

NOTES TO THE ACCOUNTS

1 PRINCIPAL ACCOUNTING POLICIES

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

(a) Basis of preparation

The accounts have been prepared under the historical cost convention as modified by the revaluation of investment properties, warehouses, logistics centres, freehold land and buildings, port facilities and investments in securities, in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 December 2004. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

(b) Consolidation

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

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

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

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

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

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

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

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(c) Associated companies

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

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

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

(d) Equity joint ventures in the PRC

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

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

(e) Wholly foreign owned enterprises in the PRC

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

(f) Goodwill/negative goodwill

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

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

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

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

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

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(f) Goodwill/negative goodwill (Continued)

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

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

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

(g) Investments in securities

(i) Non-trading securities

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

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

(ii) Trading securities

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

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(h) Properties and other fixed assets

(i) Investment properties

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

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

The gain or loss on disposal of an investment property, representing the difference between the net sales proceeds and the carrying amount of the relevant asset together with any revaluation reserve balance remaining attributable to the relevant asset, is recognised in the profit and loss account.

(ii) Freehold and other leasehold land and buildings and port facilities

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

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

Depreciation on both warehouses and logistics centres classified as other leasehold land and buildings and port facilities is calculated to write off their valuation less residual value on a straight-line basis over their expected remaining useful lives to the Group ranging from nine to forty-nine years.

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

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(h) Properties and other fixed assets (Continued)

(ii) Freehold and other leasehold land and buildings and port facilities (Continued)

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

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

(iii) Properties held for/under development

Properties held for/under development for long-term purposes are stated at cost less accumulated impairment losses.

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

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

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

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

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

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(h) Properties and other fixed assets (Continued)

(iv) Stock of completed properties held for sale

Stock of completed properties held for sale are included in current assets and are stated at the lower of cost and net realisable value. Cost comprises land and development costs and is determined by apportionment of the total land and development costs attributable to the unsold properties.

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

(v) Other fixed assets

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

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

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

The gain or loss on disposal of other fixed assets is the difference between the net sales proceeds and the carrying amount of the relevant assets and is recognised in the profit and loss account.

(vi) Cost of restoring and improving fixed assets

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

(vii) Impairment of assets

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

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(i) Accounts receivable

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

(j) Borrowing costs

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

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

(k) Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. 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 and associated companies except where the timing of the reversal of the temporary difference can be controlled and it is probable that temporary difference will not reverse in the foreseeable future.

(l) Employee benefits

(i) Employee leave entitlements

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

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

(ii) Profit sharing and bonus plans

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

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(l) Employee benefits (Continued)

(iii) Retirement benefit costs

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

(iv) Share options

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

(m) Operating leases

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

(n) Translation of foreign currencies

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

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

(o) Cash and cash equivalents

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

(p) Contingent liabilities and contingent assets

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

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

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(p) Contingent liabilities and contingent assets (Continued)

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

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

(q) Provisions

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

(r) Segment reporting

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

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

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

(s) Revenue and profit recognition

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

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

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(s) Revenue and profit recognition (Continued)

- (ii) Revenue in respect of sale of completed properties and investment properties is recognised upon completion of sale agreements.
- (iii) Rental revenue and other revenues incidental to the letting of properties are recognised on a straight-line basis over the periods of the respective leases.
- (iv) Revenue from general storage and other ancillary services is recognised when the services are rendered. Revenue from leased storage is recognised on a straight-line basis over the periods of the respective leases.
- (v) Income on development consultancy and project management is recognised on a pro-rata basis according to the progress of the projects.
- (vi) Income from property management is recognised on an accrual basis.
- (vii) Hotel revenue from rooms rental, food and beverage sales and other ancillary services is recognised when the services are rendered.
- (viii) Dividend income is recognised when the right to receive payment is established.
- (ix) Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

2 PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATIONS

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

	Group	
	2004 HK\$'000	2003 HK\$'000
Turnover		
Proceeds from sale of properties – completed properties		
– PRC	539,110	150,654
– Hong Kong	892,581	877,117
	1,431,691	1,027,771
– properties under development for sale in the PRC	–	356,478
– investment properties		
– PRC	56,203	89,286
– Hong Kong	9,180	60,480
	65,383	149,766
	1,497,074	1,534,015
Rental income	795,884	788,023
Hotel revenue	262,880	174,628
Storage and services income		
– warehouse	396,486	358,928
– logistics	2,105,564	1,307,786
	2,502,050	1,666,714
Development consultancy, project management and property management fees	44,554	41,086
	5,102,442	4,204,466
Other revenues		
Dividend income from:		
– listed investments	253	62
– unlisted investments	11,316	11,356
	11,569	11,418
Interest income	34,123	26,018
	45,692	37,436
Total revenues	5,148,134	4,241,902

2 PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATIONS (Continued)

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

	Turnover		Operating profit	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Principal activities:				
Property rental				
– PRC	492,595	470,541	426,840	270,451
– Hong Kong	303,289	317,482	346,242	(4,107)
	795,884	788,023	773,082	266,344
Property sales				
– PRC	595,313	596,418	195,763	88,893
– Hong Kong	901,761	937,597	311,551	(150,283)
	1,497,074	1,534,015	507,314	(61,390)
Hotel operations	262,880	174,628	105,653	56,163
Logistics and warehouse operations				
– warehouse	396,486	358,928	211,582	82,988
– logistics	2,105,564	1,307,786	113,538	44,383
	2,502,050	1,666,714	325,120	127,371
Infrastructure	–	–	(920)	(614)
Project, property management and others	44,554	41,086	45,594	48,690
	5,102,442	4,204,466	1,755,843	436,564
Principal markets:				
PRC	1,558,925	1,342,449	743,407	409,671
Hong Kong	2,353,351	2,012,608	968,674	13,090
United Kingdom	748,286	595,608	15,614	10,275
Others	441,880	253,801	28,148	3,528
	5,102,442	4,204,466	1,755,843	436,564

2 PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATIONS (Continued)

(c) Primary reporting format – business segments

	2004							Consolidated HK\$'000
	PRC Property HK\$'000	Hong Kong Property HK\$'000	Overseas Property HK\$'000	Logistics and Warehouse HK\$'000	Infrastructure HK\$'000	Others HK\$'000	Eliminations HK\$'000	
Revenue								
Turnover	1,350,788	1,205,050	-	2,502,050	-	44,554	-	5,102,442
Inter-segment revenue	448	-	-	-	-	218,195	(218,643)	-
Inter-segment interest income	-	-	-	-	-	256,428	(256,428)	-
	1,351,236	1,205,050	-	2,502,050	-	519,177	(475,071)	5,102,442
Results								
Segment results before revaluation surplus on properties	691,248	537,504	(2,921)	368,624	(920)	219,562	(256,428)	1,556,669
Revaluation surplus on properties	63,337	235,086	-	178	-	-	-	298,601
Segment results	754,585	772,590	(2,921)	368,802	(920)	219,562	(256,428)	1,855,270
Dividend income	-	6,299	5,270	-	-	-	-	11,569
Interest income	8,164	12,931	-	804	4,487	7,737	-	34,123
Interest expenses	(34,493)	(134,027)	-	(44,486)	(4,487)	(184,054)	256,428	(145,119)
Operating profit/(loss)	728,256	657,793	2,349	325,120	(920)	43,245	-	1,755,843
Share of results of associated companies	40,687	319,700	28,738	201,538	38,686	-	-	629,349
Profit before taxation	768,943	977,493	31,087	526,658	37,766	43,245	-	2,385,192
Taxation	(65,384)	(113,987)	(4,391)	(72,334)	(7,220)	(3,295)	-	(266,611)
Profit after taxation	703,559	863,506	26,696	454,324	30,546	39,950	-	2,118,581
Minority interests	(140,067)	(8,879)	-	(14,114)	35	4	-	(163,021)
Profit attributable to shareholders	563,492	854,627	26,696	440,210	30,581	39,954	-	1,955,560

2 PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATIONS (Continued)

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

	2004							
	PRC Property	Hong Kong Property	Overseas Property	Logistics and Warehouse	Infrastructure	Others	Eliminations	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	10,278,144	12,334,281	3,029	6,280,626	448,293	16,272,583	(16,286,908)	29,330,048
Associated companies	301,314	2,289,529	840,532	611,957	488,238	-	-	4,531,570
Other non-current assets	470	873,681	593,228	12,839	-	14,983	-	1,495,201
Tax recoverable	8,931	9,008	-	-	-	29,522	-	47,461
Tax reserve certificates	-	19,926	-	-	-	-	-	19,926
Trading securities	-	3,569	110	-	-	-	-	3,679
Total assets	10,588,859	15,529,994	1,436,899	6,905,422	936,531	16,317,088	(16,286,908)	35,427,885
Segment liabilities	2,492,025	9,795,682	75,630	4,492,917	509,523	7,227,030	(16,286,908)	8,305,899
Taxation and deferred taxation	1,197,544	40,052	-	173,615	-	6,901	-	1,418,112
Minority interests and loans	1,838,721	408,461	-	429,874	(35)	1,538	-	2,678,559
Total liabilities	5,528,290	10,244,195	75,630	5,096,406	509,488	7,235,469	(16,286,908)	12,402,570
Capital expenditure	162,274	881,623	-	766,588	-	1,032	-	1,811,517
Depreciation	4,310	954	-	73,825	-	3,308	-	82,397
Amortisation of goodwill	-	-	-	3,608	-	-	-	3,608
Amortisation of negative goodwill	-	-	-	(4,578)	-	-	-	(4,578)

2 PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATIONS (Continued)

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

	2003							Consolidated HK\$'000
	PRC Property HK\$'000	Hong Kong Property HK\$'000	Overseas Property HK\$'000	Logistics and Warehouse HK\$'000	Infrastructure HK\$'000	Others HK\$'000	Eliminations HK\$'000	
	Revenue							
Turnover	1,241,587	1,255,079	–	1,666,714	–	41,086	–	4,204,466
Inter-segment revenue	447	–	–	–	–	306,862	(307,309)	–
Inter-segment interest income	–	–	–	–	–	266,872	(266,872)	–
	1,242,034	1,255,079	–	1,666,714	–	614,820	(574,181)	4,204,466
Results								
Segment results before provision and revaluation deficit on properties	510,919	176,636	2,106	265,962	(614)	245,211	(266,872)	933,348
Provision in respect of stock of completed properties held for sale	–	(69,346)	–	–	–	–	–	(69,346)
Revaluation deficit on properties	(40,378)	(158,375)	–	(91,483)	–	–	–	(290,236)
Segment results	470,541	(51,085)	2,106	174,479	(614)	245,211	(266,872)	573,766
Dividend income	–	8,077	3,341	–	–	–	–	11,418
Interest income	4,211	10,009	–	1,599	4,497	5,702	–	26,018
Interest expenses	(59,245)	(121,391)	–	(48,707)	(4,497)	(207,670)	266,872	(174,638)
Operating profit/(loss)	415,507	(154,390)	5,447	127,371	(614)	43,243	–	436,564
Share of results of associated companies	28,133	(56,891)	17,170	(2,056)	149,402	–	–	135,758
Profit/(loss) before taxation	443,640	(211,281)	22,617	125,315	148,788	43,243	–	572,322
Taxation	(57,839)	(21,357)	3,586	(33,874)	381	(2,089)	–	(111,192)
Profit/(loss) after taxation	385,801	(232,638)	26,203	91,441	149,169	41,154	–	461,130
Minority interests	(86,140)	19,900	–	812	–	(961)	–	(66,389)
Profit/(loss) attributable to shareholders	299,661	(212,738)	26,203	92,253	149,169	40,193	–	394,741

2 PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATIONS (Continued)

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

	2003							Consolidated HK\$'000
	PRC Property HK\$'000	Hong Kong Property HK\$'000	Overseas Property HK\$'000	Logistics and Warehouse HK\$'000	Infrastructure HK\$'000	Others HK\$'000	Eliminations HK\$'000	
	Segment assets	9,588,907	10,379,353	2,787	4,240,320	196,053	17,025,395	
Associated companies	288,682	2,640,707	821,974	15,433	855,045	-	-	4,621,841
Other non-current assets	470	877,015	594,923	2,662	-	20,693	-	1,495,763
Tax recoverable	17,967	2,457	-	-	-	28,137	-	48,561
Tax reserve certificates	-	19,926	-	-	-	-	-	19,926
Trading securities	-	3,111	141	-	-	-	-	3,252
Total assets	9,896,026	13,922,569	1,419,825	4,258,415	1,051,098	17,074,225	(16,785,162)	30,836,996
Segment liabilities	2,449,808	10,376,924	80,783	2,683,172	524,636	8,213,680	(16,785,162)	7,543,841
Taxation and deferred taxation	964,629	(34,272)	-	96,995	-	7,745	-	1,035,097
Minority interests and loans	2,041,305	255,528	-	74,270	-	4,396	-	2,375,499
Total liabilities	5,455,742	10,598,180	80,783	2,854,437	524,636	8,225,821	(16,785,162)	10,954,437
Capital expenditure	50,888	784,777	-	138,100	-	1,138	-	974,903
Depreciation	4,421	1,046	-	59,391	-	3,264	-	68,122
Amortisation of goodwill	-	-	-	2,429	-	-	-	2,429
Amortisation of negative goodwill	-	-	-	(4,465)	-	-	-	(4,465)
Provision in respect of stock of completed properties held for sale	-	69,346	-	-	-	-	-	69,346

2 PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATIONS (Continued)

(d) Secondary reporting format – geographical segments

	2004			
	Segment revenue	Segment results	Segment assets	Capital expenditure
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
PRC	1,558,925	772,373	12,449,429	1,084,995
Hong Kong	2,353,351	1,037,046	16,071,077	410,329
United Kingdom	748,286	15,029	252,622	7,295
Others	441,880	30,822	556,920	308,898
	5,102,442	1,855,270	29,330,048	1,811,517

	2003			
	Segment revenue	Segment results	Segment assets	Capital expenditure
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
PRC	1,342,449	466,027	9,913,574	139,813
Hong Kong	2,012,608	94,656	14,284,130	808,432
United Kingdom	595,608	9,831	277,318	6,497
Others	253,801	3,252	172,631	20,161
	4,204,466	573,766	24,647,653	974,903

3 OPERATING PROFIT BEFORE FINANCE COSTS

	Group	
	2004 HK\$'000	2003 HK\$'000
Operating profit before finance costs is stated after crediting and charging the following:		
Crediting		
Gross rental income from investment properties other than hotel properties		
– PRC	492,595	470,541
– Hong Kong	303,289	317,482
	795,884	788,023
Less: Outgoings in respect of investment properties other than hotel properties		
– PRC	(53,334)	(55,243)
– Hong Kong	(20,346)	(35,425)
	(73,680)	(90,668)
Net rental income from investment properties other than hotel properties		
– PRC	439,261	415,298
– Hong Kong	282,943	282,057
	722,204	697,355
Interest income	34,165	26,118
Less: Amount capitalised in properties under development	(42)	(100)
	34,123	26,018
Gain on sale of investment properties	910	–
Unrealised gain on trading securities	427	1,209
Amortisation of negative goodwill	4,578	4,465

3 OPERATING PROFIT BEFORE FINANCE COSTS (Continued)

	Group	
	2004 HK\$'000	2003 HK\$'000
Charging		
Loss on sale of investment properties	–	20,926
Cost of sale of completed properties and sale/presale of properties under development	842,760	1,270,819
Auditors' remuneration	4,622	4,406
Non-audit service fees paid and payable to auditors	4,058	1,225
Depreciation of fixed assets	82,774	68,515
Less: Amount capitalised in properties under development	(377)	(393)
	82,397	68,122
Amortisation of goodwill	3,608	2,429
Operating lease charges – land and buildings	41,588	32,912
Staff costs (including directors' emoluments)	517,131	418,223

4 FINANCE COSTS

	Group	
	2004 HK\$'000	2003 HK\$'000
Bank loans and overdrafts wholly repayable within five years	58,613	130,811
Interest rate swaps	151,332	121,117
Others	8,584	12,165
	218,529	264,093
Less: Amount capitalised in properties under development	(73,410)	(89,455)
Total finance costs expensed during the year	145,119	174,638

The capitalisation rate applied to funds borrowed and used for the development of properties held for sale/under development is between 1% and 6% per annum.

5 TAXATION

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 17.5%) on the estimated assessable profit for the year. Taxation on PRC and overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the PRC and the overseas countries in which the Group operates, respectively.

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

	Group	
	2004 HK\$'000	2003 HK\$'000
PRC taxation		
– Current	104,883	72,608
– Overprovision in prior years	(1,380)	(375)
– Deferred (note 28)	(50,585)	(22,140)
	52,918	50,093
Hong Kong profits tax		
– Current	89,527	39,439
– Overprovision in prior years	(770)	(3,396)
– Deferred (note 28)	38,421	10,909
	127,178	46,952
Overseas taxation		
– Current	14,559	5,442
– Overprovision in prior years	–	(162)
– Deferred (note 28)	(899)	(923)
	13,660	4,357
Share of taxation attributable to associated companies		
– Current	61,357	18,532
– Deferred	11,498	(8,742)
	72,855	9,790
	266,611	111,192

5 TAXATION (Continued)

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the taxation rate of Hong Kong as follows:

	2004	2003
	HK\$'000	HK\$'000
Profit before taxation	2,385,192	572,322
Calculated at Hong Kong profits tax rate of 17.5% (2003: 17.5%)	417,409	100,156
Tax effect of different taxation rates in other countries	69,672	63,316
Tax effect of net income/expenses that are not taxable/ deductible in determining taxable profit	(192,858)	(57,124)
Tax effect on utilisation of previously unrecognised tax losses	(29,039)	(32,150)
Tax effect on unrecognised tax losses	3,577	40,927
Overprovision of taxation in prior years	(2,150)	(3,933)
Taxation charge	266,611	111,192

6 PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders dealt with in the accounts of the Company is HK\$732,948,000 (2003: HK\$372,905,000).

7 DIVIDENDS

	Company	
	2004	2003
	HK\$'000	HK\$'000
Interim, paid, of HK\$0.20 (2003: HK\$0.13) per ordinary share (note (a))	239,501	154,519
Final, proposed, of HK\$0.40 (2003: HK\$0.15) per ordinary share (note (b))	484,447	178,729

(a) Amounts shown in respect of the interim dividend for the year ended 31 December 2004 reflect the cash dividend of HK\$0.20 (2003: HK\$0.13) per ordinary share. A scrip dividend alternative to the interim dividend was also offered, with the result that only approximately HK\$40,687,000 (2003: HK\$137,129,000) of the interim dividend was paid in cash.

(b) At a meeting held on 8 March 2005, the directors proposed a final dividend of HK\$0.40 per ordinary share. This proposed dividend is not reflected as a dividend payable in these accounts, but will be reflected as an appropriation of retained profits for the year ending 31 December 2005.

8 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of HK\$1,955,560,000 (2003: HK\$394,741,000) and the weighted average number of 1,198,224,808 shares (2003: 1,180,548,013 shares) in issue during the year.

There was no dilution arising from the outstanding share options granted by the Company in 1997. The dilution from the outstanding share options granted by the Company in 1999, 2000, 2001 and 2002 was immaterial. Accordingly, diluted earnings per share had not been shown.

9 RETIREMENT BENEFIT COSTS

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

The MPF Scheme is a master trust scheme established under a trust arrangement and governed by laws in Hong Kong. The assets of the MPF Scheme are held separately from the assets of the employer, the trustees and other service providers. Contributions are made to the MPF Scheme by the employers at 5% of the employees' relevant income as defined in the MPF Ordinance up to a maximum of HK\$1,000 per employee per month (the "MPF Contribution"). The employees also contribute a corresponding amount to the MPF Scheme from 31 December 2000 if their relevant income is HK\$5,000 per month (HK\$4,000 prior to 1 February 2003) or more. The MPF Contributions are fully and immediately vested in the employees as accrued benefits once they are paid to the approved trustees of the MPF Scheme. Investment income or profit derived from the investment of accrued benefits (after taking into account any loss arising from such investment) is also immediately vested in the employees.

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

9 RETIREMENT BENEFIT COSTS (Continued)

The Group also made defined contributions to pension plans as required by the relevant municipality or provincial governments in the PRC. The rates of contributions for the relevant periods ranged from 8% to 22% of the staff's salary. For overseas subsidiaries, the Group made contributions to defined contribution pension schemes in accordance with the schemes set up by the overseas subsidiaries and/or under statutory requirements.

The amounts of unvested benefits utilised by the Group during the year to reduce contributions to the Fund, the amount of unvested benefits available for future reduction of employers' contributions as at 31 December 2004 and the total amount contributed by the Group to the above schemes during the year were as follows:

	2004	2003
	HK\$'000	HK\$'000
Unvested benefits utilised to reduce contributions during the year	1,221	550
Unvested benefits available as at 31 December	484	88
Total contributions during the year	20,259	18,969

10 EMOLUMENTS OF DIRECTORS AND HIGHEST PAID INDIVIDUALS

(a) Directors

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

	Group	
	2004	2003
	HK\$'000	HK\$'000
Fees		
Independent non-executive directors	751	681
For management		
Basic salaries, housing allowances, other allowances and other benefits in kind	10,644	10,437
Discretionary bonuses	25,815	7,730
Directors' pensions	240	215
	36,699	18,382
	37,450	19,063

The 2004 full year emoluments of the director who was appointed during the year are stated above. The above emoluments exclude deemed gain arising on exercise of share options amounting to HK\$8,065,000 (2003: HK\$5,826,000).

10 EMOLUMENTS OF DIRECTORS AND HIGHEST PAID INDIVIDUALS (Continued)

(a) Directors (Continued)

The emoluments of the directors fell within the following bands:

Emolument bands	Number of directors	
	2004	2003
HK\$ Nil – HK\$1,000,000		
HK\$ Nil – HK\$250,000	5	4
HK\$250,001 – HK\$1,000,000	–	1
	5	5
HK\$3,000,001 – HK\$3,500,000	–	1
HK\$3,500,001 – HK\$4,000,000	1	–
HK\$4,000,001 – HK\$4,500,000	1	1
HK\$5,000,001 – HK\$5,500,000	–	1
HK\$6,000,001 – HK\$6,500,000	–	1
HK\$8,500,001 – HK\$9,000,000	1	–
HK\$9,500,001 – HK\$10,000,000	2	–
	10	9

The deemed gain arising on exercise of share options are not taken into account in determining the above emolument bands.

No directors have waived emoluments in respect of the years ended 31 December 2004 and 2003.

Pursuant to the terms of the share option scheme adopted by the Company on 27 March 1997, following the adjustment events arising from the changes in the Company's issued share capital on 11 November 2003, 28 May 2004 and 13 October 2004, the Company adjusted the respective exercise prices per option share of the unexercised options and the respective number of option shares comprising thereunder with effect from 7 December 2004. The respective exercise prices have been adjusted from HK\$15.12 to HK\$14.92, from HK\$9.77 to HK\$9.64, from HK\$6.79 to HK\$6.70, from HK\$11.74 to HK\$11.59 and from HK\$6.94 to HK\$6.85 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 52,748, 20,673, 17,275, 2,696 and 22,781 granted to four Directors of the Company as at 31 December 2004.

10 EMOLUMENTS OF DIRECTORS AND HIGHEST PAID INDIVIDUALS (Continued)

(b) Highest paid individuals

The aggregate amounts of emoluments payable to the five highest paid individuals of the Group during the year, of whom five (2003: four) are directors of the Company were as follows:

	Group	
	2004 HK\$'000	2003 HK\$'000
Basic salaries, housing allowances, other allowances and other benefits in kind	10,644	12,132
Discretionary bonuses	25,815	9,120
Pensions contributions	240	275
	36,699	21,527

The above emoluments exclude deemed gain arising on exercise of share options amounting to HK\$8,065,000 (2003: HK\$4,941,000).

The emoluments of the five highest paid individuals of the Group during the year, of whom five (2003: four) are directors of the Company, fell within the following bands:

Emolument bands	Number of individuals	
	2004	2003
HK\$3,000,001 – HK\$3,500,000	–	2
HK\$3,500,001 – HK\$4,000,000	1	–
HK\$4,000,001 – HK\$4,500,000	1	1
HK\$5,000,001 – HK\$5,500,000	–	1
HK\$6,000,001 – HK\$6,500,000	–	1
HK\$8,500,001 – HK\$9,000,000	1	–
HK\$9,500,001 – HK\$10,000,000	2	–
	5	5

The deemed gain arising on exercise of share options are not taken into account in determining the above emolument bands.

11 FIXED ASSETS

	Group										Total HK\$'000
	Investment properties other than hotel properties HK\$'000	Other leasehold land and buildings			Freehold land and buildings HK\$'000	Port facilities HK\$'000	Properties held for/under development HK\$'000	Leasehold improvements HK\$'000	Warehouse operating equipment HK\$'000	Motor vehicles, furniture, fixtures and office equipment HK\$'000	
		Hotel properties HK\$'000	Warehouses and logistics centres HK\$'000	Staff quarters HK\$'000							
Cost or valuation											
At 1 January 2004	16,163,490	901,600	654,259	524	60,778	-	3,025,987	10,714	273,535	280,738	21,371,625
Additions, at cost	22,353	6,043	5,256	-	11,062	-	595,732	232	31,657	22,410	694,745
Acquisition of subsidiaries	-	-	224,073	46,049	151,398	144,983	498,021	-	124,745	202,849	1,392,118
Adjustment on revaluation	1,716,717	(6,043)	(5,359)	-	24,313	(31,283)	-	-	-	-	1,698,345
Disposals	(63,881)	-	-	-	-	-	-	-	(9,430)	(21,185)	(94,496)
Reclassification	1,265,884	-	62,227	-	-	-	(1,315,915)	-	-	-	12,196
Exchange adjustment	977	-	177	-	3,673	1,788	832	4	5,537	6,660	19,648
At 31 December 2004	19,105,540	901,600	940,633	46,573	251,224	115,488	2,804,657	10,950	426,044	491,472	25,094,181
At cost	-	-	-	46,573	-	-	2,804,657	10,950	426,044	491,472	3,779,696
At professional valuation	19,105,540	901,600	940,633	-	251,224	115,488	-	-	-	-	21,314,485
At 31 December 2004	19,105,540	901,600	940,633	46,573	251,224	115,488	2,804,657	10,950	426,044	491,472	25,094,181
Aggregate depreciation and accumulated impairment losses											
At 1 January 2004	-	-	-	224	-	-	91,345	7,499	148,570	163,495	411,133
Charge for the year	-	-	17,467	26	3,907	2,852	-	1,314	25,939	31,269	82,774
Acquisition of subsidiaries	-	-	-	11,039	17,647	34,209	-	-	71,507	140,944	275,346
Adjustment on revaluation	(91,345)	-	(17,467)	-	(21,902)	(37,586)	-	-	-	-	(168,300)
Disposals	-	-	-	-	-	-	-	-	(6,841)	(19,510)	(26,351)
Reclassification	91,345	-	-	-	-	-	(91,345)	-	-	-	-
Exchange adjustment	-	-	-	-	348	525	-	-	3,270	4,053	8,196
At 31 December 2004	-	-	-	11,289	-	-	-	8,813	242,445	320,251	582,798
Net book value as at 31 December 2004	19,105,540	901,600	940,633	35,284	251,224	115,488	2,804,657	2,137	183,599	171,221	24,511,383
Net book value as at 31 December 2003	16,163,490	901,600	654,259	300	60,778	-	2,934,642	3,215	124,965	117,243	20,960,492

11 FIXED ASSETS (Continued)

	Company		Total HK\$'000
	Leasehold improvements HK\$'000	Motor vehicles, furniture, fixtures and office equipment HK\$'000	
Cost			
At 1 January 2004	196	2,962	3,158
Additions, at cost	227	125	352
At 31 December 2004	423	3,087	3,510
Aggregate depreciation			
At 1 January 2004	88	1,606	1,694
Charge for the year	63	427	490
At 31 December 2004	151	2,033	2,184
Net book value			
As at 31 December 2004	272	1,054	1,326
As at 31 December 2003	108	1,356	1,464

11 FIXED ASSETS (Continued)

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

	Group	
	2004 HK\$'000	2003 HK\$'000
In PRC, held on:		
Leases of over 50 years	263,940	–
Leases of between 10 to 50 years	9,258,967	8,179,664
In Hong Kong, held on:		
Leases of over 50 years	8,727,725	7,337,641
Leases of between 10 to 50 years	5,526,630	5,136,986
Overseas freehold land and buildings, port facilities and properties under development	377,164	60,778
	24,154,426	20,715,069

- (b) As at 31 December 2004, properties with an aggregate net book value of HK\$1,655,233,000 (2003: HK\$1,260,150,000) and port facilities of HK\$115,488,000 (2003: Nil) were pledged as securities for bank loan facilities granted to the Group (note 33).
- (c) All investment properties, warehouses and logistics centre in the PRC and Hong Kong were valued by DTZ Dehenham Tie Leung Limited and Chesterton Petty Limited. Freehold land and buildings in Australia and Thailand and port facilities in Thailand were valued by DTZ Debenham Tie Leung Limited. They are independent professional valuers and the valuation was on an open market value basis as at 31 December 2004.
- (d) The carrying amount of the warehouses and logistics centres classified as other leasehold land and buildings and port facilities would have been HK\$592,867,000 (2003: HK\$532,588,000) and HK\$109,185,000 (2003: Nil), respectively, had they been stated in the accounts at cost less aggregate depreciation and accumulated impairment loss.
- (e) The carrying amount of freehold land and buildings would have been HK\$190,827,000 (2003: HK\$51,312,000) had they been stated in the accounts at cost less aggregate depreciation and accumulated impairment loss.

12 SUBSIDIARIES

	Company	
	2004 HK\$'000	2003 HK\$'000
Unlisted shares, at cost (note (a))	18,643,700	18,643,700
Amounts due from subsidiaries (note (b))	8,650,388	9,237,790
	27,294,088	27,881,490

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

(b) The amounts due from subsidiaries are unsecured, not repayable within twelve months from the balance sheet date and interest-free except for an amount of HK\$5,960,158,000 (2003: HK\$6,588,154,000) which bears interest at prevailing market rates.

13 ASSOCIATED COMPANIES

	Group	
	2004 HK\$'000	2003 HK\$'000
Share of net assets other than negative goodwill (note (a))	1,238,292	717,997
Negative goodwill (note (b))	(21,459)	(22,383)
Amounts due from associated companies (note (c))	3,350,349	3,960,869
Amounts due to associated companies (note (d))	(35,612)	(34,642)
	4,531,570	4,621,841

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

(b) Negative goodwill

	2004 HK\$'000	2003 HK\$'000
At 1 January	22,383	23,924
Amortisation	(924)	(1,541)
At 31 December	21,459	22,383

13 ASSOCIATED COMPANIES (Continued)

- (c) The amounts due from associated companies are unsecured, not repayable within twelve months from the balance sheet date and interest-free except for amounts totalling HK\$695,948,000 (2003: HK\$1,144,351,000) which bear interest at prevailing market rates.
- (d) The amounts due to associated companies are unsecured, interest-free and not repayable within twelve months from the balance sheet date.

14 OTHER NON-CURRENT ASSETS

	Group	
	2004 HK\$'000	2003 HK\$'000
Long-term investments		
Non-trading securities:		
Unlisted investments, at fair value	1,316,228	1,205,099
Amounts due from investee companies (note (a))	1,908	2,886
	1,318,136	1,207,985
Club debentures, at cost	9,967	9,967
	1,328,103	1,217,952
Long-term receivables (note (b))	167,098	277,811
	1,495,201	1,495,763

- (a) The amounts due from investee companies are unsecured, interest-free and not repayable within twelve months from the balance sheet date.
- (b) Amount represents non-current portion of second mortgage loans to buyers of certain properties developed by the Group.

15 GOODWILL/(NEGATIVE GOODWILL)

	Goodwill HK\$'000	Negative goodwill HK\$'000	Total HK\$'000
At 1 January 2003	45,397	(393)	45,004
Arising from purchase of business	1,817	–	1,817
Arising from purchase of additional interest in subsidiaries	–	(91,461)	(91,461)
Amortisation	(2,429)	4,465	2,036
At 31 December 2003	44,785	(87,389)	(42,604)
At 1 January 2004	44,785	(87,389)	(42,604)
Arising from purchase of business	1,000	–	1,000
Arising from purchase of subsidiaries	143,560	–	143,560
Arising from purchase of additional interest in a subsidiary	–	(3,684)	(3,684)
Amortisation	(3,608)	4,578	970
At 31 December 2004	185,737	(86,495)	99,242

	2004 HK\$'000	2003 HK\$'000
At 31 December		
Cost	98,262	(42,614)
Accumulated amortisation	980	10
Net book amount	99,242	(42,604)

16 STOCK OF COMPLETED PROPERTIES HELD FOR SALE

As at 31 December 2004, no stock of completed properties held for sale (2003: HK\$301,194,000) was carried at net realisable value.

17 PROPERTIES UNDER DEVELOPMENT FOR SALE

	Group	
	2004 HK\$'000	2003 HK\$'000
Cost plus attributable profits less foreseeable losses	297,553	1,375,997
Less: Sales instalments received and receivable	–	(376,220)
	297,553	999,777

As at 31 December 2004, no properties under development for sale (2003: HK\$199,364,000) were pledged as security for bank loan facilities granted to the Group.

18 ACCOUNTS RECEIVABLE, PREPAYMENTS AND DEPOSITS

Included in accounts receivable, prepayments and deposits are trade receivables. The Group maintains defined credit policies and applies credit policies appropriate to the particular business circumstances concerned. The ageing analysis of the trade receivables as at 31 December 2004 was as follows:

	Group	
	2004 HK\$'000	2003 HK\$'000
Below 1 month	579,505	137,410
Between 1 month and 3 months	317,642	130,200
Over 3 months	75,661	20,538
	972,808	288,148

19 TRADING SECURITIES

	Group	
	2004 HK\$'000	2003 HK\$'000
Equity securities:		
Listed in Hong Kong	3,569	3,111
Listed outside Hong Kong	110	141
Market value of listed investments	3,679	3,252

20 ACCOUNTS PAYABLE, DEPOSITS RECEIVED AND ACCRUED CHARGES

Included in accounts payable, deposits received and accrued charges are trade payables. The ageing analysis of trade payables as at 31 December 2004 was as follows:

	Group	
	2004	2003
	HK\$'000	HK\$'000
Below 1 month	304,995	140,587
Between 1 month and 3 months	114,710	33,418
Over 3 months	107,150	19,171
	526,855	193,176

21 SHARE CAPITAL

	Authorised	
	Ordinary shares of HK\$1 each	
	No. of shares	HK\$'000
At 31 December 2003 and 2004	10,000,000,000	10,000,000

	Issued and fully paid			
	Ordinary shares of HK\$1 each			
	2004		2003	
	No. of shares	HK\$'000	No. of shares	HK\$'000
At 1 January	1,191,526,727	1,191,527	1,170,550,794	1,170,551
Issue of scrip dividend shares (notes (a) and (b))	14,412,539	14,412	15,538,757	15,539
Issue of new shares as a result of exercise of share options (note (c))	5,177,064	5,177	5,437,176	5,437
At 31 December	1,211,116,330	1,211,116	1,191,526,727	1,191,527

- (a) On 20 April 2004, the Company approved a final dividend on its issued ordinary shares for the year ended 31 December 2003. The Company offered to its shareholders a scrip dividend alternative under which the shareholders could elect to receive new ordinary shares in lieu of a cash dividend. A total of 314,252 ordinary shares of HK\$1 each were issued on 28 May 2004 under this scheme.

21 SHARE CAPITAL (Continued)

- (b) On 10 August 2004, the Company declared an interim dividend on its issued ordinary shares for the year ended 31 December 2004. The Company offered to its shareholders a scrip dividend alternative under which the shareholders could elect to receive new ordinary shares in lieu of a cash dividend. A total of 14,098,287 ordinary shares of HK\$1 each were issued on 13 October 2004 under this scheme.
- (c) During the year, a total of 5,177,064 option shares were exercised at exercise prices of HK\$6.79, HK\$6.94, HK\$9.77, HK\$11.74 and HK\$15.12, respectively, per share. Details of movement in share options during the year are set out in note 22.
- (d) Proceeds received in respect of the shares issued were used as additional working capital for the Group.

22 SHARE OPTIONS

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

1997 Share Option Scheme

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

Pursuant to the terms of the 1997 Share Option Scheme, the Company adjusted the respective exercise prices per option share of the unexercised options and the respective number of option shares comprised thereunder on 7 December 2004 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 1997 Share Option Scheme was terminated on 17 April 2002 such that no further options shall be offered but the options which had been granted during its life shall continue to be valid and exercisable in accordance with their terms of issue and in all other respects its provisions shall remain in full force and effect.

22 SHARE OPTIONS (Continued)

2002 Share Option Scheme

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

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

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

	2004	2003
	Number	Number
At 1 January	26,303,507	31,828,769
Granted during the year	–	–
Additional number of option shares granted for the adjustment during the year	277,240	371,014
Exercised during the year (note (a))	(5,177,064)	(5,437,176)
Lapsed during the year	(368,052)	(459,100)
At 31 December (note (b))	21,035,631	26,303,507

22 SHARE OPTIONS (Continued)

(a) Details of share options exercised:

Exercise period	2004						Market value per share on the day of exercise HK\$	Proceeds received HK\$
	Number of share options exercised at the following price per share							
	HK\$15.12	HK\$9.77	HK\$6.79	HK\$11.74	HK\$6.94	Total		
January 2004	–	969,987	1,090,156	28,000	594,291	2,682,434	12.05 to 13.95	21,332,032
February 2004	–	30,437	–	–	–	30,437	13.55	297,369
March 2004	–	183,312	42,236	–	50,000	275,548	12.70 to 13.25	2,424,741
April 2004	–	437	31,676	13,669	61,612	107,394	11.95 to 12.85	807,411
May 2004	–	–	220,000	–	–	220,000	9.60	1,493,800
June 2004	–	–	–	–	–	–	–	–
July 2004	–	63,437	–	–	–	63,437	12.15	619,779
August 2004	–	63,437	–	–	30,690	94,127	13.05 to 14.10	832,768
September 2004	–	–	16,676	–	10,230	26,906	14.60 to 15.05	184,226
October 2004	500,000	295,608	340,438	154,172	102,304	1,392,522	15.00 to 15.45	15,279,633
November 2004	50,000	155,728	–	–	26,227	231,955	15.05 to 16.70	2,459,478
December 2004	–	–	–	–	52,304	52,304	16.40	362,990
	550,000	1,762,383	1,741,182	195,841	927,658	5,177,064		46,094,227

22 SHARE OPTIONS (Continued)

(a) Details of share options exercised (Continued):

Exercise period	2003				Market value per share on the day of exercise HK\$	Proceeds received HK\$
	Number of share options exercised at the following price per share			Total		
	HK\$6.79	HK\$6.94	HK\$9.77			
June 2003	63,355	–	–	63,355	9.25	430,180
July 2003	68,636	15,345	–	83,981	9.05	572,533
August 2003	258,387	10,230	–	268,617	9.25 to 10.45	1,825,444
September 2003	3,500,423	295,117	–	3,795,540	10.00 to 11.40	25,815,984
October 2003	943,761	50,000	–	993,761	10.40 to 11.20	6,755,137
November 2003	–	20,461	–	20,461	10.40	141,999
December 2003	–	–	211,461	211,461	9.80	2,065,974
	4,834,562	391,153	211,461	5,437,176		37,607,251

22 SHARE OPTIONS (Continued)

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

Exercise period	2004		2003	
	Exercise price HK\$	Number	Exercise price HK\$	Number
11 April 1999 to 26 March 2007	14.92	10,704,962	15.12	11,481,428
27 May 2000 to 26 March 2007	9.64	1,970,447	9.77	2,849,446
27 May 2001 to 26 March 2007	9.64	2,019,104	9.77	2,849,415
1 June 2001 to 31 May 2010	6.70	528,000	6.79	706,770
1 June 2002 to 31 May 2010	6.70	690,149	6.79	1,238,000
1 June 2003 to 31 May 2010	6.70	724,134	6.79	1,712,957
2 March 2002 to 1 March 2011	11.59	328,000	11.74	378,000
2 March 2003 to 1 March 2011	11.59	328,000	11.74	378,000
2 March 2004 to 1 March 2011	11.59	285,235	11.74	369,058
16 April 2003 to 15 April 2012	6.85	1,430,810	6.94	1,992,547
16 April 2004 to 15 April 2012	6.85	2,026,790	6.94	2,347,886
		21,035,631		26,303,507

(c) No share options were cancelled during the year (2003: Nil).

23 SHARE PREMIUM

	2004 HK\$'000	2003 HK\$'000
At 1 January	3,628,591	3,478,011
Arising from scrip dividend (notes 21(a) and (b))	187,712	118,408
Arising from exercise of share options (note 21(c))	40,917	32,172
At 31 December	3,857,220	3,628,591

24 OTHER RESERVES

	Group						Others (note (a)) HK\$'000	Total HK\$'000
	Hotel properties revaluation reserve HK\$'000	Other properties revaluation reserve HK\$'000	Freehold land and buildings revaluation reserve HK\$'000	Properties under development revaluation reserve HK\$'000	Non-trading securities revaluation reserve HK\$'000			
At 1 January 2003	18,262	477,563	3,775	95,619	952,822	7,838,303	9,386,344	
On revaluation of properties (note (b))	(8,790)	(14,414)	6,922	–	–	–	(16,282)	
Impairment loss (note 1(h)(vii))	–	–	–	(91,345)	–	–	(91,345)	
Arising from valuation of non-trading securities (note (c))	–	–	–	–	(112,296)	–	(112,296)	
Transfer from retained profits	–	–	–	–	–	8,783	8,783	
Exchange differences arising from investments in the PRC and overseas subsidiaries/associated companies	–	–	–	–	–	26,418	26,418	
Deferred taxation (charged)/credited directly to reserves	(9,472)	3,271	–	–	14,523	–	8,322	
At 31 December 2003	–	466,420	10,697	4,274	855,049	7,873,504	9,209,944	
Company and subsidiaries	–	466,420	10,697	4,274	855,049	7,850,899	9,187,339	
Associated companies	–	–	–	–	–	22,605	22,605	
At 31 December 2003	–	466,420	10,697	4,274	855,049	7,873,504	9,209,944	

24 OTHER RESERVES (Continued)

	Group						Total HK\$'000
	Investment properties revaluation reserve HK\$'000	Other properties revaluation reserve HK\$'000	Freehold land and buildings revaluation reserve HK\$'000	Properties under development revaluation reserve HK\$'000	Non-trading securities revaluation reserve HK\$'000	Others (note (a)) HK\$'000	
At 1 January 2004	–	466,420	10,697	4,274	855,049	7,873,504	9,209,944
On revaluation of properties (note (b))	1,413,862	16,125	26,776	–	–	–	1,456,763
Arising from valuation of non-trading securities (note (c))	–	–	–	–	101,151	–	101,151
Transfer from retained profits	–	–	–	–	–	740	740
Exchange differences arising from investments in the PRC and overseas subsidiaries/associated companies	–	–	1,642	–	–	17,468	19,110
Deferred taxation charged directly to reserves	(196,576)	(10,580)	(12,660)	–	–	–	(219,816)
Reclassification	4,274	–	–	(4,274)	–	–	–
At 31 December 2004	1,221,560	471,965	26,455	–	956,200	7,891,712	10,567,892
Company and subsidiaries	1,221,560	471,965	26,455	–	956,200	7,868,474	10,544,654
Associated companies	–	–	–	–	–	23,238	23,238
At 31 December 2004	1,221,560	471,965	26,455	–	956,200	7,891,712	10,567,892

24 OTHER RESERVES (Continued)

(a) Others

	Group				Total HK\$'000
	Capital reserve (note (d)) HK\$'000	Exchange fluctuation reserve HK\$'000	Enterprise expansion and general reserve funds (note (e)) HK\$'000	Capital redemption reserve (note (g)) HK\$'000	
At 1 January 2003	7,975,089	(163,554)	18,900	7,868	7,838,303
Transfer from retained profits	–	–	8,783	–	8,783
Exchange differences arising from investments in the PRC and overseas subsidiaries/ associated companies	–	26,318	100	–	26,418
At 31 December 2003	7,975,089	(137,236)	27,783	7,868	7,873,504
Company and subsidiaries	7,975,089	(137,481)	5,423	7,868	7,850,899
Associated companies	–	245	22,360	–	22,605
At 31 December 2003	7,975,089	(137,236)	27,783	7,868	7,873,504
At 1 January 2004	7,975,089	(137,236)	27,783	7,868	7,873,504
Transfer from retained profits	–	–	740	–	740
Exchange differences arising from investments in the PRC and overseas subsidiaries/ associated companies	–	17,410	58	–	17,468
At 31 December 2004	7,975,089	(119,826)	28,581	7,868	7,891,712
Company and subsidiaries	7,975,089	(120,044)	5,561	7,868	7,868,474
Associated companies	–	218	23,020	–	23,238
At 31 December 2004	7,975,089	(119,826)	28,581	7,868	7,891,712

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

(c) This represents surplus/(deficit) arising from valuation of the Group's non-trading securities at the balance sheet date. The accounting policy in respect of valuation of non-trading securities is set out in note 1(g) (i) to the accounts.

24 OTHER RESERVES (Continued)

- (d) Capital reserve of the Group arose from the Group's reorganisation in preparation for its listing on the Stock Exchange of Hong Kong in August 1996, adjusted by the excess or deficit of the fair values of the net assets of subsidiaries and associated companies subsequently acquired over the cost of investment at the date of acquisition before 1 January 2001 (note 1(f)).
- (e) Enterprise expansion and general reserve funds are set up by subsidiaries and associated companies established and operating in the PRC. According to the PRC Foreign Enterprise Accounting Standards, upon approval, the enterprise expansion reserve fund may be used for increasing capital while the general reserve fund may be used for making up losses and increasing capital.
- (f) Other reserves

	Company		Total HK\$'000
	Contributed surplus HK\$'000	Capital redemption reserves (note (g)) HK\$'000	
At 1 January 2003 and 31 December 2003	17,793,308	7,868	17,801,176
At 1 January 2004 and 31 December 2004	17,793,308	7,868	17,801,176

- (i) The contributed surplus of the Company arose when the Company issued shares in exchange for the shares of companies being acquired, and represents the difference between the nominal value of the Company's shares issued and the value of net assets of the companies acquired. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is distributable to the shareholders. At Group level, the contributed surplus is reclassified into its components of reserves of the underlying subsidiaries.
- (ii) As at 31 December 2004, the reserves of the Company available for distribution amounted to approximately HK\$18,784,646,000 (2003: HK\$18,469,928,000).
- (g) The capital redemption reserve arose from the purchase of the Company's share for cancellation during 1998 and 2002 and represents a transfer from the Company's retained profits equivalent to the nominal value of the shares purchased for cancellation.

25 RETAINED PROFITS

	Group		Company	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
At 1 January	5,852,497	5,761,524	668,752	590,832
Profit for the year	1,955,560	394,741	732,948	372,905
Transfer to other reserves	(740)	(8,783)	–	–
2003/2002 final dividend paid	(178,729)	(140,466)	(178,729)	(140,466)
2004/2003 interim dividend paid	(239,501)	(154,519)	(239,501)	(154,519)
At 31 December	7,389,087	5,852,497	983,470	668,752
2004/2003 final dividend proposed	(484,447)	(178,729)	(484,447)	(178,729)
	6,904,640	5,673,768	499,023	490,023
Company and subsidiaries	6,460,123	5,675,894	499,023	490,023
Associated companies	444,517	(2,126)	–	–
	6,904,640	5,673,768	499,023	490,023

26 MINORITY INTERESTS AND LOANS

	Group	
	2004 HK\$'000	2003 HK\$'000
Share of equity	951,022	419,609
Loans from minority shareholders	1,727,537	1,955,890
	2,678,559	2,375,499

The loans from minority shareholders represent proportionate funding from the minority shareholders of joint venture projects, including an amount of approximately HK\$439,282,000 (2003: HK\$610,296,000) received from a subsidiary of Shangri-La Asia Limited, a related company whose shares are listed on the Stock Exchange of Hong Kong. These loans are unsecured, subordinated to the bank loans of the relevant subsidiaries, have no fixed terms of repayment, and interest-free except for an amount of HK\$86,759,000 (2003: HK\$264,103,000) which bears interest at prevailing market rates.

27 BANK LOANS

	Group		Company	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Bank loans – unsecured	5,747,132	6,033,808	4,280,000	5,072,222
Bank loans – secured (note 33)	409,678	174,156	–	–
Total bank loans (note (a))	6,156,810	6,207,964	4,280,000	5,072,222
Short-term bank loans and current portion of long-term liabilities (note (a))	(680,428)	(804,751)	(150,000)	(472,222)
	5,476,382	5,403,213	4,130,000	4,600,000

(a) At 31 December 2004, the Group's bank loans were repayable as follows:

	Group		Company	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Within one year	680,428	804,751	150,000	472,222
In the second to fifth year				
In the second year	764,259	315,822	300,000	–
In the third year	4,136,551	650,244	3,830,000	450,000
In the fourth year	362,987	4,208,933	–	4,150,000
In the fifth year	212,585	224,292	–	–
	5,476,382	5,399,291	4,130,000	4,600,000
Over five years	–	3,922	–	–
	6,156,810	6,207,964	4,280,000	5,072,222

(b) As at 31 December 2004, the Group had undrawn bank loan facilities of approximately HK\$7.9 billion (2003: HK\$6.6 billion).

28 DEFERRED TAXATION

	Group	
	2004 HK\$'000	2003 HK\$'000
At 1 January	974,947	973,005
Purchase of subsidiaries (note 29(c))	16,499	–
Deferred taxation credited to profit and loss account (note 5)	(13,063)	(12,154)
Deferred taxation charged directly to reserves	219,816	6,201
Deferred taxation charged directly to minority interests	69,483	7,895
Exchange adjustment	58	–
At 31 December	1,267,740	974,947

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through the future taxable profits is probable. The Group has unrecognised tax losses of HK\$1,481,789,000 (2003: HK\$1,521,909,000) to be carried forward for offset against future taxable income.

28 DEFERRED TAXATION (Continued)

The movement in deferred tax assets and liabilities during the year was as follows:

	Group				
	Revaluation HK\$'000	Accelerated depreciation allowances HK\$'000	Pre-sales of properties HK\$'000	Tax losses HK\$'000	Total HK\$'000
At 1 January 2003	992,299	142,594	597	(162,485)	973,005
Deferred taxation charged/(credited) to profit and loss account	6,869	(8,989)	(597)	(9,437)	(12,154)
Deferred taxation charged directly to reserves	6,201	–	–	–	6,201
Deferred taxation charged directly to minority interests	7,895	–	–	–	7,895
At 31 December 2003	1,013,264	133,605	–	(171,922)	974,947

	Group				
	Revaluation HK\$'000	Accelerated depreciation allowances HK\$'000	Pre-sales of properties HK\$'000	Tax losses HK\$'000	Total HK\$'000
At 1 January 2004	1,013,264	133,605	–	(171,922)	974,947
Purchase of subsidiaries	16,499	–	–	–	16,499
Deferred taxation (credited)/charged to profit and loss account	(57,087)	41,615	–	2,409	(13,063)
Deferred taxation charged directly to reserves	216,389	–	–	3,427	219,816
Deferred taxation charged directly to minority interests	69,483	–	–	–	69,483
Exchange adjustment	–	58	–	–	58
At 31 December 2004	1,258,548	175,278	–	(166,086)	1,267,740

29 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	Group	
	2004 HK\$'000	2003 HK\$'000
Profit before taxation	2,385,192	572,322
Amortisation of goodwill	3,608	2,429
Amortisation of negative goodwill	(4,578)	(4,465)
Depreciation	82,397	68,122
Dividend income from listed and unlisted investments	(11,569)	(11,418)
Finance costs	145,119	174,638
Interest income	(34,123)	(26,018)
(Gain)/loss on sale of fixed assets	(625)	24,345
Loss on sale of an associated company	9,208	–
Unrealised gain on valuation of trading securities	(427)	(1,209)
Provision in respect of stock of completed properties held for sale	–	69,346
Revaluation (surplus)/deficit on investment properties and other leasehold land and buildings	(298,601)	290,236
Share of results of associated companies	(629,349)	(135,758)
Operating profit before working capital changes	1,646,252	1,022,570
Decrease in stock of completed properties held for sale, properties under development for sale and accounts receivable, prepayments and deposits	269,025	918,681
Increase/(decrease) in accounts payable, deposits received and accrued charges	253,216	(47,421)
Net cash generated from operations	2,168,493	1,893,830

29 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(b) Analysis of changes in financing during the year

	Share capital (including share premium)		Bank loans (including current portion)		Minority interests and loans	
	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January	4,820,118	4,648,562	6,207,964	7,054,572	2,375,499	2,527,566
Non-cash movements:						
Issue of scrip dividend	202,124	133,947	-	-	-	-
Share of profit	-	-	-	-	163,021	66,389
Share of revaluation reserves	-	-	-	-	111,281	21,264
Share of deferred taxation	-	-	-	-	(69,483)	(7,895)
Exchange adjustment	-	-	3,949	9,981	1,940	3,079
Purchase of subsidiaries	-	-	445,267	-	452,776	-
Purchase of additional interest in subsidiaries	-	-	-	-	(193,684)	(201,496)
	202,124	133,947	449,216	9,981	465,851	(118,659)
Proceeds from issue of shares	46,094	37,609	-	-	-	-
Repayment of bank loans	-	-	(9,513,944)	(2,402,270)	-	-
Drawdown of bank loans	-	-	9,013,574	1,545,681	-	-
Capital injection from minority shareholders	-	-	-	-	18,862	474
Dividends paid to minority shareholders in subsidiaries	-	-	-	-	(4,419)	(4,017)
Decrease in loans from minority shareholders	-	-	-	-	(177,234)	(29,865)
At 31 December	5,068,336	4,820,118	6,156,810	6,207,964	2,678,559	2,375,499

29 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(c) Purchase of subsidiaries

	2004 HK\$'000	2003 HK\$'000
Net assets acquired:		
Fixed assets	1,116,772	–
Associated companies	43,305	–
Other investments	9,585	–
Accounts and other receivables	609,615	–
Cash and bank balances	298,178	–
Accounts and other payables	(571,439)	–
Bank loans	(445,267)	–
Deferred taxation	(16,499)	–
	1,044,250	–
Less: Minority interests	(452,776)	–
	591,474	–
Goodwill	143,560	–
	735,034	–
Satisfied by:		
Cash	735,034	–

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

	2004 HK\$'000	2003 HK\$'000
Cash consideration	735,034	–
Cash and bank balances acquired	(298,178)	–
Net cash outflow in respect of the purchase of subsidiaries	436,856	–

30 RELATED PARTY TRANSACTIONS

	Group	
	2004 HK\$'000	2003 HK\$'000
Marketing, consultancy and administrative management fees expense (<i>note (a)</i>)	16,733	9,753
Insurance premiums expense (<i>note (b)</i>)	10,018	11,285

- (a) This represents payment of services fee to Shangri-La International Hotel Management Limited, a subsidiary of Shangri-La Asia Limited, a related company of the Group, which provided marketing, consultancy and administrative management services to a member of the Group. The service fees payable during the year were determined at either a fixed amount or a certain percentage of the gross operating revenue of the relevant company in accordance with the agreement for the provision of the above services.
- (b) This represents payment of insurance premiums at market rates to Jerneh Insurance (HK) Limited, a related company of the Group.
- (c) On 13 April 2004, the Company entered into a master agreement with Shangri-La Asia Limited in relation to the joint acquisition, ownership and development of five sites in Jingan District, Shanghai. Details are set out in item (I) in the section headed "Connected Transactions" in the Report of the Directors.
- (d) On 25 October 2004, Kerry Environmental Limited, an indirect wholly owned subsidiary of the Company, entered into a joint venture agreement with Chemquest (Overseas) Limited for the establishment of a joint venture company 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. Details are set out in item (III) in the section headed "Connected Transactions" in the Report of the Directors.

31 COMMITMENTS

- (a) At 31 December 2004, the Group had capital commitments in respect of investments and construction in progress not provided for in these accounts as follows:

	Group	
	2004 HK\$'000	2003 HK\$'000
Contracted but not provided for	2,113,807	688,596
Authorised but not contracted for	286,114	83,760
	2,399,921	772,356

31 COMMITMENTS (Continued)

- (b) At 31 December 2004, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Group	
	2004	2003
	HK\$'000	HK\$'000
Land and buildings:		
Within one year	66,031	36,782
In the second to fifth year, inclusive	119,873	81,283
Over five years	108,688	88,279
	294,592	206,344
Vessels:		
Within one year	63,248	–
In the second to fifth year, inclusive	89,152	–
	152,400	–
	446,992	206,344

- (c) At 31 December 2004, the Group had future aggregate minimum lease rental receivable under non-cancellable operating leases as follows:

	Group	
	2004	2003
	HK\$'000	HK\$'000
Land and buildings:		
Within one year	730,821	702,816
In the second to fifth year, inclusive	529,347	502,452
Over five years	527,772	566,185
	1,787,940	1,771,453

- (d) As at 31 December 2004, the Group had interest rate swap contracts with principal sums of HK\$2,260,000,000 (2003: HK\$3,760,000,000) at fixed rates of 3.65% to 5.51% (2003: 3.62% to 5.51%). The remaining life of these contracts was within 1 to 4 years (2003: 1 to 2 years).

32 CONTINGENT LIABILITIES

(a) Guarantees for banking and other facilities

	Group		Company	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Guarantees for banking and other facilities of certain subsidiaries, associated companies, investee companies and the set-up office of a project undertaken by the Group (notes (i) and (ii))	493,493	789,061	1,609,201	1,355,659
Guarantees to certain banks for mortgage facilities granted to first buyers of certain properties in the PRC (note (iii))	382,234	210,041	6,461	10,380
	875,727	999,102	1,615,662	1,366,039

- (i) The Group has executed guarantees for banking and other facilities granted to certain associated companies, investee companies and the set-up office of a project undertaken by the Group. The utilised amount of such facilities covered by the Group's guarantees which also represented the financial exposure of the Group as at 31 December 2004 amounted to approximately HK\$493,493,000 (2003: HK\$789,061,000). The total amount of such facilities covered by the Group's guarantees amounted to approximately HK\$676,047,000 (2003: HK\$1,406,842,000).
- (ii) The Company has executed guarantees to banks for facilities granted to certain subsidiaries, associated companies, investee companies and the set-up office of a project undertaken by the Group. The utilised amount of such facilities covered by the Company's guarantees which also represented the financial exposure of the Company as at 31 December 2004 amounted to approximately HK\$1,609,201,000 (2003: HK\$1,355,659,000). The total amount of such facilities covered by the Company's guarantees amounted to approximately HK\$1,969,455,000 (2003: HK\$2,203,428,000).
- (iii) The Group and the Company have executed guarantees to certain banks for mortgage facilities granted to first buyers of certain properties developed by the Group in the PRC. The utilised amount of such facilities covered by the Group's and the Company's guarantees which also represented the financial exposure of the Group and the Company as at 31 December 2004 amounted to approximately HK\$382,234,000 (2003: HK\$210,041,000) and HK\$6,461,000 (2003: HK\$10,380,000), respectively. The total amount of such facilities covered by the Group's and the Company's guarantees amounted to approximately HK\$903,110,000 (2003: HK\$1,416,925,000) and HK\$6,461,000 (2003: HK\$62,737,000), respectively.

32 CONTINGENT LIABILITIES (Continued)

(b) Other guarantees and undertakings

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

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

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

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

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

32 CONTINGENT LIABILITIES (Continued)

(b) Other guarantees and undertakings (Continued)

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

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

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

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

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

32 CONTINGENT LIABILITIES (Continued)

(b) Other guarantees and undertakings (Continued)

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

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

- (vi) EAS International Transportation Limited ("EAS PRC"), which is a subsidiary acquired by the Group during the year ended 31 December 2004 and in which the Group has a 50% interest as at 31 December 2004, has provided guarantees for bank loans granted to third parties as at 31 December 2004 amounting to RMB78.7 million, of which RMB40 million and RMB25 million granted to two borrowers, respectively, are in default. Such guarantees of RMB78.7 million were provided by EAS PRC before its acquisition by the Group. In respect of the RMB40 million guarantee, the borrower, its holding company, EAS PRC and the lending bank have been in negotiation for the extension of the loan and for a counter guarantee to be given by the holding company of the borrower to EAS PRC. In respect of the RMB25 million guarantee, the borrower and EAS PRC are in negotiation to seek to recover the assets of the borrower in order to reduce the exposure of EAS PRC. As at the date of this report, the above negotiations are still ongoing. No provision has been made for reason that a reliable estimate of the ultimate liability, if any, which will be attributable to EAS PRC as a result of these guarantees cannot be made.

The vendor of EAS PRC has undertaken to indemnify the Group in full in respect of all losses, costs, expenses and other responsibilities and liabilities arising from guarantees granted by EAS PRC before the acquisition.

(c) Litigation

EAS PRC is involved in a legal case in which an airline operator, together with five other plaintiffs, including the insurers of the aircraft, are claiming for damages, costs and interest, against six defendants, including EAS PRC, on a joint and several basis in relation to the alleged damages amounting to approximately US\$65.6 million (equivalent to approximately HK\$511.7 million, based on the exchange rate of US\$1 = HK\$7.8) caused to an aircraft in 2000 in respect of the transportation of certain chemical substance.

The damages sought by the plaintiffs of approximately US\$65.6 million represent the market value of the aircraft at the time when the damage occurred less the resale value of the aircraft after repairs. According to the pleadings and the affidavits of the five other plaintiffs, the actual compensation made by them to the airline operator amounted to 15% of the total loss. The remaining 85% of the total loss was compensated by other reinsurers. These reinsurers have not brought any legal action against the six defendants as at the date of this report. Under the PRC laws, the maximum liability of the six defendants under the current legal case is only 15% of the total loss.

32 CONTINGENT LIABILITIES (Continued)

(c) Litigation (Continued)

Based on the opinion of the legal advisers of the Group, it is unlikely that EAS PRC will be found liable for the claimed damages and losses. Accordingly, no provision has been made in the accounts.

Pursuant to the sale and purchase agreement, the vendor of EAS PRC has undertaken to indemnify the Group in full in respect of all losses, costs, expenses and other responsibilities and liabilities arising in respect of various litigations against EAS PRC, including the abovementioned legal case.

33 PLEDGE OF ASSETS

At 31 December 2004, the Group's total bank loans of HK\$6,156,810,000 (2003: HK\$6,207,964,000) included an aggregate amount of HK\$5,747,132,000 (2003: HK\$6,033,808,000) which is unsecured and an aggregate amount of HK\$409,678,000 (2003: HK\$174,156,000) which is secured by the following:

- (i) legal charges over certain properties and port facilities (note 11(b));
- (ii) charges on all assets, including bank balances amounting to HK\$73,636,000 (2003: HK\$74,003,000), of certain subsidiaries; and
- (iii) assignments of insurance proceeds of certain properties.

34 ULTIMATE HOLDING COMPANY

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

35 APPROVAL OF ACCOUNTS

The accounts were approved by the board of directors on 8 March 2005.

36 GROUP STRUCTURE – SUBSIDIARIES

As at 31 December 2004, the Company held interests in the following subsidiaries which are categorized according to the business division of the Group, namely: Property Division, Infrastructure Division, Logistics Network Division and Other Division as listed below:

Name	Place of incorporation/ establishment	Principal activities (and place of operation if different from place of incorporation/establishment)	Particulars of issued capital/registered capital	Indirect interest held unless denoted with ^Δ
Under Property Division				
Aberporth Resources Limited	BVI	Investment holding	US\$1	100%
* Amble Aim Sdn. Bhd.	MAL	Investment holding	RM2	100%
Ample Port Limited	HK	Property ownership	HK\$1	100%
Ansellman Limited	BVI	Investment holding	US\$1	100%
Auto Plaza Limited	HK	Investment holding and property investment and carpark operation	Ordinary HK\$4,998 Non-voting deferred HK\$2	100%
Baron Development Limited	BVI	Investment holding	US\$1	100%
Barriedale Limited	BVI	Investment holding	US\$10,000	100%
^{λ^*} Beihai Kerry Property Development Ltd.	PRC	Property ownership	RMB1,708,616	100%
^{#^A} Beijing Jia Ao Real Estate Development Co., Ltd.	PRC	Property investment	US\$77,967,600	71.25%
^{#^A} Beijing Kerry Centre Hotel Co., Ltd.	PRC	Hotel ownership	US\$33,000,000	71.25%
Bethan Company Limited	HK	Dormant	HK\$2	100%
Big Sky Resources Limited	BVI	Dormant	US\$100	100%
Burgo Inc	BVI	Dormant	US\$1,000	100%
Calistock Limited	BVI	Investment holding in Hong Kong	US\$1	100%
Cashel Assets Limited	BVI	Investment holding in Hong Kong	US\$1	100%
Centro de Convenções e Exposições Macau, Limitada	Macau	Property ownership	MOP1,000,000	71%
Chipelli Investments Limited	HK	Property investment	HK\$100,000	80%
Clavering Services Limited	BVI	Investment holding in Hong Kong	US\$1,000	100%
Comphor Company Limited	BVI	Investment holding	US\$10	100%
Darcey Investments Limited	BVI	Investment holding	US\$100	100%
Denver Rose Investments Limited	BVI	Investment holding in Hong Kong	US\$1	100%
Dragon Wisdom Limited	BVI	Investment holding	US\$1	100%
Errol Company Ltd.	BVI	Investment holding	US\$1	100%
Fair Page Limited	HK	Property investment	HK\$2	100%
Garden Streams Limited	BVI	Investment holding	US\$1	100%
Goldash Holdings Limited	BVI	Investment holding	US\$1	100%
Golden Concord Properties Limited	HK	Property investment	HK\$1	100%
Golden Explorer Group Limited	BVI	Investment holding	US\$1	100%
Grandgain Holdings Limited	BVI	Investment holding in Macau	US\$10,000	100%
Group Bright Holdings Limited	BVI	Investment holding	US\$1	100%
Harvard Developments Limited	BVI	Dormant	US\$12	75%
Hong Kong Shanghai Development Co Ltd.	SMA	Investment holding	HK\$8,000,000	65%
Interseed Company Limited	HK	Property trading	HK\$2	100%
Irrewarra Holdings Limited	BVI	Investment holding	US\$1	100%
Julian Holdings Limited	BVI	Investment holding	US\$1	100%
Kanya Corp.	BVI	Investment holding	US\$1,000	100%
Kerry Beijing (Guang Hua) Ltd	SMA	Investment holding	HK\$1,000,000	75%
Kerry Beijing (Shibalidian) Commercial Ltd.	SMA	Dormant	HK\$1	100%
Kerry Beijing (Shibalidian) Development Ltd.	SMA	Investment holding	HK\$1	100%
Kerry Beijing (Shibalidian) Exhibition Centre Ltd.	SMA	Dormant	HK\$1	100%
Kerry Beijing (Shibalidian) Housing Ltd.	SMA	Investment holding	US\$1	100%
Kerry Beijing (Shibalidian) Recreation Club Ltd.	SMA	Dormant	HK\$1	100%
^{λ^A} Kerry Cao Jia Yan Properties (Shanghai) Co., Ltd.	PRC	Property development	US\$13,400,000	100%
^{λ^A*} Kerry Centre Real Estate (Shenzhen) Co. Ltd.	PRC	Property investment	HK\$142,000,000	100%
Kerry Chemquest Investments Ltd.	BVI	Dormant	US\$1,000	100%

36 GROUP STRUCTURE – SUBSIDIARIES (Continued)

Name	Place of incorporation/ establishment	Principal activities (and place of operation if different from place of incorporation/establishment)	Particulars of issued capital/registered capital	Indirect interest held unless denoted with ^Δ
Under Property Division (Continued)				
^{λ^} Kerry Development (Shanghai) Co., Ltd.	PRC	Property trading	US\$40,000,000	100%
^{λ^*} Kerry Development (Shenzhen) Co., Ltd.	PRC	Property ownership	HK\$72,000,000	100%
Kerry Fuzhou (Gutian) Ltd.	SMA	Investment holding	HK\$6,000,000	100%
Kerry Guangxi (Beihai) Ltd	SMA	Investment holding	HK\$1,500,000	100%
Kerry Properties (Australia) Limited	BVI	Investment holding	HK\$1	100%
Kerry Properties (China) Limited	BVI	Investment holding	HK\$4,554,642,958	100% ^Δ
Kerry Properties (H.K.) Limited	HK	Investment holding	Ordinary HK\$1,000 Non-voting deferred HK\$200,000,000	100%
Kerry Properties (Hong Kong) Limited	BVI	Investment holding	HK\$413,179	100% ^Δ
Kerry Properties (Manzhouli) Ltd.	SMA	Investment holding	HK\$1	100%
Kerry Properties (Ningbo) Ltd.	SMA	Dormant	HK\$1	100%
Kerry Properties (Philippines) Limited	BVI	Investment holding	US\$1	100%
Kerry Properties (Shenzhen Central District) Ltd.	SMA	Investment holding	HK\$1	100%
^{λ^*} Kerry Properties (Shenzhen) Co., Ltd.	PRC	Property trading and development	HK\$112,082,975	100%
Kerry Properties (Sydney) Pty Ltd	Australia	Investment holding	A\$1	100%
Kerry Properties Beijing (Shibalidian) Holdings Company Limited	BVI	Investment holding	US\$1	100%
Kerry Properties Beijing Kerry Centre Ltd.	SMA	Dormant	HK\$1	100%
Kerry Properties International Limited	BVI	Investment holding	HK\$1	100% ^Δ
Kerry Properties Shenzhen Kerry Centre Limited	HK	Investment holding	HK\$5,000,000	100%
Kerry Residences Limited	HK	Dormant	HK\$2	100%
Kerry Shanghai (Cao Jia Yan) Ltd.	SMA	Investment holding	US\$2	100%
Kerry Shanghai (Hongkou) Ltd.	SMA	Investment holding	HK\$6,000,000	60%
Kerry Shanghai (Jingan Beili) Ltd	SMA	Investment holding	HK\$1,000,000	75%
Kerry Shanghai Development Ltd	SMA	Investment holding	HK\$1,000,000	100%
Kerry Suzhou (Gucheng) Ltd	SMA	Investment holding	HK\$1,000,000	100%
Kildare Limited	HK	Property trading	HK\$2	100%
Kingsfield Development Limited	HK	Dormant	HK\$1	100%
Mable Road Company Limited	HK	Property investment	Ordinary HK\$10 Non-voting deferred HK\$10,000	100%
Madigan Company Limited	HK	Property trading	HK\$2	100%
Magnifair Company Limited	HK	Dormant	HK\$10,000	100%
Maple Crest Development Limited	BVI	Investment holding and property trading in Hong Kong	US\$120	75%
Marrakesh Limited	BVI	Investment holding	US\$1	100%
Mazlo Holdings Limited	BVI	Investment holding	US\$1	100%
Mega Box Retail Management Limited (formerly known as Licotar Company Limited)	HK	Dormant	HK\$2	100%
Merlin Limited	SMA	Investment holding in the People's Republic of China	HK\$1,000,000	100%
Mid-Levels Portfolio (Aigburth) Holdings Limited	BVI	Investment holding	US\$1	100%
Mid-Levels Portfolio (Aigburth) Limited	Cook Islands	Property investment in Hong Kong	US\$9	100%
Mid-Levels Portfolio (Branksome) Holdings Limited	BVI	Investment holding	US\$1	100%
Mid-Levels Portfolio (Branksome) Limited	HK	Property investment and development	HK\$1,000	100%
Mid-Levels Portfolio (Century Tower II) Holdings Limited	BVI	Investment holding	US\$1	100%
Mid-Levels Portfolio (Gladdon) Holdings Limited	BVI	Investment holding	US\$1	100%
Mid-Levels Portfolio (Gladdon) Limited	HK	Property investment	HK\$1,000	100%
Mid-Levels Portfolio (May Tower I) Holdings Limited	BVI	Investment holding	US\$1	100%
Mid-Levels Portfolio (May Tower I) Limited	HK	Dormant	HK\$100	100%

36 GROUP STRUCTURE – SUBSIDIARIES (Continued)

Name	Place of incorporation/ establishment	Principal activities (and place of operation if different from place of incorporation/establishment)	Particulars of issued capital/registered capital	Indirect interest held unless denoted with ^Δ
Under Property Division (Continued)				
Mid-Levels Portfolio (Tavistock) Holdings Limited	BVI	Investment holding	US\$1	100%
Mid-Levels Portfolio (Tavistock) Limited	HK	Property investment	HK\$1,000	100%
Mid-Levels Portfolio (Tregunter Towers 1 & 2) Holdings Limited	BVI	Investment holding	US\$100	100%
Mid-Levels Portfolio (Tregunter Towers 1 & 2) Limited	BVI	Property investment in Hong Kong	US\$1	100%
Mid-Levels Portfolio (Valverde) Holdings Limited	BVI	Investment holding	US\$1	100%
Mid-Levels Portfolio (Valverde) Limited	HK	Property trading	HK\$1,000	100%
Mid-Levels Portfolio Holdings Limited	BVI	Investment holding	US\$1	100%
Nite Lites Limited	BVI	Investment holding	HK\$10,000	100%
NMC 6 Limited	BVI	Property investment in Hong Kong	Ordinary US\$1	100%
NMC 7 Limited	BVI	Property investment in Hong Kong	Ordinary US\$1	100%
NMC 8 Limited	BVI	Property investment in Hong Kong	Ordinary US\$1	100%
NMC 9 Limited	BVI	Property investment in Hong Kong	Ordinary US\$1	100%
Norbiton Group Limited	BVI	Investment holding	HK\$10,000	100%
Norminster Limited	HK	Investment holding	HK\$1,000	100%
Ocean City Investments Limited	BVI	Investment holding	US\$1	75%
Olsen Holdings Limited	BVI	Investment holding	US\$1	100%
Pembroke Development Investments Limited	BVI	Investment holding in Hong Kong	HK\$10,000	100%
Pettico Limited	HK	Provision of finance services	HK\$20	100%
Pirton Resources Limited	BVI	Investment holding	US\$1	100%
Port Destiny Limited	HK	Dormant	HK\$2	100%
Princeton Investment Company Limited	HK	Property development	HK\$2	100%
Prismatic Limited	HK	Property trading	HK\$20	100%
Rayhay Company Limited	HK	Provision of finance services	HK\$2	100%
^{λ^*} Risenland Development (Fuzhou) Co., Ltd.	PRC	Property development	HK\$44,000,000	100%
Rodder Holdings Limited	BVI	Investment holding in Hong Kong	US\$1	100%
Roving Spirit Limited	BVI	Investment holding	HK\$10,000	100%
Sageman Limited	BVI	Investment holding	US\$1	100%
Scene View Limited	BVI	Investment holding	US\$1	100%
Senworld Investment Limited	HK	Property investment	HK\$2	100%
^{μ^A} Shanghai Gang Hu Properties Co., Ltd.	PRC	Property investment and development	US\$155,300,000	64.35%
^{μ^A} Shanghai Kerry Real Estate Development Co., Ltd.	PRC	Property investment	US\$12,000,000	55.20%
^{μ^A} Shanghai Xin Ci Hou Properties Co., Ltd.	PRC	Property investment	US\$60,000,000	74.25%
Smart State Holdings Limited	BVI	Investment holding	US\$1	100%
Taskan Limited	HK	Property development	HK\$2	100%
Tellson International Limited	BVI	Investment holding	US\$1	100%
Templepatrick Limited	HK	Provision of finance service	HK\$100	100%
Travel Aim Investment B.V.	Netherlands	Investment holding	NLG40,000	100%
Trebanos Investment Company Limited	HK	Dormant	HK\$2	100%
Ubagan Limited	HK	Dormant	HK\$10,000	100%
Viola Developments Limited	BVI	Investment holding	US\$1	100%
Washers Limited	BVI	Investment holding	HK\$10,000	100%
Wing Tak Cheung Limited	HK	Property development	HK\$10,000	100%
Wiseside Investment Company Limited	HK	Property investment	HK\$2	75%
Woody Company Limited	HK	Property investment	HK\$2	100%
Wymer Limited	BVI	Investment holding	US\$5,000	100%
Ying He Company Limited	HK	Investment holding	Ordinary HK\$10 Non-voting deferred HK\$21,000,000	100%

36 GROUP STRUCTURE – SUBSIDIARIES (Continued)

Name	Place of incorporation/ establishment	Principal activities (and place of operation if different from place of incorporation/establishment)	Particulars of issued capital/registered capital	Indirect interest held unless denoted with ^Δ
Under Infrastructure Division				
Kerry-ChemQuest (Beijing) Waste Incineration Ltd.	SMA	Dormant	HK\$1	51%
Kerry CQ (Changzhou) Waste Incineration Ltd.	SMA	Dormant	HK\$1	51%
Kerry CQ (Shanghai) Waste Incineration Limited	BVI	Dormant	HK\$1	51%
Kerry CQ Environmental Engineering Limited	BVI	Investment holding	HK\$100	51%
Kerry CQ Waste Incineration Limited	BVI	Investment holding	HK\$100	51%
Kerry Electricity (Hubei Jingmen) Ltd. (formerly known as Kerry Electricity (Sichuan Huayingshan) Ltd. and before that as Kerry Shanghai (Heng Shan) Ltd.)	SMA	Dormant	HK\$1	100%
Kerry Electricity (Inner Mongolia) Ltd.	SMA	Dormant	HK\$1	100%
Kerry Electricity (Jiangxi) Ltd. (formerly known as Kerry Shanghai (Caohejing) Ltd.)	SMA	Investment holding	HK\$1	100%
Kerry Electricity (Ningxia) Ltd.	SMA	Dormant	HK\$1	100%
Kerry Electricity (Zhongshan) Ltd.	SMA	Dormant	HK\$1	100%
Kerry Electricity Limited (formerly known as Spring Champion Limited)	BVI	Investment holding	US\$1	100%
Kerry Environmental Limited (formerly known as Mighty Gold Investments Limited)	BVI	Investment holding	US\$1	100%
Kerry Infrastructure (PRC) Limited (formerly known as Kerry Properties Finance Limited)	BVI	Investment holding	US\$10,000	100%
Kerry Infrastructure Limited	BVI	Investment holding	HK\$595,026,381	100% ^Δ
Kerry Waste Incineration Limited (formerly known as Chance Brilliant Limited)	BVI	Dormant	US\$1	100%
Silverstone Assets Limited	BVI	Investment holding in Hong Kong	US\$100,000	100%
Under Logistics Network Division				
Able Plus Holdings Limited	BVI	Investment holding	US\$1	100%
Balkis Limited	BVI	Investment holding	US\$10,000	100%
Barrowdale Limited	BVI	Investment holding	US\$1,000	100%
Beaverton Limited	BVI	Investment holding	US\$1	100%
^{@^*} Beijing Eas Century Air Tickets Agency Co., Ltd.	PRC	Acting as sales agent of air passenger transport	RMB4,000,000	50% [#]
Belminton Inc.	BVI	Investment holding	US\$1,000	100%
Bestford Resources Limited	BVI	Investment holding	HK\$1	100%
Busyhigh Limited	SMA	Investment holding	HK\$1	100%
Capabletech Limited	BVI	Investment holding	US\$1	100%
Capital Plus Assets Limited	BVI	Investment holding	US\$1	100%
Catren Company Limited	HK	Carpark ownership	Voting class "A" HK\$9,998 Non-voting class "B" HK\$2	100%
^{^*} CEN Worldwide (Thailand) Limited	Thailand	General sales agent for airlines	Baht500,000	49% [#]
Charlicks New Guinea Ltd.	Papua New Guinea	Dormant	PGK54,000	99.99%
[*] Clever Wise Management Limited	BVI	Provision of nominee services	US\$1	50% [#]
Cremorne Investments Limited	BVI	Investment holding	US\$100	100%
Dec Limited	BVI	Investment holding	US\$10,000	100%
Denleigh Limited	BVI	Investment holding	US\$1	100%
Eas Da Tong International Aircargo Company Limited	HK	Investment holding	HK\$100,000	100%

36 GROUP STRUCTURE – SUBSIDIARIES (Continued)

Name	Place of incorporation/ establishment	Principal activities (and place of operation if different from place of incorporation/establishment)	Particulars of issued capital/registered capital	Indirect interest held unless denoted with ^Δ
Under Logistics Network Division (Continued)				
Eas Da Tong International Shipping Company Limited	HK	Provision of freight forwarding and shipping services	HK\$1,000,000	50% [#]
Eas Da Tong International Trucking Company Limited	HK	Investment holding, distribution and transportation services	HK\$1,000,000	50% [#]
Eas Express Services Limited	HK	Provision of express services	HK\$10,000	50% [#]
^{δ*} Eas Express Trucking System Co., Ltd.	PRC	Provision of transportation services	HK\$9,850,000	50% [#]
Eas International Air cargo Co. Limited	HK	Provision of freight forwarding services	HK\$10,000	50% [#]
^{μ*} EAS International Logistics (Qingdao) Limited Company	PRC	Logistics business	US\$200,000	50% [#]
^{μ*} EAS International Logistics (Shanghai) Co., Ltd.	PRC	Logistics business	US\$6,000,000	50% [#]
Eas International Logistics Centre Limited	HK	Investment holding and logistics business	HK\$50,000,000	50% [#]
Eas International Shipping Co., Limited	HK	Dormant	HK\$15,600,000	50% [#]
Eas International Transportation (HK) Limited	HK	Investment holding	HK\$100,000	50% [#]
^{μ*} Eas International Transportation Ltd.	PRC	Investment holding and provision of logistics and freight forwarding services	RMB150,000,000	50% [#]
^{λ^*} Eas Logistics (Shenzhen) Co., Ltd.	PRC	Provision of logistics and transportation services	US\$60,053	50% [#]
^{λ*} Eas Logistics (Xiamen) Co., Ltd.	PRC	Logistics business	US\$1,080,000	50% [#]
^{λ*} Eas Warehouse (Zhuhai Free Trade Zone) Ltd.	PRC	Provision of cargo storage services	HK\$1,000,000	50% [#]
Ever Asset Group Limited	BVI	Investment holding	US\$1	100%
Evershine Equity Limited	BVI	Dormant	US\$1	100%
Intelligain Investments Limited	BVI	Investment holding	US\$1	100%
Intellocean Investments Limited	BVI	Investment holding	US\$1	100%
International Enterprise Co. Limited	HK	Investment holding	Ordinary HK\$10 Non-voting deferred HK\$10,000	100%
KLN Container Line Limited	BVI	Freight forwarding business	HK\$1,200,000	100%
^{Λ*} KLN Siam Holdings Limited	Thailand	Investment holding	Common Baht49,000 Preference Baht51,000	49% [#]
Kerry Cargo Centre Limited	HK	Warehouse ownership	HK\$2	100%
Kerry Cold Store (Hong Kong) Limited	HK	Warehouse operation	HK\$20	100%
Kerry D.G. Warehouse (Kowloon Bay) Limited	HK	Warehouse ownership	HK\$20,000,000	100%
Kerry Distribution (Hong Kong) Limited	HK	Provision of distribution services	HK\$500,000	100%
^{Λ*} Kerry Distribution (Thailand) Limited	Thailand	Provision of distribution services	Baht20,000,000	71% [#]
^{λ^*} Kerry FFTZ Warehouse (Shenzhen) Ltd.	PRC	Warehouse and logistics business	HK\$20,000,000	51%
Kerry Facilities Management (Hong Kong) Limited	HK	Building management	HK\$2	100%
Kerry Facilities Management Services Limited (formerly known as Betterise Limited)	HK	Dormant	HK\$2	100%
[*] Kerry Freight (Australia) Pty Ltd	Australia	Freight forwarding	A\$2	100%
Kerry Freight (Hong Kong) Limited	HK	Freight forwarding	Ordinary HK\$10,000 Non-voting deferred HK\$2,750,000	100%
^Λ Kerry Freight (Korea) Inc.	Korea	Freight forwarding	Won500,000,000	50.999%
^{Λ*} Kerry Freight (Taiwan) Limited	Taiwan	Freight forwarding	TWD29,000,000	51%
^{Λ*} Kerry Freight (Thailand) Limited	Thailand	Freight forwarding	Baht11,500,000	57.80% [#]
[*] Kerry Freight (USA) Inc.	Delaware, U.S.A.	Freight forwarding	US\$1	100%
Kerry Freight International (Taiwan) Limited	BVI	Investment holding	US\$1	100%
Kerry Freight International Limited	HK	Freight forwarding	HK\$2	100%
Kerry Freight Services (China) Limited	BVI	Investment holding	HK\$1	100%
Kerry Freight Services (Europe) Limited	BVI	Investment holding	US\$1	100%
Kerry Freight Services (HKSAR) Limited	BVI	Investment holding	US\$1	100%
Kerry Freight Services (Korea) Limited	BVI	Investment holding	HK\$1	100%
Kerry Freight Services (Philippines) Limited	BVI	Investment holding	US\$1	100%
Kerry Freight Services (Taiwan) Limited	BVI	Investment holding	HK\$10,000	100%
Kerry Freight Services (Thailand) Limited	BVI	Investment holding	HK\$1	100%
Kerry Freight Services (U.K.) Limited	BVI	Investment holding	US\$1	100%

36 GROUP STRUCTURE – SUBSIDIARIES (Continued)

Name	Place of incorporation/ establishment	Principal activities (and place of operation if different from place of incorporation/establishment)	Particulars of issued capital/registered capital	Indirect interest held unless denoted with ^Δ
Under Logistics Network Division (Continued)				
Kerry Freight Services (USA) Limited	BVI	Investment holding	HK\$1	100%
Kerry Freight Services Limited	BVI	Investment holding	HK\$1	100%
Kerry Global Freight Limited	BVI	Freight forwarding and agency business and customs brokerage	HK\$100,000	70%
* Kerry Logistics (Australia) Pty Ltd	Australia	Operation of logistics business, rail terminal and container depot	A\$2,000,000	100%
Kerry Logistics (Beijing) Ltd.	SMA	Investment holding	US\$1	100%
Kerry Logistics (China) Limited	BVI	Investment holding	US\$1	100%
Kerry Logistics (Futian FTZ) Investments Ltd.	SMA	Investment holding	HK\$1	100%
Kerry Logistics (HKSAR) Limited	BVI	Investment holding	US\$1	100%
Kerry Logistics (Hong Kong) Limited	HK	Operation of logistics business	HK\$10,000,000	100%
^{Δ*} Kerry Logistics (Korea) Inc.	Korea	Dormant	Won100,000,000	100%
* Kerry Logistics (Malaysia) Sdn Bhd	MAL	Logistics and freight forwarding	RM250,000	67%
^{λΔ*} Kerry Logistics (Shanghai Waigaoqiao) Co., Ltd.	PRC	Operation of logistics business	HK\$44,000,000	100%
Kerry Logistics (Shenzhen Futian) Investments Ltd.	SMA	Investment holding	HK\$1	100%
Kerry Logistics (Shenzhen Yantian) Ltd.	SMA	Investment holding	HK\$1	100%
^{λΔ*} Kerry Logistics (Shenzhen) Co., Ltd.	PRC	Operation of logistics business	HK\$3,300,000	100%
* Kerry Logistics (Singapore) Pte. Ltd.	Singapore	International sea and air forwarding	S\$500,000	67%
* Kerry Logistics (South East Asia) Pte. Ltd.	Singapore	Investment holding	S\$3,600,000	67%
Kerry Logistics (Taiwan) Investments Limited (formerly known as Muman Holdings Limited)	BVI	Investment holding	US\$1	100%
^{Δ*} Kerry Logistics (Thailand) Limited	Thailand	Operation of logistics business	Baht135,000,000	71% [#]
^{λΔ*} Kerry Logistics (Tianjin) Co., Ltd.	PRC	Operation of logistics business	HK\$20,000,000	100%
Kerry Logistics (Tianjin) Investments Ltd.	SMA	Investment holding	HK\$10,000	100%
Kerry Logistics (UK) Limited	UK	Sea and air freight forwarding	£20,000	91%
Kerry Logistics (Waigaoqiao) Ltd.	SMA	Investment holding	HK\$1	100%
* Kerry Logistics Holdings (Australia) Pty Ltd	Australia	Investment holding	A\$100	100%
Kerry Logistics Infrastructure Limited (formerly known as Kerry Infrastructure (China) Limited)	BVI	Investment holding	HK\$10,000	100%
Kerry Logistics Limited	BVI	Investment holding	HK\$42,430,000	100%
Kerry Logistics Network Limited	Bermuda	Investment holding in Hong Kong	HK\$500,000	100% ^Δ
Kerry Logistics Services (Australia) Limited	BVI	Investment holding	HK\$1	100%
Kerry Logistics Services (Korea) Limited	BVI	Investment holding	HK\$1	100%
Kerry Logistics Services (South East Asia) Limited (formerly known as Lynart Group Limited)	BVI	Investment holding	HK\$10,000	100%
Kerry Logistics Services (Thailand) Limited	BVI	Investment holding	HK\$1	100%
Kerry Logistics Services Limited	BVI	Investment holding	US\$2	100%
Kerry Logistics Shanghai Corporation	SMA	Investment holding	HK\$1	100%
Kerry Records Management Services Limited	HK	Documents storage	HK\$2	100%
^{Δ*} Kerry Siam Seaport Limited (formerly known as Siam Seaport Terminal & Warehouses Co., Ltd.)	Thailand	Operating deep-sea wharf and warehouses	Baht484,500,000	54.98% [#]
Kerry TC Warehouse 1 (Block A) Limited	BVI	Warehouse ownership in Hong Kong	US\$1	100%
Kerry TC Warehouse 1 (Block B) Limited	BVI	Warehouse ownership in Hong Kong	US\$1	100%
Kerry TC Warehouse 2 Limited	HK	Warehouse ownership	HK\$10,000	100%
Kerry TC Warehouse Holdings Limited	BVI	Investment holding	HK\$10,000,000	100%
Kerry Warehouse (Chai Wan) Limited	HK	Warehouse ownership	HK\$10,000,000	100%
Kerry Warehouse (Fanling 1) Limited	HK	Warehouse ownership	HK\$2	100%
Kerry Warehouse (Fanling 2) Limited	HK	Warehouse ownership	HK\$2	100%
Kerry Warehouse (HKSAR) Limited	BVI	Investment holding	HK\$1	100%
Kerry Warehouse (Hong Kong) Limited	HK	Warehouse operation	HK\$25,000,000	100%
Kerry Warehouse (Kwai Chung) Limited	HK	Warehouse ownership	HK\$30,000	100%
Kerry Warehouse (Shatin) Limited	HK	Warehouse ownership	HK\$10,000,000	100%

36 GROUP STRUCTURE – SUBSIDIARIES (Continued)

Name	Place of incorporation/ establishment	Principal activities (and place of operation if different from place of incorporation/establishment)	Particulars of issued capital/registered capital	Indirect interest held unless denoted with ^Δ
Under Logistics Network Division (Continued)				
Kerry Warehouse (Sheung Shui) Limited	HK	Warehouse ownership	HK\$5,000,000	100%
Kerry Warehouse (Tsuen Wan) Limited	HK	Warehouse ownership	HK\$2	100%
Kerry Warehouse (Yuen Long 1) Limited	HK	Warehouse ownership	HK\$2	100%
Kerry Warehouse Limited	BVI	Investment holding	US\$1	100%
KerryFlex Supply Chain Solutions Limited	HK	Provision of agency and distribution services	HK\$5,000,000	100%
Kimberley Inc.	BVI	Investment holding	US\$1,000	100%
La Corte Investments Limited	BVI	Investment holding	US\$1	100%
Lap Sun Wholesaling Network Limited (formerly known as iBe-Tech Limited)	HK	Wholesaling	HK\$2	100%
^{Δ*} Logistics (Thailand) Limited	Thailand	Investment holding	Common Baht49,000 Preference Baht51,000	49% [#]
Longstone Holdings Limited	BVI	Investment holding	US\$100	100%
Mainco Management Limited	HK	Building management	HK\$10,000	100%
Nettlefold Limited	BVI	Investment holding	US\$10,000	100%
Newtonmore Investments Limited	BVI	Investment holding	HK\$1	100%
Norwarth Investments Limited	BVI	Provision of management services	US\$1	100%
Omisoka Holdings Limited	BVI	Investment holding	US\$1	100%
[*] PT Kerry Logistics (Indonesia)	Indonesia	Freight forwarding	US\$50,000	60.3%
Pacific Worth Group Limited	BVI	Investment holding	US\$1	100%
Pola Company Limited	BVI	Investment holding	US\$1,000	100%
Ponnelle Limited	BVI	Investment holding	US\$1	100%
Quintoll Limited	BVI	Investment holding	US\$1	100%
Renmark Limited	BVI	Investment holding	US\$1	100%
Rightful Investments Limited	BVI	Investment holding	US\$1	100%
Shabu Inc.	BVI	Investment holding	US\$1	100%
^{Δ*} Shenzhen Eas International Transportation Ltd.	PRC	Air and marine logistics	US\$1,000,000	50% [#]
^{Δ*} Shenzhen Kerry Yantian Port Logistics Company Limited	PRC	Operation of logistics business	RMB88,000,000	55%
Shine Concept Investments Limited	BVI	Investment holding	US\$1	100%
Sky Wealth Investments Limited	BVI	Investment holding	US\$1	100%
^{@Δ*} Suzhou Industrial Park District Eas International Logistics Co., Ltd.	PRC	Provision of logistics business	RMB5,000,000	50% [#]
Terowie Holdings Limited	BVI	Investment holding	HK\$10,000	100%
Top Wise Agents Limited	BVI	Provision of nominee services	US\$1	100%
Torres Investments Limited	BVI	Investment holding	HK\$10,000	100%
Treasure Lake Limited	BVI	Investment holding	US\$1	100%
[*] Trident International Limited	UK	Dormant	£1	91%
Twindale Limited	BVI	Investment holding	US\$1	100%
^{@Δ*} Wuxi Huatong Warehouse Services Co., Ltd.	PRC	Warehouse storage services	RMB500,000	50% [#]
Yanawa Limited	BVI	Investment holding	US\$1	100%
Zinnerman Limited	BVI	Investment holding	US\$1	100%

36 GROUP STRUCTURE – SUBSIDIARIES (Continued)

Name	Place of incorporation/ establishment	Principal activities (and place of operation if different from place of incorporation/establishment)	Particulars of issued capital/registered capital	Indirect interest held unless denoted with ^Δ
Under Other Division				
Architectural Design and Management Services Limited	HK	Provision of architectural services	HK\$2	100%
^{λ^*} Beijing Kerry Datalinks Limited	PRC	Operation of internet data centre	US\$2,100,000	100%
Close Encounters Limited	BVI	Investment holding	HK\$10,000	100%
iBe-Datalinks (Beijing) Limited	SMA	Investment holding	HK\$1	100%
iBe-Tech Investments Limited	BVI	Investment holding	US\$1	100% ^Δ
ISA Investments Limited	BVI	Investment holding	US\$1	100%
Kerry Estate Management Limited	BVI	Investment holding	HK\$10,000	100% ^Δ
Kerry Overseas Project Management Limited (Jia Li Hai Wai Xiang Mu Guan Li Limited)	Liberia	Project management in Asia	US\$100	100%
Kerry Project Management (H.K.) Limited	HK	Project management	HK\$300,000	100%
Kerry Project Services Limited	HK	Project management	HK\$2	100%
Kerry Properties Capital Limited	BVI	Dormant	US\$10,000	100%
^{λ^} Kerry Properties Development Management (Shanghai) Co., Ltd.	PRC	Real estate management	US\$350,000	100%
Kerry Properties Nominees Limited	BVI	Provision of nominee services	HK\$1,000	100%
Kerry Properties Treasury Limited	BVI	Group financing	HK\$4,670,665,187	100% ^Δ
Kerry Property Management Services Limited	HK	Property management	HK\$20	100%
Kerry Real Estate Agency Limited	HK	Estate agency	HK\$2	100%
^{λ^*} Kerry Real Estate Management (Shenzhen) Ltd.	PRC	Real estate management	HK\$3,000,000	100%
Kerry Real Estate Services (Beijing) Ltd.	SMA	Dormant	HK\$1	100%
Kerry Real Estate Services (Fuzhou) Ltd.	SMA	Investment holding	HK\$1	100%
Kerry Real Estate Services (Shanghai) Ltd.	SMA	Investment holding	HK\$1	100%
Kerry Real Estate Services (Shenzhen) Ltd.	SMA	Investment holding	HK\$1	100%
Southwark Profits Limited	BVI	Investment holding	US\$100	100%
Tellico Investment Limited	Liberia	Investment holding	US\$1	100%
Toccate Company Limited	HK	Financing	Ordinary HK\$10 Non-voting deferred HK\$1,000,000	100%
Upsmart Investments Limited	HK	Lease holding	HK\$2	100%
Win House/Kai Tai (Joint Venture) Company Limited	HK	Provision of construction work	HK\$100	75%
Win House Industries Limited	HK	Investment holding and provision of construction work	HK\$1,000,000	100%
Wing Tsing Financial Services Limited	BVI	Group financing in Hong Kong	US\$1	100%
Wirabay Limited	BVI	Provision of trustee services	US\$1	100%
^{λ^*} Yu Quan Property Management (Fuzhou) Ltd.	PRC	Real estate management	HK\$500,000	100%

* companies not audited by PricewaterhouseCoopers

^ English translation of name only

deemed subsidiary

λ wholly foreign-owned enterprise

μ sino-foreign equity joint venture enterprise

δ co-operative joint venture enterprise

@ domestic joint venture enterprise

HK Hong Kong

BVI British Virgin Islands

MAL Malaysia

SMA Samoa

PRC The People's Republic of China

UK United Kingdom

37 GROUP STRUCTURE – ASSOCIATED COMPANIES

As at 31 December 2004, the Company held interests in the following associated companies which are categorized according to the business division of the Group, namely: Property Division, Infrastructure Division, Logistics Network Division and Other Division as listed below:

Name	Place of incorporation/ establishment	Principal activities (and place of operation if different from place of incorporation/establishment)	Particulars of class of issued shares/ registered capital	Interest held indirectly
Under Property Division				
*± Ariel Investments Limited	HK	Investment holding	1,000,000 shares of HK\$1 each	45%
Bay Tower Properties Limited	BVI	Investment holding	1,000 shares of US\$1 each	33.33%
μΛ* Beijing BHL Logistics Limited	PRC	Land resettlement	US\$20,000,000	20%
* Benefit Bright (B.V.I.) Limited	BVI	Investment holding in Hong Kong	1,000 shares of US\$1 each	32.50%
* Benefit Bright Limited	HK	Property investment and trading	2 shares of HK\$1 each	32.50%
Brisbane Trading Company Limited	HK	Investment holding, property development and trading	100,000 ordinary shares of HK\$10 each 108,376,196 non-voting deferred shares of HK\$1 each	50%
* Capital Fun Limited	HK	Provision of nominee services	2 shares of HK\$1 each	20%
* Cardiff Investments Limited	HK	Investment holding	100,000 shares of HK\$1 each	30%
* Cavalcade Holdings Limited	BVI	Investment holding	100 shares of US\$1 each	45%
Cheerjoy Development Limited	HK	Property development	2 shares of HK\$1 each	35%
Cushion Company Limited	HK	Dormant	10,000 shares of HK\$1 each	33.33%
EDSA Parking Services, Inc.	PHI	Carpark operations	2,500 shares of Pesos 100 each	39.12%
EDSA Properties Holdings Inc.	PHI	Property development, investment holding and real estate management	4,215,222,612 shares of Peso 1 each	39.12%
* Enterprico Investment Limited	HK	Loan financing	100,000 ordinary shares of HK\$1 each	45%
*± Grand Creator Investment (BVI) Limited	BVI	Investment holding	10 shares of US\$1 each	40%
*± Grand Creator Investment Limited	HK	Property development and trading	2 shares of HK\$1 each	40%
*± Hang Hau Station (Project Management) Limited	HK	Project management	2 shares of HK\$1 each	40%
*± Hang Hau Station Construction Limited	HK	Dormant	2 shares of HK\$1 each	40%
* Harvest Sun (B.V.I.) Limited	BVI	Investment holding in Hong Kong	100 shares of US\$1 each	20%
* Harvest Sun Limited	HK	Property investment and trading	2 shares of HK\$1 each	20%
Hilaire Inc.	BVI	Investment holding	900 shares of US\$1 each	33.33%
*± Jacksons Landing Development Pty. Limited	Australia	Property development	400 ordinary shares of A\$1 each	25%
*± Jacksons Landing Estate Management Pty Limited	Australia	Property management	10 ordinary shares of A\$1 each	25%
* Kerry Hung Kai Warehouse (Cheung Sha Wan) Limited	HK	Warehouse operation	5,000,000 shares of HK\$1 each	50%
* Kosco Limited	BVI	Provision of nominee services	1 share of US\$1	32.50%
* Olympian City 1 (Project Management) Limited	HK	Project management	2 shares of HK\$1 each	20%
* Olympian City 1 Management Company Limited	HK	Leasing and estate management	2 shares of HK\$1 each	20%
* Olympian City 2 (Project Management) Limited	HK	Project management	2 shares of HK\$1 each	32.50%
* Olympian City 2 Finance Company Limited	HK	Provision of finance services	1,000 shares of HK\$1 each	38.20%
* Olympian City 2 Management Company Limited	HK	Leasing and estate management	1,000 shares of HK\$1 each	32.50%
Point Perfect Investments Limited	BVI	Investment holding	10 shares of US\$1 each	35%
Portstewart Limited	HK	Provision of finance services	2 shares of HK\$1 each	50%
*± Reca Limited	BVI	Provision of nominee services	1 share of US\$1	40%
*± Residence Oasis Finance Company Limited	HK	Provision of finance services	2 shares of HK\$1 each	40%
Shangri-La Plaza Corporation	PHI	Operation of shopping mall and other related activities	934,576,512 preferred shares of Peso 1 each 235,000,000 common shares of Peso 1 each	30.80%
± Time Rank Limited	HK	Property trading	2 shares of HK\$1 each	50%
* Top Spring Development (Beijing) Limited	HK	Investment holding	22,000,000 shares of HK\$1 each	25%
* Twin Luck Worldwide Ltd.	BVI	Investment holding	2 shares of US\$1 each	50%
* Win Chanford Enterprises Limited	HK	Property investment	1,000,000 ordinary shares of HK\$1 each	45%
* Wolver Hollow Company Limited	HK	Warehouse ownership	10,000 shares of HK\$1 each	50%
*± Wu Wing International Company, Limited	HK	Property trading and investment	30,000,000 shares of HK\$1 each	45%

37 GROUP STRUCTURE – ASSOCIATED COMPANIES (Continued)

Name	Place of incorporation/ establishment	Principal activities (and place of operation if different from place of incorporation/establishment)	Particulars of class of issued shares/ registered capital	Interest held indirectly
Under Infrastructure Division				
Adwood Company Limited	HK	Investment holding	10 shares of HK\$10 each	30%
± Hong Kong Tunnels and Highways Management Company Limited	HK	Tunnel management	1,000,000 shares of HK\$1 each	15% ^β
Kerry CQ JV Environmental Engineering Limited	BVI	Investment holding	2 shares of HK\$1 each	50%
Kerry CQ Water (Hohhot) Limited	BVI	Investment holding	1 share of HK\$1	50%
± Western Harbour Tunnel Company Limited	HK	Tunnel operation and management	40,000,000 shares of HK\$10 each	15% ^β
Under Logistics Network Division				
± Asia Airfreight Services Limited	HK	Provision of air cargo services	10,000 shares of HK\$1 each	15% ^β
± Asia Airfreight Terminal Company Limited	HK	Air cargo handling terminal operation	360,000,000 shares of HK\$1 each	15% ^β
^μ Chiwan Container Terminal Co., Ltd	PRC	Port terminal operation	US\$44,000,000	25%
^α CV Global Logistics (Beijing) Limited	PRC	Logistics business	RMB50,000,000	49.50%
^μ Dalian Hantong Logistics Co., Ltd.	PRC	Warehousing and container maintenance	US\$2,720,000	25%
* Eas International Shipping Pte Ltd	Singapore	Marine freight transport agencies	350,000 shares of S\$1 each	30%
* Eas International Transportation (S'pore) Pte Ltd	Singapore	Transport goods, necessity and air-sea freight transport agencies	1,000,000 shares of S\$1 each	27.50%
* Eas System (M) Sdn. Bhd.	MAL	Custom brokerage services	50,000 shares of RM1 each	24.48%
* Eas Transportation (M) Sdn. Bhd.	MAL	Forwarding, packing, hauling and transport agent	1,500,000 shares of RM1 each	34.50%
* East Asia Shipping International Espana Sociedad Anonima	Spain	Transportation forwarding and materials handling	20,000 shares of PTA1,000 each	25%
EPHI Logistics Holdings, Inc.	PHI	Investment holding	15,000 shares of Pesos 100 each	40% ^Δ
^μ Kerry BHL Logistics Limited	PRC	Provision of logistics services	US\$12,000,000	50%
Kerry Freight Philippines, Inc.	PHI	Freight forwarding business	20,000 shares of Pesos 100 each	20.40%
Kerry Rhenus Logistics (Far East) Limited	BVI	Operation of logistics business	100,000 shares of HK\$1 each	50%
^Δ Kerry Samyoung Logistics (Korea) Ltd.	Korea	Provision of logistics services, packing, loading and unloading services	10,000 shares of Won5,000 each	30.6%
^μ Shanghai Kerry CHJ Logistics Limited	PRC	Operation of logistics business	HK\$14,040,000	50%
^α Shanghai Song Jiang Eas Logistics Co. Ltd.	PRC	Trucking	RMB2,500,000	40%

* companies not audited by PricewaterhouseCoopers

^Δ English translation of name only

^β deemed associated company

^μ sino-foreign equity joint venture enterprise

^α domestic joint venture enterprise

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

^Δ being the interest fully controlled by the Group

HK Hong Kong

BVI British Virgin Islands

MAL Malaysia

PHI Philippines

PRC The People's Republic of China