

PRC Property Division

Increasing occupancies of the new investment properties in the PRC helped to boost the earnings of the Group in 2000. The full year contribution of earnings from Beijing Kerry Centre, Beijing Kerry Centre hotel and Shanghai Kerry Centre helped to underpin the revenues of this division. Given that the PRC is expected to join the World Trade Organisation (“WTO”) in 2001, this will have a positive impact on domestic, foreign and joint venture investments. The Group will continue with its policies of investing selectively in property projects in major cities in the PRC.

SALES OF PROPERTIES

Sales of properties in the PRC amounted to HK\$441 million in 2000 (1999: HK\$27 million).

The construction of the first batch of 16 villas in the Shenzhen Regency Park Phase IIIA development is now completed. The project was very well received with 13 villas sold as at 31 December 2000. The Group intends to sell the 3 remaining villas in 2001. It is intended that construction of the 5 remaining houses of Phase IIIB of Shenzhen Regency Park will commence when prospective buyers have registered their interest as these houses are intended to be individually designed.

In April 2000, the pre-sale of Central Residences, the Group’s Hua Shan Road project in Shanghai, commenced with an exhibition held in Hong Kong. Central Residences is located at Hua Shan Road in Shanghai, which is considered to be one of the most prestigious residential areas in the city. The property enjoys the convenience of good transportation facilities within the city with a subway station and access to major highways in close vicinity. The

buildings also offer panoramic views over the city and are surrounded by lush greenery. The project comprises 4 luxury residential towers which will be developed in phases of 2 towers each. When completed, the development will enjoy a variety of recreational facilities including gymnasium, squash and tennis courts, indoor swimming pool as well as a children’s play area which will cater for the needs of every family. The pre-sale of Phase 1 has received an overwhelming response from the public with 92% of Tower 1 sold as at the year end. The entire block of Tower 2 was also sold for US\$31.32 million to HKR International Limited. Construction of the first two towers are nearing completion and are expected to be completed in the first and third quarter of 2001. Pre-sale of Towers 3 and 4 are expected to commence in May/June this year.

As at 31 December 2000, approximately 30% of the office space in Shenzhen Kerry Centre has been sold. The Group has also sold a total of 8% and 30%, respectively, of Kerry Everbright City Towers I and II at the end of 2000. The Group will continue with the sales of these properties in the coming year.



Central Residences in Shanghai

INVESTMENT PROPERTIES

Enhanced by the addition of Beijing Kerry Centre, Beijing Kerry Centre hotel and Shanghai Kerry Centre to the investment property portfolio in 1999, these investment properties made a full year's contribution to the results of the Group in 2000.

Leasing activities in Beijing Kerry Centre have been progressing very well due to the strong economy in the PRC and the superb location, top quality design and professional estate management of the property. The twin service apartment towers of Beijing Kerry Centre, Kerry Residences East and West Towers, were approximately 89% leased as at 31 December 2000.



Beijing Kerry Residences, service apartment lobby

The Group has also leased out approximately 96% and 78% of the office and commercial podium in the property, respectively. The hotel section of Beijing Kerry Centre was completed in August 1999 and has added approximately 500,000 square feet of gross floor area to the Group's investment property portfolio. During the year under review, the hotel achieved a high average occupancy rate of approximately 71%. On 28 January 2000, Kerry Sports Club with approximately 180,222 square feet was opened in Beijing Kerry Centre to provide its residents with a spacious and relaxing gymnasium and facilities to exercise and work out.

Shanghai Kerry Centre has also achieved excellent leasing results despite the highly competitive market conditions in Shanghai. The office tower and shopping plaza of Shanghai Kerry Centre was approximately 99% and 69% leased. Similar to Beijing Kerry Centre, the service apartments in Shanghai Kerry Centre are also branded Kerry Residences. At the year end, Kerry Residences in Shanghai Kerry Centre was 74% leased.

The leasing of Kerry Everbright City is also progressing well with approximately 80% of Tower I, 42% of Tower II and 100% of the retail podium having been leased as at 31 December 2000.

Jusco which was the anchor tenant of the commercial podium in Kerry Everbright City has terminated its operations in Shanghai with effect from 31 July 2000. The Group has secured Pacific Department Store to replace Jusco as the anchor tenant for this property. Pacific Department Store commenced operations on 1 December 2000 and the commercial podium of Kerry Everbright City is now 100% leased.

Last year, the Group reported that the Group's share in Beijing COFCO Plaza Development Co., Ltd ("BCPD") has increased from 15% to 20.85% as a result of a planned corporate reorganisation in BCPD. However, as the corporate reorganisation did not take place, no increase in the Group's equity interest occurred. Accordingly, as at the year end date, the Group still owned an indirect interest of 15%, represented by 209,546 square feet of rental properties, in BCPD.



Shanghai Kerry Centre, office tower lobby



Shenzhen Futian site in the foreground

ACQUISITIONS AND FUTURE PLANS

Demolition of the existing buildings on the Cao Jia Yan site is also in progress. Vacant possession is targeted by mid 2001 and planning and design for the project has already commenced. The Group is also considering the possibility of developing the other phases of Kerry Everbright City in the near future.

The Group had agreed with the Shenzhen Urban Planning and Land Administration Bureau to acquire Shenzhen Futian Lot No. B205-0008 for a total consideration of approximately HK\$180 million in July 2000. The project is located east of the central district in Shenzhen and covers a site of approximately 362,000 square feet with a total buildable gross floor area of approximately 1.01 million square feet. This is intended to be a luxury residential development which will be encompassed by lush landscaped gardens. It is intended that an exclusive residents' clubhouse with fully equipped recreational facilities will also be available. 50% of the land premium was paid in September 2000 with the balance payable by the end of February 2001.

Due to the improving economic outlook in the PRC, a review of the Yu Quan Hua Yuan project in Fuzhou is also being undertaken with the intention to restart this project.

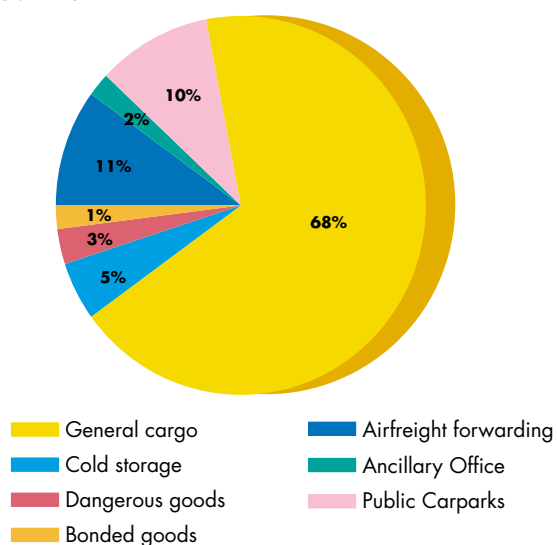
The Group's total property portfolio in the PRC is approximately 9 million square feet. The gross asset value of the Group's properties in the PRC was approximately HK\$6,611 million (1999: HK\$6,747 million) as at 31 December 2000. Revenue from PRC properties is expected to increase in the coming year due to the improving economic outlook and the forthcoming entry of the PRC into the WTO. The strategic location of the Group's properties in the PRC and its excellent professional building management services will also help to further strengthen the recurring income base.

The Group will also continue to adopt a selective and prudent approach to investments in the PRC by focusing on prime developments in the PRC's major cities, such as Beijing, Shanghai and Shenzhen. The Group is constantly monitoring market conditions and is always evaluating possible development plans for its land bank in the PRC.

Logistics and Warehouse Division

The Warehouse and Logistics Division continues to be one of the main contributors of rental income for the Group in 2000, accounting for approximately 15% of the Group's total turnover. Maintaining its dominant position as a market leader in warehousing in Hong Kong, the Group has achieved an occupancy of approximately 96% at its 6.6 million square feet warehouse portfolio at the end of 2000. The Group also continues to take steps to enhance its services in the Logistics and Warehouse Division in line with its vision to become a premier pan-Asian integrated logistics company.

EXTENSIVE AND COMPREHENSIVE WAREHOUSE COVERAGE



Total GFA of approximately 6.6 million sq.ft. attributable to Kerry Properties Limited as at 31 December 2000

	GFA sq.ft.
General cargo	4,495,229
Cold storage	320,231
Dangerous goods	202,626
Bonded goods	90,526
Airfreight forwarding	693,196
Ancillary office	116,245
Public car parks	649,894
Total	6,567,947

Kerry Logistics Network Limited, the divisional holding company of this division, was formed to integrate the logistics and warehouse operations of the Group to provide one-stop integrated supply chain management solutions to customers.

Kerry Logistics Network Limited will continually develop its competitive advantage and competencies to command a leading position in logistics services

in Asia. The division is committed to a high level of professionalism and integrity and will continue to achieve superior financial returns for shareholders, deliver exceptional service quality to customers and provide challenges and growth opportunities for employees.

The logistics and warehouse division is one of the main contributors of revenue to the Group, contributing a turnover of HK\$481 million (1999: HK\$391 million). This represents approximately 15% of the Group's total turnover. Revenue growth was achieved in both the logistics and warehouse business segments. Logistics operations generated revenues of HK\$71 million, which was a 100% increase over 1999, while warehouse operations accounted for the balance. The division also recorded strong growth in earnings before interest and tax ("EBIT") achieving an impressive growth rate of 27% during the year with EBIT reaching HK\$238 million (1999: HK\$187 million).

LOGISTICS

The Group continued to take active steps to enhance its services in logistics in line with its vision to become a premier pan-Asia integrated logistics company. It now operates in Hong Kong, Shanghai, Korea and Thailand.

The Group completed the conversion of approximately 100,000 square feet of warehouse space at Kerry Cargo Centre into a full-fledged logistics centre for its logistics operations in the first half of 2000. The logistics centre reached full utilisation quickly and the Group converted additional warehouse space to meet the increasing needs of its growing logistics business. At present, approximately 400,000 square



Kerry Cargo Centre

feet of warehouse space is dedicated to logistics operations with plans to expand the capacity of its logistics centre further when required.

Logistics revenue doubled over 1999 reaching HK\$71 million last year with the logistics customer base increasing several fold. Kerry Logistics services clients in multiple market segments including industrial products, telecommunications, branded consumer goods, electronics and retail. The strong capabilities of the Group is evidenced by its recent success in attracting a European office equipment manufacturer to relocate its regional logistics hub from Singapore to Hong Kong with Kerry Logistics as its logistics partner. The name "Kerry Logistics" enjoys a strong brand image and is accorded recognition as a quality logistics partner with strong capabilities.

The division has a joint-venture with the Mitsubishi group to operate a distribution centre in Shanghai.