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The Directors of Kerry Properties Limited (the "Company") are pleased to announce the unaudited interim results of the Company, its subsidiaries and associated companies (the "Group") for the six months ended 30 June 2003. The Audit Committee of the Board, comprising of all the independent non-executive directors of the Company, has also met to review the results and the financial statements of the Group for the six months ended 30 June 2003 prior to recommending them to the Board for approval.

The loss attributable to shareholders for the six months ended 30 June 2003 was HK\$591 million, as compared to a profit attributable to shareholders of HK\$366 million (as restated) for the corresponding six months period ended 30 June 2002. The revaluation deficits, provisions and the deferred tax credit referred to below resulted in total charges of approximately HK\$975 million to the Group for the six months ended 30 June 2003. Excluding these factors, profit attributable to shareholders for the six months ended 30 June 2003 amounted to approximately HK\$384 million. As announced on 13 June 2003, as a result of the adoption of the Statement of Standard Accounting Practice ("SSAP") 12 (revised) in Hong Kong, an additional provision of HK\$1.2 billion has been retrospectively made for the deferred tax liability as at 31 December 2002. Profit attributable to shareholders for the year ended 31 December 2002 was restated at approximately HK\$600 million and shareholders' funds as at 31 December 2002 was restated at HK\$19.8 billion.

The decrease in the Group's earnings for the six months ended 30 June 2003 was mainly due to the deficits arising from revaluation as at 30 April 2003 of the Group's investment properties, hotel properties and other land and buildings amounting to HK\$914 million (which have been charged to the consolidated profit and loss account during the period) and additional provisions of HK\$55 million and HK\$137 million for the Constellation Cove project in Tai Po Kau, Hong Kong and for a decline in the carrying value of associated companies, respectively. The Group's loss attributable to shareholders was also offset by a deferred tax credit of HK\$131 million which arose from the adoption of SSAP 12 (revised).

The Group carried out a revaluation of its investment properties, hotel properties and other land and buildings as at 30 April 2003 in view of the proposed privatisation of the Company by its substantial shareholder, Kerry Holdings Limited. This revaluation of the Group's properties was carried out in accordance with the requirements of the Hong Kong Code on Takeovers and Mergers and was not required under Hong Kong accounting standards followed by the Group in the preparation of its accounts. Shareholders are advised that such interim revaluations would not be done under normal circumstances. The Group will continue to carry out annual revaluations of its properties at its financial year ends in accordance with the requirements of Hong Kong accounting standards.

Loss per share for the period was HK50.39 cents as compared to earnings per share of HK31.58 cents (as restated) for the corresponding period in 2002. The basis of calculating the loss per share is detailed in note 6 below.

The Directors have declared an interim dividend of HK13 cents per share in cash for the six months ended 30 June 2003 (2002: HK18 cents) payable on Tuesday, 11 November 2003, to shareholders whose names appear on the registers of members of the Company on Thursday, 2 October 2003, with a scrip alternative to offer the right to shareholders to elect to receive such interim dividend wholly or partly by allotment of new shares credited as fully paid in lieu of cash.

A circular containing details of the scrip dividend scheme together with the relevant election form, where applicable, will be sent to each shareholder on or about Monday, 13 October 2003. The scrip dividend scheme is subject to the following conditions: (a) the issue price of a new share to be issued pursuant thereto being not less than the nominal value of a share of the Company; and (b) the granting by the Listing Committee of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") of the listing of and permission to deal in the new shares to be issued pursuant thereto.

At the Company's Annual General Meeting held on 15 April 2003, shareholders approved the final dividend of HK12 cents per share for the year ended 31 December 2002 amounting to a total of HK\$140 million. Shareholders were given a scrip alternative to receive such final dividend wholly or partly by allotment of new shares credited as fully paid in lieu of cash. A total of 13,925,576 shares were issued on 30 May 2003 at a price of HK\$8.37 per share (being the average of the closing price of the five consecutive trading days immediately preceding and including 30 April 2003), which was equivalent in total to HK\$116 million in value, pursuant to this dividend scheme. The dividend payable in cash amounting to HK\$24 million was paid on 30 May 2003.

## UNAUDITED INTERIM RESULTS

### CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Notes	Unaudited	
		Six months ended 30 June 2003	2002 (Restated)
		HK\$'000	HK\$'000
Turnover	2	<b>1,814,468</b>	3,091,972
Cost of sales		<b>(545,501)</b>	(1,717,993)
Direct operating expenses		<b>(719,114)</b>	(595,266)
Gross profit		<b>549,853</b>	778,713
Other revenues		<b>14,368</b>	29,189
Other income		<b>20,165</b>	20,451
Provision in respect of stock of completed properties held for sale		<b>(69,346)</b>	(133,000)
Revaluation deficit on properties		<b>(962,458)</b>	–
Administrative expenses		<b>(126,103)</b>	(150,132)
Operating (loss)/profit before finance costs		<b>(573,521)</b>	545,221
Finance costs		<b>(95,550)</b>	(126,909)
Operating (loss)/profit	2, 3	<b>(669,071)</b>	418,312
Share of results of associated companies			
– share of profits less losses		<b>115,700</b>	39,609
– provision for decline in carrying value		<b>(136,585)</b>	–
		<b>(20,885)</b>	39,609
(Loss)/profit before taxation		<b>(689,956)</b>	457,921
Taxation	4	<b>73,267</b>	(86,055)
(Loss)/profit after taxation		<b>(616,689)</b>	371,866
Minority interests		<b>25,627</b>	(6,094)
(Loss)/profit attributable to shareholders		<b>(591,062)</b>	365,772
Transfer to reserves	5	<b>(8,783)</b>	(3,933)
		<b>(599,845)</b>	361,839
Interim dividend		<b>153,990</b>	210,665
(Loss)/earnings per share	6	<b>(50.39) cents</b>	31.58 cents
Interim dividend per share		<b>13 cents</b>	18 cents

## CONSOLIDATED BALANCE SHEET

	Notes	Unaudited 30 June 2003 HK\$'000	Restated 31 December 2002 HK\$'000
Intangible assets		<b>(43,678)</b>	45,004
Fixed assets		<b>20,479,579</b>	20,890,174
Associated companies		<b>4,799,797</b>	5,080,824
Other non-current assets		<b>1,475,493</b>	1,589,987
Current assets			
Stock of completed properties held for sale		<b>878,717</b>	1,363,328
Properties under development for sale		<b>590,145</b>	591,273
Accounts receivable, prepayments and deposits	7	<b>774,389</b>	862,038
Tax recoverable		<b>40,738</b>	30,764
Trading securities		<b>2,166</b>	2,043
Pledged bank deposits		<b>35,154</b>	70,450
Cash and bank balances		<b>1,289,612</b>	1,353,744
		<b>3,610,921</b>	4,273,640
Current liabilities			
Accounts payable, deposits received and accrued charges	8	<b>1,275,491</b>	1,415,574
Taxation		<b>92,468</b>	109,533
Short-term bank loans and current portion of long-term bank loans	9	<b>1,156,192</b>	1,335,481
Unsecured bank overdrafts		<b>–</b>	2,949
		<b>2,524,151</b>	2,863,537
Net current assets		<b>1,086,770</b>	1,410,103
Total assets less current liabilities		<b>27,797,961</b>	29,016,092
Financed by:			
Share capital		<b>1,184,540</b>	1,170,551
Share premium		<b>3,581,009</b>	3,478,011
Other reserves		<b>9,180,353</b>	9,386,344
Retained profits		<b>4,867,223</b>	5,621,058
Proposed dividend		<b>153,990</b>	140,466
Shareholders' funds		<b>18,967,115</b>	19,796,430
Minority interests and loans		<b>2,499,693</b>	2,816,623
Long-term liabilities	9	<b>21,466,808</b>	22,613,053
Deferred taxation		<b>5,765,349</b>	5,719,091
		<b>565,804</b>	683,948
		<b>27,797,961</b>	29,016,092

## FINANCIAL HIGHLIGHTS

	Notes	Unaudited 30 June 2003 HK\$M	Restated 31 December 2002 HK\$M
Shareholders' equity		<b>18,967</b>	19,796
Net borrowings		<b>5,597</b>	5,633
Net asset value per share		<b>HK\$16.01</b>	HK\$16.91
Gearing		<b>29.5%</b>	28.5%
Issued shares (in millions)		<b>1,185</b>	1,171

## CONSOLIDATED CASH FLOW STATEMENT

	Unaudited	
	Six months ended 30 June	
	2003	2002
	HK\$'000	HK\$'000
<b>Cash flows from operating activities</b>		
Cash generated from operations	854,030	1,715,478
Interest paid	(137,235)	(148,561)
Profits tax paid	(63,626)	(16,999)
Net cash from operating activities	653,169	1,549,918
<b>Cash flows from investing activities</b>		
Purchase of fixed assets, excluding interest capitalised	(782,149)	(117,316)
Purchase of subsidiaries (net of cash and cash equivalents acquired)	–	(45,196)
Purchase of additional interest in subsidiaries	(110,000)	–
Additional investments in associated companies	(7,070)	(16,578)
Repayment of loans from/(loans to) associated companies	280,360	(11,542)
Purchase of long-term investments	(1,655)	(1,700)
(Loans to)/repayment of loans from investee companies	(700)	700
Increase in long-term receivables	(23,983)	–
Proceeds from sale of listed equity shares	–	1,661
Proceeds from sale of fixed assets	35,684	53,722
Proceeds from sale of long-term investments	18,573	–
Interest received	10,566	12,748
Dividends received from associated companies	6,482	37,579
Dividends received from unlisted investments	3,750	18,219
Dividends received from listed investments	56	61
Net cash used in investing activities	(570,086)	(67,642)
<b>Cash flows from financing activities</b>		
Proceeds from issuance of share capital	430	334
Repayment of bank loans	(1,345,456)	(6,663,132)
Drawdown of bank loans	1,205,410	6,001,888
Redemption of convertible bonds	–	(1,993,282)
Capital contribution from minority shareholders	474	41,380
(Repayment of loans to)/additional loans from minority shareholders	(14,247)	37,970
Dividends paid	(23,909)	(19,250)
Dividends paid to minority shareholders	(2,264)	(200)
Net cash used in financing activities	(179,562)	(2,594,292)
<b>Net decrease in cash and cash equivalents</b>	(96,479)	(1,112,016)
<b>Cash and cash equivalents at 1 January</b>	1,421,245	2,291,620
<b>Cash and cash equivalents at 30 June</b>	1,324,766	1,179,604
<b>Analysis of cash and cash equivalents</b>		
Pledged bank deposits	35,154	59,229
Cash and bank balances	1,289,612	1,121,977
Unsecured bank overdrafts	–	(1,602)
	1,324,766	1,179,604

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited	
	2003	2002
	<i>HK\$'000</i>	(Restated) <i>HK\$'000</i>
Total equity as at 1 January as previously reported	<b>21,000,570</b>	21,897,390
Change in accounting policy ( <i>note 1</i> )		
– provision for net deferred tax liabilities	<b>(1,204,140)</b>	(1,081,231)
Total equity as at 1 January as restated	<b>19,796,430</b>	20,816,159
Revaluation deficit on properties charged to revaluation reserves	<b>(124,049)</b>	–
Deferred tax charged to revaluation reserves	–	(30,067)
Adjustment on revaluation of investment properties	–	11,017
Revaluation deficit on non-trading securities	<b>(120,619)</b>	(11,738)
Exchange differences arising on translation of the PRC and overseas subsidiaries and associated companies	<b>29,894</b>	127,071
Net (losses)/gains not recognised in the profit and loss account	<b>(214,774)</b>	96,283
(Loss)/profit attributable to shareholders	<b>(591,062)</b>	365,772
Relevant portion of properties revaluation reserves realised in the profit and loss account on disposal of properties	–	(10,694)
Dividends	<b>(140,466)</b>	(138,687)
Issue of share capital	<b>116,987</b>	119,772
	<b>(614,541)</b>	336,163
Total equity as at 30 June	<b><u>18,967,115</u></b>	<b><u>21,248,605</u></b>

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## NOTES TO THE ACCOUNTS

### 1. Principal Accounting Policies

These unaudited consolidated interim accounts are prepared in accordance with SSAP 25 – “Interim financial reporting” issued by the Hong Kong Society of Accountants and Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

These condensed interim accounts should be read in conjunction with the 2002 annual financial statements.

The accounting policies and methods of computation used in the preparation of these condensed interim accounts are consistent with those used in the annual accounts for the year ended 31 December 2002 except that the Group has adopted SSAP 12 (revised) – “Income taxes” issued by the Hong Kong Society of Accountants which is effective for accounting periods commencing on or after 1 January 2003.

Under SSAP 12 (revised), deferred taxation must be provided for in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities (i.e. amounts attributed to those assets and liabilities for taxation purposes) and their carrying amounts in the financial statements. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred taxation is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Prior to the adoption of SSAP 12 (revised), the Group’s accounting policy on deferred taxation was to account for it 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 was expected to be payable or recoverable in the foreseeable future.

The requirement for the Group to adopt SSAP 12 (revised) for its current period results in a change in its accounting policy. In accordance with accounting standards in Hong Kong in respect of changes in accounting policy, the application of SSAP 12 (revised) will be retrospective. As a result of the retrospective application of SSAP 12 (revised), an additional provision of approximately HK\$1.2 billion has been made for the deferred tax liability as at 31 December 2002, of which approximately HK\$555 million, HK\$344 million and HK\$305 million have been charged against the investment properties revaluation reserve, retained profits and other reserves, respectively. Shareholders’ funds as at 31 December 2002 have decreased from approximately HK\$21.0 billion to approximately HK\$19.8 billion. The profit attributable to shareholders for the six months ended 30 June 2002 has also been restated from approximately HK\$363 million to approximately HK\$366 million. The adoption of SSAP 12 (revised) resulted in a deferred tax credit of HK\$131 million to the profit and loss account for the six months ended 30 June 2003 (2002: deferred tax charge of HK\$7 million).

The comparatives presented have been restated to conform to the change in accounting policy as a result of the adoption of SSAP 12 (revised).

## 2. Principal Activities And Geographical Analysis Of Operations

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

	Turnover		Operating (loss)/profit	
	Six months ended 30 June		Six months ended 30 June	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Principal activities:				
Property rental				
– Hong Kong	172,090	190,271	(468,016)	105,496
– PRC	237,932	218,003	(133,424)	123,260
	410,022	408,274	(601,440)	228,756
Hotel operations	61,543	114,355	(26,273)	46,354
Logistics and warehouse operations				
– warehouse	179,899	195,960	(19,983)	83,357
– logistics	560,921	306,441	15,690	7,745
	740,820	502,401	(4,293)	91,102
Property sales				
– Hong Kong	377,766	1,815,204	(105,843)	(30,524)
– PRC	203,779	230,535	33,296	41,229
	581,545	2,045,739	(72,547)	10,705
Infrastructure	–	–	(247)	(246)
Project, property management and others	20,538	21,203	35,729	41,641
	<u>1,814,468</u>	<u>3,091,972</u>	<u>(669,071)</u>	<u>418,312</u>
Principal markets:				
Hong Kong	909,635	2,350,602	(535,613)	209,293
PRC	536,503	571,524	(131,902)	199,476
United Kingdom	255,580	88,079	641	(1,420)
Others	112,750	81,767	(2,197)	10,963
	<u>1,814,468</u>	<u>3,091,972</u>	<u>(669,071)</u>	<u>418,312</u>



## NOTES TO THE ACCOUNTS (continued)

### 2. Principal Activities And Geographical Analysis Of Operations (continued)

An analysis of the Group's revenue and results for the period by business segments is as follows:

	Six months ended 30 June 2003							Consolidated
	Hong Kong Property	PRC Property	Logistics and Warehouse	Infrastructure	Overseas Property	Others	Eliminations	
<i>HKS'000</i>								
<b>REVENUE</b>								
Turnover	549,856	503,254	740,820	-	-	20,538	-	1,814,468
Inter-segment revenue	-	-	-	-	-	129,285	(129,285)	-
Inter-segment interest income	-	-	-	-	-	140,993	(140,993)	-
Total revenue	<u>549,856</u>	<u>503,254</u>	<u>740,820</u>	<u>-</u>	<u>-</u>	<u>290,816</u>	<u>(270,278)</u>	<u>1,814,468</u>
<b>RESULT</b>								
Segment results	(514,108)	(96,499)	22,286	(247)	(2,449)	144,121	(140,993)	(587,889)
Dividend income	3,806	-	-	-	-	-	-	3,806
Interest income	4,897	1,648	173	2,221	-	1,623	-	10,562
Interest expenses	(68,454)	(31,550)	(26,752)	(2,221)	-	(107,566)	140,993	(95,550)
Operating (loss)/profit	(573,859)	(126,401)	(4,293)	(247)	(2,449)	38,178	-	(669,071)
Share of results of associated companies	(110,485)	11,696	(982)	59,450	19,436	-	-	(20,885)
(Loss)/profit before taxation	(684,344)	(114,705)	(5,275)	59,203	16,987	38,178	-	(689,956)
Taxation	1,583	73,037	3,409	(3,692)	(1,035)	(35)	-	73,267
(Loss)/profit after taxation	(682,761)	(41,668)	(1,866)	55,511	15,952	38,143	-	(616,689)
Minority interests	17,005	8,892	(270)	-	-	-	-	25,627
(Loss)/profit attributable to shareholders	<u>(665,756)</u>	<u>(32,776)</u>	<u>(2,136)</u>	<u>55,511</u>	<u>15,952</u>	<u>38,143</u>	<u>-</u>	<u>(591,062)</u>

Six months ended 30 June 2002 (Restated)  
HK\$'000

	Hong Kong Property	PRC Property	Logistics and Warehouse	Infrastructure	Overseas Property	Others	Eliminations	Consolidated
<b>REVENUE</b>								
Turnover	2,005,475	562,893	502,401	-	-	21,203	-	3,091,972
Inter-segment revenue	-	-	-	-	-	141,910	(141,910)	-
Inter-segment interest income	-	-	-	-	-	202,771	(202,771)	-
Total revenue	<u>2,005,475</u>	<u>562,893</u>	<u>502,401</u>	<u>-</u>	<u>-</u>	<u>365,884</u>	<u>(344,681)</u>	<u>3,091,972</u>
<b>RESULT</b>								
Segment results	178,995	258,569	124,396	(246)	(3,485)	160,574	(202,771)	516,032
Dividend income	1,976	-	-	-	16,299	5	-	18,280
Interest income	1,541	2,315	172	1,950	-	4,931	-	10,909
Interest expenses	(107,540)	(50,041)	(33,466)	(1,950)	-	(136,683)	202,771	(126,909)
Operating profit/(loss)	74,972	210,843	91,102	(246)	12,814	28,827	-	418,312
Share of results of associated companies	(50,447)	10,426	(1,642)	45,164	36,108	-	-	39,609
Profit before taxation	24,525	221,269	89,460	44,918	48,922	28,827	-	457,921
Taxation	(36,987)	(31,840)	(7,267)	(2,021)	(15,329)	7,389	-	(86,055)
(Loss)/profit after taxation	(12,462)	189,429	82,193	42,897	33,593	36,216	-	371,866
Minority interests	31,755	(37,018)	(5,771)	-	-	4,940	-	(6,094)
Profit attributable to shareholders	<u>19,293</u>	<u>152,411</u>	<u>76,422</u>	<u>42,897</u>	<u>33,593</u>	<u>41,156</u>	<u>-</u>	<u>365,772</u>

## NOTES TO THE ACCOUNTS (continued)

### 3. Operating (Loss)/Profit

	<b>Six months ended 30 June</b>	
	<b>2003</b>	<b>2002</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Operating (loss)/profit is stated after crediting/charging the following:		
<i>Crediting</i>		
Dividend income from listed and unlisted investments	3,806	18,280
Interest income	10,562	10,909
Gain/(loss) on sale of properties		
– Investment properties	(7,824)	(12,334)
– Properties under development and completed properties for sale	43,868	340,080
	36,044	327,746
Amortisation of negative goodwill	2,158	11
<i>Charging</i>		
Depreciation	32,892	29,551
Amortisation of goodwill	1,195	611
Total finance costs incurred	137,235	181,036
Less: amount capitalised in properties under development	(41,685)	(54,127)
Total finance costs expensed during the period	95,550	126,909

### 4. Taxation

	<b>Six months ended 30 June</b>	
	<b>2003</b>	<b>2002</b>
	<b>HK\$'000</b>	<b>(Restated) HK\$'000</b>
The taxation credit/(charge) comprises:		
Hong Kong profits tax		
Current	(20,367)	(48,914)
Deferred	23,991	–
Overprovision in prior years	4,401	9,613
	8,025	(39,301)
PRC taxation		
Current	(27,881)	(79,456)
Deferred	97,450	51,119
Overprovision in prior years	375	706
	69,944	(27,631)
Overseas taxation		
Current	(612)	(21)
Overprovision in prior years	–	67
	(612)	46
Share of taxation attributable to associated companies		
Current	(14,196)	(12,002)
Deferred	10,106	(7,167)
	(4,090)	(19,169)
	<b>73,267</b>	<b>(86,055)</b>

Hong Kong profits tax has been provided at 17.5% (2002: 16%) on the estimated assessable profits for the period. Taxation on PRC and overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the PRC and the overseas countries in which the Group operates, respectively.

## 5. Transfer To Reserves

	Six months ended 30 June	
	2003	2002 (Restated)
	HK\$'000	HK\$'000
Transfer to:		
Enterprise expansion reserve	(61)	–
Share of surplus and capital reserves of associated companies	(8,722)	(3,933)
	<u>(8,783)</u>	<u>(3,933)</u>

## 6. (Loss)/Earnings Per Share

The calculation of (loss)/earnings per share is based on the loss attributable to shareholders of HK\$591,062,000 (2002: profit of HK\$365,772,000) and the weighted average number of 1,173,021,525 shares (2002: 1,158,228,637 shares) in issue during the period.

There was no dilution arising from the outstanding share options granted by the Company in 1997, 1999 and 2001. For the six months ended 30 June 2003, the outstanding share options granted by the Company in 2000 and 2002 were anti-dilutive (2002: dilutive but the effect was immaterial). Accordingly, diluted (loss)/earnings per share had not been shown.

## 7. Accounts Receivable, Prepayments And Deposits

Included in accounts receivable, prepayments and deposits are trade receivables. The Group maintains a defined credit policy. The ageing analysis of trade receivables as at 30 June 2003 was as follows:

	30 June 2003 HK\$'000	31 December 2002 HK\$'000
0 – 1 month	159,362	132,360
2 – 3 months	83,192	115,376
Over 3 months	15,911	9,937
	<u>258,465</u>	<u>257,673</u>

## 8. Accounts Payable, Deposits Received And Accrued Charges

Included in accounts payable, deposits received and accrued charges are trade payables. The ageing analysis of trade payables as at 30 June 2003 was as follows:

	30 June 2003 HK\$'000	31 December 2002 HK\$'000
0 – 1 month	106,914	116,008
2 – 3 months	17,621	13,756
Over 3 months	20,087	8,994
	<u>144,622</u>	<u>138,758</u>

## NOTES TO THE ACCOUNTS (continued)

### 9. Long-Term Liabilities

	<b>30 June 2003 HK\$'000</b>	31 December 2002 HK\$'000
Bank loans – unsecured	<b>6,760,346</b>	6,407,773
Bank loans – secured	<b>161,195</b>	646,799
Total bank loans ( <i>note (i)</i> )	<b>6,921,541</b>	7,054,572
Short-term bank loans and current portion of long-term bank loans	<b>(1,156,192)</b>	(1,335,481)
	<b><u>5,765,349</u></b>	<u>5,719,091</u>

(i) At 30 June 2003, the Group's bank loans were repayable as follows:

	<b>30 June 2003 HK\$'000</b>	31 December 2002 HK\$'000
Within one year	<b>1,156,192</b>	1,335,481
After one year		
In the second year	<b>387,239</b>	870,279
In the third year	<b>537,501</b>	26,178
In the fourth year	<b>4,562,398</b>	270,634
In the fifth year	<b>275,078</b>	4,552,000
Over five years	<b>3,133</b>	–
	<b><u>5,765,349</u></b>	<u>5,719,091</u>
	<b><u>6,921,541</u></b>	<u>7,054,572</u>

### 10. Contingent Liabilities

	<b>30 June 2003 HK\$'000</b>	31 December 2002 HK\$'000
Banking facilities		
Guarantees for banking and other facilities of certain associated companies and investee companies ( <i>note (i)</i> )	<b>762,291</b>	912,431
Guarantees to certain banks for mortgage facilities granted to first buyers of certain properties in the PRC ( <i>note (ii)</i> )	<b>94,706</b>	83,569
	<b><u>856,997</u></b>	<u>996,000</u>

(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\$762,291,000 (31 December 2002: HK\$912,431,000). The total amount of such facilities covered by the Group's guarantees amounted to approximately HK\$1,624,135,000 (31 December 2002: HK\$1,609,938,000).

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- (ii) The Group has 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 guarantees which also represented the financial exposure of the Group at the balance sheet date amounted to approximately HK\$94,706,000 (31 December 2002: HK\$83,569,000). The total amount of such facilities covered by the Group's guarantees amounted to approximately HK\$1,303,057,000 (31 December 2002: HK\$384,246,000).

Apart from the above, there are no material changes in contingent liabilities of the Group since 31 December 2002.

#### **11. Pledge Of Assets**

At 30 June 2003, the Group's total bank loans of HK\$6,921,541,000 (31 December 2002: HK\$7,054,572,000) included an aggregate amount of HK\$6,760,346,000 (31 December 2002: HK\$6,407,773,000) which is unsecured and an aggregate amount of HK\$161,195,000 (31 December 2002: HK\$646,799,000) which is secured by the following:

- (i) legal charges over certain properties with an aggregate net book value of HK\$1,226,681,000 (31 December 2002: HK\$4,548,431,000);
- (ii) charges on all assets, including bank balances amounting to HK\$35,154,000 (31 December 2002: HK\$70,450,000), of certain subsidiaries; and
- (iii) an assignment of insurance proceeds of certain properties.

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## BUSINESS REVIEW AND PROSPECTS

Turnover of the Group for the six months ended 30 June 2003 decreased to HK\$1,814 million (2002: HK\$3,092 million) whilst the loss attributable to shareholders amounted to HK\$591 million (2002: profit attributable to shareholders of HK\$366 million).

The Group's performance during the period has undoubtedly been affected by the weak economy in Hong Kong with the unemployment rate remaining high. The outbreak of the Severe Acute Respiratory Syndrome (SARS) disease during the period has also affected market confidence, further compounded by the outbreak of the Iraqi war.

The effects of these negative factors have resulted in a downward revaluation of the Group's properties which was carried out as at 30 April 2003. Accordingly, a revaluation deficit of HK\$914 million has been charged to the Group's profit and loss account with respect to its investment properties, hotel properties and other land and buildings. Further provisions of HK\$55 million and HK\$137 million were also made for the Constellation Cove project in Tai Po Kau, Hong Kong and for a decline in the carrying value of associated companies, respectively.

Excluding the effects of the above-mentioned revaluation deficits and provisions, the Group achieved a positive operating result. The Group has continued to maintain high occupancies, thus ensuring a continuing strong recurrent income base, with its core portfolio of prime properties in Hong Kong and in the PRC despite the deteriorating marketing conditions in Hong Kong. The contribution from the Logistics and Warehouse Division continues to improve with the division continuing to expand its logistics network. Together with the improved performances of its infrastructure projects and the contributions from its Overseas Property Division, the Group was able to maintain a strong recurrent cashflow from its operating activities despite reporting a loss attributable to shareholders during the six months ended 30 June 2003.

On 11 April 2003, the Company was advised by its controlling shareholder, Kerry Holdings Limited, of its intention to privatise the Company by way of a scheme of arrangement (the "Scheme") with an offer price of HK\$8.50 per share. Subsequently on 30 April 2003, the offer price was revised to HK\$9.50 per share. The privatisation proposal was put forward to the independent shareholders of the Company at a Court Meeting held on 22 July 2003 whereby independent shareholders holding approximately 99 million of the Company's shares voted against the Scheme whilst approximately 77 million shares voted in favour of the Scheme. The proposal was therefore rejected and the Company remains a listed company.

### HONG KONG PROPERTY DIVISION

The Hong Kong Property Division recorded total turnover of HK\$550 million for the six months ended 30 June 2003 (2002: HK\$2,005 million), representing 30% of the total turnover for the Group. Rental income for the six month period recorded a decrease of 9% to HK\$172 million compared with HK\$190 million for the corresponding period last year. Proceeds from sales of properties for the six months ended 30 June 2003 amounted to HK\$378 million as compared to HK\$1,815 million for the same period in 2002. Loss attributable to the Group from the Division amounted to approximately HK\$666 million (2002: profit of HK\$19 million).

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The Group's share of the additional provision for Constellation Cove amounted to HK\$55 million and a provision was made for a decline in the carrying value of associated companies amounting to approximately HK\$137 million. The deficit on revaluation of investment properties of approximately HK\$529 million was offset by a deferred tax credit for the Division of HK\$12 million.

As a result of the additional specific provision for Constellation Cove, the written down values of the remaining apartments, duplex villas and detached houses in Constellation Cove have decreased from HK\$3,400 per square foot ("psf") to HK\$2,857 psf, HK\$3,800 psf to HK\$3,477 psf and HK\$4,200 psf to HK\$3,836 psf, respectively. Together with the HK\$470 million provision previously made for the project in 2001 and 2002, the Group's share of the total provision made to date amounts to approximately HK\$525 million. Release of provisions for Constellation Cove for the period amounted to HK\$179 million and the total provisions released as at 30 June 2003 is HK\$367 million.

Excluding the effect of the revaluation deficits, additional provisions and the deferred tax credit as stated above, total profit for the Hong Kong Property Division for the six months ended 30 June 2003 amounted to HK\$43 million (2002: HK\$119 million, excluding a HK\$100 million provision made for Constellation Cove).

### **Development Properties**

Sales of Ocean Pointe in Sham Tseng continued during the period under review. As at 30 June 2003, the development had only two remaining units. Subsequent to the period end, all the remaining units were sold.

The Group has also continued with the sales of the apartments, duplex villas and detached houses in Constellation Cove, Tai Po Kau. The development, comprising of 208 apartments, 28 duplex villas and 50 detached houses, was 83%, 29% and 66% sold, respectively, as at 30 June 2003. In addition, a further 6 apartments, 3 duplex villas and 1 detached house were sold subsequent to 30 June 2003.

In November 2002, the Group launched the presales of its 50% owned joint venture residential development, The Cliveden in Tsuen Wan. The construction of The Cliveden is in the final stages and the occupation permit is expected to be received in the last quarter of 2003, with completion scheduled by the end of 2003. As at 30 June 2003, approximately 44% of the development, comprising of a total of 210 units, was presold. Subsequent to the period end, another 18 units were presold.

The Cliveden comprises nine residential towers of 10 storeys each, with 210 units and sizes of apartments range from approximately 900 square feet to 1,500 square feet.

The Group's joint venture developments are continuing to be sold and are progressing well. The Group has equity accounted for its share of results from Phases 1 and 2 of the Tai Kok Tsui project, which were approximately 93% and 91% sold, respectively as at 30 June 2003. Subsequent to the period end, an additional 3% in Phase 2 of the project was sold.



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## HONG KONG PROPERTY DIVISION (continued)

### Investment Properties

During the period under review, approximately 10,000 square feet of Enterprise Square in Kowloon Bay was sold and approximately 96% of the remaining gross floor area in the development has been leased as at the period end.

Subsequent to the period end, the Group sold the duplex penthouse of Tregunter Tower 2 in the Mid-Levels.

Despite the extremely difficult conditions in the Hong Kong leasing market especially after the SARS outbreak, the Group's luxury residential portfolio, including Aigburth, Branksome, Tavistock and Tregunter Towers 1 and 2 in the Mid-Levels and Belgravia in South Bay, are all leasing well and have maintained an average occupancy rate of approximately 92%.

Olympian City 1 and 2, the commercial podiums of Phases 1 and 2 of the Tai Kok Tsui project, are also leasing well with occupancy rates of approximately 80% and 94%, respectively, as at 30 June 2003.

The retail and commercial properties of the Group are also performing well with high occupancy rates of 82% and 92%, respectively, as at 30 June 2003.

### Status of Developments

Construction of Branksome II, another of the Group's luxury developments located at the prestigious address of 3 Tregunter Path, Mid-Levels, is progressing according to schedule. The development, with a buildable gross floor area of approximately 143,000 square feet, is a 35 storey luxury residential building on top of a carpark and recreation podium. It will provide a total of 64 units, including 60 apartments, 2 garden units and 1 simplex with private swimming pools and 1 duplex penthouse with a private swimming pool on the roof. The development is due for completion in the first quarter of 2004 and is intended to be retained for lease to further strengthen the Group's investment property portfolio.

Construction of Enterprise Square 3, a grade A office development in Kowloon Bay, is also progressing well with installation of curtain walls currently in progress. In January 2003, the land premium negotiation for the conversion of Enterprise Square 3 from industrial/office use to business use was concluded with the conversion premium amounting to HK\$12 million. The pre-sale consent for the development is expected to be received in the fourth quarter of 2003 and the development is expected to be completed in the first quarter of 2004.

As the Group intends to develop a cluster of quality offices and retail complexes in Kowloon Bay, it is now planning the development of Enterprise Square 5. Tender negotiation for the foundation contract is currently in progress. The development would provide approximately 1.6 million square feet of grade A commercial space when completed.

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In May 2002, the Group acquired an industrial property, Chung Nam Industrial Building at 152-160 Kwok Shui Road in Tsuen Wan. The development is intended to be redeveloped into high rise residential buildings over a carpark and recreation podium with ground floor commercial spaces. Negotiation with the Government regarding the land exchange is currently in progress.

In June 2002, a consortium formed by the Group and Sino Land Company Limited won the tender for the Tseung Kwan O Hang Hau Station Development with the MTR Corporation Limited. Major contracts for the project have been awarded and superstructure works have commenced. The development, named Residence Oasis, will comprise of six residential towers with a landscaped podium and clubhouse. Presale consent for the development was received in late August 2003.

In December 2002, the Group won the tender for 15 Ho Man Tin Hill Road in Kowloon for approximately HK\$410 million. Foundation works and piling construction are currently in progress. The property has a site area of 26,078 square feet and a buildable residential floor area of approximately 130,340 square feet and will be developed into a luxury high rise residential building with accompanying recreational facilities. The project is expected to be completed in the fourth quarter of 2005.

The Town Planning Board has confirmed the residential zoning for Ap Lei Chau Inland Lot No. 129. The Group's share of the buildable gross floor area is approximately 319,663 square feet and this site is intended to be developed into a residential project.

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## **PRC PROPERTY DIVISION**

Turnover from the PRC Property Division for the six months ended 30 June 2003 decreased by 11% to HK\$503 million (2002: HK\$563 million), representing 28% of the Group's total turnover. Rental income from the Division increased by approximately 9% to HK\$238 million (2002: HK\$218 million) during the period. Proceeds from sales of properties of approximately HK\$204 million (2002: HK\$231 million) were primarily due to sales of units of Central Residences in Shanghai and Arcadia Court in Shenzhen. Revenues generated from Beijing Kerry Centre Hotel for the first six months of this period decreased by approximately 46% to HK\$61 million (2002: HK\$114 million) as it was affected by lower occupancies during the SARS outbreak.

During the period under review, revaluation deficits for investment and hotel properties amounting to approximately HK\$277 million were charged to the profit and loss account. Together with a deferred tax credit of HK\$104 million, the loss attributable to the Group from the Division amounted to approximately HK\$33 million (2002: profit of HK\$152 million). Excluding the effect of the revaluation deficits and the deferred tax credit, total profit for the PRC Property Division for the six months ended 30 June 2003 amounted to HK\$140 million. The contribution from this Division continues to be satisfactory due to the strong economic growth of the PRC although the results of Beijing Kerry Centre Hotel were adversely affected by the outbreak of SARS.

### **Development Properties**

The construction of Phase 1 of Central Residences, the Group's Hua Shan Road luxury residential project in Shanghai, has been completed and residents have already moved in. As at the period end, Towers 3 and 5 were 94% and 85% sold, respectively. A further 4 units in Tower 5 were sold subsequent to the period end.

The construction of Phase 3B of the Shenzhen Regency Park development is now nearing completion. The Phase 3B development comprises of seven deluxe houses with three different individual designs ranging between 385 square metres and 798 square metres. As at 30 June 2003, one house was presold.

The construction of the Group's newest residential project, Arcadia Court in Futian, Shenzhen, is progressing well with the project being 70% complete. Internal sales and public presales of Arcadia Court commenced in late December 2002 and April 2003, respectively, with a total of 198 units being sold at an average price of approximately RMB9,600 per square metre. Subsequent to the period end, another 32 units were presold. Public presales of Towers 5 and 6 commenced with an exhibition held in Hong Kong on 20 August 2003. The development has a site area of approximately 33,000 square metres, comprising of eight luxury residential towers of 23 to 30 storeys, providing three and four bedroom units of 125 to 223 square metres and penthouse units, together with an exclusive residents' clubhouse and a kindergarten. Construction of the project is expected to be completed in early 2004.

### **Investment Properties**

Performance of the Group's investment properties portfolio in the PRC has been satisfactory. Leasing activities in Beijing Kerry Centre continue to be strong with approximately 90% and 97% of the office and retail space in the property being leased, respectively. The service apartments in Beijing Kerry Centre, Kerry Residences, were approximately 74% leased as at 30 June 2003.

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The performance of Beijing Kerry Centre Hotel has been affected by the SARS outbreak during the first six months of this year with an average occupancy rate during the period of approximately 45% (2002: 79%) and the average tariff during the period being approximately US\$107 per night.

Sales and leasing of the Group's properties in Shanghai are also progressing satisfactorily. As at 30 June 2003, the office tower, commercial podium and service apartments of Shanghai Kerry Centre were approximately 99%, 94% and 71% leased, respectively.

With respect to Kerry Everbright City in Shanghai, sales of residential units have continued. As at 30 June 2003, approximately 81% and 7% of Tower 1 have been leased and sold, respectively, and 96% of Tower 2 had also been sold. The shopping mall in Kerry Everbright City is also 100% leased.

As at 30 June 2003, the retail shops in International Apartments in Shanghai was approximately 55% and 30% leased and sold, respectively. In Shanghai Trade Square, approximately 31% and 65% of the office space have been leased and sold whilst the retail shops are 69% and 31% leased and sold, respectively.

The marketing activities of Shenzhen Kerry Centre are continuing and approximately 53% and 42% of the office space have been leased and sold, respectively, at the period end. The commercial podium of Shenzhen Kerry Centre is almost 100% leased.

### **Status of Developments**

Development of Phase 2 of Central Residences in Shanghai is on schedule. Vacant possession of the entire site is targeted by the end of September 2003 and piling work has commenced.

The Group took possession of the site at No. 1288 Yan An Zhong Road in the Jingan District in Shanghai in February 2003. The Group is currently undertaking feasibility studies and conceptual planning to try to encompass the development together with the adjoining Shanghai Kerry Centre.

All superstructure work of Yu Quan Hua Yuan, now renamed as Central Residences Fuzhou, the Group's residential development in Fuzhou, has been completed and interior decoration work is currently in progress. The development is intended to be completed by the first quarter of 2004.

On 23 July 2003, the Group signed an agreement to sell its 65% interest in an industrial site in Changchun for a consideration of RMB14 million. The sale is expected to be completed by the end of 2003.

### **Future Plans**

In August 2002, the Group announced the acquisition of Shenzhen Futian Central District Lot No. 7-3 from the Shenzhen City Planning and Land Resources Bureau for a total consideration of approximately HK\$177 million. The site is adjacent to a new Shangri-La hotel site and will be developed as an office project for lease and for sale.

In October 2001, the Group entered into a joint venture called Beijing BHL Logistics Limited to perform resettlement work on a piece of land at Shibaidian in the Chaoyang District in Beijing. The Group has a 20% interest in the joint venture. The joint venture company is performing all necessary work for the relocation and resettlement of the current occupiers of the land. Subsequently the land will be parceled out to individual project companies to be formed for the development of the land. The project occupies a total site area of approximately 3.7 million square metres.

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## **LOGISTICS AND WAREHOUSE DIVISION**

The Logistics and Warehouse Division continues to be one of the major contributors of revenue to the Group. During the six months ended 30 June 2003, the Division achieved a turnover of HK\$741 million (2002: HK\$502 million) which represents approximately 41% of the Group's turnover. Logistics revenue increased by approximately 83% to HK\$561 million for the six months ended 30 June 2003 from HK\$306 million in 2002, whilst revenue from warehousing dropped by 8% from HK\$196 million for the six months ended 30 June 2002 to HK\$180 million in 2003.

The loss attributable to the Group from the Division during the period amounted to HK\$2 million (2002: profit of HK\$76 million). The loss is derived after taking into consideration the deficits arising from the revaluation of the Division's warehouse portfolio amounting to HK\$108 million, which is offset by a deferred tax credit of HK\$12 million.

Excluding the effects of the revaluation deficits and the deferred tax credit as stated above, total profit for the Division for the six months ended 30 June 2003 amounted to HK\$94 million (2002: HK\$76 million) of which HK\$83 million (2002: HK\$70 million) was attributable to warehousing and HK\$11 million (2002: HK\$6 million) was derived from logistics operations.

### **Leasing of Warehouses in Hong Kong**

The Hong Kong warehouse rental market remained weak in the first half of 2003 with the demand for warehouse space continuing to decrease. The sagging demand has resulted in a drop in market rentals by another 15% in the first half of 2003 when compared with December 2002. The situation was exacerbated by the SARS outbreak in March of 2003 which further weakened the Hong Kong economy and consumer demand as a whole. The occupancy rate for the entire warehouse portfolio operated by the Division in Hong Kong was 91% as at 30 June 2003, compared with 97% as at 30 June 2002.

With the impact of SARS starting to subside and the economy recovering, we expect a moderate improvement in the performance of the Division's warehousing business in the second half of 2003. Nevertheless, the ever increasing competition from the cheaper facilities in the Pearl River Delta area as well as the gradual relaxation of rules governing direct cargo movement in and out of the PRC will continue to impose downward pressure on the warehouse market rental in Hong Kong. The Division has taken and will continue to take extensive measures to ensure the maximization of the capital value and rental yield of its warehouse portfolio by controlling costs and upholding the quality of services as well as the standard and condition of the warehouse, whilst on the other hand taking a proactive approach to extending its marketing efforts in order to secure both cargo volume and tenants.

### **Logistics Business**

The continued expansion of the Division's logistics business in the first half of 2003 was hindered by the outbreak of SARS in Asia in March 2003. The suspension of cross-country travel means a reduction in meetings with potential business partners and customers and thus the opportunities to explore and develop sales leads. The suspension of passenger flights during SARS also resulted in a negative impact on the freight forwarding business of the Division during the period. Despite these challenges, the Division recorded an impressive growth in logistics revenue of 83% from HK\$306 million for the six months ended 30 June 2002 to HK\$561 million for 2003.

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In April 2003, the Division completed the disposal of its 18.63% interest in Shanghai Linghua Logistics Centre for approximately US\$2.4 million.

#### *Logistics and distribution*

In April 2003, the Division completed the construction of a 17,000 square metres logistics centre in Thailand with the facility commencing operations in May 2003. The facility is located in the area of Laem Chabang Port, south of Bangkok and is the first custom-built logistics facility of the Division outside of Hong Kong. Subsequent to the period end, the Division has also completed the construction of another logistics centre of approximately 40,000 square metres in Yantian, in the PRC with the facility soft-opening in August 2003. The Division is also planning to develop its own facilities in the Shanghai and Beijing areas in the near future.

On 26 August 2003, the Division announced that it has signed an agreement to acquire a site at the Waigaoqiao Free Trade Zone in Shanghai for US\$2 million. It is intended that a 2 storey logistics centre of approximately 14,000 square metres will be built to provide freight forwarding, warehousing, distribution and related value added logistics services to serve businesses in Shanghai.

In the United Kingdom (“UK”), the Division is operating several rented logistics centres amounting to approximately 30,000 square metres at locations in London and Manchester, including a 7,000 square metres “Garment on Hangers” (GOH) fashion distribution centre with handling capacity of over 7 million pieces per annum. The Division is already a leading player in the Asia-UK trade for sea-freight. Kerry Logistics (UK) Limited will continue to enhance and strengthen its position in the Asia-UK traffic by continually looking at additional new business opportunities.

In Hong Kong, the Division has continued to gain large logistics contracts in addition to its existing logistics customer portfolio of in excess of one hundred customers. Despite the impact of SARS, the Division’s Hong Kong logistics and distribution revenue for the six months ended 30 June 2003 increased by 27% when compared with the same period in 2002. In the future, other than extending its efforts to enhance its core competencies and competitive advantages as a market leader in the logistics business in Hong Kong, the Division will continue with its strategy to promote its Hong Kong operations as the regional hub for Asia for its multi-national clients.

In March 2003, KerryFlex Supply Chain Solutions Limited (“KFlex”), a wholly owned subsidiary of the Division, took over the business of Flex-Merchandising Resources Limited (“Flex”). Flex has been a rapidly growing retail merchandising services agency in Hong Kong since its incorporation in 2000 and is the leading provider of shelf merchandising services, compliance tracking, investigation and outsourced merchandising services to manufacturers and retailers in the fast-moving consumer goods (FMCG) industry in Hong Kong. In less than three years from its incorporation, Flex had attracted more than 500 brands which are represented in 1,300 outlets of Hong Kong retail chain stores. The acquisition has strengthened the Division’s competitive edge by extending its scope of services to match specific needs of different customers, paving the way to establishing its position as a total solution service provider in the territory. The impact and synergies brought about by this acquisition will be reflected in the results of the Division starting from 2003.

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## **LOGISTICS AND WAREHOUSE DIVISION (continued)**

### **Logistics Business (continued)**

#### *Freight*

During the first half of 2003, the Division continued to focus its development efforts in the PRC. To expand the Division's PRC presence, another freight office was set up in Xiamen in early 2003 to complement the Division's existing freight operations at Shenzhen, Qingdao, Shanghai, Beijing and Tianjin. With the signing of the Closer Economic Partnership Agreement (CEPA) between Hong Kong and the PRC in June 2003, it is expected that the existing barriers to market entry and other limitations on foreign investments will be lifted and phased out soon, ahead of the original World Trade Organisation (WTO) timetable. The Division will take this opportunity to explore new business opportunities and position itself on the mainland, aiming at building a competitive nation-wide logistics operation as well as strengthening the Division's global freight forwarding network by securing more multinational clients who are exploring business opportunities in the PRC.

During the period, the Division also established freight offices in Philippines and Vietnam. More offices will be set up in the second half of 2003, including Taiwan and Ningbo in the PRC.

### **Information Technology ("IT")**

Knowing that a well-developed IT platform and capability is paramount to third party logistics (3PL) solutions, the Division has continued to extend its efforts on developing and enhancing its IT capability during the period. Since early 2003, all the Division's warehousing and logistics operations have been running under the in-house developed warehouse management system "KerrierWMS". The system has been connected to customers' Manufacturing Resources Planning (MRP II), Enterprise Resources Planning (ERP) and Point Of Sales (POS) systems and is able to generate a wide variety of on-line customized reports from time to time for enhancing our customers' supply chain management. In the freight sector, the sea freight module of "KerrierFMS" has been fully operational during the second quarter of 2003, whilst the development of the air freight module is underway. Currently, the Division is also in the process of upgrading its existing purchase orders track and trace system, aiming to ensure a higher level of service reliability and quality. To date, the Division's IT capability remains one of its key strengths when competing with other players in the industry.

### **Future Plans**

The Division is now operating in 13 countries around the world and is serving thousands of companies, many of which are Fortune 500 multinational corporations. Market segments include industrial products, telecommunications, branded consumer goods, fast food shops, retail chains and convenient stores. Looking ahead, with Asia and the PRC playing an increasingly important role as the manufacturing base for the global market, the Division will continue to explore business opportunities in the areas in order to fulfill its aim of developing a global logistics network with the main focus in the PRC. In particular, the Division will keep a close look at the coming changes to the investment market environment as well as the regional cargo flow in the Asian-Pacific areas which would be brought about by the gradual implementation of the PRC's changes in line with WTO as well as the recent signing of CEPA.

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## **INFRASTRUCTURE-RELATED INVESTMENTS**

Profit attributable to the Group from the Division for the six months ended 30 June 2003 amounted to approximately HK\$56 million (2002: HK\$43 million).

The operations of Chiwan Container Terminal Co., Ltd (CCT) are continuing to make good progress during the period under review. For the six months ended 30 June 2003, CCT handled 805,890 TEUs, representing an increase of 58% compared to 508,887 TEUs for the first six months of 2002. The significant increase in container throughput is mainly due to an increase in market demand as a result of the PRC's accession to the WTO. During the six months ended 30 June 2003, the Group had equity accounted for HK\$35 million (2002: HK\$21 million) in profits after tax from this investment.

Asia Airfreight Terminal is continuing to operate profitably at the Chek Lap Kok airport. Total tonnage handled during the six months ended 30 June 2003 was approximately 205,919 tons (2002: 191,111 tons). The Group had equity accounted for its share of profits after tax amounting to HK\$12 million (2002: HK\$11 million) for the six months ended 30 June 2003.

The Western Harbour Tunnel has also made a positive contribution to the Group during the period under review. During the six months ended 30 June 2003, the Group had equity accounted for its share of profits from the investment amounting to HK\$9 million (2002: HK\$11 million).

The consortium formed by the shareholders of the Western Harbour Tunnel in which the Group has a 15% interest, has continued to manage the Cross Harbour Tunnel with satisfactory results.



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## OVERSEAS PROPERTY DIVISION

Profit attributable to the Group from the Division for the six months ended 30 June 2003 amounted to HK\$16 million compared to HK\$34 million for the corresponding period last year.

Pre-sales of Jacksons Landing, the Group's joint venture project in Sydney, Australia, have continued with satisfactory results. As at 30 June 2003, 768 units out of 858 units in the seven precincts released for sales and presales have been sold. Construction of the other precincts is proceeding according to schedule. The Group had equity accounted for its share of profits after tax for the first six months amounting to HK\$4 million (2002: HK\$10 million).

The Group continues to enjoy a stable income from its investment in EDSA Properties Holdings Inc. ("EPHI") in the Philippines. Despite the keen competition in the Philippine property market, both Shangri-La Plaza Mall, a premier shopping mall in Manila, and The Enterprise Center, a twin tower grade A commercial building in the Makati Central Business District, have managed to secure high occupancy rates, thereby generating good recurrent income for the Group. As at 30 June 2003, the occupancy rates of Shangri-La Plaza Mall and The Enterprise Center stood at 96% and 81%, respectively.

In August 2003, EPHI announced its interim results for the six months ended 30 June 2003, reporting profit attributable to shareholders of approximately Pesos 116.2 million which represents an increase of 23% over the corresponding period in 2002 of approximately Pesos 94.4 million. The increase in profit attributable to shareholders was mainly due to the continuing strong rental income performance of Shangri-La Plaza Mall.

The construction of The Shang Grand Tower, a luxury residential condominium project in the Makati Central Business District in which EPHI has a beneficial interest of approximately 68%, commenced in October 2002 and the development is progressing on schedule for target completion by early 2006. The project was launched for sale on 3 September 2003.

During the period, the Group recorded profits from its investments in EPHI amounting to HK\$12 million (2002: HK\$24 million). The Group is confident that the investment will continue to enhance its recurrent income base.

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## **CORPORATE GOVERNANCE**

The Company is committed to high standards of corporate governance and transparency which the Directors believe would provide a positive framework for the overall operations of the Group as well as to enhance shareholders' value.

In an effort to promote corporate governance, not only within the Company but also in the economy as a whole, the Company participated in the "Corporate Governance for the New Generation" Youth Summit 2002/03 organized by the Independent Commission Against Corruption (ICAC) of the HKSAR on 1 March 2003. The event was a whole day forum which allowed tertiary students from around the region to share views and interact with renowned academics and businessmen on related issues of corporate governance.

The Group wishes to advise shareholders that the attendance records of the independent non-executive directors for the years 1999 to 2001 of 72%, 47% and 75%, respectively as disclosed on page 27 of the 2002 annual report should refer to the average attendance records of "audit committee members" in those years and had been disclosed as such properly in the 2001 annual report. It was intended that there should be an asterisk denoting the attendance records as average attendance records of audit committee members in the 2002 annual report in relation to those years but this had been omitted inadvertently in the printing process and the omission is regretted.

Going forward, the Group will strive to maintain the highest standards of corporate governance and transparency in its operations and development whilst at the same time participate in activities that will help to promote corporate governance on a wider perspective.

## **CREDIT RATING**

On 18 August 2003, Standard & Poor's reaffirmed the Group's corporate rating to be of investment grade with a "BBB-" rating with a negative outlook.

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## **FINANCIAL REVIEW**

The Group has centralised funding for all its operations at the Group level. This policy achieves better control of treasury operations and lower average cost of funds. In addition, foreign exchange exposure does not pose a significant risk for the Group given that the level of foreign exchange exposure is small relative to the total asset base. As at 30 June 2003, total foreign currency borrowings excluding Renminbi (RMB) borrowings amounted to approximately HK\$66 million. RMB loans at the period end amounted to RMB706 million (2002: RMB475.5 million) and are used to finance the Group's projects in the PRC.

The majority of the Group's borrowings are subject to floating interest rates. As at 30 June 2003, the Group has outstanding interest rate swap contracts amounting to HK\$3.76 billion in total, enabling the Group to hedge its interest rate exposure in the current low interest environment and to have a more stable interest rate profile over the next few years.

As and when required, the Group will also pledge specific assets to banks for banking facilities granted for the development or acquisition of specific assets.

As at 30 June 2003, total borrowings of the Group amounted to HK\$6,922 million, of which 17% (2002: 19%) was due within one year whilst 5% (2002: 12%) and 78% (2002: 69%) were due in the second year and in the third to fifth years, respectively. During the period, the Group continued to maintain most of its borrowings on an unsecured basis. As at 30 June 2003, unsecured debt comprised approximately 98% of total borrowings while net borrowings amounted to approximately HK\$5,597 million, resulting in a gearing ratio of approximately 29.5% based on shareholders' equity of approximately HK\$18,967 million.

The Group will continue to obtain financing on a fully unsecured basis whenever possible and supplement such borrowings with secured project financing as and when the need arises. The Group will also continue its policy of maintaining a prudent gearing ratio.

At 30 June 2003, the Group had total undrawn bank loan and overdraft facilities of approximately HK\$6,312 million and net cash on hand of approximately HK\$1,325 million. In addition, the Group also continues to generate strong recurring cashflows from its core investment property portfolio. This strong financial position enables the Group to take advantage of investment opportunities with confidence.

## **ENVIRONMENTAL PROTECTION INITIATIVES**

The Group has continued with its initiatives to incorporate environmental protection measures in its projects. Starting from the design of the properties to the selection of materials and equipments, enhancement of the environment is achieved through well planned landscaping and the introduction of a "Green Property Management System". It is the Group's intention to incorporate this eco-friendly concept into all of its developments. In The Cliveden, Branksome II, Enterprise Square 3 and Arcadia Court, four of the Group's latest developments in Hong Kong and the PRC, the Group continues with its initiatives to incorporate environmental protection measures in its developments by introducing the green property management system. In addition, the designs in The Cliveden and Arcadia Court have also taken into account units with balconies to allow maximum light penetration. The Group will continue to explore the possibilities of having more environmental protection measures implemented in its future developments where appropriate.

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## CORPORATE COMMUNICATIONS INITIATIVES

### Website

The Kerry Properties website, [www.kerryprops.com](http://www.kerryprops.com), has continued to be well received by the investment community and buyers of properties with average number of hits during the six months ended 30 June 2003 increasing to 568,755 hits (2002: 518,407 hits) per month.

### Investor Relations

In an effort to maintain continuing good relations with the Group's investors, the Group participated in various roadshows and conferences as follows:

Date	Event	Organiser	Venue
March 2003	Asian Investment Conference	Credit Suisse First Boston	Hong Kong
August 2003	Roadshow	Lehman Brothers	Sydney
August 2003	Hong Kong Property Day	Credit Suisse First Boston	Hong Kong

In addition, the Company is currently working on a Level 1 American Depositary Receipt program which will allow the Company to access a wider spectrum of potential investors.

## DIRECTORS AND STAFF

Subsequent to the period end, on 1 August 2003, Mr Kuok Khoon Loong, Edward relinquished his position as the Chairman of the Board. Mr Kuok continues to act as an Executive Director of the Company. The Board would like to extend its sincere appreciation to Mr Kuok for his valuable contribution during his tenure as Chairman of the Board.

The Board elected Mr Ang Keng Lam, the former Deputy Chairman of the Board and a Joint Managing Director of the Company, to be the Chairman of the Board with effect from 1 August 2003. Mr Wong Siu Kong, formerly the other Joint Managing Director of the Board, has also been appointed as the Deputy Chairman of the Board effective the same date. Mr Wong continues to act as the Managing Director of the Company.

Dr Fung Kwok King, Victor, resigned as an Independent Non-executive Director of the Company with effect from 22 August 2003 due to other business commitments. The Board would also like to take this opportunity to record a special note of thanks and appreciation to Dr Fung for all his efforts and contribution during his tenure as an Independent Non-executive Director of the Company.

As at 30 June 2003, the Company and its subsidiaries had 3,171 employees. Salaries of employees are maintained at competitive levels while bonuses are granted on a discretionary basis. Other employee benefits include provident fund, insurance and medical cover, subsidised educational and training programmes as well as a share option scheme.

## DIRECTORS AND STAFF (continued)

### Share Option Scheme

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"). The 2002 Share Option Scheme is designed to motivate executives and key employees in the service of any member of the Group and other persons who may make a contribution to the Group to optimise their future contributions to the Group and enable the Group to attract and retain individuals with experience and ability and to reward them for their past contributions.

As at 30 June 2003, options to subscribe for a total of 32,039,084 option shares were still outstanding under the 1997 Share Option Scheme. No options have been granted under the 2002 Share Option Scheme.

Movements of the options, which have been granted and exercised under the 1997 Share Option Scheme, during the period are listed below in accordance with Rule 17.07 of the Listing Rules:

Category	Date of Grant	Tranche	Number of Option Shares held at 01/01/2003	Number of Option Shares granted during the Period	Number of Option Shares granted for Adjustment	Number of Option Shares exercised during the Period	Number of Option Shares lapsed during the Period	Number of Option Shares held at 30/06/2003	Exercise Price HK\$	Exercise Period
<b>1. Directors</b>										
Mr ANG Keng Lam	11/04/1997	N/A	1,715,684	-	20,424	-	-	1,736,108	15.12	11/04/1999-26/03/2007
	27/11/1999	I	418,218	-	4,709	-	-	422,927	9.77	27/05/2000-26/03/2007
	27/11/1999	II	418,218	-	4,708	-	-	422,926	9.77	27/05/2001-26/03/2007
								845,853		
	01/06/2000	I	341,000	-	4,000	-	-	345,000	6.79	01/06/2001-31/05/2010
	01/06/2000	II	341,000	-	4,000	-	-	345,000	6.79	01/06/2002-31/05/2010
	01/06/2000	III	340,793	-	4,050	-	-	344,843	6.79	01/06/2003-31/05/2010
								1,034,843		
	16/04/2002	I	505,698	-	5,829	-	-	511,527	6.94	16/04/2003-15/04/2012
	16/04/2002	II	505,698	-	5,829	-	-	511,527	6.94	16/04/2004-15/04/2012
								1,023,054		
								<u>4,639,858</u>		

Category	Date of Grant	Tranche	Number of Option Shares held at 01/01/2003	Number of Option Shares granted during the Period	Number of Option Shares granted for Adjustment	Number of Option Shares exercised during the Period	Number of Option Shares lapsed during the Period	Number of Option Shares held at 30/06/2003	Exercise Price HK\$	Exercise Period
<b>1. Directors (continued)</b>										
Mr WONG Siu Kong	11/04/1997	N/A	1,143,789	-	13,616	-	-	1,157,405	15.12	11/04/1999-26/03/2007
	27/11/1999	I	209,108	-	2,355	-	-	211,463	9.77	27/05/2000-26/03/2007
	27/11/1999	II	209,109	-	2,353	-	-	211,462	9.77	27/05/2001-26/03/2007
								422,925		
	01/06/2000	I	174,000	-	2,000	-	-	176,000	6.79	01/06/2001-31/05/2010
	01/06/2000	II	174,000	-	2,000	-	-	176,000	6.79	01/06/2002-31/05/2010
	01/06/2000	III	173,832	-	2,148	-	-	175,980	6.79	01/06/2003-31/05/2010
								527,980		
	16/04/2002	I	505,698	-	5,829	-	-	511,527	6.94	16/04/2003-15/04/2012
	16/04/2002	II	505,698	-	5,829	-	-	511,527	6.94	16/04/2004-15/04/2012
								1,023,054		
								<u>3,131,364</u>		
	Mr KUOK Khoo Loong, Edward	11/04/1997	N/A	2,859,475	-	34,041	-	-	2,893,516	15.12
27/11/1999		I	418,218	-	4,709	-	-	422,927	9.77	27/05/2000-26/03/2007
27/11/1999		II	418,218	-	4,708	-	-	422,926	9.77	27/05/2001-26/03/2007
								845,853		
01/06/2000		I	341,000	-	4,000	-	-	345,000	6.79	01/06/2001-31/05/2010
01/06/2000		II	341,000	-	4,000	-	-	345,000	6.79	01/06/2002-31/05/2010
01/06/2000		III	340,793	-	4,050	-	-	344,843	6.79	01/06/2003-31/05/2010
								1,034,843		
16/04/2002		I	505,698	-	5,829	-	-	511,527	6.94	16/04/2003-15/04/2012
16/04/2002		II	505,698	-	5,829	-	-	511,527	6.94	16/04/2004-15/04/2012
							1,023,054			
							<u>5,797,266</u>			

## DIRECTORS AND STAFF (continued)

### Share Option Scheme (continued)

Category	Date of Grant	Tranche	Number of Option Shares held at 01/01/2003	Number of Option Shares granted during the Period	Number of Option Shares granted for Adjustment	Number of Option Shares exercised during the Period	Number of Option Shares lapsed during the Period	Number of Option Shares held at 30/06/2003	Exercise Price HK\$	Exercise Period
<b>1. Directors (continued)</b>										
Mr HO Shut Kan	11/04/1997	N/A	800,653	-	9,531	-	-	810,184	15.12	11/04/1999-26/03/2007
	27/11/1999	I	135,920	-	1,531	-	-	137,451	9.77	27/05/2000-26/03/2007
	27/11/1999	II	135,921	-	1,529	-	-	137,450	9.77	27/05/2001-26/03/2007
								274,901		
	01/06/2000	I	122,000	-	2,000	-	-	124,000	6.79	01/06/2001-31/05/2010
	01/06/2000	II	122,000	-	2,000	-	-	124,000	6.79	01/06/2002-31/05/2010
	01/06/2000	III	121,283	-	303	-	-	121,586	6.79	01/06/2003-31/05/2010
								369,586		
	02/03/2001	I	35,000	-	-	-	-	35,000	11.74	02/03/2002-01/03/2011
	02/03/2001	II	35,000	-	-	-	-	35,000	11.74	02/03/2003-01/03/2011
	02/03/2001	III	32,945	-	1,227	-	-	34,172	11.74	02/03/2004-01/03/2011
								104,172		
	16/04/2002	I	75,854	-	875	-	-	76,729	6.94	16/04/2003-15/04/2012
	16/04/2002	II	75,855	-	873	-	-	76,728	6.94	16/04/2004-15/04/2012
								153,457		
							<u>1,712,300</u>			
Mr Thaddeus Thomas BECZAK	27/11/1999	I	104,553	-	1,178	-	-	105,731	9.77	27/05/2000-26/03/2007
	27/11/1999	II	104,554	-	1,176	-	-	105,730	9.77	27/05/2001-26/03/2007
								211,461		
	01/06/2000	I	70,000	-	1,000	-	-	71,000	6.79	01/06/2001-31/05/2010
	01/06/2000	II	70,000	-	1,000	-	-	71,000	6.79	01/06/2002-31/05/2010
	01/06/2000	III	68,733	-	459	-	-	69,192	6.79	01/06/2003-31/05/2010
							211,192			
							<u>422,653</u>			

Category	Date of Grant	Tranche	Number of Option Shares held at 01/01/2003	Number of Option Shares granted during the Period	Number of Option Shares granted for Adjustment	Number of Option Shares exercised during the Period	Number of Option Shares lapsed during the Period	Number of Option Shares held at 30/06/2003	Exercise Price HK\$	Exercise Period
2. Continuous Contract Employees	11/04/1997	N/A	4,941,142	-	58,812	-	-	4,999,954	15.12	11/04/1999-26/03/2007
	27/11/1999	I	1,698,967	-	19,149	-	-	1,718,116	9.77	27/05/2000-26/03/2007
	27/11/1999	II	1,699,000	-	19,087	-	-	1,718,087	9.77	27/05/2001-26/03/2007
								3,436,203		
	01/06/2000	I	1,776,000	-	23,000	(22,000) <sup>1</sup>	-	1,777,000	6.79	01/06/2001-31/05/2010
	01/06/2000	II	1,776,000	-	23,000	(22,000) <sup>1</sup>	-	1,777,000	6.79	01/06/2002-31/05/2010
	01/06/2000	III	1,715,714	-	15,842	(19,355) <sup>1</sup>	(15,711)	1,696,490	6.79	01/06/2003-31/05/2010
								5,250,490		
	02/03/2001	I	385,000	-	-	-	(14,000)	371,000	11.74	02/03/2002-01/03/2011
	02/03/2001	II	385,000	-	-	-	(14,000)	371,000	11.74	02/03/2003-01/03/2011
	02/03/2001	III	362,395	-	13,007	-	(13,178)	362,224	11.74	02/03/2004-01/03/2011
								1,104,224		
	16/04/2002	I	783,802	-	8,815	-	(20,227)	772,390	6.94	16/04/2003-15/04/2012
	16/04/2002	II	783,835	-	8,775	-	(20,228)	772,382	6.94	16/04/2004-15/04/2012
							1,544,772			
							16,335,643			
<b>Total</b>			<b>31,828,769</b>	<b>-</b>	<b>371,014</b>	<b>(63,355)</b>	<b>(97,344)</b>	<b>32,039,084</b>		

Notes:

1. The exercise date was 5 June 2003. At the trading date before the option was exercised, the market value per share was HK\$9.25.
2. No options were cancelled during the period.



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## **DIRECTORS AND STAFF (continued)**

### **Share Option Scheme (continued)**

Pursuant to the terms of the 1997 Share Option Scheme, the Company adjusted the exercise price per option share of the unexercised options and the number of option shares comprised thereunder on 30 May 2003 following the adjustment events arising from the changes in the Company's issued share capital on 22 October 2002, in December 2002 and on 30 May 2003. The exercise prices have been adjusted from HK\$15.30 to HK\$15.12, from HK\$9.88 to HK\$9.77, from HK\$6.87 to HK\$6.79, from HK\$11.88 to HK\$11.74 and from HK\$7.02 to HK\$6.94 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 136,424, 67,192, 98,852, 14,234 and 54,312 granted accordingly.

Subsequent to the period end, options comprising a total of 1,430,680 and 341,296 option shares were exercised and lapsed, respectively, under the 1997 Share Option Scheme. As at the date of this report, options to subscribe for a total of 30,267,108 option shares were still outstanding under the 1997 Share Option Scheme.

## **CONCLUSION**

The prospects of the Hong Kong property market continues to be uncertain due to the overall weakness in the economy and the prevailing oversupply of residential units in the market. Although the Government has announced that it will introduce new measures to support the property sector later this year, the measures and their resultant impact are yet to be seen. On the other hand, the economy and the property market in the PRC continue to be robust. Accordingly, the Group foresees that it will focus more on the PRC property market in the next few years whilst selectively assessing opportunities in Hong Kong and the region. The Group will also continue with the expansion of its logistics network in the region. Given the quality and strategic locations of the Group's property portfolio, its stable and healthy recurrent income base and its strong financial standing, the Group believes that it is in a good position to capture attractive investments when the opportunity arises.

## CONTINUING DISCLOSURE REQUIREMENTS UNDER PRACTICE NOTE 19 OF THE LISTING RULES

The Company has obtained a waiver from the Stock Exchange under paragraph 3.10 of Practice Note 19 of the Listing Rules ("PN 19") from disclosing a proforma combined balance sheet of affiliated companies as defined therein. Instead, in accordance with PN 19, the Company discloses the following information, as an alternative, in relation to the affiliated companies as at the end of the most recent financial period reported on by the affiliated companies. This information has been extracted from the relevant audited accounts or management accounts of the affiliated companies.

	<i>Notes</i>	<i>HK\$'000</i>
The Group's share of total indebtedness analysed as follows:		
Bank borrowings	<i>1</i>	896,290
Other borrowings including loans from shareholders	<i>2</i>	<u>4,667,490</u>
		<u>5,563,780</u>
The Group's share of capital commitments		
Authorised but not contracted for		1,882
Contracted but not provided for		<u>139,516</u>
		<u>141,398</u>

*Notes:*

1. The above amount includes bank borrowings by affiliated companies which are not guaranteed by the Group. As at 30 June 2003, banking and other facilities utilised by the affiliated companies and guaranteed by the Group amounted to approximately HK\$428 million.
2. The above amount includes borrowings from the Group. As at 30 June 2003, such borrowings amounted to approximately HK\$4,254 million.

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

As at 30 June 2003, the interests of the Directors in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) (the "Associated Corporations") as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") were as follows:

### (i) The Company

Name of Director	Number of ordinary shares				Number of underlying ordinary shares held under equity derivatives	Total	Percentage of aggregate interests to total issued share capital %
	Personal interests	Family Interests	Corporate interests	Other interests			
Mr ANG Keng Lam	2,585 <sup>1</sup>	-	-	523,733 <sup>2</sup>	4,639,858 <sup>3</sup>	5,166,176	0.44
Mr WONG Siu Kong	-	-	-	2,000 <sup>2</sup>	3,131,364 <sup>3</sup>	3,133,364	0.26
Mr KUOK Khoon Loong, Edward	-	-	857,704 <sup>4</sup>	-	5,797,266 <sup>3</sup>	6,654,970	0.56
Mr HO Shut Kan	-	-	-	-	1,712,300 <sup>3</sup>	1,712,300	0.14
Mr Thaddeus Thomas BECZAK	-	-	-	101,465 <sup>5</sup>	422,653 <sup>3</sup>	524,118	0.04
Dr FUNG Kwok King, Victor <sup>6</sup>	-	-	-	-	-	-	-
Mrs LEE Pui Ling, Angelina	-	-	-	-	-	-	-
Mr Christopher Roger MOSS, O.B.E.	-	-	-	-	-	-	-

#### Notes:

1. This represents interests held by the relevant director as beneficial owner.
2. This represents interests held by the relevant director through a discretionary trust of which the relevant director is a beneficiary.
3. This represents interests in the option held by the relevant director as beneficial owner to subscribe for the relevant underlying ordinary shares in respect of the option granted by the Company under the 1997 Share Option Scheme, details of which are set out in the sub-section headed 'Share Option Scheme' under the section headed "Directors and Staff" above.
4. This represents interests held through a controlled corporation.
5. This represents interests held by the relevant director and his spouse jointly.
6. Subsequent to the period end, Dr Fung Kwok King, Victor resigned as an Independent Non-executive Director of the Company with effect from 22 August 2003.

## (ii) Associated Corporations

Name of Associated Corporation	Name of Director	Number of ordinary shares				Number of underlying ordinary shares held under equity derivatives	Total	Percentage of aggregate interests to total issued share capital %
		Personal interests	Family interests	Corporate interests	Other interests			
EDSA Properties Holdings Inc.	Mr KUOK Khoon	1,570 <sup>1</sup>	-	-	-	-	1,570 <sup>#</sup>	0.00
	Loong, Edward Mr HO Shut Kan	1,570 <sup>1</sup>	-	-	-	-	1,570 <sup>#</sup>	0.00
Kerry Group Limited	Mr ANG Keng Lam	-	7,050,000 <sup>2</sup>	-	6,500,000 <sup>3</sup>	6,000,000 <sup>4</sup>	19,550,000	1.34
	Mr WONG Siu Kong	-	-	4,254,300 <sup>5</sup>	-	5,000,000 <sup>4</sup>	9,254,300	0.63
	Mr KUOK Khoon Loong, Edward	-	-	29,894,101 <sup>5</sup>	-	10,000,000 <sup>4</sup>	39,894,101	2.73
	Mr HO Shut Kan	315,000 <sup>1</sup>	-	-	-	1,000,000 <sup>4</sup>	1,315,000	0.09
	Mr Thaddeus Thomas BECZAK	-	400,000 <sup>2</sup>	-	-	5,000,000 <sup>4</sup>	5,400,000	0.37
Rennon Limited	Mr Kuok Khoon Loong, Edward	-	-	133 <sup>5</sup>	-	-	133 <sup>#</sup>	1.33

### Notes:

1. This represents interests held by the relevant director as beneficial owner.
2. This represents interests held by the relevant director's spouse.
3. This represents interests held by the relevant director through a discretionary trust of which the relevant director is a beneficiary.
4. This represents interests in the option held by the relevant director as beneficial owner to subscribe for the relevant underlying ordinary shares in respect of the option granted by Kerry Group Limited, details of which are set out in the section headed 'Directors' Rights to Acquire Shares or Debentures' below.
5. This represents interests held through controlled corporation(s).

# These notifications were filed under the repealed Securities (Disclosure of Interests) Ordinance.

All the interests disclosed in sections (i) and (ii) above represent long positions in the shares of the Company or the Associated Corporations.

Save as aforesaid, as at 30 June 2003, none of the Directors had any other interests or short positions in the shares, underlying shares or debentures of the Company or any of its Associated Corporations which had been entered in the register kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

### (i) The Company

As at 30 June 2003, the number of outstanding options granted by the Company under the 1997 Share Option Scheme to the Directors to subscribe for shares of the Company, as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code was set out in the sub-section headed "Share Option Scheme" under the section headed "Directors and Staff" of this report.

### (ii) Associated Corporations

Pursuant to a share option scheme adopted by Kerry Group Limited, the ultimate holding company of the Company, the directors of Kerry Group Limited granted options in favour of the following Directors on 17 November 1999 to subscribe for shares in Kerry Group Limited as follows:

Name of Director	Date of grant	Exercise period	Exercise price HK\$	Number of option shares of Kerry Group Limited
Mr ANG Keng Lam	04/05/2000	04/11/2000–03/05/2007	4.20	6,000,000
Mr WONG Siu Kong	04/05/2000	04/11/2000–03/05/2007	4.20	5,000,000
Mr KUOK Khoon Loong, Edward	04/05/2000	04/11/2000–03/05/2007	4.20	10,000,000
Mr HO Shut Kan	04/05/2000	04/11/2000–03/05/2007	4.20	1,000,000
Mr Thaddeus Thomas BECZAK	04/05/2000	04/11/2000–03/05/2007	4.20	5,000,000

Apart from the aforesaid, at no time during the six months ended 30 June 2003 was the Company or any of its Associated Corporations a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and none of the Directors or their spouses or children under 18 years of age was granted any right to subscribe for any shares in, or debentures of, the Company or any of its Associated Corporations.

## SUBSTANTIAL INTERESTS IN SHARE CAPITAL

As at 30 June 2003, the interests of those persons (other than the Directors) in the shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name	Capacity in which ordinary shares were held	Number of ordinary shares	Percentage of ordinary shares to total issued share capital * %
Kerry Group Limited	Interest of controlled corporations	752,142,097 <i>(Notes 1, 2 &amp; 3)</i>	63.50
Kerry Holdings Limited	Interest of controlled corporations	752,142,097 <i>(Notes 1, 2 &amp; 3)</i>	63.50
Caninco Investments Limited	Beneficial owner	299,632,708 <i>(Note 2)</i>	25.30
Darmex Holdings Limited	Beneficial owner	246,519,994 <i>(Note 2)</i>	20.81
Moslane Limited	Beneficial owner	84,942,917 <i>(Note 2)</i>	7.17
Kerry 1989 (C.I.) Limited	Interest of controlled corporations	80,758,908 <i>(Notes 2 &amp; 3)</i>	6.82
Desert Grove Limited	Beneficial owner	79,743,860 <i>(Note 3)</i>	6.73
The Capital Group Companies, Inc.	Investment manager	62,323,890	5.26

### Notes:

1. Kerry Properties Limited is a subsidiary of Kerry Holdings Limited ("KHL"). KHL itself is a wholly-owned subsidiary of Kerry Group Limited ("KGL") and, accordingly, the shares in which KHL is shown to be interested are also included in the shares in which KGL is shown to be interested.
  2. Caninco Investments Limited ("Caninco"), Darmex Holdings Limited ("Darmex"), Moslane Limited ("Moslane") and Kerry 1989 (C.I.) Limited ("Kerry 1989 CI") are wholly-owned subsidiaries of KHL. KHL itself is a wholly-owned subsidiary of KGL and, accordingly, the shares in which Caninco, Darmex, Moslane and Kerry 1989 CI are shown to be interested are also included in the shares in which KHL and KGL are shown to be interested.
  3. Desert Grove Limited ("Desert") is a wholly-owned subsidiary of Kerry 1989 CI which in turn is a wholly-owned subsidiary of KHL. KHL itself is a wholly-owned subsidiary of KGL and, accordingly, the shares in which Desert are shown to be interested are also included in the shares in which Kerry 1989 CI, KHL and KGL are shown to be interested.
- \* The percentage has been adjusted based on the total number of ordinary shares of the Company in issue as at 30 June 2003 (i.e. 1,184,539,725 ordinary shares).

All the interests disclosed under this section represent long positions in the shares of the Company.

Apart from the aforesaid, as at 30 June 2003, the Company had not been notified of any interests and short positions in the shares and underlying shares of the Company which had been recorded in the register required to be kept under Section 336 of the SFO.

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## CODE OF BEST PRACTICE

None of the Directors is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the six months ended 30 June 2003, in compliance with Appendix 14 of the Listing Rules except that the non-executive directors of the Company are not appointed for a specific term as they are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's Bye-laws.

## CLOSURE OF REGISTERS OF MEMBERS

The registers of members of the Company will be closed from Monday, 29 September 2003 to Thursday, 2 October 2003, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all share transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Abacus Share Registrars Limited of G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, for registration not later than 4:00 pm on Friday, 26 September 2003. The dividend warrants and certificates for the new shares to be issued pursuant to the scrip dividend scheme will be distributed on or about Tuesday, 11 November 2003.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2003.

By Order of the Board  
**Ang Keng Lam**  
*Chairman*

Hong Kong SAR, 8 September 2003

## CORPORATE INFORMATION

### Board of Directors

#### *Executive Directors*

Mr ANG Keng Lam

*Chairman*

Mr WONG Siu Kong

*Deputy Chairman and Managing Director*

Mr KUOK Khoon Loong, Edward

Mr HO Shut Kan

Mr Thaddeus Thomas BECZAK

#### *Independent Non-Executive Directors*

Mrs LEE Pui Ling, Angelina

Mr Christopher Roger MOSS, O.B.E.

### Audit Committee

Mr Christopher Roger MOSS, O.B.E.

*Chairman*

Mrs LEE Pui Ling, Angelina

Mr CHEW Fook Aun

*Secretary to the Audit Committee*

### Finance Committee

Mr ANG Keng Lam

Mr KUOK Khoon Loong, Edward

Mr HO Shut Kan

Mr CHEW Fook Aun

### Remuneration Committee

Mr ANG Keng Lam

*Chairman*

Mr KUOK Khoon Loong, Edward

Mrs LEE Pui Ling, Angelina

Mr Christopher Roger MOSS, O.B.E.

Mr CHEW Fook Aun

*Secretary to the Remuneration Committee*

### Company Secretary

Ms CHOW Yin Ping, Anita

### Auditors

PricewaterhouseCoopers

*Certified Public Accountants*

### Registered Office

Cedar House

41 Cedar Avenue

Hamilton HM12

Bermuda

### Head Office and Principal Place of Business

13/F & 14/F

Cityplaza 3

14 Taikoo Wan Road

Taikoo Shing

Hong Kong

### Branch Office

21/F, CITIC Tower

No 1 Tim Mei Avenue

Central

Hong Kong

### Website Address

<http://www.kerryprops.com>

### Principal Share Registrar and Transfer Office

Butterfield Fund Services (Bermuda) Limited

Rosebank Centre

11 Bermudiana Road

Pembroke

Bermuda

### Hong Kong Branch Registrar and Transfer Office

Abacus Share Registrars Limited

G/F, Bank of East Asia Harbour View Centre

56 Gloucester Road

Wanchai

Hong Kong

For further information about Kerry Properties Limited, please contact:

Corporate Communications Department

Kerry Properties Limited

13/F & 14/F

Cityplaza 3

14 Taikoo Wan Road

Taikoo Shing

Hong Kong

Tel: (852) 2967 2300

Fax: (852) 2967 1715

### Key Dates

Closure of Registers of Members:

29 September 2003 to 2 October 2003

Interim Dividend Payment/Despatch of Scrip  
Dividend Share Certificates:

11 November 2003