

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited accounts for the year ended 31 December 2004.

PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding.

The principal activities of the Company's subsidiaries comprise the following:

- (i) property development and investment in Hong Kong, the PRC and in the Asia Pacific region;
- (ii) logistics, freight and warehouse ownership and operations;
- (iii) infrastructure-related investment in Hong Kong and the PRC; and
- (iv) hotel ownership and operations in the PRC.

The Group is also involved in project and property management, mainly of its own development projects and properties, in Hong Kong, the PRC and the Asia Pacific region.

An analysis of the Group's turnover and contribution to operating profit for the year by principal activities and markets is set out in note 2 to the accounts.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated profit and loss account on page 88.

Particulars of dividends proposed and paid during the year are set out in note 7 to the accounts.

RESERVES

The movements in reserves of the Group and the Company during the year are set out in notes 23 to 25 to the accounts.

DONATIONS

Charitable donations made by the Group during the year amounted to HK\$201,000.

FIXED ASSETS

Particulars of the movements in fixed assets of the Group and the Company during the year are set out in note 11 to the accounts.

INVESTMENT, HOTEL AND DEVELOPMENT PROPERTIES

Particulars of investment, hotel and development properties of the Group are set out on pages 35 to 46.

SHARE CAPITAL

The movements in the share capital of the Company during the year are set out in note 21 to the accounts.

CAPITALISED INTEREST

The amounts of interest capitalised by the Group during the year are set out in notes 3 and 4 to the accounts.

SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31 December 2004 are set out in note 36 to the accounts.

ASSOCIATED COMPANIES

Particulars of the Group's associated companies as at 31 December 2004 are set out in note 37 to the accounts.

PARTICULARS OF BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group and the Company as at 31 December 2004 are set out in notes 27 and 33 to the accounts.

NINE-YEAR FINANCIAL SUMMARY

The results, assets and liabilities of the Group for the last nine financial years are summarized on page 160.

DIRECTORS

The Directors who held office during the year and up to the date of this report were:

Mr ANG Keng Lam (Chairman)

Mr WONG Siu Kong (Deputy Chairman and Managing Director)

Mr HO Shut Kan

Mr MA Wing Kai, William (appointed on 1 March 2004)

Mr KUOK Khoon Loong, Edward (resigned on 1 March 2004)

Mr Thaddeus Thomas BECZAK (resigned on 12 January 2004)

Mr William Winship FLANZ * (appointed on 29 September 2004)

Mr LAU Ling Fai, Herald *

Mr Christopher Roger MOSS, O.B.E. *

Mrs LEE Pui Ling, Angelina * (resigned on 29 September 2004)

* Independent Non-executive Directors

Mr William Winship FLANZ retires in accordance with Bye-law 102(B) of the Company's Bye-laws. A retiring director, being eligible, offers himself for re-election.

During the year, Mr Thaddeus Thomas BECZAK and Mr KUOK Khoon Loong, Edward resigned as Executive Directors of the Company on 12 January 2004 and 1 March 2004, respectively. On 29 September 2004, Mrs LEE Pui Ling, Angelina resigned as an Independent Non-executive Director of the Company due to other business commitments. The Board would like to take this opportunity to record a special vote of thanks and appreciation to Mr BECZAK, Mr KUOK and Mrs LEE for all their efforts and contribution during their tenures as Directors of the Company.

DIRECTORS (Continued)

On 1 March 2004, Mr MA Wing Kai, William, the deputy chairman and a joint managing director of Kerry Logistics Network Limited, was appointed as an Executive Director of the Company. Mr William Winship FLANZ was appointed as an Independent Non-executive Director of the Company with effect from 29 September 2004.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

Biography of directors and senior management are set out on pages 62 to 64.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2004, 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 of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (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 number of ordinary shares in issue* %
	Personal interests	Family interests	Corporate interests	Other interests			
Mr ANG Keng Lam	2,621 ¹	-	-	466,386 ²	4,701,877 ³	5,170,884	0.43
Mr WONG Siu Kong	-	-	-	-	2,119,794 ³	2,119,794	0.18
Mr HO Shut Kan	-	-	-	-	1,004,300 ³	1,004,300	0.08
Mr MA Wing Kai, William	2,669 ¹	-	-	-	987,011 ³	989,680	0.08
Mr. William Winship FLANZ	-	-	-	-	-	-	-
Mr LAU Ling Fai, Herald	-	-	-	-	-	-	-
Mr Christopher Roger MOSS, O.B.E.	-	-	-	-	-	-	-

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

(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 number of ordinary shares in issue %
		Personal interests	Family interests	Corporate interests	Other interests			
EDSA Properties Holdings Inc.	Mr HO Shut Kan	1,570 ¹	-	-	-	-	1,570 [#]	0.00
Kerry Group Limited	Mr ANG Keng Lam	-	7,050,000 ⁴	-	7,000,000 ²	6,000,000 ⁵	20,050,000	1.40 [@]
	Mr WONG Siu Kong	-	-	5,254,300 ⁶	-	5,000,000 ⁵	10,254,300	0.72 [@]
	Mr HO Shut Kan	465,000 ¹	-	-	-	1,000,000 ⁵	1,465,000	0.10 [@]
	Mr. MA Wing Kai, William	710,620 ¹	-	-	-	-	710,620	0.05 [@]
Kerry Siam Seaport Limited (formerly known as Siam Seaport Terminal & Warehouses Co., Ltd.)	Mr ANG Keng Lam	1 ¹	-	-	-	-	1	0.00
	Mr MA Wing Kai, William	1 ¹	-	-	-	-	1	0.00

Notes:

- This represents interests held by the relevant Director as beneficial owner.
 - This represents interests held by the relevant Director through a discretionary trust of which the relevant Director is a contingent beneficiary.
 - This represents interests in options held by the relevant Director as a beneficial owner to subscribe for the relevant underlying ordinary shares in respect of the options granted by the Company under the 1997 Share Option Scheme, details of which are set out in the section headed "Share Options" of this report.
 - This represents interests held by the relevant Director's spouse through a discretionary trust of which the relevant Director's spouse is a contingent beneficiary.
 - This represents interests in the option held by the relevant Director as a 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.
 - This represents interests held by the relevant Director through his controlled corporations.
- * The percentage has been adjusted based on the total number of ordinary shares of the Company in issue as at 31 December 2004 (i.e. 1,211,116,330 ordinary shares).
- # The relevant notification was filed under the repealed Securities (Disclosure of Interests) Ordinance.
- @ The percentage has been adjusted based on the total number of ordinary shares of Kerry Group Limited in issue as at 31 December 2004 (i.e. 1,433,774,352 ordinary shares).

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

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 31 December 2004, 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' INTERESTS IN CONTRACTS

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

(i) The Company

Pursuant to the terms of the 1997 Share Option Scheme, following the adjustment events arising from the changes in the Company's issued share capital on 11 November 2003, 28 May 2004 and 13 October 2004, the respective exercise prices per option share of the unexercised options and the respective number of option shares exercisable were adjusted as follows with effect from 7 December 2004:

Date of grant	Exercise price per option share before adjustment	Exercise price per option share after adjustment	Additional number of option shares granted to the Directors for the adjustment
	HK\$	HK\$	
11/04/1997	15.12	14.92	52,748
27/11/1999	9.77	9.64	20,673
01/06/2000	6.79	6.70	17,275
02/03/2001	11.74	11.59	2,696
16/04/2002	6.94	6.85	22,781

As at 31 December 2004, 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 under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code is set out in the section headed "Share Options" of this report.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES (Continued)

(ii) Associated Corporation

Pursuant to a share option scheme adopted by Kerry Group Limited, the ultimate holding company of the Company, on 17 November 1999, the directors of Kerry Group Limited granted options in favour of the Directors 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 HO Shut Kan	04/05/2000	04/11/2000- 03/05/2007	4.20	1,000,000

Apart from the aforesaid, at no time during the year ended 31 December 2004 was the Company, its subsidiaries, its fellow subsidiaries or its holding companies a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

As at 31 December 2004, 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 number of ordinary shares in issue * %
Kerry Group Limited	Interest of controlled corporations	750,842,646 ^(Notes 1, 2, 3 & 4)	61.99
Kerry Holdings Limited	Interest of controlled corporations	750,842,646 ^(Notes 1, 2, 3 & 4)	61.99
Caninco Investments Limited	Beneficial owner	303,891,879 ^(Note 2)	25.09
Darmex Holdings Limited	Beneficial owner	250,024,187 ^(Note 2)	20.64
Moslane Limited	Beneficial owner	86,150,350 ^(Note 2)	7.11
Kerry 1989 (C.I.) Limited	Interest of controlled corporations	81,708,438 ^(Notes 2 & 3)	6.74
Desert Grove Limited	Beneficial owner	80,877,390 ^(Note 3)	6.67

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.
 4. The Company has been notified that, as at 31 December 2004, each of KGL and KHL was interested in 749,992,146 ordinary shares of the Company (representing approximately 61.92% of the Company's issued share capital) and this decrease in shareholding was not required to be disclosed under Part XV of the SFO.
- * The percentage has been adjusted based on the total number of ordinary shares of the Company in issue as at 31 December 2004 (i.e. 1,211,116,330 ordinary shares).

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

SUBSTANTIAL INTERESTS IN THE SHARE CAPITAL OF THE COMPANY (Continued)

Apart from the aforesaid, as at 31 December 2004, 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.

PUBLIC FLOAT

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

PRE-EMPTIVE RIGHTS

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

STAFF

As at 31 December 2004, the Company and its subsidiaries had 7,288 employees. Salaries of employees are maintained at competitive levels while bonuses are granted on a discretionary basis. Other employee benefits include provident fund, insurance, medical cover, subsidized educational and training programs as well as a share option scheme.

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 1997 Share Option Scheme and the adoption of a new share option scheme (the "2002 Share Option Scheme"). As at 31 December 2004, options to subscribe for a total of 21,035,631 option shares were still outstanding under the 1997 Share Option Scheme. No option has been granted under the 2002 Share Option Scheme.

The following is a summary of the principal terms of these two share option schemes (for the 1997 Share Option Scheme, only those terms applying to the outstanding option shares are set out).

(i) 1997 Share Option Scheme

The 1997 Share Option Scheme was designed to give Executive Directors, managers or other employees holding an executive, managerial, supervisory or similar position in the Company or any of its subsidiaries an interest in preserving and maximising shareholder value in the longer term, to enable the Company to attract and retain individuals with experience and ability and to reward individuals for expected future performance.

The period within which an option may be exercised was determined by the Board of Directors of the Company in its absolute discretion, save that no option might be exercised later than 10 years from the date on which the option was granted. Subject to the provisions of the 1997 Share Option Scheme, the Board might at its discretion when offering the grant of an option impose any conditions, restrictions or limitations in relation thereto in addition to those set forth in the 1997 Share Option Scheme as it thought fit (as stated in the letter containing the offer of the grant of the option) including (without prejudice to the generality of the foregoing) conditions, restrictions or limitations relating to the achievement of operating or financial targets, the satisfactory performance by the grantee or the time or period when the right to exercise the option in respect of all or some of the option shares would vest. The amount paid on acceptance of an option was HK\$1. The full amount of the subscription price for shares of the Company (the "Shares") must be paid upon exercise of an option.

SHARE OPTIONS (Continued)

(i) 1997 Share Option Scheme (Continued)

The subscription price for any particular outstanding 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.

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

(ii) 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.

Under the 2002 Share Option Scheme, the Board of Directors of the Company may, at its discretion, grant options to the eligible persons as defined in the 2002 Share Option Scheme (the "Eligible Person") to subscribe for Shares at HK\$1 per option. The basis of eligibility of any of the Eligible Persons to the grant of any options shall be determined by the Board of Directors of the Company from time to time on the basis of their contribution to the development and the growth of the Group.

The maximum number of Shares which may be issued upon exercise of all options to be granted under the 2002 Share Option Scheme (and under any other scheme of the Company) shall not in aggregate exceed 10 per cent. of the Shares in issue as at the date of the adoption of the 2002 Share Option Scheme (the "Scheme Mandate Limit") provided that the Company may at any time as the Board of Directors of the Company may think fit seek approval from its shareholders to refresh the Scheme Mandate Limit, save that the maximum number of Shares which may be issued upon exercise of all options to be granted under the 2002 Share Option Scheme (and under any other scheme of the Company) shall not exceed 10 per cent. of the Shares in issue as at the date of approval by the shareholders of the Company in general meeting where such limit is refreshed. Options previously granted under the 2002 Share Option Scheme and any other scheme of the Company (including those outstanding, cancelled, and lapsed in accordance with the terms of the 2002 Share Option Scheme or any other scheme of the Company or exercised options under the said schemes) shall not be counted for the purpose of calculating the limit as refreshed. Notwithstanding aforesaid in this paragraph, the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2002 Share Option Scheme (and under any other scheme of the Company) shall not exceed 30 per cent. of the Shares in issue from time to time. As at the date of this report, a total of 73,534,403 Shares (representing approximately 6.07% of the existing issued share capital of the Company) are available for issue under the 2002 Share Option Scheme. The maximum entitlement of each participant under the 2002 Share Option Scheme is 1 per cent. of the Shares in issue from time to time.

SHARE OPTIONS (Continued)

(ii) 2002 Share Option Scheme (Continued)

The period within which an option may be exercised will be determined by the Board of Directors of the Company in its absolute discretion, save that no option may be exercised later than 10 years from the date on which the option is granted. Subject to the provisions of the 2002 Share Option Scheme, the Board may in its absolute discretion when offering the grant of an option impose any conditions, restrictions or limitations in relation thereto in addition to those set forth in the 2002 Share Option Scheme as it may think fit (to be stated in the letter containing the offer of the grant of the option) including (without prejudice to the generality of the foregoing) continuing eligibility criteria, conditions, restrictions or limitations relating to the achievement of performance, operating or financial targets by the Company and/or the grantee, the satisfactory performance or maintenance by the grantee of certain conditions or obligations or the time or period when the right to exercise the option in respect of all or some of the option shares shall vest. The amount payable on acceptance of an option is HK\$1. The period within which the amount of the subscription price for the Shares to be paid upon exercise of an option shall be determined by the Board of Directors of the Company.

The subscription price in respect of any particular option under the 2002 Share Option Scheme shall be such price as the Board may in its absolute discretion determine at the time of grant of the relevant option (and shall be stated in the letter containing the offer of the grant of the option) but the subscription price shall not be less than whichever is the highest of (a) the nominal value of a Share; (b) the closing price of the Shares as stated in the Stock Exchange of Hong Kong's daily quotations sheet on the date of the Board resolution approving the grant of options; and (c) the average of the closing prices of the Shares as stated in the Stock Exchange of Hong Kong's daily quotations sheet for the five business days immediately preceding the date of the Board resolution approving the grant of options.

The 2002 Share Option Scheme will expire on 16 April 2012.

SHARE OPTIONS (Continued)

Movements of the options, which were granted under the 1997 Share Option Scheme, during the year are listed below in accordance with Rule 17.07 of the Listing Rules:

Category	Date of grant	Tranche	Number of option shares held as at 01/01/2004	Transfer from other category during the year	Transfer to other category during the year	Number of option shares granted during the year	Number of option shares granted for adjustment	Number of option shares exercised during the year ^(note 1)	Number of option shares lapsed during the year	Number of option shares held as at 31/12/2004	Exercise price HK\$	Exercise period	
1. Directors													
Mr ANG Keng Lam	11/04/1997	N/A	1,736,108	-	-	-	23,272	-	-	1,759,380	14.92	11/04/1999-26/03/2007	
	27/11/1999	I	422,927	-	-	-	5,703	-	-	428,630	9.64	27/05/2000-26/03/2007	
	27/11/1999	II	422,926	-	-	-	5,703	-	-	428,629	9.64	27/05/2001-26/03/2007	
										857,259			
	01/06/2000	I	345,000	-	-	-	5,000	-	-	350,000	6.70	01/06/2001-31/05/2010	
	01/06/2000	II	345,000	-	-	-	5,000	-	-	350,000	6.70	01/06/2002-31/05/2010	
	01/06/2000	III	344,843	-	-	-	3,900	-	-	348,743	6.70	01/06/2003-31/05/2010	
										1,048,743			
	16/04/2002	I	511,527	-	-	-	6,721	-	-	518,248	6.85	16/04/2003-15/04/2012	
	16/04/2002	II	511,527	-	-	-	6,720	-	-	518,247	6.85	16/04/2004-15/04/2012	
										1,036,495			
										4,701,877			
	Mr WONG Siu Kong	11/04/1997	N/A	1,157,405	-	-	-	15,514	-	-	1,172,919	14.92	11/04/1999-26/03/2007
		27/11/1999	I	211,463	-	-	-	2,851	-	-	214,314	9.64	27/05/2000-26/03/2007
		27/11/1999	II	211,462	-	-	-	2,852	-	-	214,314	9.64	27/05/2001-26/03/2007
										428,628			
01/06/2000		I	-	-	-	-	-	-	-	-	6.70	01/06/2001-31/05/2010	
01/06/2000		II	-	-	-	-	-	-	-	-	6.70	01/06/2002-31/05/2010	
01/06/2000		III	175,980	-	-	-	-	(175,980)	-	-	6.70	01/06/2003-31/05/2010	
										-			
16/04/2002		I	511,527	-	-	-	-	(511,527)	-	-	6.85	16/04/2003-15/04/2012	
16/04/2002		II	511,527	-	-	-	6,720	-	-	518,247	6.85	16/04/2004-15/04/2012	
										518,247			
										2,119,794			
Mr HO Shut Kan		11/04/1997	N/A	810,184	-	-	-	10,860	-	-	821,044	14.92	11/04/1999-26/03/2007
		27/11/1999	I	137,451	-	-	-	-	(137,451)	-	-	9.64	27/05/2000-26/03/2007
		27/11/1999	II	137,450	-	-	-	-	(137,450)	-	-	9.64	27/05/2001-26/03/2007
										-			
	02/03/2001	I	35,000	-	-	-	1,000	-	-	36,000	11.59	02/03/2002-01/03/2011	
	02/03/2001	II	35,000	-	-	-	1,000	-	-	36,000	11.59	02/03/2003-01/03/2011	
	02/03/2001	III	34,172	-	-	-	(652)	-	-	33,520	11.59	02/03/2004-01/03/2011	
										105,520			
	16/04/2002	I	-	-	-	-	-	-	-	-	6.85	16/04/2003-15/04/2012	
	16/04/2002	II	76,728	-	-	-	1,008	-	-	77,736	6.85	16/04/2004-15/04/2012	
										77,736			
										1,004,300			
	Mr MA Wing Kai, William ^(Note 2)	11/04/1997	N/A	-	231,480	-	-	3,102	-	-	234,582	14.92	11/04/1999-26/03/2007
		27/11/1999	I	-	132,164	-	-	1,782	-	-	133,946	9.64	27/05/2000-26/03/2007
		27/11/1999	II	-	132,163	-	-	1,782	-	-	133,945	9.64	27/05/2001-26/03/2007
										267,891			
01/06/2000		I	-	-	-	-	-	-	-	-	6.70	01/06/2001-31/05/2010	
01/06/2000		II	-	118,000	-	-	1,585	-	-	119,585	6.70	01/06/2002-31/05/2010	
01/06/2000		III	-	133,265	-	-	1,790	-	-	135,055	6.70	01/06/2003-31/05/2010	
										254,640			
02/03/2001		I	-	35,000	-	-	1,000	-	-	36,000	11.59	02/03/2002-01/03/2011	
02/03/2001		II	-	35,000	-	-	1,000	-	-	36,000	11.59	02/03/2003-01/03/2011	
02/03/2001		III	-	34,172	-	-	(652)	-	-	33,520	11.59	02/03/2004-01/03/2011	
										105,520			
16/04/2002		I	-	61,383	-	-	806	-	-	62,189	6.85	16/04/2003-15/04/2012	
16/04/2002		II	-	61,383	-	-	806	-	-	62,189	6.85	16/04/2004-15/04/2012	
										124,378			
									987,011				

SHARE OPTIONS (Continued)

Category	Date of grant	Tranche	Number of option shares held as at 01/01/2004	Transfer from other category during the year	Transfer to other category during the year	Number of option shares granted during the year	Number of option shares granted for adjustment	Number of option shares exercised during the year ^(note 1)	Number of option shares lapsed during the year	Number of option shares held as at 31/12/2004	Exercise price HK\$	Exercise period
1. Directors (Continued)												
Mr KUOK Khoon Loong, Edward ^(Note 3)	11/04/1997	N/A	2,893,516	-	(2,893,516)	-	-	-	-	-	14.92	11/04/1999-26/03/2007
	27/11/1999	I	422,927	-	(422,927)	-	-	-	-	-	9.64	27/05/2000-26/03/2007
	27/11/1999	II	422,926	-	(422,926)	-	-	-	-	-	9.64	27/05/2001-26/03/2007
	01/06/2000	I	-	-	-	-	-	-	-	-	6.70	01/06/2001-31/05/2010
	01/06/2000	II	190,000	-	(190,000)	-	-	-	-	-	6.70	01/06/2002-31/05/2010
	01/06/2000	III	344,843	-	(344,843)	-	-	-	-	-	6.70	01/06/2003-31/05/2010
	16/04/2002	I	511,527	-	(511,527)	-	-	-	-	-	6.85	16/04/2003-15/04/2012
	16/04/2002	II	511,527	-	(511,527)	-	-	-	-	-	6.85	16/04/2004-15/04/2012
2. Continuous Contract Employees												
	11/04/1997	N/A	4,884,215	-	(1,041,660)	-	39,193	(550,000)	(368,052)	2,963,696	14.92	11/04/1999-26/03/2007
	27/11/1999	I	1,654,678	-	(290,760)	-	14,534	(774,258)	-	604,194	9.64	27/05/2000-26/03/2007
	27/11/1999	II	1,654,651	-	(290,757)	-	2,184	(713,224)	-	652,854	9.64	27/05/2001-26/03/2007
										1,257,048		
	01/06/2000	I	361,770	-	-	-	74,230	(303,000)	-	133,000	6.70	01/06/2001-31/05/2010
	01/06/2000	II	703,000	-	(174,000)	-	(7,436)	(346,000)	-	175,564	6.70	01/06/2002-31/05/2010
	01/06/2000	III	847,291	-	(209,576)	-	(60,108)	(381,359)	-	196,248	6.70	01/06/2003-31/05/2010
										504,812		
	02/03/2001	I	343,000	-	(56,000)	-	31,000	(84,000)	-	234,000	11.59	02/03/2002-01/03/2011
	02/03/2001	II	343,000	-	(56,000)	-	11,000	(64,000)	-	234,000	11.59	02/03/2003-01/03/2011
	02/03/2001	III	334,886	-	(54,675)	-	(33,486)	(47,841)	-	198,884	11.59	02/03/2004-01/03/2011
										666,884		
	16/04/2002	I	457,966	-	(61,383)	-	121,492	(185,950)	-	332,125	6.85	16/04/2003-15/04/2012
	16/04/2002	II	736,577	-	(61,383)	-	(112,889)	(230,181)	-	332,124	6.85	16/04/2004-15/04/2012
										664,249		
										6,056,689		
3. Others												
	11/04/1997	N/A	-	3,703,696	-	-	49,645	-	-	3,753,341	14.92	11/04/1999-26/03/2007
	27/11/1999	I	-	581,523	-	-	7,840	-	-	589,363	9.64	27/05/2000-26/03/2007
	27/11/1999	II	-	581,520	-	-	7,842	-	-	589,362	9.64	27/05/2001-26/03/2007
										1,178,725		
	01/06/2000	I	-	-	-	-	45,000	-	-	45,000	6.70	01/06/2001-31/05/2010
	01/06/2000	II	-	246,000	-	-	(11,000)	(190,000)	-	45,000	6.70	01/06/2002-31/05/2010
	01/06/2000	III	-	421,154	-	-	(32,223)	(344,843)	-	44,088	6.70	01/06/2003-31/05/2010
										134,088		
	02/03/2001	I	-	21,000	-	-	1,000	-	-	22,000	11.59	02/03/2002-01/03/2011
	02/03/2001	II	-	21,000	-	-	1,000	-	-	22,000	11.59	02/03/2003-01/03/2011
	02/03/2001	III	-	20,503	-	-	(1,192)	-	-	19,311	11.59	02/03/2004-01/03/2011
										63,311		
	16/04/2002	I	-	511,527	-	-	6,721	-	-	518,248	6.85	16/04/2003-15/04/2012
	16/04/2002	II	-	511,527	-	-	6,720	-	-	518,247	6.85	16/04/2004-15/04/2012
										1,036,495		
										6,165,960		
			26,303,507	7,593,460	(7,593,460)	-	277,240	(5,177,064)	(368,052)	21,035,631		

SHARE OPTIONS (Continued)

Notes:

1. The weighted average closing price of the Shares immediately before the dates on which the options were exercised was HK\$13.41.
2. Mr Ma Wing Kai, William was appointed as an Executive Director of the Company during the year. In this respect, the options granted to Mr Ma were re-classified from the category of "Continuous Contract Employees" to the category of "Directors" during the year.
3. Mr Kuok Khoon Loong, Edward resigned as an Executive Director of the Company during the year. The options granted to Mr Kuok remain exercisable following his resignation and those options were re-classified from the category of "Directors" to the category of "Others" during the year.
4. No option was cancelled during the year.

SERVICE CONTRACTS

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

MANAGEMENT CONTRACTS

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

MAJOR CUSTOMERS AND SUPPLIERS

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Pursuant to Rule 8.10 of the Listing Rules, the Company disclosed below that during the year and up to the date of this report, the following Directors were considered to have interests in the following businesses ("Excluded Businesses"), being businesses which competed or were likely to compete, either directly or indirectly, with the businesses of the Group, other than those businesses in which (a) the Group was interested and (b) the Directors' only interests were as directors appointed to represent the interests of the Group.

Mr Ang Keng Lam was a director of and had interests in shares in the Allgreen Properties Limited ("Allgreen") group of companies, the businesses of which consisted of property investment and development, property and project management and operation of office premises, retail space and serviced apartments in Singapore. The Directors believe that as the size of these Excluded Businesses is not insignificant when compared with the property businesses of the Group, it is likely that these Excluded Businesses may compete with the property businesses of the Group in the Asia Pacific region. Allgreen was listed on the Singapore Exchange Securities Trading Limited as at the date of this report.

Messrs Ang Keng Lam and Wong Siu Kong were directors of and had interests in shares in the Shangri-La Asia Limited ("SA") group of companies, the businesses of which consisted of hotel ownership and operation. The Directors believe that as the size of that part of these Excluded Businesses in Beijing, where the Group has hotel businesses, is not insignificant when compared with the hotel business of the Group in Beijing, it is likely that these Excluded Businesses may compete with the hotel business of the Group in Beijing. SA was listed on The Stock Exchange of Hong Kong Limited as at the date of this report.

DIRECTORS' INTERESTS IN COMPETING BUSINESS (Continued)

Messrs Ang Keng Lam and Wong Siu Kong were directors of (but did not have any interests in shares in) the China World Trade Center Ltd. group of companies, the businesses of which consisted of property investment and development and hotel ownership and operation in the PRC. The Directors believe that as the size of these Excluded Businesses is not insignificant when compared with the property and hotel businesses of the Group in the PRC, it is likely that these Excluded Businesses may compete with the property and hotel businesses of the Group in the PRC.

Mr Wong Siu Kong was a director of and had interests in shares in the Kuok (Singapore) Limited group of companies, the businesses of which consisted of owners and operations of warehouses in Singapore and Malaysia. The Directors believe that as the size of these Excluded Businesses is not insignificant when compared with the warehouse businesses of the Group in the South East Asian market, it is likely that these Excluded Businesses may compete with the warehouse businesses of the Group in the South East Asian market.

The Executive Directors were directors of and/or had interests in shares in the Kerry Group Limited group of companies, the businesses of which consisted of property investment and development, hotel ownership and operation, warehouse ownership and operation, port terminal ownership and operation and freight operations. The size of these Excluded Businesses is considered to be insignificant when compared with similar businesses of the Group. On this basis, the Directors do not consider any competition between these Excluded Businesses as specified under this paragraph and similar businesses of the Group to be significant.

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

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

CONNECTED TRANSACTIONS

- (i) On 3 May 2004, the Company and SA jointly announced that the Company and SA entered into a master agreement on 13 April 2004 (the "Master Agreement") relating to the joint acquisition, ownership and development of the following five sites (the "Sites") in Jingan District, Shanghai (the "Project"):-
- (1) Site 1 – Lot No. 1238, Yanan Zhong Lu, Jingan District, Shanghai ("Site 1") with real estate ownership certificate Hufangdishizi (1996) No. 100076 issued to and owned by Shanghai Ji Xiang Properties Co., Ltd. (上海吉祥房地產有限公司) ("Company 1"), a 99% owned subsidiary of Kerry Shanghai (Jingan Nanli) Ltd ("KSJN") which in turn is an indirect wholly-owned subsidiary of SA.
 - (2) Site 2 – Lot No. 1288, Yanan Zhong Lu, Jingan District, Shanghai ("Site 2") in which the Group had a 99% interest through its indirect wholly-owned subsidiary, Kerry Shanghai Development Ltd ("KSD").
 - (3) Site 3a – Changde Lu 104-126 Nong and Nos. 50-134, Anyi Lu, Jingan District, Shanghai ("Site 3a") which is owned by Shanghai Jin Ci Hou Properties Company Limited (上海金慈厚房地產發展有限公司) ("Company 3"), an independent third party.
 - (4) Site 3b – Lot No. 1537 (No. 1519-1553) Nanjing Xi Lu, Jingan District, Shanghai ("Site 3b") which is also owned by Company 3.
 - (5) Site 4 – Lot No. 1565 Nanjing Xi Lu, Jingan District, Shanghai ("Site 4") with real estate ownership certificate (Hufangdishizi (2002) No. 001164) which is owned by Shanghai Ming Cheng Real Estate Development Co., Ltd. (上海名城房地產發展有限公司) ("Company 4"), an independent third party.

CONNECTED TRANSACTIONS (Continued)

Company 1, Company 3 and Company 4 are collectively referred to as “Joint Venture Companies” below.

The transactions contemplated by the Master Agreement can be broken down into three parts, being:–

- (i) the restructuring of the SA Group’s (comprising SA and its subsidiaries) and the Group’s interests in Site 1 and Site 2 respectively and the acquisition of the remaining three sites of Site 3a, Site 3b and Site 4, such that the Sites will be owned by the Joint Venture Companies respectively in which SA, the Company and Shanghai Jingan District Land Development Holding Corporation (上海市靜安區土地開發控股總公司) (“Shanghai JD”), an independent third party, are interested in the proportions of 48.5:50.5:1 respectively;
- (ii) the consolidation into Company 1 of the Sites through merger of the Joint Venture Companies and the development of the Sites into a property development consisting of a hotel, offices, retail podiums, residential and serviced apartments; and
- (iii) the management of the resulting hotel by SLIM International Limited, a wholly-owned subsidiary of SA, and its subsidiaries and the sale and leasing of the offices, commercial properties and residential units by the Group.

Pursuant to the Master Agreement:–

1. Site 1

KSD and KSJN will enter into such contracts and agreements and any other supplemental contracts relating thereto pursuant to which KSD will acquire from KSJN 50.5% equity interest in Company 1 and amounts due from Company 1 to KSJN of approximately US\$757,000 (HK\$5,904,600), at a consideration of US\$39,488,308 (HK\$308,008,802).

2. Site 2

KSJN will be included as a party to the land grant contract dated 6 February 2002 made between KSD and two independent third parties such that KSJN shall have a 48.5% interest in the land use rights in respect of Site 2 at a consideration of US\$12,776,754 (HK\$99,658,681).

3. Site 3a and Site 3b

KSD and KSJN entered into a contract (“Company 3 Contract”) with independent third parties on 13 April 2004 whereby the parties agreed to enter into the necessary underlying contracts (including but not limited to share transfer agreement, debt settlement agreement and site clearance agreement) relating thereto pursuant to which:–

- (a) KSD and KSJN will respectively acquire 50.5% and 48.5% equity interest in Company 3 from two independent third parties, namely Shanghai Real Estate (Group) Company Limited (上海房地產經營(集團)有限公司) (“SRE”) and Shanghai Housing and Land (Group) Corporation (上海房地(集團)公司) (“Shanghai Housing”), for a total consideration of RMB19,800,000 (HK\$18,679,245);
- (b) KSD and KSJN shall provide to Company 3 funds in an amount equivalent to RMB199,271,857 (HK\$187,992,318) and RMB191,379,902 (HK\$180,547,077), respectively, in each case by way of shareholders’ loans and/or further equity contribution for the purposes of repayment by Company 3 of amounts due to SRE and Shanghai Housing; and

CONNECTED TRANSACTIONS (Continued)

- (c) Company 3 will enter into an agreement with SRE whereby SRE will be responsible for the clearance and delivery of vacant possession and the provision of the related public utilities for Site 3b for a consideration of RMB174,184,358 (HK\$164,324,866) which includes a sum of RMB155,000,000 (HK\$146,226,415) being the estimated site clearance cost. In the event that the site clearance cost exceeds RMB155,000,000 (HK\$146,226,415), Company 3 shall be responsible for 25% of the increased site clearance costs provided that Company 3's liability for such increased clearance costs shall not exceed RMB5,000,000 (HK\$4,716,981).

4. Site 4

KSD and KSJN entered into a contract ("Company 4 Contract") with independent third parties on 13 April 2004 whereby the parties agreed to enter into the necessary underlying contracts (including but not limited to share transfer agreement and debt settlement agreement) relating thereto pursuant to which:-

- (a) KSD and KSJN will respectively acquire 50.5% and 48.5% equity interest in Company 4 from two independent third parties, namely An Sheng International Investment Limited ("An Sheng") and Shanghai JD, for a total consideration of US\$4,950,000 (HK\$38,610,000) (or equivalent of RMB40,971,150 (HK\$38,652,028));
- (b) KSD and KSJN shall provide to Company 4 funds in an amount equivalent to RMB49,800,575 (HK\$46,981,675) and RMB47,828,275 (HK\$45,121,014), respectively, in each case by way of shareholders' loans and/or further equity contribution for the purposes of repayment by Company 4 of amounts due to An Sheng and Shanghai JD; and
- (c) Shanghai JD and Company 4 shall jointly undertake site clearance of Site 4, the cost of which will be borne equally by Shanghai JD and Company 4.

SA, as an associated company of Kerry Holdings Limited ("KHL") (which is the controlling shareholder (as defined under the Listing Rules) of the Company), is an associate of KHL under the Listing Rules and is therefore a connected person of the Company. The entering into of the Master Agreement constitutes a connected transaction for the Company under the Listing Rules.

The Company subsequently announced on 28 May 2004 that the Company and SA intended to retain the Project for investment holding purpose, except the residential portion which might be considered for sale depending on the prevailing market conditions and if sold, the proceeds would be used to fund the development of the Project.

Upon the Master Agreement becoming unconditional, KSD and KSJN shall agree, sign and execute the relevant contracts and agreements contemplated under the Master Agreement and the underlying contracts (if not already signed) to implement the transactions contemplated thereunder within 90 days therefrom or such longer period as the parties may agree. The Master Agreement became unconditional on 29 June 2004. However, as certain governmental approvals required to implement Company 3 Contract and Company 4 Contract are still pending, the Company and SA have agreed that the deadline for the execution of all the contracts and agreements contemplated under the underlying contracts shall be extended to 31 March 2005 or such later date as the parties may agree to allow additional time for the execution of such contracts and agreements.

CONNECTED TRANSACTIONS (Continued)

- (II) On 14 June 2004, the Company and SA jointly announced that each of them entered into the following proportionate several guarantees in favour of Bank of China, Beijing Branch ("BOC, Beijing Branch") to secure the liabilities of the loans as described below:-

The Loan Agreements (both dated 14 June 2004)

Parties

BJA Loan Agreement

Lender: BOC, Beijing Branch

Borrower: Beijing Jia Ao Real Estate Development Co., Ltd. ("BJA"), in which the Company and SA have an indirect interest of 71.25% and 23.75% respectively

Details of the transactions

3-year term loan facility of US\$28,000,000 (approximately HK\$218,400,000) to repay shareholders' loans advanced to BJA and the related interests and expenses

BKCH Loan Agreement

Lender: BOC, Beijing Branch

Borrower: Beijing Kerry Centre Hotel Co., Ltd. ("BKCH"), in which the Company and SA have an indirect interest of 71.25% and 23.75% respectively

3-year term loan facility of US\$23,800,000 (approximately HK\$185,640,000) to repay shareholders' loans advanced to BKCH and the related interests and expenses

The Guarantees (all dated 14 June 2004)

Parties

The Company's Guarantees

Creditor: BOC, Beijing Branch

Guarantor: The Company

Details of the transactions

- (a) guaranteeing the repayment of 71.25% of the monies (up to US\$19,950,000 (approximately HK\$155,610,000)) owed by BJA to BOC, Beijing Branch in respect of the facility under the BJA Loan Agreement, and the related interests and expenses; and
- (b) guaranteeing the repayment of 71.25% of the monies (up to US\$16,957,500 (approximately HK\$132,268,500)) owed by BKCH to BOC, Beijing Branch in respect of the facility under the BKCH Loan Agreement, and the related interests and expenses

CONNECTED TRANSACTIONS (Continued)

The Guarantees (all dated 14 June 2004) (Continued)

<u>Parties</u>	<u>Details of the transactions</u>
<p><i>Shangri-La's Guarantees</i> Creditor: BOC, Beijing Branch Guarantor: SA</p>	<p>(a) guaranteeing the repayment of 23.75% of the monies (up to US\$6,650,000 (approximately HK\$51,870,000)) owed by BJA to BOC, Beijing Branch in respect of the facility under the BJA Loan Agreement, and the related interests and expenses; and</p> <p>(b) guaranteeing the repayment of 23.75% of the monies (up to US\$5,652,500 (approximately HK\$44,089,500)) owed by BKCH to BOC, Beijing Branch in respect of the facility under the BKCH Loan Agreement, and the related interests and expenses</p>

As BJA and BKCH are non wholly-owned subsidiaries of the Company of which SA (a connected person of the Company as explained in (I) above) is a substantial shareholder (as defined under the Listing Rules), each of BJA and BKCH is a connected person of the Company under the Listing Rules. Accordingly, the granting of the guarantees by the Company for the benefit of BJA and BKCH respectively constituted connected transactions for the Company.

- (III) On 26 November 2004, the Board of Directors of the Company announced that Kerry Environmental Limited ("KEL"), Chemquest (Overseas) Limited ("CQOL") and Kerry CQ JV Environmental Engineering Limited ("KCQ") (owned as to 50% by each of KEL and CQOL) entered into a joint venture agreement on 25 October 2004 (the "JV Agreement") relating to KCQ.

The scope of business of KCQ is to engage in the investment in a project in relation to the ownership, operation and maintenance of certain water treatment facilities in Hohhot, Inner Mongolia Autonomous Region, the PRC.

KEL is an indirect wholly-owned subsidiary of the Company. CQOL is a substantial shareholder of a subsidiary of the Company and a direct wholly-owned subsidiary of Chemquest Sdn. Bhd. ("CQ"). CQ is owned as to 55% by PPB Group Berhad ("PPB") and 45% by Kuok Brothers Sdn. Bhd. ("KB"). The Company, PPB and KB are all companies within the Kuok Group. The entering into of the JV Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS (Continued)

- (IV) On 15 December 2004, the Company announced that Kerry Properties (China) Limited ("Kerry China"), a wholly owned subsidiary of the Company, entered into an agreement with China Everbright International Limited ("China Everbright") dated 14 December 2004 (the "Agreement") for (a) the purchase from China Everbright of 800,000 shares of HK\$1.00 each in the capital of Hong Kong Shanghai Development Co Ltd. (the "Joint Venture Company"), a 55% indirectly owned subsidiary of the Company, representing 10% of the issued share capital of the Joint Venture Company, for a consideration of HK\$10 and (b) the assignment to Kerry China of loans amounting to HK\$36,100,000 and US\$19,141,400 (equivalent to approximately HK\$149,302,920), being 40% of the amounts owed by the Joint Venture Company to China Everbright as at 30 November 2004 in respect of the loans made by China Everbright to the Joint Venture Company, for a consideration of HK\$180,249,990.

As China Everbright, being a substantial shareholder (as defined under the Listing Rules) of certain subsidiaries of the Company (including the Joint Venture Company), is a connected person of the Company, the entering into of the Agreement is a connected transaction for the Company under the Listing Rules.

- (V) Subsequent to the year end on 19 January 2005, the Company and SA jointly announced that each of them granted a guarantee dated 24 December 2004 in favour of BOC, Beijing Branch guaranteeing the repayment of 71.25% (up to US\$12,112,500 (approximately HK\$94,477,500)) and 23.75% (up to US\$4,037,500 (approximately HK\$31,492,500)) respectively of the monies owed by BJA to BOC, Beijing Branch, and the related interests and expenses, in respect of a 30-month term loan facility of US\$17,000,000 (approximately HK\$132,600,000) made available by BOC, Beijing Branch to BJA under the loan agreement dated 24 December 2004 made between BOC, Beijing Branch as lender and BJA as borrower.

BJA (of which SA is a substantial shareholder), as a non-wholly owned subsidiary of the Company, is a connected person of the Company under the Listing Rules and therefore the granting of the guarantee by the Company for the benefit of BJA constitutes a connected transaction for the Company.

CONTINUING CONNECTED TRANSACTIONS

During the financial year ended 31 December 2004, the Company has in effect the continuing connected transactions set out below which are either non-exempt continuing connected transactions or potentially non-exempt continuing connected transactions under the revised Listing Rules which came into effect on 31 March 2004 (the "New Listing Rules").

Most of these transactions were entered into with members of the Kuok Group^{Note}, a group of companies which the Company has, since its listing, treated as being connected persons of the Company.

- (1) Shangri-La International Hotel Management Limited ("SLIM") provided hotel management, marketing, communication and reservation services ("Hotel Management Services") to The Kerry Centre Hotel in Beijing, China pursuant to hotel management, marketing and related agreements entered into between BKCH and SLIM on 30 June 1998. BKCH is a 71.25% subsidiary of the Company and owns The Kerry Centre Hotel, Beijing. SLIM is indirectly owned by SA, an associate of KHL, a substantial shareholder of the Company. Accordingly, the provision of the Hotel Management Services to BKCH is a connected transaction of the Company under the Listing Rules.

During the year ended 31 December 2004, an aggregate amount of HK\$16,733,000 have been paid to SLIM and its related entities by BKCH.

- (2) During the financial year, members of the Group purchased a variety of insurance products from Jerneh Insurance (HK) Limited ("Jerneh") and related entities ("Insurance Products"). Jerneh is a member of the Kuok Group, a group of companies which the Company has, since its listing, treated as connected persons of the Company.

During the year ended 31 December 2004, the aggregate payment made to Jerneh in respect of the Insurance Products amounted to HK\$10,018,000.

The continuing connected transactions mentioned in (1) and (2) above have been reviewed by the Independent Non-executive Directors of the Company. The Independent Non-executive Directors of the Company have confirmed that the transactions have been entered into:

- a. in the ordinary and usual course of business of the Company;
- b. either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Company than terms available from independent third parties;
- c. in accordance with the relevant agreements governing such transactions; and
- d. on terms which are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Note: The Company defines "Kuok Group" as companies which are owned or controlled by Mr. Kuok Hock Nien and/or interests associated with him.

CONTINUING CONNECTED TRANSACTIONS (Continued)

The continuing connected transaction mentioned in (1), being transaction entered into by members of the Group prior to the New Listing Rules coming into effect on 31 March 2004, is for a period longer than 3 years and is not subject to an annual cap. The Company is consulting the Stock Exchange whether it is necessary for the Company to conform to the requirements of the New Listing Rules in respect of this transaction in view of the fact that it may not be feasible to terminate this transaction and enter into new arrangements with SLIM.

For the year ended 31 December 2004, the aggregate amount paid to SLIM is more than 0.1% but less than 2.5% of the applicable percentage ratios (as defined under the New Listing Rules).

The continuing connected transactions mentioned in (2) consist of a large number of discrete purchases of Insurance Products by various entities within the Group from Jerneh and its related entities during the financial year. Each purchase amounts to less than 0.1% of the applicable percentage ratios (as defined under the New Listing Rules). However, on an aggregated basis, the amount is more than 0.1% but less than 2.5% of the applicable percentage ratios (as defined under the New Listing Rules).

The Company is consulting the Stock Exchange whether the purchases of such Insurance Products ought to be aggregated in view of the fact that there is no obligation on the Group to purchase insurances from Jerneh and its related entities, the consideration for each purchase was made on a standalone basis taking into consideration the requirements of the relevant entity within the Group at the relevant time and the available insurance products in the market. Pending the determination of the Stock Exchange, no overall annual cap has been set in respect of such purchases of Insurance Products.

CONTINUING DISCLOSURE REQUIREMENTS UNDER RULE 13.22 OF THE LISTING RULES

Financial Assistance and Guarantees to Affiliated Companies

As at 31 December 2004, the financial assistance given to, and guarantees given for facilities granted to, affiliated companies (as defined in the Listing Rules) together in aggregate continue to exceed the relevant percentage ratios of 8% under the Listing Rules. In accordance with Rule 13.22 of the Listing Rules, the proforma combined balance sheet of and the Group's attributable interest in these affiliated companies as at 31 December 2004 are set out as follows:

	Proforma combined HK\$ million	The Group's attributable interest HK\$ million
Non-current assets	19,105	4,796
Current assets	5,027	1,498
Current liabilities (Note)	(2,581)	(741)
Net current assets	2,446	757
Total assets less current liabilities	21,551	5,553
Non-current liabilities (Note)	(15,152)	(3,883)
Net assets	6,399	1,670

Note:

The liabilities above include borrowings from the Group. As at 31 December 2004, such borrowings (as disclosed in note 13 to the accounts) amounted to approximately HK\$3,350 million, including an amount of HK\$2,077 million due from Benefit Bright (B.V.I.) Limited which (i) was given for the purpose of financing a joint venture development at the MTR Olympic Station; (ii) up to June 1998 carried interest at prevailing market rates; (iii) was unsecured; and (iv) had no fixed terms of repayment.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year.

AUDITORS

The accounts have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board



Ang Keng Lam
Chairman
8 March 2005