

Notes To The Accounts

1. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated accounts are set out below:

(a) Basis of preparation

The accounts have been prepared under the historical cost convention as modified by the revaluation of investment properties, hotel properties, warehouses, freehold land and buildings and investments in securities, in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants ("HKSA").

In the current year, the Group adopted the following Statements of Standard Accounting Practice ("SSAPs") issued by the HKSA which are effective for accounting periods commencing on or after 1 January 2002:

SSAP 1 (revised)	:	Presentation of financial statements
SSAP 11 (revised)	:	Foreign currency translation
SSAP 15 (revised)	:	Cash flow statements
SSAP 34 (revised)	:	Employee benefits

The effect of adopting these new standards is set out in the accounting policies below.

(b) Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31 December.

Subsidiaries are those entities in which the Company, directly and indirectly, controls more than half of the voting power; has the power to govern the financial and operating policies; to appoint or remove the majority of the members of the board of directors; or to cast majority of votes at the meetings of the board of directors.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any unamortised goodwill or negative goodwill or goodwill/negative goodwill taken to reserves which was not previously charged to or recognised in the consolidated profit and loss account.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

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

(c) Associated companies

An associated company is a company, not being a subsidiary, in which an equity interest is held for the long-term and significant influence is exercised in its management.

The consolidated profit and loss account includes the Group's share of the post acquisition results of associated companies for the year and the consolidated balance sheet includes the Group's share of the net assets of the associated companies and also goodwill/negative goodwill on acquisition (net of accumulated amortisation).

Equity accounting is discontinued when the carrying amount of the investment in an associated company reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associated company.

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(d) Joint ventures in the PRC

(i) Equity joint ventures

Equity joint ventures are Sino-foreign joint ventures in respect of which the partners' capital contribution ratios are defined in the joint venture contracts and the partners' profit sharing ratios are in proportion to the capital contribution ratios.

The Group's investments in equity joint ventures are accounted for as long-term investments, associated companies or subsidiaries depending on the Group's equity or controlling interest therein.

(ii) Fixed return co-operative joint ventures

Where investment income derived from investments in co-operative joint ventures is predetermined in accordance with the provisions of the joint venture contracts for a substantial portion of the joint venture period, these co-operative joint ventures are referred to as fixed return co-operative joint ventures. Fixed return co-operative joint ventures are stated at cost less the amount amortised on a straight-line basis through the profit and loss account over the joint venture period.

(e) Wholly foreign owned enterprises in the PRC

Interests in wholly foreign owned enterprises are accounted for as subsidiaries.

(f) Goodwill/negative goodwill

Goodwill represents the excess of purchase consideration over the fair values ascribed to the net assets of the subsidiaries and associated companies acquired at the date of acquisition.

Goodwill on acquisitions occurring on or after 1 January 2001 is included in intangible assets and is amortised using the straight-line method over its estimated useful life of not more than twenty years.

Goodwill on acquisitions that occurred prior to 1 January 2001 was written off against reserves.

Negative goodwill represents the excess of the fair value of the Group's share of the net assets acquired over the cost of acquisition.

For acquisitions after 1 January 2001, negative goodwill is presented in the same balance sheet classification as goodwill. To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the Group's plan for the acquisition and can be measured reliably, but which do not represent identifiable liabilities at the date of acquisition, that portion of negative goodwill is recognised in the profit and loss account when the future losses and expenses are recognised. Any remaining negative goodwill, not exceeding the fair values of the non-monetary assets acquired, is recognised in the profit and loss account over the remaining weighted average useful life of those assets; negative goodwill in excess of the fair values of those non-monetary assets is recognised in the profit and loss account immediately.

For acquisitions prior to 1 January 2001, negative goodwill was taken directly to reserves on acquisition.

Where an indication of impairment exists, the carrying value of the goodwill, including goodwill previously written off against reserves, is assessed and written down to its recoverable amount.

The gain or loss on disposal of an entity includes the unamortised balance of goodwill relating to the entity disposed of or, for pre 1 January 2001 acquisitions, the related goodwill written off against reserves to the extent it has not previously been realised in the profit and loss account.

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(g) Investments in securities

(i) Non-trading securities

Investments which are held for non-trading purposes are stated at fair value at the balance sheet date. Changes in the fair value of individual securities are credited or debited to the non-trading securities revaluation reserve until the security is sold, or is determined to be impaired. Upon disposal, the cumulative gain or loss representing the difference between the net sales proceeds and the carrying amount of the relevant security, together with any surplus/deficit transferred from the non-trading securities revaluation reserve, is dealt with in the profit and loss account.

Individual investments are reviewed regularly to determine whether they are impaired. When an investment is considered to be impaired, the cumulative loss recorded in the revaluation reserve is taken to the profit and loss account. Transfers from non-trading securities revaluation reserve to the profit and loss account as a result of impairments are written back in the profit and loss account when the circumstances and events leading to the impairments cease to exist.

(ii) Trading securities

Trading securities are carried at fair value. At each balance sheet date, the net unrealised gains and losses arising from the changes in fair value of trading securities are recognised in the profit and loss account. Profits or losses on disposal of trading securities, representing the difference between the net sales proceeds and the carrying amounts, are recognised in the profit and loss account as they arise.

(h) Properties and other fixed assets

(i) Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are stated at annual professional valuation at the balance sheet date. Changes in the value of investment properties are dealt with as movements in the investment properties revaluation reserve. If the total of this reserve is insufficient to cover a deficit on revaluation on a portfolio basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged. Investment properties are not depreciated except where the unexpired term of the lease is 20 years or less, in which case depreciation is provided on the carrying value over the remaining term of the lease.

(ii) Hotel properties

Hotel properties are interests in land and buildings and their integral fixed plant and are stated at annual professional valuation at the balance sheet date. Changes in the value of hotel properties are dealt with as movements in the hotel properties revaluation reserve. If the reserve is insufficient to cover a deficit on revaluation on an individual basis, the excess of the deficit on revaluation is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account on an individual basis to the extent of the deficit previously charged. It is the Group's practice to maintain the properties in a continual state of sound repair and maintenance and accordingly the directors consider that depreciation is not necessary due to their high residual values, except where the unexpired term of the lease is 20 years or less, in which case depreciation is provided on the carrying value over the remaining term of the lease. The related maintenance expenditure is dealt with in the profit and loss account in the year of expenditure.

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(h) Properties and other fixed assets (Continued)

(iii) Freehold and other leasehold land and buildings

Freehold land and buildings and warehouses classified as other leasehold land and buildings are stated at valuation, being the open market value at the date of valuation, less subsequent aggregate depreciation and accumulated impairment losses. Changes in the value of freehold land and buildings and warehouses arising from revaluation are dealt with as movements in the freehold land and buildings revaluation reserve and other properties revaluation reserve, respectively. If the reserve is insufficient to cover a deficit on revaluation on an individual basis, the excess of the deficit on revaluation is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account on an individual basis to the extent of the deficit previously charged.

No depreciation is provided on freehold land. Depreciation on buildings situated on freehold land is calculated to write off their valuation less residual value on a straight-line basis over their expected useful lives to the Group. The principal annual rate used for this purpose is 2.5%.

Depreciation on warehouses which are classified as other leasehold land and buildings is calculated to write off their valuation less residual value on a straight-line basis over their expected remaining useful lives to the Group ranging from eleven to thirty years.

Staff quarters are stated at cost less aggregate depreciation and accumulated impairment losses. Cost represents the purchase price of the staff quarters and other costs incurred to bring them into existing use.

Depreciation on staff quarters is calculated to write off their cost on a straight-line basis over their expected useful lives to the Group. The principal annual rate used for this purpose is 5%.

(iv) Properties held for/under development

Properties held for/under development for long-term purposes are stated at cost.

Properties under development for sale are included in current assets and are stated at the lower of cost and net realisable value, if presale of properties has not commenced.

Properties under development for sale are included in current assets and are stated at cost plus attributable profits recognised on the basis set out in note 1(t)(i) less sales instalments received and receivable and provision for any foreseeable losses and progress payments received and receivable, if presale of properties has commenced.

Cost of properties in the course of development comprises land cost, fees for land use rights and development costs including attributable interest and professional charges capitalised during the development period. Where properties, previously held as investment properties, are subject to redevelopment, they are valued at the date redevelopment commenced. Cost of properties under development includes the carrying value of the properties at the date when redevelopment commences. The properties under development revaluation reserve is transferred to the investment properties revaluation reserve or completed properties revaluation reserve upon completion of redevelopment. If sales of the properties commence before redevelopment is completed, the relevant portion of the revaluation reserve realised in respect of previous valuations is released from the properties under development revaluation reserve to the profit and loss account.

Net realisable value is determined by reference to sales proceeds of properties sold in the ordinary course of business less all estimated selling expenses after the balance sheet date, or by management estimates based on prevailing market conditions.

No depreciation is provided on properties held for/under development.

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(h) Properties and other fixed assets (Continued)

(v) Stock of completed properties held for sale

Stock of completed properties held for sale are included in current assets and are stated at the lower of cost and net realisable value. Cost comprises land and development costs and is determined by apportionment of the total land and development costs attributable to the unsold properties. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

Upon the disposal of stock of completed properties held for sale, the relevant portion of the revaluation reserve realised in respect of previous valuations is released from the completed properties revaluation reserve to the profit and loss account.

(vi) Other fixed assets

Other fixed assets are stated at cost less aggregate depreciation and accumulated impairment losses. Cost represents the purchase price of the asset and other costs incurred to bring the asset into existing use.

Depreciation on other fixed assets is calculated to write off their cost on a straight-line basis over their expected useful lives to the Group. The principal annual rates used for this purpose are:

Leasehold improvements	15%
Warehouse operating equipment	5% to 20%
Motor vehicles, furniture, fixtures and office equipment	15% to 20%

(vii) Gain or loss on disposal of fixed assets

The gain or loss on disposal of other leasehold land and buildings is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account. Any revaluation reserve balance remaining attributable to the relevant asset is transferred to retained profits and is shown as a movement in reserves.

The gain or loss on disposal of a fixed asset other than other leasehold land and buildings is the difference between the net sales proceeds and the carrying amount of the relevant asset together with any revaluation reserve balance remaining attributable to the relevant asset and is recognised in the profit and loss account.

(viii) Cost of restoring and improving fixed assets

Major costs incurred in restoring fixed assets to their normal working condition are charged to the profit and loss account. Improvements are capitalised and depreciated over their expected useful lives to the Group.

(ix) Impairment of assets

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that assets included in leasehold land and buildings and other fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the profit and loss account except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for that same asset, in which case it is treated as a revaluation decrease.

(i) Accounts receivable

Provision is made against accounts receivable to the extent they are considered to be doubtful. Accounts receivable in the balance sheet are stated net of such provision.

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(j) **Convertible bonds**

Convertible bonds are stated at the aggregate of the net proceeds from the issue plus finance costs provided.

The net proceeds represent the amount received on the issue of the convertible bonds after deduction of direct issue costs. Direct issue costs are amortised to the profit and loss account on a straight-line basis over the period from the date of issue to the date on which the bondholders can exercise their redemption option (the "Bondholders' Redemption Date"). If any of the convertible bonds are purchased and cancelled, redeemed or converted prior to the Bondholders' Redemption Date, any remaining unamortised costs attributable to such convertible bonds will be written off immediately to the profit and loss account.

Finance costs represent the premium that is to be paid to the bondholders upon redemption on or before the Bondholders' Redemption Date. The estimated premium is provided for at a constant rate over the period when the bondholders' redemption option is outstanding and is charged to the profit and loss account. If any of the convertible bonds are purchased and cancelled or converted prior to the Bondholders' Redemption Date, any provision of such redemption premium in previous years in respect of the convertible bonds purchased or converted will be taken to the profit and loss account.

The gain or loss on purchase of convertible bonds, representing the difference between the consideration paid and the nominal value of the convertible bonds purchased, is recognised in the profit and loss account.

(k) **Borrowing costs**

Borrowing costs incurred on assets under active development that take a substantial period of time to be ready for their intended use or sale are capitalised into the carrying value of properties held for/under development. The capitalisation rate is based on attributable cost of the specific borrowings.

All other borrowing costs are charged to the profit and loss account in the year in which they are incurred.

(l) **Deferred taxation**

Deferred taxation is accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset is expected to be payable or recoverable in the foreseeable future.

(m) **Employee benefits**

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity or paternity leave are not recognised until the time of leave.

(ii) Profit sharing and bonus plans

The expected cost of profit sharing and bonus payments are recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

(iii) Retirement benefit costs

The Group's contributions to the mandatory provident fund scheme and the defined contribution retirement schemes are expensed as incurred. Contributions to the defined contribution retirement scheme which is operated in Hong Kong are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. The assets of all these schemes are held separately and independently from those of the Group.

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(m) Employee benefits (Continued)

(iv) Share options

The nominal income received from the grantees as consideration for the grant is recognised as income upon acceptance of the grant by the grantees. No employee benefits cost is recognised when options are granted. When the options are exercised, equity is increased by the amount of the proceeds received.

(n) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the profit and loss account on a straight-line basis over the lease periods.

(o) Translation of foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

The balance sheets of subsidiaries and associated companies expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss accounts are translated at average rates. Exchange differences are dealt with as a movement in reserves.

The profit and loss accounts of foreign enterprises were translated at closing rates in prior years. However, the translation of the profit and loss accounts of foreign enterprises in prior years has not been restated as the effect of this change is not material to the current and prior years.

(p) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and deposits held at call with banks less bank overdrafts.

(q) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resource will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the accounts when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(r) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(s) Segment reporting

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical as the secondary reporting format.

Segment assets consist primarily of fixed assets, stock of completed properties held for sale, properties under development for sale, receivables and operating cash, and mainly exclude associated companies, other non-current assets, tax recoverable, tax reserve certificates and trading securities. Segment liabilities comprise operating liabilities and exclude items such as taxation, deferred taxation and minority interests and loans. Capital expenditure comprises additions to fixed assets (note 12), including additions resulting from acquisitions through purchases of subsidiaries (note 29(c)).

In respect of geographical segment reporting, turnover is based on the country of operations. Segment assets and capital expenditure are where the assets are located.

(t) Revenue and profit recognition

(i) The recognition of revenue and profits from the sale of properties under development in advance of completion commences when a legally binding contract of sale has been executed. The revenues and profits recognised in a year are a proportion of the total revenues and profits expected on completion, the proportion used being the percentage of the construction costs incurred at the end of the year to the estimated total construction costs on completion (with due allowances for contingencies). The profit so recognised is restricted to the amount of instalments received.

Where purchasers fail to pay the balances of the purchase price on completion and the Group exercises its right to resell the property, sales deposits received in advance of completion are forfeited and credited to operating profits; any profits recognised so far are reversed.

(ii) Revenue in respect of sale of completed properties and investment properties is recognised upon completion of sale agreements.

(iii) Rental revenue and other revenues incidental to the letting of properties are recognised on a straight-line basis over the periods of the respective leases.

(iv) Revenue from general storage and other ancillary services is recognised when the services are rendered. Revenue from leased storage is recognised on a straight-line basis over the periods of the respective leases.

(v) Income on development consultancy and project management is recognised on a pro-rata basis according to the progress of the projects.

(vi) Income from property management is recognised on an accrual basis.

(vii) Hotel revenue from rooms rental, food and beverage sales and other ancillary services is recognised when the services are rendered.

(viii) Dividend income is recognised when the right to receive payment is established.

(ix) Income from investments in fixed return co-operative joint ventures is recognised on an accrual basis in accordance with the provisions of the joint venture contracts.

(x) Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

2. PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATIONS

(a) The principal activities of the Group are disclosed in the Report of the Directors. Revenues recognised during the year are as follows:

	Group	
	2002	2001
	HK\$'000	HK\$'000
Turnover		
Proceeds from sale of properties		
– completed properties		
– Hong Kong	2,294,771	1,771,601
– PRC	299,057	11,230
	2,593,828	1,782,831
– properties under development for sale in the PRC	12,496	547,974
– property held for development in the PRC	25,120	–
– investment properties		
– Hong Kong	37,223	708,564
– PRC	64,811	119,419
	102,034	827,983
	2,733,478	3,158,788
Rental income	828,774	885,313
Hotel revenue	231,974	204,048
Storage and services income		
– warehouse	399,094	426,678
– logistics	918,495	317,799
	1,317,589	744,477
Development consultancy, project management and property management fees	44,347	43,782
	5,156,162	5,036,408
Other revenues		
Income from investment in a fixed return co-operative joint venture	–	89,309
Dividend income from:		
– listed investments	61	67
– unlisted investments	27,666	17,725
	27,727	17,792
Interest income	28,188	53,615
	55,915	160,716
Total revenues	5,212,077	5,197,124

2. PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATIONS (CONTINUED)

(b) An analysis of the Group's turnover and contribution to operating profit for the year by principal activities and markets is as follows:

	Turnover		Operating profit	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Principal activities:				
Property rental				
– Hong Kong	372,741	423,058	184,141	183,189
– PRC	456,033	462,255	271,459	245,209
	828,774	885,313	455,600	428,398
Hotel operations	231,974	204,048	90,169	55,746
Logistics and warehouse operations				
– warehouse	399,094	426,678	162,526	67,099
– logistics	918,495	317,799	35,005	13,011
	1,317,589	744,477	197,531	80,110
Property sales				
– Hong Kong	2,331,994	2,480,165	(210,271)	(292,912)
– PRC	401,484	678,623	70,060	80,127
	2,733,478	3,158,788	(140,211)	(212,785)
Infrastructure	-	-	(300)	165,321
Project, property management and others	44,347	43,782	76,107	10,495
	5,156,162	5,036,408	678,896	527,285
Principal markets:				
Hong Kong	3,517,120	3,537,250	245,438	(19,515)
PRC	1,127,025	1,347,769	422,241	542,969
Others	512,017	151,389	11,217	3,831
	5,156,162	5,036,408	678,896	527,285

2. PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATIONS (CONTINUED)

(c) Primary reporting format – business segments

	2002							Consolidated HK\$'000
	Hong Kong Property HK\$'000	PRC Property HK\$'000	Logistics and Warehouse HK\$'000	Infrastructure HK\$'000	International HK\$'000	Others HK\$'000	Eliminations HK\$'000	
Revenue								
Turnover	2,704,735	1,089,491	1,317,589	-	-	44,347	-	5,156,162
Inter-segment revenue	-	-	-	-	-	386,809	(386,809)	-
Inter-segment interest income	-	-	-	-	-	360,295	(360,295)	-
	<u>2,704,735</u>	<u>1,089,491</u>	<u>1,317,589</u>	<u>-</u>	<u>-</u>	<u>791,451</u>	<u>(747,104)</u>	<u>5,156,162</u>
Results								
Segment results	135,756	519,608	254,505	(300)	(5,795)	296,632	(360,295)	840,111
Dividend income	6,926	-	-	-	20,796	5	-	27,727
Interest income	11,191	4,357	1,352	4,164	-	7,124	-	28,188
Interest expenses	(180,003)	(92,277)	(58,326)	(4,164)	-	(242,655)	360,295	(217,130)
Operating profit/(loss)	(26,130)	431,688	197,531	(300)	15,001	61,106	-	678,896
Share of profits less losses of associated companies	(26,887)	20,557	(2,689)	107,796	43,561	-	-	142,338
Profit/(loss) before taxation	(53,017)	452,245	194,842	107,496	58,562	61,106	-	821,234
Taxation	(52,853)	(62,818)	(19,234)	(6,012)	(12,644)	2,963	-	(150,598)
Profit/(loss) after taxation	(105,870)	389,427	175,608	101,484	45,918	64,069	-	670,636
Minority interests	81,813	(89,035)	(8,485)	-	-	5,381	-	(10,326)
Profit/(loss) attributable to shareholders	<u>(24,057)</u>	<u>300,392</u>	<u>167,123</u>	<u>101,484</u>	<u>45,918</u>	<u>69,450</u>	<u>-</u>	<u>660,310</u>
Segment assets	10,757,016	9,629,416	4,200,388	534,467	11,035	17,913,431	(17,869,742)	25,176,011
Associated companies	3,268,164	345,625	7,529	722,878	1,046,922	-	-	5,391,118
Other non-current assets	946,144	470	21,209	-	812,399	22,416	-	1,802,638
Tax recoverable	2,457	-	-	-	-	28,307	-	30,764
Trading securities	1,895	-	-	-	148	-	-	2,043
Total assets	<u>14,975,676</u>	<u>9,975,511</u>	<u>4,229,126</u>	<u>1,257,345</u>	<u>1,870,504</u>	<u>17,964,154</u>	<u>(17,869,742)</u>	<u>32,402,574</u>
Segment liabilities	10,436,297	2,754,243	2,576,473	520,052	112,135	9,943,637	(17,869,742)	8,473,095
Taxation and deferred taxation	51,012	37,757	16,971	-	-	6,546	-	112,286
Minority interests and loans	275,529	2,278,230	263,414	-	-	(550)	-	2,816,623
Total liabilities	<u>10,762,838</u>	<u>5,070,230</u>	<u>2,856,858</u>	<u>520,052</u>	<u>112,135</u>	<u>9,949,633</u>	<u>(17,869,742)</u>	<u>11,402,004</u>
Capital expenditure	209,930	4,886	220,512	-	-	5,024	-	440,352
Depreciation	1,069	4,071	48,258	-	-	3,583	-	56,981
Amortisation of goodwill	-	-	1,733	-	-	-	-	1,733
Provision in respect of stock of completed properties held for sale	266,000	-	-	-	-	-	-	266,000

2. PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATIONS (CONTINUED)

(c) Primary reporting format – business segments (Continued)

	2001							
	Hong Kong Property HK\$'000	PRC Property HK\$'000	Logistics and Warehouse HK\$'000	Infrastructure HK\$'000	International HK\$'000	Others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Revenue								
Turnover	2,810,223	1,344,926	837,477	-	-	43,782	-	5,036,408
Inter-segment revenue	-	-	-	-	-	623,755	(623,755)	-
Inter-segment interest income	-	-	-	-	-	423,709	(423,709)	-
Income from investment in a fixed return co-operative joint venture	-	-	-	89,309	-	-	-	89,309
	<u>2,810,223</u>	<u>1,344,926</u>	<u>837,477</u>	<u>89,309</u>	<u>-</u>	<u>1,091,246</u>	<u>(1,047,464)</u>	<u>5,125,717</u>
Results								
Segment results	38,385	498,466	180,944	165,321	516	393,854	(423,709)	853,777
Dividend income	14,597	-	-	-	3,182	13	-	17,792
Interest income	18,740	9,156	1,938	3,659	-	20,122	-	53,615
Interest expenses	(181,445)	(126,540)	(102,772)	(3,659)	-	(407,192)	423,709	(397,899)
Operating profit/(loss)	(109,723)	381,082	80,110	165,321	3,698	6,797	-	527,285
Share of profits less losses of associated companies	(115,427)	21,540	(1,255)	56,101	37,994	-	-	(1,047)
Profit/(loss) before taxation	(225,150)	402,622	78,855	221,422	41,692	6,797	-	526,238
Taxation	(33,100)	(62,732)	(10,382)	(4,416)	(9,618)	17,885	-	(102,363)
Profit/(loss) after taxation	(258,250)	339,890	68,473	217,006	32,074	24,682	-	423,875
Minority interests	34,369	(47,243)	(11,231)	-	-	(4,020)	-	(28,125)
Profit/(loss) attributable to shareholders	<u>(223,881)</u>	<u>292,647</u>	<u>57,242</u>	<u>217,006</u>	<u>32,074</u>	<u>20,662</u>	<u>-</u>	<u>395,750</u>
Segment assets	13,599,703	9,996,463	4,029,179	502,756	790	19,519,411	(18,698,302)	28,950,000
Associated companies	3,122,765	318,955	5,985	596,370	1,017,895	-	-	5,061,970
Other non-current assets	831,635	470	21,407	-	859,300	27,480	-	1,740,292
Tax recoverable	3,366	-	-	-	-	28,737	-	32,103
Tax reserve certificates	4,286	-	-	-	-	-	-	4,286
Trading securities	2,792	-	-	-	148	1,024	-	3,964
Total assets	<u>17,564,547</u>	<u>10,315,888</u>	<u>4,056,571</u>	<u>1,099,126</u>	<u>1,878,133</u>	<u>19,576,652</u>	<u>(18,698,302)</u>	<u>35,792,615</u>
Segment liabilities	11,316,709	3,612,316	2,438,669	463,315	106,216	11,829,453	(18,698,302)	11,068,376
Taxation and deferred taxation	33,714	57,721	1,044	-	-	10,216	-	102,695
Minority interests and loans	326,191	2,165,011	228,121	-	-	4,831	-	2,724,154
Total liabilities	<u>11,676,614</u>	<u>5,835,048</u>	<u>2,667,834</u>	<u>463,315</u>	<u>106,216</u>	<u>11,844,500</u>	<u>(18,698,302)</u>	<u>13,895,225</u>
Capital expenditure	202,984	3,640	125,974	-	-	14,876	-	347,474
Depreciation	1,456	8,651	35,691	-	-	1,794	-	47,592
Amortisation of goodwill and investment in a fixed return co-operative joint venture	-	-	293	46,620	-	-	-	46,913
Provision in respect of properties under development for sale	360,000	-	-	-	-	-	-	360,000

2. PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATIONS (CONTINUED)

(d) Secondary reporting format – geographical segments

	2002			
	Segment revenue HK\$'000	Segment results HK\$'000	Segment assets HK\$'000	Capital expenditure HK\$'000
Hong Kong	3,517,120	338,493	14,971,833	239,853
PRC	1,127,025	509,964	9,827,743	128,636
Others	512,017	(8,346)	376,435	71,863
	<u>5,156,162</u>	<u>840,111</u>	<u>25,176,011</u>	<u>440,352</u>
	2001			
	Segment revenue HK\$'000	Segment results HK\$'000	Segment assets HK\$'000	Capital expenditure HK\$'000
Hong Kong	3,537,250	192,785	18,764,623	250,176
PRC	1,437,078	659,888	10,077,760	16,492
Others	151,389	1,104	107,617	80,806
	<u>5,125,717</u>	<u>853,777</u>	<u>28,950,000</u>	<u>347,474</u>

3. OPERATING PROFIT BEFORE FINANCE COSTS

	Group	
	2002 HK\$'000	2001 HK\$'000
(a) Operating profit before finance costs is stated after crediting and charging the following:		
Crediting		
Gross rental income from investment properties		
– Hong Kong	372,741	423,058
– PRC	456,033	462,255
	828,774	885,313
Less: outgoings in respect of investment properties		
– Hong Kong	(42,436)	(32,029)
– PRC	(53,179)	(63,567)
	(95,615)	(95,596)
Net rental income from investment properties		
– Hong Kong	330,305	391,029
– PRC	402,854	398,688
	733,159	789,717
Interest income	30,849	54,548
Less: amount capitalised in properties under development	(2,661)	(933)
	28,188	53,615
Gain on sale of investment properties		
– excess of sales proceeds over book value	(21,657)	–
– transfer from investment properties revaluation reserve	24,709	–
	3,052	–
Realised gain on disposal of trading securities	636	248
Unrealised gain on trading securities	–	1,220
Charging		
Loss on sale of investment properties		
– excess of book value over sales proceeds	–	281,320
– transfer from investment properties revaluation reserve	–	(256,218)
	–	25,102
Cost of sale of completed properties and sale/presale of properties under development	2,288,786	2,132,929
Transfer from completed properties revaluation reserve	–	(13,417)
	2,288,786	2,119,512
Auditors' remuneration	4,264	4,387
Non-audit service fees paid and payable to auditors	2,309	2,554
Depreciation of fixed assets	57,348	48,510
Less: amount capitalised in properties under development	(367)	(918)
	56,981	47,592
Amortisation of goodwill	1,733	293
Unrealised loss on trading securities	897	–
Operating lease charges – land and buildings	22,785	12,764
Staff costs	375,049	298,483

3. OPERATING PROFIT BEFORE FINANCE COSTS (CONTINUED)

- (b) In 2001, an amount of HK\$111,689,000 was included in other income which represented gain on disposal of investment in a fixed return co-operative joint venture (note 15(a)).
- (c) The amount represents a specific provision of HK\$266 million (2001: HK\$360 million) for the Constellation Cove project at Tai Po Kau in Hong Kong. The Group's 75% share of the provision amounts to approximately HK\$200 million (2001: HK\$270 million).

The minority shareholders' 25% share of the specific provision for the Constellation Cove project is approximately HK\$66 million (2001: HK\$90 million). The HK\$66 million (2001: HK\$90 million) has been accounted for within the minority interests results for the year.

4. FINANCE COSTS

	Group	
	2002	2001
	HK\$'000	HK\$'000
Bank loans and overdrafts wholly repayable within five years	194,582	345,377
Convertible bonds	39,665	170,221
Others	83,432	35,690
	317,679	551,288
Less: amount capitalised in properties under development	(100,549)	(153,389)
Total finance costs expended during the year	217,130	397,899

The capitalisation rate applied to funds borrowed and used for the development of properties held for/under development is between 3% and 7% per annum.

5. TAXATION

Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profit for the year. Taxation on PRC and overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the PRC and the overseas countries in which the Group operates, respectively.

The amount of taxation charged to the consolidated profit and loss account represents:

	Group	
	2002	2001
	HK\$'000	HK\$'000
Hong Kong profits tax		
– Current	68,444	42,262
– Over provision in prior years	(1,434)	(18,942)
	67,010	23,320
PRC taxation		
– Current	108,577	10,227
– Over provision in prior years	(706)	–
– Deferred (note 28)	(50,522)	46,199
	57,349	56,426
Overseas taxation		
– Current	2,173	380
Share of taxation attributable to associated companies	24,066	22,237
	150,598	102,363

6. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders dealt with in the accounts of the Company is HK\$575,475,000 (2001: HK\$384,229,000).

7. DIVIDENDS

	Company	
	2002 HK\$'000	2001 HK\$'000
Interim, paid, of HK\$0.18 (2001: HK\$0.20) per ordinary share (note (a))	210,675	230,973
Final, proposed, of HK\$0.12 (2001: HK\$0.12) per ordinary share (note (b))	140,466	138,687

(a) Amounts shown in respect of the interim dividend for the year ended 31 December 2002 reflect the cash dividend of HK\$0.18 (2001: HK\$0.20) per ordinary share. A scrip dividend alternative to the interim dividend was also offered, with the result that only approximately HK\$208,277,000 (2001: HK\$224,510,000) of the interim dividend was paid in cash.

(b) At a meeting held on 3 March 2003, the directors proposed a final dividend of HK\$0.12 per ordinary share. This proposed dividend is not reflected as a dividend payable in these accounts, but will be reflected as an appropriation of retained profits for the year ending 31 December 2003.

8. EARNINGS PER SHARE – GROUP

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of HK\$660,310,000 (2001: HK\$395,750,000) and the weighted average number of 1,164,439,012 shares (2001: 1,146,996,273 shares) in issue during the year.

The dilution from the outstanding share options granted by the Company in June 2000 and April 2002 is immaterial. There is no dilution arising from the other outstanding share options granted by the Company. Accordingly, diluted earnings per share has not been shown.

9. RETIREMENT BENEFIT COSTS

Pursuant to the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) (the "MPF Ordinance"), companies within the Group in Hong Kong have enrolled all employees in Hong Kong aged between 18 and 65 into a mandatory provident fund scheme (the "MPF Scheme") from 1 December 2000.

The MPF Scheme is a master trust scheme established under a trust arrangement and governed by laws in Hong Kong. The assets of the MPF Scheme are held separately from the assets of the employer, the trustees and other service providers. Contributions are made to the MPF Scheme by the employers at 5% of the employees' relevant income as defined in the MPF Ordinance up to a maximum of HK\$1,000 per employee per month (the "MPF Contribution"). The employees also contribute a corresponding amount to the MPF Scheme from 31 December 2000 if their relevant income is more than HK\$4,000 per month. The MPF Contributions are fully and immediately vested in the employees as accrued benefits once they are paid to the approved trustees of the MPF Scheme. Investment income or profit derived from the investment of accrued benefits (after taking into account any loss arising from such investment) is also immediately vested in the employees.

9. RETIREMENT BENEFIT COSTS (CONTINUED)

Certain companies within the Group are also participants of the Kerry Trading Co. Limited, Provident Fund Scheme (the "Fund") which is a defined contribution scheme as defined in the Occupational Retirement Schemes Ordinance (Chapter 426 of the Laws of Hong Kong). The Fund is for certain salaried persons (the "Fund Members") under the employment of the companies participating in the Fund. The assets of the Fund are managed by the trustees of the Fund. Contributions are made to the Fund by companies participating in the Fund at 10% of the Fund Members' monthly basic salaries up to a maximum of HK\$5,000 per Fund Member per month (the "Basic Contribution") less the MPF Contribution if the Basic Contribution is higher than the MPF Contribution. Fund Members are entitled to 100% of the employers' contributions to the Fund plus investment earnings upon leaving employment after completing ten years of service or more, or upon retirement after attaining the retirement age after any number of years of service, or upon retirement due to ill health. Fund Members are also entitled to the employers' contributions to the Fund plus investment earnings calculated at a reduced scale of between 20% and 90% after completing a period of service of at least two but less than ten years. The unvested benefits of employees terminating employment forfeited in accordance with the terms of the Fund can be utilised by the companies participating in the Fund to reduce the future levels of contributions.

The Group also made defined contributions to pension plans as required by the relevant municipality or provincial governments in the PRC. The rates of contributions for the relevant periods ranged from 8% to 23% of the staff's salary. For overseas subsidiaries, the Group made contributions to pension schemes in accordance with the schemes set up by the overseas subsidiaries and/or as required by statutory requirements.

The amount of unvested benefits utilised by the Group during the year to reduce contributions to the Fund, the amount of unvested benefits available for future reduction of employers' contributions as at 31 December and the total amount contributed by the Group to the above schemes during the year were as follows:

	2002 HK\$'000	2001 HK\$'000
Unvested benefits utilised to reduce contributions during the year ended 31 December	<u>972</u>	<u>1,470</u>
Unvested benefits available as at 31 December	<u>26</u>	<u>407</u>
Total contributions during the year ended 31 December	<u>17,111</u>	<u>13,058</u>

10. EMOLUMENTS OF DIRECTORS AND HIGHEST PAID INDIVIDUALS

(a) Directors

The aggregate amounts of emoluments payable to directors of the Company during the year were as follows:

	2002 HK\$'000	2001 HK\$'000
	Group	
Fees		
– Independent non-executive directors	750	540
– Non-executive directors	–	188
	750	728
For management		
Basic salaries, housing allowances, other allowances and other benefits in kind	13,590	15,245
Discretionary bonuses	5,875	5,295
Directors' pensions	240	240
	<u>19,705</u>	<u>20,780</u>
	<u>20,455</u>	<u>21,508</u>

10. EMOLUMENTS OF DIRECTORS AND HIGHEST PAID INDIVIDUALS (CONTINUED)

(a) Directors (Continued)

The emoluments of the directors fell within the following bands:

Emolument bands	Number of directors	
	2002	2001
HK\$ Nil – HK\$1,000,000	3	4
HK\$ Nil – HK\$250,000	1	1
HK\$250,001 – HK\$1,000,000	4	5
HK\$3,000,001 – HK\$3,500,000	1	1
HK\$4,000,001 – HK\$4,500,000	1	–
HK\$4,500,001 – HK\$5,000,000	–	1
HK\$5,000,001 – HK\$5,500,000	1	1
HK\$5,500,001 – HK\$6,000,000	1	–
HK\$6,500,001 – HK\$7,000,000	–	1
	8	9

No directors have waived emoluments in respect of the years ended 31 December 2002 and 2001.

On 16 April 2002, the Company granted options to four executive directors of the Company under an executive share option scheme approved by the shareholders of the Company on 27 March 1997 to acquire a total of 3,150,000 shares of par value of HK\$1 each in the share capital of the Company at an exercise price of HK\$7.10 per share. The option shares granted are divided into two tranches of 1,575,000 each and are exercisable from 16 April 2003 and 16 April 2004, respectively, to 15 April 2012.

Pursuant to the terms of the share option scheme adopted by the Company on 27 March 1997, following the adjustment events arising from the changes in the Company's issued share capital in October 2001 and May 2002, the Company adjusted the respective exercise prices per option share of the unexercised options and the respective number of option shares comprising thereunder with effect from 12 August 2002. The exercise prices have been adjusted from HK\$15.50 to HK\$15.30, from HK\$10.01 to HK\$9.88, from HK\$6.96 to HK\$6.87, from HK\$12.03 to HK\$11.88 and from HK\$7.10 to HK\$7.02 in respect of the unexercised options granted on 11 April 1997, 27 November 1999, 1 June 2000, 2 March 2001 and 16 April 2002, respectively, with additional corresponding option shares of 84,122, 33,400, 40,619, 1,283 and 35,897 granted to five directors of the Company.

(b) Highest paid individuals

The aggregate amounts of emoluments payable to the five highest paid individuals of the Group during the year, of whom four (2001: four) are directors of the Company were as follows:

	Group	
	2002 HK\$'000	2001 HK\$'000
Basic salaries, housing allowances, other allowances and other benefits in kind	15,012	16,505
Discretionary bonuses	6,770	5,940
Pensions contributions	300	300
	22,082	22,745

10. EMOLUMENTS OF DIRECTORS AND HIGHEST PAID INDIVIDUALS (CONTINUED)

(b) Highest paid individuals (Continued)

The emoluments of the five highest paid individuals of the Group during the year, of whom four (2001: four) are directors of the Company, fell within the following bands:

Emolument bands	Number of individuals	
	2002	2001
HK\$2,500,001 – HK\$3,000,000	-	1
HK\$3,000,001 – HK\$3,500,000	2	1
HK\$4,000,001 – HK\$4,500,000	1	-
HK\$4,500,001 – HK\$5,000,000	-	1
HK\$5,000,001 – HK\$5,500,000	1	1
HK\$5,500,001 – HK\$6,000,000	1	-
HK\$6,500,001 – HK\$7,000,000	-	1
	5	5

11. INTANGIBLE ASSETS

	Goodwill HK\$'000	Negative goodwill HK\$'000	Total HK\$'000
At 1 January 2001	-	-	-
Arising from acquisition of subsidiaries	5,998	(421)	5,577
Amortisation	(300)	7	(293)
At 31 December 2001	5,698	(414)	5,284
At 1 January 2002	5,698	(414)	5,284
Arising from acquisition of a subsidiary	41,453	-	41,453
Amortisation	(1,754)	21	(1,733)
At 31 December 2002	45,397	(393)	45,004
		2002	2001
		HK\$'000	HK\$'000
At 31 December			
Cost		47,030	5,577
Accumulated amortisation		(2,026)	(293)
Net book amount		45,004	5,284

12. FIXED ASSETS

	Group									
	Investment properties HK\$'000	Hotel properties HK\$'000	Other leasehold land and buildings		Staff quarters HK\$'000	Freehold land and buildings HK\$'000	Properties held for/under development HK\$'000	Leasehold improvements HK\$'000	Warehouse operating equipment HK\$'000	Motor vehicles, furniture, fixtures and office equipment HK\$'000
Cost or valuation										
At 1 January 2002	17,751,730	953,000	571,630	4,003	15,810	2,318,224	7,643	193,550	193,876	22,009,466
Exchange adjustment	713	-	-	2	1,559	594	(48)	6,906	7,353	17,079
Additions, at cost	7,752	-	-	-	-	330,209	3,131	26,097	39,532	406,721
Adjustment on revaluation	(1,071,357)	-	(81,740)	-	1,818	-	-	-	-	(1,151,279)
Disposals	(123,692)	-	-	(355)	(4,323)	(29,261)	-	(4,448)	(33,561)	(195,640)
Acquisition of a subsidiary	-	-	-	-	-	-	-	32,048	43,276	75,324
At 31 December 2002	16,565,146	953,000	489,890	3,650	14,864	2,619,766	10,726	254,153	250,476	21,161,671
At cost	-	-	-	3,650	-	2,619,766	10,726	254,153	250,476	3,138,771
At professional valuation	16,565,146	953,000	489,890	-	14,864	-	-	-	-	18,022,900
At 31 December 2002	16,565,146	953,000	489,890	3,650	14,864	2,619,766	10,726	254,153	250,476	21,161,671
Aggregate depreciation										
At 1 January 2002	-	-	-	1,480	2,324	-	4,743	91,956	98,033	198,536
Exchange adjustment	-	-	-	1	232	-	(8)	3,540	3,797	7,562
Charge for the year	-	-	13,251	208	216	-	1,489	16,840	25,344	57,348
Adjustment on revaluation	-	-	(13,251)	-	(1,957)	-	-	-	-	(15,208)
Disposals	-	-	-	(144)	(815)	-	-	(2,573)	(14,902)	(18,434)
Acquisition of a subsidiary	-	-	-	-	-	-	-	16,987	24,706	41,693
At 31 December 2002	-	-	-	1,545	-	-	6,224	126,750	136,978	271,497
Net book value as at										
31 December 2002	16,565,146	953,000	489,890	2,105	14,864	2,619,766	4,502	127,403	113,498	20,890,174
Net book value as at										
31 December 2001	17,751,730	953,000	571,630	2,523	13,486	2,318,224	2,900	101,594	95,843	21,810,930

12. FIXED ASSETS (CONTINUED)

	Company		
	Leasehold improvements HK\$'000	Motor vehicles, furniture, fixtures and office equipment HK\$'000	Total HK\$'000
Cost			
At 1 January 2002	196	2,929	3,125
Additions, at cost	–	857	857
Disposals	–	(796)	(796)
At 31 December 2002	196	2,990	3,186
Aggregate depreciation			
At 1 January 2002	29	1,549	1,578
Charge for the year	29	516	545
Disposals	–	(690)	(690)
At 31 December 2002	58	1,375	1,433
Net book value			
As at 31 December 2002	138	1,615	1,753
As at 31 December 2001	167	1,380	1,547

- (a) The Group's interests in investment properties, hotel properties, freehold and other leasehold land and buildings and properties held for/under development at their net book values are analysed as follows:

	Group	
	2002 HK\$'000	2001 HK\$'000
In Hong Kong, held on:		
Leases of over 50 years	6,978,464	7,740,178
Leases of between 10 to 50 years	5,436,390	5,824,796
In PRC, held on:		
Leases of between 10 to 50 years	8,197,623	8,025,169
Overseas freehold land and buildings and properties under development	32,294	20,450
	20,644,771	21,610,593

- (b) As at 31 December 2002, properties with an aggregate net book value of HK\$4,548,431,000 (2001: HK\$7,358,883,000) were pledged as security for bank loan facilities granted to the Group (note 33).
- (c) All investment properties, hotel properties and warehouses in Hong Kong and the PRC were valued by DTZ Debenham Tie Leung Limited and Chesterton Petty Limited. Freehold land and buildings in Australia were valued by Edward Rushton Australia Pty Limited. They are independent professional valuers and the valuation was on an open market value basis as at 31 December 2002.

12. FIXED ASSETS (CONTINUED)

(d) The carrying amount of the warehouses classified as other leasehold land and buildings would have been HK\$355,471,000 (2001: HK\$359,611,000) had they been stated in the accounts at cost less aggregate depreciation and accumulated impairment loss.

13. SUBSIDIARIES

	Company	
	2002 HK\$'000	2001 HK\$'000
Unlisted shares, at cost (note (a))	18,643,700	18,643,700
Amounts due from subsidiaries (note (b))	9,587,096	8,393,636
	<u>28,230,796</u>	<u>27,037,336</u>

(a) Details of subsidiaries are set out in note 36 to the accounts.

(b) The amounts due from subsidiaries are unsecured, not repayable within twelve months from the balance sheet date and interest-free except for an amount of HK\$6,914,133,000 (2001: HK\$5,739,180,000) which bears interest at prevailing market rates.

14. ASSOCIATED COMPANIES

	Group	
	2002 HK\$'000	2001 HK\$'000
Share of net assets other than goodwill (note (a))	1,081,942	1,061,363
Negative goodwill (note (b))	(23,924)	(27,380)
Amounts due from associated companies (note (c))	4,478,247	4,090,205
Amounts due to associated companies (note (d))	(145,147)	(62,218)
	<u>5,391,118</u>	<u>5,061,970</u>

(a) Details of associated companies are set out in note 37 to the accounts.

(b) Negative goodwill

	2002 HK\$'000	2001 HK\$'000
At 1 January	27,380	-
Arising from acquisition of additional interest in an associated company	-	28,090
Amortisation	(3,456)	(710)
At 31 December	<u>23,924</u>	<u>27,380</u>

(c) The amounts due from associated companies are unsecured, not repayable within twelve months from the balance sheet date and interest-free except for amounts totalling HK\$1,299,414,000 (2001: HK\$833,666,000) which bears interest at prevailing market rates.

(d) The amounts due to associated companies are unsecured, interest-free and not repayable within twelve months from the balance sheet date.

15. OTHER NON-CURRENT ASSETS

	Group	
	2002 HK\$'000	2001 HK\$'000
Long-term investments		
Fixed return co-operative joint venture (note (a))	-	-
Non-trading securities:		
Unlisted investments, at fair value	1,534,227	1,726,509
Amounts due from investee companies (note (b))	2,666	3,966
	1,536,893	1,730,475
Club debentures, at cost	9,817	9,817
	1,546,710	1,740,292
Long-term receivables (note (c))	255,928	-
	1,802,638	1,740,292

(a) Fixed return co-operative joint venture

	Group	
	2002 HK\$'000	2001 HK\$'000
Cost		
At 1 January	-	621,560
Disposal	-	(621,560)
At 31 December	-	-
Aggregate amortisation		
At 1 January	-	248,640
Charge for the year	-	46,620
Disposal	-	(295,260)
At 31 December	-	-
Net book value as at 31 December	-	-

(b) The amounts due from investee companies (b) are unsecured, interest-free and not repayable within twelve months from the balance sheet date.

(c) Amount represents second mortgage loans to buyers of certain properties developed by the Group.

16. STOCK OF COMPLETED PROPERTIES HELD FOR SALE – GROUP

As at 31 December 2002, the carrying amount of stock of completed properties held for sale that was carried at net realisable value amounted to HK\$1,249,181,000 (2001: HK\$582,026,000).

17. PROPERTIES UNDER DEVELOPMENT FOR SALE

	2002 HK\$'000	Group 2001 HK\$'000
Properties under development for sale	604,433	3,645,856
Less: sales instalments received and receivable	(13,160)	(576,814)
	591,273	3,069,042

As at 31 December 2002, no properties under development for sale (2001: HK\$2,636,012,000) were pledged as security for bank loan facilities granted to the Group.

18. ACCOUNTS RECEIVABLE, PREPAYMENTS AND DEPOSITS

Included in accounts receivable, prepayments and deposits are trade receivables. The Group maintains defined credit policies and applies credit policies appropriate to the particular business circumstances concerned. The ageing analysis of the trade receivables as at 31 December 2002 was as follows:

	2002 HK\$'000	Group 2001 HK\$'000
0 – 1 month	132,360	284,690
2 – 3 months	115,376	33,387
Over 3 months	9,937	10,036
	257,673	328,113

19. TRADING SECURITIES

	2002 HK\$'000	Group 2001 HK\$'000
Equity securities:		
Listed in Hong Kong	1,895	3,816
Listed outside Hong Kong	148	148
Market value of listed investments	2,043	3,964

20. 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 31 December 2002 was as follows:

	2002 HK\$'000	Group 2001 HK\$'000
0 – 1 month	116,008	116,660
2 – 3 months	13,756	16,182
Over 3 months	8,994	4,705
	138,758	137,547

21. SHARE CAPITAL

	Authorised			
	Ordinary shares of HK\$1 each			
	No. of shares	HK\$'000		
At 31 December 2001 and 2002	10,000,000,000	10,000,000		
	Issued and fully paid			
	Ordinary shares of HK\$1 each			
	2002		2001	
	No. of shares	HK\$'000	No. of shares	HK\$'000
At 1 January	1,155,727,489	1,155,727	1,134,417,155	1,134,417
Issue of scrip dividend shares (notes (a) and (b))	14,941,805	14,942	21,310,334	21,310
Issue of new shares as a result of exercise of share options (note (c))	108,000	108	–	–
Purchase of shares for cancellation (note (d))	(226,500)	(226)	–	–
At 31 December	1,170,550,794	1,170,551	1,155,727,489	1,155,727

- (a) On 17 April 2002, the Company approved a final dividend on its issued ordinary shares for the year ended 31 December 2001. The Company offered to its shareholders a scrip dividend alternative under which the shareholders could elect to receive new ordinary shares in lieu of a cash dividend. 14,583,348 ordinary shares of HK\$1 each were issued on 31 May 2002 under this scheme. Proceeds received in respect of the scrip dividend shares issued were used as additional working capital for the Group.
- (b) On 12 August 2002, the Company declared an interim dividend on its issued ordinary shares for the year ended 31 December 2002. The Company offered to its shareholders a scrip dividend alternative under which the shareholders could elect to receive new ordinary shares in lieu of a cash dividend. 358,457 ordinary shares of HK\$1 each were issued on 22 October 2002 under this scheme. Proceeds received in respect of the scrip dividend shares issued were used as additional working capital for the Group.
- (c) During the year, a total of 108,000 option shares were exercised at an exercise price of HK\$6.96 per share. Details of movement in share options during the year are set out in note 22.
- (d) In December 2002, the Company purchased a total of 226,500 fully paid-up shares on the Stock Exchange of Hong Kong at a total consideration of HK\$1,248,000. These shares were purchased at prices ranging from HK\$5.45 to HK\$5.55 per share and all these shares have been duly cancelled.

22. SHARE OPTIONS

On 17 April 2002, the shareholders of the Company approved the termination (to the effect that no further options shall be offered) of the executive share option scheme adopted by the Company on 27 March 1997 (the "1997 Share Option Scheme") and the adoption of a new share option scheme (the "2002 Share Option Scheme").

1997 Share Option Scheme

Under the 1997 Share Option Scheme, the directors of the Company were authorised, at their discretion, to invite executive directors and key employees of the Company or its subsidiaries to subscribe for shares in the Company subject to terms and conditions stipulated therein. The exercise price for any particular option was determined by the Board of Directors of the Company in its absolute discretion subject to the compliance with the requirements for share option schemes under the Listing Rules.

On 16 April 2002, the Company granted a total of 4,760,000 option shares at an exercise price of HK\$7.10 per share, being the market price of the shares of the Company at the date of grant.

Pursuant to the terms of the 1997 Share Option Scheme, the Company adjusted the respective exercise prices per option share of the unexercised options and the respective number of option shares comprised thereunder on 12 August 2002 following the adjustment events arising from the changes in the Company's issued share capital on 9 October 2001 and 31 May 2002.

The 1997 Share Option Scheme was terminated on 17 April 2002 such that no further options shall be offered but the options which had been granted during its life shall continue to be valid and exercisable in accordance with their terms of issue and in all other respects its provisions shall remain in full force and effect.

2002 Share Option Scheme

The 2002 Share Option Scheme was adopted by the Company on 17 April 2002. Under the 2002 Share Option Scheme, the directors of the Company may, at their discretion, grant options to executives and key employees in the service of any member of the Group and other persons who may make a contribution to the Group subject to terms and conditions stipulated therein. The exercise price for any particular option shall be such price as the Board of Directors of the Company may in its absolute discretion determine at the time of grant of the relevant option subject to the compliance with the requirements for share option schemes under the Listing Rules.

No options have been granted under the 2002 Share Option Scheme. The 2002 Share Option Scheme will expire on 16 April 2012.

Details of the movement of the share options under the 1997 Share Option Scheme during the year were as follows:

	2002	2001
	Number	Number
At 1 January	27,701,286	26,047,045
Granted during the year (note (a))	4,760,000	1,240,000
Additional number of option shares granted for the adjustment during the year	413,460	475,526
Exercised during the year (note (b))	(108,000)	-
Lapsed during the year	(937,977)	(61,285)
At 31 December (note (c))	<u>31,828,769</u>	<u>27,701,286</u>

22. SHARE OPTIONS (CONTINUED)

(a) Details of share options granted during the year, all of which were granted for a consideration of HK\$1 per grant, were as follows:

Exercise period	2002		2001	
	Exercise price HK\$	Number	Exercise price HK\$	Number
16 April 2003 to 15 April 2012	7.10	2,380,000*	–	–
16 April 2004 to 15 April 2012	7.10	2,380,000*	–	–
2 March 2002 to 1 March 2011	–	–	12.03	424,000
2 March 2003 to 1 March 2011	–	–	12.03	424,000
2 March 2004 to 1 March 2011	–	–	12.03	392,000

* 3,150,000 option shares were granted to directors and 1,610,000 option shares were granted to employees at an exercise price of HK\$7.10 per option share, which represents the market price of the shares of the Company at close of business on the date of grant.

(b) Details of share options exercised during the year were as follows:

Exercise date	Exercise price HK\$	Market value per share at exercise date HK\$	Proceeds received HK\$	Number
3 June 2002	6.96	8.20	83,520	12,000
4 June 2002	6.96	8.10	250,560	36,000
3 July 2002	6.96	8.30	194,880	28,000
12 July 2002	6.96	7.90	222,720	32,000
			<u>751,680</u>	<u>108,000</u>

No share options were exercised in 2001.

22. SHARE OPTIONS (CONTINUED)

(c) Terms of share options at the balance sheet date were as follows:

Exercise period	2002		2001	
	Exercise price HK\$	Number	Exercise price HK\$	Number
11 April 1999 to 26 March 2007	15.30	11,460,743	15.50	11,933,846
27 May 2000 to 26 March 2007	9.88	2,984,984	10.01	2,977,191
27 May 2001 to 26 March 2007	9.88	2,985,020	10.01	2,977,220
1 June 2001 to 31 May 2010	6.87	2,824,000	6.96	2,890,000
1 June 2002 to 31 May 2010	6.87	2,824,000	6.96	2,890,000
1 June 2003 to 31 May 2010	6.87	2,761,148	6.96	2,772,419
2 March 2002 to 1 March 2011	11.88	420,000	12.03	430,000
2 March 2003 to 1 March 2011	11.88	420,000	12.03	430,000
2 March 2004 to 1 March 2011	11.88	395,340	12.03	400,610
16 April 2003 to 15 April 2012	7.02	2,376,750	-	-
16 April 2004 to 15 April 2012	7.02	2,376,784	-	-
		<u>31,828,769</u>		<u>27,701,286</u>

(d) No share options were cancelled during the year (2001: Nil).

23. SHARE PREMIUM

	2002 HK\$'000	2001 HK\$'000
At 1 January	3,371,498	3,203,749
Arising from scrip dividend (notes 21(a) and (b))	106,894	167,749
Arising from exercise of share options (note 21(c))	644	-
Application on purchase of shares for cancellation (note 21(d))	(1,025)	-
At 31 December	<u>3,478,011</u>	<u>3,371,498</u>

24. OTHER RESERVES

	Group								
	Investment properties revaluation reserve HK\$'000	Hotel properties revaluation reserve HK\$'000	Other properties revaluation reserve HK\$'000	Properties under development revaluation reserve HK\$'000	Completed properties revaluation reserve HK\$'000	Share of post acquisition revaluation reserve of associated companies HK\$'000	Non-trading securities revaluation reserve HK\$'000	Others (note (a)) HK\$'000	Total HK\$'000
At 1 January 2001	3,874,289	72,456	507,175	95,619	13,417	330,473	967,814	7,749,597	13,610,840
On revaluation of properties (note (b))	(2,070,875)	-	50,149	-	-	(169,178)	-	-	(2,189,904)
Arising from valuation of non-trading securities (note (c))	-	-	-	-	-	-	392,522	-	392,522
Release upon disposal of subsidiaries	-	-	-	-	-	-	-	(494)	(494)
Reclassifications	(2,289)	4,025	-	-	-	(106,967)	-	105,231	-
Transfer to profit and loss account on disposal of properties	(140,135)	-	-	-	(13,417)	-	-	-	(153,552)
Transfer (to)/from retained profits	-	-	(7,084)	-	-	-	-	3,359	(3,725)
Exchange differences arising from investments in the PRC and overseas subsidiaries/associated companies	666	-	-	-	-	(13,785)	-	(70,717)	(83,836)
At 31 December 2001	<u>1,661,656</u>	<u>76,481</u>	<u>550,240</u>	<u>95,619</u>	<u>-</u>	<u>40,543</u>	<u>1,360,336</u>	<u>7,786,976</u>	<u>11,571,851</u>
Company and subsidiaries	1,661,656	76,481	550,240	95,619	-	-	1,360,336	7,777,247	11,521,579
Associated companies	-	-	-	-	-	40,543	-	9,729	50,272
At 31 December 2001	<u>1,661,656</u>	<u>76,481</u>	<u>550,240</u>	<u>95,619</u>	<u>-</u>	<u>40,543</u>	<u>1,360,336</u>	<u>7,786,976</u>	<u>11,571,851</u>

24. OTHER RESERVES (CONTINUED)

	Group								Total HK\$'000
	Investment properties revaluation reserve HK\$'000	Hotel properties revaluation reserve HK\$'000	Other properties revaluation reserve HK\$'000	Freehold land and buildings revaluation reserve HK\$'000	Properties under development revaluation reserve HK\$'000	Share of post acquisition revaluation reserve of associated companies HK\$'000	Non-trading securities revaluation reserve HK\$'000	Others (note (a)) HK\$'000	
At 1 January 2002	1,661,656	76,481	550,240	-	95,619	40,543	1,360,336	7,786,976	11,571,851
On revaluation of properties (note (b))	(1,079,930)	-	(45,238)	3,775	-	(12,394)	-	-	(1,133,787)
Arising from valuation of non-trading securities (note (c))	-	-	-	-	-	-	(194,863)	-	(194,863)
Transfer to profit and loss account on disposal of properties	(27,033)	-	-	-	-	(3,820)	-	-	(30,853)
Transfer (to)/from retained profits	-	-	-	-	-	(516)	-	4,159	3,643
Exchange differences arising from investments in the PRC and overseas subsidiaries/associated companies	-	-	-	-	-	(16,770)	-	47,168	30,398
At 31 December 2002	554,693	76,481	505,002	3,775	95,619	7,043	1,165,473	7,838,303	10,246,389
Company and subsidiaries	554,693	76,481	505,002	3,775	95,619	-	1,165,473	7,824,483	10,225,526
Associated companies	-	-	-	-	-	7,043	-	13,820	20,863
At 31 December 2002	554,693	76,481	505,002	3,775	95,619	7,043	1,165,473	7,838,303	10,246,389

24. OTHER RESERVES (CONTINUED)

(a) Others

	Group				Total HK\$'000
	Capital reserve (note (d)) HK\$'000	Exchange fluctuation reserve HK\$'000	Enterprise expansion and general reserve funds (note (e)) HK\$'000	Capital redemption reserve (note (g)) HK\$'000	
At 1 January 2001	7,975,583	(245,236)	11,608	7,642	7,749,597
Release upon disposal of subsidiaries	(494)	–	–	–	(494)
Reclassifications	–	105,231	–	–	105,231
Transfer from retained profits	–	–	3,359	–	3,359
Exchange differences arising from investments in the PRC and overseas subsidiaries/ associated companies	–	(70,717)	–	–	(70,717)
At 31 December 2001	7,975,089	(210,722)	14,967	7,642	7,786,976
Company and subsidiaries	7,975,089	(210,846)	5,362	7,642	7,777,247
Associated companies	–	124	9,605	–	9,729
At 31 December 2001	7,975,089	(210,722)	14,967	7,642	7,786,976
At 1 January 2002	7,975,089	(210,722)	14,967	7,642	7,786,976
Transfer from retained profits	–	–	3,933	226	4,159
Exchange differences arising from investments in the PRC and overseas subsidiaries/ associated companies	–	47,168	–	–	47,168
At 31 December 2002	7,975,089	(163,554)	18,900	7,868	7,838,303
Company and subsidiaries	7,975,089	(163,836)	5,362	7,868	7,824,483
Associated companies	–	282	13,538	–	13,820
At 31 December 2002	7,975,089	(163,554)	18,900	7,868	7,838,303

(b) These represent surplus/(deficit) arising from revaluation of properties at the balance sheet date. The accounting policies in respect of revaluation of properties are set out in note 1(h)(i) to (iii) to the accounts.

(c) This represents the surplus/(deficit) arising from valuation of the Group's non-trading securities at the balance sheet date (note 15).

(d) Capital reserve of the Group arose from the Group's reorganisation in preparation for its listing on the Stock Exchange of Hong Kong in August 1996, adjusted by the excess or deficit of the fair values of the net assets of subsidiaries and associated companies subsequently acquired over the cost of investment at the date of acquisition before 1 January 2001 (note 1(f)).

24. OTHER RESERVES (CONTINUED)

- (e) Enterprise expansion and general reserve funds represent funds set up by a subsidiary and associated companies established and operating in the PRC. According to the PRC Foreign Enterprise Accounting Standards, upon approval, the enterprise expansion reserve fund may be used for increasing capital while the general reserve fund may be used for making up losses and increasing capital.
- (f) Other reserves

	Company		Total HK\$'000
	Contributed surplus HK\$'000	Capital redemption reserves (note (g)) HK\$'000	
At 1 January 2001 and 31 December 2001	17,793,308	7,642	17,800,950
At 1 January 2002	17,793,308	7,642	17,800,950
Transfer from retained profits	–	226	226
At 31 December 2002	17,793,308	7,868	17,801,176

- (i) The contributed surplus of the Company arose when the Company issued shares in exchange for the shares of companies being acquired, and represents the difference between the nominal value of the Company's shares issued and the value of net assets of the companies acquired. Under the 1981 Companies Act of Bermuda (as amended), the contributed surplus is distributable to the shareholders. At Group level, the contributed surplus is reclassified into its components of reserves of the underlying subsidiaries.
- (ii) As at 31 December 2002, the reserves of the Company available for distribution amounted to approximately HK\$18,392,008,000 (2001: HK\$18,165,895,000).
- (g) The capital redemption reserve arose from the purchase of the Company's shares for cancellation during 1998 and 2002 and represents a transfer from the Company's retained profits equivalent to the nominal value of the shares purchased for cancellation.

25. RETAINED PROFITS

	Group		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
At 1 January	5,798,314	5,856,695	364,945	438,572
Transfer (to)/from other reserves	(3,643)	3,725	(226)	–
Profit for the year	660,310	395,750	575,475	384,229
2001/2000 final dividend paid	(138,687)	(226,883)	(138,687)	(226,883)
2002/2001 interim dividend paid	(210,675)	(230,973)	(210,675)	(230,973)
At 31 December	6,105,619	5,798,314	590,832	364,945
2002/2001 final dividend proposed	(140,466)	(138,687)	(140,466)	(138,687)
	5,965,153	5,659,627	450,366	226,258
Company and subsidiaries	5,629,053	5,313,057	450,366	226,258
Associated companies	336,100	346,570	–	–
	5,965,153	5,659,627	450,366	226,258

26. MINORITY INTERESTS AND LOANS

	Group	
	2002 HK\$'000	2001 HK\$'000
Share of equity	612,868	513,899
Loans from minority shareholders	2,203,755	2,210,255
	2,816,623	2,724,154

The loans from minority shareholders represent proportionate funding from the minority shareholders of joint venture projects, including an amount of approximately HK\$654,042,000 (2001: HK\$692,204,000) received from a subsidiary of Shangri-La Asia Limited, a related company whose shares are listed on the Stock Exchange of Hong Kong. These loans are unsecured, subordinated to the bank loans of the relevant subsidiaries, have no fixed terms of repayment, and interest-free except for an amount of HK\$298,681,000 (2001: HK\$349,754,000) which bears interest at prevailing market rates.

27. LONG-TERM LIABILITIES

	Group		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Bank loans – unsecured	6,407,773	5,569,900	5,850,000	5,409,000
Bank loans – secured (note 33)	646,799	2,076,655	-	-
Total bank loans (note (a))	7,054,572	7,646,555	5,850,000	5,409,000
Convertible bonds (note (c))	-	1,960,516	-	-
	7,054,572	9,607,071	5,850,000	5,409,000
Current portion of long-term liabilities				
Bank loans (note (a))	(1,335,481)	(1,280,560)	(650,000)	(109,000)
Convertible bonds (note (c))	-	(1,960,516)	-	-
	(1,335,481)	(3,241,076)	(650,000)	(109,000)
	5,719,091	6,365,995	5,200,000	5,300,000

(a) At 31 December 2002, the Group's bank loans were repayable as follows:

	Group		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Within one year	1,335,481	1,280,560	650,000	109,000
After one year				
In the second year	870,279	1,152,988	450,000	400,000
In the third year	26,178	413,007	-	100,000
In the fourth year	270,634	-	250,000	-
In the fifth year	4,552,000	4,800,000	4,500,000	4,800,000
	5,719,091	6,365,995	5,200,000	5,300,000
	7,054,572	7,646,555	5,850,000	5,409,000

27. LONG-TERM LIABILITIES (CONTINUED)

(b) As at 31 December 2002, the Group had total available cash resources of approximately HK\$7.6 billion (2001: HK\$9.2 billion) comprising net cash and bank balances (including pledged bank deposits) of approximately HK\$1.4 billion (2001: HK\$2.3 billion) and undrawn bank loan facilities of approximately HK\$6.2 billion (2001: HK\$6.9 billion).

(c) Convertible bonds

	Group	
	2002 HK\$'000	2001 HK\$'000
Nominal value		
At 1 January	1,537,531	1,548,005
Convertible bonds purchased for cancellation	-	(10,139)
Exchange adjustment	291	(335)
Redeemed during the year	(1,537,822)	-
At 31 December	-	1,537,531
Provision for premium on redemption		
At 1 January	425,244	295,040
Additions, net of amounts written back on convertible bonds purchased for cancellation	30,216	130,204
Utilised during the year upon redemption	(455,460)	-
At 31 December	-	425,244
Issue costs		
At 1 January	(2,259)	(11,368)
Amortised during the year, including amounts written off on convertible bonds purchased for cancellation	2,259	9,109
At 31 December	-	(2,259)
Carrying value as at 31 December	-	1,960,516
Current portion of long-term liabilities	-	(1,960,516)
	-	-

(i) On 25 March 1997, Kerry Properties Capital Limited ("KPCL"), a wholly owned subsidiary of the Company, issued US\$250,000,000 guaranteed redeemable convertible bonds (the "Bonds") at a price of 100% of their principal amount. The Bonds, which were guaranteed by the Company and listed on the Luxembourg Stock Exchange, carried interest at 2% per annum payable semi-annually in arrears on 15 June and 15 December of each year.

(ii) The Bonds were convertible at the option of the bondholders between 5 May 1997 and 1 June 2007, both days inclusive, unless previously redeemed, at an initial conversion price of HK\$21.50 per share at a fixed rate of exchange on conversion of HK\$7.7474 = US\$1. The conversion price was subject to adjustment in certain events as stipulated in the trust deed dated 25 March 1997 as amended by a supplemental trust deed dated 19 May 1999 (the "Trust Deed").

27. LONG-TERM LIABILITIES (CONTINUED)

(c) Convertible bonds (Continued)

(iii) Unless previously purchased and cancelled, redeemed or converted, the Bonds would be redeemed on 15 June 2007 at their principal amount. The bondholders had an option to require KPCL to redeem the Bonds (the "Bondholders' Option"), in whole, on 25 March 2002 at a redemption price of 129.712% of their principal amount. KPCL had an option to redeem the Bonds (the "KPCL's Option"), in whole or in part, at any time after 25 March 1999 at the redemption prices set out below, except that the Bonds might not be so redeemed unless (i) the closing price of the Company's shares on the Stock Exchange of Hong Kong is at least 130% of the conversion price for at least 20 dealing days in a period of 30 consecutive dealing days; or (ii) at least 90% in principal amount of the Bonds had already been converted, redeemed or purchased and cancelled.

Period of redemption	Redemption prices
26 March 1999 – 25 March 2002	Principal plus premium to generate a yield of 7.06% per annum
26 March 2002 – 15 June 2007	100%

In addition, KPCL might redeem at any time in whole, but not in part, in the event of certain changes relating to taxation in the British Virgin Islands, Bermuda or Hong Kong as stipulated in the Trust Deed.

(iv) During the year, bondholders holding the Bonds with a principal amount of US\$196,780,000 exercised the Bondholders' Option and the Group redeemed these Bonds on 25 March 2002 at a redemption price of 129.712%. KPCL also exercised the KPCL's Option to redeem the remaining bonds with a principal amount of US\$400,000 on 27 June 2002 at par. All the Bonds have now been duly redeemed.

28. DEFERRED TAXATION

	2002 HK\$'000	Group 2001 HK\$'000
At 1 January	51,119	4,920
Acquisition of a subsidiary (note 29(c))	2,156	–
Transfer (to)/from profit and loss account (note 5)	(50,522)	46,199
At 31 December	2,753	51,119
Deferred taxation liability provided for in respect of:		
Accelerated depreciation allowance	2,156	–
Other timing differences (note c)	597	51,119
	2,753	51,119

- (a) No recognition of the potential deferred taxation asset relating to estimated tax losses has been made as the recoverability of this potential deferred taxation asset is uncertain. The potential deferred taxation not provided for in the accounts in respect of estimated tax losses amounts to HK\$312,851,000 (2001: HK\$297,425,000).
- (b) The changes arising on revaluation of properties of subsidiaries and associated companies do not constitute a timing difference and accordingly there are no deferred tax implications.
- (c) Other timing differences represent the tax effect of timing differences arising from the use of different bases of recognition of revenue and expenses in respect of pre-sale of properties in the PRC for financial reporting and taxation purposes.

29. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of profit before taxation to net cash generated from operations

	2002 HK\$'000	Group 2001 HK\$'000
Profit before taxation	821,234	526,238
Amortisation of investment in a fixed return co-operative joint venture	-	46,620
Amortisation of goodwill	1,733	293
Depreciation	56,981	47,592
Income from investment in a fixed return co-operative joint venture	-	(89,309)
Dividend income from listed and unlisted investments	(27,727)	(17,792)
Finance costs	217,130	397,899
Interest income	(28,188)	(53,615)
Loss on sale of fixed assets	1,366	26,184
Gain on sale of investment in a fixed return co-operative joint venture	-	(111,689)
Gain on sale of listed equity shares	(636)	(248)
Unrealised loss/(gain) on valuation of listed equity shares	897	(1,220)
Provision in respect of stock of completed properties held for sale/properties under development for sale	266,000	360,000
Deficit on revaluation of fixed assets transferred to profit and loss account	13,941	-
Share of profits less losses of associated companies	(142,338)	1,047
Operating profit before working capital changes	1,180,393	1,132,000
Decrease in current assets, excluding tax recoverable, tax reserve certificates, trading securities, pledged bank deposits and cash and bank balances	1,606,786	980,146
Decrease in accounts payable, deposits received and accrued charges	(68,538)	(61,177)
Net cash generated from operations	2,718,641	2,050,969

29. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

(b) Analysis of changes in financing during the year

	Share capital (including share premium)		Long-term borrowings (including current portion)		Minority interests and loans	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
At 1 January	4,527,225	4,338,166	9,607,071	10,761,173	2,724,154	3,003,054
Non-cash movement:						
Issue of scrip dividend	121,836	189,059	-	-	-	-
Share of profit	-	-	-	-	10,326	28,125
Share of revaluation reserves	-	-	-	-	37,733	(50,872)
Release of revaluation reserve on disposal of properties	-	-	-	-	2,324	(116,083)
Exchange adjustment	-	-	3,469	(291)	(667)	795
Loans of subsidiaries acquired	-	-	2,363	11,920	-	-
Share of increase in share capital of subsidiaries	-	-	-	-	-	2,781
Purchase of subsidiaries	-	-	-	-	4,329	2,113
Disposal of subsidiaries	-	-	-	-	-	(6,146)
Provision of premium and amortisation of issue cost of convertible bonds	-	-	32,475	139,313	-	-
	121,836	189,059	38,307	150,942	54,045	(139,287)
Purchase of shares for cancellation	(1,251)	-	-	-	-	-
Proceeds from issue of shares	752	-	-	-	-	-
Repayment of bank loans	-	-	(7,281,010)	(7,915,290)	-	-
Redemption of convertible bonds	-	-	(1,993,282)	-	-	-
Purchase of convertible bonds for cancellation	-	-	-	(10,139)	-	-
Drawdown of bank loans	-	-	6,683,486	6,620,385	-	-
Capital injection from minority shareholders	-	-	-	-	45,124	-
Decrease in loans from minority shareholders	-	-	-	-	(6,500)	(35,346)
Dividends paid to minority shareholders in subsidiaries	-	-	-	-	(200)	(104,267)
At 31 December	4,648,562	4,527,225	7,054,572	9,607,071	2,816,623	2,724,154

29. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

(c) Purchase of subsidiaries

	2002 HK\$'000	2001 HK\$'000
Net asset acquired:		
Fixed assets	33,631	49,412
Other investments	1	2,580
Accounts and other receivables	82,573	19,619
Cash and bank balances	10,772	8,287
Accounts and other payables	(72,444)	(59,025)
Taxation	(1,969)	(393)
Bank overdrafts	-	(3,049)
Bank loans	(2,363)	(11,920)
Deferred taxation	(2,156)	-
	48,045	5,511
Less: Minority interests	(4,329)	(2,113)
	43,716	3,398
Goodwill	41,453	5,577
	85,169	8,975
Satisfied by:		
Cash	85,169	32,503
Shareholders' loan assigned	-	(23,528)
	85,169	8,975

(d) Analysis of the net cash outflow in respect of the purchase of subsidiaries

	2002 HK\$'000	2001 HK\$'000
Cash consideration	85,169	32,503
Cash and bank balances acquired	(10,772)	(8,287)
Bank overdrafts acquired	-	3,049
Net cash outflow in respect of the purchase of subsidiaries	74,397	27,265

29. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

(e) Disposal of subsidiaries

	2002 HK\$'000	2001 HK\$'000
Net asset disposed of:		
Accounts and other receivables	-	2,131
Tax recoverable	-	760
Cash and bank balances	-	22,835
Accounts and other payables	-	(11,394)
Taxation	-	(27)
	-	14,305
Less: Minority interests	-	(6,146)
	-	8,159
Capital reserve released upon disposal	-	(494)
	-	7,665
Satisfied by:		
Cash	-	7,665

(f) Analysis of the net cash outflow in respect of the disposal of subsidiaries

	2002 HK\$'000	2001 HK\$'000
Cash consideration	-	7,665
Cash and bank balances disposed	-	(22,835)
Net cash outflow in respect of the disposal of subsidiaries	-	(15,170)

30. RELATED PARTY TRANSACTIONS

Significant related party transactions, in addition to those connected transactions (where applicable) disclosed in the Report of the Directors, which were carried out in the normal course of the Group's business during the year were as follows:

	2002 HK\$'000	Group 2001 HK\$'000
(Income)/expenses		
Rental and storage income (note (a))	(4,149)	(2,964)
Project management and consultancy fees income (note (b))	(2,307)	(4,709)
Administration and management service fees		
– income (note (c))	(793)	–
– expense (note (d))	259	293
Rent and related service charges (note (d))	315	356
Marketing, consultancy and administrative management fees expense (note (e))	10,240	9,416
Insurance premiums expense (note (f))	18,524	9,307

- (a) This represents rental and storage income arising from the leasing of commercial, residential, car parks and warehouse storage space to various subsidiaries and associated companies of Kerry Group Limited, the ultimate holding company of the Company, and other related parties at market rates.
- (b) The Group provided project management, project consultancy, leasing, renovation, refurbishment and maintenance services to various members of Kerry Group Limited and other related parties. The fees are determined on a cost reimbursement basis or with reference to relevant industry practice.
- (c) The Group provided management services to certain subsidiaries and associated companies of Kerry Group Limited. In consideration for these services, the Group received fees, which have been determined on a cost reimbursement basis.
- (d) Kerry Trading Co. Limited ("Kerry Trading"), a fellow subsidiary of the Company, provided administration and management services to certain members of the Group. In consideration for these services, members of the Group paid Kerry Trading a fee, which has been determined on a cost reimbursement basis. In addition, the Company reimbursed rent and related service charges to Kerry Trading for the use of office space, which has been determined on a cost reimbursement basis. Such fees are subject to review on an annual basis.
- (e) This represents payment of services fee to Shangri-La International Hotel Management Limited, a subsidiary of Shangri-La Asia Limited, a related company of the Group, which provided marketing, consultancy and administrative management services to a member of the Group. The service fees payable during the year were determined at either a fixed amount or a certain percentage of the gross operating revenue of the relevant company in accordance with the agreement for the provision of the above services.
- (f) This represents payment of insurance premiums at market rates to Jerneh Insurance (HK) Limited and Taishan Insurance Brokers Limited, related companies of the Group.

31. COMMITMENTS

- (a) At 31 December 2002, the Group had capital commitments in respect of committed investments and construction in progress not provided for in these accounts as follows:

	2002	Group
	HK\$'000	2001 HK\$'000
Contracted but not provided for	1,137,474	355,598
Authorised but not contracted for	1,275	–
	1,138,749	355,598

- (b) At 31 December 2002, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	2002	Group
	HK\$'000	2001 HK\$'000
Within one year	29,076	10,389
In the second to fifth year, inclusive	84,780	23,403
Over five years	100,880	–
	214,736	33,792

- (c) At 31 December 2002, the Group had future aggregate minimum lease rental receivable under non-cancellable operating leases in respect of land and buildings as follows:

	2002	Group
	HK\$'000	2001 HK\$'000
Within one year	728,958	647,088
In the second to fifth year, inclusive	616,931	429,118
Over five years	610,817	653,823
	1,956,706	1,730,029

- (d) In November 1997, the Group entered into a joint development agreement for the redevelopment of a site at Tuen Mun. Pursuant to the agreement, the Group was committed to pay HK\$48,000,000 as fitting out and relocation payment. The Group was further committed to make additional payments, totalling between HK\$100,000,000 and HK\$460,000,000 for the redevelopment project. In September 2002, the project was cancelled and the commitments were then released.

- (e) As at 31 December 2002, the Group had interest rate swap contracts with principal sums of HK\$3,760,000,000 (2001: HK\$4,540,000,000). The duration of these contracts was 3 years (2001: 1 to 3 years) at fixed rates of 3.620% to 5.510% (2001: 2.510% to 3.935%).

32. CONTINGENT LIABILITIES

(a) Banking facilities

	Group		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Guarantees for banking and other facilities of certain subsidiaries, associated companies and investee companies (notes (i) and (ii))	912,431	1,038,259	1,674,063	2,573,677
Guarantees to certain banks for mortgage facilities granted to first buyers of certain properties in the PRC (note (iii))	83,569	150,914	34,944	58,035
	996,000	1,189,173	1,709,007	2,631,712

- (i) The Group has executed guarantees for banking and other facilities granted to certain associated companies and investee companies. The utilised amount of such facilities covered by the Group's guarantees which also represented the financial exposure of the Group at the balance sheet date amounted to approximately HK\$912,431,000 (2001: HK\$1,038,259,000). The total amount of such facilities covered by the Group's guarantees amounted to approximately HK\$1,609,938,000 (2001: HK\$1,214,495,000).
- (ii) The Company has executed guarantees to banks for facilities granted to certain subsidiaries, associated companies and investee companies. The utilised amount of such facilities covered by the Company's guarantees which also represented the financial exposure of the Company at the balance sheet date amounted to approximately HK\$1,674,063,000 (2001: HK\$2,573,677,000). The total amount of such facilities covered by the Company's guarantees amounted to approximately HK\$2,437,299,000 (2001: HK\$3,270,653,000).
- (iii) The Group and the Company have executed guarantees to certain banks for mortgage facilities granted to first buyers of certain properties in the PRC. The utilised amount of such facilities covered by the Group's and the Company's guarantees which also represented the financial exposure of the Group and the Company at the balance sheet date amounted to approximately HK\$83,569,000 (2001: HK\$150,914,000) and HK\$34,944,000 (2001: HK\$58,035,000), respectively. The total amount of such facilities covered by the Group's and the Company's guarantees amounted to approximately HK\$384,246,000 (2001: HK\$569,217,000) and HK\$275,780,000 (2001: HK\$223,347,000), respectively.

32. CONTINGENT LIABILITIES (CONTINUED)

(b) Guarantees and undertakings

- (i) A wholly owned subsidiary of the Company, through its associated company, has a 20% interest in a company which is engaged in the development of a site in the Olympic Mass Transit Railway Station Development. Another wholly owned subsidiary of the Company, through its associated company, has a 32.5% interest in another company which is engaged in the development of an adjacent site. The companies developing the sites (the "Developers") were each granted exclusive rights to develop the relevant sites pursuant to separate development agreements (the "Development Agreements") entered into by each of the Developers and the MTR Corporation Limited (the "MTRC").

Pursuant to two deeds of guarantee in relation to each of the above developments, the Company has provided several guarantees in favour of the MTRC for the due and punctual performance and observance by each of the Developers of 20% and 32.5%, respectively, of the Developer's obligations, liabilities, stipulations, acts and duties under or in connection with the respective Development Agreements and the due and punctual payment of 20% and 32.5%, respectively, of all monies and liabilities due, owing or payable to the MTRC from or by each of the Developers under or in connection with the respective Development Agreements.

In consideration of the MTRC entering into and agreeing to the terms of the sale and purchase agreement (the "S & P Agreement") and certain trust arrangements (the "Trust Arrangements") in relation to the sale of an office development developed by the Developer in which the Group has a 20% interest, the Company has agreed to provide several guarantees and indemnities to indemnify the MTRC against 20% of all claims, demands, cost, damages, losses, expenses and/or liabilities which the MTRC may incur or suffer and which are in any way connected with or result from the entering into and/or the observance and/or performance of the S & P Agreement and/or the carrying out by the MTRC of the Trust Arrangements. The Company has also guaranteed the payment on demand of 20% of the full amount of such costs, losses, expenses or liabilities.

- (ii) The Group has a 15% effective interest in Western Harbour Tunnel Company Limited ("WHTCL") which acquired a 30-year franchise from the Government of the Hong Kong Special Administrative Region (the "Government") to build and operate the Western Harbour Crossing (the "Crossing"). Pursuant to a deed of guarantee dated 2 September 1993 as amended by a deed of novation dated 27 June 1995, a second deed of novation dated 12 October 1998 and a third deed of novation dated 30 May 2000 (the "Guarantee"), the Company together with the other beneficial shareholders of WHTCL have jointly and severally undertaken to the Government that if the aggregate of all costs incurred by WHTCL up to the operating date of the Crossing and all maintenance and repair costs incurred by WHTCL after the operating date of the Crossing but before the issuance of the maintenance certificate exceeds HK\$7,534,000,000 then they will pay to WHTCL such excess amount.

Pursuant to a shareholders agreement dated 30 December 1992 as amended by a cross-indemnity deed dated 20 December 1993, a supplemental deed dated 8 September 1994, a second supplemental deed dated 12 October 1998 and a third supplemental deed dated 23 May 2000 in respect of WHTCL, the Company together with the other beneficial shareholders have agreed that in relation to any claim made or asserted under the Guarantee, as between themselves, the total of all liabilities in respect of such claim and of all costs, charges and expenses suffered or incurred by any of them resulting therefrom or attributable thereto shall be shared by them in proportion to their respective ultimate ownership of the issued capital of WHTCL.

32. CONTINGENT LIABILITIES (CONTINUED)

(b) Guarantees and undertakings (Continued)

- (iii) A wholly owned subsidiary of the Company, through its associated company, has a 40% interest in a company (the "Hang Hau Developer") which is engaged in the development of a site at the Hang Hau Mass Transit Railway Station Development. The Hang Hau Developer was granted exclusive rights to develop the site pursuant to a development agreement (the "Hang Hau Development Agreement") entered into by the Hang Hau Developer with, amongst others, the MTRC.

Pursuant to a deed of guarantee in relation to the above development, the Company has provided several guarantees in favour of the MTRC for the due and punctual performance and observance by the Hang Hau Developer of 40% of its obligations, liabilities, stipulations, acts and duties under or in connection with the Hang Hau Development Agreement and the due and punctual payment of 40% of all monies and liabilities due, owing or payable to the MTRC from the Hang Hau Developer under or in connection with the Hang Hau Development Agreement.

- (iv) The Group has 38.2% interest in a company (the "Seller") which, pursuant to a sale and purchase agreement (the "Mortgage S&P Agreement"), has sold certain loans (the "Loans") to The Hong Kong Mortgage Corporation Limited (the "HKMC"). Pursuant to a support agreement (the "Support Agreement") entered into by the Company with, amongst others, the HKMC, the Company has severally undertaken (i) if the Seller fails to repurchase any Loans in accordance with the Mortgage S&P Agreement, to, or to procure a third party approved by the HKMC to, complete repurchase of such Loans; and (ii) if the Seller fails to pay when due any amount in full in respect of the Loans required to be paid by it to the HKMC, to pay on behalf of the Seller on a several basis an amount equal to 38.2% of the amount that the Seller has failed to pay to the HKMC.

The Company has also severally undertaken with the HKMC that it shall indemnify and keep indemnified the HKMC, its directors, officers and employees and its successors and assignees from and against 38.2% of all liabilities, losses, damages, actions, proceedings, demands, claims, costs and expenses which may be brought against, suffered or incurred by such indemnified person by reason of any breach of the Seller's undertakings, representations and warranties in the Mortgage S&P Agreement and the Support Agreement or of any breach of the Company's representations, warranties and undertakings in the Support Agreement.

- (v) The Group has a 50% interest in a company ("Party 1") which owns a piece of land in Cheung Sha Wan while another company ("Party 2") owns an adjacent piece of land. Party 1 and Party 2 are negotiating the joint redevelopment of the two pieces of land. Prior to the joint redevelopment, the parties need to surrender the existing two pieces of land to the Government in exchange for the grant of a new lot for commercial/residential development with public car park facilities (the "Proposed Land Exchange"). The Proposed Land Exchange involves the grant of a street and its associated footpaths as part of the new lot and requires the permanent closure of the above-mentioned street and its associated footpaths.

Pursuant to an undertaking (the "Undertaking") dated 24 May 2002, in consideration of the Government entering into and continuing the negotiations with Party 1 and Party 2 on the Proposed Land Exchange, the Company and other parties, including the holding companies of the shareholders of Party 1 and Party 2, have jointly and severally undertaken, covenanted and agreed that they shall indemnify and keep indemnified the Government and any of its officers from and against all and any actions (including judicial reviews), liabilities, demands, claims, expenses, costs and losses arising directly or indirectly out of or in connection with the gazetting of the permanent closure of the above-mentioned street and its associated footpaths under the Roads (Works, Use and Compensation) Ordinance and the authorisation of such closure.

Pursuant to a deed of cross indemnity and a collateral deed of cross indemnity, both dated 24 May 2002, the Group's liabilities under the Undertaking shall be several and shall be determined based on its share of interest in the joint redevelopment.

33. PLEDGE OF ASSETS – GROUP

At 31 December 2002, the Group's total bank loans of HK\$7,054,572,000 (2001: HK\$7,646,555,000) included an aggregate amount of HK\$6,407,773,000 (2001: HK\$5,569,900,000) which is unsecured and an aggregate amount of HK\$646,799,000 (2001: HK\$2,076,655,000) which is secured by the following:

- (i) legal charges over certain fixed assets (note 12);
- (ii) charges on all assets, including bank balances amounting to HK\$70,450,000 (2001: HK\$168,872,000), of certain subsidiaries. Such bank balances can be used for payment of construction and other operating costs or for repayment of outstanding bank loans of the respective subsidiaries;
- (iii) assignments of sale proceeds, insurance proceeds, rental income and deposits arising from the tenancy agreements of certain properties;
- (iv) mortgages over the issued shares of certain subsidiaries;
- (v) assignments and subordinations of shareholders' loans of certain subsidiaries; and
- (vi) corporate guarantees from the Company and the respective parent companies of the shareholders of certain subsidiaries.

34. ULTIMATE HOLDING COMPANY

The directors regard Kerry Group Limited, a company incorporated in the Cook Islands, as being the ultimate holding company.

35. APPROVAL OF ACCOUNTS

The accounts were approved by the board of directors on 3 March 2003.

36. GROUP STRUCTURE – SUBSIDIARIES

At 31 December 2002, the Company held interests in the following subsidiaries:

Name	Place of incorporation/ establishment	Principal activities and place of operation (if different from place of incorporation/ establishment)	Particulars of issued capital/ registered capital	Indirect interest held unless denoted with ^Δ
Aberporth Resources Limited	British Virgin Islands	Investment holding	US\$1	100%
Able Plus Holdings Limited	British Virgin Islands	Investment holding	US\$1	100%
Amble Aim Sdn. Bhd.	Malaysia	Investment holding	RM2	100%
Ansellman Limited	British Virgin Islands	Investment holding	US\$1	100%
Architectural Design and Management Services Limited	Hong Kong	Provision of architectural services	HK\$2	100%
Auto Plaza Limited	Hong Kong	Investment holding, property investment and carpark operation	Ordinary HK\$4,998 Non-voting deferred HK\$2	100%
Balkis Limited	British Virgin Islands	Investment holding	US\$10,000	100%
Baron Development Limited	British Virgin Islands	Investment holding	US\$1	100%
Barriedale Limited	British Virgin Islands	Investment holding	US\$10,000	100%
Barrowdale Limited	British Virgin Islands	Investment holding	US\$1,000	100%
Beaverton Limited	British Virgin Islands	Investment holding	US\$1	100%
^{λ^*} Beihai Kerry Property Development Ltd.	The People's Republic of China	Property ownership	RMB1,708,616	100%
^{μ^*} Beijing Jia Ao Real Estate Development Co., Ltd.	The People's Republic of China	Property investment	US\$77,967,600	71.25%
^{μ^*} Beijing Kerry Centre Hotel Co., Ltd.	The People's Republic of China	Hotel ownership	US\$33,000,000	71.25%
^{λ^*} Beijing Kerry Datalinks Limited	The People's Republic of China	Operation of internet data centre	US\$2,100,000	100%
Belminton Inc.	British Virgin Islands	Investment holding	US\$1,000	100%
Bestford Resources Limited (formerly known as ibe-Datalinks (China) Limited)	British Virgin Islands	Dormant	HK\$1	100%
Bethan Company Limited	Hong Kong	Dormant	HK\$2	100%
Big Sky Resources Limited	British Virgin Islands	Investment holding	US\$100	100%
Brinkworth Assets Limited	British Virgin Islands	Investment holding	US\$1	100%

36. GROUP STRUCTURE – SUBSIDIARIES (CONTINUED)

Name	Place of incorporation/ establishment	Principal activities and place of operation (if different from place of incorporation/ establishment)	Particulars of issued capital/ registered capital	Indirect interest held unless denoted with ^Δ
Burgo Inc	British Virgin Islands	Dormant	US\$1,000	100%
Busyhigh Limited	Samoa	Investment holding	HK\$1	100%
Calistock Limited	British Virgin Islands	Investment holding in Hong Kong	US\$1	100%
Capabletech Limited	British Virgin Islands	Investment holding	US\$1	100%
Cashel Assets Limited (formerly known as Mid-Levels Portfolio (Century Tower I) Holdings Limited)	British Virgin Islands	Investment holding	US\$1	100%
Catren Company Limited	Hong Kong	Carpark ownership	Voting class "A" HK\$9,998 Non-voting class "B" HK\$2	60%
Chance Brilliant Limited	British Virgin Islands	Investment holding	US\$1	100%
Charlicks New Guinea Ltd.	Papua New Guinea	Dormant	PGK54,000	99.99%
Chipelli Investments Limited	Hong Kong	Property investment	HK\$100,000	80%
Clavering Services Limited	British Virgin Islands	Investment holding in Hong Kong	US\$1,000	100%
Close Encounters Limited	British Virgin Islands	Investment holding	HK\$10,000	100%
Comphor Company Limited	British Virgin Islands	Investment holding	US\$10	100%
Cremorne Investments Limited	British Virgin Islands	Investment holding	US\$100	100%
Darcey Investments Limited	British Virgin Islands	Investment holding	US\$100	100%
Dec Limited	British Virgin Islands	Investment holding	US\$10,000	100%
Denleigh Limited	British Virgin Islands	Investment holding	US\$1	60%
Denver Rose Investments Limited	British Virgin Islands	Investment holding in Hong Kong	US\$1	100%
Errol Company Ltd.	British Virgin Islands	Investment holding	US\$1	100%
Ever Asset Group Limited	British Virgin Islands	Investment holding	US\$1	100%

36. GROUP STRUCTURE – SUBSIDIARIES (CONTINUED)

Name	Place of incorporation/ establishment	Principal activities and place of operation (if different from place of incorporation/ establishment)	Particulars of issued capital/ registered capital	Indirect interest held unless denoted with ^Δ
Fair Page Limited	Hong Kong	Property investment	HK\$2	100%
Garden Streams Limited	British Virgin Islands	Investment holding in Hong Kong	US\$1	100%
Goldash Holdings Limited	British Virgin Islands	Investment holding	US\$1	100%
Golden Explorer Group Limited	British Virgin Islands	Investment holding	US\$1	100%
Harvard Developments Limited	British Virgin Islands	Dormant	US\$12	75%
Hong Kong Shanghai Development Co Ltd.	Samoa	Investment holding	HK\$8,000,000	55%
ibe-Datalinks (Beijing) Limited	Samoa	Investment holding	HK\$1	100%
ibe-Datalinks (H.K.) Limited	Hong Kong	Dormant	HK\$2	100%
ibe-Tech (BVI) Limited	British Virgin Islands	Investment holding	US\$1	100%
ibe-Tech Investments Limited	British Virgin Islands	Investment holding	US\$1	100% ^Δ
ibe-Tech Limited	Hong Kong	Dormant	HK\$2	100%
ISA Investments Limited	British Virgin Islands	Investment holding	US\$1	100%
Insightful Investments Limited	British Virgin Islands	Dormant	US\$1	100%
Intelligain Investments Limited	British Virgin Islands	Investment holding	US\$1	100%
Intelliocean Investments Limited	British Virgin Islands	Investment holding	US\$1	100%
International Enterprise Co. Limited	Hong Kong	Investment holding	Ordinary HK\$10 Non-voting deferred HK\$10,000	100%
Interseed Company Limited	Hong Kong	Property trading	HK\$2	100%
Invergarry Limited	Hong Kong	Dormant	HK\$2	100%
Irrewarra Holdings Limited	British Virgin Islands	Investment holding	US\$1	100%
Julian Holdings Limited	British Virgin Islands	Investment holding	US\$1	100%
KLN Container Line Limited	British Virgin Islands	Freight forwarding business	HK\$1,200,000	100%
Kanya Corp.	British Virgin Islands	Investment holding	US\$1,000	100%

36. GROUP STRUCTURE – SUBSIDIARIES (CONTINUED)

Name	Place of incorporation/ establishment	Principal activities and place of operation (if different from place of incorporation/ establishment)	Particulars of issued capital/ registered capital	Indirect interest held unless denoted with ^Δ
Kerry BCI Cold Store (Kwai Chung) Limited	Hong Kong	Warehouse ownership	HK\$10,000	60%
Kerry BCI Cold Store (Tsuen Wan) Limited	British Virgin Islands	Warehouse ownership in Hong Kong	US\$1	60%
Kerry BCI Warehouse (Tsuen Wan) Limited	British Virgin Islands	Warehouse ownership in Hong Kong	US\$1	60%
Kerry BCI Warehouse Holdings Limited	British Virgin Islands	Investment holding	HK\$10,000,000	60%
Kerry BCI Warehouse Limited	Hong Kong	Warehouse operation	HK\$20	60%
Kerry Beijing (Guang Hua) Ltd	Samoa	Investment holding	HK\$1,000,000	75%
Kerry Beijing (Shibalidian) Development Ltd.	Samoa	Investment holding	HK\$1	100%
^{λ^} Kerry Cao Jia Yan Properties (Shanghai) Co., Ltd.	The People's Republic of China	Property development	US\$13,400,000	100%
Kerry Cargo Centre Limited	Hong Kong	Warehouse ownership	HK\$2	100%
^{λ^*} Kerry Centre Real Estate (Shenzhen) Co. Ltd.	The People's Republic of China	Property investment	HK\$142,000,000	100%
Kerry Chemquest Investments Ltd.	British Virgin Islands	Investment holding	US\$1,000	100%
Kerry D.G. Warehouse (Kowloon Bay) Limited	Hong Kong	Warehouse ownership	HK\$20,000,000	100%
^{λ^} Kerry Development (Shanghai) Co., Ltd.	The People's Republic of China	Property trading	US\$40,000,000	100%
^{λ^*} Kerry Development (Shenzhen) Co., Ltd.	The People's Republic of China	Dormant	–	100%
Kerry Distribution (Hong Kong) Limited	Hong Kong	Provision of distribution services	HK\$500,000	100%
^{^*} Kerry Distribution (Thailand) Limited	Thailand	Provision of distribution services	Baht20,000,000	60%
Kerry Estate Management Limited	British Virgin Islands	Investment holding	HK\$10,000	100% ^Δ

36. GROUP STRUCTURE – SUBSIDIARIES (CONTINUED)

Name	Place of incorporation/ establishment	Principal activities and place of operation (if different from place of incorporation/ establishment)	Particulars of issued capital/ registered capital	Indirect interest held unless denoted with ^Δ
Kerry Facilities Management (Hong Kong) Limited	Hong Kong	Building management	HK\$2	100%
* Kerry Freight (Australia) Pty Ltd	Australia	Freight forwarding	A\$2	100%
Kerry Freight (Hong Kong) Limited	Hong Kong	Freight forwarding business	Ordinary HK\$10,000 Non-voting deferred HK\$2,750,000	100%
^Δ Kerry Freight (Korea) Inc.	Korea	Freight forwarding	Won500,000,000	50.999%
^Δ * Kerry Freight (Thailand) Limited	Thailand	Freight forwarding	Baht6,500,000	49% [#]
* Kerry Freight (USA) Inc.	Delaware, U.S.A.	Freight forwarding	US\$1	100%
Kerry Freight International Limited	Hong Kong	Freight forwarding	HK\$2	100%
Kerry Freight Services (China) Limited (formerly known as ibe-Datalinks Limited)	British Virgin Islands	Investment holding	HK\$1	100%
Kerry Freight Services (Europe) Limited (formerly known as Ocean Rocket Assets Limited)	British Virgin Islands	Investment holding	US\$1	100%
Kerry Freight Services (HKSAR) Limited	British Virgin Islands	Investment holding	US\$1	100%
Kerry Freight Services (Korea) Limited	British Virgin Islands	Investment holding	HK\$1	100%
Kerry Freight Services (Philippines) Limited	British Virgin Islands	Investment holding	US\$1	100%
Kerry Freight Services (Thailand) Limited	British Virgin Islands	Investment holding	HK\$1	100%
Kerry Freight Services (U.K.) Limited	British Virgin Islands	Investment holding	US\$1	100%
Kerry Freight Services (USA) Limited	British Virgin Islands	Investment holding	HK\$1	100%
Kerry Freight Services Limited	British Virgin Islands	Investment holding	HK\$1	100%
Kerry Fuzhou (Gutian) Ltd.	Samoa	Investment holding	HK\$6,000,000	100%

36. GROUP STRUCTURE – SUBSIDIARIES (CONTINUED)

Name	Place of incorporation/ establishment	Principal activities and place of operation (if different from place of incorporation/ establishment)	Particulars of issued capital/ registered capital	Indirect interest held unless denoted with ^Δ
Kerry Global Freight Limited	British Virgin Islands	Freight forwarding and agency business and customs brokerage	HK\$100,000	70%
Kerry Guangxi (Beihai) Ltd	Samoa	Investment holding	HK\$1,500,000	100%
Kerry Infrastructure (China) Limited	British Virgin Islands	Investment holding	HK\$10,000	100%
Kerry Infrastructure Limited	British Virgin Islands	Investment holding	HK\$595,026,381	100% ^Δ
* Kerry Logistics (Australia) Pty Ltd	Australia	Operation of logistics services, rail terminal and container depot	A\$2,000,000	100%
Kerry Logistics (Beijing) Ltd.	Samoa	Investment holding	US\$1	100%
Kerry Logistics (China) Limited	British Virgin Islands	Investment holding	US\$1	100%
Kerry Logistics (HKSAR) Limited	British Virgin Islands	Investment holding	US\$1	100%
Kerry Logistics (Hong Kong) Limited	Hong Kong	Provision of logistics services	HK\$10,000,000	100%
[^] * Kerry Logistics (Korea) Inc.	Korea	Dormant	Won100,000,000	100%
^{λ^} * Kerry Logistics (Shanghai Waigaoqiao) Co., Ltd.	The People's Republic of China	Operation of logistics business	HK\$1,600,000	100%
Kerry Logistics (Shenzhen Futian) Investments Ltd.	Samoa	Dormant	HK\$1	100%
Kerry Logistics (Shenzhen Yantian) Ltd.	Samoa	Investment holding	HK\$1	100%
[^] * Kerry Logistics (Thailand) Limited	Thailand	Logistics centre development	Baht135,000,000	60%
^{λ^} * Kerry Logistics (Tianjin) Co., Ltd.	The People's Republic of China	Operation of logistics business	HK\$1,600,000	100%
Kerry Logistics (Tianjin) Investments Ltd.	Samoa	Investment holding	HK\$10,000	100%
Kerry Logistics (Waigaoqiao) Ltd.	Samoa	Investment holding	HK\$1	100%
* Kerry Logistics Holdings (Australia) Pty Ltd	Australia	Investment holding	A\$100	100%

36. GROUP STRUCTURE – SUBSIDIARIES (CONTINUED)

Name	Place of incorporation/ establishment	Principal activities and place of operation (if different from place of incorporation/ establishment)	Particulars of issued capital/ registered capital	Indirect interest held unless denoted with ^Δ
Kerry Logistics Limited	British Virgin Islands	Investment holding	HK\$42,430,000	100%
Kerry Logistics Network Limited	Bermuda	Investment holding in Hong Kong	HK\$500,000	100% ^Δ
Kerry Logistics Services (Australia) Limited	British Virgin Islands	Investment holding	HK\$1	100%
Kerry Logistics Services (Korea) Limited	British Virgin Islands	Investment holding	HK\$1	100%
Kerry Logistics Services (Thailand) Limited	British Virgin Islands	Investment holding	HK\$1	100%
Kerry Logistics Services Limited	British Virgin Islands	Investment holding	US\$2	100%
Kerry Logistics Shanghai Corporation	Samoa	Dormant	HK\$1	100%
Kerry Overseas Project Management Limited (Jia Li Hai Wai Xiang Mu Guan Li Limited)	Liberia	Project management in Asia	US\$100	100%
Kerry Project Management (H.K.) Limited	Hong Kong	Project management	HK\$300,000	100%
Kerry Project Services Limited	Hong Kong	Project management	HK\$2	100%
Kerry Properties (Australia) Limited	British Virgin Islands	Investment holding	HK\$1	100%
Kerry Properties (China) Limited	British Virgin Islands	Investment holding	HK\$4,554,642,958	100% ^Δ
Kerry Properties (H.K.) Limited	Hong Kong	Investment holding	Ordinary HK\$1,000 Non-voting deferred HK\$200,000,000	100%
Kerry Properties (Hong Kong) Limited	British Virgin Islands	Investment holding	HK\$413,179	100% ^Δ
Kerry Properties (Philippines) Limited	British Virgin Islands	Investment holding	US\$1	100%
Kerry Properties (Shenzhen Central District) Ltd. (formerly known as Splendid Limited)	Samoa	Investment holding	HK\$1	100%

36. GROUP STRUCTURE – SUBSIDIARIES (CONTINUED)

Name	Place of incorporation/ establishment	Principal activities and place of operation (if different from place of incorporation/ establishment)	Particulars of issued capital/ registered capital	Indirect interest held unless denoted with ^Δ
^{λ^*} Kerry Properties (Shenzhen) Co., Ltd.	The People's Republic of China	Property trading and development	HK\$112,082,975	100%
Kerry Properties (Sydney) Pty Ltd	Australia	Investment holding	A\$1	100%
Kerry Properties Beijing Kerry Centre Ltd.	Samoa	Dormant	HK\$1	100%
Kerry Properties Capital Limited	British Virgin Islands	Group financing in Hong Kong	US\$10,000	100%
^{λ^} Kerry Properties Development Management (Shanghai) Co., Ltd.	The People's Republic of China	Real estate management	US\$350,000	100%
Kerry Properties Finance Limited	British Virgin Islands	Dormant	US\$10,000	100%
Kerry Properties International Limited	British Virgin Islands	Investment holding	HK\$1	100% ^Δ
Kerry Properties Investments Limited	British Virgin Islands	Dormant	US\$1	100%
Kerry Properties Nominees Limited	British Virgin Islands	Provision of nominee services	HK\$1,000	100%
Kerry Properties Shenzhen Kerry Centre Limited	Hong Kong	Investment holding	HK\$5,000,000	100%
Kerry Properties Treasury Limited	British Virgin Islands	Group financing	HK\$4,670,665,187	100% ^Δ
Kerry Property Management Services Limited	Hong Kong	Property management	HK\$20	100%
Kerry Real Estate Agency Limited	Hong Kong	Estate agency	HK\$2	100%
^{λ^} Kerry Real Estate Development (Suzhou) Co., Ltd.	The People's Republic of China	Dormant	RMB23,000,000	100%
^{λ^*} Kerry Real Estate Management (Shenzhen) Ltd.	The People's Republic of China	Real estate management	HK\$3,000,000	100%
Kerry Real Estate Services (Beijing) Ltd.	Samoa	Dormant	HK\$1	100%
Kerry Real Estate Services (Shanghai) Ltd.	Samoa	Investment holding	HK\$1	100%

36. GROUP STRUCTURE – SUBSIDIARIES (CONTINUED)

Name	Place of incorporation/ establishment	Principal activities and place of operation (if different from place of incorporation/ establishment)	Particulars of issued capital/ registered capital	Indirect interest held unless denoted with ^Δ
Kerry Real Estate Services (Shenzhen) Ltd.	Samoa	Investment holding	HK\$1	100%
Kerry Shanghai (Cao Jia Yan) Ltd.	Samoa	Investment holding	US\$2	100%
Kerry Shanghai (Caohejing) Ltd.	Samoa	Dormant	HK\$1	100%
Kerry Shanghai (Heng Shan) Ltd. (formerly known as Kerry Shanghai (Anyi) Ltd.)	Samoa	Dormant	HK\$1	100%
Kerry Shanghai (Hongkou) Ltd.	Samoa	Investment holding	HK\$6,000,000	60%
Kerry Shanghai (Jingan Beili) Ltd	Samoa	Investment holding	HK\$1,000,000	75%
Kerry Shanghai Development Ltd	Samoa	Investment holding	HK\$1,000,000	100%
Kerry Suzhou (Gucheng) Ltd	Samoa	Investment holding	HK\$1,000,000	100%
Kerry Warehouse (Chai Wan) Limited	Hong Kong	Warehouse ownership	HK\$10,000,000	100%
Kerry Warehouse (Fanling 1) Limited	Hong Kong	Warehouse ownership	HK\$2	100%
Kerry Warehouse (Fanling 2) Limited	Hong Kong	Warehouse ownership	HK\$2	100%
Kerry Warehouse (HKSAR) Limited	British Virgin Islands	Investment holding	HK\$1	100%
Kerry Warehouse (Hong Kong) Limited	Hong Kong	Warehouse operation	HK\$25,000,000	100%
Kerry Warehouse (Kwai Chung) Limited	Hong Kong	Warehouse ownership	HK\$30,000	100%
Kerry Warehouse (Shanghai) Ltd. (formerly known as Kerry Logistics (Shanghai) Ltd.)	Samoa	Investment holding	HK\$1	100%
Kerry Warehouse (Shatin) Limited	Hong Kong	Warehouse ownership	HK\$10,000,000	100%
Kerry Warehouse (Sheung Shui) Limited	Hong Kong	Warehouse ownership	HK\$5,000,000	100%

36. GROUP STRUCTURE – SUBSIDIARIES (CONTINUED)

Name	Place of incorporation/ establishment	Principal activities and place of operation (if different from place of incorporation/ establishment)	Particulars of issued capital/ registered capital	Indirect interest held unless denoted with ^Δ
Kerry Warehouse (Tsuen Wan) Limited	Hong Kong	Warehouse ownership	HK\$2	100%
Kerry Warehouse (Yuen Long 1) Limited	Hong Kong	Warehouse ownership	HK\$2	100%
Kerry Warehouse (Yuen Long 2) Limited	Hong Kong	Dormant	HK\$2	100%
Kerry Warehouse Limited	British Virgin Islands	Investment holding	US\$1	100%
Kildare Limited (formerly known as Flopina Company Limited)	Hong Kong	Property trading	HK\$2	100%
Kimberley Inc.	British Virgin Islands	Investment holding	US\$1,000	100%
La Corte Investments Limited	British Virgin Islands	Investment holding	US\$1	100%
Licotar Company Limited	Hong Kong	Dormant	HK\$2	100%
LINC Group Holdings Limited	Hong Kong	Dormant	HK\$20	100%
[^] * Logistics (Thailand) Limited	Thailand	Investment holding	Common Baht49,000 Preference Baht51,000	49% [#]
Longstone Holdings Limited	British Virgin Islands	Investment holding	US\$100	100%
Lynart Group Limited	British Virgin Islands	Investment holding	HK\$10,000	100%
Mable Road Company Limited	Hong Kong	Property investment	Ordinary HK\$10 Non-voting deferred HK\$10,000	100%
Madigan Company Limited	Hong Kong	Property trading	HK\$2	100%
Magnifair Company Limited	Hong Kong	Dormant	HK\$10,000	100%
Mainco Management Limited	Hong Kong	Building management	HK\$10,000	60%
Malbridge Development Limited	Hong Kong	Dormant	HK\$100	100%
Maple Crest Development Limited	British Virgin Islands	Investment holding and property trading in Hong Kong	US\$120	75%
Marrakesh Limited	British Virgin Islands	Investment holding	US\$1	100%

36. GROUP STRUCTURE – SUBSIDIARIES (CONTINUED)

Name	Place of incorporation/ establishment	Principal activities and place of operation (if different from place of incorporation/ establishment)	Particulars of issued capital/ registered capital	Indirect interest held unless denoted with ^Δ
Mazlo Holdings Limited	British Virgin Islands	Investment holding	US\$1	100%
Merlin Limited	Samoa	Investment holding in the People's Republic of China	HK\$1,000,000	100%
Mid-Levels Portfolio (Aigburth) Holdings Limited	British Virgin Islands	Investment holding	US\$1	100%
Mid-Levels Portfolio (Aigburth) Limited	Cook Islands	Property investment in Hong Kong	US\$9	100%
Mid-Levels Portfolio (Branksome) Holdings Limited	British Virgin Islands	Investment holding	US\$1	100%
Mid-Levels Portfolio (Branksome) Limited	Hong Kong	Property investment and development	HK\$1,000	100%
Mid-Levels Portfolio (Century Tower II) Holdings Limited	British Virgin Islands	Investment holding	US\$1	100%
Mid-Levels Portfolio (Gladdon) Holdings Limited	British Virgin Islands	Investment holding	US\$1	100%
Mid-Levels Portfolio (Gladdon) Limited	Hong Kong	Property investment	HK\$1,000	100%
Mid-Levels Portfolio (May Tower I) Holdings Limited	British Virgin Islands	Investment holding	US\$1	100%
Mid-Levels Portfolio (May Tower I) Limited	Hong Kong	Dormant	HK\$100	100%
Mid-Levels Portfolio (Tavistock) Holdings Limited	British Virgin Islands	Investment holding	US\$1	100%
Mid-Levels Portfolio (Tavistock) Limited	Hong Kong	Property investment	HK\$1,000	100%
Mid-Levels Portfolio (Tregunter Towers 1 & 2) Holdings Limited	British Virgin Islands	Investment holding	US\$100	100%
Mid-Levels Portfolio (Tregunter Towers 1 & 2) Limited	British Virgin Islands	Property investment in Hong Kong	US\$1	100%
Mid-Levels Portfolio (Valverde) Holdings Limited	British Virgin Islands	Investment holding	US\$1	100%

36. GROUP STRUCTURE – SUBSIDIARIES (CONTINUED)

Name	Place of incorporation/ establishment	Principal activities and place of operation (if different from place of incorporation/ establishment)	Particulars of issued capital/ registered capital	Indirect interest held unless denoted with ^Δ
Mid-Levels Portfolio (Valverde) Limited	Hong Kong	Property investment and trading	HK\$1,000	100%
Mid-Levels Portfolio Holdings Limited	British Virgin Islands	Investment holding	US\$1	100%
Mighty Gold Investments Limited	British Virgin Islands	Investment holding	US\$1	100%
Muman Holdings Limited (formerly known as Mid-Levels Portfolio (May Tower II) Holdings Limited)	British Virgin Islands	Investment holding	US\$1	100%
NMC 6 Limited	British Virgin Islands	Property investment in Hong Kong	Ordinary US\$1	100%
NMC 7 Limited	British Virgin Islands	Property investment in Hong Kong	Ordinary US\$1	100%
NMC 8 Limited	British Virgin Islands	Property investment in Hong Kong	Ordinary US\$1	100%
NMC 9 Limited	British Virgin Islands	Property investment in Hong Kong	Ordinary US\$1	100%
Nettlefold Limited	British Virgin Islands	Investment holding	US\$10,000	100%
Newtonmore Investments Limited	British Virgin Islands	Investment holding	HK\$1	100%
Nite Lites Limited	British Virgin Islands	Investment holding	HK\$10,000	100%
Norbiton Group Limited	British Virgin Islands	Investment holding	HK\$10,000	100%
Norminster Limited	Hong Kong	Investment holding	HK\$1,000	100%
Norwarth Investments Limited	British Virgin Islands	Investment holding	US\$1	100%
Ocean City Investments Limited	British Virgin Islands	Investment holding	US\$1	75%
Olsen Holdings Limited	British Virgin Islands	Investment holding	US\$1	100%
Omisoka Holdings Limited	British Virgin Islands	Investment holding	US\$1	100%
Pacific Worth Group Limited	British Virgin Islands	Investment holding	US\$1	100%
Pembroke Development Investments Limited	British Virgin Islands	Investment holding in Hong Kong	HK\$10,000	100%
Pettico Limited	Hong Kong	Provision of finance services	HK\$20	100%
Pirton Resources Limited	British Virgin Islands	Investment holding	US\$1	100%

36. GROUP STRUCTURE – SUBSIDIARIES (CONTINUED)

Name	Place of incorporation/ establishment	Principal activities and place of operation (if different from place of incorporation/ establishment)	Particulars of issued capital/ registered capital	Indirect interest held unless denoted with ^Δ
Pola Company Limited	British Virgin Islands	Investment holding	US\$1,000	100%
Ponnelle Limited	British Virgin Islands	Investment holding	US\$1	100%
Port Destiny Limited	Hong Kong	Property trading	HK\$2	100%
Powerful Might Investments Limited	Hong Kong	Dormant	HK\$2	100%
Princeton Investment Company Limited	Hong Kong	Property ownership	HK\$2	100%
Prismatic Limited	Hong Kong	Property development	HK\$20	100%
Quintoll Limited	British Virgin Islands	Investment holding	US\$1	100%
Rayhay Company Limited	Hong Kong	Dormant	HK\$2	100%
Renmark Limited	British Virgin Islands	Investment holding	US\$1	100%
Rhosilli Company Limited	Hong Kong	Dormant	HK\$2	100%
Rightful Investments Limited	British Virgin Islands	Investment holding	US\$1	100%
^{λ^*} Risenland Development (Fuzhou) Co., Ltd.	The People's Republic of China	Property development	HK\$44,000,000	100%
Riversfield Holdings Limited	British Virgin Islands	Investment holding	US\$1	100%
Rodder Holdings Limited	British Virgin Islands	Investment holding	US\$1	100%
Roving Spirit Limited	British Virgin Islands	Investment holding	HK\$10,000	100%
SageMan Limited	British Virgin Islands	Investment holding	US\$1	100%
Scene View Limited	British Virgin Islands	Investment holding	US\$1	100%
Sedan Chair Limited	British Virgin Islands	Investment holding	HK\$10,000	100%
Senworld Investment Limited	Hong Kong	Property investment	HK\$2	100%
Shabu Inc.	British Virgin Islands	Investment holding	US\$1	100%
^{μ^*} Shanghai Gang Hu Properties Co., Ltd.	The People's Republic of China	Property investment and development	US\$155,300,000	54.45%
^{μ^*} Shanghai Kerry Real Estate Development Co., Ltd.	The People's Republic of China	Property investment	US\$12,000,000	55.20%

36. GROUP STRUCTURE – SUBSIDIARIES (CONTINUED)

Name	Place of incorporation/ establishment	Principal activities and place of operation (if different from place of incorporation/ establishment)	Particulars of issued capital/ registered capital	Indirect interest held unless denoted with ^Δ
^{μ^} Shanghai Xin Ci Hou Properties Co., Ltd.	The People's Republic of China	Property investment	US\$60,000,000	74.25%
^{μ^*} Shenzhen Kerry Yantian Port Logistics Company Limited	The People's Republic of China	Logistics centre development	RMB88,000,000	55%
Shine Concept Investments Limited	British Virgin Islands	Investment holding	US\$1	100%
Siemens Holdings Limited	British Virgin Islands	Investment holding	US\$1	100%
Silverstone Assets Limited	British Virgin Islands	Investment holding in Hong Kong	US\$100,000	100%
Sky Wealth Investments Limited	British Virgin Islands	Investment holding	US\$1	100%
Sophonica International Corp.	British Virgin Islands	Dormant	US\$1	100%
Southwark Profits Limited	British Virgin Islands	Investment holding	US\$100	100%
Spring Champion Limited	British Virgin Islands	Investment holding	US\$1	100%
Taskan Limited	Hong Kong	Property holding	HK\$2	100%
Tellico Investment Limited	Liberia	Investment holding	US\$1	100%
Tellson International Limited	British Virgin Islands	Investment holding	US\$1	100%
Templepatrick Limited (formerly known as Mid-Levels Portfolio (Century Tower II) Limited)	Hong Kong	Financing	HK\$100	100%
Terowie Holdings Limited	British Virgin Islands	Investment holding	HK\$10,000	100%
Toccate Company Limited	Hong Kong	Group financing	Ordinary HK\$10 Non-voting deferred HK\$1,000,000	100%
Torres Investments Limited	British Virgin Islands	Investment holding	HK\$10,000	100%
Travel Aim Investment B.V.	Netherlands	Investment holding	NLG40,000	100%
Trebanos Investment Company Limited	Hong Kong	Property investment	HK\$2	100%
Trident International Limited	United Kingdom	Sea and air freight forwarding	£20,000	91%
Twindale Limited	British Virgin Islands	Investment holding	US\$1	100%
Ubagan Limited	Hong Kong	Dormant	HK\$10,000	100%
Upsmart Investments Limited	Hong Kong	Lease holding	HK\$2	100%

36. GROUP STRUCTURE – SUBSIDIARIES (CONTINUED)

Name	Place of incorporation/ establishment	Principal activities and place of operation (if different from place of incorporation/ establishment)	Particulars of issued capital/ registered capital	Indirect interest held unless denoted with ^Δ
Viola Developments Limited	British Virgin Islands	Investment holding	US\$1	100%
Washers Limited	British Virgin Islands	Investment holding	HK\$10,000	100%
Win House Industries Limited	Hong Kong	Provision of construction work	HK\$1,000,000	100%
Win House/Kai Tai (Joint Venture) Company Limited	Hong Kong	Provision of construction work	HK\$100	75%
Wing Tak Cheung Limited	Hong Kong	Property development	HK\$10,000	100%
Wing Tsing Financial Services Limited	British Virgin Islands	Group financing in Hong Kong	US\$1	100%
Wirabay Limited	British Virgin Islands	Provision of trustee services	US\$1	100%
Wiseside Investment Company Limited	Hong Kong	Property investment	HK\$2	75%
Woody Company Limited	Hong Kong	Property investment	HK\$2	100%
Wymer Limited	British Virgin Islands	Investment holding	US\$5,000	100%
Yanawa Limited	British Virgin Islands	Investment holding	US\$1	100%
Ying He Company Limited	Hong Kong	Investment holding	Ordinary HK\$10 Non-voting deferred HK\$21,000,000	100%
Zinnerman Limited	British Virgin Islands	Investment holding	US\$1	100%

* companies not audited by PricewaterhouseCoopers

^ English translation of name only

deemed subsidiary

Δ direct interest

λ wholly foreign-owned enterprise

μ sino-foreign equity joint venture enterprise

37. GROUP STRUCTURE – ASSOCIATED COMPANIES

At 31 December 2002, the Company held interests in the following associated companies:

Name	Place of incorporation/ establishment	Principal activities and place of operation (if different from place of incorporation/ establishment)	Particulars of class of issued shares/ registered capital	Interest held indirectly
Adwood Company Limited	Hong Kong	Investment holding	10 shares of HK\$10 each	30%
*± Ariel Investments Limited	Hong Kong	Investment holding	1,000,000 shares of HK\$1 each	45%
± Asia Airfreight Services Limited	Hong Kong	Provision of air cargo services	10,000 shares of HK\$1 each	15% ^β
± Asia Airfreight Terminal Company Limited	Hong Kong	Air cargo handling terminal operation	360,000,000 shares of HK\$1 each	15% ^β
Bay Tower Properties Limited	British Virgin Islands	Investment holding	1,000 shares of US\$1 each	33.33%
^μ * Beijing BHL Logistics Limited	The People's Republic of China	Land resettlement	US\$20,000,000	20%
* Benefit Bright (B.V.I.) Limited	British Virgin Islands	Investment holding in Hong Kong	1,000 shares of US\$1 each	32.50%
* Benefit Bright Limited	Hong Kong	Property investment and trading	2 shares of HK\$1 each	32.50%
Brisbane Trading Company Limited	Hong Kong	Property development and trading	100,000 ordinary shares of HK\$10 each 108,376,196 non-voting deferred shares of HK\$1 each	50%
* Capital Fun Limited	Hong Kong	Provision of nominee services	2 shares of HK\$1 each	20%
* Cardiff Investments Limited	Hong Kong	Investment holding	100,000 shares of HK\$1 each	30%
* Cavalcade Holdings Limited	British Virgin Islands	Investment holding	100 shares of US\$1 each	45%
Cheerjoy Development Limited	Hong Kong	Property development	2 shares of HK\$1 each	35%
^μ * Chiwan Container Terminal Co., Ltd.	The People's Republic of China	Port terminal operation	US\$44,000,000	25%
Cushion Company Limited	Hong Kong	Dormant	10,000 shares of HK\$1 each	33.33%

37. GROUP STRUCTURE – ASSOCIATED COMPANIES (CONTINUED)

Name	Place of incorporation/ establishment	Principal activities and place of operation (if different from place of incorporation/establishment)	Particulars of class of issued shares/ registered capital	Interest held indirectly
EDSA Parking Services, Inc.	Philippines	Carpark operations	2,500 shares of Pesos 100 each	39.12%
EDSA Properties Holdings Inc.	Philippines	Property development, investment holding and real estate management	4,215,222,612 shares of Peso 1 each	39.12%
EPHI Logistics Holdings, Inc.	Philippines	Dormant	15,000 shares of Pesos 100 each	40% ^Δ
* Enterprico Investment Limited	Hong Kong	Loan financing	100,000 ordinary shares of HK\$1 each	45%
*± Grand Creator Investment (BVI) Limited	British Virgin Islands	Investment holding	10 shares of US\$1 each	40%
*± Grand Creator Investment Limited	Hong Kong	Property development	2 shares of HK\$1 each	40%
*± Hang Hau Station (Project Management) Limited	Hong Kong	Project management	2 shares of HK\$1 each	40%
*± Hang Hau Station Construction Limited	Hong Kong	Dormant	2 shares of HK\$1 each	40%
* Harvest Sun (B.V.I.) Limited	British Virgin Islands	Investment holding in Hong Kong	100 shares of US\$1 each	20%
* Harvest Sun Limited	Hong Kong	Property investment and trading	2 shares of HK\$1 each	20%
Hilaire Inc.	British Virgin Islands	Investment holding	900 shares of US\$1 each	33.33%
Hong Kong International Logistics Centre Limited	Hong Kong	Dormant	10 shares of HK\$1 each	30%
± Hong Kong Tunnels and Highways Management Company Limited	Hong Kong	Tunnel management	1,000,000 shares of HK\$1 each	15% ^β
*± Jacksons Landing Development Pty. Limited	Australia	Property development	400 ordinary shares of A\$1 each	25%
*± Jacksons Landing Estate Management Pty Limited	Australia	Property management	10 ordinary shares of A\$1 each	25%
^μ * Kerry BHL Logistics Limited	The People's Republic of China	Provision of logistics services	US\$2,650,000	50%

37. GROUP STRUCTURE – ASSOCIATED COMPANIES (CONTINUED)

Name	Place of incorporation/ establishment	Principal activities and place of operation (if different from place of incorporation/ establishment)	Particulars of class of issued shares/ registered capital	Interest held indirectly
* Kerry Hung Kai Warehouse (Cheung Sha Wan) Limited	Hong Kong	Warehouse operation	5,000,000 shares of HK\$1 each	50%
* Kosco Limited	British Virgin Islands	Provision of nominee services	1 share of US\$1	32.50%
* KUMM International Co., Ltd.	Samoa	Investment holding	7,000,000 shares of US\$1 each	25%
* Olympian City 1 (Project Management) Limited	Hong Kong	Project management	2 shares of HK\$1 each	20%
* Olympian City 1 Management Company Limited	Hong Kong	Leasing and estate management	2 shares of HK\$1 each	20%
* Olympian City 2 (Project Management) Limited	Hong Kong	Project management	2 shares of HK\$1 each	32.50%
* Olympian City 2 Finance Company Limited	Hong Kong	Provision of finance services	1,000 shares of HK\$1 each	38.20%
* Olympian City 2 Management Company Limited	Hong Kong	Leasing and estate management	1,000 shares of HK\$1 each	32.50%
Point Perfect Investments Limited	British Virgin Islands	Investment holding	10 shares of US\$1 each	35%
Portstewart Limited (formerly known as iBe-Datalinks Management Limited)	Hong Kong	Provision of finance services	2 shares of HK\$1 each	50%
*± Reca Limited	British Virgin Islands	Provision of nominee services	1 share of US\$1	40%
Shangri-La Plaza Corporation	Philippines	Operation of shopping mall and other related activities	1,354,500,000 preferred shares of Peso 1 each 235,000,000 common shares of Peso 1 each	30.80%
λ* Tianjin Jialing Union Industries Co., Ltd.	The People's Republic of China	Property holding	US\$6,900,000	25%
± Time Rank Limited	Hong Kong	Property trading	2 shares of HK\$1 each	50%
* Top Spring Development (Beijing) Limited	Hong Kong	Investment holding	22,000,000 shares of HK\$1 each	25%

37. GROUP STRUCTURE – ASSOCIATED COMPANIES (CONTINUED)

Name	Place of incorporation/ establishment	Principal activities and place of operation (if different from place of incorporation/ establishment)	Particulars of class of issued shares/ registered capital	Interest held indirectly
* Twin Luck Worldwide Ltd.	British Virgin Islands	Investment holding	2 shares of US\$1 each	50%
± Western Harbour Tunnel Company Limited	Hong Kong	Tunnel operation and management	40,000,000 shares of HK\$10 each	15% ^β
* Win Chanford Enterprises Limited	Hong Kong	Property investment	1,000,000 ordinary shares of HK\$1 each	45%
* Wolver Hollow Company Limited	Hong Kong	Warehouse ownership	10,000 shares of HK\$1 each	50%
*± Wu Wing International Company, Limited	Hong Kong	Property trading and investment	30,000,000 shares of HK\$1 each	45%

* companies not audited by PricewaterhouseCoopers

^ English translation of name only

β deemed associated company

λ wholly foreign-owned enterprise

μ sino-foreign equity joint venture enterprise

± companies having a financial accounting period which is not coterminous with the Group

Δ being the interest fully controlled by the Group