56,311,993	52,870,277

As at 30 June 2023, the Group's bank loans were repayable as follows:

	As at 30 June 2023 HK\$'000	As at 31 December 2022 HK\$'000
Within one year	11,171,510	5,997,133
In the second to fifth year		
– In the second year	14,408,320	12,850,954
– In the third year	10,691,767	18,024,497
– In the fourth year	10,182,800	7,031,832
– In the fifth year	9,357,596	7,965,861
	44,640,483	45,873,144
Repayable within five years	55,811,993	51,870,277
Over five years	500,000	1,000,000
	56,311,993	52,870,277

11. COMMITMENTS

At 30 June 2023, the Group had capital and other commitments in respect of property, plant and equipment, investment properties, land costs and properties under development contracted for at the end of the period but not provided for in these financial statements as follows:

	As at 30 June 2023 HK\$'000	As at 31 December 2022 HK\$'000
Property, plant and equipment	–	13,650
Investment properties	46,138	139,016
Land costs	10,160,076	342,636
Properties under development	8,545,666	9,163,004
	18,751,880	9,658,306

12. CONTINGENT LIABILITIES

Guarantees for banking facilities

	As at 30 June 2023 HK\$'000	As at 31 December 2022 HK\$'000
– Guarantees for banking facilities of certain associates and joint ventures (note (i))	4,043,668	4,018,472
– Guarantees to certain banks for mortgage facilities granted to first hand buyers of certain properties in the Mainland (note (ii))	1,823,652	2,028,943
	5,867,320	6,047,415

- (i) 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 30 June 2023 amounted to approximately HK\$4,043,668,000 (31 December 2022: HK\$4,018,472,000). The total amount of such facilities covered by the Group's guarantees as at 30 June 2023 amounted to approximately HK\$5,089,918,000 (31 December 2022: HK\$5,239,444,000).
- (ii) 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 30 June 2023 amounted to approximately HK\$1,823,652,000 (31 December 2022: HK\$2,028,943,000).

Apart from the above, there are no material changes in contingent liabilities of the Group since 31 December 2022.

CORPORATE GOVERNANCE & OTHER INFORMATION

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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 “**Stock 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.

The Company complied with all the code provisions set out in the CG Code throughout the six months ended 30 June 2023, except C.2.1 of the code provisions that Mr Kuok Khoon Hua (“**Mr Kuok**”) serving as both the Chairman and the Chief Executive Officer (“**CEO**”) of the Company.

As Mr Kuok has extensive experience in the business of the Group, the Company is of the view that it is in the best interest and is more efficient for Mr Kuok to perform the role of Chairman as well as CEO. It is also more favourable to the development and management of the business of the Group. Moreover, the powers and authorities have not been concentrated as all major decisions are made in consultation with the Board of Directors of the Company (the “**Board**”) and appropriate Board Committees and Mr Au Hing Lun, Dennis, the Deputy CEO of the Company, who is responsible for the day-to-day management of the business of the Group. The Board believes that the balance of power and authority is adequately ensured by the operations and governance of the Board which comprises experienced and high calibre individuals, with more than half of them being Independent Non-executive Directors.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “**Model Code**”) as the code for securities transactions by directors of the Company (the “**Director(s)**”). A copy of the Model Code has been sent to all Directors by the Company. In addition, regular reminders are sent to the Directors regarding restrictions on dealings in the securities and derivatives of the Company during the black-out period before the interim and final results of the Company 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 the Company 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.

The Company made specific enquiries with all Directors and they have confirmed compliance with the required standards set out in the Model Code throughout the six months ended 30 June 2023. The Company’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.

The Company is not aware of any non-compliance with the Model Code throughout the six months ended 30 June 2023.

HIGHLIGHTS FOR THE FIRST HALF OF 2023

The Company embraces high standards of corporate governance and recognises that good governance is vital for long-term success and sustainability of the Company's businesses. During the six months ended 30 June 2023:

- The Board reviewed and updated the policies and practices of the Company, including, but not limited to, the Remuneration Policy, Dividend Policy, Board Diversity Policy and the Procedure for Securities Dealing by Directors, which enhanced the corporate governance issues.
- The amended and restated bye-laws of the Company have been approved by the shareholders of the Company (the "**Shareholders**") in 2023 annual general meeting in order to conform to the Core Shareholder Protection Standards set out in Appendix 3 to the Listing Rules.
- The Audit and Corporate Governance Committee quarterly reviewed the legal and regulatory updates, requirements and trends that may affect the Company and their implications.
- The Audit and Corporate Governance Committee held two meetings during the period: one in March 2023 focusing on the annual financial reporting, the annual review of continuing connected transactions and risk matrix review; and another one in May 2023 focusing on corporate governance updates, risk matrix review and quarterly business and financial updates. The Committee has also reviewed the information security risks and the mitigation measures of the Group during the first half of 2023.
- To mitigate the increasing information security threats, the Company: 1) provides annual mandatory refresher trainings on information security and conducts phishing simulation tests for employees to raise their awareness of the information security and the related cybersecurity risks; 2) performs regular assessment and independent information technology audit on the key information systems and information technology processes of the Group; 3) engages external professional to provide monitoring services on information security of the Group; 4) enhances the information technology processes and systems including incident management systems; 5) publishes information security policies; and 6) engages insurer to provide cybersecurity insurance for the Group.
- The Remuneration Committee reviewed and recommended to update the Remuneration Policy to cover both the share option scheme and the newly adopted share award scheme pursuant to the new requirements under the Listing Rules.
- The Remuneration Committee reviewed the compensation of all Directors and the senior management. In reviewing and determining their remuneration (including bonus, share options and awarded shares (if any) for the Executive Directors and the senior management), the following determining factors will be considered as and when appropriate:

Category	Determining factors
Market condition	Market practice and real estate industry norms
Company performance	Company's financial and operational targets (e.g. operating profits, revenue, earnings per share, profit attributable to shareholders, etc)
Individual performance	Experience, competencies and contributions to the Company's objectives
Social and Environmental performance	Commitment of sustainability strategy and management of sustainability related risks

All Directors and the senior management or their associates shall not be involved in deciding their own remuneration. The Independent Non-executive Directors shall not receive performance bonus, share options and awarded shares from the Company and their fee structure contains no equity-based remuneration or performance-related elements which may lead to bias in their decision-making and compromise their objectivity and independence.

RISK MANAGEMENT AND INTERNAL CONTROLS

Details of the risk management and internal control systems of the Company were set out in the section headed “RISK MANAGEMENT AND INTERNAL CONTROLS” on pages 70 to 76 in the Corporate Governance Report of the Annual Report 2022 of the Company.

The Audit and Corporate Governance Committee continued to review the risk management and internal control approaches of the Company and the internal audit reports for the six months ended 30 June 2023 submitted by the Internal Audit Department, including action plans to address identified control weaknesses and recommendations.

BOARD OF DIRECTORS

The composition of the Board as at the date of this report is set out below:

Executive Directors

Mr Kuok Khoon Hua (Chairman and Chief Executive Officer)

Mr Au Hing Lun, Dennis (Deputy Chief Executive Officer)

Independent Non-executive Directors

Ms Wong Yu Pok, Marina, JP

Mr Hui Chun Yue, David

Mr Chum Kwan Lock, Grant

Board Committees

As at 30 June 2023, the composition of the Board Committees is set out in the section headed “CORPORATE INFORMATION” of this report.

CHANGES IN INFORMATION OF DIRECTORS

Set out below are the changes in the Directors’ information since the publication of the Annual Report 2022 of the Company, which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:

Directors’ Information	Effective Date
Mr Bryan Pallop Gaw <ul style="list-style-type: none"> • Kerry Properties Limited – Resigned as an Executive Director and a member of the Executive Committee 	With effect from the conclusion of the annual general meeting of the Company held on 31 May 2023
Mr Cheung Leong <ul style="list-style-type: none"> • Kerry Properties Limited – Resigned as an Independent Non-executive Director and a member of the Audit and Corporate Governance Committee 	30 June 2023

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

The biography details of the Directors are available at the website of the Company (www.kerryprops.com/en/our-management).

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2023, 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 Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO")) (the "Associated Corporations") as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

(a) Long position in ordinary and underlying shares of the Company

Name of Directors	Number of ordinary shares interested			Number of underlying shares held under equity derivatives	Total interests	Approximate % of shareholding ⁴
	Personal interests ¹	Corporate interests ²	Other interests ³			
Kuok Khoon Hua	2,746,413	1,000,000	3,297,763	–	7,044,176	0.49
Au Hing Lun, Dennis	–	–	50,000	–	50,000	<0.01

Notes:

1. This represents interests held by the relevant Director as beneficial owner.
2. This represents interests deemed to be held by the relevant Director through his controlled corporation(s).
3. This represents interests deemed to be held by the relevant Director through discretionary trust(s) of which the relevant Director is a discretionary beneficiary.
4. The percentage represents the number of ordinary shares of the Company interested divided by the total number of the issued shares of the Company as at 30 June 2023 (i.e. 1,451,305,728 ordinary shares).

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

(Continued)

(b) Long position in ordinary shares of the Associated Corporations

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

Notes:

1. This represents interests held by the relevant Director as beneficial owner.
2. This represents interests deemed to be held by the relevant Director through his controlled corporation(s).
3. This represents interests deemed to be held by the relevant Director through discretionary trust(s) of which the relevant Director is a discretionary beneficiary.
4. The percentage has been compiled based on the total number of ordinary shares of the respective Associated Corporations in issue as at 30 June 2023.

Save as disclosed above, as at 30 June 2023, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its Associated Corporations which had been recorded in the register kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS IN THE SHARE CAPITAL OF THE COMPANY

As at 30 June 2023, the following companies, other than the Directors, had long positions of 5% or more in the shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO. Their interests were as follows:

Long position in ordinary shares of the Company

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

Notes:

1. Caninco Investments Limited (“**Caninco**”), Darmex Holdings Limited (“**Darmex**”) and Moslane Limited (“**Moslane**”) are wholly-owned subsidiaries of Kerry Holdings Limited (“**KHL**”). KHL itself is a wholly-owned subsidiary of Kerry Group Limited (“**KGL**”). Accordingly, the shares in which Caninco, Darmex and Moslane were shown to be interested had also been included in the shares in which KHL was shown to be interested, and KGL was deemed to be interested in the shares in which KHL was shown to be interested.
2. The percentage represents the number of ordinary shares of the Company interested divided by the total number of the issued shares of the Company as at 30 June 2023 (i.e. 1,451,305,728 ordinary shares).

Save as disclosed above, as at 30 June 2023, no other person (other than Directors) had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

SHARE OPTION SCHEMES

On 20 May 2020, 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 Option(s)**”) shall be offered or granted under the 2011 Share Option Scheme, but the outstanding Share Options which have been granted during the life of the 2011 Share Option Scheme should continue to be valid and exercisable in accordance with the terms thereof.

(1) Purpose of the Share Option Schemes

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 (except Independent Non-executive Directors), executives and key employees of the Group and other participants as defined in these schemes (collectively referred to as the “**Eligible Participant(s)**”) 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 ongoing 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.

(2) Participants of the Share Option Schemes

Eligible Participants under the 2020 Share Option Scheme and the 2011 Share Option Scheme are:

- (a) any executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in, any member of the Group (an “**Employee**” in this section), any proposed Employee, any full-time or part-time Employee, or a person for the time being seconded to work full-time or part-time for any member of the Group;
- (b) a director or proposed director (except independent non-executive director) of any member of the Group;
- (c) a consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of the Group;
- (d) a person or entity that provides research, development or other technological support or any advisory, consultancy, professional or other services to any member of the Group; or
- (e) an associate (having the meaning ascribed to it under the Listing Rules) of any of the foregoing persons.

In light of the amendments made to Chapter 17 of the Listing Rules, the Company will only grant Share Options under the 2020 Share Option Scheme to Eligible Participants who fall within Rule 17.03A of the Listing Rules.

SHARE OPTION SCHEMES (Continued)

(3) Maximum Number of Shares Available for Issue

The maximum number of shares of the Company (the “**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. As at 29 August 2023 (the date of this interim report), a total of 145,650,122 Shares (representing approximately 10% of the number of issued Shares as at the date of adoption of the 2020 Share Option Scheme) are available for issue under the 2020 Share Option Scheme.

(4) Maximum Entitlement of Each Eligible Participant

The maximum entitlement of each Eligible Participant in any 12-month period is 1% of the Shares in issue from time to time.

(5) Exercise and Vesting Period

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 vesting period of the Share Options is from the date of grant until the commencement of the exercise period.

(6) Acceptance of Share Options

The amount payable on acceptance of a Share Option is HK\$1 and the period within which payments may be made is specified in the letter containing the offer of the grant of the Share Option.

(7) Exercise Price of Share Options

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. 145,650,122 Share Options were available for grant under the 2020 Share Option Scheme as at 1 January 2023 which remain unchanged up to 30 June 2023.

As at 30 June 2023, a total of 5,373,000 Share Options granted under the 2011 Share Option Scheme were outstanding.

SHARE OPTION SCHEMES (Continued)**Movement of Share Options**

Details of movement of the Share Options of the 2011 Share Option Scheme during the six months ended 30 June 2023 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 30/06/2023	Exercise price per share HK\$	Vesting period ¹	Exercise period
			Outstanding as at 01/01/2023	Transferred to other category during the period	Transferred from other category during the period	Lapsed during the period				
1. Director										
Bryan Pallop Gaw <i>(resigned on 31 May 2023)</i>	08/01/2014	II	100,000	-	-	(100,000)	-	26.88	08/01/2014 – 07/01/2015	08/01/2015 – 07/01/2024
2. Other Employee Participants²										
	08/01/2014	I	1,955,000	-	-	-	1,955,000	26.88	08/01/2014 – 07/07/2014	08/07/2014 – 07/01/2024
	08/01/2014	II	3,418,000	-	-	-	3,418,000	26.88	08/01/2014 – 07/01/2015	08/01/2015 – 07/01/2024
Total:			5,473,000	-	-	(100,000)	5,373,000			

Notes:

- The vesting period of the Share Options set out above, for Tranche I was 6 months and Tranche II was 12 months, which was from the date of grant until the commencement date of the exercise period.
- Other employee participants include former Directors, and both former and current employees of the Company and its subsidiaries or former subsidiary.
- During the six months ended 30 June 2023, no share option was granted, exercised or cancelled under the 2011 Share Option Scheme.

SHARE AWARD SCHEME

A share award scheme of the Company (the “**Share Award Scheme**”) was adopted by the Board on 25 November 2022 (the “**Adoption Date**”) and shall be valid for a term of 10 years.

(1) Purpose of the Share Award Scheme

The Share Award Scheme falls within the ambit of, and is subject to the regulations under Chapter 17 of the Listing Rules. The purposes of the Share Award Scheme are to support the long-term growth of the Group, to attract and incentivise suitable personnel for the further development of the Group, to recognise contributions by Directors (except Independent Non-executive Directors), executives and key employees of the Group and other participants as defined in the Share Award Scheme, to retain talent, and to help align the interests of Directors and senior management of the Group with the Group’s long-term performance.

(2) Participants of the Share Award Scheme

The eligible participants of the Share Award Scheme are:

- (a) any individual being an employee (whether full-time or part-time employee) of any members of the Group or any Affiliate (defined as below) (an “**Employee**” in this section) provided that the Selected Participant (defined as below) shall not cease to be an Employee in the case of (i) any leave of absence approved by the Company or the relevant Affiliate; or (ii) transfer amongst the Company and any Affiliates or any successor, and provided further that an Employee shall, for the avoidance of doubt, cease to be an Employee with effect from (and including) the date of termination of his employment; or
- (b) any individual being a director (except independent non-executive directors), officer, consultant or advisor of any member of the Group or any Affiliate who the Board considers, in its sole discretion, to have contributed or will contribute to the Group.

Affiliate in the above means a company that directly, indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, the Company and includes any company which is (i) the holding company of the Company; or (ii) a subsidiary of holding company of the Company; or (iii) a subsidiary of the Company; or (iv) a fellow subsidiary of the Company; or (v) the controlling shareholder of the Company; or (vi) a company controlled by the controlling shareholder of the Company; or (vii) a company controlled by the Company; or (viii) an associated company of the holding company of the Company; or (ix) an associated company of the Company.

Selected Participant in the above means any eligible person approved for participation in the Share Award Scheme and who has been granted any awarded Share.

However, no individual who is a resident in a place where the grant, acceptance or vesting of an awarded Share pursuant to the Share Award Scheme is not permitted under the laws and regulations of such place or where, in the view of the Board, compliance with applicable laws and regulations (including without limitation the Listing Rules) in such place makes it necessary or expedient to exclude such individual, shall be entitled to participate in the Share Award Scheme.

SHARE AWARD SCHEME (Continued)

(3) Maximum Number of Shares Available to be Granted

No new Shares will be issued under the Share Award Scheme. The share awards will be satisfied by existing Shares to be acquired through on-market transactions by a trustee on the instruction of the Company.

The maximum number of Shares (excluding those that have been lapsed or forfeited) which can be awarded under the Share Award Scheme shall not exceed 10% of the Shares in issue from time to time. As at 1 January 2023 and 30 June 2023, a total of 145,130,572 Shares are available for grant under the Share Award Scheme. No further grant may be made under the Share Award Scheme if this will result in the aforesaid limit being exceeded.

(4) Maximum Entitlement of Each Selected Participant

The maximum number of non-vested awarded Shares granted to a Selected Participant under the Share Award Scheme shall not exceed 1% of the Shares in issue from time to time.

(5) Vesting

The vesting criteria and conditions or period for the awarded Shares granted under the Share Award Scheme shall be determined by the Board in its absolute discretion at the time of grant. The awarded Shares shall be subject to a vesting period, to the satisfaction of performance and/or other conditions to be determined by the Board. If such conditions are not satisfied, the awarded Shares shall be cancelled automatically on the date on which such conditions are not satisfied, as determined by the Board in its absolute discretion.

(6) Acceptance of Share Awards

An award may be accepted by a Selected Participant within five business days after receipt of the award letter.

There is no prescribed amount payable on acceptance of the award and the Board may specify an amount payable on acceptance of the award in the award letter.

(7) Other Information

Since the Adoption Date and up to 30 June 2023, no awarded Shares have been granted.

The price/consideration (if any) per awarded Share to be granted under the Share Award Scheme shall be determined by the Board in its absolute discretion at the time of grant.

EMPLOYEES

As at 30 June 2023, the Group had approximately 7,800 employees. Salaries of employees are maintained at competitive levels while bonuses are granted on a discretionary basis. The Group's emolument policy is formulated based on the performance, contribution and responsibilities of individual employees together with reference to the profitability of the Group, remuneration benchmarks in the industry, and prevailing market conditions within the general framework of the Group's salary and bonus system. Other employee benefits include provident fund, insurance, medical cover, subsidised educational and training programmes as well as share option schemes and share award scheme.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2023.

REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The unaudited condensed consolidated interim financial statements have been reviewed by the Company's independent auditor, PricewaterhouseCoopers, in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" and by the Audit and Corporate Governance Committee of the Company. The review report of the independent auditor is set out on page 17 of this interim report.

PAST PERFORMANCE & FORWARD-LOOKING STATEMENTS

The performance and results of the operations of the Group within this interim report are historical in nature, and past performance is no guarantee for the future results of the Group. This interim report may contain forward-looking statements and opinions, and all forward-looking statements while based on reasonable and best-effort estimates and projections involve risks and uncertainties. Actual results may differ materially from expectations discussed in such forward-looking statements and opinions. The Group, the Directors, its employees and agents of the Group assume (a) no obligation to correct or update the forward-looking statements or opinions contained in this interim report; and (b) no liability arising from any forward-looking statements or opinions that do not materialise or prove to be incorrect.

INFORMATION FOR SHAREHOLDERS

FINANCIAL CALENDAR FOR INTERIM DIVIDEND

Interim Results Announcement Date	29 August 2023
Ex-dividend Date	14 September 2023
Latest Time to Lodge Transfer Documents for Registration with Tricor Abacus Limited	15 September 2023 (at 4:30 p.m.)
Closure of Register of Members and Record Date	18 September 2023
Interim Dividend Payment Date	28 September 2023

INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board has declared the payment of an interim dividend of HK\$0.40 per share for the six months ended 30 June 2023 (the “**Interim Dividend**”), amounting to approximately HK\$581 million in aggregate based on 1,451,305,728 ordinary shares in issue as at 30 June 2023 and payable on Thursday, 28 September 2023 to the Shareholders whose names appear on the register of members of the Company on Monday, 18 September 2023. The register of members will be closed on Monday, 18 September 2023, on which date no transfer of shares will be registered. The ex-dividend date will be Thursday, 14 September 2023. The actual amount of the Interim Dividend payable will be subject to the actual number of ordinary shares in issue on Monday, 18 September 2023.

For the purpose of determining the eligible Shareholders’ entitlement to the Interim Dividend, all transfers accompanied by the relevant share certificates must be lodged for registration with the Hong Kong branch share registrar and transfer office of the Company, Tricor Abacus Limited (“**HK Share Registrar**”), at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Friday, 15 September 2023.

The Interim Dividend warrants will be despatched to the eligible Shareholders on or about Thursday, 28 September 2023.

SHAREHOLDER SERVICES

For enquiries about share transfer and registration, please contact the HK Share Registrar:

Tricor Abacus Limited
17/F, Far East Finance Centre
16 Harcourt Road, Hong Kong
Telephone: (852) 2980 1333
Email: kerryprops@hk.tricorglobal.com

Shareholders should notify the HK Share Registrar promptly of any change of their address.

INVESTOR RELATIONS

The Group actively participates in meetings and conferences to maintain regular communications with financial analysts, fund managers and the investor community. The Group met different investors and participated in various roadshows and investors' conferences during the six months ended 30 June 2023.

By Order of the Board

Cheng Wai Sin

Company Secretary

Hong Kong, 29 August 2023

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-executive Directors

Ms Wong Yu Pok, Marina, JP
Mr Hui Chun Yue, David
Mr Chum Kwan Lock, Grant

AUDIT AND CORPORATE GOVERNANCE COMMITTEE

Ms Wong Yu Pok, Marina, JP (Chairman)
Mr Hui Chun Yue, David
Mr Chum Kwan Lock, Grant

REMUNERATION COMMITTEE

Ms Wong Yu Pok, Marina, JP (Chairman)
Mr Kuok Khoon Hua
Mr Hui Chun Yue, David

NOMINATION COMMITTEE

Mr Kuok Khoon Hua (Chairman)
Ms Wong Yu Pok, Marina, JP
Mr Hui Chun Yue, David

FINANCE COMMITTEE

Mr Kuok Khoon Hua
Mr Au Hing Lun, Dennis
Ms Cheng Wai Sin

EXECUTIVE COMMITTEE

Mr Kuok Khoon Hua
Mr Au Hing Lun, Dennis

COMPANY SECRETARY

Ms Cheng Wai Sin

INDEPENDENT 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
17/F, Far East Finance Centre
16 Harcourt Road, 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

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THE OMBUDSPERSON OF KERRY PROPERTIES LIMITED

(For receipt of all whistleblowing/complaints reports)

Hong Kong

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Reuters: 683.HK