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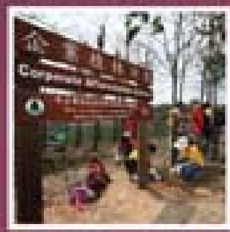


KERRY PROPERTIES LIMITED

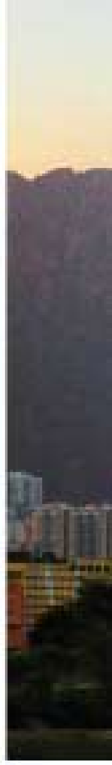
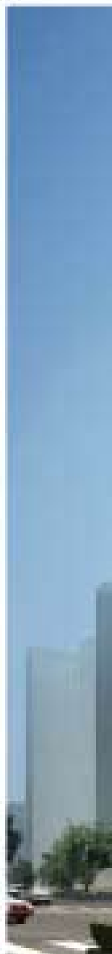
(Incorporated in Bermuda with limited liability)

ANNUAL REPORT 2007

KERRY PROPERTIES LIMITED

Aspiring to Excellence





Cold Chain
嘉里物流冷凍配送
2211-9898
Kerry Logistics



mega
BOX


Promotion
Kerry Logistics
嘉里物流

"In all the markets it serves, Kerry Properties Limited remains a preferred supplier and a preferred landlord for tenants. This is a gratifying assurance of our commitment to quality and excellence in developing and managing our properties. It is also an endorsement of our ability to understand and respond to customer needs."

PROPERTY

The Property Division of Kerry Properties Limited follows a strategy of investing in prime locations, typically in areas with limited supply of quality land, and focusing on large-scale mixed-use property projects that lend themselves to the creation of scale, scope and synergy effects that enhance their attractiveness.

"Our Logistics Network Division continues to deepen its capabilities as a full-service logistics provider that is well positioned to manage and improve the functioning and value of the supply chain across different parts of a business, and across geographic borders."

LOGISTICS NETWORK

The Logistics Network Division is positioned as a leading Asian-based international logistics operator. The Division delivers a seamless and integrated range of services that bring tangible results to cost efficiency, customer satisfaction and bottom-line results. Our customers are from industries as diverse as electronics to fashion and retail to food & beverage and we provide a comprehensive range of logistics solutions to suit their industry specific needs.

"The Infrastructure Division holds the potential to grow as a greater number of investment opportunities arise within the various geographic markets in which the Group is active."

INFRASTUCTURE

The Infrastructure Division holds great promise as a vehicle to support investment into environmentally friendly projects in the utilities sector, particularly in the Mainland. It is also a reliable source of recurrent income for the Group.

CORPORATE INFORMATION & KEY DATES

BOARD OF DIRECTORS
Mr ANG Keng Lam+
Chairman
Mr WONG Siu Kong+
President & Chief Executive Officer
Mr HO Shut Kan+
Mr MA Wing Kai, William+
Mr SO Hing Woh, Victor, MBE, JP+
Mr CHAN Wai Ming, William
Mr QIAN Shaohua
Mr William Winship FLANZ#
Mr KU Moon Lun#
Mr LAU Ling Fai, Herald#
Mr TSE Kai Chi@

AUDIT COMMITTEE
Mr LAU Ling Fai, Herald
Chairman
Mr KU Moon Lun
Mr TSE Kai Chi

FINANCE COMMITTEE
Mr ANG Keng Lam
Mr WONG Siu Kong
Mr HO Shut Kan

REMUNERATION COMMITTEE
Mr ANG Keng Lam
Chairman
Mr WONG Siu Kong
Mr William Winship FLANZ
Mr KU Moon Lun
Mr LAU Ling Fai, Herald

EXECUTIVE COMMITTEE
Mr ANG Keng Lam
Mr WONG Siu Kong
Mr HO Shut Kan
Mr MA Wing Kai, William
Mr SO Hing Woh, Victor, MBE, JP

QUALIFIED ACCOUNTANT
Mr YU Kam Wah

COMPANY SECRETARY
Ms LI Siu Ching, Liz

AUDITOR
PricewaterhouseCoopers

PRINCIPAL BANKERS
Agricultural Bank of China
Bangkok Bank Public Company Limited
Bank of China (Hong Kong) Limited
Bank of Communications Co., Ltd.
The Bank of Tokyo-Mitsubishi UFJ, Ltd.
BNP Paribas
Calyon
China Construction Bank Corporation
Citigroup
DBS Bank Ltd.
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
Industrial and Commercial Bank of China (Asia) Limited
Mizuho Corporate Bank, Ltd.
Standard Chartered Bank (Hong Kong) Limited
Wing Lung Bank, Limited

PROPERTY VALUERS
Savills Valuation and Professional Services Limited
DTZ Debenham Tie Leung Limited

LEGAL ADVISERS
Hong Kong Law
Stephenson Harwood & Lo

Bermudian Law
Appleby

STOCK CODES
Stock Exchange of Hong Kong: 683
Bloomberg: 683 HK
Reuters: 683.HK

REGISTERED OFFICE
Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS
13/F – 14/F, Cityplaza 3
14 Taikoo Wan Road
Taikoo Shing, Hong Kong

WEBSITE
www.kerryprops.com

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM08
Bermuda

HONG KONG BRANCH REGISTRAR AND TRANSFER OFFICE
Tricor Abacus Limited
26/F, Tesbury Centre
28 Queen's Road East
Wanchai, Hong Kong

CONTACT
Corporate Communications Department
Kerry Properties Limited
13/F – 14/F, Cityplaza 3
14 Taikoo Wan Road
Taikoo Shing, Hong Kong
Telephone: (852) 2967 2200
Facsimile: (852) 2967 9480

KEY DATES
Closure of Registers of Members
2 May 2008 to 6 May 2008
(both days inclusive)

Annual General Meeting
6 May 2008

Proposed Payment of Final Dividend/Despatch of Share Certificates in respect of Scrip Dividend
17 June 2008

\+ *Executive Director*
\# *Independent Non-executive Director*
@ *Non-executive Director*

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FINANCIAL HIGHLIGHTS

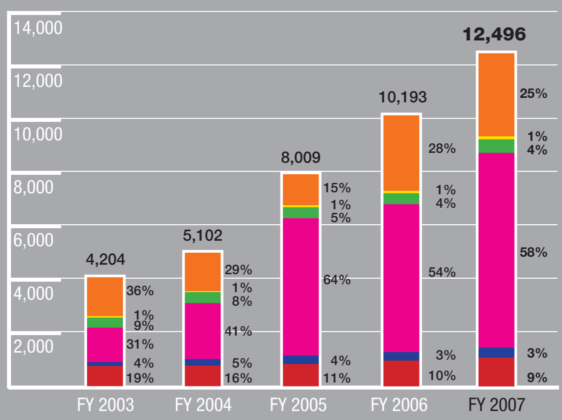
TWO-YEAR OVERVIEW

		FY 2007	FY 2006	% Change
Turnover	(HK$M)	**12,496**	10,193	+23%
Gross profit	(HK$M)	**3,735**	2,792	+34%
Gross profit margin	(%)	**29.9**	27.4	
Operating profit	(HK$M)	**7,464**	5,388	+39%
Operating profit margin	(%)	**59.7**	52.9	
Profit attributable to shareholders	(HK$M)			
– before fair value change of properties		**2,590**	2,944	-12%
– after fair value change of properties		**6,563**	4,689	+40%
Net profit margin	(%)			
– before fair value change of properties		**20.7**	28.9	
– after fair value change of properties		**52.5**	46.0	
Earnings per share	(HK$)			
– before fair value change of properties		**1.95**	2.40	-19%
– after fair value change of properties		**4.95**	3.83	+29%
Shareholders' equity	(HK$M)	**44,011**	29,325	+50%
Net borrowings	(HK$M)	**8,933**	10,202	-12%
Net asset value per share	(HK$)	**30.90**	23.68	+30%
Share price as at 31 December	(HK$)	**62.65**	36.35	+72%
Price earnings ratio#	(times)			
– before fair value change of properties		**32.1**	15.1	
– after fair value change of properties		**12.7**	9.5	
Market capitalization as at 31 December#	(HK$M)	**89,231**	45,012	+98%
Dividend per share	(HK$)	**0.95**	0.85	+12%
Dividend payout ratio	(%)			
– before fair value change of properties		**48.7**	35.4	
– after fair value change of properties		**19.2**	22.2	
Dividend cover	(times)			
– before fair value change of properties		**2.1**	2.8	
– after fair value change of properties		**5.2**	4.5	
Dividend yield#	(%)	**1.5**	2.3	
Return on shareholders' equity	(%)			
– before fair value change of properties		**5.9**	10.0	
– after fair value change of properties		**14.9**	16.0	
Gearing	(%)	**20.3**	34.8	
Interest cover	(times)			
– before fair value change of properties		**6.2**	7.3	
– after fair value change of properties		**13.6**	11.7	
Current ratio	(times)	**2.4**	1.9	
Liquidity ratio	(times)	**1.3**	1.6	
Premium to net asset value#	(%)	**102.8**	53.5	

Based on share prices as at 31 December 2007 and 31 December 2006, respectively.

BREAKDOWN OF TOTAL TURNOVER

HK$ Million

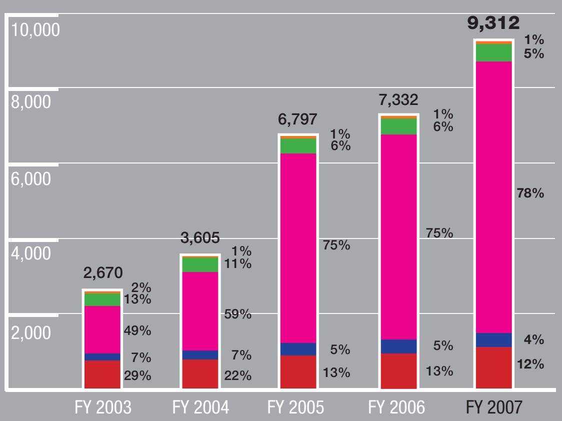


- Proceeds from sales of properties
- Development consultancy and project management fees
- Warehouse income
- Logistics income
- Hotel revenue
- Rental income

The Group recorded a 23% increase in total turnover for FY 2007 to **HK$12,496 million** (2006: HK$10,193 million).

BREAKDOWN OF RECURRENT INCOME

HK$ Million

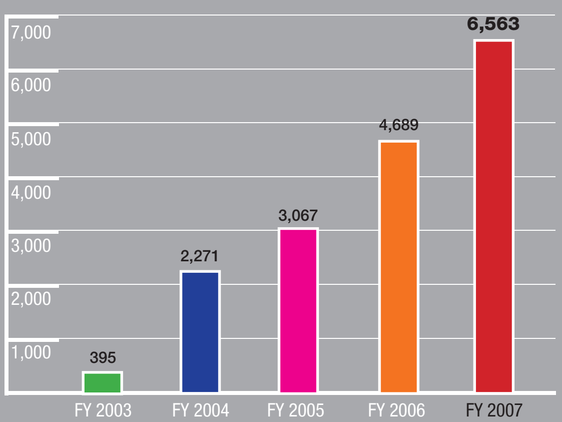


- Development consultancy and project management fees
- Warehouse income
- Logistics income
- Hotel revenue
- Rental income

	Total Turnover HK$ Million	Recurrent Income HK$ Million	% Weighting	Net Profit before fair value change of properties HK$ Million	Net Profit after fair value change of properties HK$ Million
FY 2003	4,204	2,670	64%	824	395
FY 2004	5,102	3,605	71%	1,580	2,271
FY 2005	8,009	6,797	85%	1,759	3,067
FY 2006	10,193	7,332	72%	2,944	4,689
FY 2007	**12,496**	**9,312**	**75%**	**2,590**	**6,563**

PROFIT ATTRIBUTABLE TO SHAREHOLDERS

HK$ Million

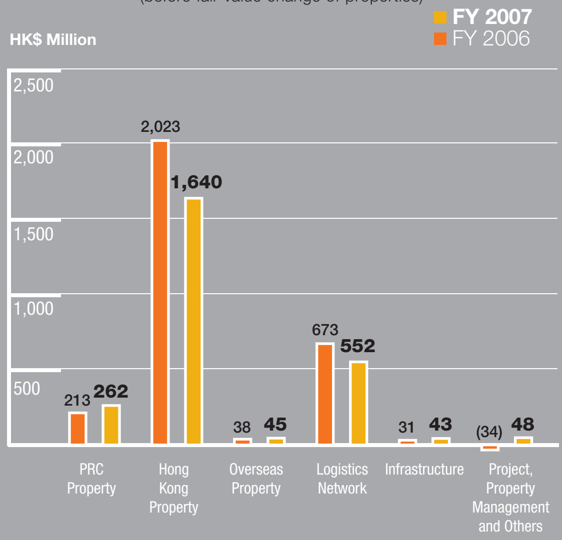


The Group's net profit attributable to shareholders for FY 2007 increased by 40% to **HK$6,563 million** (2006: HK$4,689 million).

FINANCIAL HIGHLIGHTS

PROFIT ATTRIBUTABLE TO SHAREHOLDERS BY DIVISION

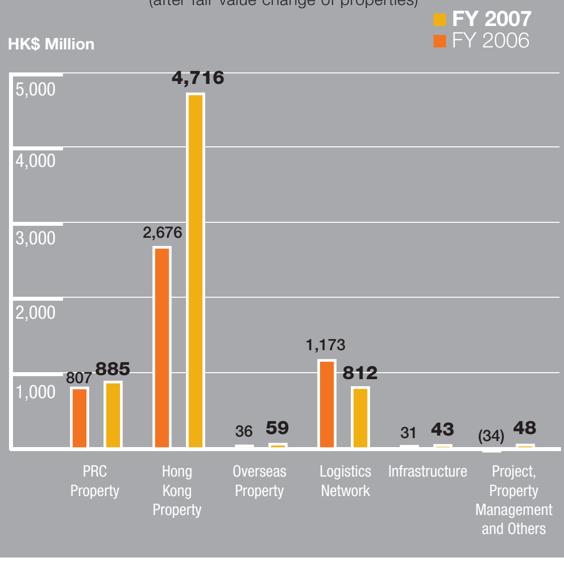
(before fair value change of properties)



Profit Attributable to Shareholders (before fair value change of properties) (by division)	2007 HK$ Million	2006 HK$ Million	% Change
PRC Property	**262**	213	23%
Hong Kong Property	**1,640**	2,023	-19%
Overseas Property	**45**	38	18%
Logistics Network	**552**	673	-18%
Infrastructure	**43**	31	39%
Project, Property Management and Others	**48**	(34)	N/A
	2,590	**2,944**	**-12%**

PROFIT ATTRIBUTABLE TO SHAREHOLDERS BY DIVISION

(after fair value change of properties)

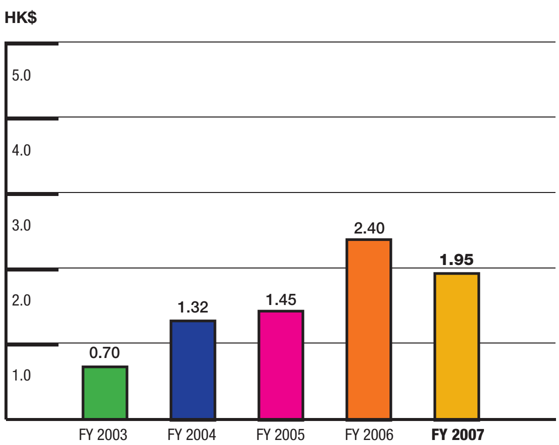


Profit Attributable to Shareholders (after fair value change of properties) (by division)	2007 HK$ Million	2006 HK$ Million	% Change
PRC Property	**885**	807	10%
Hong Kong Property	**4,716**	2,676	76%
Overseas Property	**59**	36	64%
Logistics Network	**812**	1,173	-31%
Infrastructure	**43**	31	39%
Project, Property Management and Others	**48**	(34)	N/A
	6,563	**4,689**	**40%**

N/A – not applicable

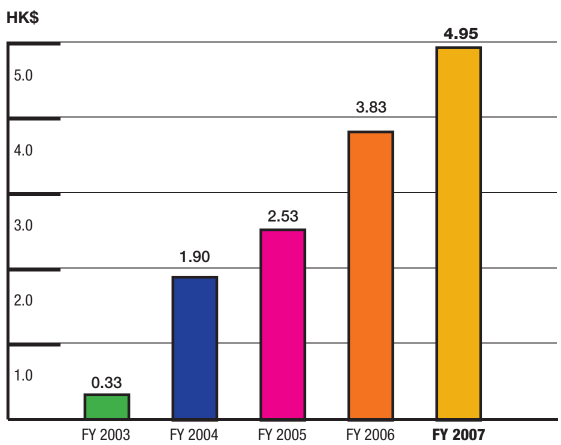
EARNINGS PER SHARE

(before exceptional items)



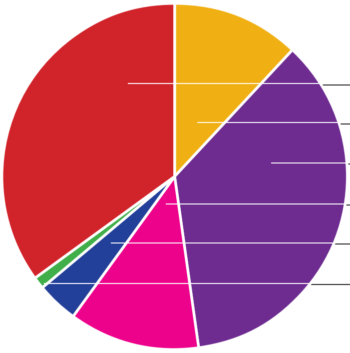
EARNINGS PER SHARE

(after exceptional items)



GROSS ASSET VALUE OF PROPERTIES

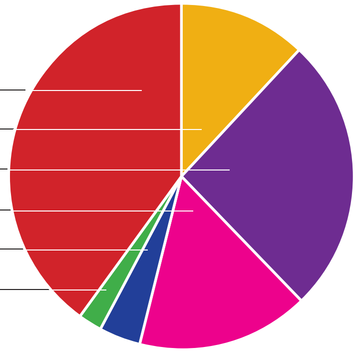
HK$56,118 Million



FY 2007

FY 2007			FY 2006
35%	■	Hong Kong Residential	40%
12%	■	Hong Kong Commercial	12%
36%	■	PRC Properties	26%
12%	■	Logistics & Warehouses	16%
4%	■	Overseas Properties	4%
1%	■	Infrastructure	2%

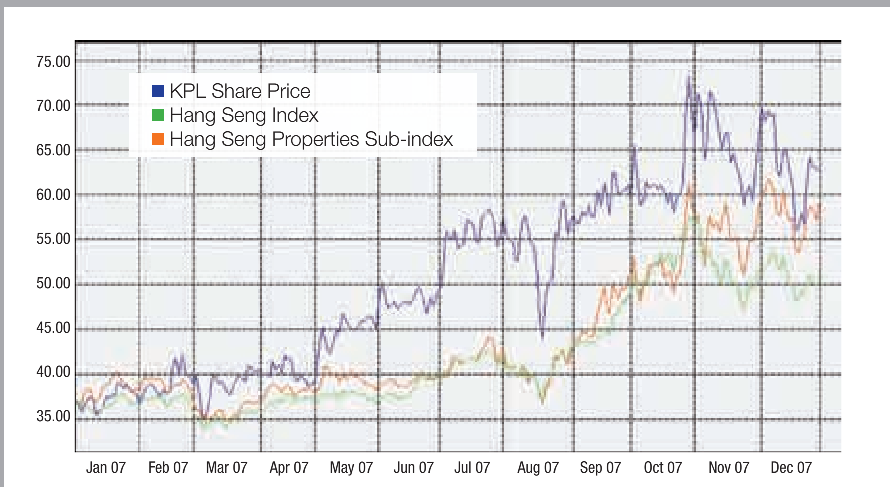
HK$39,445 Million



FY 2006

SHARE PRICE PERFORMANCES

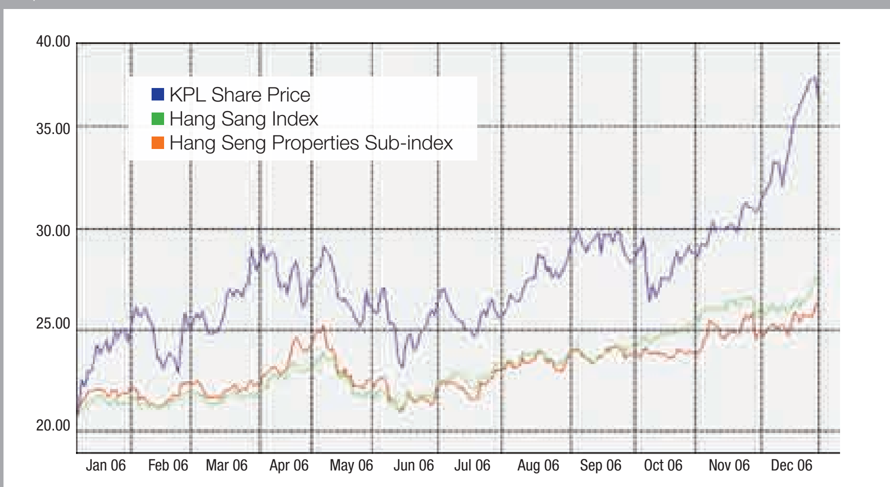
FY 2007
HK$



KPL Share Price 2007

High:	HK$73.15
Low:	HK$35.00
Average:	HK$50.78
Year's High PE:	19.1x
Year's Low PE:	9.1x
Average PE:	13.2x
Hang Seng Index Average PE:	16.6x
Hang Seng Properties Sub-index Average PE:	13.6x

FY 2006
HK$

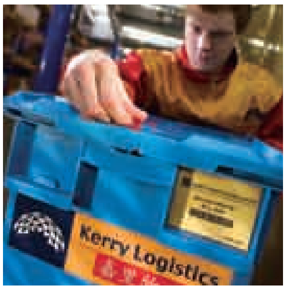


KPL Share Price 2006

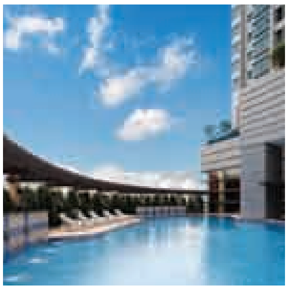
High:	HK$37.40
Low:	HK$20.60
Average:	HK$27.48
Year's High PE:	14.8x
Year's Low PE:	8.1x
Average PE:	10.9x
Hang Seng Index Average PE:	12.7x
Hang Seng Properties Sub-index Average PE:	9.4x

1st QUARTER

Pre-sale of Phase IIa of the Kerry Everbright City in Shanghai.



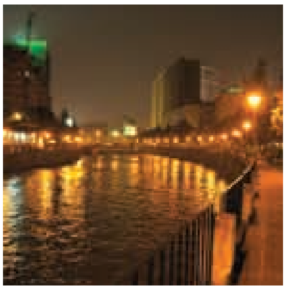
Opened offices in the Czech Republic and France in a move to widen logistics network and capabilities in Europe.



The sale of 15 Homantin Hill in Hong Kong met with good market response.

2nd QUARTER

Acquisition of prime sites in Qinhuangdao, Hebei Province, Mainland China.



Launched first venture into Chengdu, Sichuan Province, Mainland China, with development of a luxury residential project.

Acquisition of a site in Shenyang, Liaoning Province, Mainland China, for mixed-use development.

Opening of the retail and entertainment project, "MegaBox", in Kowloon Bay, Hong Kong.

Property
Logistics Network

3rd QUARTER

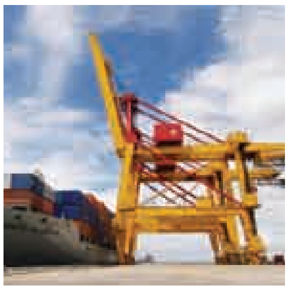
Acquired a site at Chun Yan Street, Wong Tai Sin, Hong Kong, at a public land auction.

Set up Kerry Asia Road Transport Limited as the vehicle for participation in the ASEAN logistics market.

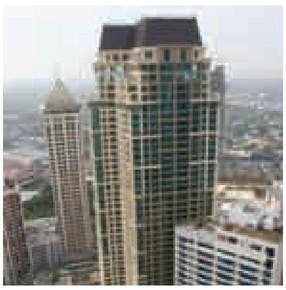
The Logistics Network Division established Kerry FSDA Limited to engage in food sourcing in Mainland China.

The two grade-A office towers of Enterprise Square Five in Kowloon Bay, Hong Kong were completed.

Commenced the development of a luxury residential project in Nam Van Lake, Macau.



First container vessel called on Kerry Siam Seaport upon completion of its berth expansion.



In the Philippines, EDSA Properties Holdings, Inc. was merged with Kuok Philippine Properties, Inc. and renamed as Shang Properties, Inc.

4th QUARTER

Introduced the Electronic Proof of Delivery solution.

Dear shareholders,

On behalf of your Board, I am pleased to report the annual results of Kerry Properties Limited (the "Company"), its subsidiaries and associated companies (collectively, the "Group") for the year ended 31 December 2007. The Group again performed well, benefiting from buoyant economic conditions in our major markets and the success of the strategy for growth and long-term quality investing that we committed to in earlier years.

The Group's consolidated net profit attributable to shareholders for the year ended 31 December 2007 was HK$6,563 million, representing an increase of 40% compared with HK$4,689 million reported for 2006.

Earnings per share for the year were HK$4.95, representing an increase of 29% compared with HK$3.83 per share in 2006.

The Board has recommended the payment of a final dividend of HK$0.65 per share for the year, with a scrip dividend alternative. Together with the interim dividend of HK$0.30 per share, the total dividend for the year ended 31 December 2007 will be HK$0.95 per share, representing an increase of 11.8% compared with HK$0.85 per share in 2006.

MARKET REVIEW

Global debt and equity markets have been extremely volatile recently, largely as a consequence of concerns with the sub-prime mortgage market in the United States. This impact has been felt in Asia but not to the same extent that it has in some other markets. The likelihood of recession in the United States is cause for concern as this may drag on growth potential in other markets. However, in spite of this we are confident that the economic fundamentals in the markets we do business in are strong. In particular, China and other parts of Southeast Asia remain promising areas for future growth.

The fundamentals are particularly strong in China, which has continued to experience double-digit annual real GDP growth. In 2007, China's Central Government introduced additional controls on capital movement and on investment in the property sector. Even so, the size of the market and the plentiful opportunities for development mean that China still presents a compelling investment case to well-capitalized and well-managed property firms.

There are also major opportunities in Southeast Asia. The region has exhibited buoyant growth in recent years due to expanding domestic markets and growing international trade. Southeast Asia's traditionally dynamic economies have also been joined by newly emerging economies in the region, most notably Vietnam, which is rapidly developing as a production location and a market.

The Group is well-positioned to take advantage of these dynamics. Our extensive experience and leading positions in the logistics and property sectors in China over many years give us strong advantages over many others in that market. Policies to promote a more orderly market and greater energy efficiency should help the Group going forward. The Group continues to expand its position in Southeast Asia as well, with new operations in Vietnam and Cambodia.

Predicting the future of global markets and future rates of economic growth is an inexact and often frustrating pursuit. Unanticipated external shocks hold the possibility of affecting the best laid plans. However, we remain ever vigilant to the impact that such events might have on the economies in which we operate, and on our businesses, and we are well placed, financially, operationally, strategically and in terms of our management team and governance structures, to deal with any issues that may come to the fore.

CORPORATE GOVERNANCE AND CORPORATE SOCIAL RESPONSIBILITY

The Company has a long standing commitment to running the Group in a way that provides a net benefit to all shareholders and to society in general. We are committed to working in the common interest of all parties in order to sustain and develop our businesses in a manner that engenders confidence in our mission and in the promises we make.

This tradition is espoused in practice through programmes that utilise Group assets to make an active contribution to the communities in which we operate. The Group has, for example, been commended for using "MegaBox" as a hub for neighbourhood and community activities that target various underprivileged groups, and for arranging sponsored tours and outings to the facility for entertainment purposes.

We are also ever mindful of the need to conserve precious resources. This has led us to seek out innovations in design that promote efficient energy use, ways to proactively reduce waste and pollution, and mechanisms for recycling whenever possible to minimize overall resource consumption. One of the roles of our Infrastructure Division is to act as an investment vehicle in environmental protection. This places us in an excellent position to draw upon environmentally friendly business applications and ideas generated by that Division and to cross-fertilize these ideas throughout the Group. Our Corporate Social Responsibility Report outlines more fully the various ways in which we have responded to the challenge to render the Group more transparent and accountable.

One of the more pleasing indicators of our social impact is the testimonials we often receive from people whose lives have been made more productive and enjoyable through their association with the Group. Sometimes this is in appreciation for the care and attention we give to the properties in which people live and work, sometimes it is an acknowledgment of the quality of service provided by our logistics network, always it reflects the commitment to excellence and the willingness to exceed expectations that is at the core or our corporate philosophy.

As the custodians of shareholder interests, the Board and senior management are keen to observe corporate governance standards of the highest order. Our code of ethical conduct is evidence of our dedication to this task. As a team, we often review our governance structure and seek professional guidance on what we can do to remain in line with the best global practices of corporate governance. This reflection has inspired us to make the important change in this year of more clearly separating the role of Chairman from the role of President & Chief Executive Officer of the Group. This change will allow each role to have a more defined operation and focus, and will foster an environment in which we are constantly challenged to accept views from a multi-layered senior management team regarding the best investment ideas. It will also clearly communicate to the market that in addition to embracing the suggestions of market regulators, we take leadership and succession issues very seriously, and that we give great consideration to where the future rests in terms of the drivers of value of our business.

Our Independent Non-executive Directors continue to play an important role in ensuring that the Group adheres to the highest standards of corporate governance. They are given regular briefings by the senior executive team to ensure that they are familiar with all the significant issues that are under consideration by management.

LOOKING AHEAD

We expect that overall economic growth will remain strong in our core markets and we are well-positioned to benefit from this growth. We also remain vigilant in identifying opportunities that might arise should any of the markets experience short-term downturns or economic uncertainty. This is particularly the case for property investment in the form of land purchased for later development and also in the logistics sector wherein more doors may be opened to grow by business acquisitions and to partner with other entities in that sector on more favorable terms.

The robust financial position of the Group, particularly its deep equity base and solid working capital position, combined with its strong credit rating, means that the effect of negative short-to-medium-term market swings is tempered by the markets' understanding that we are a long-term player holding quality assets. Thus we are in a prime position to raise capital as needed to buy assets at the right time and with the strength to hold assets until we think it is a favourable time to sell them.

APPRECIATION

On behalf of your Board, I offer my sincere appreciation to our staff, management team, partners and all others who worked hard to deliver another year of strong performance. Their efforts are the foundation on which our continued success rests, and their capabilities give me great confidence that the future is bright for the Group.

Sincerely,

Ang Keng Lam
Chairman
Hong Kong, 19 March 2008

Dear shareholders,

I am pleased to report on the performance and outlook for the Group and to highlight various opportunities and strategic issues relevant to the future of the business.

BUSINESS STRATEGY

The Group has three major lines of business: Property, Logistics and Warehousing, and Infrastructure. A detailed review of the operations and performance of these business lines is given in the Management Discussion & Analysis section of this annual report. This section will outline the vision and strategy for each of the businesses, and discuss specific highlights for the year. Each business line will be considered separately to underscore their individual strengths. However, it should be apparent that the synergies and strategic fit across and between the businesses serves to enhance their standalone value making the integrated Group more than the sum of the parts.

I. Property Development

Forward-looking strategic rollout in China: Select locations in prime cities for premium property developments

In line with the Group's strategy to expand its property business in Mainland China, we have actively but prudently increased our land bank to sustain growth and momentum into the future.

Our development strategy for Mainland China is to focus on selective target cities of three major categories. The first category includes super cities such as Beijing, Shanghai, Tianjin and Shenzhen, etc. The second category includes provincial capitals including Hangzhou, Shenyang, Chengdu, Changsha, Nanchang and Fuzhou, etc. These cities enjoy robust economies and provide strong potential for development. With a strong consumer base, these cities are ideal locations for the Group to leverage off its experience and brand equity to establish premium flagship properties that contribute to the cities' further development. The third category, which includes Qinhuangdao and Qufu, etc., takes advantage of unique geographic locations and distinctive cities.

Balanced portfolio, strong earning power

In view of the expedited urbanisation of Mainland China, we have formulated a proprietary integrative property development model to fully utilise the Group's internal resources. By joining hands with the Shangri-La Group, we are able to leverage our strengthened brand position to develop large-scale mixed-use projects in core locations in prime cities. These mixed-use developments incorporate a full array of property types including hotels, residences, commercial properties, offices, and deluxe apartments, which will help sustain rental values and the potential for property appreciation. The commissioning of construction of Kerry Centre, Pudong Shanghai, Jing An Kerry Centre in Shanghai and Tianjin Kerry Centre marks a new phase of large-scale developments for the Group.

This year will witness the launch of Kerry Everbright City Phase II in Shanghai and Xinyuanli residential project in Beijing. We will sustain growth in our land bank by pursuing acquisition of sites for large-scale residential developments. This will also help build a balanced portfolio of short- and long-term cash inflow.

"Our forward-looking strategic rollout in China envisages premium property developments in select locations in target cities."

Deluxe residences, out-of-the-box commercial properties

The Group's driving strategy for Hong Kong is to focus on luxury residential projects on the Island and to advance the concept of KERRY RESIDENCE®, which reflects our dedication to developing longstanding and deep relationships with our customers. We are committed to creating living spaces that are complemented by premier services and facilities – spaces that are in a class of their own.

In response to the rapidly shifting market landscape, we work to stay informed of market trends and market forces in order to constantly innovate our approach to project management and site development. Our pioneering retail landmark "MegaBox" was a product of this innovative process. Equipped with a unique mix of shopping, entertainment and dining facilities, "MegaBox" has quickly established itself as the retail landmark and lifestyle hotspot in East Kowloon.

We will continue to draw upon our expertise, reputation, and deluxe brand advantage to develop prime quality properties. Equipped with strong experience in different markets, we aspire to deliver excellence and even stronger performance.

II. Logistics Network

During 2007, we consolidated our position as a leading China-focused, Asia-based logistics operator. Kerry remains at the forefront of logistics in China. Strengthening our position is the rapid pace of development of China's transportation and information networks. Quantum leaps have been made in establishing and improving roads, seaports, airports and telecommunications services in China. This serves the Group well in a number of ways, but the development has been particularly beneficial to our logistics arm which relies on advances in transportation infrastructure to speed up the operating cycle of the business. The rate of progress in China's infrastructure has supported our growth in that market by attracting a larger number of leading firms to invest in China – many of them requiring support in managing their logistics. We remain the leading player in China in terms of service coverage and we will seek to extend this lead in the coming year.

International expansion was a major theme for our Logistics Network Division during 2007. We continued to establish a presence in Europe by taking foothold positions in countries including France and the Czech Republic as part of our thrust to become a more significant competitor in the global logistics market. Building our logistics business in Europe is a necessary step in positioning the Division for long-term growth as Asia connects more closely to the rest of the world. It also allows us to establish a broader customer base, to expand the business and to reduce our dependence on existing markets. We aim to achieve a critical mass in throughput in our operations in Europe in the near future and there are initial signs that this is happening.

The Division also continued expanding in various parts of Southeast Asia, most notably with greater investment being made in Thailand and Vietnam. Thailand is strategically poised to act as a distribution hub and we are investigating the potential for this type of evolution. The commencement of Kerry Asia Road Transport Limited ("KART") in August 2007 represents a significant development. The new KART network will reduce logistics costs, increase flexibility, meet latent customer demand, and ensure that cost effective distribution solutions are more widely available in Thailand, Malaysia and Singapore in the near-term, with Cambodia, Laos, Vietnam and China being added to the network in 2008. Our growth in key Southeast Asian markets has fortified our position as the Logistics Network with the greatest reach throughout East Asia and Southeast Asia.

As anticipated, given our closeness to the market and the effort we make in understanding the needs of current and prospective customers, we have experienced a promising increase in the number of world-class companies requesting that our Logistics Network Division manage their logistics. We continue to develop specific expertise in providing logistics services to business segments with global reach, including electronics, fashion and chemicals. Our Logistics Network Division continues to deepen its capabilities as a full-service logistics provider that is well positioned to manage and improve the functioning and value of the supply chain across different parts of a business, and across geographic borders. This is in contrast to many other companies that purport to be in the business of providing logistical support but really only provide transportation services.

III. Infrastructure
The Infrastructure Division continues to provide a dependable and satisfactory return to the Group. The recent decision to increase prices in the Western Harbour Tunnel in Hong Kong, is consistent with our commitment to realising value in this line of business. As anticipated, the short-term effect of the price change has reduced traffic volume, but higher overall revenue. The price change was consistent with the general increase in prices for consumer goods and services in Hong Kong. In time, we expect traffic volume in the Tunnel to increase and this will further strengthen the business. The Infrastructure Division also holds the potential to grow as a greater number of investment opportunities arise within the various geographic markets in which the Group is active. Rapid economic growth in China, in particular, is creating unprecedented demand for development in the transport, telecommunications and utilities sectors. Commensurate with this growth, we are seeing an increasing number of investment proposals that may fit our business profile. We will continue to evaluate these with a view to expanding the Division when the timing is right.

OUR PEOPLE

People development and team spirit are our priorities

The values that unite our Group – collaboration, dedication, diligence, excellence, integrity, innovation and mutual respect – are what make the Company successful. Our people are our most important asset, and it is our priority to promote and nurture team spirit among our staff members. We work hard to attract and retain staff of the highest calibre. We encourage the professional advancement of our staff. Our ethos is also to cultivate talent internally by ensuring that senior staff closely interact with employees at all levels across a full complement of projects and geographic regions, so that our ideal of leadership by example is well served.

In line with our staff engagement principle, a great deal of resources are invested into the development of our people. Management works hard to develop the business so that we provide a solid platform for staff development – one on which our people are able to demonstrate a passion for creating shareholder value.

The Group is service driven and to this end we have built and sustained a strong talent base to fulfill our business requirements on various fronts. We believe that our engaged team is key to the Kerry brand. We are proud of our professional and excellent staff and their many achievements.

OUTLOOK FOR THE GROUP

A major strength of the Group derives from the way in which the three business lines combine to provide a balanced investment portfolio that sustains a diversified recurrent earnings stream in addition to supporting capital growth and creating the required scope and scale to be an efficient and effective competitor.

The dynamic nature of China's economy continues to give rise to investment opportunities. The pace of growth and change will continue to outstrip that in most other parts of the world. Hosting the 2008 Olympic Games is expected to have a positive impact on the tourism, logistics and property sectors, which will be beneficial to the Group.

The Group's early investment in technology-driven innovation will continue to generate rewards as our understanding of our customers, suppliers and markets translates into a sustainable source of competitive strength.

The Group's results reflect the success of our integrated business model and our focus on timing transactions based on an assessment of macroeconomic developments and business fundamentals rather than unpredictable short-term cyclical fluctuations.

I extend my thanks to all who contributed to our performance in 2007.

Sincerely,

Wong Siu Kong
President & Chief Executive Officer
Hong Kong, 19 March 2008

The Group's consolidated net profit attributable to shareholders for the year ended 31 December 2007 was HK$6,563 million, representing an increase of 40% compared with HK$4,689 million reported for 2006. In accordance with Hong Kong Accounting Standard 40 "Investment Property", the Group measured its investment property portfolio on a fair value basis and recorded an increase in fair values of investment properties (net of deferred taxation) of HK$3,973 million for the year ended 31 December 2007 (2006: HK$1,745 million). Profit attributable to shareholders for the year ended 31 December 2007 before taking into account the effects of the aforementioned increase in fair values is HK$2,590 million (2006: HK$2,944 million after or HK$1,784 million before the profit of HK$1,160 million arising from the Group's disposal of its 10.16% minority interest in Citibank Plaza), representing a decrease of 12% or an increase of 45% over the year respectively with or without the effect of the said disposal.

Earnings per share for the year ended 31 December 2007 were HK$4.95, representing an increase of 29% compared with HK$3.83 per share in 2006.

The effect on the Group's profit attributable to shareholders and earnings per share due to the net increase in fair values of the Group's investment properties and related tax effects is as follows:

	Year ended 31 December 2007 HK$ million	Year ended 31 December 2006 HK$ million	Change
Profit attributable to shareholders before taking into account the net increase in fair value of investment properties and related tax effects	**2,590**	2,944	-12%
Add:			
Net increase in fair value of investment properties and related tax effects	**3,973**	1,745	
Profit attributable to shareholders after taking into account the net increase in fair value of investment properties and related tax effects	**6,563**	4,689	40%

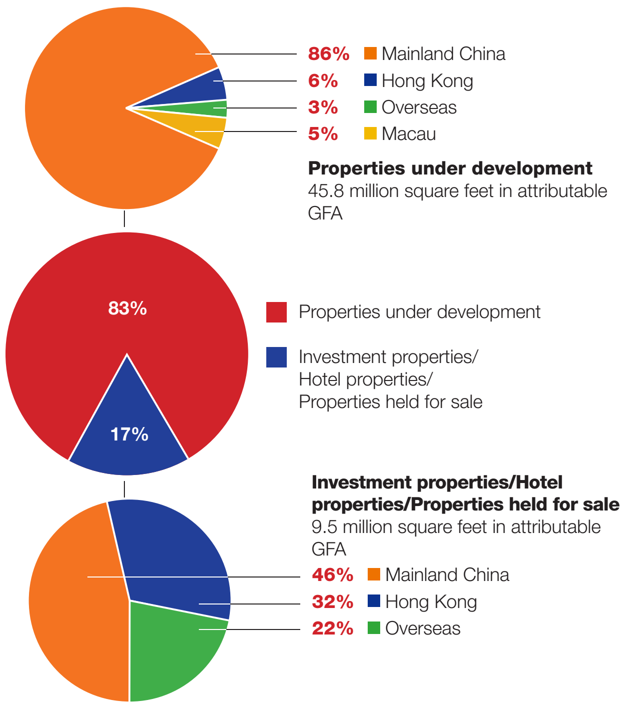
	Year ended 31 December 2007 HK$	Year ended 31 December 2006 HK$	Change
Earnings per share before taking into account the net increase in fair value of investment properties and related tax effects	**1.95**	2.40	-19%
Add:			
Net increase in fair value of investment properties and related tax effects per share	**3.00**	1.43	
Earnings per share after taking into account the net increase in fair value of investment properties and related tax effects	**4.95**	3.83	29%

A focus on innovation. Landmark properties.

MegaBox, Kowloon Bay, HONG KONG

PROPERTY PORTFOLIO COMPOSITION – BY TYPE

55.3 million square feet in attributable GFA



OVERVIEW

The economic momentum in Mainland China, Hong Kong and across various markets in the Asia Pacific region, has been a major driver of property demand and investment activities. Building on its existing portfolio of premier assets and expertise, the Group continued to take forward its new property developments successfully, while maintaining its excellent record in managing high-end investment properties.

As at the year end, the Group maintained a property portfolio with a gross floor area ("GFA") of 45.8 million square feet (2006: 21.2 million square feet) of properties under development, 8.7 million square feet (2006: 7.5 million square feet) of completed investment properties, 0.5 million square feet (2006: 0.5 million square feet) of hotel properties and 0.3 million square feet (2006: 0.6 million square feet) of properties held for sale. Together, they form a portfolio with strong project fundamentals and the longer-term potential to create shareholders' value.

"Building on its existing portfolio of premier assets and expertise, the Group continued to take forward its new property developments successfully, while maintaining its excellent record in managing high-end investment properties."

Property Portfolio Composition

	Mainland China	Hong Kong	Macau	Overseas	Total GFA
			('000 square feet)		
Investment Properties	3,731	2,867	–	2,068	8,666
Hotel Properties	500	38	–	–	538
Properties Under Development	39,481	2,618	2,385	1,291	45,775
Properties Held for Sale	175	104	–	–	279
Total GFA	**43,887**	**5,627**	**2,385**	**3,359**	**55,258**

MAINLAND CHINA PROPERTY DIVISION

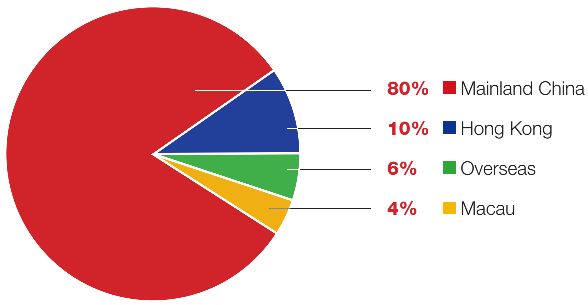
For the year ended 31 December 2007, the Group continued to enjoy solid progress in property development and sales in Mainland China, and has actively sought to increase its land bank in prime locations in order to sustain growth momentum.

In the year under review, turnover of the Mainland China Property Division increased 18% year-on-year to HK$1,187 million (2006: HK$1,006 million), reflecting increased property sales and leasing activities over the year. Net profit attributable to the Group also rose 10% to HK$885 million (2006: HK$807 million), after incorporating the increase in fair values of investment properties (after deferred taxation) of HK$623 million (2006: HK$594 million). Excluding the effect of the increase in fair values of investment properties (after deferred taxation), net profit attributable to the Group was adjusted to HK$262 million (2006: HK$213 million).

The Division remains extremely selective in its choice of new property developments where prime locations are preferred and in which land supply is relatively restricted, in order to ensure sustainable asset value and strong resilience during periods of market uncertainties. Behind this strategy also lies the Group's objective to build on its expertise and reputation in Mainland China's property market in creating a profile of strategically-located, high-end properties in elite neighbourhoods.

PROPERTY PORTFOLIO COMPOSITION – BY LOCATION

55.3 million square feet in attributable GFA



The Group continues to focus on the development of large-scale, mixed-use property projects in key locations. The cross marketing effect between the various categories of a mixed-use property development project will inevitably enhance property values and rental rates.

Continued


Beijing Kerry Centre, Beijing, MAINLAND CHINA

INVESTMENT PROPERTIES

During the year, the Group derived rental turnover and operating profit from rental activities of HK$614 million and HK$413 million, respectively (2006: HK$578 million and HK$403 million, respectively) from its portfolio of investment properties in Mainland China.

As at 31 December 2007, the Group held an aggregate GFA of 3.7 million square feet (2006: 3.6 million square feet) in its investment property portfolio in Mainland China, the geographical distribution of which and the occupancy rates of office, commercial and residential properties are set out in the table below:

As at 31 December 2007:

	Beijing	Shanghai	Shenzhen ('000 square feet)	Fuzhou	Total GFA	Occupancy rate
Office	**815**	**632**	**10**	**-**	**1,457**	**83%**
Commercial	**185**	**399**	**107**	**64**	**755**	**93%**
Residential	**277**	**627**	**-**	**-**	**904**	**61%**
	1,277	**1,658**	**117**	**64**	**3,116**	
Carparks and others	**195**	**278**	**142**	**-**	**615**	
Total GFA	**1,472**	**1,936**	**259**	**64**	**3,731**	

As at 31 December 2006:

	Beijing	Shanghai	Shenzhen ('000 square feet)	Fuzhou	Total GFA	Occupancy rate
Office	815	632	82	-	1,529	95%
Commercial	185	401	107	64	757	92%
Residential	277	436	-	-	713	67%
	1,277	1,469	189	64	2,999	
Carparks and others	195	290	142	-	627	
Total GFA	1,472	1,759	331	64	3,626	

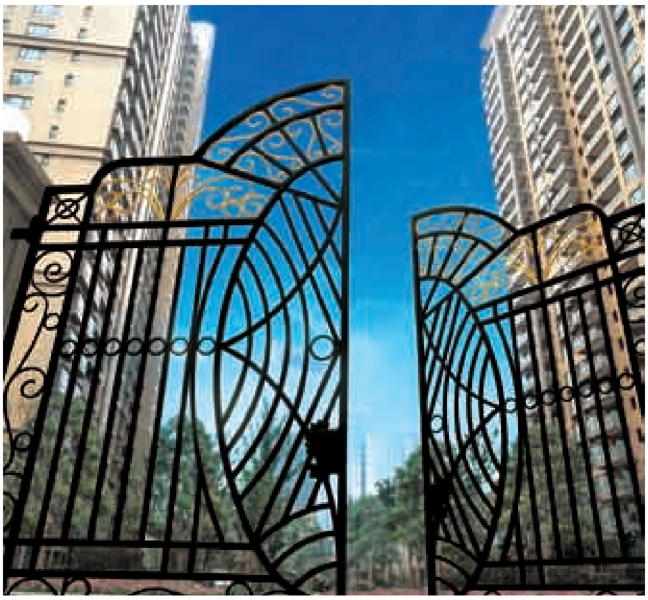

Kerry Gym at Shanghai Kerry Centre, Shanghai, MAINLAND CHINA

Comparative occupancy rates of key investment properties are featured below:

Property	**Occupancy rate as at 31 December 2007**	Occupancy rate as at 31 December 2006
Beijing Kerry Centre^	**90%**	90%
Shanghai Kerry Centre	**84%**	86%
Kerry Everbright City Phase I	**74%**	95%

^ excluding Beijing Kerry Centre Hotel

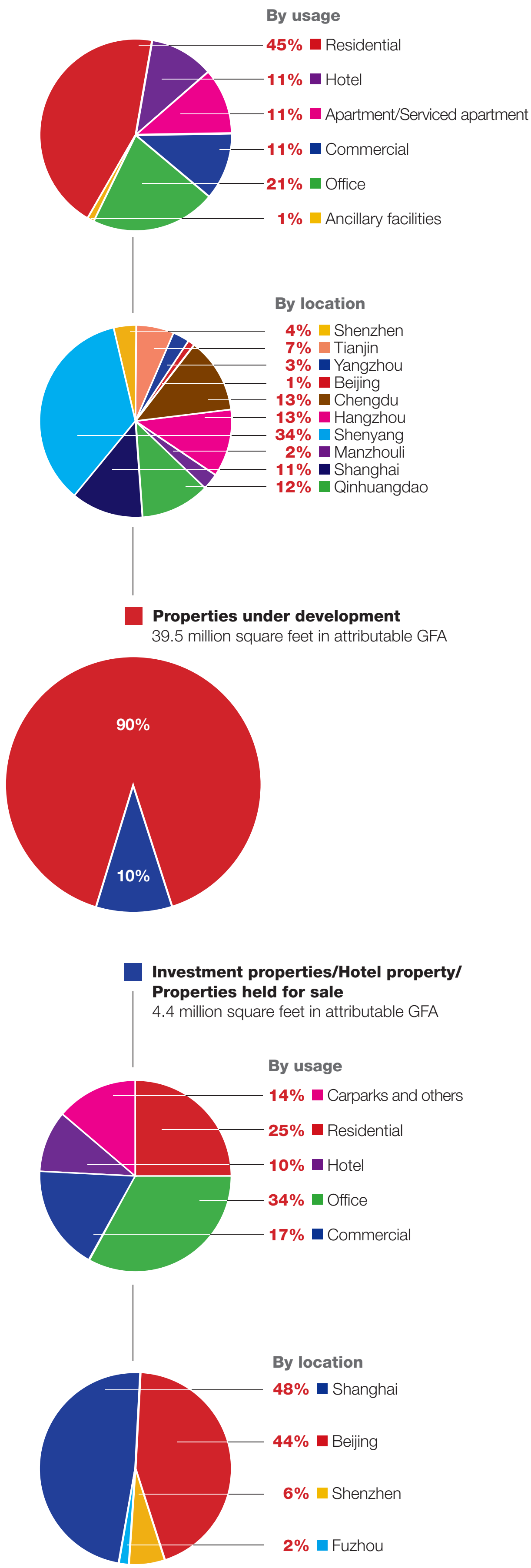
Central Residences Phase II in Changning District, Shanghai, was the latest addition to the Group's exclusive portfolio of luxury residences. As at 31 December 2007, 86 units out of the total of 154 units were leased as serviced apartments, representing 55% of the approximately 287,000 square feet GFA of Tower 3 of Central Residences II. For Tower 1 of Central Residences II, another 32 units out of a total of 60 units were leased as serviced apartments as at the year end, representing 58% of its approximately 191,000 square feet GFA.



Central Residences Phase II, Shanghai, MAINLAND CHINA

MAINLAND CHINA PROPERTIES

43.9 million square feet in attributable GFA



SALES OF COMPLETED PROPERTIES

Sales of completed properties during the year ended 31 December 2007 contributed turnover and operating profit of HK$172 million and HK$23 million, respectively (2006: HK$73 million and HK$3 million, respectively), reflecting mainly the contribution from the sales of office units in Shenzhen Kerry Centre.

PROPERTIES UNDER DEVELOPMENT

The Group has actively pursued land acquisitions in major secondary cities in the past year with a view to building and maintaining a balanced portfolio across selected markets in Mainland China. As the Group continues to take forward plans to develop large-scale, mixed-use property projects in prime locations, it is able to leverage its stature as a reputable developer of high-quality properties to sustain growth.

Shanghai

The Kerry Everbright City Phase II project in Zhabei District, a mixed-use development with approximately 1,600,000 square feet of GFA, is scheduled for completion in phases to 2008. The launch of Phase IIa of the project, which comprises an office tower with a two-storey retail podium and four residential towers, has received strong market response. As at the year end, 562 units, or 98%, out of a total of 572 of residential units were pre-sold at an average price of approximately RMB1,780 per square foot. Of the total GFA of approximately 420,000 square feet of office units, approximately 44,000 square feet, or 11% were sold. Phase IIb of the project has already topped off, with external works currently ongoing and upon completion, now scheduled for the second quarter of 2008, will add a further four residential towers to the development.

*Kerry Everbright City Phase II, Shanghai, MAINLAND CHINA**

*Jing An Kerry Centre, Shanghai, MAINLAND CHINA**

The Kerry Everbright City Phase III project is currently at the conceptual design stage and the construction works will commence in 2008.

With the completion of preliminary design of the mixed-use development in Jing An District, site works commenced in January 2008 on the south site, to be followed by works on the north site in April 2008. Jing An Kerry Centre, the 51%/49% joint-venture project with Shangri-La Asia Limited is earmarked for the development of two luxury hotels, office and retail properties with a buildable GFA of approximately 2,750,000 square feet. Completion is currently scheduled for 2011.

Kerry Centre, Pudong Shanghai, the 40.8%-held joint-venture mixed-use property project progressed further, with piling works expected to be completed in early 2008. The project blueprint entails the development of a hotel, offices, an apartment-style hotel, commercial properties and related ancillary facilities, all targeted for completion by the second quarter of 2010. It is situated in an up-and-coming location adjacent to the Shanghai New International Expo Centre, a neighbourhood under active development into a new business hub.

** Artist's impression*

*Kerry Centre, Pudong Shanghai, Shanghai, MAINLAND CHINA**

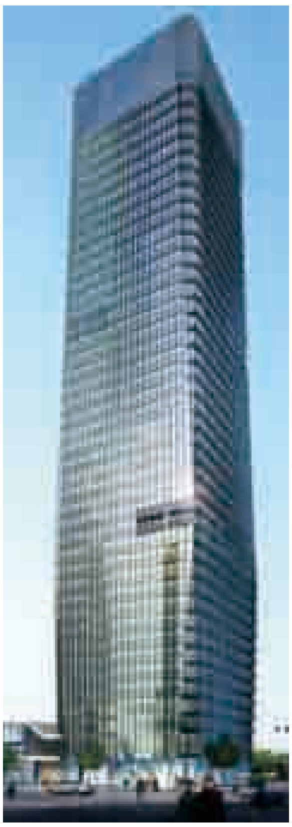
Manzhouli, Inner Mongolia, MAINLAND CHINA

*Hangzhou Kerry Centre, Hangzhou, MAINLAND CHINA**

Shenzhen

The grade-A office complex project in Futian Central District is expected to complete in the first quarter of 2008. With an aboveground GFA of approximately 807,000 square feet, this premier office tower will be another prominent addition to the Group's premium investment property portfolio in Mainland China.

The Group expanded its portfolio in Shenzhen by acquiring an adjacent site for development into an office property. With a buildable GFA of approximately 850,000 square feet on scheduled completion in 2010, this new project will enable the Group to capitalise on the potential of Futian Central District. The development is currently in the planning phase, with construction works expected to begin in 2008.



*Shenzhen Kerry Plaza II, Shenzhen, MAINLAND CHINA**

Manzhouli

The development of an apartment and commercial property in Manzhouli, Inner Mongolia, continued with Phase I of the project already topped out. External works are currently ongoing with completion targeted to be in phases up to 2011. The development is expected to deliver a buildable GFA of approximately 927,000 square feet.

Hangzhou

The Group's acquisition of two sites in Xiacheng District has provided a foothold for the Group's property development rollouts in Hangzhou. The first site, which lies in the heart of Hangzhou adjacent to Xihu (West Lake), is designated for the development of a mixed-use property incorporating a hotel, offices, apartments and a commercial shopping complex with a total buildable GFA of approximately 2,217,000 square feet. With schematic design currently in progress, piling works are scheduled to begin by the third quarter of 2008. The project is expected to be completed in phases to 2011.

The second site in Xiacheng District is earmarked for residential development and is configured to deliver a GFA of approximately 2,700,000 square feet. Piling works commenced on this site in the last quarter of 2007 and completion is planned to be in phases up to 2010.

** Artist's impression*

*Yangzhou hotel and apartment project, Yangzhou, MAINLAND CHINA**

*Tianjin Kerry Centre, Tianjin, MAINLAND CHINA**

Yangzhou
The Group's hotel and apartment project in Yangzhou is currently under development. The residential portion of the works have commenced with piling already completed. Upon completion scheduled for 2010, this development will generate a total buildable GFA of approximately 1,161,000 square feet.

Tianjin
The Group's first venture into this rising municipality was marked by its acquisition of a site in Hedong District in the heart of the city's central business area. The site is planned for a mixed-use property development comprising a hotel, serviced apartments, offices, residences, a shopping mall and related ancillary facilities, with an aggregate GFA of approximately 5,705,000 square feet. With piling works targeted for completion by the end of 2008, construction of this project is expected to be completed in phases between 2010 and 2011. Upon completion, this development will represent a strong addition to the Group's premier investment properties in Mainland China.

Beijing
Construction of the Xinyuanli residential project is expected to complete in October 2008. Upon completion this development will generate an aggregate GFA of approximately 334,000 square feet.

Qinhuangdao
In April 2007, the Group acquired residential sites in prime locations within metropolitan Qinhuangdao in Hebei Province. Overlooking the southern seafront, the sites are ideal for the development of deluxe sea-view residences. This development is currently at the project planning stage and is planned to produce an aggregate GFA of approximately 4,760,000 square feet upon its scheduled completion in phases up to 2012. Qinhuangdao is a major coastal trading port and popular tourist destination, as well as a venue for the 2008 Summer Olympics, and is rapidly emerging as an economic growth engine in northern China.

Chengdu
June 2007 marked the Group's first venture into this municipality with strong growth prospects. This initial land purchase was followed by another acquisition in October 2007 of an adjacent site. All these sites are located in the southern part of the Chengdu High-Tech Industrial Development Zone. Project planning has now been commissioned for these property developments. These sites are designated mainly for residential property development, and are expected to yield a total developable GFA of approximately 6,478,000 square feet. The area where the sites are located has been zoned as Chengdu's future central business district and will incorporate facilities such as convention centres, an embassy zone, five-star hotels, a business area and a technology park. The acquired sites are also in close proximity to the city's main traffic artery and municipal park, placing them in an ideal neighbourhood for the development of luxury residences.

** Artist's impression*

*Xinyuanli residential project, Beijing, MAINLAND CHINA**

Qinhuangdao, MAINLAND CHINA

Shenyang, MAINLAND CHINA

Shenyang
The Group made its debut in Shenyang in June 2007, when it acquired a site located on the east side of Qingnian Street and opposite to Qingnian Park, a famous natural park in the Shenyang. Qingnian Street, also reputed as the "Golden Corridor", is identified by the Shenyang Government as a new focus of development and set to be transformed into a bustling center of business and retail activities in Shenhe District. The developable site area is approximately 1,859,000 square feet with a plot ratio of not exceeding 12, of which 30% is designated for residential use and 70% for commercial properties. The site will be developed into a mixed-use development, consisting of hotels, offices, retail shops, convention centre and apartments. It is expected to be completed in phases up to mid-2016. The development is now in the planning phase and construction is expected to commence in mid-2008.

Changsha
In Changsha, Hunan Province, the Group has engaged in a 61%-held joint-venture residential and commercial property project located in the Tianxin District in December 2007. The project is expected to yield a GFA of approximately 3,295,000 square feet. The share transfer agreement is expected to be completed before June 2008.

BEIJING KERRY CENTRE HOTEL

In the year to 31 December 2007, Beijing Kerry Centre Hotel recorded turnover and operating profit of HK$401 million and HK$152 million, respectively (2006: HK$355 million and HK$125 million, respectively), and achieved an average occupancy rate of 75% (2006: 77%), with average room tariff growing 3% year on year.

Properties under Development in Mainland China

	Beijing	Shanghai	Shenzhen	Tianjin	Hangzhou	Yangzhou ('000 square feet)	Manzhouli	Shenyang	Qinhuangdao	Chengdu	Total GFA upon completion
Residential	–	729	–	949	2,565	–	–	3,904	4,749	4,775	17,671
Apartment/serviced apartment	226	154	–	116	431	430	845	2,153	–	–	4,355
Office	–	1,542	1,550	707	215	–	–	4,306	–	–	8,320
Commercial	11	528	108	606	1,238	–	82	1,466	11	512	4,562
Hotel	–	1,216	–	417	431	731	–	1,507	–	–	4,302
Ancillary facilities	–	18	–	–	38	–	–	215	–	–	271
Total GFA upon completion◊	**237**	**4,187**	**1,658**	**2,795**	**4,918**	**1,161**	**927**	**13,551**	**4,760**	**5,287**	**39,481**

◊ Pursuant to the framework reorganisation agreement and the amended agreement entered into by the Company, the total GFA of Chengdu, Qinhuangdao and Shenyang projects attributable to the Group will be lowered by approximately 9,048,000 square feet. Details are set out in note (2) of the section headed "Particulars of properties held" on page 42 of this annual report.

* *Artist's impression*

Continued

HONG KONG PROPERTY DIVISION

In the year to 31 December 2007, increased demand coupled with supply restrictions continued to underpin the rapid development of the Hong Kong Property Division, driving turnover up by 24% to HK$3,503 million (2006: HK$2,827 million). Net profit attributable to the Group also advanced 76% year on year to HK$4,716 million (2006: HK$2,676 million which includes HK$1,160 million profit arising from the Group's disposal of its 10.16% minority interest in Citibank Plaza by way of participation in the global offering of the Champion Real Estate Investment Trust), after taking into account the increase in fair values of investment properties (net of deferred taxation) of HK$3,076 million (2006: HK$653 million).

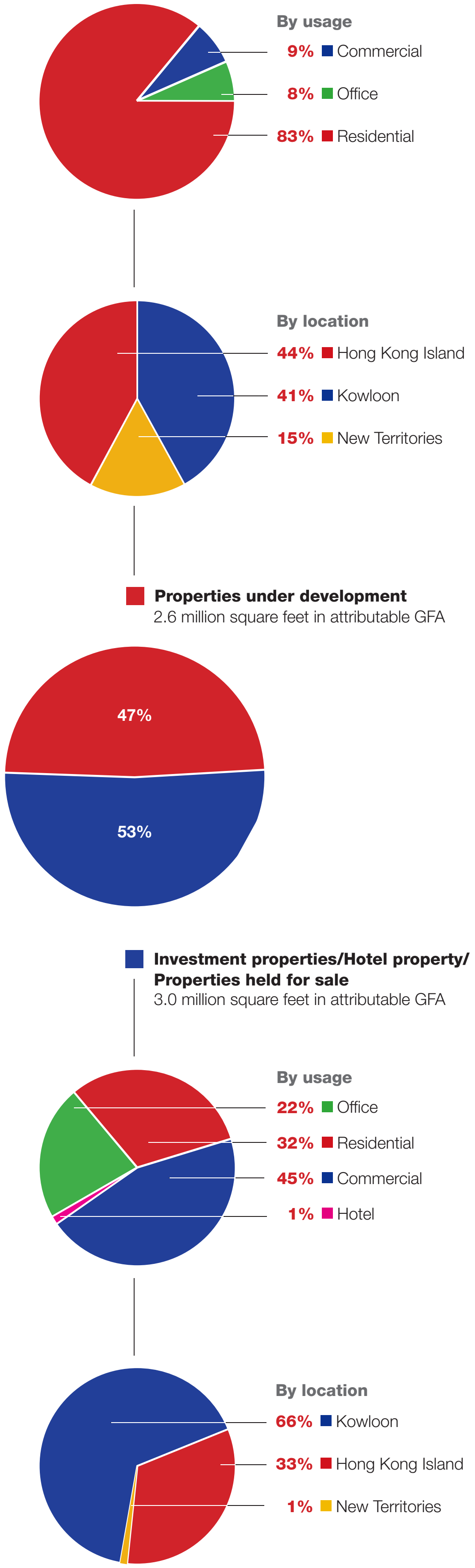
The Division's turnover mainly included sales of 15 Homantin Hill, which enjoyed a successful launch during the year, as well as units at Tregunter Towers and Enterprise Square Three.

With a combination of completed assets for sale, investment properties and a pipeline of projects under development, the Division continues to achieve healthy profit margins from property sales, as well as a steady stream of recurrent income from its local investment property portfolio, which continues to score steady rental levels and occupancy rates on the back of strong economic fundamentals.

15 Homantin Hill, Ho Man Tin, HONG KONG

HONG KONG PROPERTIES

5.6 million square feet in attributable GFA



"The Division continues to achieve healthy profit margins from property sales, as well as a steady stream of recurrent income from its local investment property portfolio, which continues to score steady rental levels and occupancy rates on the back of strong economic fundamentals."

INVESTMENT PROPERTIES

The Group's premium portfolio of investment properties in Hong Kong is a major component of its earnings base. During the year, the local investment property portfolio contributed rental turnover of HK$492 million (2006: HK$384 million) and an operating profit of HK$158 million (2006: HK$86 million), representing year-on-year increases of 28% and 84%, respectively.

As at 31 December 2007, the Group held an investment property portfolio in Hong Kong with an aggregate GFA of 2.9 million square feet (2006: 1.5 million square feet). The breakdown of GFA and the respective occupancy rates of residential, commercial and office properties, together with comparative figures, were as follows:

	As at 31 December 2007		As at 31 December 2006	
	Total GFA ('000 square feet)	**Occupancy rate**	Total GFA ('000 square feet)	Occupancy rate
Residential	**649** ⌘	**98%**	738 ⌘	97%
Commercial	**1,345**	**92%**	387	91%
Office	**646**	**92%**	153	83%
Total GFA	**2,640**		1,278	

⌘ Excluding Tavistock and Belgravia, with a total GFA of approximately 227,000 square feet, which are currently under refurbishment and are not offered for lease.

Hong Kong's first international sized ice rink at MegaBox, Kowloon Bay, HONG KONG

Recognising the overriding importance of maintaining the quality of investment properties, and in a move to add further value to its exclusive residential portfolio in Hong Kong, the Group undertook an extensive refurbishment programme for Tavistock in Mid-Levels and Belgravia in Island South during 2007.

Enterprise Square Five/"MegaBox"

The Group's proprietary retail and entertainment project, "MegaBox", has been successfully established as a destination for both local shoppers and overseas visitors since its opening in June 2007. This retail landmark profiles as an innovative architectural marvel, forming a key part of the 1.6 million square feet Enterprise Square Five development in Kowloon Bay. Encompassing 1.1 million square feet of shopping space, "MegaBox" accommodates the territory's first cluster of big-box retailers and dynamic entertainment venues. As the largest lifestyle hotspot in East Kowloon, it embraces a unique tenant mix including Hong Kong's largest world-standard ice rink, new-to-Hong-Kong home improvement retailers, an IMAX cinema and Hong Kong's largest electrical and electronics centre, complemented by the city's largest sports city, largest single-storey book city and a select assortment of fashion, sports and lifestyle retailers and gourmet restaurants. In November 2007, "MegaBox" announced the addition of Asia's largest sports club and an outdoor swimming pool to its existing cutting-edge facilities. As at the year end, "MegaBox" was 91% leased. The Group will remain abreast of consumer trends to continually shape and advance the retail and entertainment landscape of "MegaBox".

Enterprise Square Five, Kowloon Bay, HONG KONG


15 Homantin Hill, Ho Man Tin, HONG KONG

The two grade-A office towers of the Enterprise Square Five project were completed in the third quarter of 2007, adding a GFA of approximately 519,000 square feet to the Group's portfolio of prime office and commercial space in Kowloon Bay. This area is poised to mature into the territory's new business and tourist centre as the Hong Kong SAR Government unfolds its plans to re-develop and revitalise the old Kai Tak site. The Government blueprint envisages the development of Kowloon Bay into a fully commercialised area featuring an upscale cluster of tourist, commercial and office properties.

With robust ongoing Grade-A office leasing as businesses seek space for expansion and upgrading, as well as a wave of office relocations from Central to new business areas, this office property is expected to enjoy strong rentals and occupancies, providing further growth upside for the Group. With the sustained economic rebound driving demand for high quality office space, the office portion of Enterprise Square Five was 92% leased as at year end as new tenants continued to move in.

SALES OF COMPLETED PROPERTIES

During the year ended 31 December 2007, turnover achieved from sales of completed properties in Hong Kong increased 23% to HK$3,011 million (2006: HK$2,443 million), which were contributed mainly by the sales of units in 15 Homantin Hill, Tregunter Towers and Enterprise Square Three. An operating profit of HK$1,627 million (2006: HK$1,914 million after or HK$754 million before the profit of HK$1,160 million arising from the Group's disposal of its 10.16% minority interest in Citibank Plaza) was posted from property sales during the year, representing a decrease of 15% or an increase of 116% over the year respectively with or without the effect of the said disposal.

The launch of 15 Homantin Hill during the year generated a strong market response as the property meets the current keen demand for supply-constrained luxury residences. The success of 15 Homantin Hill validates the Group's ongoing commitment to developing superb quality properties in exclusive neighbourhoods.

SOHO 38, Central Mid-Levels, HONG KONG*

First Street/Second Street, Mid-Levels West, HONG KONG*

PROPERTIES UNDER DEVELOPMENT

SOHO 38, Central Mid-Levels

Construction of the fashionable residential development, SOHO 38, at No. 38 Shelley Street in Central Mid-Levels is aimed to be completed by first quarter of 2008. This residential tower with commercial facilities will bring to the Group a developable GFA of approximately 50,000 square feet. SOHO 38 translates the metropolitan lifestyle into 79 voguish residential units which are expected to be launched on the market in the second quarter of 2008.

First Street/Second Street, Mid-Levels West

Superstructure construction works are ongoing on the site at First Street/Second Street in Mid-Levels West, which is designated as a joint development residential project with the Urban Renewal Authority. The development will yield 496 residential units and commercial accommodation with a total GFA of approximately 410,000 square feet. This project is slated for completion by the second quarter of 2009.

Tsuen Wan

Construction of the residential and commercial development at Kwok Shui Road, Tsuen Wan progressed further. A total of 548 units over a GFA of approximately 400,000 square feet are planned for this residential project, which is scheduled to be completed in the third quarter of 2009.

863-865 King's Road, North Point, HONG KONG*

* Artist's impression

Ap Lei Chau
Site formation and foundation works progressed as scheduled for this 35%-held joint venture residential project, in which the Group has an attributable GFA share of approximately 320,000 square feet. The project is planned for completion in 2010 and will bring to the market approximately 700 residential units.

863-865 King's Road, North Point
Foundation works are ongoing for this 40%-held joint venture development of a grade-A office tower with a developable GFA of approximately 511,000 square feet. This project is planned to be completed in the fourth quarter of 2010.

Shan Kwong Road/Village Terrace, Happy Valley
Demolition works on the two adjacent sites at No. 20 Shan Kwong Road and No. 1-5 Village Terrace have been completed. With a developable GFA of approximately 220,000 square feet, the sites are earmarked for redevelopment into luxury residential properties. Completion is scheduled for the second quarter of 2011.

Chun Yan Street, Wong Tai Sin
The Group further increased its land bank in Hong Kong through the acquisition of a site at Chun Yan Street, Wong Tai Sin, at a public land auction held in July 2007. The site enjoys excellent public transport connectivity and well-developed infrastructure in a tranquil neighbourhood, making it an ideal location for the development of premier residential and commercial properties. This site is expected to deliver a buildable GFA of approximately 767,000 square feet of residential properties and approximately 153,000 square feet for commercial use. The Group aims to extend its premium brand to this residential project by maintaining its excellent record in property development and management excellence. The project is also expected to benefit from the keen demand for urban core properties in prime locations. This project is planned to be completed in the third quarter of 2011.

Yuk Yat Street, To Kwa Wan
The redevelopment of No. 5 and No. 9 Yuk Yat Street into residential and commercial properties is in the planning phase. The project is expected to deliver a GFA of approximately 163,000 square feet.

Properties under Development in Hong Kong

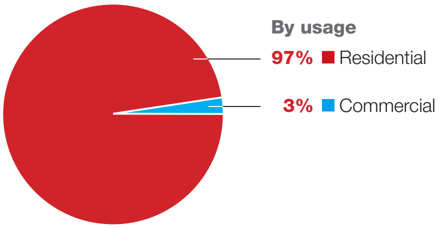
	Total GFA upon completion ('000 square feet)
Residential	2,184
Commercial	229
Office	205
Total GFA upon completion	**2,618**

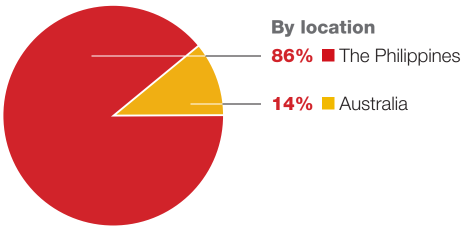
Macau
In July 2007, the Group secured an approximately 40,000 square feet site in Nam Van Lake for the development of a luxury residential apartment building. The site is situated in a prime location enjoying a full unobstructed view of the Nam Van Lake and Macau peninsula. This residential project will yield a developable GFA of approximately 400,000 square feet upon its scheduled completion in the second quarter of 2011.

As for the reclamation project in Macau, the Central Government's approval on the proposed reclamation scheme is expected to come through in the first half of 2008. The finalisation of the land exchange contract with the Macau SAR Government will immediately follow to allow planning and design of the project to commence in the second half of 2008.

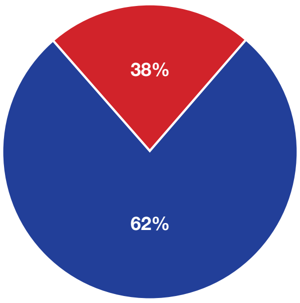
Nam Van Lake, MACAU

OVERSEAS PROPERTIES
3.4 million square feet in attributable GFA

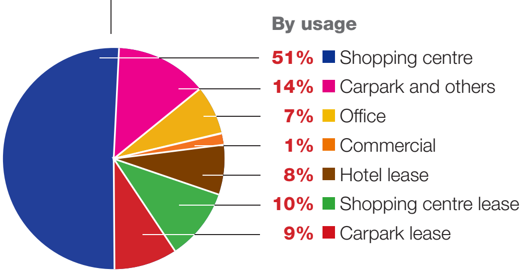


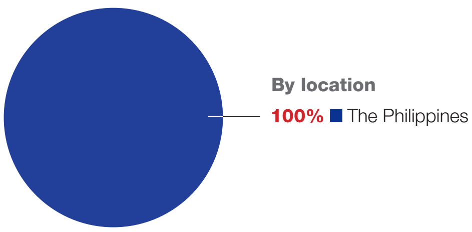


Properties under development
1.3 million square feet in attributable GFA



Investment properties
2.1 million square feet in attributable GFA





OVERSEAS PROPERTY DIVISION

The Group maintains an overseas property portfolio in Australia and the Philippines. During the year to 31 December 2007, this Division reported a net profit after tax of HK$59 million (2006: HK$36 million), a 64% increase year on year.

Overseas Property Portfolio

	Australia	The Philippines ('000 square feet)	Total GFA
Investment Properties			
Hotel lease	-	170	170
Shopping centre lease	-	213	213
Carpark lease	-	187	187
Shopping centre	-	1,054	1,054
Commercial	-	10	10
Office	-	147	147
Carparks and others	-	287	287
Sub-total	**-**	**2,068**	**2,068**
Properties under Development			
Residential	141	1,109	1,250
Commercial	41	-	41
Sub-total	**182**	**1,109**	**1,291**
Total GFA	**182**	**3,177**	**3,359**

Australia

As at the year end, 1,017 units (2006: 922 units) of the Group's 25%-owned Jacksons Landing project were sold, representing 96% of the total of 1,064 units offered for sale. The project is located at the Pyrmont Peninsula in Sydney and covers a site of 12 hectares designated for residential and commercial property development.

Continued

The St. Francis Shangri-La Place, Manila, THE PHILIPPINES*

The Philippines

In the Philippines, the Group's property investments were held through direct and indirect interests in EDSA Properties Holdings, Inc. ("EPHI"). Subsequent to a merger of EPHI with its listed affiliate Kuok Philippine Properties, Inc., as approved by the Securities and Exchange Commission on 25 July 2007, the corporate name of EPHI was changed to Shang Properties, Inc. ("SPI"). With the merger, the Group now maintains an aggregate 65.36% direct and indirect interest in SPI. The merger is expected to bring greater financial strength, a more diversified and stable capital base, increased competitiveness and improved profitability for the new operating entity.

Currently included in the SPI's portfolio are (i) a 78.72% interest in the Shangri-La Plaza Mall, Manila and (ii) indirect interests in The Enterprise Centre, an office and commercial property in Makati, Manila's financial district. The occupancy rates of Shangri-La Plaza Mall and The Enterprise Centre as at the year end were 99% and 99%, respectively (2006: 99% and 97%, respectively).

The Shang Grand Tower, Manila, THE PHILIPPINES

The sustained strong performance of Shangri-La Plaza Mall has enabled the Division to embark on an extension programme to develop an approximately 105,000 square feet adjacent site into an extension of the mall and residential units. This proposed development will yield a total GFA of approximately 1,668,000 square feet, of which approximately 301,000 square feet will be designated as retail space, and approximately 1,367,000 square feet for residential development. Construction works will commence in June 2008 and completion is currently planned for the fourth quarter of 2011.

Also in the SPI development pipeline are (i) The Shang Grand Tower, a residential property project in Makati, Manila, and (ii) The St. Francis Shangri-La Place, also residential development project, in Mandaluyong City, Manila. As at 31 December 2007, all units of The Shang Grand Tower had been sold, while 787 units (2006: 501 units) out of the total of 1,152 residential units at The St. Francis Shangri-La Place were sold ahead of its targeted completion in the first quarter of 2009 for Tower 1 and fourth quarter of 2008 for Tower 2.

* Artist's impression

> “The Group’s ongoing policy is to develop mixed-use property projects, a policy which has yielded a portfolio with a considerable proportion of leased properties.”

OUTLOOK

Mainland China

Mainland China’s Government further enhanced its efforts in 2007 to structure the regulated, healthy and sustainable growth of the real estate market. A number of austerity measures were introduced for the control of the property sector, in a move to rein in speculation in the real estate market and irrational property price hikes. The Group maintains its optimistic outlook for continued economic growth for Mainland China, in particular in the fast-expanding municipalities in developing areas. Factors such as the appreciation of Renminbi, the vast demand within the domestic market, the resultant urban population expansion as urbanisation gathers pace, the scarcity of land, and the rising costs of land and construction will continue to underpin the robust demand in the real estate market.

Meanwhile, the Group is bolstering its land bank in cities with strong economic fundamentals and geographical advantages, such as Hangzhou, Shenyang, Tianjin, Chengdu and Changsha etc. The Group’s ongoing policy is to develop mixed-use property projects, a policy which has yielded a portfolio with a considerable proportion of leased properties. The Group maintains the view that such short-term macro-economic control measures as the tightening of monetary and credit controls, primarily targeting the residential sector, are unlikely to have a significant impact on the Group. On the contrary, it is expected that the Group will be able to identify appropriate development opportunities in the consolidation process under the austerity measures.

The Group is committed to sustaining its development of premium-quality mixed-use projects and luxury residences in central locations in major cities of Mainland China. In maintaining a balanced property portfolio, the Group will, after prudent consideration, continue to seek new land acquisitions in prime locations in Beijing, Shanghai, provincial capital cities and locations with unique characteristics, which offer tremendous growth potential. The Group intends to leverage its long history of experience, expertise and brand equity in property development in Mainland China in order to participate in the evolution of the industry towards higher quality and environmental compatibility. Efforts will also be pledged to further its excellence in project management and quality control, with a view to sustaining its lead in quality property developments.

Hong Kong

The Hong Kong property market saw 2007 as one of its best years in a decade. It is expected that the local market will head into the second phase of a bullish cycle in 2008, as the improved economy and low lending rates encourage both investors and end-users into the property market. At the same time, supply is expected to tighten even further in coming years due to limited land supply.

With home completions and new constructions in 2007 touching a ten-year low, Hong Kong residential property prices are likely to continue their upturn as strong demand accentuates limited supply, and negative interest rates provide a favourable environment for the Hong Kong housing market. Factoring in the anticipated market boom, the Group projects healthy property sales in the years ahead.

The Group also maintains a positive outlook for the grade-A office market, supported by the strength of both the local and the Mainland economies and by growing cross-boundary business activities. Across the board, strong demand from corporate tenants as well as investment activities will fuel the continuing upward trend in office rentals.

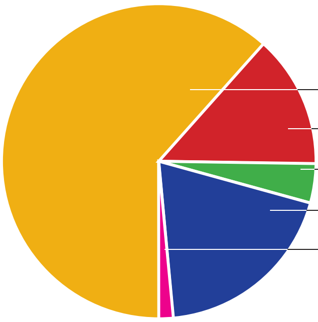
Vibrant job growth, an expanding middle class, increasing retail sales and tourism, and heightened interest from cross-boundary retailers have all converged to result in a continuing uptrend in retail space rentals and high occupancy rates. The Group believes the local retail sector will see continued growth on the strength of favourable economic fundamentals.

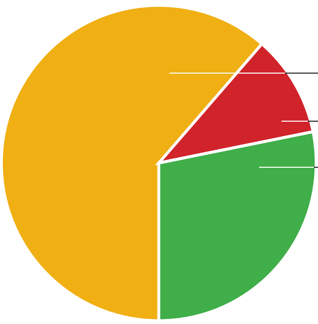
Moving with the market. Looking at geographic diversity.

Electronic Logistics Specialist

PROPERTIES HELD FOR LOGISTICS OPERATIONS

10.3 million square feet in attributable GFA





OVERVIEW

The Logistics Network Division continues to build on its network of logistics hardware and core competences, and is successfully developing its logistics operations in terms of both new business initiatives and on the geographical front. While focusing on the developments in China and the vibrant Asia Pacific region, the Division also provides customers with enhanced regional connections as well as intercontinental links to Europe.

The Division achieved a 22% turnover growth to HK$7,683 million (2006: HK$6,316 million) in the year to 31 December 2007. Net profit attributable to the Group for the year dropped 31% to HK$812 million (2006: HK$1,173 million). The decrease in net profit is due to the inclusion of the gain on disposal of two warehouse properties in Hong Kong in 2006 of HK$169 million and a comparatively mild fair value adjustment on the warehouse properties, logistics centres and buildings this year of HK$260 million (2006: HK$500 million). Excluding the effects of these two, profit for the year attributable to operations increased by 9% to HK$552 million (2006: HK$504 million), made up of (i) HK$218 million (2006: HK$174 million) contributed by warehousing operations in Hong Kong; (ii) HK$113 million (2006: HK$107 million) by logistics operations; and (iii) HK$221 million (2006: HK$223 million) by the Division's logistics investments.

“The consolidation effort since 2005 is yielding synergies between Kerry Logistics and KEAS. To further expand its pan-China network and capability, Kerry Logistics pursues further penetration into 1st-tier and 2nd-tier cities.”

As at the year end, the Division operated a portfolio of warehouses, logistics centres and port facilities with a total GFA of more than 16 million square feet, served by a truck fleet of about 3,500 vehicles, with a range of operations reaching across over 180 cities in 25 countries and supported by a staff strength of over 6,200.

WAREHOUSING OPERATIONS IN HONG KONG

The Division continues to be the market leader in the local warehousing sector, operating a portfolio of 11 warehouses with an aggregate GFA of 6.28 million square feet. Benefiting from a sustained economic rebound as well as the inflationary spiral which have spurred increased stock holdings by vendors and hence demand for storage space, the warehousing operation achieved both higher tariffs and utilisation rates. As at the year end, the Division maintained an overall occupancy rate of 96% (2006: 96%) for its warehouse portfolio in Hong Kong.

During the year under review, the Division recorded a continuous increase in warehouse revenue and profitability. The increase in profit reflected improved rental rates upon renewal of major leasing contracts, and also benefited from reduced interest expenses following the disposal of two non-core warehouses in November 2006.

LOGISTICS OPERATIONS

The Division’s business focus for its logistics operations is in two strategic disciplines: integrated logistics (“IL”) and international freight forwarding (“IFF”). Efforts have been directed towards these two core business components in different markets, albeit on varying scales and to different extents, to leverage local expertise, market conditions and infrastructure.

The Division’s initiatives to mount a China-focused, Asia-based network were taken forward in 2007. The Division aims to build on and exploit its skills, brand equity and network established over the years across Asia Pacific to actively participate in the economic growth of the region.

During the reporting year, the Division’s logistics operations generated turnover of HK$7,243 million (2006: HK$5,543 million) and profit attributable to the Group of HK$137 million (2006: HK$116 million), which represent an increase of 31% and 18% respectively. The turnover growth is mainly due to the increase in business generated in the Division’s operation in Mainland China as well as its active geographical expansion and enhancing sales and marketing capabilities in the European market in 2007. The relatively slight growth in profit when compared with turnover is mainly attributable to the cost incurred in the setting up of new freight forwarding offices in Europe since late 2006.

Retail Shop Delivery

"During the year, Kerry Logistics set up KART as a vehicle for further participation in the new ASEAN logistics market, aiming at becoming the leading ASEAN road transport service provider in the region in two years' time."

Hong Kong

2007 saw the continued growth of the Division's logistics operations in Hong Kong. Revenue generated from the Division's IL and IFF businesses in Hong Kong during the year grew 19% when compared with 2006. During the year, the Division strengthened its leadership in the local logistics market by continuing to work with global clients on a local level with a number of additional major IL contracts secured.

Activities over the year included the incorporation of Kerry FSDA Limited ("KFSDA") in the second half of 2007 to strengthen the Division's existing trading and merchandising capabilities and expand its food supply network beyond Hong Kong. KFSDA will provide a complete supply chain service of food and non-food grocery items to customers from manufacture to final delivery into customers' designated distribution centres for food service and retail sectors.

Value-added services for Retail Clients

China Focus

Kerry EAS Logistics Limited ("KEAS") achieved a 19% turnover growth to HK$3,573 million (2006: HK$3,011 million) for the year ended 31 December 2007. Net profit attributable to the Division before fair value adjustment on properties also increased to HK$71 million (2006: HK$47 million). Included in the net profit of 2007 was a gain on disposal of the non-core shipping business operating under a wholly-owned subsidiary, Eas International Shipping Co., Limited amounting to HK$18 million. Looking into the future, Mainland China is geared to become the biggest revenue contributor for the Division's logistics operations.

To expand the breadth and depth of its pan-China distribution network and capability, the Division has continued to pursue further penetration into 1st-tier and 2nd-tier cities. During the year, offices were established in Lianyungang, Jiangsu Province and Leshan, Sichuan Province.

At the same time, the Division continues to derive steady recurrent income from its hardware investments in Mainland China. The Division maintains nationwide coverage of Mainland China with the operation of a logistics centre portfolio of approximately 3.5 million square feet, of which 1.4 million square feet consist of wholly owned facilities located in Shenzhen Yantian, Shenzhen Futian, Tianjin, Shanghai Waigaoqiao and Beijing. The Division will proceed prudently and with flexibility in the pace of its development of new logistics facilities in Mainland China.

Project Planning

Ongoing efforts have focused on expanding its service scope, exploring new import and export markets, strengthening infrastructure, and honing its information technology ("IT") edge and operational expertise. As China continues to lead the world in terms of trade volume and the cargo movements, the Division has renewed its competitiveness to serve growing demand for pan-China and/or pan-Asia solutions.

Asia Based

During the year, the Division continued to move forward with its active business rollouts in the region. In Southern Asia, the development of the pan-Asia highway and railway that link Southwest China and Southeast Asia is opening up new opportunities for trade among members of the Association of Southeast Asian Nations ("ASEAN"). In response to this development, since late 2006 the Division has been developing road transport routes connecting China with Laos, Thailand, Malaysia and Singapore. In its next move, the Division established an office in Guangxi to open up another land transport route to tap the border trade between Southwest China and Vietnam. These business initiatives were crystallised in August 2007 when the Division set up Kerry Asia Road Transport Limited ("KART") as the vehicle for future participation in the new ASEAN logistics market. Based in Thailand, KART will actively drive this new business effort as the Division fulfils its goal of becoming the leading ASEAN road transport service provider in the region within a period of two years.

With the completion of the berth expansion project at Kerry Siam Seaport, the Division has greatly strengthened its container handling capabilities in Thailand, adding significant value to its existing bulk cargo services. The first container vessel called on Kerry Siam Seaport on 15 September 2007. Ongoing business enhancement efforts have also led to ongoing works to convert two conventional warehouses into modernised distribution centres.

Meanwhile, Vietnam is another growth engine for the Division's regional operations. The Division is operating a warehouse facility of 267,000 square feet at Binh Duong Province at Southern Vietnam near Hochiminh City at the moment and has planned an active programme of business developments over the next few years.

The Division's development in India is spearheaded by its 51%-held Kerry Reliable Logistics Private Limited ("KRL"). KRL engages in IFF business with nationwide coverage supported by seven offices across the Indian sub-continent. The Division is currently consolidating KRL into its overseas agency network, and is further empowering it by integrating its operations with the Division's IT platform.

As Asia Pacific remains the world's strongest economic performer, the Division is confident of continued strong performance in this region which will continue to be driven by developments in Thailand, Vietnam and India, and by its new road transport business initiative through KART.

Continued

Global Network
On the European continent, the Division continues to make the necessary investments in order to maintain and enhance service reliability and capability. 2007 saw the successful completion of the Division's efforts to build a logistics network in Central and Western Europe, with offices being opened in the Czech Republic and France. Going forward, the Division will focus on unleashing the network's sales capability on the continent.

The Division's investments in Europe were centred on opening offices and the IT platform. As regard the former, the establishment of direct representation has led to some discontinuity of businesses previously routed through agents, but this was a necessary move to bolster the sales and marketing capabilities of the European operation. As regard the latter, IT investments have also given the operation a competitive edge and a means of increasing efficiency. In addition, management resources were also put and time spent on the securing of various operating licenses with local authorities. With all these set-up's now in place, the losses incurred by this operation are expected to decline significantly in 2008. The Division will also continue to rationalise the operating structure in various markets.

Win-Win Partnership

Kerry Siam Seaport

LOGISTICS INVESTMENTS

The Division's logistics investments include a 15% interest in Asia Airfreight Terminal ("AAT") and a 25% interest in Chiwan Container Terminal ("CCT"). They continue to contribute steady recurrent earnings to the Group. During the year ended 31 December 2007, the Division's equity share of profits after tax from AAT, CCT and other associated companies remained stable at HK$221 million (2006: HK$223 million).

AAT had additional cargo handling capacity coming on stream with the opening of Terminal 2 at the Hong Kong International Airport in 2007. It announced a tonnage throughput for the year 2007 of 656,463 tonnes, an increase of 5.2% compared with 2006.

CCT also retained rapid growth in container handling in 2007, setting monthly throughput records for four years. During the year it handled 5.73 million TEU, an increase of 14.4% year on year.

“Leveraging its extensive presence in Asia, the Division will continue to strengthen its IL capabilities in strategic markets across Asia Pacific.”

INFORMATION TECHNOLOGY

The Division has continued the development and deployment of the KerrierVISION Supply Chain Visibility product suite since its official launch in April 2007. While new projects were gradually added to the platform, the Division was honoured with the ‘Logistics Award Hong Kong 2007 – Service and Technology Innovation Award’ from the Hong Kong Trade Development Council in September 2007.

Locally, the Electronic Proof of Delivery (“EPOD”) solution went live in Hong Kong. EPOD is an advanced distribution information solution with capabilities including global positioning identification, on-the-spot scanning plus verification, and real-time status update through a general packet radio service (“GPRS”) or Wi-Fi network. Through the web-based EPOD virtual console, customers and internal operations can get the benefit of first-hand delivery status and service-level information for more proactive management.

From the global perspective, the Division initiated the Kerrier Integration Platform (“KIP”) in June 2007 following the division’s direction of global integration set last year. KIP is a centralised data integration and consolidation platform for both internal and external information exchange. It aims to improve operation efficiency through more effective data collaboration between regions, facilitate the information feed to KerrierVISION, enable more electronic commerce with customers, and also support the back-end data warehouse with business intelligence features. At the end of the year, a majority of the regional Freight Management Systems had already been connected to the platform.

In the coming year, supply chain visibility and global integration will continuously be the focus of the Division’s technology development.

OUTLOOK

Looking ahead, the Division is committed to continuous investments in advanced IT that lends visibility to where products are at any time as they move through the supply chain. It also takes innovative thinking to constantly reshape business models and operations in many ways, thriving on the growing demand for supply chain management services brought by the irreversible trend in globalisation.

Demand for distribution and logistics is expected to be strong throughout Asia Pacific. Leveraging its extensive presence in Asia, the Division will continue to strengthen its IL capabilities in strategic markets across Asia Pacific. Growth in the region will also be supported by the Division’s enhanced business portfolio and the performance of KEAS in Mainland China, as well as strengthened logistics capabilities through the KART initiative to fulfil new China-ASEAN demand. To strengthen its infrastructure network in strategic locations, new logistics facilities in Hanoi, Chengdu and Nanjing will be built with total GFA of around 700,000 square feet. The enhanced IL capabilities and competitiveness in the Asian Pacific will serve as a base for the Division to further developing its IFF business on a global scale. Our vision remains “Asia Based, China Focus, Global Network”.

KerrierVISION Supply Chain Visibility System

Healthy Earnings Base. Investing in the Future.

Western Harbour Crossing, HONG KONG

OVERVIEW

The Infrastructure Division is the Group's investment vehicle for a range of infrastructure, environmental protection and utilities-related businesses in Hong Kong and Mainland China. The Division continues to provide a healthy base of recurrent income for the Group. Net profit attributable to the Group from this Division during the year ended 31 December 2007 was approximately HK$43 million (2006: HK$31 million).

Hong Kong

The Division has a 15% interest in the Western Harbour Crossing and a 15% interest in the Cross Harbour Tunnel management contract. These investments contributed shared aggregate net profits of HK$41 million during the year (2006: HK$43 million).

Mainland China

During the year, the Group's 13%-held water treatment project in Hohhot Municipality, Inner Mongolia Autonomous Region provided a shared net profit of HK$4.6 million (2006: HK$0.1 million).

The reporting period witnessed positive development of the Group's 25%-owned REDtone Telecommunications (China) Limited ("REDtone"), which provides discounted international call packages to mobile phone and fixed line subscribers in Shanghai. In addition to its existing discount calls service that caters to the mass market, REDtone has extended its service offerings to upmarket customers through a number of premium service initiatives.

OUTLOOK

The Division will continue to provide a steady source of recurrent income for the Group, and will stay alert to new business opportunities that show viability.

"The Division will continue to provide a steady source of recurrent income for the Group, and will stay alert to new business opportunities that show viability."

"The generation of strong recurrent cashflows from the Group's investment property portfolio, hotel operations and logistics, freight forwarding and warehousing businesses provide the Group with a strong financial position, and enables the Group to reap the benefits of investment opportunities as and when they arise."

The Group has centralised funding for all its operations. This policy achieves better control of treasury operations and lower average cost of funds.

The Group closely reviews and monitors its foreign exchange exposure. As at 31 December 2007, total foreign currency borrowings (excluding Renminbi ("RMB") borrowings) amounted to the equivalence of HK$4,179 million and RMB loans amounted to the equivalence of HK$347 million. Therefore, non-RMB total foreign currency borrowings and RMB loans represented approximately 32% and 3% respectively, of the Group's total borrowings of HK$13,203 million as at 31 December 2007. The Directors consider that the Group's property investments in the PRC would benefit from the recent upward appreciation of the RMB. Furthermore, the upward revaluation of the RMB has a negligible impact on the Group's RMB loans, which only represent a small proportion relative to the Group's total borrowings.

The non-RMB total foreign currency borrowings of HK$4,179 million mainly include the Fixed Rate Bonds amounting to US$420 million (approximately HK$3,254 million (net of direct issue costs)). The Group has arranged cross currency swap contracts amounting to US$417 million to hedge the exchange rate exposure between Hong Kong dollars and United States dollars.

Out of the Group's total borrowings as at 31 December 2007, HK$650 million (representing approximately 5%) was repayable within one year, HK$373 million (representing approximately 3%) was repayable in the second year, HK$8,432 million (representing approximately 64%) was repayable in the third to fifth years and HK$3,748 million (representing approximately 28%) was repayable over five years. The Group continued to maintain most of its borrowings on an unsecured basis, with unsecured debt accounting for approximately 95% of total borrowings as at 31 December 2007. The Group will continue to obtain financing on an unsecured basis whenever possible, and supplement such borrowings with secured project financing as and when the need arises.

As at 31 December 2007, the gearing ratio for the Group was 20.3% (2006: 34.8%), calculated based on net debt of HK$8,933 million and shareholders' equity of HK$44,011 million.

As at 31 December 2007, the Group had outstanding interest rate swap contracts which amounted to HK$5.8 billion in total, enabling the Group to hedge its interest rate exposure and to have a more stable interest rate profile in the next few years.

In terms of the Group's available financial resources as at 31 December 2007, the Group had total undrawn bank loan and overdraft facilities of HK$9,949 million and net cash on hand of HK$4,270 million. In addition, the generation of strong recurrent cashflows from the Group's investment property portfolio, hotel operations and logistics, freight forwarding and warehousing businesses provide the Group with a strong financial position, and enables the Group to reap the benefits of investment opportunities as and when they arise.

On 22 February 2007, Gainlead International Limited, a wholly-owned subsidiary of the Company, issued convertible bonds in the aggregate amount of HK$2,350,000,000 (the "Convertible Bonds"). The Convertible Bonds are zero coupon-based, have a maturity term of five years until 22 February 2012 and are convertible into the Company's ordinary shares at a conversion price of HK$52.65 per share (subject to adjustments). The issuance of the Convertible Bonds provides a flexible and cost-efficient funding opportunity which is in the best interest of the Group. Standard & Poor's awarded the Convertible Bonds with a "BBB-" credit rating.

During the year ended 31 December 2007, an aggregate principal amount of HK$2,379,000,000 of the convertible bonds issued in 2005 has been converted into an aggregate of 91,658,595 ordinary shares of HK$1 each in the Company. The conversion represents 95.2% of the entire issued principal of HK$2,500,000,000.

PARTICULARS OF PROPERTIES HELD

Particulars of major properties held by the Group as at 31 December 2007 are as follows:–

	Property name	Location	Type	Group's attributable interest %	Group's attributable interest Approximate gross floor area (square feet)	Group's attributable interest Approximate no. of carpark spaces	Lease term
Mainland China Properties							
A. Held for investment/Hotel property							
I.	**Held for investment**						
1.	Beijing Kerry Centre	1 Guang Hua Road Chaoyang District Beijing	Office	71.25	711,121		Medium lease
			Residential		277,330		
			Commercial		98,406		
			Carparks		190,806	430	
					1,277,663		
2.	Kerry Everbright City Phase I	218 Tianmu Road West Zhabei District Shanghai	Office	64.35	323,675		Medium lease
			Commercial		286,122		
			Residential		6,333		
			Carparks		85,250	155	
					701,380		
3.	Shanghai Kerry Centre	1515 Nanjing Road West Jing An District Shanghai	Office	74.25	308,584		Medium lease
			Residential		142,355		
			Commercial		103,971		
			Carparks		118,129	180	
					673,039		
4.	Shanghai Central Residences Phase II – Towers 1 and 3	168 and 166 Lane 1038 Huashan Road Changning District Shanghai	Residential	100.00	478,287		Long lease
			Carparks		42,898	213	
					521,185		
5.	Shenzhen Kerry Centre	2008 Renminnan Road Lowu District Shenzhen	Office	100.00	9,910		Medium lease
			Commercial		107,256		
			Carparks and others		142,204	193	
					259,370		
6.	Beijing COFCO Plaza	8 Jianguomennei Avenue Dongcheng District Beijing	Office	15.00	103,544		Medium lease
			Commercial		86,592		
			Carparks and others		3,892	25	
					194,028		
7.	Fuzhou Central Residences	139 Gutian Road Gu Lou District Fuzhou	Commercial	100.00	**63,986**	–	Long lease
8.	Shanghai Trade Square	88 - 128 Siping Road Hongkou District Shanghai	Commercial	55.20	5,358		Medium lease
			Carparks		19,264	48	
					24,622		
9.	International Apartments	88 - 128 Siping Road Hongkou District Shanghai	Commercial	55.20	3,047		Medium lease
			Carparks		12,432	33	
					15,479		
Total Mainland China investment properties					**3,730,752**	**1,277**	
II.	**Hotel Property**						
1.	Beijing Kerry Centre Hotel	1 Guang Hua Road Chaoyang District Beijing	Hotel with Club	71.25	**499,642**	–	Medium lease
Total Mainland China hotel property					**499,642**	**–**	

	Property name	Location	Type	Group's attributable interest %	Approximate gross floor area (square feet)	Approximate site area (square feet)	Stage of completion	Scheduled completion
Mainland China Properties								
B. Under development								
1.	Shenzhen Kerry Plaza Phase I	1 Zhong Xin Si Road Futian CBD Shenzhen	Office	100.00	**807,300**	75,412	Interior finishing work completed	First quarter of 2008
2.	Kerry Everbright City Phases IIa and IIb	Tianmu Road West Zhabei District Shanghai	Residential Office Commercial	64.35	729,344 270,187 30,359 **1,029,890**	235,495	Interior finishing work in progress	In phases to 2008
3.	Beijing Chaoyang Residential Project	Xin Yuan Street Chaoyang District Beijing	Apartment Commercial	71.00	225,834 11,234 **237,068**	70,249	Superstructure work in progress	Fourth quarter of 2008
4.	Hangzhou Residential Project	East to You Che Port South to Hua Feng Road West to Planned Yong Feng Road North to Yong Feng Village Xia Cheng District Hangzhou	Residential Commercial Clubhouse	100.00	2,565,061 96,876 38,212 **2,700,149**	1,125,064	Tendering and schematic design in progress	In phases to 2010
5.	Kerry Centre, Pudong Shanghai	No. 1039 Fangdian Road Adjacent to the Shanghai New International Expo Centre Pudong Shanghai	Office Hotel Commercial Serviced apartment Entrance hall	40.80	406,953 305,966 163,504 154,246 17,567 **1,048,236**	258,672	Piling work in progress	Second quarter of 2010
6.	Yangzhou Complex Development	West of Huan Hu Road North of Wan Chang Xi Road Yangzhou	Hotel Apartment	100.00	730,746 430,485 **1,161,231**	469,138	Foundation work in progress	2010
7.	Shenzhen Kerry Plaza Phase II	Futian Central District Lot No. B117-0004 Shenzhen	Office Commercial	100.00	742,716 107,640 **850,356**	85,044	Project planning	2010
8.	Chengdu Sites 1 and 2 (1)	Dengta Village Lot 8 Huayin Village Lot 10 and Huayin Village Lot 9 Hi-Tech Industrial Development Zone Chengdu	Residential Commercial	100.00 (2)	3,562,303 269,100 **3,831,403**	912,236	Project planning	2010
9.	Chengdu Site 3 (3)	Tong Pai Village Lot 11 Huayin Village Lot 9 Dengta Village Lot 8 and Shuanghe Village Lot 3 Hi-Tech Industrial Development Zone Chengdu	Residential Commercial	55.00	1,213,043 242,610 **1,455,653**	336,957	Project planning	2010
Sub-total					**13,121,286**	**3,568,267**		

Property name	Location	Type	Group's attributable interest %	Approximate gross floor area (square feet)	Approximate site area (square feet)	Stage of completion	Scheduled completion
Mainland China Properties							
B. Under development (continued)							
10. Tianjin Kerry Centre	Junction of Liuwei Road and Liujin Road Hedong District Tianjin	Residential Office Commercial Hotel Serviced apartment	49.00	949,386 706,764 606,551 416,674 116,036 **2,795,411**	454,460	Foundation work in progress	In phases between 2010 and 2011
11. Manzhouli Apartment/ Commercial Project	Liu Dao Street Manzhouli City Inner Mongolia	Apartment Commercial	100.00	844,748 82,689 **927,437**	322,920	External work in progress	In phases to 2011
12. Hangzhou Kerry Centre (4)	Zhejiang University Hubin Campus East to Yan An Road South to Qing Chun Road West to Planned Chang Shou Road North to Hai Er Xiang Xia Cheng District Hangzhou	Commercial Hotel Apartment Office	100.00	1,140,984 430,560 430,560 215,280 **2,217,384**	725,214	Schematic design in progress	In phases to 2011
13. Jing An Kerry Centre (1)	1238 Yanan Zhong Road 1288 Yanan Zhong Road 1537 Nanjing Xi Road 1565 Nanjing Xi Road Jing An District Shanghai	Hotel Office Commercial	51.00	633,894 434,242 334,434 **1,402,570**	252,501	Foundation preparations work in progress	In phases to 2011
14. Kerry Everbright City Phase III	Tianmu Road West Zhabei District Shanghai	Office Hotel	64.35	430,421 276,303 **706,724**	115,384	Project design submission in progress	2011
15. Qinhuangdao Residential Project (4)	Lot No. 253-3 and Lot No. 272-2 Hebei Dao Jie Xi Duan Qinhuangdao	Residential Commercial	100.00 (2)	4,749,077 10,764 **4,759,841**	2,213,554	Project planning	In phases to 2012
16. Shenyang Complex Development (4)	Lot No. 2007-053 No. 8 Golden Corridor 113 Qingnian Da Street Shenhe District Shenyang	Office Residential Apartment Hotel Commercial Exhibition centre	100.00 (2)	4,305,600 3,903,640 2,152,800 1,506,960 1,466,068 215,280 **13,550,348**	1,858,878	Project planning	In phases to 2016
Sub-total				**26,359,715**	**5,942,911**		
Total Mainland China properties under development				**39,481,001**	**9,511,178**		

Notes:

(1) Application for land use certificate in progress.

(2) Pursuant to the framework reorganisation agreement dated 6 December 2007 and the amended agreement dated 20 December 2007 (collectively "Amended Framework Reorganisation Agreement") entered into by the Company, Allgreen Properties Limited ("AG") and Kerry Holdings Limited, the Group's attributable interest in Chengdu Sites 1 and 2, Qinhuangdao Residential Project and Shenyang Complex Development will be reduced to 55%, 60% and 60% respectively. Accordingly, the total GFA of these projects attributable to the Group will be lowered by approximately 9,048,000 square feet. Approvals for the Amended Framework Reorganisation Agreement from independent shareholders of the Company and AG have been obtained as at the date of this annual report.

(3) Confirmation agreement signed on 12 October 2007 and land contract to be signed after the establishment of the joint venture company.

(4) Payment for land use rights in progress.

Property name	Location	Type	Group's attributable interest %	Approximate gross floor area (square feet)	Approximate no. of carpark spaces	Lease term
Mainland China Properties						
C. Completed and held for sale						
1. Shanghai Central Residences Phase II – Tower 2	170 Lane 1038 Huashan Road Changning District Shanghai	Residential	100.00	**158,998**	60	Long lease
2. Arcadia Court	1008 Haitian Road Futian District Shenzhen	Residential Commercial	100.00	5,437 4,608 **10,045**	551	Long lease
3. Fuzhou Central Residences	139 Gutian Road Gu Lou District Fuzhou	Residential	100.00	**4,454**	99	Long lease
4. Shanghai Central Residences – Tower 5	Lane 1038 Huashan Road Changning District Shanghai	Residential	100.00	**1,577**	63	Long lease
Total Mainland China properties completed and held for sale				**175,074**	**773**	
TOTAL MAINLAND CHINA PROPERTY PORTFOLIO				**43,886,469**		

Property name	Location	Type	Group's attributable interest %	Approximate gross floor area (square feet)	Approximate no. of carpark spaces	Lease term
Hong Kong Properties						
A. Held for investment/Hotel property						
I. Held for investment						
(a) Residential						
1. Branksome Grande	3 Tregunter Path Mid-Levels Hong Kong	Residential	100.00	**257,372**	73	Long lease
2. Aigburth	12 Tregunter Path Mid-Levels Hong Kong	Residential	100.00	**204,940**	63	Long lease
3. Branksome Crest	3A Tregunter Path Mid-Levels Hong Kong	Residential	100.00	**153,375**	126	Long lease
4. Belgravia	57 South Bay Road Repulse Bay Hong Kong	Residential	100.00	**122,353**	75	Medium lease
5. Tavistock	10 Tregunter Path Mid-Levels Hong Kong	Residential	100.00	**104,460**	24	Long lease
6. Tregunter Towers 1 & 2	14 Tregunter Path Mid-Levels Hong Kong	Residential	100.00	**31,187**	9	Medium to long lease
7. Gladdon	3 May Road Mid-Levels Hong Kong	Residential	100.00	**2,300**	14	Long lease
Sub-total				**875,987**	**384**	

Continued

	Property name	Location	Type	Group's attributable interest %	Approximate gross floor area (square feet)	Approximate no. of carpark spaces	Lease term
Hong Kong Properties							
A. Held for investment/Hotel property (continued)							
I. Held for investment (continued)							
(b) Commercial/office							
1.	Enterprise Square Five/ MegaBox	38 Wang Chiu Road Kowloon Bay Kowloon	Commercial Office	100.00	1,145,537 [7] 519,316 **1,664,853**	748	Medium lease
2.	Auto Plaza	65 Mody Road Tsimshatsui Kowloon	Commercial	100.00	**106,197**	980	Long lease
3.	Enterprise Square	9 Sheung Yuet Road Kowloon Bay Kowloon	Office Commercial	100.00	62,767 41,242 **104,009**	26	Medium lease
4.	Hollywood Centre	233 Hollywood Road Sheung Wan Hong Kong	Office Commercial	45.00	30,482 10,008 **40,490**	–	Long lease
5.	Harbour Centre	25 Harbour Road Wanchai Hong Kong	Office Commercial	15.00	32,944 [5] 6,135 [6] **39,079**	43	Long lease
6.	Enterprise Square Three	39 Wang Chiu Road Kowloon Bay Kowloon	Commercial	100.00	**19,800**	–	Medium lease
7.	South Seas Centre – various portions	75 Mody Road Tsimshatsui Kowloon	Commercial	100.00	**9,555**	–	Long lease
8.	Belair Monte	3 Ma Sik Road Area 19 Luen Wo Hui Fanling New Territories	Commercial	8.00	**3,820**	–	Medium lease
9.	Wing On Plaza	62 Mody Road Tsimshatsui Kowloon	Commercial	10.00	**2,896**	–	Long lease
Sub-total					**1,990,699**	**1,797**	
Total Hong Kong investment properties					**2,866,686**	**2,181**	
II. Hotel property							
1.	Novotel Century Harbourview [8]	508 Queen's Road West Hong Kong	Hotel	30.00	**37,517**	–	Long lease
Total Hong Kong hotel property					**37,517**	**–**	

Notes:
(5) Being lettable floor area.
(6) Being net floor area.
(7) Included other facility with GFA of approximately 65,000 square feet.
(8) The hotel has been subsequently renamed as Hotel Jen in March 2008.

	Property name	Location	Type	Group's attributable interest %	Approximate gross floor area [9] (square feet)	Approximate site area (square feet)	Stage of completion	Scheduled completion
Hong Kong Properties								
B. Under development								
1.	SOHO 38	38 Shelley Street Mid-Levels Hong Kong	Residential/ Commercial	100.00	**47,420**	4,559	Finishing work in progress	First quarter of 2008
2.	First Street/Second Street Project	First Street/Second Street Sai Ying Pun Hong Kong	Residential/ Commercial	100.00	**409,747**	38,062	Superstructure work in progress	Second quarter of 2009
3.	Tsuen Wan Residential Project	152-160 Kwok Shui Road New Territories	Residential/ Commercial	100.00	**397,988**	78,577	Foundation work completed	Third quarter of 2009
4.	Ap Lei Chau Residential Project	Praya Road Ap Lei Chau Hong Kong	Residential/ Commercial	35.00	**319,663**	63,179	Foundation work in progress	Fourth quarter of 2010
5.	King's Road Project	863-865 King's Road Quarry Bay Hong Kong	Office/ Commercial	40.00	**204,473**	13,631	Foundation work in progress	Fourth quarter of 2010
6.	Shan Kwong Road Project	20 Shan Kwong Road and 1-5 Village Terrace Happy Valley Hong Kong	Residential	71.00	**154,595**	19,805	Demolition work completed	Second quarter of 2011
7.	Wong Tai Sin Project	3 Chun Yan Street Wong Tai Sin Kowloon	Residential/ Commercial	100.00	**920,520**	102,280	Demolition work in progress	Third quarter of 2011
8.	Yuk Yat Street Residential Project	5 and 9 Yuk Yat Street To Kwa Wan Kowloon	Residential/ Commercial	100.00	**163,333**	19,358	Demolition work completed	Note (10)
Total Hong Kong properties under development					**2,617,739**	**339,451**		

	Property name	Location	Type	Group's attributable interest %	Approximate gross floor area (square feet)	Approximate no. of carpark spaces	Lease term
Hong Kong Properties							
C. Completed and held for sale							
1.	15 Homantin Hill	15 Homantin Hill Road Ho Man Tin Kowloon	Residential	100.00	**76,051**	32	Long lease
2.	Enterprise Square Three	39 Wang Chiu Road Kowloon Bay Kowloon	Office	100.00	**20,540**	131	Medium lease
3.	Richwood Park	33 Lo Fai Road Tai Po New Territories	Commercial	50.00	**7,893**	–	Medium lease
Total Hong Kong properties completed and held for sale					**104,484**	**163**	
TOTAL HONG KONG PROPERTY PORTFOLIO					**5,626,426**		

Notes:
(9) Subject to final Hong Kong SAR Government approval plans and documentations.
(10) The development plan is under review.

Continued

Property name	Location	Type	Group's attributable interest %	Approximate gross floor area (square feet)	Approximate site area (square feet)	Stage of completion	Scheduled completion
Macau Properties							
A. Under development							
1. Nam Van Project	Lot C12 Nam Van Lake Macau	Residential	100.00	**397,190**	39,719	Conceptual design in progress	Second quarter of 2011
TOTAL MACAU PROPERTY PORTFOLIO				**397,190** (11)	**39,719**		

Property name	Location	Type	Group's attributable interest %	Approximate gross floor area (square feet)	Approximate no. of carpark spaces	Lease term
Overseas Properties						
A. Held for investment						
1. Land leased to EDSA Shangri-La Hotel	EDSA corner Shaw Blvd. Mandaluyong City Philippines	Hotel lease	65.36 (12)	169,733 (13)	–	Freehold
2. Land leased to Shangri-La Plaza Mall	EDSA corner Shaw Blvd. Mandaluyong City Philippines	Shopping centre lease	65.36 (12)	212,969 (13)	–	Freehold
3. Land for open carparks (14)	EDSA corner Shaw Blvd. Mandaluyong City Philippines	Carparks and others	65.36 (12)	186,873 (13)	141	Freehold
				569,575 (13)		
4. Shangri-La Plaza Mall	EDSA corner Shaw Blvd. Mandaluyong City Philippines	Shopping centre	51.46 (15)	**1,054,474**	325	Freehold
5. The Enterprise Centre	Ayala Avenue cor. Paseo de Roxas Makati City Philippines	Office Commercial Carparks and others	15.37 (16)	146,997 10,012 86,767	181	Freehold
				243,776		
6. Carpark Building	EDSA corner Shaw Blvd. Mandaluyong City Philippines	Carparks	65.36 (12)	**200,558**	466	Freehold
Total overseas investment properties				**2,068,383**	**1,113**	

Notes:
(11) As for the reclamation project in Macau, the Central Government's approval on the proposed reclamation scheme is expected to come through in the first half of 2008. The finalisation of the land exchange contract with the Macau SAR Government will immediately follow to allow planning and design of the project to commence in the second half of 2008.
(12) Including attributable interest of 30.75% held through Philippine Deposit Receipts.
(13) Being site area.
(14) Approximately 105,000 square feet of the site will be developed into residential units and mall which was the extension of Shangri-La Plaza Mall. Construction works will commence in June 2008.
(15) Including attributable interest of 24.21% held through Philippine Deposit Receipts.
(16) Including attributable interest of 7.23% held through Philippine Deposit Receipts.

	Property name	Location	Type	Group's attributable interest %	Approximate gross floor area (square feet)	Approximate site area (square feet)	Stage of completion	Scheduled completion
Overseas Properties								
B.	**Under development**							
1.	Distillery Stage 5a	Bowman Street Jacksons Landing Pyrmont Sydney Australia	Residential	25.00	**18,702**	6,620	Superstructure work in progress	Second quarter of 2008
2.	The St. Francis Shangri-La Place	St. Francis St. corner Internal Road Shangri-La Place Mandaluyong City Philippines	Residential	65.36 (12)	**1,108,651**	43,425	Superstructure work in progress	First quarter of 2009
3.	Distillery Stage 2b	Tambua Street Jacksons Landing Pyrmont Sydney Australia	Residential	25.00	**36,517**	5,118	Basement work in progress	Third quarter of 2009
4.	Distillery Stage 3, 4 & 5b and 21 Harris Street	Bowman Street and Harris Street Jacksons Landing Pyrmont Sydney Australia	Residential Commercial	25.00	85,663 41,711 **127,374**	30,500	Planning and design development stage	In phases up to 2012
	Total overseas properties under development				**1,291,244**	**85,663**		
	TOTAL OVERSEAS PROPERTY PORTFOLIO				**3,359,627**			

	Property name	Location	Type	Group's attributable interest %	Approximate gross floor area (square feet)	Approximate no. of carpark spaces	Lease term
Properties held for logistics operations							
A. Completed warehouses and logistics centres							
1.	Kerry Cargo Centre	55 Wing Kei Road Kwai Chung New Territories	Warehouse Carparks	100.00	1,443,356 547,000 **1,990,356**	777	Medium lease
2.	Kerry TC Warehouse 2	35 Wing Kei Road Kwai Chung New Territories	Warehouse Carparks	100.00	490,942 171,490 **662,432**	262	Medium lease
3.	Kerry TC Warehouse 1	3 Kin Chuen Street Kwai Chung New Territories	Warehouse	100.00	**659,783**	57	Medium lease
4.	Kerry Warehouse (Tsuen Wan)	3 Shing Yiu Street Kwai Chung New Territories	Warehouse	100.00	**591,973**	56	Medium lease
5.	Kerry Warehouse (Chai Wan)	50 Ka Yip Street Chai Wan Hong Kong	Warehouse	100.00	**535,037**	53	Long lease
6.	Kerry Warehouse (Shatin)	36-42 Shan Mei Street Shatin New Territories	Warehouse	100.00	**431,530**	64	Medium lease
7.	Kerry Logistics (Australia) Pty Ltd Adelaide	4 Martin Avenue Gillman Adelaide South Australia 5013	Container terminal Logistics centre	100.00	422,218 92,194 **514,412**	–	Freehold
8.	Kerry Warehouse (Sheung Shui)	2 San Po Street Sheung Shui New Territories	Warehouse	100.00	**356,253**	37	Medium lease
9.	Kerry Hung Kai Warehouse (Cheung Sha Wan)	3 Fat Tseung Street Cheung Sha Wan Kowloon	Warehouse	50.00	**299,115**	29	Medium lease
10.	Kerry Warehouse (Kwai Chung)	4-6 Kwai Tai Road Kwai Chung New Territories	Warehouse	100.00	**286,628**	33	Medium lease
11.	Kerry Warehouse (Fanling 1)	39 On Lok Mun Street On Lok Tsuen Fanling New Territories	Warehouse	100.00	**283,580**	30	Medium lease
12.	Kerry Vietnam Logistics Centre	Warehouses nos. 3-6 Song Than Industrial Zone II Di An District Binh Duong Province Vietnam	Logistics centre	100.00	**267,378**	–	Medium lease
Sub-total					**6,878,477**	**1,398**	

Property name	Location	Type	Group's attributable interest %	Approximate gross floor area (square feet)	Approximate no. of carpark spaces	Lease term
Properties held for logistics operations						
A. Completed warehouses and logistics centres (continued)						
13. Shenzhen Kerry Yantian Port Logistics Centre	Lot No. 26 South Area of Yantian Port Free Trade Zone Shenzhen	Logistics centre	55.00	**255,608**	–	Medium lease
14. Kerry D.G. Warehouse (Kowloon Bay)	7 Kai Hing Road Kowloon Bay Kowloon	Warehouse	100.00	**181,902**	19	Medium lease
15. Kerry Tianjin Logistics Centre	168 Jinbinda Road Baoshui District Tianjin Port Tianjin	Logistics centre	100.00	**172,885**	–	Medium lease
16. Kerry Waigaoqiao Logistics Centre	268 De Lin Road Waigaoqiao Free Trade Zone Shanghai	Logistics centre	100.00	**153,441**	–	Medium lease
17. Beijing Tianzhu Logistics Centre	18 Tianzhu Road Area A Beijing Tianzhu Airport Industrial Zone Shunyi Distict Beijing	Logistics centre	70.00	**138,204**	–	Medium lease
18. Shenzhen Kerry Futian Logistics Centre	15 Tao Hua Road Futian Free Trade Zone Shenzhen	Logistics centre	51.00	**137,015**	–	Medium lease
19. Laem Chabang Logistics Centre	Highway No. 7 (Bypass Laem Chabang) Nong-kham Sub-District Sriracha District Chonburi Province Thailand	Logistics centre	71.00	**128,485**	–	Freehold
20. Kerry BHL Logistics Centre	1 South Road Jia Fourth Ring Road East Beijing	Logistics centre	100.00	**124,147**	–	Medium lease
21. Beijing Shunyi District Logistics Centre	Block 1 to 24 Jinmi Road East Shunyi District Beijing	Logistics centre	70.00	**33,174**	–	Medium lease
Sub-total				**1,324,861**	**19**	
Total completed warehouses and logistics centres				**8,203,338**	**1,417**	

PARTICULARS OF PROPERTIES HELD

Continued

	Property name	Location	Type	Group's attributable interest %	Approximate site area (square feet)	Lease term
Properties held for logistics operations						
B.	**Port facility**					
1.	Kerry Siam Seaport	113/1 Moo 1 Silo Road Tungsukha Sriracha District Chonburi Province Thailand	Port	56.65	**2,007,733**	Freehold
	Total port facility				**2,007,733**	

	Property name	Location	Type	Group's attributable interest %	Approximate gross floor area (square feet)	Approximate no. of carpark spaces	Lease term
Properties held for logistics operations							
C.	**Office property**						
1.	EAS Building	21 Xiao Yun Road Chaoyang District Beijing	Office	70.00	**104,727**	–	Medium lease
	Total office property				**104,727**	**–**	
	TOTAL PORTFOLIO OF PROPERTIES HELD FOR LOGISTICS OPERATIONS				**10,315,798**		

Build on care

Corporate Afforestation Scheme 2007-2009

Corporate responsibility, sustainable development and staff engagement are principles integrated into the Group's management and daily operations. The Group takes pride in its contributions to community programmes to which it can add value, and believes in establishing long-term partnerships with its stakeholders in supporting meaningful projects that can benefit those in need.

The year 2007 saw the Group's participation in an even wider range of community work. Apart from management support for these community programmes, the Group also encourages its staff members to practise volunteerism and participate in charitable events. Only with the full support of its employee team can the Group translate its beliefs into viable policies that work in the best interests of all stakeholders.

The Group's efforts in corporate philanthropy are directed towards environmental protection, community services, charitable donations and caring for people. With the opening of its retail landmark "MegaBox", the Group is now able to utilise this dynamic venue as an additional vehicle for supporting worthwhile society causes.

CARING COMPANY

The Group has been awarded the "Caring Company" logo by the Hong Kong Council of Social Service for five consecutive years, in recognition of good corporate citizenship in the areas of volunteering, employee friendliness, employing the disadvantaged, caring for the environment, mentoring and giving. The Group supports the council's mission to build a caring community spirit through good corporate citizenship and strategic partnerships with business, public and non-profit organisations.

ENVIRONMENTAL PROTECTION

The Group devotes resources towards playing a positive role in the ecological sustainability of the community. An environmental committee was set up in 2005 to steer its green policies, which are stringently applied in day-to-day business operations and internal administration. The Group's green policies guide the development of operational procedures and processes and the responsible management of the environmental impact of property development projects, as well as a constant review of Group-wide strategies.

Green Power Hike
The Group took part in the 14th Green Power Hike held on 3 February 2007. Funds raised were used to develop environmental education in schools and the wider community, to help build a greener future. The Group's 4 members participated in this 50-kilometre hike, and a support team of 15 members was formed to back up and boost morale for their colleagues.

14th Green Power Hike

Wastewi$e Scheme
The Group supports the Environmental Protection Department's Wastewi$e Scheme which encourages Hong Kong businesses to set targets for waste avoidance and minimisation, collection and recycling of recyclable materials, and procurement of recycled products. The award of the Wastewi$e logo to the Group benchmarks its commitment to waste reduction.

Corporate Afforestation Scheme 2007-2009
Staff members of the Group actively participate in this three-year woodland adoption programme. Co-organised by the Agriculture, Fisheries and Conservation Department and the Friends of the Earth (Hong Kong), the programme aims to plant 10,000 seedlings in the site assigned to the Group in one of the country parks in Hong Kong. As a participating company, the Group's staff members will look after the adopted woodland for a period of three years through a series of activities such as tree planting in spring and woodland conservation in autumn.

Corporate Afforestation Scheme 2007-2009

Support of Recycling Initiatives
The Group has responded to the call of the Conservancy Association to businesses and the community to address the waste issue through participating in the Used Clothes Collection for the Environment Campaign. The campaign aims to encourage the re-use of resources and to ease the pressure on existing landfills.

In addition, for the third year in a row, the Group has enrolled the residential properties under its management in the Used Books Recycling Campaign organised by World Vision Hong Kong. The second-hand books donated by the public towards the 2007 campaign were for charity sale to support a secondary school educational project in Shaanxi, Mainland China.

> "The Group's resolve to be a company that makes community services a priority is made possible only with the full support of its staff members."

COMMUNITY SERVICES

The Group's resolve to be a company that makes community services a priority is made possible only with the full support of its staff members. This is achieved by aligning the Group's shared vision in its commitment to the welfare and development of the community with its employees.

Community Chest Corporate Challenge

The Logistics Network Division running team participated in the Community Chest Corporate Challenge's 10-kilometre held on 21 January 2007. The Division's members demonstrated outstanding sportsmanship in helping raise funds to support services for the physically disabled.

Hong Kong Federation of Youth Groups Pull for Charity

The Group was one of the corporate teams taking part in Hong Kong's first-ever Pull for Charity tug-of-war organised by the Hong Kong Federation of Youth Groups on 20 May 2007. Funds raised were used to provide support services for young people who are vulnerable and disadvantaged. The federation aims to help these youngsters face the challenges of growing up by creating an atmosphere conducive to learning and growth and by encouraging them to participate and be creative.

End Child Sexual Abuse Foundation Flag Day

The Logistics Network Division supported the End Child Sexual Abuse Foundation Flag Day held on 15 September 2007 by volunteering its staff members to participate in the event. The foundation's mission is to help shield children from sexual abuse and to raise public awareness of this social problem in Hong Kong. Its services include the provision of sex education for local primary and secondary schools in Hong Kong.

Community Chest Dress Special Day

The Group's members once again gave their full support to the Dress Special Day held on 25 September 2007, making donations towards this worthy cause while enjoying a special day. Funds raised through this event were allocated by the Community Chest of Hong Kong to family and child welfare, rehabilitation and aftercare, and community development services.

Community Chest Skip Lunch Day

Many colleagues supported the Skip Lunch Day held on 7 December 2007, donating their lunch money to support the needy. Funds raised through the event by the Community Chest of Hong Kong were directed towards the provision of services for street sleepers and cage residents.

Sharing of Expertise with the Community

In addition to empowering its employees to offer their resources and time to community service, the Group also shares its expertise with the community for the betterment of the industry and with a view to benefiting the young generation.

The Logistics Network Division partnered with the Hong Kong Institute of Vocational Education in the development of an internship programme, the Workplace Attachment Scheme. It also participated in the China Internship Programme of the Chinese University of Hong Kong.

The Logistics Network Division has also offered its facilities and management resources for the sharing of expertise through a number of trade and government-led industry exchange initiatives. This ongoing effort has seen delegates from the Hong Kong Trade Development Council, Hong Kong Federation of Trade Unions and the Office of the Government Chief Information Officer visiting the Division's facilities and exchanging views on industry issues with Division executives.

Continued

CHARITABLE DONATIONS

In addition to its participation in community services, the Group also pledges financial support of a range of deserving causes through direct donations to individuals and organisations.

Caring for Children

In April 2007, the Australian subsidiary of the Logistics Network Division launched a sponsorship of children in Vietnam and Mainland China, in a move to help break the cycle of child poverty. The Division also encourages its employees to be actively involved by contributing through writing letters and gift giving.

KEAS Xingye Welfare Home for the Aged

The Logistics Network Division has pledged donations towards the overhaul of the KEAS Xingye Welfare Home for the Aged in the Tianzhu Development Zone in Beijing. Works included road reconstruction and the refurbishing of dining and healthcare facilities, with the aim of providing a more comfortable and conveniently accessible home for the elderly. The home was re-opened on 12 June 2007.

Opening ceremony of KEAS Xingye Welfare Home for the Aged

World Heart Day 2007

World Heart Day

The Group was the Gold Patron of World Heart Day held on 30 September 2007 and steered by the Hong Kong College of Cardiology and Tung Wah Group of Hospitals. Their mission is to maintain the highest standards of cardiovascular practice and to work towards the improvement of heart health amongst the people of Hong Kong. 32 employees of the Group and their family members also took part in the Hong Kong sector of the Global Embrace which involved more than one million people in over 100 cities. This annual walkathon is one of World Heart Day's initiatives to promote the health benefits of walking for people of all ages.

The Smith Family's Christmas Appeal

Family Friendly Activities, Daytrip to Ocean Park, HONG KONG

Family Friendly Activities, Hiking and sight-seeing at Wuzhishan, Hainan, MAINLAND CHINA

The Smith Family's Christmas Appeal

Employees of the Logistics Network Division in Australia donated toys and books in November 2007 in support of the Smith Family's Christmas Appeal for disadvantaged kids in Australia. The Smith Family was founded at Christmas 1922 when five businessmen delivered toys to a Sydney orphanage. The Group's logistics operation in Australia is also proud of its staff's contributions towards the support of a wide variety of other community and charity organisations.

Community Chest Corporate and Employee Contribution Programme

The Group continues to support the Corporate and Employee Contribution Programme of the Community Chest of Hong Kong. As part of this corporate initiative, the Group joins hands with its staff members in contributing to the Community Chest through direct donations and by supporting a range of fund raising events.

CARING FOR PEOPLE

Caring for the well-being of its people and employees' families is a continuous area of focus for the Group. Apart from building up its talent pool and leadership strength by rewarding staff performance and creating a fulfilling work environment, the Group also cares for the individual development and well-being of its staff members, and promotes a healthy family life.

Family Friendly

The Group encourages volunteerism among its staff members and welcomes their participation in community events with their family members. Involving team members in the community helps them gain satisfaction and promotes bonding among staff and family members. An extensive range of sports, fun events, staff tournaments, outings and leisure tours were also organised throughout the year for the participation of staff and families.

The Group's caring initiative also includes generous marriage and compassionate leave for staff members.

Continued

Grid Art Oil Painting Campaign, MegaBox, HONG KONG

Individual Development

The personal development of staff members is not restricted to the professional or career arena. The Group encourages its people to maintain a healthy work–life balance through the development of hobbies and volunteering. A range of special-interest courses is offered, along with the allocation of personal study sponsorships for each employee. Staff members who take public examinations are also granted examination leave.

MEGA SUPPORT OF SOCIETY CAUSES

The opening of "MegaBox" in 2007 has given the Group another channel through which to support meaningful causes. During 2007, "MegaBox" contributed to a number of charities through venue sponsorships, visitor donations and joint events. As a client- and community-centred forum, the design of "MegaBox" incorporates the concept of connectivity, not only to facilitate the free flow of visitors within the mall, but also in terms of connecting with the external environment. The design enables "MegaBox" to provide a barrier-free environment to promote social integration.

Mega Gachapon Show, MegaBox, HONG KONG

"MegaBox" delivered some innovative ideas to stage fun-filled events designed to elicit donations from visitors. These included such successful events as the Mega Gachapon Show held in August 2007 and the environment-themed Grid Art Oil Painting Campaign in October 2007, both helping raise funds for the World Wildlife Fund. "MegaBox" also took advantage of festivals to launch and support cause-related marketing efforts, such as staging a rice dumpling charity sale during the Dragon Boat Festival for Helping Hand and a number of Christmas activities and charity sales for ORBIS. The caring spirit was also extended to the elderly as "MegaBox" supported the "Qile" Charity Cakes Sale to raise funds for the Haven of Hope non-subvented elderly care service.

Rice Dumping Charity Sale, MegaBox, HONG KONG

"MegaBox" is a regular venue sponsor for community events including the MSF Day 2007 Campaign Finale of Medecins Sans Frontieres, the Launching Ceremony of Kwun Tong District Anti-Corruption Publicity Project and the ICAC Roving Exhibition of the Independent Commission Against Corruption, the Basic Law Video Production Contest Launching Ceremony of the Home Affairs Bureau of Hong Kong SAR Government, the Inaugural Ceremony of a Barrier-free Community by the Social Service Ministry of Lutheran Hong Kong Church Synod and the Pass-it-on 2007 Gas Station event of the Hong Kong Red Cross.

Pride and joy

2007 ARC Awards – Annual Report Competition

The Group's efforts to achieve business and management excellence, while demonstrating a strong commitment to corporate responsibility and sustainability, were repeatedly recognised by industry and professional associations. The Group takes pride in reporting the major commendations conferred upon it during the course of 2007. It extends its sincere appreciation for this wide-ranging recognition and congratulates its colleagues for their continuing dedication to the Group's mission to serve the best interests of all stakeholders.

PROPERTY DIVISION

Best Employers in China 2007

Beijing Kerry Centre Hotel was named one of the ten "Best Employers in Asia" and "Best Employers in China" 2007 by major human resources consultancy Hewitt Associates in April 2007. The best employers scored excellently in staff engagement by providing career opportunities and displaying a caring approach to people. The Group believes that a highly engaged workforce gives an organisation a strong competitive advantage, and thus takes a long-term approach to building a sustainable team.

2007 Realcomm Digie Award – Extreme Retail Complex

The Group is proud to report that in June 2007, "MegaBox" received the prestigious "2007 Digie Awards" (Commercial Real Estate Digital Innovation Awards) from world-leading real estate conference and exposition organiser Realcomm. "MegaBox" was named the winner in the "Extreme Retail Complex" category which recognises the forward-thinking leaders in commercial real estate who are making the greatest impact through the use of technology and automation. "MegaBox" was singled out as having demonstrated the most advanced and sophisticated marketing centre presentation and advanced use of building automation systems, as well as the greatest use of advanced retail building and technology concepts.

2007 ARC Awards – Annual Report Competition

The Group was presented in September 2007 with an Honors (Financial Data) mention in the 2007 "ARC Awards - Annual Report Competition". This annual competition, and one of the most prestigious financial media events, is organised by MerComm, Inc. It recognises outstanding annual reports around the world with the mission of defining ever-higher standards of excellence in communications.

International Star Award for Quality – Gold Category

The "International Star Award for Quality – Gold Category" was conferred on the Group at the 21st World Quality Commitment Convention held in Paris in October 2007. These annual awards are presented by Business Initiative Directions based on the principles of total quality management in customer satisfaction, communication strategies, leadership, planning and decision-making, human resources and training, and business results.

2007 Realcomm Digie Award

Continued

International Star Award for Quality


Prime Awards for CSR 2007


The Best Brand Enterprise Award 2007

Prime Awards for CSR 2007

The "Prime Awards for CSR 2007" presented to the Group in October 2007 highlights its efforts in fulfilling its corporate duties, in particular in the areas of corporate social responsibility initiatives, community donations, responding to societal needs, being staff and staff family friendly, encouragement of volunteering, partnerships with enterprises who share common values, and sharing of knowledge and expertise with the community.

Prime Awards for CSR 2007

Touch Brands

The "Touch Brands" award conferred on "MegaBox" in December 2007 highlights the ideas, imagination and impact of this lifestyle destination. This annual award organised by East Touch Magazine, following a poll of readers and professional judging by the editorial board, recognises outstanding Hong Kong brands which demonstrate a strong magic touch.

LOGISTICS NETWORK DIVISION

1999-2006 CASS Outstanding Agent in China Award

In the Air Cargo China symposium held in March 2007, Kerry EAS Logistics Limited ("KEAS") was presented with the "1999-2006 CASS Outstanding Performance in China Award" by the International Air Transport Association. The symposium was a major industry event held in Mainland China to foster industry exchanges on CASS developments designed to move the country's air cargo industry towards internationalisation and conformance with industry norms.

The Best Brand Enterprise Award 2007 (Greater China)

In June 2007, Kerry Logistics Network Limited ("KLN") received "The Best Brand Enterprise Award and Corporate Innovation Excellence" in "The Best Brand Enterprise Award 2007 (Greater China)" co-organised by Hong Kong Productivity Council and China Trademark Association. KLN was recognised for its outstanding achievements in the five selection criteria, including corporate development, development strategy, leadership, enterprise innovation and brand management. This award promotes best practices and sets the benchmark for industry players in their pursuit of brand excellence.

“It extends its sincere appreciation for this wide-ranging recognition and congratulates its colleagues for their continuing dedication to the Group’s mission to serve the best interests of all stakeholders.”

China Best Exhibition Agent (Service Quality) 2006

The China Conference Exhibition Annual Award Organising Committee named KEAS as the “China Best Exhibition Agent (Service Quality) 2006” in July 2007, in recognition of its capabilities and service excellence in facilitating the logistics of large-scale exhibitions and conference events.

Logistics Awards Hong Kong 2007

KLN’s excellence and success in the logistics industry was further recognised when it was conferred with the “Outstanding Achievement Award” and the “Service & Technology Innovation Award” in the “Logistics Awards Hong Kong 2007” in September 2007. This award is an initiative led by Hong Kong Trade Development Council (“HKTDC”) with the support of the Hong Kong logistics industry, with the aim of commending the strong leadership skills of local logistics companies. This marked the second time that KLN has received double logistics awards from HKTDC since the first logistics award held in 2005. In particular, the “Outstanding Achievement Award” recognises contributions to the logistics industry and to society, and the “Service & Technology Innovation Award” rewards unique and creative applications of innovation and technology, and enhancement of internal and market performance.

Logistics Awards Hong Kong 2007

Supply Chain Asia Logistics Awards 2007

In November 2007, KLN was awarded the “Project Forwarder of the Year” in the “Supply Chain Asia Logistics Awards 2007” by Supply Chain Asia Magazine. The award is an industry effort in recognising the contribution of logistics companies and supply chain excellence in Asia. KLN was one of the top five finalists in five categories covering different aspects of the logistics industry, including Asian 3PL, Global 3PL, Airfreight Forwarder, Seafreight Forwarder and Project Forwarder. The judging process begins with online nomination by readers and members prior to final judging.

Supply Chain Asia Logistics Awards 2007

CHaINA Awards 2007 – Best 3PL Supply Chain Provider

The Global Supply Chain Council presented its annual “CHaINA Awards” to celebrate best practices and superior achievements that are enabled by supply chain management in China. In the presentation held in November 2007, the award for the “Best 3PL Supply Chain Provider” was presented to KEAS for its innovative distribution solutions provided to its clients all over China. Nominations for this award are driven by leading manufacturers and retailers to recognise the third-party logistics provider who has demonstrated excellence in developing and delivering supply chain solutions and services in China.

AAA Enterprise Credit Evaluation

In the enterprise credit evaluation undertaken by China International Freight Forwarders Association in December 2007, KEAS received an “AAA” credit rating, which is the highest category. The evaluation was the first time the association has ranked freight forwarders in Mainland China in terms of credibility.

Corporate Governance Statement

The Company has always recognized the importance of shareholders' transparency and accountability. It is the belief of the Board that shareholders can maximize their benefits from good corporate governance. Prior to the issuance of Code on Corporate Governance Practices (the "Code") by The Stock Exchange of Hong Kong Limited, the Company has taken the initiative to disclose its corporate governance practices in the annual reports and accounts commencing from the financial year ended 31 December 2000. Essentially, the Code adopts a two-tier approach: (a) code provisions; and (b) recommended best practices, and requires the inclusion of a corporate governance report in a listed issuer's annual report. As far as the Code is concerned, the Company complies with all aspect of the code provisions except for the one regarding the separation of roles of chairman and chief executive officer.

On 19 March 2008, the Company has announced that Mr Wong Siu Kong, Deputy Chairman and Managing Director of the Company, has been re-designated as President & Chief Executive Officer of the Company with effect from 19 March 2008. The purpose of such re-designation of position is to separate the roles of Chairman and President & Chief Executive Officer of the Company by clearly dividing the responsibilities, thus enhancing good corporate governance for the Company. The existing Chairman, Mr Ang Keng Lam, will be responsible for the management of the Board while the President & Chief Executive Officer, Mr Wong Siu Kong, will be responsible for the day-to-day management of the Company's business. Therefore, the Company will be in full compliance with the Code with effect from 19 March 2008.

The following sections set out how the principles under the Code have been complied with by the Company during the financial year ended 31 December 2007.

Focus and Principles	Corporate Governance Practices
1. Directors	
1.1 The Board	1. The Board is responsible for the leadership and control of the Company and oversees the Group's businesses, strategic directions and financial performance. It sets the Company's values and standards and ensures that its obligations to the Company's shareholders are understood and met. To this end, it assumes responsibility for strategy formulation, corporate governance and performance monitoring. The management was delegated authority and responsibility by the Board for the management of the Group within the control and authority framework set by the Board. In addition, the Board has also delegated various responsibilities to the Remuneration Committee, the Audit Committee and the Finance Committee. Further details of these committees are set out in this annual report. 2. The Board has four scheduled meetings a year and meets more frequently as and when required. During the financial year ended 31 December 2007, the Board held four meetings and the attendance record, on a named basis, is set out in the table on page 71 of this annual report. Proposed Board meeting dates for a financial year are agreed in the final Board meeting of the preceding year. 3. Board minutes kept by the Company Secretary are sent to the Directors for records and are open for inspection by the Directors. 4. The Company has arranged appropriate insurance cover for the Directors.

Focus and Principles	Corporate Governance Practices
1.2 Division of Responsibilities	1. The Board has appointed a Chairman who has executive responsibilities and who provides leadership to the Board in terms of establishing policies and business directions. The Chairman ensures that the Board works effectively and discharges its responsibilities, and that all key and appropriate issues are discussed by the Board in a timely manner. The Board also comprises Independent Non-executive Directors who bring strong independent judgement, knowledge and experience to the Board's deliberations. Apart from their appointments as Independent Non-executive Directors, none of them has any form of service contract with the Company or any of its subsidiaries. The Board also comprises a Non-executive Director who brings financial and accounting knowledge and experience to the Board. In addition, each Executive Director is delegated individual responsibility to oversee and monitor the operations of a specific business unit, and to implement the strategies and policies set by the Board. As noted below, the majority of the Audit Committee members and the Remuneration Committee members are Independent Non-executive Directors. This structure ensures that the independence of views and opinions expressed by the Directors at the Audit Committee and Remuneration Committee meetings. 2. Acting as the Chairman of the Board, Mr Ang Keng Lam leads the Board and ensures all Directors are properly briefed on issues to be discussed at Board meetings. Mr Wong Siu Kong, being the President & Chief Executive Officer, is responsible for the day-to-day management of the Company's business. 3. Accordingly, the Board operates in a functional manner with clearly defined objectives, strategies and responsibilities.

Focus and Principles	Corporate Governance Practices
1.3 Board Composition	1. The composition of the Board is stated in the section headed "Corporate Information & Key Dates" of this annual report. 2. The Board members have no financial, business, family or other material/relevant relationships with each other. The Board has a balanced composition and strong independent element. The biographies of the Directors are set out on pages 76 to 78 of this annual report, which demonstrate a diversity of skills, expertise, experience and qualifications. 3. Mr Lau Ling Fai, Herald, who was formerly a partner of PricewaterhouseCoopers (the external auditor of the Company) until his retirement on 30 June 2001, became an Independent Non-executive Director of the Company on 1 December 2003 which was a date falling on two years after his retirement from PricewaterhouseCoopers. 4. The Company has received annual confirmation of independence from the three Independent Non-executive Directors in accordance with Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). The Board has assessed their independence and concluded that all the Independent Non-executive Directors are independent within the definition of the Listing Rules.
1.4 Directors' Appointment, Re-election and Removal	1. Pursuant to the Company's Bye-laws and the Code, each Director shall retire from office no later than the third annual general meeting of the Company after he was last elected or re-elected (i.e. the term of appointment of each Director is effectively three years) and each Director appointed to fill a casual vacancy or as an additional Director is subject to re-election at the next general meeting following his appointment. 2. The Company has not established a nomination committee. New Directors are sought mainly through referrals or internal promotion. In evaluating whether an appointee is suitable to act as a Director of the Company, the Board of Directors will review the independence, experience and skills of the appointee as well as personal ethics, integrity and time commitment of the appointee. Appointment of a new Director requires the unanimous approval of the Board members.

Focus and Principles	Corporate Governance Practices
1.5 Responsibilities of Directors	1. The Directors are continually updated with legal and regulatory developments, business and market changes and development of the Company to facilitate them in discharging their responsibilities. 2. The Independent Non-executive Directors take an active role in Board meetings, contribute to the development of strategies and policies and make sound judgement in various aspects. They will take lead when potential conflicts of interest arise. They are also members of various Board committees and devote sufficient amount of time and attention to the affairs of the Company. Their attendance record, on a named basis, during the financial year ended 31 December 2007 is set out in the table on page 71 of this annual report. 3. The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules as the code for securities transactions by Directors of the Company (the "Securities Dealing Code"). The Directors have confirmed compliance with the required standards set out in the Securities Dealing Code throughout the financial year ended 31 December 2007 and for the period up to the latest practicable date prior to the publication of this annual report.
1.6 Supply of and Access to Information	1. All Directors receive a regular supply of information about the business activities, financial highlights and operations review of the Group so that they are up-to-date and are well-informed prior to participation in Board meetings. 2. The Board members are supplied with comprehensive board papers and relevant materials within a reasonable period of time in advance of the intended meeting date (in any event no less than 3 days before the date of the meeting), including business and financial reports covering the Group's principal business activities. 3. To facilitate the decision-making process, the Directors are free to have access to the management for enquiries and to obtain further information, when required. 4. All Directors have unrestricted access to the advice and services of the Company Secretary, who ensures that the Board receives appropriate and timely information for its decision-making and that Board procedures are being followed. The Directors can obtain independent professional advice at the Company's expense.

Focus and Principles	Corporate Governance Practices
2. Remuneration of Directors	
2.1 Remuneration Committee	The Remuneration Committee met once during the financial year ended 31 December 2007 and the attendance record, on a named basis, is set out in the table on page 71 of this annual report. Details of the Remuneration Committee and the work performed by it during the year are set out in the section headed "Remuneration Committee Report" on page 73 of this annual report.
2.2 Remuneration Package for Executive Directors	1. The remuneration for the Executive Directors comprises basic salary, discretionary bonus, pensions and share options. 2. Salaries are reviewed annually. Salary increases are made where the Remuneration Committee believes that adjustments are appropriate to reflect the performance, contribution and increased responsibilities of each Executive Director and/or by reference to market/sector trends. 3. In addition to basic salary, Executive Directors and employees of the Company and its subsidiaries are eligible to receive a discretionary bonus taking into consideration factors such as market conditions as well as corporate and individual performances. 4. As part of the compensation of the Executive Directors and in order to attract, retain and motivate executives and key employees serving any members of the Group or other persons contributing to the Group, the Company has adopted an executive share option scheme (the "1997 Share Option Scheme") (which was terminated on 17 April 2002 to the effect that no further options shall be offered) and a new share option scheme (the "2002 Share Option Scheme"). Such incentive schemes enable the eligible persons to obtain an ownership interest in the Company and thus will motivate them to optimize their contributions to the Group. 5. Details of the amount of Directors' emoluments during the financial year ended 31 December 2007 are set out in note 13(b) to the financial statements of this annual report. Details of the 1997 Share Option Scheme and the 2002 Share Option Scheme by the Company are set out in the Directors' Report and note 34 to the financial statements of this annual report.

3. Accountability and Audit

3.1 Financial Reporting

1. The Board is responsible for the preparation of the financial statements. In preparing the financial statements, the generally accepted accounting standards in Hong Kong have been adopted, appropriate accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made. The external auditor has a primary responsibility for auditing and reporting on the financial statements and the Auditor's Report to the shareholders is included in this annual report.

2. Towards the end of 2007, the Board has reviewed the financial projections of the Group in respect of the five financial years ending 31 December 2012. On the basis of this review, the Board is not aware of any material uncertainties relating to events or conditions which may cast significant doubt over the Group's ability to continue as a going concern. Accordingly, the Board has continued to adopt the going concern basis in preparing the financial statements.

3.2 Internal Controls

Details on the Group's internal control framework and the Board's process to evaluate the Group's system of internal controls are set out in the section headed "Internal Controls" on page 74 of this annual report.

3.3 Audit Committee

The Audit Committee met four times during the financial year ended 31 December 2007 and the attendance record, on a named basis, are set out in the table on page 71 of this annual report. Details of the Audit Committee and the work performed by it during the year are set out in the section headed "Audit Committee Report" on page 72 of this annual report.

3.4 Auditors' Remuneration

During the financial year ended 31 December 2007, the fees paid/payable to the auditors in respect of audit and non-audit services provided by the auditors to the Group were as follows:–

Nature of services	Amount HK$'000
Audit services	11,733
Non-audit services	
(i) Tax services	1,476
(ii) Other services	1,250

Focus and Principles	Corporate Governance Practices

4. Delegation by the Board

4.1 Management Functions	The day-to-day running of the Company is delegated to the management, with divisional heads responsible for different aspects of the Group's businesses.
4.2 Board Committees	In addition to delegating specific responsibilities to the Audit Committee (see paragraph 3.3 above) and the Remuneration Committee (see paragraph 2 above), the Board established the Finance Committee in August 1996 with delegated authority for reviewing and approving certain financial matters of the Group. Currently, the Finance Committee comprises the Chairman, the President & Chief Executive Officer and an Executive Director of the Company, and it deals with matters such as the investment of surplus funds, undertakings, determination and approval of investment acquisitions and disposals with amounts not exceeding HK$1 billion, arrangement of banking facilities and approval of guarantees and indemnities within designated limits.
4.3 Executive Committee	The Executive Committee of the Board meets once a month and operates as a general management committee. The Executive Committee meets to discuss the corporate and development strategies of the Company. The members of the Executive Committee comprise all the Executive Directors of the Company.

5. Communication with Shareholders

5.1 Investor Relations	<u>Communication channels</u> In order to develop and maintain a continuing investors' relationship programme with the Company's shareholders, the Company has established various channels of communication with its shareholders:– (i) Shareholders can raise any comments on the performance and future directions of the Company with the Directors at the annual general meeting. (ii) Press and analysts' conferences are held twice a year in relation to the interim and final results announcements, at which the Executive Directors are available to answer questions regarding the Group's operational and financial performances. (iii) The Company also avails itself of opportunities to communicate and explain its strategies to shareholders and the investor community, through active participation at investors' conferences and regular meetings with financial analysts, fund managers and potential investors. In particular, the Company participated in a number of roadshows and investors' conferences organized by various investment banks during 2007, as a move to enhance the Group's relationship with the investor community and its understanding of the Group's operations and developments.

Set out below are the roadshows and investors' conferences in which the Group had participated during the year ended 31 December 2007:–

Date	Event	Organiser	Venue
April 2007	Citigroup Asia Pacific Property Conference	Citigroup	Singapore
May 2007	JP Morgan Non-Deal Roadshow	JP Morgan	Hong Kong
June 2007	Asia Pacific Regional Real Estate Conference	JP Morgan	Bangkok
June 2007	Asian Investor Conference Products	KBC Financial	Hong Kong
July 2007	Credit Suisse Non-Deal Roadshow	Credit Suisse	New York/ Boston/ Los Angeles/ San Francisco
November 2007	Morgan Stanley Asia Pacific Summit 2007	Morgan Stanley	Singapore

The Group plans to continue to enhance its investors' relationship by participating in future roadshows and conferences.

(iv) The Company's website at www.kerryprops.com contains important corporate information, biographical details of Directors and senior management, organization structure, annual and interim reports, major historical developments with comprehensive and user-friendly information about the Group, as well as announcements and circulars issued by the Company in order to enable the Company's shareholders and the investor community to have timely access to updated information about the Group.

(v) Shareholders and members of the investor community are welcome to raise enquiries through our Corporate Communications Department, whose contact details are available in the Company's website www.kerryprops.com and as stated in the section headed "Corporate Information & Key Dates" of this annual report.

General meetings

1. The general meeting provides a forum for the Board to communicate with the shareholders of the Company. Shareholders holding not less than one-tenth of the paid-up capital of the Company may deposit a requisition to convene a special general meeting and state the purpose therefor at the Company's registered office in Bermuda at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda.

2. To facilitate enforcement of shareholders' rights, significant issues are dealt with under separate resolutions at general meetings.

Focus and Principles	Corporate Governance Practices

5.1 Investor Relations (Continued)

3. The Board is available at annual general meetings to answer questions raised by shareholders or other parties. The chairman of the Company's independent board committee (if any) is also present to answer questions at any general meeting which is convened to approve a connected transaction or any other transaction that is subject to independent shareholders' approval.

4. The 2007 annual general meeting of the Company was held on 3 May 2007 at Island Ballroom, Level 5, Island Shangri-La Hotel, Pacific Place, Supreme Court Road, Central, Hong Kong. The following resolutions were passed at the meeting:–

   (a) To adopt the audited financial statements and the reports of the directors and the auditor for the financial year ended 31 December 2006;

   (b) To declare a final dividend for the financial year ended 31 December 2006;

   (c) To re-elect Messrs. Ma Wing Kai, William and Lau Ling Fai, Herald, the retiring Directors;

   (d) To fix Directors' fees;

   (e) To re-appoint PricewaterhouseCoopers as auditor and to authorise the Directors of the Company to fix its remuneration;

   (f) (i) To grant a general mandate to the Directors of the Company to allot, issue and deal with additional shares not exceeding 20% of the issued share capital of the Company as at the date of passing the resolution;

   (ii) To grant a general mandate to the Directors of the Company to repurchase shares in the share capital of the Company not exceeding 10% of the issued share capital of the Company as at the date of passing the resolution; and

   (iii) To extend, conditional upon the above resolution No. (f)(ii) being duly passed, the general mandate to allot shares by adding aggregate nominal amount of the repurchased shares to the 20% general mandate.

5. Voting by poll – Procedures and requirements

   The Company follows the requirements under the Listing Rules by disclosing in its circulars convening a general meeting the procedures for and the rights of shareholders to demand a poll in compliance with Rule 13.39(4).

In accordance with Bye-law 70 of the Company's Bye-laws, a resolution put to the vote of a general meeting shall be decided on a show of hands, but a poll may be demanded (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll):–

(i) by the Chairman of the meeting; or

(ii) by at least three shareholders present in person or by duly authorised corporate representative or by proxy for the time being entitled to vote at the meeting; or

(iii) by any shareholder or shareholders present in person or by duly authorised corporate representative or by proxy and representing not less than one-tenth of the total voting rights of all the shareholders having the right to vote at the meeting; or

(iv) by any shareholder or shareholders present in person or by duly authorised corporate representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

In addition, according to Bye-law 70A of the Company's Bye-laws, notwithstanding any other provisions of the Company's Bye-laws:–

(a) if the aggregate proxies held by (i) the Chairman of a particular meeting, and (ii) the Directors, account for 5% or more of the total voting rights at that meeting, and

(b) if on a show of hands in respect of any resolution, the shareholders at the meeting vote in the opposite manner to that instructed in the proxies referred to in (a) above,

the Chairman of the meeting and/or any Director holding the proxies referred to above shall demand a poll. However, if it is apparent from the total proxies held by the persons referred to in (a) above that a vote taken on a poll will not reverse the vote taken on a show of hands, then no poll shall be required.

Focus and Principles | **Corporate Governance Practices**

5.2 Shareholder Information

An analysis of the shareholders of the Company as at 31 December 2007 based on the registers of members of the Company is as follows:–

(Bermuda principal and Hong Kong branch registers)				
As at 31 December 2007	**Shareholders**		**Shares of HK$1 each**	
Number of Shares Held	**Number**	**% of total**	**Number**	**% of total**
1-500	61	19.12%	12,384	0.00%
501-2,000	97	30.41%	118,697	0.01%
2,001-5,000	52	16.30%	182,404	0.01%
5,001-20,000	49	15.36%	520,419	0.04%
20,001-50,000	17	5.33%	515,292	0.04%
50,001-100,000	10	3.14%	644,536	0.04%
100,001-200,000	8	2.51%	1,120,250	0.08%
200,001-500,000	6	1.88%	1,726,024	0.12%
500,001-1,000,000	5	1.57%	3,460,430	0.24%
1,000,001-2,000,000	4	1.25%	5,578,320	0.39%
2,000,001-5,000,000	4	1.25%	14,801,443	1.04%
Over 5,000,000	6	1.88%	1,395,597,847	97.99%
	319	**100%**	**1,424,278,046**	**100%**
Geographical Distribution				
(a) Asia				
Hong Kong	284	89.03%	1,417,261,147	99.51%
Malaysia	14	4.39%	6,539,339	0.46%
Singapore	8	2.51%	258,827	0.02%
Thailand	1	0.31%	2,031	0.00%
Philippines	1	0.31%	19,941	0.00%
PRC	3	0.95%	84,061	0.01%
Indonesia	1	0.31%	63,539	0.00%
(b) Australasia				
Australia	3	0.95%	18,128	0.00%
(c) Europe				
Isle of Man, British Isles	1	0.31%	14,279	0.00%
United Kingdom	1	0.31%	109	0.00%
(d) America				
Canada	1	0.31%	15,645	0.00%
United States of America	1	0.31%	1,000	0.00%
	319	**100%**	**1,424,278,046**	**100%**

5.3 Other Relevant Information

Key corporate dates for the financial year ending 31 December 2008 and the Company's market capitalization as at 31 December 2007 are set out in the sections headed "Corporate Information & Key Dates" and "Financial Highlights" of this annual report, respectively.

ATTENDANCE RECORD AT BOARD MEETINGS

during the financial year ended 31 December 2007

Name of Director	Date of Board Meeting 22 March	6 June	14 September	7 December
Ang Keng Lam+	Y	Y	Y	Y
Wong Siu Kong+	Y	N	Y	Y
Ho Shut Kan+	Y	Y	Y	Y
Ma Wing Kai, William+	Y	Y	Y	Y
Chan Wai Ming, William *(appointed on 13 September 2007)*	N/A	N/A	Y	Y
Qian Shaohua *(appointed on 13 September 2007)*	N/A	N/A	Y	Y
William Winship Flanz#	Y	Y	Y	Y
Ku Moon Lun# *(appointed on 3 May 2007)*	N/A	Y	Y	Y
Lau Ling Fai, Herald#	Y	Y	Y	Y
Christopher Roger Moss, O.B.E.# *(retired on 3 May 2007)*	Y	N/A	N/A	N/A
Tse Kai Chi@	Y	Y	Y	Y
TOTAL	**8**	**8**	**10**	**10**
PRESENT	**8 (100%)**	**7 (88%)**	**10 (100%)**	**10 (100%)**
AVERAGE FOR THE YEAR				**97%**

ATTENDANCE RECORD AT AUDIT COMMITTEE MEETINGS

during the financial year ended 31 December 2007

Name of Director	Date of Audit Committee Meeting 15 March	1 June	7 September	28 November
Ku Moon Lun# *(appointed on 3 May 2007)*	N/A	Y	Y	Y
Lau Ling Fai, Herald#	Y	Y	Y	Y
Christopher Roger Moss, O.B.E.# *(retired on 3 May 2007)*	Y	N/A	N/A	N/A
Tse Kai Chi@	Y	Y	Y	Y
TOTAL	**3**	**3**	**3**	**3**
PRESENT	**3 (100%)**	**3 (100%)**	**3 (100%)**	**3 (100%)**
AVERAGE FOR THE YEAR				**100%**

ATTENDANCE RECORD AT REMUNERATION COMMITTEE MEETING

during the financial year ended 31 December 2007

Name of Director	Date of Remuneration Committee Meeting 26 January
Ang Keng Lam+	Y
Wong Siu Kong+	Y
William Winship Flanz#	Y
Ku Moon Lun# *(appointed on 3 May 2007)*	N/A
Lau Ling Fai, Herald#	Y
Christopher Roger Moss, O.B.E.# *(retired on 3 May 2007)*	Y
TOTAL	**5**
PRESENT	**5 (100%)**
AVERAGE FOR THE YEAR	**100%**

Y = Attendance
N = No attendance
N/A = Not applicable

+ *Executive Director*
# *Independent Non-executive Director*
@ *Non-executive Director*

AUDIT COMMITTEE REPORT

The Audit Committee of the Board was established in December 1998 and currently comprises two Independent Non-executive Directors and the Non-executive Director of the Company, who among themselves possess a wealth of financial and accounting experience in the accounting profession, finance and commercial sectors. The list of members of the Audit Committee can be found in the section headed "Corporate Information & Key Dates" of this annual report.

The Audit Committee operates pursuant to written terms of reference that is available on the Company's website at www.kerryprops.com. In general, the Audit Committee is responsible for assisting the Board in discharging its responsibilities in monitoring the integrity of the Group's financial reporting process, the financial statements and reports of the Company, the effectiveness of the Group's system of internal controls, the performance of the Group's internal audit function, as well as arrangements with external auditor.

In discharging its responsibilities, set out below is a summary of the work performed by the Audit Committee during the financial year ended 31 December 2007:

(i) The Audit Committee reviewed the draft annual and interim financial statements and the draft results announcements of the Company, focusing on main areas of judgement, consistency of and changes in accounting policies and adequacy of information disclosure prior to recommending them to the Board for approval.

(ii) The Audit Committee reviewed, in conjunction with the external auditor, the developments of accounting standards and assessed their potential impacts on the Group's financial statements.

(iii) The Audit Committee assessed the independence of the Company's external auditor, prior to formally engaging the external auditor to carry out the audit for the Company's financial statements for the year ended 31 December 2007.

(iv) Prior to the actual commencement of the audit, the Audit Committee discussed the proposed scope of work and approach of the audit with the external auditor. Upon completion of the audit, the Audit Committee reviewed the results of the external audit, and discussed with the external auditor on any significant findings and audit issues.

(v) The Audit Committee recommended to the Board regarding the appointment and remuneration of the external auditor.

(vi) The Audit Committee reviewed and approved the internal audit programme, reviewed the internal audit reports and discussed any significant issues with the internal audit team and the Group's senior management.

(vii) The Audit Committee reviewed the independence of the internal audit function and the level of support and co-operation given by the Group's management to the internal audit team, as well as the resources of the internal audit team when undertaking its duties and responsibilities.

(viii) The Audit Committee reviewed the adequacy and effectiveness of the Group's systems of internal controls, through a review of the work undertaken by the Group's internal and external auditor, written representations by the senior management of each of the Group's business divisions and discussions with the Board.

During the financial year ended 31 December 2007, the Audit Committee met four times and the Audit Committee also conducted meetings with the Group's senior management, the external auditor and the internal audit team from time to time. Minutes of the Audit Committee Meetings are documented and circulated to the Board for information. The Audit Committee also reports and presents its findings and makes recommendations for consideration and discussion at Board meetings.

On 7 March 2008, the Audit Committee also reviewed the financial statements of the Group for the year ended 31 December 2007 prior to recommending them to the Board for approval.

MEMBERS OF THE AUDIT COMMITTEE
LAU Ling Fai, Herald (Chairman)
KU Moon Lun *(appointed on 3 May 2007)*
TSE Kai Chi
Christopher Roger MOSS, O.B.E.
(retired on 3 May 2007)

Hong Kong, 19 March 2008

The Company established the Remuneration Committee in February 1997 with the Independent Non-executive Directors constituting the majority of the committee. The chairman of the Remuneration Committee is the Chairman of the Board and the other members comprise the President & Chief Executive Officer of the Board and all the three Independent Non-executive Directors of the Company. The list of members of the Remuneration Committee can be found in the section headed "Corporate Information & Key Dates" of this annual report.

The Remuneration Committee operates pursuant to written terms of reference that is published at the Company's website www.kerryprops.com. The primary responsibilities of the Remuneration Committee are, *inter alia*, the recommendations on the Company's policies and structure for all the remuneration of the Executive Directors, the proposal of the specific remuneration packages of the Executive Directors and the recommendation on the remuneration of the Non-executive Directors for the Board's approval. The Remuneration Committee also administers and makes determinations with respect to the Company's share option scheme. When the remuneration package of an individual Director is under review, such Director will abstain from voting.

During the financial year ended 31 December 2007, the Remuneration Committee met once with all its recommendations approved by the Board. The Remuneration Committee performed the following work:

(i) The Remuneration Committee reviewed the salaries, housing allowances and pension contributions of the Executive Directors for the financial year ended 31 December 2007, prior to recommending them to the Board for approval.

(ii) The Remuneration Committee reviewed and recommended to the Board for approval the payment of bonuses to the Executive Directors of the Company, which amounted to HK$63,670,000 in respect of the financial year ended 31 December 2006.

(iii) The Remuneration Committee also considered and gave regard to the proposed remuneration packages of the Executive Directors, and proposed that no share options were granted to the Executive Directors in respect of their services for the financial year ended 31 December 2006.

During the year, the Board approved all the recommendations of the Remuneration Committee.

MEMBERS OF THE REMUNERATION COMMITTEE
ANG Keng Lam (Chairman)
WONG Siu Kong
William Winship FLANZ
KU Moon Lun *(appointed on 3 May 2007)*
LAU Ling Fai, Herald
Christopher Roger MOSS, O.B.E.
(retired on 3 May 2007)

Hong Kong, 19 March 2008

INTERNAL CONTROLS

The Board is responsible for maintaining and reviewing the effectiveness of the Group's system of internal controls. The internal controls are designed to meet the Group's particular needs and to minimise the risks to which the Group is exposed, and are designed to manage rather than eliminate the risks to achieve business objective and can only provide reasonable and not absolute assurance against misstatements or losses. The Group's internal control framework covers (i) the setting of objectives, budgets and targets; (ii) the establishment of regular reporting of financial information, in particular, the tracking of deviations between actual performances and budgets/targets; (iii) the delegation of authority; and (iv) the establishment of clear lines of accountability.

Strategies and objectives of the Group as a whole are determined by the Board. Budgets are prepared annually and financial projections of the Group over a period of the next five years are also prepared and reviewed by the Board. In implementing these strategies and achieving these objectives, each Executive Director has specific responsibilities for monitoring the conduct and operations of individual business units within the Group. This includes the review and approval of business strategies and plans, the setting of business-related performance targets as well as the design and implementation of internal controls.

Monthly financial information is provided to the Executive Directors. Variance analysis between actual performances and targets are prepared and documented in the Board paper, for discussions at Board Meetings with explanations noted for any material variances and deviations between actual performances and budgets/targets. This helps the Board and the Group's management to monitor the Group's business operations and to plan on a prudent and timely basis. Other regular and ad hoc reports will also be prepared for the Board and its various committees, to ensure that the Directors are supplied with all the requested information in a timely and appropriate manner.

To allow for delegation of authority as well as to enhance segregation of duties and accountability, a clear organisational structure exists which details different levels of authority and control responsibilities within each business unit of the Group. Certain specific matters are reserved for the Board's decision and are not delegated. These include, amongst others, the approval of annual and interim results, annual budgets, capital structure, declaration of dividends, material acquisitions, disposals and capital expenditure, Board structure and its composition and succession.

In order to better review and evaluate the adequacy and effectiveness of the Group's existing system of internal controls, an internal self-assessment and certification process was formulated during the financial year ended 31 December 2007. Under this process, each division of the Group was requested to assess the effectiveness of their fundamental operating controls over all aspects of their operations, financial controls, risk management controls and contingency measures. Each division of the Group then submitted to the Audit Committee a written report on the adequacy and effectiveness of its internal controls, which were discussed at the Audit Committee Meeting of 7 September 2007.

In addition to the above, the Board also monitors its internal controls through a programme of internal audits. The internal audit team reviews the major operational, financial and risk management controls of the Group on a continuing basis, and aims to cover all major operations of the Group on a rotational basis. The scope of review and the audit programme of the internal audit team, which are formulated based on a risk assessment approach and focuses on areas with relatively higher perceived risks, are approved by the Audit Committee at the end of the preceding financial year in conjunction with the Company's senior management. During its visits, the internal audit team will also verify the responses as noted in the self-assessment exercise and ensure that appropriate controls are in place and any deficiencies or irregularities (if any) are rectified.

The internal audit function reports directly to the Audit Committee. Accordingly, regular internal audit reports are circulated to the Audit Committee members, the Chief Financial Officer and the external auditor for their review in accordance with the approved internal audit programme.

DIRECTORS AND SENIOR MANAGEMENT

Seated (from left to right): Mr MA Wing Kai, William, Mr WONG Siu Kong, Mr ANG Keng Lam, Mr HO Shut Kan
Standing (from left to right): Mr CHAN Wai Ming, William, Mr TSE Kai Chi, Mr LAU Ling Fai, Herald, Mr William Winship FLANZ, Mr KU Moon Lun, Mr QIAN Shaohua

EXECUTIVE DIRECTORS

Mr ANG Keng Lam, aged 61, is the Chairman of the Board. Prior to his election as the Chairman of the Board on 1 August 2003, Mr Ang was the Deputy Chairman of the Board and a Joint Managing Director of the Company from August 1999 to July 2003 and from May 1996 to July 2003, respectively. Mr Ang is also a director of Kerry Holdings Limited, the immediate holding company of the Company. In addition, Mr Ang is the chairman of China World Trade Center Co., Ltd. which is listed on the Shanghai Stock Exchange and a non-executive director of Allgreen Properties Limited which is listed on the Singapore Exchange Securities Trading Limited. He is also a member of the National Committee of the Chinese People's Political Consultative Conference and the chairman of a number of the Group's companies in the PRC. Mr Ang has been a senior executive of the Kuok Group since 1976 and has been responsible for the planning and development of many Kuok Group projects, including Heng Fa Chuen in Hong Kong and the China World Trade Center in Beijing. He attended the University of Western Australia, where he gained his Bachelor's degree in Civil Engineering and the University of Toronto, where he obtained a Master's degree in Business Administration. Mr Ang also attended and completed the International Advanced Management Program at Harvard Business School in November 1998.

Mr WONG Siu Kong, aged 56, is the President & Chief Executive Officer of the Company. Mr Wong has been an Executive Director of the Company since May 1996. He was a Joint Managing Director of the Company from June 1999 to July 2003. On 1 August 2003, he was elected as the Deputy Chairman of the Board and the Managing Director of the Company and subsequently re-designated as President & Chief Executive Officer on 19 March 2008. Mr Wong is a director of Kerry Holdings Limited, the immediate holding company of the Company and a director of Kuok (Singapore) Limited. He is also a director of China World Trade Center Co., Ltd. which is listed on the Shanghai Stock Exchange. In addition, Mr Wong is the chairman and the managing director of Hong Kong Shanghai Development Co Ltd. and the chairman of a number of the Group's companies in the PRC. He joined the Kuok Group in 1991 with responsibilities for the Group's developments in the Mainland China. Mr Wong was graduated from the South China Normal University in the PRC.

Mr HO Shut Kan, aged 59, has been an Executive Director of the Company since May 1998. Mr Ho is an executive director of Kerry Properties (H.K.) Limited, the principal Hong Kong property company of the Group. He is responsible for the Group's property developments and infrastructure investments. Mr Ho is a non-executive director of Eagle Asset Management (CP) Limited, the manager of Champion Real Estate Investment Trust which is listed in Hong Kong.

Mr MA Wing Kai, William, aged 46, has been an Executive Director of the Company since March 2004. Mr Ma is the deputy chairman and the managing director of Kerry Logistics Network Limited, the divisional holding company of the logistics, freight and warehouse businesses of the Group. He joined Kerry Properties (H.K.) Limited, the principal Hong Kong property company of the Group, in September 1990 and was transferred to the logistics, freight and warehouse division of the Group in June 1999. Mr Ma holds a Bachelor of Science (Management Sciences) degree from the University of Lancaster in the United Kingdom. In September 2000, Mr Ma also completed an executive education program, "Managing the Supply Chain", at Harvard Business School.

Mr SO Hing Woh, Victor, MBE, JP, aged 61, has been an Executive Director of the Company since 1 April 2008. Mr So primarily focuses on the business operation of the Company's property portfolio on the Mainland. Mr So has extensive experience in the development and management of commercial and residential portfolios. He was the executive director and chief executive officer of The Link Management Limited from 2004 to 2007, executive director of Sun Hung Kai Properties Limited from 2002 to 2004, executive director of The Hong Kong Housing Society from 1990 to 2002, property director of Mass Transit Railways Corporation Limited from 1981 to 1990 and assistant general manager of Hutchison Properties Limited from 1972 to 1981. Mr So holds a Master's degree in Business Administration from the Chinese University of Hong Kong. He is a registered Professional Housing Manager, and a Fellow Member of the Royal Institution of Chartered Surveyors, Chartered Institute of Housing, Hong Kong Institute of Surveyors and Hong Kong Institute of Housing. Mr So is also actively involved in public services. He had been member of a number of statutory bodies, including the Kowloon-Canton Railway Corporation Managing Board, the Town Planning Board, the Hong Kong Housing Authority, the Land and Buildings Advisory Committee and the Long Term Housing Strategy Review Committee. Currently, he is a member of the Corruption Prevention Advisory Committee of the Independent Commission Against Corruption and The Hong Kong Housing Society.

DIRECTORS

Mr CHAN Wai Ming, William, aged 54, has been a Director of the Company since September 2007. He is also a director of Kerry Development (China) Limited and Kerry Properties Development Management (Shanghai) Co., Ltd., the Group's subsidiary providing real estate management services in Shanghai. Mr Chan has over 30 years of experience in project and estate management in both private and public sectors, and over 10 years of which were in China projects. Mr Chan is a Fellow Member of both the Royal Institution of Chartered Surveyors and the Hong Kong Institute of Surveyors and a Registered Real Estate Appraiser in China. Mr Chan holds a Master of Science degree in International Real Estate from the Hong Kong Polytechnic University.

Mr QIAN Shaohua, aged 51, has been a Director of the Company since September 2007. He is also a director of Kerry Development (China) Limited and Kerry Real Estate (Hangzhou) Co. Ltd. Mr Qian received his tertiary education in China. In 2002, Mr Qian also completed an international advanced management program at Harvard Business School.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr William Winship FLANZ, aged 63, has been an Independent Non-executive Director of the Company since September 2004. Mr Flanz is a private investor, and serves as advisor to Sterling Enterprises Limited, senior advisor to Baring Private Equity Asia, Limited, and chairman of the investment advisory committee for the Supervalu, Inc Pension Fund. Mr Flanz also serves as the vice chairman of the board of directors and a member of the executive committee of Kanematsu Textile Corporation and a non-executive director of Integrated Distribution Services Group Limited, a listed company in Hong Kong. Mr Flanz began his career with Chase Manhattan Bank N.A., where he served as country manager for Japan, area director for the Middle East and North Africa, and was later appointed area director, responsible for all of Chase's activities in Asia Pacific. He was a founding partner of Prudential Asia Investments Limited, and subsequently a member of the Management Committee of Investcorp International Limited, and then chairman and chief executive officer of Gucci Group, N.V. before returning to Hong Kong to become the chief executive officer of Sterling Enterprises Limited, a Hong Kong based investment company. He graduated from New York University with a Bachelor of Arts Degree in Economics. He also holds an MBA from the University of Michigan.

Mr KU Moon Lun, aged 57, has been an Independent Non-executive Director of the Company and a member of the Audit Committee of the Company since May 2007. Mr Ku has more than 35 years of experience in the real estate industry. He was the executive director of Davis Langdon and Seah International and chairman of Davis Langdon and Seah Hong Kong Limited, Premas Hong Kong Limited and icFox International. Mr Ku is now an independent non-executive director of Ascott Residence Trust Management Limited in Singapore and Lai Fung Holdings Limited, a listed company in Hong Kong. He is a member of the Hospital Governing Committee of Tuen Mun Hospital, Hong Kong Hospital Authority. Mr Ku is a fellow of the Hong Kong Institute of Surveyors.

Mr LAU Ling Fai, Herald, aged 67, has been an Independent Non-executive Director of the Company since December 2003 and has been the chairman of the Audit Committee of the Company since May 2007. Mr Lau has been practising as a certified public accountant in Hong Kong for over 30 years and has extensive experience in auditing, finance, taxation and management. He was a partner in PricewaterhouseCoopers, Hong Kong until his retirement on 30 June 2001. He is an independent non-executive director of each of Fairwood Holdings Limited and Wheelock Properties Limited, listed companies in Hong Kong, and an independent director of China World Trade Center Co., Ltd. which is listed on the Shanghai Stock Exchange. Mr Lau is a Fellow of each of The Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants.

NON-EXECUTIVE DIRECTOR

Mr TSE Kai Chi, aged 44, has been a Non-executive Director of the Company and a member of the Audit Committee of the Company since September 2005. Mr Tse is a senior finance executive and currently heads the accounting function of Kerry Holdings Limited, the holding company of the Company. Mr Tse is a graduate of the London School of Economics and Political Science, University of London, and he is qualified as a Chartered Accountant and Associate Corporate Treasurer in England. He has over 20 years of experience in accounting and finance and worked in the audit and banking industry prior to joining the Kerry Group in 1994. From 2001 to 2004, Mr Tse served as the group financial controller of SCMP Group Limited.

SENIOR MANAGEMENT

Property Division

Mr CHAU Sung Lim, Sunny, aged 42, has been a director and the general manager of Kerry Properties Development Management (Shanghai) Co., Ltd., the Group's subsidiary providing real estate management services in Shanghai, since 1996 and 1998, respectively. He is responsible for the operation of the Group's property development projects in Shanghai. Mr Chau holds a Bachelor of Arts (Honours) degree in Economics and Administrative Studies from the University of Winnipeg in Canada.

Mr CHU Ip Pui, aged 59, is an executive director of Kerry Property Management Services Limited, a subsidiary providing property management services to the Group. Mr Chu has over 30 years of experience in various aspects of the property business. Since joining the Group in 2000, Mr Chu's principal responsibility is the marketing and management of the Group's property portfolio in Hong Kong. Mr Chu holds a Master's degree in Business Administration from the University of Macau.

Ms FENG Ying, aged 50, is an executive director of Kerry Development (China) Limited. Ms Feng is responsible for the investment and operation of the Group's property development projects in Shenzhen, Chengdu and Qinhuangdao. She has over 20 years of experience in business development and project management. Ms Feng holds a Bachelor of Science degree in Mechanical Engineering from the Shanghai Jiao Tong University.

Ms HSU Yu Ming, Hanna, aged 45, is director of architecture of Kerry Project Management (H.K.) Limited. She is qualified as Registered Architect and Authorized Person in Hong Kong and holds PRC Class 1 Registered Architect Qualification. Prior to joining the Company in 2008, she was director of Dennis Lau & Ng Chun Man Architects & Engineers (HK) Limited and has over 20 years of experience in the architectural field with portfolio in Hong Kong, Macau, Mainland China and other part of Asia. Ms Hsu is also a Fellow Member of Hong Kong Institute of Architects. She holds a Bachelor degree of Arts (Architectural Studies) and a Bachelor Degree of Architecture from the University of Hong Kong.

Mr TAM Sing Ki, aged 53, has been an executive director of Kerry Properties (H.K.) Limited since 1998. Mr Tam is also a director of Kerry Development (China) Limited, Kerry Real Estate Agency Limited, Kerry Property Management Services Limited and Kerry Project Management (H.K.) Limited. His principal responsibility is land acquisitions and project management for the Group. Mr Tam holds a Bachelor of Science degree and a Master's degree in Business Administration from the University of Hong Kong. He is a Fellow Member of both the Royal Institution of Chartered Surveyors and the Hong Kong Institute of Surveyors.

Mr WONG Wai Choi, George, aged 61, has been an executive director of Kerry Development (China) Limited since 2005. He is the general manager of Beijing Jia Ao Real Estate Development Co., Ltd. and Tianjin Kerry Real Estate Development Co., Ltd. Mr Wong is responsible for the Company's development project in Tianjin and the operation of Beijing Kerry Centre. He is a Fellow Member of both the Royal Institution of Chartered Surveyors and the Hong Kong Institute of Surveyors.

Mr YEUNG Pak Hin, Albert, aged 55, is an executive director of Kerry Properties (H.K.) Limited. Mr Yeung is responsible for the project management for the Group. Mr Yeung has over 20 years of experience in project management and cost control. Mr Yeung has been appointed as a member of Review Panel of Highways Department under Land (Miscellaneous Provisions) Ordinance since 2004. He was also a member of the Advisory Committee on Building Services Engineering of the Hong Kong Polytechnic University. Mr Yeung is a graduate of the University of Manchester.

Logistics Network Division

Mr Kledchai BENJAATHONSIRIKUL, aged 52, joined the Group since 1983 and is currently the director and general manager of Kerry Logistics (Thailand) Limited and other subsidiaries in Thailand. Mr Benjaathonsirikul is also the independent director and audit committee member of Shangri-La Hotel Public Company Limited in Thailand. He has over 10 years experience in port logistics and transport related businesses. He graduated with a Bachelor degree of Law from University of Birmingham, England.

Mr Edwardo ERNI, aged 46, joined Kerry Logistics Network Limited ("KLN"), a wholly-owned subsidiary of the Company, in 1993 and is currently the managing director of Kerry EAS Logistics Limited, which is a 70%-owned subsidiary of KLN with 129 branches and over 3,000 staff in Mainland China. With over 10 years of experience in the logistics industry, Mr Erni also serves as vice chairman of several influential industry associations such as China Customs Brokers Association, China Federation of Logistics & Purchasing and Beijing Logistics Association. Mr Erni holds a Master of Business degree in logistics management from Royal Melbourne Institute of Technology, Australia.

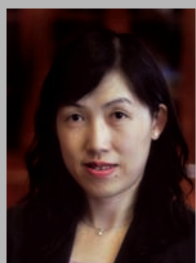
Mr LUI Kim Ming, Jesse, aged 48, is the executive director of KLN. Mr Lui joined the Group in 1992. Prior to joining the Group, Mr Lui was a director of sales and marketing with a multinational logistics company. Mr Lui has over 20 years of experience in logistics field. Mr Lui has participated in the Group's development of new warehouse facilities and held various positions in marketing and business development. He holds a diploma in Management Studies from the Hong Kong Polytechnic University/the Hong Kong Management Association.

Mr TAN Kai Whatt, Robert, aged 51, joined KLN in 2004. Mr Tan is the managing director in charge of the South East Asia logistics operation of the Group and is responsible for the development and expansion of KLN's network in South and South East Asia areas, including Singapore, Malaysia, Indonesia, Thailand, Vietnam, Cambodia, India, Bangladesh and the Philippines. Mr Tan gained his Master's degree from the Asia Institute of Management in 2003 and has over 10 years of experience in the shipping and logistics industries.

Mr Gary WILCOCK, aged 46, joined KLN in 2002 and is the managing director in charge of the European logistics operation of the Group. He is also the managing director of Kerry Logistics (UK) Limited and had been taking a number of senior management roles prior to joining KLN. He has over 20 years of experience in the logistics industry in particular the trade between UK and Asia.

Corporate Services Division

Mr WONG Chi Kong, Louis, aged 46, is the Chief Financial Officer of the Company. Mr Wong was trained and qualified as Chartered Accountant with KPMG Peat Marwick, London, England. Mr Wong had about 10 years of experience in auditing in the United Kingdom and Hong Kong before joining Kerry Group in 1994. Prior to taking up this position in 2007 with the Company, he was involved in the Coca-Cola beverage business in which Kerry Group was a franchised bottler of Coca-Cola products in China. Mr Wong is a graduate of Cambridge University, England.



Ms LI Siu Ching, Liz, aged 41, is the Company Secretary. Ms Li is a solicitor qualified in Hong Kong and also an associate member of both the Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Companies Secretaries. Ms Li has over 10 years' experience in the company secretarial field before she joined the Company in 2005. Ms Li holds a Degree of Bachelor of Law from the University of London and a Master of Laws from the University of Northumbria at Newcastle, England.

The Directors submit their report together with the audited financial statements for the year ended 31 December 2007.

PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding.

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

1. property development, investment and management in Hong Kong, the People's Republic of China (the "PRC") and the Asia Pacific region;

2. logistics, freight and warehouse ownership and operations;

3. infrastructure-related investments in Hong Kong and the PRC; and

4. hotel ownership in Hong Kong, and hotel ownership and operations in the PRC.

An analysis of the Group's turnover and contribution to operating profit for the year by principal activities and markets is set out in note 5 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 98.

Particulars of dividends proposed and paid during the year are set out in note 11 to the financial statements.

RESERVES

The movements in reserves of the Group and the Company during the year are set out in notes 35 and 36 to the financial statements.

DONATIONS

Charitable donations made by the Group during the year amounted to HK$1,053,000.

PROPERTY, PLANT AND EQUIPMENT

Particulars of the movements in property, plant and equipment of the Group and the Company during the year are set out in note 14 to the financial statements.

INVESTMENT, HOTEL AND DEVELOPMENT PROPERTIES

Particulars of investment, hotel and development properties of the Group are set out on pages 40 to 50.

DISTRIBUTABLE RESERVES

As at 31 December 2007, the reserves of the Company available for distribution amounted to approximately HK$19,071,608,000 (2006: HK$18,919,415,000).

SHARE CAPITAL

The movements in the share capital of the Company during the year are set out in note 33 to the financial statements.

BONDS

Details of the bonds of the Group are set out in notes 29 and 30 to the financial statements.

CAPITALISED INTEREST

The amounts of interest capitalised by the Group during the year are set out in note 8 to the financial statements.

SUBSIDIARIES AND ASSOCIATED COMPANIES

Particulars of the Company's principal subsidiaries and the Group's principal associated companies as at 31 December 2007 are set out in note 44 to the financial statements.

PARTICULARS OF BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group and the Company as at 31 December 2007 are set out in notes 28 and 41 to the financial statements.

TEN-YEAR FINANCIAL SUMMARY

The results, assets and liabilities of the Group for the last ten financial years are summarized on pages 179 and 180.

DIRECTORS

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

Mr ANG Keng Lam (Chairman)+	
Mr WONG Siu Kong (President & Chief Executive Officer)+	
Mr HO Shut Kan+	
Mr MA Wing Kai, William+	
Mr CHAN Wai Ming, William	(appointed on 13 September 2007)
Mr QIAN Shaohua	(appointed on 13 September 2007)
Mr William Winship FLANZ#	
Mr KU Moon Lun#	(appointed on 3 May 2007)
Mr LAU Ling Fai, Herald#	
Mr TSE Kai Chi@	
Mr Christopher Roger MOSS, O.B.E.#	(retired on 3 May 2007)

+ *Executive Director*
# *Independent Non-executive Director*
@ *Non-executive Director*

Messrs Wong Siu Kong, Ho Shut Kan and William Winship Flanz are due to retire from the Board by rotation in accordance with Bye-law 99(A) of the Company's Bye-laws at the forthcoming Annual General Meeting. Mr Flanz has decided not to stand for re-election. The other retiring Directors, being eligible, all offer themselves for re-election. The Board would like to take this opportunity to record a special note of thanks and appreciation to Mr Flanz for his contribution and advice during his tenure as a Director of the Company.

(Subsequent note: Mr So Hing Woh, Victor, MBE, JP, being appointed as an Executive Director of the Company with effect from 1 April 2008, is due to retire from the Board by rotation in accordance with Bye-law 102(B) of the Company's Bye-laws at the forthcoming Annual General Meeting. Being eligible, Mr. So offers himself for re-election.)

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

Biography of Directors and senior management are set out on pages 75 to 80.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2007, the interests of the Directors in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) (the "Associated Corporations") as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

(i) Company

Name of Director	Number of ordinary shares (Personal interests)	Number of underlying ordinary shares held under equity derivatives	Total	Approximate % of shareholding[6]
Mr ANG Keng Lam	115,367[1]	2,536,495[2]	2,651,862	0.19
Mr WONG Siu Kong	–	912,000[2]	912,000	0.06
Mr MA Wing Kai, William	1,020[1]	720,000[2]	721,020	0.05
Mr CHAN Wai Ming, William	4,000[1]	–	4,000	0.00

(ii) Associated Corporations

Name of Associated Corporation	Name of Director	Number of ordinary shares: Personal interests	Family interests	Corporate interests	Other interests	Total	Approximate % of shareholding
Shang Properties, Inc. (formerly, EDSA Properties Holdings, Inc.)	Mr HO Shut Kan	1,570[1]	–	–	–	1,570	0.00
Kerry Group Limited	Mr ANG Keng Lam	–	7,300,000[3]	5,540,716[4]	8,000,000[5]	20,840,716	1.36[7]
	Mr WONG Siu Kong	4,617,263[1]	–	8,504,300[4]	–	13,121,563	0.86[7]
	Mr HO Shut Kan	1,388,452[1]	–	–	–	1,388,452	0.09[7]
	Mr MA Wing Kai, William	1,010,620[1]	–	–	–	1,010,620	0.07[7]
	Mr CHAN Wai Ming, William	100,000[1]	–	–	–	100,000	0.01[7]
	Mr QIAN Shaohua	500,000[1]	–	–	–	500,000	0.03[7]
	Mr TSE Kai Chi	600,000[1]	–	–	–	600,000	0.04[7]
Kerry Siam Seaport Limited	Mr ANG Keng Lam	1[1]	–	–	–	1	0.00
	Mr MA Wing Kai, William	1[1]	–	–	–	1	0.00

Notes:

1. This represents interests held by the relevant Director as beneficial owner.
2. This represents interests in share options of the Company (the "Options") held by the relevant Director as a beneficial owner of such Options which were granted by the Company to subscribe for the relevant underlying ordinary shares pursuant to the share option schemes. Details of which are set out in the section headed "Share Options" of this report.
3. This represents interests held by the relevant Director and his spouse through a discretionary trust of which the relevant Director and his spouse are contingent beneficiaries.
4. This represents interests held by the relevant Director through his controlled corporation(s).
5. This represents interests held by the relevant Director through a discretionary trust of which the relevant Director is a contingent beneficiary.
6. The percentage has been adjusted based on the total number of ordinary shares of the Company in issue as at 31 December 2007 (i.e. 1,424,278,046 ordinary shares).
7. The percentage has been adjusted based on the total number of ordinary shares of Kerry Group Limited in issue as at 31 December 2007 (i.e. 1,529,076,815 ordinary shares).

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

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

Save as aforesaid, as at 31 December 2007, none of the Directors had any other interests or short positions in the shares, underlying shares or debentures of the Company or any of its Associated Corporations which had been entered in the register kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' INTERESTS IN CONTRACTS

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

(i) Company

As at 31 December 2007, the number of outstanding Options granted by the Company to the Directors to subscribe for shares of the Company, as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code is set out in the section headed "Share Options" of this report.

(ii) Associated Corporation

Pursuant to a share option scheme adopted by Kerry Group Limited ("KGL"), the ultimate holding company of the Company, on 17 November 1999, the directors of KGL granted options ("KGL Options") in favour of the following Directors to subscribe for shares in KGL. All the outstanding KGL Options have been exercised by the relevant Directors as at 31 December 2007. Details are set out as follows:

Name of Director	Date of Grant	Number of KGL Options held as at 01/01/2007	Number of KGL Options exercised during the year	Number of KGL Options held as at 31/12/2007	Exercise price HK$	Exercise period
Mr ANG Keng Lam	04/05/2000	5,540,716	(5,540,716)	–	4.54	04/11/2000 – 03/05/2007
Mr WONG Siu Kong	04/05/2000	4,617,263	(4,617,263)	–	4.54	04/11/2000 – 03/05/2007

Apart from the aforesaid, at no time during the year ended 31 December 2007 was the Company, its subsidiaries, its fellow subsidiaries or its holding companies a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

As at 31 December 2007, the interests of those persons (other than the Directors) in the shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name	Capacity in which ordinary shares were held	Number of ordinary shares	Long position/Short position/Lending pool	Approximate % of shareholding[2]
Kerry Group Limited	Interest of controlled corporations	757,398,587[1]	Long position	53.18
Kerry Holdings Limited	Interest of controlled corporations	757,398,587[1]	Long position	53.18
Caninco Investments Limited	Beneficial owner	310,718,565[1]	Long position	21.82
Darmex Holdings Limited	Beneficial owner	255,640,776[1]	Long position	17.95
Moslane Limited	Beneficial owner	88,085,647[1]	Long position	6.18
JPMorgan Chase & Co.	Interest of controlled corporations	108,827,877	Long position	7.64
		3,856,529	Short position	0.27
		27,419,901	Lending pool	1.93

Notes:

1. Caninco Investments Limited ("Caninco"), Darmex Holdings Limited ("Darmex") and Moslane Limited ("Moslane") are wholly-owned subsidiaries of Kerry Holdings Limited ("KHL"). KHL itself is a wholly-owned subsidiary of KGL and, accordingly, the shares in which Caninco, Darmex and Moslane are shown to be interested are also included in the shares in which KHL and KGL are shown to be interested.

2. The percentage has been adjusted based on the total number of ordinary shares of the Company in issue as at 31 December 2007 (i.e. 1,424,278,046 ordinary shares).

Apart from the aforesaid, as at 31 December 2007, the Company had not been notified of any interests and short positions in the shares and underlying shares of the Company which had been recorded in the register required to be kept under Section 336 of the SFO.

PUBLIC FLOAT

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

PRE-EMPTIVE RIGHTS

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

STAFF

As at 31 December 2007, the Company and its subsidiaries had 8,814 employees. Salaries of employees are maintained at competitive levels while bonuses are granted on a discretionary basis. Other employee benefits include provident fund, insurance, medical cover, subsidized educational and training programs as well as share option schemes.

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”).

As at 31 December 2007, a total of 6,789,534 Options were outstanding which comprised 1,772,534 and 5,017,000 Options granted under the 1997 Share Option Scheme and the 2002 Share Option Scheme, respectively.

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

(i) 1997 Share Option Scheme

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

The period within which an Option may be exercised was determined by the Board of Directors of the Company in its absolute discretion, save that no Option might be exercised later than 10 years from the date on which the Option was granted. Subject to the provisions of the 1997 Share Option Scheme, the Board might at its discretion when offering the grant of an Option impose any conditions in relation thereto including the achievement of operating or financial targets, the satisfactory performance by the grantee or the time or period when the right to exercise the Option in respect of all or some of the Options would vest. The amount paid on acceptance of an Option was HK$1. The subscription price for any particular outstanding Option was determined by the Board of Directors of the Company in its absolute discretion subject to the compliance with the requirements for share option schemes under the Listing Rules.

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

SHARE OPTIONS (Continued)

(ii) 2002 Share Option Scheme

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

The maximum number of shares of the Company (the "Shares") which may be issued upon exercise of all Options to be granted under the 2002 Share Option Scheme (and under any other scheme of the Company) shall not in aggregate exceed 10% of the Shares in issue as at the date of the adoption of the 2002 Share Option Scheme (the "Scheme Mandate Limit") provided that the Company may at any time as the Board of Directors of the Company may think fit seek approval from its shareholders to refresh the Scheme Mandate Limit, save that the maximum number of Shares which may be issued upon exercise of all Options to be granted under the 2002 Share Option Scheme (and under any other scheme of the Company) shall not exceed 10% of the Shares in issue as at the date of approval by the shareholders of the Company in general meeting where such limit is refreshed. Options previously granted under the 2002 Share Option Scheme and any other scheme of the Company (including those outstanding, cancelled, and lapsed in accordance with the terms of the 2002 Share Option Scheme or any other scheme of the Company or exercised Options under the said schemes) shall not be counted for the purpose of calculating the limit as refreshed. Notwithstanding aforesaid in this paragraph, the maximum number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the 2002 Share Option Scheme (and under any other scheme of the Company) shall not exceed 30% of the Shares in issue from time to time. As at 31 December 2007, a total of 64,994,403 Shares (representing approximately 4.56% of the existing issued share capital of the Company) are available for issue under the 2002 Share Option Scheme. The maximum entitlement of each participant under the 2002 Share Option Scheme is 1% of the Shares in issue from time to time.

The period within which an Option may be exercised will be determined by the Board of Directors of the Company in its absolute discretion, save that no Option may be exercised later than 10 years from the date on which the Option is granted. Subject to the provisions of the 2002 Share Option Scheme, the Board may in its absolute discretion when offering the grant of an Option impose any conditions in relation thereto including the achievement of operating or financial targets, the satisfactory performance by the grantee or the time or period when the right to exercise the Option in respect of all or some of the Options shall vest. The amount payable on acceptance of an Option is HK$1.

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

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

SHARE OPTIONS (Continued)

Movements of the Options, which were granted under the 1997 Share Option Scheme, during the year ended 31 December 2007 are listed below in accordance with rule 17.07 of the Listing Rules:

Category		Date of Grant	Tranche	Number of Options held as at 01/01/2007	Number of Options exercised during the year (Notes 1 & 2)	Number of Options held as at 31/12/2007	Exercise price HK$	Exercise Period
1.	**Directors**							
	Mr ANG Keng Lam	01/06/2000	I	350,000	(350,000)	–	6.70	01/06/2001 – 31/05/2010
		01/06/2000	II	350,000	(350,000)	–	6.70	01/06/2002 – 31/05/2010
		01/06/2000	III	348,743	(348,743)	–	6.70	01/06/2003 – 31/05/2010
		16/04/2002	I	518,248	–	518,248	6.85	16/04/2003 – 15/04/2012
		16/04/2002	II	518,247	–	518,247	6.85	16/04/2004 – 15/04/2012
	Mr MA Wing Kai, William	11/04/1997	N/A	69,582	(69,582)	–	14.92	11/04/1999 – 26/03/2007
		02/03/2001	I	36,000	(36,000)	–	11.59	02/03/2002 – 01/03/2011
		02/03/2001	II	36,000	(36,000)	–	11.59	02/03/2003 – 01/03/2011
		02/03/2001	III	33,520	(33,520)	–	11.59	02/03/2004 – 01/03/2011
		16/04/2002	I	62,189	(62,189)	–	6.85	16/04/2003 – 15/04/2012
		16/04/2002	II	62,189	(62,189)	–	6.85	16/04/2004 – 15/04/2012
2.	**Continuous Contract Employees**	11/04/1997	N/A	403,746	(403,746)	–	14.92	11/04/1999 – 26/03/2007
		27/11/1999	I	7,812	(7,812)	–	9.64	27/05/2000 – 26/03/2007
		27/11/1999	II	56,480	(56,480)	–	9.64	27/05/2001 – 26/03/2007
		01/06/2000	I	79,000	(49,000)	30,000	6.70	01/06/2001 – 31/05/2010
		01/06/2000	II	121,564	(49,000)	72,564	6.70	01/06/2002 – 31/05/2010
		01/06/2000	III	158,309	(61,693)	96,616	6.70	01/06/2003 – 31/05/2010
		02/03/2001	I	133,000	(96,000)	37,000	11.59	02/03/2002 – 01/03/2011
		02/03/2001	II	141,000	(96,000)	45,000	11.59	02/03/2003 – 01/03/2011
		02/03/2001	III	126,076	(82,038)	44,038	11.59	02/03/2004 – 01/03/2011
		16/04/2002	I	206,255	(104,544)	101,711	6.85	16/04/2003 – 15/04/2012
		16/04/2002	II	236,254	(124,543)	111,711	6.85	16/04/2004 – 15/04/2012
3.	**Others**	11/04/1997	N/A	732,303	(732,303)	–	14.92	11/04/1999 – 26/03/2007
		01/06/2000	I	45,000	–	45,000	6.70	01/06/2001 – 31/05/2010
		01/06/2000	II	45,000	–	45,000	6.70	01/06/2002 – 31/05/2010
		01/06/2000	III	44,088	–	44,088	6.70	01/06/2003 – 31/05/2010
		02/03/2001	I	22,000	–	22,000	11.59	02/03/2002 – 01/03/2011
		02/03/2001	II	22,000	–	22,000	11.59	02/03/2003 – 01/03/2011
		02/03/2001	III	19,311	–	19,311	11.59	02/03/2004 – 01/03/2011
	Total:			**4,983,916**	**(3,211,382)**	**1,772,534**		

SHARE OPTIONS (Continued)

Movements of the Options, which were granted under the 2002 Share Option Scheme, during the year ended 31 December 2007 are listed below in accordance with rule 17.07 of the Listing Rules:

Category		Date of Grant	Tranche	Number of Options held as at 01/01/2007	Transfer from other category during the year	Transfer to other category during the year	Number of Options exercised during the year (Notes 1 & 3)	Number of Options lapsed during the year	Number of Options held as at 31/12/2007	Exercise price HK$	Exercise Period
1.	**Directors**										
	Mr ANG Keng Lam	17/03/2005	I	750,000	–	–	–	–	750,000	18.74	17/03/2006 – 16/03/2015
		17/03/2005	II	750,000	–	–	–	–	750,000	18.74	17/03/2007 – 16/03/2015
	Mr WONG Siu Kong	17/03/2005	I	250,000	–	–	(88,000)	–	162,000	18.74	17/03/2006 – 16/03/2015
		17/03/2005	II	750,000	–	–	–	–	750,000	18.74	17/03/2007 – 16/03/2015
	Mr HO Shut Kan	17/03/2005	I	90,000	–	–	(90,000)	–	–	18.74	17/03/2006 – 16/03/2015
		17/03/2005	II	400,000	–	–	(400,000)	–	–	18.74	17/03/2007 – 16/03/2015
	Mr MA Wing Kai, William	17/03/2005	I	400,000	–	–	(80,000)	–	320,000	18.74	17/03/2006 – 16/03/2015
		17/03/2005	II	400,000	–	–	–	–	400,000	18.74	17/03/2007 – 16/03/2015
	Mr CHAN Wai Ming, William	17/03/2005	II	–	50,000	–	(50,000)	–	–	18.74	17/03/2007 – 16/03/2015
2.	**Continuous Contract Employees**	17/03/2005	I	1,160,000	–	–	(492,500)	–	667,500	18.74	17/03/2006 – 16/03/2015
		17/03/2005	II	1,862,500	–	(130,000)	(497,500)	(37,500)	1,197,500	18.74	17/03/2007 – 16/03/2015
3.	**Others**	17/03/2005	II	–	80,000	–	(60,000)	–	20,000	18.74	17/03/2007 – 16/03/2015
	Total:			**6,812,500**	**130,000**	**(130,000)**	**(1,758,000)**	**(37,500)**	**5,017,000**		

Notes:

1. The weighted average closing price of the shares of the Company immediately before the dates on which the Options were exercised was HK$48.03.
2. During the year, no Options were granted/granted for adjustment, transferred to/from other category, cancelled or lapsed under the 1997 Share Option Scheme.
3. During the year, no Options were granted/granted for adjustment or cancelled under the 2002 Share Option Scheme.

SERVICE CONTRACTS

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

MANAGEMENT CONTRACTS

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

MAJOR CUSTOMERS AND SUPPLIERS

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

DIRECTOR'S INTERESTS IN COMPETING BUSINESS

Pursuant to Rule 8.10 of the Listing Rules, the Company disclosed below that during the year ended 31 December 2007 and up to the date of this report, the following Directors are considered to have interests in the following businesses ("Excluded Businesses"), being businesses which competed or are likely to compete, either directly or indirectly, with the businesses of the Group, other than those businesses in which (a) the Group was interested and (b) the Directors' only interests are as directors appointed to represent the interests of the Group.

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

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

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

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

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

CONNECTED TRANSACTIONS

1. On 17 July 2007, Saddlers Group Limited (a direct wholly-owned subsidiary of Kerry Group Limited ("KGL")), Wise Assets Limited (an indirect wholly-owned subsidiary of the Company), Forever Up Investments Limited (an indirect wholly-owned subsidiary of Shangri-La Asia Limited ("SA")) and Wilmar International Limited entered into two joint venture agreements for the establishment of two joint venture companies for the purposes of acquiring, owning, managing, operating and chartering two aircrafts for corporate travels. Each joint venture party will hold 25% interest in each joint venture company.

   On 10 October 2007, the joint venture parties entered into an amended and reiterated joint venture agreement to amend the two joint venture agreements dated 17 July 2007. Pursuant to the amended and reiterated joint venture agreement, the joint venture parties agreed to sell the two aircrafts already bought and replace them with a single aircraft with a larger capacity and longer range.

   Upon completion of the replacement and disposals, the maximum funding commitment of the joint venture parties to the joint venture companies is approximately HK$405,600,000. Prior to the disposal of the two aircrafts and upon acquisition of the replacement aircraft, the maximum funding commitment of the joint venture parties to the joint venture companies would be approximately HK$719,160,000. All contributions from the joint venture parties shall be made pro-rata to their equity interests in each joint venture company.

   KGL is a substantial shareholder and connected person of the Company. SA is an associated company of KGL and hence an associate of KGL under the Listing Rules. Therefore, Saddlers Group Limited and Forever Up Investments Limited are regarded as connected persons of the Company. The entering into of the joint venture agreements and the amended and reiterated joint venture agreement constitutes connected transaction for the Company under the Listing Rules.

2. On 12 October 2007, a consortium formed between Million Palace Limited ("MPL") and Allgreen Properties (Chengdu) Pte. Ltd. ("AGCD") won a bid in an open bidding to acquire the land use rights of a plot of land at Hi-Tech Industrial Development Zone, Chengdu, Sichuan Province, PRC (the "Project Site"). MPL and AGCD will hold 75% and 25% respectively in the joint venture company to be established for the purposes of acquiring, holding and developing of the Project Site.

   The consideration for the acquisition of the Project Site is RMB1,041,600,000 (HK$1,079,400,000). The maximum contribution of the Company to the joint venture company is expected to be approximately RMB1,155,000,000 (HK$1,197,000,000).

   The Company and Kerry Holdings Limited ("KHL") respectively holds 73.3% and 26.7% in MPL indirectly. AGCD is a direct wholly-owned subsidiary of Allgreen Properties Limited ("AG"). Kuok (Singapore) Limited ("KSL") is a controlling shareholder of AG. KSL owns 100% of a company which is interested in 33% of the issued shares of a 67%-owned subsidiary of the Company. Therefore, AGCD is a connected person of the Company. The establishment of the joint venture company constitutes a connected transaction for the Company under the Listing Rules and was approved by the independent shareholders of the Company at a special general meeting held on 23 November 2007.

CONNECTED TRANSACTIONS (Continued)

3. On 9 November 2007, 嘉里建設管理（上海）有限公司 (Kerry Properties Development Management (Shanghai) Co, Ltd.) ("KPDM"), entered into project management services agreements (the "PMS Agreements") with the relevant members of the SA group in relation to the provision of project management services by KPDM in respect of hotel development projects undertaken by the SA group in the PRC and office development project undertaken by the SA group in Mongolia. On the same date, Alpine Project Management Ltd. ("APM") entered into project consultancy services agreements (the "PCS Agreements") with the relevant members of the SA group in relation to the provision of project consultancy services by APM in respect of hotel development projects undertaken by the SA group in the PRC.

   The provision of such services is in line with the business strategy of the Group to pursue the opportunities in the PRC to provide properties development management and consultancy services. The aggregate fees to be received by the Group under the PMS Agreements and the PCS Agreements are expected to be HK$59,070,243.

   KPDM and APM are wholly-owned subsidiaries of the Company. SA and its subsidiaries are connected persons of the Company. Accordingly, the entering into of the PMS Agreements and the PCS Agreements constitutes connected transaction for the Company under the Listing Rules.

4. On 6 December 2007, the Company, KHL and AG entered into a framework reorganization agreement (the "Framework Reorganization Agreement") for the purposes of the reorganization of the Group's PRC property portfolio. Pursuant to the Framework Reorganization Agreement, the Company agreed to dispose of some equity interests in each of the companies holding the relevant PRC properties (the "PRC Companies") to KHL and AG.

   On 20 December 2007, the Company, KHL and AG entered into an amendment agreement (the "Amendment Agreement") for the purpose of amending the Framework Reorganization Agreement. Pursuant to the Amendment Agreement, the two Hangzhou sites would be excluded from the reorganization and the disposal would be transacted by reference to the independent valuation of the PRC properties without any discount.

   The considerations payable by KHL and AG (excluding any further capital contributions to be made to the PRC Companies before completion) are estimated to be HK$555,722,398 and HK$672,832,745, respectively. The maximum contribution of the Company to the PRC Companies is expected to be approximately RMB13,165,000,000 (HK$13,857,000,000) if both the independent shareholders of the Company and AG approve the reorganization. However, if the independent shareholders of the Company approve the reorganization whilst the independent shareholders of AG do not approve the reorganization, AG is deemed to have withdrawn from the reorganization and the maximum contribution of the Company to the PRC Companies is expected to be increased to approximately RMB18,973,000,000 (HK$19,972,000,000).

   KHL and AG are connected persons of the Company. Accordingly, the reorganization constitutes connected transaction for the Company under the Listing Rules and were approved by the independent shareholders of the Company at a special general meeting held on 21 February 2008. The reorganization was also approved by the independent shareholders of AG at a special general meeting held on 25 February 2008.

CONNECTED TRANSACTIONS (Continued)

5. On 19 December 2007, guarantees were granted by the Company, SA and KHL, respectively, in favour of Standard Chartered Bank (Hong Kong) Limited ("SCB") to secure, on a pro rata and several basis in accordance with their respective equity interests in Fine Winner Holdings Limited ("FWH"), the obligations of FWH under a loan agreement for an amount not exceeding HK$360,000,000. The maximum amount of the guarantees to be provided by the Company will be HK$108,000,000.

   FWH is a direct wholly-owned subsidiary of Expert Vision Holdings Limited ("EVH"). EVH is the joint venture vehicle for the acquisition of the property at No. 508 Queen's Road West, Hong Kong and is owned by the Company, SA and KHL as to 30%, 30% and 40%, respectively. Pursuant to the original shareholders' agreement in relation to EVH, the maximum funding commitment of the joint venture parties shall not exceed HK$670,000,000.

   Following the provision of the guarantees and the repayment of the shareholders' loans of approximately HK$260,000,000, the aggregate funding commitment which the joint venture parties have provided to EVH and FWH will be approximately HK$713,000,000 and will have exceeded the initial maximum funding commitment of HK$670,000,000.

   EVH and FWH are associates of KHL under the Listing Rules and are therefore connected persons of the Company. Accordingly, the granting of the guarantee by the Company and any subsequent financial assistance by the Company for the benefit of EVH and/or FWH constitute connected transactions for the Company under the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

Shangri-La International Hotel Management Limited ("SLIM"), an indirect wholly-owned subsidiary of SA, and its fellow subsidiaries are currently providing hotel management, marketing, communication and reservation services (the "Hotel Management Services") to Beijing Kerry Centre Hotel, PRC pursuant to the hotel management, marketing and related agreements (the "Hotel Management Agreements") entered into between Beijing Kerry Centre Hotel Co., Ltd. ("BKCH") and SLIM on 30 June 1998 (as modified by an addendum dated 26 January 2004). The Hotel Management Agreements were entered for 20 years ending on 27 August 2019, with an option to renew for 10 years which is exercisable by mutual agreement of both parties.

BKCH is the owner of Beijing Kerry Centre Hotel. BKCH is owned as to 95% by Kerry Beijing (Guang Hua) Ltd. ("KBGH") and 5% by an independent third party. KBGH is owned as to 75% by the Group and 25% by the SA group. SA and SLIM are connected persons of the Company. Accordingly, the provision of the Hotel Management Services by SLIM to BKCH is treated as continuing connected transactions of the Company under the Listing Rules.

During the remaining tenure of the Hotel Management Agreements, the annual aggregate fees payable by the Group pursuant to the Hotel Management Agreements for each of the financial years of the Company ending 31 December 2019 are not expected to exceed HK$75,000,000 (the "Cap"). The fees paid by the Group under the Hotel Management Agreements for the year ended 31 December 2007 amount to HK$23,393,044, which is within the Cap.

The continuing connected transactions mentioned above have been reviewed by the Independent Non-executive Directors of the Company who have confirmed that the transactions have been entered into:

1. in the ordinary and usual course of business of the Company;

2. either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties; and

3. in accordance with the relevant agreements governing the transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The auditor of the Company has provided a letter to the Company's board of directors confirming that the continuing connected transactions:

1. have received the approval of the Company's board of directors;

2. have been conducted on terms in accordance with the terms of the relevant agreements governing the transactions; and

3. have not exceeded the relevant annual cap as disclosed in the relevant press announcement.

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

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

AUDITOR

The financial statements have been audited by PricewaterhouseCoopers who retires and, being eligible, offers itself for re-appointment.

On behalf of the Board
Ang Keng Lam
Chairman
Hong Kong, 19 March 2008

PRICEWATERHOUSECOOPERS

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF KERRY PROPERTIES LIMITED
(incorporated in Bermuda with limited liability)

We have audited the financial statements of Kerry Properties Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 98 to 178, which comprise the consolidated and company balance sheets as at 31 December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 19 March 2008

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2007

	Note	2007 HK$'000	2006 HK$'000
Turnover	5	**12,496,004**	10,193,117
Cost of sales		**(1,356,529)**	(1,716,054)
Direct operating expenses		**(7,404,308)**	(5,685,063)
Gross profit		**3,735,167**	2,792,000
Other income and net gains	6	**342,340**	144,983
Administrative expenses		**(806,594)**	(647,020)
Increase in fair value of investment properties		**4,493,935**	2,318,701
Dividend income from an available-for-sale investment		**–**	1,357,884
Impairment loss on available-for-sale investments		**–**	(197,941)
Profit arising from the disposal of property interest held by an available-for-sale investment		**–**	1,159,943
Operating profit before finance costs	7	**7,764,848**	5,768,607
Finance costs	8	**(300,907)**	(380,663)
Operating profit		**7,463,941**	5,387,944
Share of results of associated companies		**431,976**	450,917
Profit before taxation		**7,895,917**	5,838,861
Taxation	9	**(1,014,564)**	(889,531)
Profit for the year		**6,881,353**	4,949,330
Profit attributable to:			
Company's shareholders		**6,563,092**	4,688,950
Minority interests		**318,261**	260,380
		6,881,353	4,949,330
Dividends	11	**1,386,741**	1,053,462
Earnings per share			
– Basic	12	**HK$4.95**	HK$3.83
– Diluted	12	**HK$4.74**	HK$3.60

CONSOLIDATED BALANCE SHEET

As at 31 December 2007

	Note	2007 HK$'000	2006 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	**3,102,485**	2,441,200
Investment properties	15	**28,324,740**	21,642,166
Leasehold land and land use rights	16	**402,478**	338,409
Properties under development	17	**14,138,189**	12,400,243
Land deposits		**3,525,737**	863,940
Associated companies	19	**5,686,005**	5,992,070
Derivative financial instruments	20	**18,684**	2,687
Available-for-sale investments	21	**1,789,752**	1,388,508
Long-term receivables	22	**36,748**	63,588
Goodwill	23	**306,149**	266,645
		57,330,967	45,399,456
Current assets			
Properties under development	17	**5,408,011**	–
Completed properties held for sale	24	**579,784**	1,188,101
Accounts receivable, prepayments and deposits	22	**2,731,716**	2,734,265
Tax recoverable		**102,248**	125,707
Tax reserve certificates		**21,790**	21,790
Listed securities at fair value through profit or loss	25	**224,743**	198,318
Pledged bank deposits	41	**64,234**	47,263
Cash and bank balances	26	**4,236,714**	2,691,358
		13,369,240	7,006,802
Current liabilities			
Accounts payable, deposits received and accrued charges	27	**4,330,440**	2,557,769
Taxation		**587,346**	302,397
Short-term bank loans and current portion of long-term bank loans	28	**649,555**	803,428
Derivative financial instruments	20	**32,888**	–
Secured bank overdrafts	26	**4,624**	–
Unsecured bank overdrafts	26	**26,204**	6,690
		5,631,057	3,670,284
Net current assets		**7,738,183**	3,336,518
Total assets less current liabilities		**65,069,150**	48,735,974
Non-current liabilities			
Long-term bank loans	28	**6,953,242**	6,351,145
Convertible bonds	29	**2,346,387**	2,536,256
Fixed rate bonds	30	**3,254,340**	3,243,330
Amounts due to minority shareholders	31	**2,378,154**	2,336,341
Derivative financial instruments	20	**63,410**	107,005
Deferred taxation	32	**3,295,152**	2,704,817
		18,290,685	17,278,894
ASSETS LESS LIABILITIES		**46,778,465**	31,457,080
EQUITY			
Capital and reserves attributable to the Company's shareholders			
Share capital	33	**1,424,278**	1,238,289
Share premium	35	**11,804,186**	4,315,270
Other reserves	36	**11,263,616**	9,548,836
Retained profits		**18,592,906**	13,417,641
Proposed final dividend	11	**925,781**	804,888
		44,010,767	29,324,924
Minority interests		**2,767,698**	2,132,156
TOTAL EQUITY		**46,778,465**	31,457,080

On behalf of the Board

Ang Keng Lam
Director

Wong Siu Kong
Director

BALANCE SHEET

As at 31 December 2007

	Note	2007 HK$'000	2006 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	**3,307**	2,207
Subsidiaries	18	**35,590,418**	27,479,950
Derivative financial instruments	20	**18,684**	2,687
		35,612,409	27,484,844
Current assets			
Dividends receivable		**1,400,000**	1,000,000
Accounts receivable, prepayments and deposits		**9,618**	16,582
Tax recoverable		**245**	183
Cash and bank balances	26	**43,915**	232,871
		1,453,778	1,249,636
Current liabilities			
Accounts payable and accrued charges		**87,924**	73,692
Short-term bank loans and current portion of long-term bank loans	28	**150,000**	150,000
Derivative financial instruments	20	**32,888**	–
		270,812	223,692
Net current assets		**1,182,966**	1,025,944
Total assets less current liabilities		**36,795,375**	28,510,788
Non-current liabilities			
Long-term bank loans	28	**4,190,000**	3,750,000
Derivative financial instruments	20	**63,410**	107,005
		4,253,410	3,857,005
ASSETS LESS LIABILITIES		**32,541,965**	24,653,783
EQUITY			
Capital and reserves attributable to the Company's shareholders			
Share capital	33	**1,424,278**	1,238,289
Share premium	35	**11,804,186**	4,315,270
Other reserves	36	**18,043,069**	17,981,985
Retained profits		**344,651**	313,351
Proposed final dividend	11	**925,781**	804,888
TOTAL EQUITY		**32,541,965**	24,653,783

On behalf of the Board

Ang Keng Lam
Director

Wong Siu Kong
Director

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2007

	Note	2007 HK$'000	2006 HK$'000
Operating activities			
Net cash generated from operations	37(a)	**1,962,147**	146,725
Interest paid		**(591,111)**	(430,504)
Income tax paid		**(266,956)**	(233,058)
Net cash generated from/(used in) operating activities		**1,104,080**	(516,837)
Investing activities			
Additions of property, plant and equipment		**(222,366)**	(203,964)
Additions of investment properties		**(57,456)**	(68,906)
Additions of properties under development		**(8,389,990)**	(2,646,086)
Acquisition of subsidiaries and business	37(c)	**(76,237)**	(1,014,201)
Acquisition of additional interest in subsidiaries		**(22,970)**	(5,198)
Disposal of subsidiaries	37(d)	**54,241**	8,825
Additional investments in associated companies		**(736,515)**	(526,797)
Repayment of loans from associated companies		**264,205**	1,146,873
Additions of available-for-sale investments		**(119,977)**	–
Proceeds from sale of available-for-sale investments		**3,823**	–
Decrease in long-term receivables		**27,328**	40,487
Interest received		**121,958**	76,768
Increase in pledged bank deposits		**(16,971)**	(14,749)
Dividends received from associated companies		**223,483**	282,586
Dividends received from listed and unlisted investments		**45,662**	590,831
Repayment of loans from investee companies		**795**	1,086
Proceeds from sale of property, plant and equipment		**21,655**	45,946
Proceeds from sale of investment properties		**1,087,373**	2,143,370
Proceeds from sale of listed securities at fair value through profit or loss		**14,164**	23,655
Proceeds from sale of properties under development		**262,800**	–
Proceeds from sale of investment in associated companies		**1,302,987**	–
Net cash used in investing activities		**(6,212,008)**	(119,474)
Financing activities			
Proceeds from issue of shares		**66,469**	184,624
Proceeds from placement of shares, net of placement costs		**4,080,063**	–
Proceeds from issue of convertible bonds, net of direct issue costs		**2,325,258**	–
Proceeds from issue of fixed rate bonds, net of direct issue costs		**–**	3,239,800
Repayment of bank loans		**(12,050,274)**	(13,869,402)
Drawdown of bank loans		**12,412,587**	11,651,494
Dividends paid		**(335,625)**	(631,966)
Capital injection from minority shareholders		**82,633**	196,844
Dividends paid to minority shareholders in subsidiaries		**(54,233)**	(70,675)
Capital reduction to minority shareholders		**(3,073)**	–
Increase in loans from minority shareholders		**41,813**	88,832
Net cash generated from financing activities		**6,565,618**	789,551
Increase in cash and cash equivalents		**1,457,690**	153,240
Effect of exchange rate changes		**63,528**	–
Cash and cash equivalents at 1 January		**2,684,668**	2,531,428
Cash and cash equivalents at 31 December	26	**4,205,886**	2,684,668

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2007

	Attributable to shareholders of the Company							
	Share capital	Share premium	Other reserves	Retained profits	Proposed dividend	Total	Minority interests	Total equity
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance as at 1 January 2006	1,216,579	3,918,838	9,699,847	9,777,277	608,289	25,220,830	1,677,045	26,897,875
Fair value gain on leasehold buildings, port facilities and freehold land and buildings	–	–	115,001	–	–	115,001	34,909	149,910
Deferred tax on fair value gain of leasehold building, port facilities and freehold land and buildings	–	–	(32,324)	–	–	(32,324)	(9,830)	(42,154)
Realisation on available-for-sale investments	–	–	(568,347)	–	–	(568,347)	–	(568,347)
Fair value gain on available-for-sale investments	–	–	93,044	–	–	93,044	–	93,044
Fair value loss on derivative financial instruments	–	–	(1,290)	–	–	(1,290)	–	(1,290)
Exchange differences arising on translation of the financial statements of the PRC and overseas subsidiaries and associated companies	–	–	239,100	–	–	239,100	45,163	284,263
Net loss recognised directly in equity	–	–	(154,816)	–	–	(154,816)	70,242	(84,574)
Profit for the year	–	–	–	4,688,950	–	4,688,950	260,380	4,949,330
Total recognised income and expense for the year ended 31 December 2006	–	–	(154,816)	4,688,950	–	4,534,134	330,622	4,864,756
Issue of share capital	21,710	387,811	–	–	–	409,521	–	409,521
Provision for share option expense	–	–	17,302	–	–	17,302	–	17,302
Dividends paid	–	–	–	(248,574)	(608,289)	(856,863)	(70,675)	(927,538)
2006 proposed final dividend	–	–	–	(804,888)	804,888	–	–	–
Transfer	–	8,621	(13,497)	4,876	–	–	–	–
Acquisition of subsidiaries	–	–	–	–	–	–	1,530	1,530
Acquisition of additional interest in a subsidiary	–	–	–	–	–	–	(3,210)	(3,210)
Capital injection from minority shareholders	–	–	–	–	–	–	196,844	196,844
	21,710	396,432	3,805	(1,048,586)	196,599	(430,040)	124,489	(305,551)
Balance as at 31 December 2006	1,238,289	4,315,270	9,548,836	13,417,641	804,888	29,324,924	2,132,156	31,457,080

	Attributable to shareholders of the Company							
	Share capital	Share premium	Other reserves	Retained profits	Proposed dividend	Total	Minority interests	Total equity
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 1 January 2007	1,238,289	4,315,270	9,548,836	13,417,641	804,888	29,324,924	2,132,156	31,457,080
Fair value gain on leasehold buildings, port facilities and freehold land and buildings	–	–	174,327	–	–	174,327	42,821	217,148
Deferred tax on fair value gain of leasehold buildings, port facilities and freehold land and buildings	–	–	(23,818)	–	–	(23,818)	(1,913)	(25,731)
Fair value gain on available-for-sale investments	–	–	141,157	–	–	141,157	–	141,157
Fair value loss on derivative financial instruments	–	–	(2,320)	–	–	(2,320)	–	(2,320)
Exchange differences arising on translation of the financial statements of the PRC and overseas subsidiaries and associated companies	–	–	1,362,688	–	–	1,362,688	286,749	1,649,437
Reversal of exchange differences on disposal of subsidiaries	–	–	576	–	–	576	–	576
Net income recognised directly in equity	–	–	1,652,610	–	–	1,652,610	327,657	1,980,267
Profit for the year	–	–	–	6,563,092	–	6,563,092	318,261	6,881,353
Total recognised income and expense for the year ended 31 December 2007	–	–	1,652,610	6,563,092	–	8,215,702	645,918	8,861,620
Issue of share capital								
– scrip dividend	19,361	910,862	–	–	–	930,223	–	930,223
– exercise of share options	4,969	71,763	(10,263)	–	–	66,469	–	66,469
– placement of shares	70,000	4,010,063	–	–	–	4,080,063	–	4,080,063
– conversion of convertible bonds	91,659	2,496,228	(136,556)	–	–	2,451,331	–	2,451,331
Issue of convertible bonds	–	–	205,553	–	–	205,553	–	205,553
Provision for share option expense	–	–	2,350	–	–	2,350	–	2,350
Dividends paid	–	–	–	(460,960)	(804,888)	(1,265,848)	(80,733)	(1,346,581)
2007 proposed final dividend	–	–	–	(925,781)	925,781	–	–	–
Transfer	–	–	1,086	(1,086)	–	–	–	–
Acquisition of subsidiaries	–	–	–	–	–	–	5,877	5,877
Acquisition of additional interest in subsidiaries	–	–	–	–	–	–	(15,080)	(15,080)
Return of capital to minority shareholders	–	–	–	–	–	–	(3,073)	(3,073)
Capital injection from minority shareholders	–	–	–	–	–	–	82,633	82,633
	185,989	7,488,916	62,170	(1,387,827)	120,893	6,470,141	(10,376)	6,459,765
Balance at 31 December 2007	**1,424,278**	**11,804,186**	**11,263,616**	**18,592,906**	**925,781**	**44,010,767**	**2,767,698**	**46,778,465**

1 GENERAL INFORMATION

The Company is a limited liability company incorporated in Bermuda. The address of its registered office is Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda.

The Company has its primary listing on The Stock Exchange of Hong Kong Limited.

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

(i) property development, investment and management in Hong Kong, the People's Republic of China ("PRC") and the Asia Pacific region;

(ii) logistics, freight and warehouse ownership and operations;

(iii) infrastructure-related investments in Hong Kong and the PRC; and

(iv) hotel ownership in Hong Kong, and hotel ownership and operations in the PRC.

These financial statements have been approved for issue by the Board of Directors on 19 March 2008.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The financial statements of Kerry Properties Limited have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") under the historical cost convention, as modified by the revaluation of certain buildings, port facilities, freehold land, available-for-sale investments, financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss and investment properties, which are carried at fair value.

Certain comparative figures have been reclassified to conform with current year's presentation.

The preparation of financial statements in accordance with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies of the Group. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

The following standard, amendment and interpretations to existing standard have been published that are effective for the accounting period of the Group beginning on 1 January 2007:

- HKFRS 7, "Financial Instruments: Disclosures", Amendment to HKAS 1, "Presentation of Financial Statements – Capital Disclosures"
  HKFRS 7 and amendment to HKAS 1 introduce new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk, market risk, including sensitivity analysis to market risk. It replaces disclosure requirements in HKAS 32 "Financial Instruments: Disclosures and Presentation". The amendment to HKAS 1 introduces disclosures about the level of an entity's capital and how an entity manages capital.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of preparation (Continued)

- HK(IFRIC) – Int 8, "Scope of HKFRS 2"
  HK(IFRIC) – Int 8 requires consideration of transactions involving the issuance of equity instruments, where the identifiable consideration received is less than the fair value of the equity instruments issued in order to establish whether or not they fall within the scope of HKFRS 2.

- HK(IFRIC) – Int 9, "Re-assessment of Embedded Derivatives"
  HK(IFRIC) – Int 9 prohibits reassessment of any embedded derivatives contained in a contract since becoming a party to the contract unless there is a change in the terms of the host contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required.

- HK(IFRIC) – Int 10, "Interim Financial Reporting and Impairment"
  HK(IFRIC) – Int 10 prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date.

The adoption of these new standards does not have any significant effect on the results and financial position of the Group.

The following interpretations to existing standards have been published that are effective for the accounting periods beginning on 1 March 2007 or after:

- HK(IFRIC) – Int 11, "HKFRS 2 – Group and Treasury Share Transactions"
  HK(IFRIC) – Int 11 provides guidance on how to account for share-based payment arrangements to an entity's employees involving equity instruments of its parent company. If the equity instruments are granted by its parent company and accounted for as equity-settled in its parent's consolidated financial statements, the entity should account for the share-based payment arrangements as equity-settled. If the equity instruments are granted by the entity, the entity should account for the share-based payment arrangements as cash-settled. This interpretation does not have any significant impact on the Group's accounting policies and financial statements.

- HK(IFRIC) – Int 12, "Service Concession Arrangements"
  HK(IFRIC) – Int 12 provides guidance on the accounting by operators for public-to-private services concession agreements. This interpretation does not have any significant impact on the Group's accounting policies and financial statements.

- HK(IFRIC) – Int 14, "HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction"
  HK(IFRIC) – Int 14 provides guidance on assessing the limit in HKAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. As none of the group entities have defined benefit scheme, HK(IFRIC) – Int 14 is not relevant to the Group's operations.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of preparation (Continued)

The following new standard, interpretation and amendments to existing standards have been published that are effective for the accounting periods of the Group beginning on 1 January 2009 and have not been early adopted:

- HKAS 1 (Revised), "Presentation of Financial Statements"
  HKAS 1 (Revised) requires all owner changes in equity to be presented in a statement of changes in equity. All comprehensive income is presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). It requires presenting a statement of financial position as at the beginning of the earliest comparative period in a complete set of financial statements when there are retrospective adjustments or reclassification adjustments. However, it does not change the recognition, measurement or disclosure of specific transactions and other events required by other HKFRSs. The Group has already commenced an assessment of the impact of this revised standard but is not yet in a position to state whether it would have a significant impact on its results of operations and financial position.

- HKAS 23 (Amendment), "Borrowing Costs"
  HKAS 23 (Amendment) requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. It is not expected to have material impact on the Group's financial statements, as the Group has already chosen the allowed alternative treatment to capitalise borrowing costs attributable to qualifying assets under original HKAS 23.

- HKFRS 8, "Operating Segments"
  HKFRS 8 requires identification of operating segments on the basis of internal reports that are regularly reviewed by the entity's chief operating decision maker. The amount reported for each operating segment should be the measure reported to the decision maker for the purpose of allocating resources to the segment and assessing its performance. It also requires the disclosure of information about an entity's products and services, the geographic areas in which it operates, and its major customers. The Group has already commenced an assessment of the impact of this new standard but is not yet in a position to state whether it would have a significant impact on its results of operations and financial position.

- HK(IFRIC) – Int 13, "Customer Loyalty Programmes"
  HK(IFRIC) – Int 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement in using fair values. The Group has already commenced an assessment of the impact of this new interpretation but is not yet in a position to state whether it would have a significant impact on its results of operations and financial position.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Consolidation

The financial statements include the financial statements of the Company and all its subsidiaries made up to 31 December.

(i) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another equity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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.

(ii) Transactions with minority interests

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

(iii) Associated companies

Associated companies are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associated companies are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associated companies includes goodwill identified on acquisition, net of any accumulated impairment loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Consolidation (Continued)

(iii) Associated companies (Continued)

The Group's share of its associated companies post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associated company.

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associated companies have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses in associated companies are recognised in the consolidated income statement.

(c) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security, and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in the income statement, and other changes in carrying amount are recognised in equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Foreign currency translation (Continued)

(ii) Transactions and balances (Continued)

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in the income statement as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the available-for-sale investments revaluation reserve in equity.

(iii) Group companies

The results and financial position of all the Group's entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

– assets and liabilities for each balance sheet of the Group's entities are translated at the closing rate at the date of that balance sheet;

– income and expenses for each income statement of the Group's entities are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

– all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to shareholders' equity. When a foreign operation is disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

For an acquisition of a foreign operation before 1 January 2005, the goodwill and fair value adjustments arising from that acquisition are treated as assets and liabilities of the Group's entities and reported using the exchange rate at the date of the acquisitions.

(e) Property, plant and equipment

Properties comprise mainly hotel properties, warehouses and logistics centres, staff quarters, freehold land and buildings and port facilities. Properties, except for staff quarters, are shown at fair value, based on periodic, but at least annual, valuations by external independent valuers, less subsequent depreciation. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. 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. All other property, plant and equipment are stated at historical cost less aggregate depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Property, plant and equipment (Continued)

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are expensed in the income statement during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of properties are credited to other properties revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same asset are charged against other properties revaluation reserve, all other decreases are expensed in the income statement.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their cost or revalued amounts less their residual values over their estimated useful lives as follows:

Properties other than freehold land and port facilities	Over their expected remaining useful lives ranging from 6 to 47 years
Port facilities	2.5% to 3.6%
Leasehold improvements	7% to 33%
Warehouse operating equipment	7% to 33%
Motor vehicles, furniture, fixtures and office equipment	5% to 33%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

The gain or loss on disposal of all other property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant assets and is recognised in the income statement.

(f) Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the Group, is classified as investment property.

Investment property comprises land and buildings held under operating leases.

Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Investment property is measured initially at its cost, including related transaction costs.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Investment properties (Continued)

After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are reviewed annually by external valuers. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active continues to be measured at fair value.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognised as a liability, including finance lease liabilities in respect of land, if any, classified as investment property; others, including contingent rent payments, are not recognised in the financial statements.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the income statement during the financial period in which they are incurred.

Changes in fair values of investment property are recognised in the income statement.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes. Property that is being constructed or developed for future use as investment property is classified as property under development and stated at cost until construction or development is complete, at which time it is reclassified and subsequently accounted for as investment property.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property, plant and equipment under HKAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the income statement.

(g) Properties under development

Properties under development are investments in freehold land, leasehold land and buildings on which construction work and development have not been completed. Properties under development comprise prepayments for leasehold land and land use rights that are measured at amortised cost less accumulated impairment losses, and a component in respect of the building that is stated at cost less accumulated impairment losses. Cost comprises construction costs and amounts capitalised in respect of amortisation of leasehold land prepayments and borrowing costs incurred in the acquisition of qualifying assets during the construction period and up to the date of completion of construction. On completion, the properties are reclassified to investment properties, property, plant and equipment or completed properties held for sale at the then carrying amount. The prepayments for leasehold land and land use rights in relation to the property, plant and equipment are reclassified to leasehold land and land use rights and are accounted for as operating leases. Any difference between the fair value of the investment property and its carrying amount at the date of reclassification is recognised in the income statement. Properties under development are classified as non-current assets unless the construction period of the relevant property development project is expected to be completed within the normal operating cycle and are intended for sale.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Completed properties held for sale

Completed properties held for sale are initially measured at the carrying amount of the property at the date of reclassification from properties under development and properties under development for sale. Subsequently, the prepaid leasehold land component is measured at amortised cost less accumulated impairment losses; the building component is carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less selling expenses.

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary or associated company at the date of acquisition. Goodwill on acquisitions of subsidiaries is recognised separately as a non-current asset. Goodwill on acquisitions of associated companies is included in investments in associated companies and is tested for impairment as part of the overall balance. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The Group allocates goodwill to each business segment in each country in which it operates.

(j) Impairment of investments in subsidiaries, associated companies and non-financial assets

Assets that have an indefinite useful life or have not yet available for use are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating unit). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(k) Investments

The Group classifies its financial assets in the following categories: listed securities at fair value through profit or loss, loans and receivables and available-for-sale investments. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Listed securities at fair value through profit or loss

Listed securities at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as long-term receivables, accounts receivable, pledged bank deposits, cash and bank balances and amounts due from associated companies.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Investments (Continued)

(iii) Available-for-sale investments

Available-for-sale investments are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Regular purchases and sales of financial assets are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale investments and listed securities at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the listed securities at fair value through profit or loss are presented in the income statement within other income and net gains, in the period in which they arise. Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in the income statement; translation differences on non-monetary securities are recognised in equity. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in equity. Dividend income from listed securities at fair value through profit or loss is recognised in the income statement as part of other income and net gains when the Group's right to receive payments is established.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as gains and losses from investment securities.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement as part of other income and net gains. Dividends on available-for-sale equity instruments are recognised in the income statement as part of other income and net gains when the Group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group established fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Investments (Continued)

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. Impairment testing of loans and receivables is described in note 2(l).

(l) Long-term receivables, accounts receivable and amounts due from associated companies

The receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within administrative expenses. When a receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are credited against administrative expenses in the income statement.

(m) Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either: (1) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges); (2) hedges of a particular risk associated with a recognised asset or liability or highly probable forecast transactions (cash flow hedges); or (3) hedges of net investments in foreign operations.

The Group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative instruments are disclosed in note 20. Movements on the hedging reserve in shareholders' equity are shown in note 36. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedge item is more than 12 months. Trading derivatives are classified as a current asset or liability.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Derivative financial instruments and hedging activities (Continued)

(i) Fair value hedge

Changes in fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to the income statement over the period to maturity.

(ii) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item affects profit or loss (for instance when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the income statement within finance costs.

When a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

(iii) Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Gains and losses accumulated in equity are included in the income statement when the foreign operation is disposed of or sold.

(iv) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting and are accounted for at fair value through profit or loss. Changes in the fair value of these derivatives instruments that do not qualify for hedge accounting are recognised immediately in the income statement.

(n) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown as a separate current liability in the balance sheet.

Pledged bank deposits are not included in cash and cash equivalents.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Accounts payable

Accounts payable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(p) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the bond. The remainder of the proceeds is allocated to the conversion option. This is recognised in shareholders' equity.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(q) Current and deferred income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries and associated companies operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided for in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income 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 income tax is provided on temporary difference arising on investments in subsidiaries and associated companies, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Employee benefits

(i) Employee leave entitlements

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

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

(ii) Retirement benefits

The Group operates defined contribution plans and pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due.

(iii) Share-based compensation

The Group has granted options under two share option schemes. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the Group revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the income statement with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(iv) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

(v) Bonus plans

The Group recognises a liability and an expense for bonuses when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of such obligation can be made.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) 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 the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

(t) Financial guarantees

A financial guarantee (a kind of insurance contract) is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the original or modified terms of a debt instrument. The Group does not recognise liabilities for financial guarantees at inception, but perform a liability adequacy test at each reporting date by comparing its carrying amount of the net liability regarding the financial guarantee with its present legal or constructive obligation amount. If the carrying amount of the net liability is less than its present legal or constructive obligation amount, the entire difference is recognised in the income statement immediately.

(u) Revenue and profit recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(i) Revenue from sales of properties is recognised when the risks and rewards of properties are transferred to the purchasers, that is upon execution of binding sales agreement or completion of development, whichever is the later.

(ii) 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.

(iii) Revenue from provision of logistics services, including freight forwarding services, is recognised when services are rendered.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Revenue and profit recognition (Continued)

(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 when services are rendered.

(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, using the effective interest method.

(v) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

(i) The Group is the lessee
Payments made under operating leases (net of any incentives received from the lessor), including up-front prepayment made for leasehold land and land use rights, are charged to the income statement or capitalised in the properties under development on a straight-line basis over the period of the lease.

(ii) The Group is the lessor
When assets are leased out under an operating lease, the assets are included in the balance sheet based on the nature of the assets. Lease income from operating lease is recognised over the term of the lease on a straight-line basis.

(w) Leasehold land and land use rights

The Group made upfront payments to obtain operating leases of leasehold land and land use rights on which properties will be developed. The upfront payments of the leasehold land and land use rights are recorded as assets and amortised over the lease periods. The amortisation during the period of construction of the properties is capitalised as the cost of properties under devlopment. The amortisation during the period before the commencement and after the completion of the construction of the properties is expensed in the income statement. The unamortised upfront payments are recongised as cost of sales when the relevant properties are sold or transferred to the cost of investment properties upon completion of the relevant properties.

(x) Borrowing costs

Borrowing costs are accounted for on the accrual basis and charged to the income statement in the year in which they are incurred, except for costs related to funding of the construction and acquisition of properties under development which are capitalised as part of the cost of that asset during the construction period and up to the date of completion of construction.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(y) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are declared by the Directors in the case of interim dividends or approved by the Company's shareholders in the case of final dividends.

(z) 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 financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

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

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

3 FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Group's major financial instruments include available-for-sale investments, derivative financial instruments, long-term receivables, accounts receivable, listed securities at fair value through profit or loss, cash and bank balances, pledged bank deposits, accounts payable, bank overdrafts, bank loans, bonds and amounts with associated companies and minority interest shareholders. Details of these financial instruments are disclosed in respective notes.

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk, price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to manage certain risk exposures.

Risk management is carried out by the Group's management under the supervision of the Finance Committee. The Group's management identifies, evaluates and manages significant financial risks in the Group's individual operating units. The Finance Committee provides guidance for overall risk management.

(i) Market risk

(I) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the Group entities' functional currency.

3 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(i) Market risk (Continued)

(I) Foreign exchange risk (Continued)

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

Major financial instruments under foreign currencies (other than the functional currencies of the Group's entities), that are exposed to foreign exchange risk, are denominated in United States dollar which is pegged to Hong Kong dollars. The Group has entered into cross currency swap contracts to manage its exposure to foreign exchange risk from recognised liabilities. Nevertheless, the cross currency swaps were not accounted for as hedging instruments as the conditions for hedge accounting were not met during the year.

(II) Interest rate risk

The Group is exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank deposits and bank borrowings which carry at prevailing market interest rates. As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's fair value interest rate risk relates primarily to its convertible bonds and fixed rate bonds.

The Group manages its cash flow interest-rate risk on borrowings and bonds by using floating-to-fixed interest-rate swaps. Such interest-rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Under the interest-rate swaps, the Group agrees with other parties to exchange, at specified intervals (mainly monthly), the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional principal amounts. Nevertheless, the interest-rate swaps (except for certain instruments entered by an associated company) were not accounted for as hedging instruments as the conditions for hedge accounting were not met during the year.

Interest rate sensitivity

At the balance sheet dates, if interest rates had been increased/decreased by 50 (2006: 50) basis points and all other variables were held constant, the profit of the Group would increase/decrease by approximately HK$7,352,000 (2006: HK$36,430,000) resulting from the change in the borrowing costs of bank borrowings and fair value of the interest rate swap contracts.

(III) Price risk

The Group is exposed to equity securities price risk because investments held by the Group are classified on the consolidated balance sheet either as available-for-sale or at fair value through profit or loss. The Group is not exposed to commodity price risk.

The carrying amount of listed portion of available-for-sale investments would be an estimated HK$64,100,000 (2006:HK$43,200,000) lower or higher if the year end share prices of the above-mentioned investments were to differ by 10% (2006:10%).

3 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(ii) Credit risk

The carrying amounts of cash and bank balances, pledged deposits, long-term receivables, accounts receivable and amounts due from associated companies represent the Group's maximum exposure to credit risk in relation to financial assets. The Group reviews the recoverable amount on a regular basis and an allowance for doubtful debts is made when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables.

In order to minimise the credit risk, management of the Company has delegated a team in each business unit responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each debtor at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is adequately covered.

There is no concentration of credit risk with respect to accounts receivable from third party customers as the Group has a large number of customers which are internationally dispersed.

The credit risk on liquid funds is limited because 84% of the funds are placed in banks with high credit rankings, ranging from BBB- to AA, and the remaining 16% in local banks in different countries with close monitoring by the management and there is no concentration in any particular bank.

(iii) Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its current obligations when they fall due.

The Group measures and monitors its liquidity through the maintenance of prudent ratio regarding to the liquidity structure of the overall assets, liabilities, loans and commitments of the Group.

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group aims to maintain flexibility in funding by keeping committed credit lines available.

The following tables detail the contractual maturity of the Group and the Company for financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay.

	Group				
	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
At 31 December 2007					
Bank loans	951,790	645,892	6,465,672	513,120	8,576,474
Convertible bonds	–	–	2,898,689	–	2,898,689
Fixed rate bonds	208,775	208,775	626,325	4,110,011	5,153,886
Amounts due to minority shareholders	–	2,413,411	–	–	2,413,411
Accounts payable, deposits received and accrued charges	3,246,308	–	–	–	3,246,308
Secured bank overdrafts	4,624	–	–	–	4,624
Unsecured bank overdrafts	26,204	–	–	–	26,204
Derivative financial instruments	67,999	30,064	25,054	–	123,117
Total	**4,505,700**	**3,298,142**	**10,015,740**	**4,623,131**	**22,442,713**

3 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(iii) Liquidity risk (Continued)

	Group				
	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
At 31 December 2006					
Bank loans	1,112,771	649,871	6,064,779	507,941	8,335,362
Convertible bonds	–	–	2,983,850	–	2,983,850
Fixed rate bonds	208,226	208,226	624,678	4,307,433	5,348,563
Amounts due to minority shareholders	–	–	2,392,699	–	2,392,699
Accounts payable, deposits received and accrued charges	2,557,769	–	–	–	2,557,769
Unsecured bank overdrafts	6,690	–	–	–	6,690
Derivative financial instruments	20,023	18,199	90,413	–	128,635
Total	3,905,479	876,296	12,156,419	4,815,374	21,753,568

	Company				
	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
At 31 December 2007					
Bank loans	311,314	156,029	4,384,502	–	4,851,845
Derivative financial instruments	67,999	30,064	25,054	–	123,117
Total	**379,313**	**186,093**	**4,409,556**	**–**	**4,974,962**

	Company				
	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
At 31 December 2006					
Bank loans	313,172	157,787	4,090,579	–	4,561,538
Derivative financial instruments	20,023	18,199	90,413	–	128,635
Total	333,195	175,986	4,180,992	–	4,690,173

3 FINANCIAL RISK MANAGEMENT (Continued)

(b) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the creditors and equity balance.

The Directors of the Company review the capital structure periodically. As a part of this review, the Directors of the Company assess the annual budget prepared by the finance department which reviews the planned construction projects proposed by project department and prepared the annual budget taking into account of the provision of funding. Based on the proposed annual budget, the Directors of the Company consider the cost of capital and the risks associated with capital. The Directors of the Company also balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

The Group monitors capital by maintaining prudent gearing ratio based on prevailing market environment and economic condition. This ratio is calculated as net debt to equity attributable to the Company's shareholders. Net debt is calculated as borrowings (including current and non-current borrowings, as shown in the consolidated balance sheet) less cash and cash equivalents, and pledged bank deposits for a short-term bank loan.

The gearing ratios at 31 December 2007 and 2006 were as follows:

	2007	2006
Net debt (HK$ million)	**8,933**	10,202
Equity attributable to the Company's shareholders (HK$ million)	**44,011**	29,325
Gearing ratio	**20.3%**	34.8%

(c) Fair value estimation

The fair value of financial instruments traded in active markets (such as listed securities at fair value through profit or loss and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group takes reference to professional valuations where necessary and uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date.

The carrying amount less impairment provisions of accounts receivable and accounts payable approximate their fair values due to their short maturities. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Estimate of fair value of investment properties

The valuation of investment properties is performed in accordance with the 'The HKIS Valuation Standards on Properties (First Edition 2005)' published by the Hong Kong Institute of Surveyors and the 'International Valuation Standards' published by the International Valuation Standards Committee. The valuation is reviewed annually by qualified valuers by considering the information from a variety of sources including:

(I) current prices in an active market for properties of different nature, condition or location, adjusted to reflect those differences;

(II) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(III) rental income derived from the terms of any existing lease and other contracts, and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using capitalisation rates that reflect current market assessments of the uncertainty in the amount and timing of the rental income.

If information on current or recent prices of investment properties is not available, the fair values of investment properties are mainly determined using income capitalisation valuation techniques. The Group uses assumptions that are mainly based on market conditions existing at each balance sheet date.

The principal assumptions underlying management's estimation of fair value are those related to: the receipt of contractual rentals; expected future market rentals; void periods; maintenance requirements; and appropriate discount rates. These valuations are regularly compared to actual market yield data, and actual transactions by the Group and those reported by the market.

The expected future market rentals are determined on the basis of current market rentals for similar properties in the same location and condition.

(ii) Provision for properties under development and completed properties held for sale

The Group assesses the carrying amounts of properties under development intended for sale and completed properties held for sale according to their net realisable value based on the realisability of these properties, taking into account estimated costs to completion based on past experience and committed contracts (properties under development only) and estimated net sales value based on prevailing market conditions. Provision is made when events or changes in circumstances indicate that the carrying amounts may not be realised. The assessment requires the use of judgement and estimates.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(a) Critical accounting estimates and assumptions (Continued)

(iii) Income taxes

Significant judgement is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provision in the period in which such determination is made.

The Group is subject to land appreciation taxes in the PRC. Significant judgement is required in determining the amount of the land appreciation and its related taxes. The Group recognised these land appreciation taxes based on management's best estimates according to the understanding of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income tax and deferred income tax provision in the periods in which such taxes have been finalised with local tax authorities.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

(iv) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2(i). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

(v) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of the property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovation. Management will change the depreciation charge where useful lives are different from the previously estimated lives. It will also write-off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

(vi) Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at each balance sheet date.

(b) Critical judgements in applying the entity's accounting policies

(i) Distinction between investment properties and owner-occupied properties

The Group determines whether a property qualifies as investment property. In making its judgement, the Group considers whether the property generates cash flows largely independently of the other assets. Owner-occupied properties generate cash flows that are attributable not only to property but also to other assets used in the production or supply process.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(b) Critical judgements in applying the entity's accounting policies (Continued)

(i) Distinction between investment properties and owner-occupied properties (Continued)

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions can be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgement.

(ii) Impairment of available-for-sale financial assets

The Group follows the guidance of HKAS 39 to determine when an available-for-sale financial asset is impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

5 PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATIONS

(a) Revenues recognised during the year are as follows:

	2007 HK$'000	2006 HK$'000
Turnover		
Sale of properties	**3,184,222**	2,861,042
Rental income	**1,106,279**	962,801
Hotel revenue	**400,544**	354,915
Storage and logistics services income	**7,681,827**	5,970,790
Project, property management and others	**123,132**	43,569
	12,496,004	10,193,117

5 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	
	2007 HK$'000	2006 HK$'000	2007 HK$'000	2006 HK$'000
Principal activities:				
Property rental				
– PRC Property	**613,909**	578,195	**413,220**	403,004
– Hong Kong Property	**492,370**	384,606	**157,968**	85,622
	1,106,279	962,801	**571,188**	488,626
Property sales				
– PRC Property	**172,535**	73,152	**23,589**	2,589
– Hong Kong Property	**3,010,897**	2,442,890	**1,626,739**	1,913,998
– Logistics and warehouse	**790**	345,000	**350**	179,451
	3,184,222	2,861,042	**1,650,678**	2,096,038
Hotel operations				
– PRC Property	**400,544**	354,915	**151,920**	124,906
Logistics and warehouse operations				
– warehouse	**440,133**	427,772	**247,996**	208,348
– logistics	**7,241,694**	5,543,018	**239,884**	195,317
	7,681,827	5,970,790	**487,880**	403,665
Infrastructure	**–**	–	**(2,630)**	(10,775)
Project, property management and others	**123,132**	43,569	**110,970**	(33,217)
	12,496,004	10,193,117	**2,970,006**	3,069,243
Increase in fair value of investment properties	**–**	–	**4,493,935**	2,318,701
	12,496,004	10,193,117	**7,463,941**	5,387,944
Principal markets:				
PRC	**4,845,012**	4,033,860	**1,288,152**	1,660,521
Hong Kong	**5,297,436**	4,708,333	**6,173,500**	3,685,689
United Kingdom	**1,091,797**	808,668	**31,330**	36,879
Others	**1,261,759**	642,256	**(29,041)**	4,855
	12,496,004	10,193,117	**7,463,941**	5,387,944

5 PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATIONS (Continued)

(c) Primary reporting format – business segments

	2007							
	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$'000	Consolidated HK$'000
Revenue								
Turnover	1,186,988	3,503,267	–	7,682,617	–	123,132	–	12,496,004
Inter-segment revenue	2,686	–	–	–	–	56,785	(59,471)	–
Inter-segment interest income	–	–	–	–	–	576,831	(576,831)	–
	1,189,674	3,503,267	–	7,682,617	–	756,748	(636,302)	12,496,004
Results								
Segment results before increase in fair value of investment properties	623,892	2,007,711	(17,084)	515,424	(2,474)	552,655	(576,831)	3,103,293
Increase in fair value of investment properties	495,542	3,674,202	–	324,191	–	–	–	4,493,935
Segment results	1,119,434	5,681,913	(17,084)	839,615	(2,474)	552,655	(576,831)	7,597,228
Dividend income	–	31,302	14,360	–	–	–	–	45,662
Interest income	26,705	20,044	10	28,543	3,728	42,928	–	121,958
Interest expenses	(61,868)	(234,546)	–	(55,737)	(3,884)	(521,703)	576,831	(300,907)
Operating profit/(loss)	1,084,271	5,498,713	(2,714)	812,421	(2,630)	73,880	–	7,463,941
Share of results of associated companies	2,820	105,166	61,299	220,978	45,244	(3,531)	–	431,976
Profit before taxation	1,087,091	5,603,879	58,585	1,033,399	42,614	70,349	–	7,895,917
Taxation	52,824	(886,489)	–	(158,502)	–	(22,397)	–	(1,014,564)
Profit for the year	1,139,915	4,717,390	58,585	874,897	42,614	47,952	–	6,881,353
Profit attributable to:								
Company's shareholders	884,804	4,716,769	58,585	812,257	42,734	47,943	–	6,563,092
Minority interests	255,111	621	–	62,640	(120)	9	–	318,261
	1,139,915	4,717,390	58,585	874,897	42,614	47,952	–	6,881,353

5 PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATIONS (Continued)

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

	2006							
	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$'000	Consolidated HK$'000
Revenue								
Turnover	1,006,262	2,827,496	–	6,315,790	–	43,569	–	10,193,117
Inter-segment revenue	434	–	–	–	–	53,056	(53,490)	–
Inter-segment interest income	–	–	–	–	–	553,115	(553,115)	–
	1,006,696	2,827,496	–	6,315,790	–	649,740	(606,605)	10,193,117
Results								
Segment results before increase in fair value of investment properties	567,337	1,037,060	(7,660)	635,838	(10,411)	529,490	(553,115)	2,198,539
Increase in fair value of investment properties	1,013,654	710,555	–	594,492	–	–	–	2,318,701
Segment results	1,580,991	1,747,615	(7,660)	1,230,330	(10,411)	529,490	(553,115)	4,517,240
Dividend income	–	1,364,736	8,301	–	–	31	–	1,373,068
Interest income	10,092	20,416	1	13,409	7,039	25,283	–	76,240
Interest expenses	(46,930)	(224,651)	–	(66,131)	(7,403)	(588,663)	553,115	(380,663)
Impairment loss on available-for-sale investments	–	(197,941)	–	–	–	–	–	(197,941)
Operating profit/(loss)	1,544,153	2,710,175	642	1,177,608	(10,775)	(33,859)	–	5,387,944
Share of results of associated companies	36,980	114,912	35,585	223,134	40,306	–	–	450,917
Profit/(loss) before taxation	1,581,133	2,825,087	36,227	1,400,742	29,531	(33,859)	–	5,838,861
Taxation	(560,784)	(142,439)	–	(185,726)	–	(582)	–	(889,531)
Profit/(loss) for the year	1,020,349	2,682,648	36,227	1,215,016	29,531	(34,441)	–	4,949,330
Profit/(loss) attributable to:								
Company's shareholders	807,153	2,675,562	36,227	1,173,036	31,420	(34,448)	–	4,688,950
Minority interests	213,196	7,086	–	41,980	(1,889)	7	–	260,380
	1,020,349	2,682,648	36,227	1,215,016	29,531	(34,441)	–	4,949,330

5 PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATIONS (Continued)

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

	2007							
	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$'000	Consolidated HK$'000
Segment assets	**24,519,732**	**28,383,691**	**1,243**	**9,785,871**	**445,330**	**29,322,819**	**(29,638,449)**	**62,820,237**
Associated companies	**1,581,182**	**1,639,173**	**1,215,287**	**740,941**	**392,611**	**116,811**	**–**	**5,686,005**
Derivative financial instruments	**–**	**–**	**–**	**–**	**–**	**18,684**	**–**	**18,684**
Available-for-sale investments	**470**	**860,425**	**925,205**	**3,652**	**–**	**–**	**–**	**1,789,752**
Long-term receivables	**–**	**36,748**	**–**	**–**	**–**	**–**	**–**	**36,748**
Tax recoverable	**89,751**	**–**	**–**	**6,327**	**–**	**6,170**	**–**	**102,248**
Tax reserve certificates	**–**	**–**	**–**	**–**	**–**	**21,790**	**–**	**21,790**
Listed securities at fair value through profit or loss	**–**	**224,570**	**173**	**–**	**–**	**–**	**–**	**224,743**
Total assets	**26,191,135**	**31,144,607**	**2,141,908**	**10,536,791**	**837,941**	**29,486,274**	**(29,638,449)**	**70,700,207**
Segment liabilities	**11,076,784**	**16,258,308**	**32,204**	**4,028,975**	**293,475**	**2,309,971**	**(29,638,449)**	**4,361,268**
Derivative financial instruments	**–**	**–**	**–**	**–**	**–**	**96,298**	**–**	**96,298**
Bank borrowings	**1,398,637**	**1,250,000**	**–**	**614,160**	**–**	**4,340,000**	**–**	**7,602,797**
Convertible bonds	**–**	**–**	**–**	**–**	**–**	**2,346,387**	**–**	**2,346,387**
Fixed rate bonds	**–**	**–**	**–**	**–**	**–**	**3,254,340**	**–**	**3,254,340**
Taxation and deferred taxation	**1,807,392**	**1,505,727**	**7,983**	**532,481**	**–**	**28,915**	**–**	**3,882,498**
Amounts due to minority shareholders	**1,284,036**	**1,027,236**	**–**	**61,075**	**4,880**	**927**	**–**	**2,378,154**
Total liabilities	**15,566,849**	**20,041,271**	**40,187**	**5,236,691**	**298,355**	**12,376,838**	**(29,638,449)**	**23,921,742**
Capital expenditure	**2,590,699**	**6,270,845**	**–**	**277,718**	**–**	**2,549**	**–**	**9,141,811**
Depreciation and amortisation	**28,754**	**3,749**	**–**	**151,899**	**–**	**2,762**	**–**	**187,164**

5 PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATIONS (Continued)

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

	2006							
	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$'000	Consolidated HK$'000
Segment assets	15,531,371	20,233,133	571	8,469,718	445,672	20,376,900	(20,443,775)	44,613,590
Associated companies	792,212	2,951,952	954,694	716,355	576,857	–	–	5,992,070
Derivative financial instruments	–	–	–	–	–	2,687	–	2,687
Available-for-sale investments	470	631,186	749,513	7,339	–	–	–	1,388,508
Long-term receivables	–	63,588	–	–	–	–	–	63,588
Tax recoverable	87,930	–	–	3,398	–	34,379	–	125,707
Tax reserve certificates	–	–	–	–	–	21,790	–	21,790
Listed securities at fair value through profit or loss	–	198,168	150	–	–	–	–	198,318
Total assets	16,411,983	24,078,027	1,704,928	9,196,810	1,022,529	20,435,756	(20,443,775)	52,406,258
Segment liabilities	3,783,414	14,137,704	30,564	3,474,275	520,831	1,061,446	(20,443,775)	2,564,459
Derivative financial instruments	–	–	–	–	–	107,005	–	107,005
Bank borrowings	1,277,390	1,250,000	–	727,183	–	3,900,000	–	7,154,573
Convertible bonds	–	–	–	–	–	2,536,256	–	2,536,256
Fixed rate bonds	–	–	–	–	–	3,243,330	–	3,243,330
Taxation and deferred taxation	1,876,057	675,058	6,397	443,012	–	6,690	–	3,007,214
Amounts due to minority shareholders	1,198,202	1,014,624	–	117,886	4,702	927	–	2,336,341
Total liabilities	8,135,063	17,077,386	36,961	4,762,356	525,533	10,855,654	(20,443,775)	20,949,178
Capital expenditure	2,488,984	1,136,609	–	399,117	–	960	–	4,025,670
Impairment loss on available-for-sale investments	–	197,941	–	–	–	–	–	197,941
Depreciation and amortisation	29,161	923	–	127,947	–	3,006	–	161,037

(d) Secondary reporting format – geographical segments

	2007			
	Segment revenue HK$'000	Segment results HK$'000	Segment assets HK$'000	Capital expenditure HK$'000
PRC	**4,845,012**	**1,328,404**	**28,579,413**	**3,824,003**
Hong Kong	**5,297,436**	**6,267,129**	**32,410,813**	**5,197,393**
United Kingdom	**1,091,797**	**28,358**	**345,940**	**20,377**
Others	**1,261,759**	**(26,663)**	**1,484,071**	**100,038**
	12,496,004	**7,597,228**	**62,820,237**	**9,141,811**

	2006			
	Segment revenue HK$'000	Segment results HK$'000	Segment assets HK$'000	Capital expenditure HK$'000
PRC	4,033,860	1,706,334	18,037,647	2,563,413
Hong Kong	4,708,333	2,769,253	25,221,410	1,197,663
United Kingdom	808,668	35,308	302,018	11,016
Others	642,256	6,345	1,052,515	253,578
	10,193,117	4,517,240	44,613,590	4,025,670

6 OTHER INCOME AND NET GAINS

	Group	
	2007	2006
	HK$'000	HK$'000
Dividend income		
– listed investments	**23,597**	113
– unlisted investments	**22,065**	15,071
	45,662	15,184
Interest income	**121,958**	76,240
Gain on disposal of subsidiaries	**35,444**	9,675
Gain on disposal of associated companies	**75,994**	–
Fair value gain/(loss) on listed securities at fair value through profit or loss	**39,817**	(4,528)
(Loss)/gain on disposal of property, plant and equipment	**(6,104)**	7,020
Others	**29,569**	41,392
	342,340	144,983

7 OPERATING PROFIT BEFORE FINANCE COSTS

Operating profit before finance costs is stated after charging/(crediting) the following:

		Group	
		2007	2006
		HK$'000	HK$'000
Cost of sale of properties		**1,356,529**	1,716,054
Direct operating expenses in respect of investment properties			
– PRC		**105,153**	92,995
– Hong Kong		**191,253**	99,441
		296,406	192,436
Logistics operating costs		**5,858,100**	4,407,979
Depreciation of property, plant and equipment and amortisation of leasehold land and land use rights		**187,164**	161,037
Hotel operating expenses		**179,708**	167,411
Operating lease charges	– land and buildings	**94,274**	57,559
	– vessels	**37,684**	57,994
Provision for impairment of receivables		**7,547**	8,593
Auditor's remuneration		**11,733**	9,257
Impairment loss on available-for-sale investments		**–**	197,941
Exchange gains, net		**(40,863)**	(37,172)

8 FINANCE COSTS

	Group	
	2007	2006
	HK$'000	HK$'000
Interest expense:		
– bank borrowings: bank loans and overdrafts	**342,215**	387,712
– convertible bonds wholly repayable within five years (note 29)	**141,757**	123,161
– fixed rate bonds (note 30)	**211,323**	74,258
– derivative financial instruments	**9,236**	13,977
– others	**30,350**	21,952
Total finance costs incurred	**734,881**	621,060
Less: Amount capitalised in properties under development	**(407,411)**	(316,558)
	327,470	304,502
Fair value (gain)/loss on derivative financial instruments	**(26,563)**	76,161
Total finance costs expensed during the year	**300,907**	380,663

The capitalisation rate applied to funds borrowed and used for the development of properties is between 4% and 7% per annum.

9 TAXATION

Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profit for the year. Income tax on the overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the overseas countries in which the Group operates.

PRC enterprise income tax

During the year, enterprises incorporated in the PRC were subject to enterprise income tax ("EIT") at rate of 33%, which comprised 30% attributable to national enterprise income tax and 3% attributable to local municipal income tax. Certain subsidiaries of the Group, being incorporated as foreign investment enterprises in the PRC, enjoyed the preferential EIT rate of 15% during the year. There were no other preferential tax treatment granted by the relevant tax authorities in the PRC during the year.

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the "new CIT Law"), which is effective from 1 January 2008. Under the new CIT Law, for Group's subsidiaries originally entitling a tax rate of 15%, the tax rate will gradually increase to 25% over the next five years. For Group's subsidiaries originally entitling a tax rate of 33%, the tax rate will decrease to 25% effective on 1 January 2008.

Since the deferred income tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, the change in the applicable tax rate has affected the determination of the carrying amount of deferred income tax assets and liabilities of the Group's subsidiaries located in the PRC.

PRC land appreciation tax

Land appreciation tax in the PRC is levied on properties developed by the Group for sale, at progressive rates ranging from 30% to 60% on the appreciation of land value, which under the applicable regulations is calculated based on the proceeds of sales of properties less deductible expenditures including land costs, borrowing costs and all property development expenditures.

9 TAXATION (Continued)

The amount of taxation (charged)/credited to the consolidated income statement represents:

	Group 2007 HK$'000	Group 2006 HK$'000
PRC taxation		
– Current	**(197,335)**	(217,922)
– (Under)/over provision in prior years	**(3,436)**	734
– Deferred		
arising from temporary differences	**(182,194)**	(363,613)
arising from tax rate changes	**397,599**	–
	14,634	(580,801)
Hong Kong profits tax		
– Current	**(342,758)**	(81,769)
– Overprovision in prior years	**555**	101
– Deferred	**(661,842)**	(205,450)
	(1,004,045)	(287,118)
Overseas taxation		
– Current	**(19,668)**	(21,160)
– Deferred	**(5,485)**	(452)
	(25,153)	(21,612)
	(1,014,564)	(889,531)

The Group's share of associated companies' taxation for the year of HK$61,671,000 (2006: HK$57,881,000) is included in the share of results of associated companies in the consolidated income statement.

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:

	2007 HK$'000	2006 HK$'000
Profit before taxation	**7,895,917**	5,838,861
Less: Share of results of associated companies	**(431,976)**	(450,917)
	7,463,941	5,387,944
Calculated at Hong Kong profits tax rate of 17.5% (2006: 17.5%)	**1,306,190**	942,890
Tax effect of different taxation rates in other countries	**149,518**	258,175
Utilisation of previously unrecognised tax losses	**(17,090)**	(37,155)
Tax effect of net income/expenses that are not taxable/deductible in determining taxable profit	**(29,838)**	(420,925)
Tax loss not recognised	**301**	65,919
Tax effect of profit re-investment in the PRC	**(10,584)**	(40,846)
Tax effect of PRC tax rate changes	**(397,599)**	–
Under/(over) provision of taxation in prior years	**2,881**	(835)
	1,003,779	767,223
Land appreciation tax	**13,479**	162,513
Tax effect of deduction of land appreciation tax	**(2,694)**	(40,205)
Taxation charge	**1,014,564**	889,531

10 PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders dealt with in the financial statements of the Company is HK$1,418,041,000 (2006: HK$1,013,639,000).

11 DIVIDENDS

	Company	
	2007	2006
	HK$'000	HK$'000
Interim, paid, of HK$0.30 (2006: HK$0.20) per ordinary share (note (a))	**423,491**	245,440
Final, proposed, of HK$0.65 (2006: HK$0.65) per ordinary share (note (b))	**925,781**	804,888
Additional prior year final dividend arising from the increase in number of ordinary shares in issue on the related record date (note(b))	**37,469**	3,134
	1,386,741	1,053,462

(a) Amounts shown in respect of the interim dividend for the year ended 31 December 2007 reflect the cash dividend of HK$0.30 (2006: HK$0.20) per ordinary share. A scrip dividend alternative to the interim dividend was also offered, with the result that only approximately HK$117,384,000 (2006: HK$50,868,000) of the interim dividend was paid in cash.

(b) At a meeting held on 19 March 2008, the directors proposed a final dividend of HK$0.65 per ordinary share. This proposed dividend is not reflected as a dividend payable in these financial statements. The proposed final dividend for the year ended 31 December 2007, as referred to above, is calculated on the basis of 1,424,278,046 ordinary shares in issue as at 31 December 2007, and at a final dividend of HK$0.65 per ordinary share. The actual amount of final dividend payable in respect of the year ended 31 December 2007 will be subject to the actual number of ordinary shares in issue on the record date, which is expected to be on or about 6 May 2008.

12 EARNINGS PER SHARE

Basic

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the year.

	2007	2006
Weighted average number of ordinary shares in issue	**1,326,495,902**	1,224,938,512

	2007	2006
	HK$'000	HK$'000
Profit attributable to shareholders	**6,563,092**	4,688,950
Basic earnings per share	**HK$4.95**	HK$3.83

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding assuming conversion of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: convertible bonds and share options. The convertible bonds are assumed to have been converted into ordinary shares and the net profit is adjusted to eliminate the interest expense less the tax effect. For the share options, a calculation is made to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

12 EARNINGS PER SHARE (Continued)

Diluted (Continued)

	2007	2006
Weighted average number of ordinary shares in issue	**1,326,495,902**	1,224,938,512
Adjustment for convertible bonds	**75,670,116**	96,320,554
Adjustment for share options	**6,117,625**	8,708,293
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**1,408,283,643**	1,329,967,359

	2007 HK$'000	2006 HK$'000
Profit attributable to shareholders	**6,563,092**	4,688,950
Adjustment for finance cost on convertible bonds	**116,950**	101,608
Profit used to determine diluted earnings per share	**6,680,042**	4,790,558
Diluted earnings per share	**HK$4.74**	HK$3.60

13 EMPLOYEE BENEFIT EXPENSE

	Group	
	2007 HK$'000	2006 HK$'000
Staff costs, including directors' emoluments	**1,170,650**	910,496
Share options granted to directors and employees	**2,350**	17,302
Pension costs – defined contribution plans (note (a))	**74,791**	66,058
	1,247,791	993,856

(a) Pensions – defined contribution plans

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 if their relevant income is HK$5,000 per month 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.

13 EMPLOYEE BENEFIT EXPENSE (Continued)

(a) Pensions – defined contribution plans (Continued)

Certain companies within the Group are also participants of the Kerry Trading Co. Limited – Provident Fund Scheme (the "Fund") which is a defined contribution scheme as defined in the Occupational Retirement Schemes Ordinance (Chapter 426 of the Laws of Hong Kong). The Fund is for certain salaried persons (the "Fund Members") under the employment of the companies participating in the Fund. The assets of the Fund are managed by the trustees of the Fund. Contributions are made to the Fund by companies participating in the Fund at 10% of the Fund Members' monthly basic salaries up to a maximum of HK$5,000 per Fund Member per month (the "Basic Contribution") less the MPF Contribution if the Basic Contribution is higher than the MPF Contribution. Fund Members are entitled to 100% of the employers' contributions to the Fund plus investment earnings upon leaving employment after completing ten years of service or more, or upon retirement after attaining the retirement age after any number of years of service, or upon retirement due to ill health. Fund Members are also entitled to the employers' contributions to the Fund plus investment earnings calculated at a reduced scale of between 20% and 90% after completing a period of service of at least two but less than ten years. The unvested benefits of employees terminating employment forfeited in accordance with the terms of the Fund can be utilised by the companies participating in the Fund to reduce future contributions. During the year, forfeited contributions totaling HK$1,489,000 (2006: HK$1,119,000) were utilised leaving HK$627,000 (2006: HK$313,000) available at the year end to reduce future contributions.

The Group also made defined contributions to pension plans as required by the relevant municipality or provincial governments in the PRC. The rates of contributions for the relevant periods ranged from 10% to 28% 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.

(b) Directors' and senior management's emoluments

The remuneration of the Directors for the year ended 31 December 2007 is set out below:

Name of Director	Fees HK$'000	Salary HK$'000	Discretionary bonuses HK$'000	Other benefits (note) HK$'000	Employer's contribution to pension scheme HK$'000	Total HK$'000
Mr ANG Keng Lam	–	3,390	24,487	464	60	28,401
Mr WONG Siu Kong	–	4,680	30,000	464	60	35,204
Mr HO Shut Kan	–	3,120	7,560	248	60	10,988
Mr MA Wing Kai, William	–	3,120	7,060	248	60	10,488
Mr CHAN Wai Ming, William*	–	745	2,600	–	18	3,363
Mr QIAN Shaohua*	–	432	3,000	–	18	3,450
Mr William Winship FLANZ	250	–	–	–	–	250
Mr KU Moon Lun*	166	–	–	–	–	166
Mr LAU Ling Fai, Herald	250	–	–	–	–	250
Mr TSE Kai Chi	250	–	–	–	–	250
Mr Christopher Roger MOSS, O.B.E.**	1,585	–	–	–	–	1,585

* Appointed during the year
** Retired during the year

13 EMPLOYEE BENEFIT EXPENSE (Continued)

(b) Directors' and senior management's emoluments (Continued)

The remuneration of the Directors for the year ended 31 December 2006 is set out below:

Name of Director	Fees	Salary	Discretionary bonuses	Other benefits (note)	Employer's contribution to pension scheme	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Mr ANG Keng Lam	–	3,254	24,570	3,120	60	31,004
Mr WONG Siu Kong	–	4,320	25,000	3,120	60	32,500
Mr HO Shut Kan	–	2,400	7,050	1,664	60	11,174
Mr MA Wing Kai, William	–	2,400	7,050	1,664	60	11,174
Mr William Winship FLANZ	250	–	–	–	–	250
Mr LAU Ling Fai, Herald	250	–	–	–	–	250
Mr Christopher Roger MOSS, O.B.E.	250	–	–	–	–	250
Mr TSE Kai Chi	250	–	–	–	–	250

Note:

Other benefits represent fair value of share options granted to the relevant Director which was charged to the income statement in accordance with HKFRS 2.

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include five (2006: four) Directors. The emoluments payable to the five highest paid individuals during the year are as follows:

	2007	2006
	HK$'000	HK$'000
Basic salaries, housing allowances, share options, other allowances and benefits in kind	**18,249**	25,558
Discretionary bonuses	**71,707**	67,720
Pension contributions	**300**	300
	90,256	93,578

The emoluments fell within the following bands:

	Number of individuals 2007	2006
HK$5,000,001 – HK$5,500,000	**1**	–
HK$7,500,001 – HK$8,000,000	**–**	1
HK$10,000,001 – HK$10,500,000	**1**	–
HK$10,500,001 – HK$11,000,000	**1**	–
HK$11,000,001 – HK$11,500,000	**–**	2
HK$28,000,001 – HK$28,500,000	**1**	–
HK$31,000,001 – HK$31,500,000	**–**	1
HK$32,000,001 – HK$32,500,000	**–**	1
HK$35,000,001 – HK$35,500,000	**1**	–
	5	5

14 PROPERTY, PLANT AND EQUIPMENT

	Group								
	Hotel property HK$'000	Warehouses and logistics centres HK$'000	Staff quarters HK$'000	Freehold land and buildings HK$'000	Port facilities HK$'000	Leasehold improvements HK$'000	Warehouse operating equipment HK$'000	Motor vehicles, furniture, fixtures and office equipment HK$'000	Total HK$'000
Cost or valuation									
At 1 January 2006	817,111	570,643	35,856	258,381	110,624	11,275	334,613	551,587	2,690,090
Additions, at cost	11,546	16,375	877	13,140	–	771	29,303	131,952	203,964
Acquisition of subsidiaries	–	3,000	–	–	–	–	3,818	5,161	11,979
Adjustment on revaluation	65,919	16,414	–	19,750	(7,022)	–	–	–	95,061
Disposals	–	(11,391)	(5,231)	(1,376)	–	(502)	(10,466)	(37,622)	(66,588)
Reclassification/ transfer	–	31,367	–	29,889	–	–	–	4,410	65,666
Exchange adjustment	–	10,104	1,271	34,176	15,385	152	19,036	25,502	105,626
At 31 December 2006	894,576	636,512	32,773	353,960	118,987	11,696	376,304	680,990	3,105,798
At cost	–	–	32,773	–	–	11,696	376,304	680,990	1,101,763
At professional valuation	894,576	636,512	–	353,960	118,987	–	–	–	2,004,035
At 31 December 2006	894,576	636,512	32,773	353,960	118,987	11,696	376,304	680,990	3,105,798
Aggregate depreciation and accumulated impairment losses									
At 1 January 2006	–	–	6,474	–	–	10,101	192,138	354,012	562,725
Charge for the year	21,247	25,010	1,159	5,274	3,763	926	33,079	62,317	152,775
Acquisition of subsidiaries	–	–	–	–	–	–	858	1,907	2,765
Adjustment on revaluation	(21,247)	(24,393)	–	(5,267)	(3,942)	–	–	–	(54,849)
Disposals	–	(772)	(68)	(249)	–	(502)	(6,784)	(19,287)	(27,662)
Exchange adjustment	–	155	250	242	179	148	10,317	17,553	28,844
At 31 December 2006	–	–	7,815	–	–	10,673	229,608	416,502	664,598
Net book value as at 31 December 2006	894,576	636,512	24,958	353,960	118,987	1,023	146,696	264,488	2,441,200

14 PROPERTY, PLANT AND EQUIPMENT (Continued)

	Group								
	Hotel property HK$'000	Warehouses and logistics centres HK$'000	Staff quarters HK$'000	Freehold land and buildings HK$'000	Port facilities HK$'000	Leasehold improvements HK$'000	Warehouse operating equipment HK$'000	Motor vehicles, furniture, fixtures and office equipment HK$'000	Total HK$'000
Cost or valuation									
At 1 January 2007	894,576	636,512	32,773	353,960	118,987	11,696	376,304	680,990	3,105,798
Additions, at cost	5,042	739	2,320	22,502	–	16,354	47,712	127,697	222,366
Acquisition of subsidiaries	–	12,605	–	–	–	2,914	5,383	1,226	22,128
Disposal of subsidiaries	–	–	–	–	–	–	(1,543)	(25,098)	(26,641)
Adjustment on revaluation	98,672	64,233	–	(22,271)	2,018	–	–	–	142,652
Disposals	–	(108)	(2,857)	–	(1,989)	(20,560)	(41,153)	(38,981)	(105,648)
Reclassification	–	–	–	–	–	120,248	33,450	(153,698)	–
Transfer	–	(17,073)	–	35,237	147,183	–	28,660	–	194,007
Exchange adjustment	65,249	24,010	2,569	69,848	27,510	9,859	29,207	32,201	260,453
At 31 December 2007	1,063,539	720,918	34,805	459,276	293,709	140,511	478,020	624,337	3,815,115
At cost	–	–	34,805	–	–	140,511	478,020	624,337	1,277,673
At professional valuation	1,063,539	720,918	–	459,276	293,709	–	–	–	2,537,442
At 31 December 2007	1,063,539	720,918	34,805	459,276	293,709	140,511	478,020	624,337	3,815,115
Aggregate depreciation and accumulated impairment losses									
At 1 January 2007	–	–	7,815	–	–	10,673	229,608	416,502	664,598
Charge for the year	23,674	27,873	1,026	11,364	8,704	4,478	37,468	63,604	178,191
Disposal of subsidiaries	–	–	–	–	–	–	(25)	(22,651)	(22,676)
Adjustment on revaluation	(23,674)	(29,151)	–	(12,183)	(9,488)	–	–	–	(74,496)
Disposals	–	–	(886)	–	–	(12,771)	(32,023)	(32,209)	(77,889)
Reclassification	–	–	–	–	–	63,660	–	(63,660)	–
Exchange adjustment	–	1,278	603	819	784	3,437	15,956	22,025	44,902
At 31 December 2007	–	–	8,558	–	–	69,477	250,984	383,611	712,630
Net book value as at 31 December 2007	**1,063,539**	**720,918**	**26,247**	**459,276**	**293,709**	**71,034**	**227,036**	**240,726**	**3,102,485**

(a) As at 31 December 2007, property, plant and equipment and port facilities with an aggregate net book value of HK$305,402,000 (2006: HK$274,341,000) and HK$293,709,000 (2006: HK$118,987,000), respectively, were pledged as security for bank loan facilities granted to the Group (note 41).

(b) Hotel property, warehouses and logistics centres in the PRC and Hong Kong were valued by DTZ Debenham Tie Leung Limited and Savills Valuation and Professional Services Limited. Freehold land and buildings and port facilities in Thailand were valued by DTZ Debenham Tie Leung Limited while freehold land and buildings in Australia were valued by Rushton Valuers Pty Ltd. They are independent professional valuers and the valuation was on an open market value basis as at 31 December 2007.

14 PROPERTY, PLANT AND EQUIPMENT (Continued)

(c) The carrying amount of the warehouses and logistics centres would have been HK$396,660,000 (2006: HK$379,579,000) had they been stated in the financial statements at cost less aggregate depreciation and accumulated impairment losses.

(d) The carrying amount of freehold land and buildings and port facilities would have been HK$335,674,000 (2006: HK$238,397,000) and HK$270,417,000 (2006: HK$109,415,000), respectively, had they been stated in the financial statements at cost less aggregate depreciation and accumulated impairment losses.

(e) The carrying amount of the hotel property would have been HK$712,112,000 (2006: HK$724,183,000) had they been stated in the financial statements at cost less aggregate depreciation and accumulated impairment losses.

	Company		
	Leasehold improvements HK$'000	Motor vehicles, furniture, fixtures and office equipment HK$'000	Total HK$'000
Cost			
At 1 January 2006	432	3,356	3,788
Additions, at cost	7	602	609
At 31 December 2006	439	3,958	4,397
Aggregate depreciation			
At 1 January 2006	216	1,305	1,521
Charge for the year	66	603	669
At 31 December 2006	282	1,908	2,190
Net book value			
As at 31 December 2006	157	2,050	2,207

	Company		
	Leasehold improvements HK$'000	Motor vehicles, furniture, fixtures and office equipment HK$'000	Total HK$'000
Cost			
At 1 January 2007	439	3,958	4,397
Additions, at cost	10	2,131	2,141
At 31 December 2007	449	6,089	6,538
Aggregate depreciation			
At 1 January 2007	282	1,908	2,190
Charge for the year	58	983	1,041
At 31 December 2007	340	2,891	3,231
Net book value			
As at 31 December 2007	**109**	**3,198**	**3,307**

15 INVESTMENT PROPERTIES

	Group 2007 HK$'000	2006 HK$'000
At 1 January	**21,642,166**	20,510,591
Additions	**57,456**	68,906
Increase in fair value	**4,493,935**	2,318,701
Disposals	**(808,991)**	(1,560,309)
Transfer	**2,357,097**	299,653
Exchange adjustment	**583,077**	4,624
At 31 December	**28,324,740**	21,642,166

(a) All investment properties were valued by DTZ Debenham Tie Leung Limited and Savills Valuation and Professional Services Limited, independent professional valuers, on an open market value basis as at 31 December 2007.

(b) The Group's interest in investment properties at their net book values are analysed as follows:

	2007 HK$'000	2006 HK$'000
In Hong Kong held on:		
Leases of over 50 years	**8,762,475**	8,438,765
Leases of between 10 to 50 years	**10,194,005**	5,058,565
Outside Hong Kong, held on:		
Leases of over 50 years	**1,384,558**	840,200
Leases of between 10 to 50 years	**7,983,702**	7,304,636
	28,324,740	21,642,166

16 LEASEHOLD LAND AND LAND USE RIGHTS

	2007 HK$'000	2006 HK$'000
At 1 January	**338,409**	325,326
Acquisition of subsidiaries	**33,589**	–
Amortisation	**(9,171)**	(8,337)
Transfer	**17,073**	16,969
Exchange adjustment	**22,578**	4,451
At 31 December	**402,478**	338,409

The Group's interest in leasehold land and land use rights represent prepaid operating lease payments and their net book values are analysed as follows:

	2007 HK$'000	2006 HK$'000
In Hong Kong, held on:		
Leases of between 10 to 50 years	**76,337**	78,250
Outside Hong Kong, held on:		
Leases of between 10 to 50 years	**326,141**	260,159
	402,478	338,409

17 PROPERTIES UNDER DEVELOPMENT

	2007 HK$'000	2006 HK$'000
At 1 January	**12,400,243**	7,855,171
Additions during the year	**8,755,915**	3,743,586
Disposals during the year	**(123,085)**	–
Acquisition of subsidiaries	**–**	1,415,297
Disposal of a subsidiary	**(2,346)**	–
Transfer	**(1,937,157)**	(737,240)
Exchange adjustment	**452,630**	123,429
	19,546,200	12,400,243
Less: Amount included under current assets	**(5,408,011)**	–
At 31 December	**14,138,189**	12,400,243

The Group's interest in properties under development at their net book values are analysed as follows:

	2007 HK$'000	2006 HK$'000
In Hong Kong, held on:		
Leases of over 50 years	**2,105,076**	2,101,687
Leases of between 10 to 50 years	**8,022,484**	5,258,868
Outside Hong Kong, held on:		
Leases of over 50 years	**1,937,903**	–
Leases of between 10 to 50 years	**7,480,737**	4,868,900
Freehold land and buildings	**–**	170,788
	19,546,200	12,400,243

As at 31 December 2007, properties under development amounting to HK$343,248,000 (2006: HK$170,788,000) were pledged as securities for bank loan facilities granted to the Group (note 41).

As at 31 December 2007, certificates of land use rights with net book values amounting to HK$1,155,711,000 included in properties under development were still in the progress of being obtained.

18 SUBSIDIARIES

	Company	
	2007 HK$'000	2006 HK$'000
Unlisted shares, at cost (note (a))	**18,643,700**	18,643,700
Amounts due from subsidiaries (note (b))	**16,946,718**	8,836,250
	35,590,418	27,479,950

(a) Details of principal subsidiaries are set out in note 44 to the financial statements.

(b) The amounts due from subsidiaries are unsecured, have no fixed terms of repayment and are interest-free except for an amount of HK$11,246,892,000 (2006: HK$5,882,389,000) which bears interest at prevailing market rates.

19 ASSOCIATED COMPANIES

	Group 2007 HK$'000	Group 2006 HK$'000
Share of net assets (note (a))	**3,835,373**	2,119,023
Amounts due from associated companies (note (b))	**1,896,151**	3,928,807
Amounts due to associated companies (note (c))	**(45,519)**	(55,760)
	5,686,005	5,992,070

(a) Details of principal associated companies are set out in note 44 to the financial statements.

(b) The amounts due from associated companies are unsecured, have no fixed terms of repayment and are interest-free except for amounts totalling HK$1,052,354,000 (2006: HK$1,152,865,000) which bear interest at prevailing market rates.

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

(d) The Group's share of results of its associated companies and its aggregate assets and liabilities are as follows:

	2007 HK$'000	2006 HK$'000
Aggregate attributable amounts of total assets	**10,369,034**	10,075,269
Aggregate attributable amounts of total liabilities	**6,533,661**	7,956,246
Aggregate attributable amounts of total revenue	**1,335,854**	1,051,938
Aggregate attributable amounts of net profit after tax	**431,976**	450,917

20 DERIVATIVE FINANCIAL INSTRUMENTS

	Group and Company			
	2007		2006	
	Assets HK$'000	Liabilities HK$'000	Assets HK$'000	Liabilities HK$'000
Non-current				
Cross currency swap contracts, at fair value (note (a))	**18,684**	**–**	–	24,484
Interest rate swap contracts, at fair value (note (b))	**–**	**63,410**	2,687	82,521
	18,684	**63,410**	2,687	107,005
Current				
Interest rate swap contracts, at fair value (note (b))	**–**	**32,888**	–	–
	–	**32,888**	–	–
Total	**18,684**	**96,298**	2,687	107,005

(a) The principal amounts under the outstanding cross currency swap contracts at 31 December 2007 amounting to US$417,000,000 (2006: US$417,000,000) has been exchanged at inception and will be re-exchanged on expiry date at an average exchange rate of US$1 to HK$7.78 (approximate). Under these contracts, the fixed interest rates ranging from 5.64% to 5.75% per annum on the exchanged Hong Kong dollar principal amounts would be paid and the fixed interest rate at 6.375% per annum on the original US dollar principal amounts would be received.

(b) The notional principal amounts of the outstanding interest rate swap contracts at 31 December 2007 were HK$5,800,000,000 (2006: HK$5,800,000,000). Such interest rate swap contracts have the economic effect of converting borrowings from floating rates to fixed rates. At 31 December 2007, the fixed interest rates ranged from 3.65% to 4.70% (2006: 3.65% to 4.70%) per annum.

21 AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	2007	2006
	HK$'000	HK$'000
Listed equity securities, at fair value	**641,001**	431,634
Unlisted equity securities, at fair value	**1,148,751**	956,874
	1,789,752	1,388,508
Market value of listed securities in Hong Kong	**641,001**	431,634

22 LONG-TERM RECEIVABLES AND ACCOUNTS RECEIVABLE, PREPAYMENTS AND DEPOSITS

	Group	
	2007	2006
	HK$'000	HK$'000
Trade receivables (note (a))	**1,851,722**	2,120,772
Less: Provision for impairment of receivables (note (b))	**(17,985)**	(18,711)
Trade receivables – net	**1,833,737**	2,102,061
Second mortgage loans receivable	**38,524**	65,852
Others	**896,203**	629,940
	2,768,464	2,797,853
Less: long-term receivables (note (c))	**(36,748)**	(63,588)
Current portion	**2,731,716**	2,734,265

The carrying amounts of accounts receivable approximate the fair value of these balances.

The carrying amounts of the Group's long-term receivable and accounts receivable, prepayments and deposits are denominated in the following currencies:

	2007	2006
	HK$'000	HK$'000
Hong Kong dollar	**1,228,726**	1,688,156
Renminbi	**684,614**	114,406
United States dollar	**390,869**	692,495
Pound sterling	**165,177**	136,131
Other currencies	**299,078**	166,665
	2,768,464	2,797,853

(a) The Group maintains defined credit policies and applies those appropriate to the particular business circumstances of the Group. At 31 December 2007 and 2006, the ageing analysis of the trade receivables based on date of the invoice and net of provision for impairment of the Group were as follows:

	2007	2006
	HK$'000	HK$'000
Below 1 month	**1,210,134**	1,636,354
Between 1 month and 3 months	**445,193**	274,310
Over 3 months	**178,410**	191,397
	1,833,737	2,102,061

22 LONG-TERM RECEIVABLES AND ACCOUNTS RECEIVABLE, PREPAYMENTS AND DEPOSITS (Continued)

(a) (Continued)

There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers. The credit quality of the receivables that are neither past due nor impaired can be assessed by the good repayment history and no default in the past.

According to credit terms, trade receivables that are less than three months past due are not considered impaired. As of 31 December 2007, trade receivables of HK$222,260,000 (2006: HK$221,289,000) were past due but not impaired. These relate to a number of independent customers of whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2007 HK$'000	2006 HK$'000
Up to 3 months	**181,733**	204,693
Over 3 months	**40,527**	16,596

(b) As of 31 December 2007, trade receivables of HK$17,985,000 (2006: HK$18,711,000) were impaired and fully provided. The individually impaired receivables mainly relate to those customers which are in unexpected difficult economic situations.

Movements on the provision for impairment of receivables are as follows:

	2007 HK$'000	2006 HK$'000
At 1 January	**18,711**	17,075
Provision for impairment of receivables	**7,547**	8,593
Receivables written off during the year as uncollectible	**(1,610)**	(953)
Unused amounts reversed	**(6,663)**	(6,004)
At 31 December	**17,985**	18,711

The creation and release of provision for impaired receivables have been included in administrative expenses in the income statement. Amounts charged to the allowance account are written off when there is no expectation of recovery.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. Except for the second mortgage loans receivables, the Group does not hold any collateral as security.

(c) The amount represents non-current portion of second mortgage loans to buyers of certain properties developed by the Group.

23 GOODWILL

	Group 2007 HK$'000	Group 2006 HK$'000
At 1 January	**266,645**	244,061
Arising from acquisition of subsidiaries and business	**42,004**	23,555
Arising from purchase of additional interest in subsidiaries	**8,353**	–
Disposal of subsidiaries	**(9,605)**	–
Impairment	**(1,248)**	(971)
At 31 December	**306,149**	266,645

Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to country of operation and business segment.

A segment-level summary of the goodwill allocation is presented below:

	2007 HK$'000	2006 HK$'000
PRC	**143,460**	136,946
Hong Kong	**43,379**	11,040
United Kingdom	**68,753**	71,253
Others	**50,557**	47,406
	306,149	266,645

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below:

Key assumptions used for value-in-use calculations

	Logistics and Warehouse			
	PRC	Hong Kong	United Kingdom	Others
Gross margin	4% – 15%	1% – 5%	4% – 10%	2% – 38%
Growth rate	5%	3% – 5%	5%	5% – 10%
Discount rate	10%	10%	10%	10%

These assumptions have been used for the analysis of each CGU within the business segment of logistics and warehouse.

Management determined budgeted gross margin and growth rates based on past performance and its expectations of the market development. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

24 COMPLETED PROPERTIES HELD FOR SALE

	Group 2007 HK$'000	Group 2006 HK$'000
Leasehold land and land use rights	**253,993**	506,085
Other development costs	**325,791**	682,016
	579,784	1,188,101

These completed properties held for sale are located in Hong Kong and the PRC.

25 LISTED SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group 2007 HK$'000	Group 2006 HK$'000
Listed securities:		
– Hong Kong	**224,570**	198,168
– Malaysia	**173**	150
Market value of listed securities	**224,743**	198,318

26 CASH AND CASH EQUIVALENTS

	Group 2007 HK$'000	Group 2006 HK$'000	Company 2007 HK$'000	Company 2006 HK$'000
Cash at bank and in hand	**2,319,138**	1,377,020	**3,515**	5,495
Short-term bank deposits	**1,917,576**	1,314,338	**40,400**	227,376
Cash and bank balances	**4,236,714**	2,691,358	**43,915**	232,871

The effective interest rate on short-term bank deposits was 2.92% (2006: 3.93%) per annum; these deposits have an average maturity of less than 1 month.

Cash and cash equivalents include the following for the purposes of the consolidated cash flow statement:

	Group 2007 HK$'000	Group 2006 HK$'000
Cash and bank balances	**4,236,714**	2,691,358
Secured bank overdrafts	**(4,624)**	–
Unsecured bank overdrafts	**(26,204)**	(6,690)
	4,205,886	2,684,668

Cash and cash equivalents are denominated in the following currencies:

	Group 2007 HK$'000	Group 2006 HK$'000	Company 2007 HK$'000	Company 2006 HK$'000
Renminbi	**1,973,587**	790,771	**–**	–
Hong Kong dollar	**1,708,952**	1,521,861	**9,262**	59,846
United States dollar	**357,657**	306,675	**16,840**	157,637
Other currencies	**165,690**	65,361	**17,813**	15,388
	4,205,886	2,684,668	**43,915**	232,871

27 ACCOUNTS PAYABLE, DEPOSITS RECEIVED AND ACCRUED CHARGES

	Group	
	2007	2006
	HK$'000	HK$'000
Trade payables	**712,577**	613,640
Construction costs payable	**697,565**	598,531
Rental and sales deposits	**1,572,458**	368,575
Others	**1,347,840**	977,023
	4,330,440	2,557,769

The ageing analysis of trade payables of the Group as at 31 December 2007 was as follows:

	2007	2006
	HK$'000	HK$'000
Below 1 month	**453,120**	404,326
Between 1 month and 3 months	**166,217**	117,889
Over 3 months	**93,240**	91,425
	712,577	613,640

The carrying amounts of the Group's accounts payables, deposits received and accrued charges are denominated in the following currencies:

	2007	2006
	HK$'000	HK$'000
Renminbi	**2,175,475**	685,622
Hong Kong dollar	**1,399,078**	1,077,762
United States dollar	**337,193**	513,631
Pound sterling	**198,258**	133,655
Other currencies	**220,436**	147,099
	4,330,440	2,557,769

28 BANK LOANS

	Group		Company	
	2007	2006	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000
Non-current				
Bank loans				
– unsecured	**6,372,870**	6,095,233	**4,190,000**	3,750,000
– secured (note 41)	**580,372**	255,912	**–**	–
	6,953,242	6,351,145	**4,190,000**	3,750,000
Current				
Bank loans				
– unsecured	**581,930**	757,655	**150,000**	150,000
– secured (note 41)	**67,625**	45,773	**–**	–
	649,555	803,428	**150,000**	150,000
Total bank loans	**7,602,797**	7,154,573	**4,340,000**	3,900,000

28 BANK LOANS (Continued)

The maturity of bank loans is as follows:

	Group 2007 HK$'000	Group 2006 HK$'000	Company 2007 HK$'000	Company 2006 HK$'000
Within 1 year	**649,555**	803,428	**150,000**	150,000
Between 1 and 2 years	**373,850**	384,535	**–**	–
Between 2 and 5 years	**6,085,759**	5,492,566	**4,190,000**	3,750,000
Wholly repayable within 5 years	**7,109,164**	6,680,529	**4,340,000**	3,900,000
Over 5 years	**493,633**	474,044	**–**	–
	7,602,797	7,154,573	**4,340,000**	3,900,000

The effective annual interest rates of the major bank borrowings at the balance sheet date were as follows:

	2007 HK$	2007 US$	2007 RMB	2006 HK$	2006 US$	2006 RMB
Bank loans	**3.74%**	**5.73%**	**7.33%**	4.24%	5.92%	5.02%

The carrying amounts of all bank loans approximate their fair value.

The carrying amounts of the bank loans are denominated in the following currencies:

	Group 2007 HK$'000	Group 2006 HK$'000	Company 2007 HK$'000	Company 2006 HK$'000
Hong Kong dollar	**6,331,500**	6,001,991	**4,340,000**	3,900,000
United States dollar	**562,597**	653,039	**–**	–
Renminbi	**347,074**	164,228	**–**	–
Other currencies	**361,626**	335,315	**–**	–
	7,602,797	7,154,573	**4,340,000**	3,900,000

29 CONVERTIBLE BONDS

(a) On 8 April 2005, Wise Insight Finance Limited, a wholly-owned subsidiary of the Company, issued an aggregate principal amount of HK$2,500,000,000 zero-coupon guaranteed convertible bonds which are due in April 2010 at a redemption price of 119.354% of the principal amount. The bonds are guaranteed by the Company as to repayments, and are convertible into ordinary shares of HK$1 per share in the Company at an initial conversion price of HK$25.955 per share. The conversion price is subject to adjustment in certain events set out in the Trust Deed dated 8 April 2005.

There had been no redemption of the convertible bonds by Wise Insight Finance Limited. During the year ended 31 December 2007, an aggregate principal amount of HK$2,379,000,000 since the issue date was converted into an aggregate of 91,658,595 ordinary shares of the Company.

(b) On 22 February 2007, Gainlead International Limited, a wholly-owned subsidiary of the Company, issued an aggregate principal amount of HK$2,350,000,000 zero-coupon guaranteed convertible bonds which are due in February 2012 at a redemption price of 117.203% of the principal amount. The bonds are guaranteed by the Company as to repayments, and are convertible into ordinary shares of HK$1 per share in the Company at an initial conversion price of HK$52.65 per share. The conversion price is subject to adjustment in certain events set out in the Trust Deed dated 22 February 2007.

During the year, there was no conversion of the convertible bonds into shares of the Company by the bondholders and no redemption of the convertible bonds by Gainlead International Limited.

29 CONVERTIBLE BONDS (Continued)

The fair values of the liability component and the equity component were determined upon the issuance of the convertible bonds.

The fair value of the liability component was calculated using a market interest rate for a bond with the same tenure but with no conversion features. The residual amount, representing the value of the equity component, is credited to a convertible bonds reserve under equity attributable to the Company's shareholders.

The convertible bonds recognised in the consolidated balance sheet are calculated as follows:

	Convertible bonds issued by Wise Insight Finance Limited HK$'000	Convertible bonds issued by Gainlead International Limited HK$'000
Face value of convertible bonds at issue date	2,500,000	2,350,000
Less: equity component	(145,250)	(207,740)
Liability component on initial recognition	2,354,750	2,142,260
Less: direct issue costs attributable to liability component	(28,356)	(22,555)
Liability component on initial recognition, net of direct issue costs	2,326,394	2,119,705

	Convertible bonds issued by Wise Insight Finance Limited HK$'000	Convertible bonds issued by Gainlead International Limited HK$'000	Total HK$'000
Liability component on initial recognition, net of direct issue costs	2,326,394	–	2,326,394
Add: imputed finance cost in prior years	209,862	–	209,862
Liability component at 31 December 2006	2,536,256	–	2,536,256
Add: liability component of new convertible bonds	–	2,119,705	2,119,705
Add: imputed finance cost in 2007 (note 8)	44,095	97,662	141,757
Less: amount being converted	(2,451,331)	–	(2,451,331)
Liability component at 31 December 2007	**129,020**	**2,217,367**	**2,346,387**

The fair value of the liability component of the convertible bonds issued by Wise Insight Finance Limited and Gainland International Limited at 31 December 2007 amounted to approximately HK$131,849,000 (2006: HK$2,570,700,000) and HK$2,280,203,000 (2006: Not applicable) respectively. The fair value is calculated using cash flows discounted at a rate based on the borrowing rate of 4.13% per annum and 4.60% respectively.

Imputed finance cost on the bonds is calculated using the effective interest method by applying the effective interest rate of 5.10% per annum for the convertible bonds issued by Wise Insight Finance Limited and 5.38% per annum for the convertible bonds issued by Gainlead International Limited.

30 FIXED RATE BONDS

On 25 August 2006, Gain Silver Finance Limited, a wholly-owned subsidiary of the Company, issued fixed rate bonds in the aggregate principal amount of US$420,000,000. The fixed rate bonds are guaranteed by the Company as to repayment, and carry a coupon rate of 6.375% per annum and have a maturity term of 10 years.

The fixed rate bonds are listed on the Singapore Exchange Securities Trading Limited. The market value of the fixed rate bonds as at 31 December 2007 was HK$3,212,403,000 (2006: HK$3,292,330,000).

31 AMOUNTS DUE TO MINORITY SHAREHOLDERS – GROUP

The amounts due to minority shareholders represent proportionate funding from the minority shareholders of joint venture projects including an amount of approximately HK$541,049,000 (2006: HK$312,821,000) due to certain subsidiaries of Shangri-La Asia Limited, a related company whose shares are listed on The Stock Exchange of Hong Kong Limited. 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$500,776,000 (2006: HK$395,969,000) which bears interest at prevailing market rates.

The carrying values of the Group's amounts due to miniority shareholders are denominated in the following currencies:

	2007 HK$'000	2006 HK$'000
Hong Kong dollar	**1,779,304**	1,684,911
United States dollar	**561,753**	559,491
Other currencies	**37,097**	91,939
	2,378,154	2,336,341

32 DEFERRED TAXATION

	Group	
	2007 HK$'000	2006 HK$'000
At 1 January	**2,704,817**	2,097,083
Purchase of subsidiaries (note 37(b))	**–**	41
Disposal of subsidiaries	**(63)**	–
Deferred taxation charged to income statement	**451,922**	569,515
Deferred taxation charged directly to equity	**25,731**	42,154
Transfer to taxation	**–**	(4,276)
Exchange adjustment	**112,745**	300
At 31 December	**3,295,152**	2,704,817

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through the future taxable profits is probable. The Group has unrecognised tax losses of HK$1,836,699,000 (2006: HK$1,760,496,000) to be carried forward in offsetting the future taxable income.

The movements in deferred tax (assets) and liabilities during the year were as follows:

	Group			
	Revaluation HK$'000	Accelerated depreciation allowances HK$'000	Tax losses HK$'000	Total HK$'000
At 1 January 2006	2,036,716	232,210	(171,843)	2,097,083
Purchase of subsidiaries	–	41	–	41
Deferred taxation charged to income statement	496,225	20,056	53,234	569,515
Deferred taxation charged directly to equity	42,154	–	–	42,154
Transfer to taxation	–	(4,276)	–	(4,276)
Reclassification	(61,983)	61,983	–	–
Exchange adjustment	–	300	–	300
At 31 December 2006	2,513,112	310,314	(118,609)	2,704,817

32 DEFERRED TAXATION (Continued)

	Group			
	Revaluation HK$'000	Accelerated depreciation allowances HK$'000	Tax losses HK$'000	Total HK$'000
At 1 January 2007	2,513,112	310,314	(118,609)	2,704,817
Disposal of subsidiaries	–	(63)	–	(63)
Deferred taxation charged/(credited) to income statement	441,181	84,198	(73,457)	451,922
Deferred taxation charged directly to equity	25,731	–	–	25,731
Exchange adjustment	110,474	2,271	–	112,745
At 31 December 2007	**3,090,498**	**396,720**	**(192,066)**	**3,295,152**

33 SHARE CAPITAL

	Authorised Ordinary shares of HK$1 each	
	No. of shares	HK$'000
At 31 December 2006 and 2007	10,000,000,000	10,000,000

	Issued and fully paid Ordinary shares of HK$1 each			
	2007		2006	
	No. of shares	HK$'000	No. of shares	HK$'000
At 1 January	**1,238,289,382**	**1,238,289**	1,216,578,922	1,216,579
Issue of scrip dividend shares (notes (a) and (b))	**19,360,687**	**19,361**	8,280,785	8,281
Issue of shares as a result of exercise of share options (note (c))	**4,969,382**	**4,969**	13,429,675	13,429
Placement of shares (note (d))	**70,000,000**	**70,000**	–	–
Issue of shares as a result of conversion of convertible bonds	**91,658,595**	**91,659**	–	–
At 31 December	**1,424,278,046**	**1,424,278**	1,238,289,382	1,238,289

(a) On 3 May 2007, the Company approved a final dividend on its issued ordinary shares for the year ended 31 December 2006. The Company offered to its shareholders a scrip dividend alternative under which the shareholders could elect to receive ordinary shares in lieu of cash dividend. A total of 14,337,593 ordinary shares were issued on 8 June 2007 under this alternative.

(b) On 14 September 2007, the Company declared an interim dividend on its issued ordinary shares for the year ended 31 December 2007. The Company offered to its shareholders a scrip dividend alternative under which the shareholders could elect to receive ordinary shares in lieu of cash dividend. A total of 5,023,094 ordinary shares were issued on 14 November 2007 under this alternative.

(c) During the year, a total of 4,969,382 share options were exercised at exercise prices of HK$14.92, HK$9.64, HK$6.70, HK$11.59, HK$6.85 and HK$18.74 per share. Details of movements in share options during the year are set out in note 34.

33 SHARE CAPITAL (Continued)

(d) On 20 September 2007, Moslane Limited, a wholly-owned subsidiary of Kerry Holdings Limited, Citigroup Global Markets Asia Limited ("Placing Agent") and the Company entered into an agreement pursuant to which Moslane Limited appointed the Placing Agent to place 70,000,000 shares ("Placing Shares") of the Company on a fully underwritten basis at a placing price of HK$59.2325 per Placing Share. Consequently, the Company enlarged the allotment of shares and issued the same number of shares to Moslane Limited at the same price as the placing price. The share placement costs amounted to approximately HK$66,212,000.

34 SHARE OPTIONS

(a) 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.

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.

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

	2007		2006	
	Weighted average exercise price in HK$ per share	Number	Weighted average exercise price in HK$ per share	Number
At 1 January	**9.33**	**4,983,916**	11.99	16,886,091
Exercised during the year (note (i))	**10.44**	**(3,211,382)**	13.11	(11,902,175)
At 31 December (note (ii))		**1,772,534**		4,983,916

As at 31 December 2007, all the outstanding share options granted under the 1997 Share Option Scheme were exercisable. There were a total of 3,211,382 (2006: 11,902,175) share options exercised during the year and that the weighted average exercise price was HK$10.44 each (2006: HK$13.11 each). The related weighted average share price at the time of exercise was HK$46.02 (2006: HK$28.35).

(i) Details of share options exercised:

Exercise price per share (HK$)	Number of share options 2007	2006
14.92	**1,205,631**	8,025,995
9.64	**64,292**	3,442,289
6.70	**1,208,436**	60,000
11.59	**379,558**	22,000
6.85	**353,465**	351,891
	3,211,382	11,902,175

Total amount of proceeds received from the exercise of share options was HK$33,524,623 (2006: HK$155,998,945).

34 SHARE OPTIONS (Continued)

(a) 1997 Share Option Scheme (Continued)

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

Expiry date	Exercise price per share (HK$)	Number of share options 2007	2006
26 March 2007	14.92	–	1,205,631
26 March 2007	9.64	–	64,292
31 May 2010	6.70	**333,268**	1,541,704
1 March 2011	11.59	**189,349**	568,907
15 April 2012	6.85	**1,249,917**	1,603,382
		1,772,534	4,983,916

(iii) No share options were granted or granted for adjustment, lapsed or cancelled during the year (2006: Nil).

(b) 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.

Details of the movement of the share options under the 2002 Share Option Scheme are as follows:

	2007		2006	
	Exercise price in HK$ per share	Number	Exercise price in HK$ per share	Number
At 1 January	**18.74**	**6,812,500**	18.74	8,540,000
Exercised during the year (note (i))	**18.74**	**(1,758,000)**	18.74	(1,527,500)
Lapsed during the year	**18.74**	**(37,500)**	18.74	(200,000)
At 31 December (note (ii))		**5,017,000**		6,812,500

As at 31 December 2007, all the outstanding share options granted under the 2002 Share Option Scheme were exercisable. There were a total of 1,758,000 (2006: 1,527,500) share options exercised during the year and that the exercise price was HK$18.74 each (2006: HK$18.74 each). The related weighted average share price at the time of exercise was HK$50.73 (2006: HK$30.49).

(i) Details of share options exercised:

Exercise price per share (HK$)	Number of share options 2007	2006
18.74	**1,758,000**	1,527,500

Total amount of proceeds received from the exercise of share options was HK$32,944,920 (2006: HK$28,625,350).

34 SHARE OPTIONS (Continued)

(b) 2002 Share Option Scheme (Continued)

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

Expiry date	Exercise price per share (HK$)	Number of share options 2007	2006
16 March 2015	18.74	**5,017,000**	6,812,500

(iii) During the year, no share options were granted or granted for adjustment or cancelled (2006: Nil). There were a total of 37,500 (2006: 200,000) share options lapsed.

35 SHARE PREMIUM

	2007 HK$'000	2006 HK$'000
At 1 January	**4,315,270**	3,918,838
Arising from shares issued on placement (notes 33(d))	**4,010,063**	–
Arising from scrip dividend (notes 33(a) and (b))	**910,862**	216,616
Arising from exercise of share options (note 33(c))	**61,500**	171,195
Transfer from share option reserve (note 36(f))	**10,263**	8,621
Transfer from equity and liability components of the convertible bonds on conversion	**2,496,228**	–
At 31 December	**11,804,186**	4,315,270

36 OTHER RESERVES

	Group							
	Hotel property revaluation reserve HK$'000	Other properties revaluation reserve HK$'000	Freehold land and buildings revaluation reserve HK$'000	Available-for-sale investments revaluation reserve HK$'000	Convertible bonds reserve HK$'000	Hedging reserve HK$'000	Others (note (a)) HK$'000	Total HK$'000
At 1 January 2006	63,033	432,625	34,986	1,084,914	143,501	1,945	7,938,843	9,699,847
On revaluation of properties (note (b))	62,106	32,369	20,526	–	–	–	–	115,001
Fair value gain on available-for-sale investments (note (c))	–	–	–	93,044	–	–	–	93,044
Realisation on available-for-sale investments	–	–	–	(568,347)	–	–	–	(568,347)
Provision of share options expense	–	–	–	–	–	–	17,302	17,302
Transfer to share premium	–	–	–	–	–	–	(8,621)	(8,621)
Transfer to retained profits	–	(1,605)	–	–	–	–	(3,271)	(4,876)
Exchange differences arising from investments in the PRC and overseas subsidiaries/associated companies	–	–	–	–	–	–	239,100	239,100
Deferred taxation charged directly to reserves	(19,778)	(6,224)	(6,322)	–	–	–	–	(32,324)
Fair value loss on derivative financial instruments – cash flow hedge of an associated company	–	–	–	–	–	(1,290)	–	(1,290)
At 31 December 2006	105,361	457,165	49,190	609,611	143,501	655	8,183,353	9,548,836

36 OTHER RESERVES (Continued)

	Group							
	Hotel property revaluation reserve HK$'000	Other properties revaluation reserve HK$'000	Freehold land and buildings revaluation reserve HK$'000	Available-for-sale investments revaluation reserve HK$'000	Convertible bonds reserve HK$'000	Hedging reserve HK$'000	Others (note (a)) HK$'000	Total HK$'000
At 1 January 2007	105,361	457,165	49,190	609,611	143,501	655	8,183,353	9,548,836
On revaluation of properties (note (b))	87,171	84,767	2,389	–	–	–	–	174,327
Fair value gain on available-for-sale investments (note (c))	–	–	–	141,157	–	–	–	141,157
Provision of share options expense	–	–	–	–	–	–	2,350	2,350
Transfer to share premium	–	–	–	–	–	–	(10,263)	(10,263)
Transfer from retained profits	–	–	–	–	–	–	1,086	1,086
Exchange differences arising from investments in the PRC and overseas subsidiaries/associated companies	–	–	–	–	–	–	1,362,688	1,362,688
Reversal of exchange differences on disposal of subsidiaries	–	–	–	–	–	–	576	576
Deferred taxation charged directly to reserves	(5,831)	(17,841)	(146)	–	–	–	–	(23,818)
Issue of convertible bonds – equity component	–	–	–	–	205,553	–	–	205,553
Conversion of convertible bonds – equity component	–	–	–	–	(136,556)	–	–	(136,556)
Fair value loss on derivative financial instruments – cash flow hedge of an associated company	–	–	–	–	–	(2,320)	–	(2,320)
At 31 December 2007	**186,701**	**524,091**	**51,433**	**750,768**	**212,498**	**(1,665)**	**9,539,790**	**11,263,616**

(a) Others

	Group					
	Capital reserve (note (d)) HK$'000	Share options reserve HK$'000	Exchange fluctuation reserve HK$'000	Enterprise expansion and general reserve funds (note (e)) HK$'000	Capital redemption reserve (note (g)) HK$'000	Total HK$'000
At 1 January 2006	7,975,089	28,627	(102,144)	29,403	7,868	7,938,843
Provision of share options expense	–	17,302	–	–	–	17,302
Transfer to share premium	–	(8,621)	–	–	–	(8,621)
Transfer to retained profits	–	–	–	(3,271)	–	(3,271)
Exchange differences arising from investments in the PRC and overseas subsidiaries/associated companies	–	–	238,858	242	–	239,100
At 31 December 2006	7,975,089	37,308	136,714	26,374	7,868	8,183,353
At 1 January 2007	7,975,089	37,308	136,714	26,374	7,868	8,183,353
Provision of share options expense	–	2,350	–	–	–	2,350
Transfer to share premium	–	(10,263)	–	–	–	(10,263)
Transfer from retained profits	–	–	–	1,086	–	1,086
Exchange differences arising from investments in the PRC and overseas subsidiaries/associated companies	–	–	1,362,688	–	–	1,362,688
Reversal of exchange differences on disposal of subsidiaries	–	–	576	–	–	576
At 31 December 2007	**7,975,089**	**29,395**	**1,499,978**	**27,460**	**7,868**	**9,539,790**

36 OTHER RESERVES (Continued)

(b) These represent surplus arising from revaluation of properties at the balance sheet date. The accounting policies in respect of revaluation of properties are set out in notes 2(e) and 2(f).

(c) This represents surplus arising from valuation of the Group's available-for-sale investments at the balance sheet date. The accounting policy in respect of valuation of available-for-sale investments is set out in note 2(k).

(d) Capital reserve of the Group arose from the Group's reorganisation in preparation for its listing on The Stock Exchange of Hong Kong Limited 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.

(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 of the Company

	Contributed surplus HK$'000	Convertible bonds reserve HK$'000	Share options reserve HK$'000	Capital redemption reserves (note (g)) HK$'000	Total HK$'000
At 1 January 2006	17,793,308	143,501	28,627	7,868	17,973,304
Provision of share options expense	–	–	17,302	–	17,302
Transfer to share premium (note 35)	–	–	(8,621)	–	(8,621)
At 31 December 2006	17,793,308	143,501	37,308	7,868	17,981,985
At 1 January 2007	17,793,308	143,501	37,308	7,868	17,981,985
Issue of convertible bonds – equity component	–	205,553	–	–	205,553
Conversion of convertible bonds – equity component	–	(136,556)	–	–	(136,556)
Provision of share options expense	–	–	2,350	–	2,350
Transfer to share premium (note 35)	–	–	(10,263)	–	(10,263)
At 31 December 2007	**17,793,308**	**212,498**	**29,395**	**7,868**	**18,043,069**

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. At Group level, the contributed surplus is reclassified into its components of reserves of the underlying subsidiaries.

(g) The capital redemption reserve arose from the purchase of the Company's shares for cancellation during 1998 and 2002 and represents a transfer from the Company's retained profits equivalent to the nominal value of the shares purchased for cancellation.

37 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	Group	
	2007 HK$'000	2006 HK$'000
Profit before taxation	**7,895,917**	5,838,861
Depreciation of property, plant and equipment and amortisation of leasehold land and use rights	**187,164**	161,037
Dividend income from listed and unlisted investments	**(45,662)**	(1,373,068)
Impairment loss on available-for-sale investments	**–**	197,941
Finance costs	**300,907**	380,663
Interest income	**(121,958)**	(76,240)
Loss/(gain) on disposal of property, plant and equipment	**6,104**	(7,020)
Gain on sale of investment properties	**(414,625)**	(783,019)
Gain on sale of properties under development	**(139,715)**	–
Gain on disposal of subsidiaries	**(35,444)**	(9,675)
Gain on disposal of associated companies	**(75,994)**	–
Loss on deemed disposal of an associated company	**10,108**	–
Gain on sale of listed securities at fair value through profit or loss	**(762)**	(669)
Fair value (gain)/(loss) on listed securities at fair value through profit or loss	**(39,817)**	4,528
Gain on sale of available-for-sale investments	**(2,712)**	–
Impairment of goodwill	**1,248**	971
Change in fair value of investment properties	**(4,493,935)**	(2,318,701)
Share of results of associated companies	**(431,976)**	(450,917)
Write off investment in an associated company	**29**	–
Operating profit before working capital changes	**2,598,877**	1,564,692
Increase in completed properties held for sale, properties under development, land deposits and accounts receivable, prepayments and deposits	**(2,499,328)**	(1,702,691)
Increase in accounts payable, deposits received and accrued charges	**1,862,598**	284,724
Net cash generated from operations	**1,962,147**	146,725

(b) Acquisition of subsidiaries and business

(i) Logistics Network

In December 2007, Beijing Kerry Logistics Ltd., formerly known as Kerry BHL Logistics Limited, became a 100% subsidiary of the Group as a result of the completion of all the legal procedures for the acquisition of an additional 50% interest in the company. The acquired business contributed revenues of HK$50,705,000 and net profit of HK$5,239,000 to the Group for the year ended 31 December 2007.

In January 2007, Kerry Far East Logistics (Hong Kong) Limited, a subsidiary in which the Group has 51% interest, completed the acquisition of the business of Far East Multi-Trans Shipping Limited ("FEM"). FEM is a Hong Kong company, which is engaged in the business of international freight forwarding. The acquired business contributed revenues of HK$98,696,000 and net profit of HK$1,072,000 to the Group for the year ended 31 December 2007.

(ii) PRC Property

On 6 March 2007, the Group acquired 71% of the share capital of Beijing Kerry Huayuan Real Estate Development Co., Ltd., which holds a site located at Xin Yuan Street in Chaoyang District of Beijing. This site is designated for residential property development. The acquired business contributed net loss of HK$ 4,898,000 to the Group for the period from acquisition up to 31 December 2007.

37 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(b) Acquisition of subsidiaries and business (Continued)

(iii) Details of net assets acquired and goodwill are as follows:

	2007			2006
	Logistics	PRC Property	Total	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Net assets acquired:				
Property, plant and equipment	21,994	134	**22,128**	9,214
Properties under development	–	–	**–**	1,415,297
Leasehold land and land use rights	33,589	–	**33,589**	–
Land deposits	–	45,418	**45,418**	–
Accounts and other receivables	22,182	14,603	**36,785**	58,806
Cash and bank balances	23,266	388	**23,654**	34,140
Accounts and other payables	(14,032)	(40,278)	**(54,310)**	(74,670)
Tax recoverable	–	–	**–**	77
Bank overdrafts	–	–	**–**	(511)
Taxation	–	–	**–**	(204)
Deferred taxation	–	–	**–**	(41)
	86,999	20,265	**107,264**	1,442,108
Less: Minority interests	–	(5,877)	**(5,877)**	(412,714)
	86,999	14,388	**101,387**	1,029,394
Interest originally held by the Group as an associated company	(43,500)	–	**(43,500)**	(5,119)
Goodwill	41,979	25	**42,004**	23,555
	85,478	14,413	**99,891**	1,047,830
Satisfied by:				
Cash	85,478	14,413	**99,891**	1,047,830

The fair value of net assets acquired of each subsidiary approximates to their book value at the respective dates of acquisition.

The goodwill is attributable to the workforce of the acquired business and the synergies expected to arise after the acquisition.

(c) Analysis of the net cash outflow in respect of the acquisition of subsidiaries and business

	2007	2006
	HK$'000	HK$'000
Cash consideration	**99,891**	1,047,830
Cash and bank balances acquired	**(23,654)**	(34,140)
Bank overdrafts acquired	**–**	511
Net cash outflow in respect of the acquisition of subsidiaries and business	**76,237**	1,014,201

37 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(d) Analysis of the net cash inflow in respect of the disposal of subsidiaries

	2007 HK$'000	2006 HK$'000
Net assets disposed of:		
Property, plant and equipment	**3,965**	–
Properties under development	**2,346**	–
Goodwill	**9,605**	–
Accounts receivable, prepayment and deposits	**143,626**	156,624
Cash and bank balances	**102,108**	830
Accounts payable, deposits received and accrued charges	**(141,258)**	(157,484)
Deferred taxation	**(63)**	–
Exchange reserve	**576**	–
	120,905	(30)
Interest in associated companies	**–**	10
	120,905	(20)
Transaction costs incurred	**10,090**	–
Gain on disposal of subsidiaries	**35,444**	9,675
Total consideration	**166,439**	9,655
Cash consideration	**166,439**	9,655
Transaction costs incurred	**(10,090)**	–
Cash and bank balances disposed of	**(102,108)**	(830)
Net cash inflow in respect of the disposal of subsidiaries	**54,241**	8,825

38 RELATED PARTY TRANSACTIONS

The following significant transactions were carried out with related parties during the year:

(a) Rendering and purchases of services

	2007 HK$'000	2006 HK$'000
Project management and consultancy fee income (note (a))	**32,249**	–
Marketing, consultancy and administrative management fees expense (note (b))	**22,393**	20,702

(a) This represents service fee income earned from provision of project management and consultancy services to companies of Shangri-La Asia Limited ("SA"), a related company of the Group, in respect of hotel and office development projects undertaken by SA. The service fee was determined in accordance with the agreement for the provision of the above services.

(b) This represents payment of services fees to Shangri-La International Hotel Management Limited, a subsidiary of SA, 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.

38 RELATED PARTY TRANSACTIONS (Continued)

(b) Key management compensation

	2007 HK$'000	2006 HK$'000
Salaries and other short-term benefits	**90,194**	76,044
Share-based payments	**1,424**	9,568
Post-employment benefits	**276**	240
	91,894	85,852

(c) Year-end balances

	2007 HK$'000	2006 HK$'000
Receivables from related parties:		
Associated companies (note 19)	**1,896,151**	3,928,807
Payables to related parties:		
Subsidiaries of SA		
– included under amounts due to minority shareholders (note 31)	**541,049**	312,821
Associated companies (note 19)	**45,519**	55,760

(d) Guarantees for banking and other facilities of certain associated companies

The Group has executed guarantees for banking and other facilities granted to certain associated companies. 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 2007 amounted to approximately HK$1,972,866,000 (2006: HK$1,633,214,000). The total amount of such facilities covered by the Group's guarantees as at 31 December 2007 amounted to approximately HK$2,657,216,000 (2006: HK$1,662,218,000). The above-mentioned amounts are also reflected in the guarantees given by the Group for banking and other facilities disclosed in note 40(a).

39 COMMITMENTS

(a) At 31 December 2007, the Group had capital commitments in respect of interests in leasehold land, properties under development and property, plant and equipment and investment in associated companies not provided for in these financial statements as follows:

	2007 HK$'000	2006 HK$'000
Contracted but not provided for	**7,003,344**	4,158,755
Authorised but not contracted for	**59,431**	174,034
	7,062,775	4,332,789

(b) At 31 December 2007, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	2007 HK$'000	2006 HK$'000
Land and buildings:		
Within one year	**103,665**	73,532
In the second to fifth year, inclusive	**127,728**	114,334
Over five years	**31,638**	99,773
	263,031	287,639
Vessels:		
Within one year	**–**	36,674
In the second to fifth year, inclusive	**–**	37,870
	–	74,544
	263,031	362,183

(c) At 31 December 2007, the Group had future aggregate minimum lease rental receivable under non-cancellable operating leases as follows:

	2007 HK$'000	2006 HK$'000
Land and buildings:		
Within one year	**1,155,715**	924,882
In the second to fifth year, inclusive	**1,551,183**	1,273,007
Over five years	**538,523**	655,636
	3,245,421	2,853,525

40 CONTINGENT LIABILITIES

(a) Guarantees for banking and other facilities

	Group		Company	
	2007	2006	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000
Guarantees for banking and other facilities of certain subsidiaries, associated companies and investee companies (notes (i) and (ii))	**1,972,866**	1,685,232	**4,382,700**	4,335,254
Guarantees to certain banks for mortgage facilities granted to first buyers of certain properties in the PRC (note (iii))	**96**	445	**96**	445
Guarantee to convertible bondholders (note (iv))	**–**	–	**2,346,387**	2,536,256
	1,972,962	1,685,677	**6,729,183**	6,871,955

(i) The Group has executed guarantees for banking and other facilities granted to certain associated companies and investee companies. The utilised amount of such facilities covered by the Group's guarantees which also represented the financial exposure of the Group as at 31 December 2007 amounted to approximately HK$1,972,866,000 (2006: HK$1,685,232,000). The total amount of such facilities covered by the Group's guarantees as at 31 December 2007 amounted to approximately HK$2,657,216,000 (2006: HK$1,714,236,000).

(ii) The Company has executed guarantees to banks for facilities granted to certain subsidiaries, associated companies and investee companies. The utilised amount of such facilities covered by the Company's guarantees which also represented the financial exposure of the Company as at 31 December 2007 amounted to approximately HK$4,382,700,000 (2006: HK$4,335,254,000). The total amount of such facilities covered by the Company's guarantees as at 31 December 2007 amounted to approximately HK$5,916,907,000 (2006: HK$4,412,057,000).

(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 2007 amounted to approximately HK$96,000 (2006: HK$445,000) and HK$96,000 (2006: HK$445,000), respectively. The total amount of such facilities covered by the Group's and the Company's guarantees as at 31 December 2007 amounted to approximately HK$96,000 (2006: HK$445,000) and HK$96,000 (2006: HK$445,000), respectively.

(iv) The Company has executed guarantees in favour of convertible bondholders in respect of the outstanding convertible bonds issued by Wise Insight Finance Limited and Gainlead International Limited, wholly-owned subsidiaries of the Company, for an aggregate outstanding principal value of HK$2,471,000,000 (2006: HK$2,500,000,000) (note 29).

40 CONTINGENT LIABILITIES (Continued)

(b) Other guarantees and undertakings

(i) 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.

(ii) A wholly-owned subsidiary of the Company, through its associated company, has a 40% interest in a company which is engaged in the development of a site at the Hang Hau Mass Transit Railway Station Development (the "Hang Hau Developer"). 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, MTR Corporation Limited ("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.

(iii) 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.

40 CONTINGENT LIABILITIES (Continued)

(b) Other guarantees and undertakings (Continued)

(iii) (Continued)

Pursuant to an undertaking (the "Undertaking") dated 6 January 2006, 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 6 January 2006, the Group's liabilities under the Undertaking shall be several and shall be determined based on its share of interest in the joint redevelopment.

(iv) A wholly-owned subsidiary of the Company, Wealthy State Investments Limited ("Wealthy State"), has been granted the right to jointly develop a site in Sai Ying Pun, Hong Kong pursuant to a development agreement (the "SYP Development Agreement") entered into between Wealthy State and the Urban Renewal Authority ("URA").

Pursuant to a guarantee in relation to the above development, the Company has provided guarantees in favour of URA for the due and punctual performance and fulfilment of all Wealthy State's obligations under the SYP Development Agreement or arising out of or in connection with the SYP Development Agreement (including Wealthy State's obligations to make payments under the terms of the SYP Development Agreement).

(v) Pursuant to two deeds of guarantee in relation to the development of two sites in the Olympic Mass Transit Railway Station Development, the Company, among with others, agreed to provide several guarantees in favour of the MTRC in relation to certain obligations of two companies which the Group had interests of 20% and 32.5% respectively. On 21 December 2007, all the relevant parties entered into a further supplemental deed with MTRC whereby the several guarantee obligations of the Company released.

(vi) The Company entered into a support agreement dated 2 July 2002 (the "Support Agreement"), in relation to the sale of certain mortgage loans to the Hong Kong Mortgage Corporation (the "HKMC") by a company (the "Seller") in which the Group has 38.2% interest and amongst with others, undertook to HKMC in respect of certain obligations of the Seller. On 21 December 2007, the Support Agreement was terminated with mutual agreement of all relevant parties.

(c) Litigation

Kerry EAS Logistics Limited ("KEAS"), a company in which the Group has a 70% interest, is involved in a legal case in which an airline operator, together with five other plaintiffs, including the insurers of the aircraft, are claiming damages, costs and interest, against six defendants, including KEAS, on a joint and several basis in relation to the alleged damages amounting to approximately US$65.6 million (approximately HK$511.7 million at the exchange rate of US$1 = HK$7.8) caused to an aircraft in 2000 in respect of the transportation of certain chemical substance.

40 CONTINGENT LIABILITIES (Continued)

(c) Litigation (Continued)

The alleged damages of approximately US$65.6 million sought by the plaintiffs 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 airline operator was compensated by these plaintiffs for 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 Latest Practicable Date.

In the court judgment given by Beijing High Level People's Court (the "Court") on 5 December 2007, it was stated that KEAS had fulfilled all its obligations in this case and it had no liability to any of the plaintiffs. All claims brought by the airline operator together with the other five plaintiffs against KEAS, and the other three defendants were all dismissed by the Court. Judgment was entered by the Court in favour of all plaintiffs against the other two defendants for the amount of US$65.1 million. All the six plaintiffs and one of the defendants had lodged their appeal.

Based on the opinion of the legal advisers to the Group, neither the allegation nor the said amount claimed by the plaintiffs against KEAS was substantiated and the legal advisers to the Group also advised that it is unlikely that KEAS will be found liable for the claimed damages and losses. Accordingly, no provision has been made in the financial statements.

Save as disclosed above, as at the Latest Practicable Date, the Company was not aware of any further development of this legal action. Pursuant to the sale and purchase agreement for the acquisition of KEAS, the vendor of KEAS has undertaken to indemnify the Group in full in respect of all losses, costs, expenses and other responsibilities and liabilities arising against KEAS.

41 PLEDGE OF ASSETS – GROUP

At 31 December 2007, the Group's total bank loans and overdrafts of HK$7,633,625,000 (2006: HK$7,161,263,000) included an aggregate amount of HK$6,981,004,000 (2006: HK$6,859,578,000) which is unsecured and an aggregate amount of HK$652,621,000 (2006: HK$301,685,000) which is secured. The securities provided for the secured banking facilities available to the Group are as follows:

(i) legal charges over certain properties and port facilities (notes 14 and 17);

(ii) charges on bank balances amounting to HK$64,234,000 (2006: HK$47,263,000) of certain subsidiaries; and

(iii) assignments of insurance proceeds of certain properties.

42 EVENTS AFTER THE BALANCE SHEET DATE

Pursuant to the framework reorganisation agreement dated 6 December 2007 and the amended agreement dated 20 December 2007 (collectively "Amended Framework Reorganisation Agreement") entered into by the Company, Kerry Holdings Limited ("KHL") and Allgreen Properties Limited ("AG"), the Company agreed to dispose certain equity interest in each of the companies holding the relevant PRC projects in Chengdu, Qinhuangdao and Shenyang to KHL and AG. The reorganisation was approved by the independent shareholders of the Company and AG at respective special general meetings held on 21 February 2008 and 25 February 2008. Subsequent to the disposal, these companies remain as subsidiaries of the Company. Total considerations of the disposal are about HK$1,228,555,000 and the profit arising from the disposal is about HK$216,000,000.

43 ULTIMATE HOLDING COMPANY

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

Caninco Investments Limited, Darmex Holdings Limited and Moslane Limited are immediate significant shareholders which held equity interests of the Company of 21.82%, 17.95% and 6.18% respectively at 31 December 2007. These shareholders are indirect wholly-owned subsidiaries of Kerry Group Limited.

44 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATED COMPANIES

(i) Principal Subsidiaries

As at 31 December 2007, the Company held interests in the following subsidiaries which are categorised according to the business divisions of the Group, namely, Property Division, Infrastructure Division, Logistics Network Division and Other Divisions as listed below:

Name	Place of incorporation/ establishment	Principal activities	Issued share capital[1]/ Registered capital Number/ Amount	Issued share capital[1]/ Registered capital Par value per share	Indirect interest held unless denoted with*
Under Property Division					
Auto Plaza Limited	HK	Investment holding, property investment and carpark operation	4,998 2[2]	HK$1 HK$1	100%
[8] Beijing Jia Ao Real Estate Development Co., Ltd.	PRC	Property investment	US$77,967,600	–	71.25%
[8] Beijing Kerry Centre Hotel Co., Ltd.	PRC	Hotel ownership and operation	US$33,000,000	–	71.25%
[4][5][8] Beijing Kerry Huayuan Real Estate Development Co., Ltd.	PRC	Property development	RMB178,500,000	–	71%
Bethan Company Limited	HK	Property development	2	HK$1	100%
Capital Rise Investments Limited	HK	Property development	1	HK$1	71%
Chain Base Limited	HK	Property development	1	HK$1	71%
Fortune Mega Investments Limited	BVI	Investment holding in HK	1	US$1	100%
Golden Concord Properties Limited	HK	Property investment	1	HK$1	100%
Interseed Company Limited	HK	Property trading	2	HK$1	100%
Join Sky Investment Limited	HK	Property development	1	HK$1	71%
[4][7] Kerry (Shenyang) Real Estate Development Co., Ltd.	PRC	Property development	RMB2,457,500,000	–	100%
[7] Kerry Cao Jia Yan Properties (Shanghai) Co., Ltd.	PRC	Property investment	US$13,400,000	–	100%
[4][5][7] Kerry Centre Real Estate (Shenzhen) Co. Ltd.	PRC	Property investment	HK$142,000,000	–	100%
[4][5][7] Kerry Development (Chengdu) Ltd.	PRC	Property development	RMB675,000,000	–	100%
Kerry Development (China) Limited	HK	Provision of administrative support services	1	HK$1	100%
[4][7] Kerry Development (Manzhouli) Co., Ltd.	PRC	Property development	US$6,800,000	–	100%
[7] Kerry Development (Shanghai) Co., Ltd.	PRC	Property investment	US$40,000,000	–	100%
[4][5][7] Kerry Development (Shenzhen) Co., Ltd.	PRC	Property development	HK$708,350,000	–	100%
[4][5][7] Kerry Huafeng Property Development (Hangzhou) Co., Ltd.	PRC	Property development	HK$680,000,000	–	100%
Kerry Project Management (Macau) Limited	Macau	Project management	MOP1,000,000	–	100%
Kerry Properties (China) Limited	BVI	Investment holding	4,554,642,958	HK$1	100%*
Kerry Properties (China) Limited	HK	Investment holding	100,000	HK$1	100%
Kerry Properties (H.K.) Limited	HK	Investment holding and provision of administrative support services	1,000 200,000,000[2]	HK$1 HK$1	100%
Kerry Properties (Hong Kong) Limited	BVI	Investment holding	41,317,948	HK$0.01	100%
Kerry Properties (Macau) Limited	Macau	Property development	MOP1,000,000	–	71%
[4][5][7] Kerry Properties (Shenzhen) Co., Ltd.	PRC	Property investment	HK$112,082,975	–	100%

44 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATED COMPANIES (Continued)

(i) Principal Subsidiaries (Continued)

Name	Place of incorporation/ establishment	Principal activities	Issued share capital[1]/ Registered capital Number/ Amount	Par value per share	Indirect interest held unless denoted with*
Under Property Division (Continued)					
Kerry Properties International Limited	BVI	Investment holding	1	HK$1	100%*
[4][7] Kerry Real Estate (Hangzhou) Co. Ltd.	PRC	Property development	US$233,750,000	–	100%
[4][5][7] Kerry Real Estate (Yangzhou) Co., Ltd.	PRC	Property development	US$11,600,000	–	100%
[4][5][7] Lucky Billion Development (Qinhuangdao) Co., Ltd.	PRC	Property development	RMB882,000,000	–	100%
Mable Road Company Limited	HK	Property investment	10 10,000[2]	HK$1 HK$1	100%
Magnifair Company Limited	HK	Property development	10,000	HK$1	100%
Maple Crest Development Limited	BVI	Provision of finance services	120	US$1	75%
MegaBox Development Company Limited	HK	Property investment	2	HK$1	100%
MegaBox Management Services Limited	HK	Property management	2	HK$1	100%
Merlin Limited	Samoa	Investment holding in PRC	1,000,000	HK$1	100%
Mid-Levels Portfolio (Aigburth) Limited	Cook Islands	Property investment in HK	9	US$1	100%
Mid-Levels Portfolio (Branksome) Limited	HK	Property investment	100	HK$10	100%
Mid-Levels Portfolio (Gladdon) Limited	HK	Property investment	100	HK$10	100%
Mid-Levels Portfolio (Tavistock) Limited	HK	Property investment	100	HK$10	100%
Mid-Levels Portfolio (Tregunter Towers 1 & 2) Limited	BVI	Property investment in HK	1	US$1	100%
Mid-Levels Portfolio (Valverde) Limited	HK	Property investment and trading	100	HK$10	100%
Million Palace Limited	HK	Investment holding	1	HK$1	73.33%
Newick Limited	HK	Property development	1	HK$1	71%
Panawin Limited	HK	Property development	1	HK$1	71%
Pettico Limited	HK	Provision of finance services	2	HK$10	100%
Prismatic Limited	HK	Property trading	2	HK$10	100%
Rayhay Company Limited	HK	Provision of finance services	2	HK$1	100%
Rink Management Group Limited	HK	Ice rink operation	1,000,000	HK$1	100%
[4][7] Risenland Development (Fuzhou) Co., Ltd.	PRC	Property development	HK$44,000,000	–	100%
Rodder Holdings Limited	BVI	Investment holding in HK	1	US$1	100%
[8] Shanghai Gang Hu Properties Co., Ltd.	PRC	Property investment and development	US$155,300,000	–	64.35%
[7] Shanghai Ji Xiang Properties Co., Ltd.	PRC	Property development	US$210,500,000	–	51%
[8] Shanghai Kerry Real Estate Development Co., Ltd.	PRC	Property investment	US$12,000,000	–	55.20%
[8] Shanghai Xin Ci Hou Properties Co., Ltd.	PRC	Property investment	US$60,000,000	–	74.25%

44 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATED COMPANIES (Continued)

(i) Principal Subsidiaries (Continued)

Name	Place of incorporation/ establishment	Principal activities	Issued share capital[1]/ Registered capital Number/ Amount	Issued share capital[1]/ Registered capital Par value per share	Indirect interest held unless denoted with*
Under Property Division (Continued)					
Shun On Properties Limited	HK	Property development	1	HK$1	71%
[4][5][7] Sky Fair Development (Qinhuangdao) Co., Ltd	PRC	Property development	RMB735,000,000	–	100%
Sociedade de Investimento Imobiliário Tim Keng Van, S.A.	Macau	Property development	10,000	MOP100	100%
Taskan Limited	HK	Property development	2	HK$1	100%
Trebanos Investment Company Limited	HK	Investment holding	2	HK$1	100%
[4][5][7] Wealthy Plaza Development (Chengdu) Ltd.	PRC	Property development	RMB750,000,000	–	100%
Wealthy State Investments Limited	HK	Property development	1	HK$1	100%
Wing Tak Cheung Limited	HK	Property trading	1,000	HK$10	100%
Wirabay Limited	BVI	Provision of trustee services	1	US$1	100%
Woody Company Limited	HK	Property investment	2	HK$1	100%
Under Infrastructure Division					
Kerry Infrastructure Development Limited	HK	Provision of management services and administrative support	1	HK$1	100%
Kerry Infrastructure Limited	BVI	Investment holding	595,026,381	HK$1	100%*
Under Logistics Network Division					
Asia Air Cargo (Hong Kong) Limited	HK	Cargo and sales agent	1	HK$1	100%
[4][5] Asia Air Cargo (Thailand) Limited	Thailand	Freight forwarding	50,000[3]	Baht100	51%
[4][5] Beijing Kerry EAS Real Estate Management Limited	PRC	Property management	RMB500,000	–	70%
[4][5][7] Beijing Kerry Logistics Ltd. (formerly known as Kerry BHL Logistics Limited)	PRC	Logistics business	US$12,000,000	–	100%
[4][5][9] CV Global Logistics (Beijing) Limited	PRC	Logistics business	RMB50,000,000	–	100%
[4][5][8] Dalian Kerry EAS Trading Co., Ltd.	PRC	Logistics business	RMB500,000	–	70%
Eas Cross Border Trucking Limited	HK	Transportation services	1	HK$1	100%
Eas Da Tong International Trucking Company Limited	HK	Transportation services	1,000,000	HK$1	100%
[4][8] EAS International Logistics (Shanghai) Co., Ltd.	PRC	Logistics business	US$6,000,000	–	70%
[4][5][7] Eas Logistics (Shenzhen) Co., Ltd.	PRC	Logistics business	US$400,000	–	70%
[4][5] Kerry Asia Road Transport Limited	Thailand	Road transportation	400,000[3]	Baht100	75%

44 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATED COMPANIES (Continued)

(i) Principal Subsidiaries (Continued)

	Name	Place of incorporation/ establishment	Principal activities	Issued share capital[1]/ Registered capital Number/ Amount	Par value per share	Indirect interest held unless denoted with*
	Under Logistics Network Division (Continued)					
	Kerry Cargo Centre Limited	HK	Warehouse ownership	2	HK$1	100%
[4][8]	Kerry Cargo Transportation Co Ltd	PRC	Transportation services	HK$9,850,000	–	100%
	Kerry Cold Store (Hong Kong) Limited	HK	Warehouse operation	2	HK$10	100%
	Kerry D.G. Warehouse (Kowloon Bay) Limited	HK	Warehouse ownership	20,000,000	HK$1	100%
	Kerry Distribution (Hong Kong) Limited	HK	Distribution services	500,000	HK$1	100%
[4][5]	Kerry Distribution (Thailand) Limited	Thailand	Distribution services	200,000[3]	Baht100	100%
[4][5][8]	Kerry EAS (Shanghai) Freight Agency Co., Ltd.	PRC	Freight forwarding agency	HK$20,000,000	–	70%
[4][8]	Kerry EAS Logistics (Qingdao) Co., Ltd.	PRC	Logistics business	US$200,000	–	70%
[4][5][8]	Kerry EAS Logistics (SHENZHEN) Ltd.	PRC	Freight forwarding	US$1,000,000	–	70%
[4][7]	Kerry EAS Logistics (Xiamen) Co., Ltd.	PRC	Logistics business	US$1,500,000	–	70%
[4][8]	Kerry EAS Logistics Limited	PRC	Freight forwarding and logistics business	RMB270,000,000	–	70%
[4][7]	Kerry EAS Warehouse (Zhuhai Free Trade Zone) Ltd.	PRC	Logistics business	HK$1,000,000	–	70%
	Kerry Facilities Management (Hong Kong) Limited	HK	Building management	2	HK$1	100%
	Kerry Facilities Management Services Limited	HK	Building management	2	HK$1	100%
	Kerry Far East Logistics (Hong Kong) Limited	HK	Freight forwarding	100	HK$1	51%
[4][5][7]	Kerry FFTZ Warehouse (Shenzhen) Ltd.	PRC	Warehouse and logistics business	HK$70,000,000	–	51%
[4]	Kerry Freight (Australia) Pty Ltd	Australia	Freight forwarding	500,000	A$1	100%
	Kerry Freight (Hong Kong) Limited	HK	Freight forwarding	100 27,500[2]	HK$100 HK$100	100%
[4][5]	Kerry Freight (Korea) Inc.	Korea	Freight forwarding	100,000	KRW5,000	50.99%
[4][5]	Kerry Freight (Taiwan) Limited	Taiwan	Freight forwarding	2,900,000	TWD10	51%
[4][5]	Kerry Freight (Thailand) Limited	Thailand	Freight forwarding	115,000[3]	Baht100	58%
	Kerry Freight International Limited	HK	Freight forwarding	2	HK$1	100%
	Kerry Fresh Limited	HK	Trading business	1	HK$1	100%
	Kerry FSDA Limited	HK	Trading and sourcing	1	HK$1	100%
[4][5]	Kerry Integrated Logistics (Vietnam) Co., Ltd.	Vietnam	Warehouse and logistics business	US$2,400,000	–	100%
[4]	Kerry Logistics (Australia) Pty Ltd	Australia	Operation of logistics business, rail terminal and container depot	1,000,000	A$2	100%
[4]	Kerry Logistics (Belgium)	Belgium	Freight forwarding	186	EUR100	100%
[4][5]	Kerry Logistics (Cambodia) Pte. Ltd.	Cambodia	Freight forwarding	1,000	KHR20,000	100%
[4]	Kerry Logistics (Czech Republic) s.r.o.	Czech	Freight forwarding	CZK200,000	–	100%
[4]	Kerry Logistics (Germany) GmbH	Germany	Freight forwarding	EUR50,000	–	100%

44 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATED COMPANIES (Continued)

(i) Principal Subsidiaries (Continued)

Name	Place of incorporation/ establishment	Principal activities	Issued share capital[1]/ Registered capital Number/ Amount	Par value per share	Indirect interest held unless denoted with*
Under Logistics Network Division (Continued)					
Kerry Logistics (Hong Kong) Limited	HK	Logistics business	10,000,000	HK$1	100%
[4] Kerry Logistics (Hungary) Logistics Limited Liability Company	Hungary	Freight forwarding	HUF5,200,000	–	100%
[4] Kerry Logistics (Macau) Limited	Macau	Logistics business	MOP100,000	–	100%
[4][7] Kerry Logistics (Malaysia) Sdn. Bhd.	Malaysia	Freight forwarding and logistics business	1,000,000	RM1	67%
[4] Kerry Logistics (Netherlands) B.V.	Netherlands	Freight forwarding	EUR18,000	–	100%
[4] Kerry Logistics (Poland)	Poland	Freight forwarding	PLN50,000	–	100%
[4][5][7] Kerry Logistics (Shanghai Waigaoqiao) Co., Ltd.	PRC	Logistics business	HK$44,000,000	–	100%
[4] Kerry Logistics (Singapore) Pte. Ltd.	Singapore	Freight forwarding	500,000	S$1	67%
[4] Kerry Logistics (Switzerland) GmbH	Switzerland	Freight forwarding	CHF20,000	–	100%
[4][5] Kerry Logistics (Thailand) Limited	Thailand	Logistics business	1,600,000[3]	Baht100	71%
[4][5][7] Kerry Logistics (Tianjin) Co., Ltd.	PRC	Logistics business	HK$20,000,000	–	100%
[4] Kerry Logistics (UK) Limited	United Kingdom	Freight forwarding	20,000	£1	91%
[4] KERRY LOGISTICS France	France	Freight forwarding	EUR15,000	–	100%
[4] Kerry Logistics GmbH	Austria	Freight forwarding	EUR35,000	–	100%
Kerry Logistics Network Limited	Bermuda	Investment holding in HK	500,000	HK$1	100%*
[4] Kerry Reliable Logistics Private Limited	India	Freight forwarding and logistics business	1,510,000	INR10	51%
[4][5] Kerry Siam Seaport Limited	Thailand	Operating deep-sea wharf and warehouses	65,000,000	Baht10	56.65%
Kerry TC Warehouse 1 (Block A) Limited	BVI	Warehouse ownership in HK	1	US$1	100%
Kerry TC Warehouse 1 (Block B) Limited	BVI	Warehouse ownership in HK	1	US$1	100%
Kerry TC Warehouse 2 Limited	HK	Warehouse ownership	10,000	HK$1	100%
Kerry Warehouse (Chai Wan) Limited	HK	Warehouse ownership and operation	10,000,000	HK$1	100%
Kerry Warehouse (Fanling 1) Limited	HK	Warehouse ownership and operation	2	HK$1	100%
Kerry Warehouse (Hong Kong) Limited	HK	Warehouse operation	25,000,000	HK$1	100%
Kerry Warehouse (Kwai Chung) Limited	HK	Warehouse ownership and operation	30,000	HK$1	100%
Kerry Warehouse (Shatin) Limited	HK	Warehouse ownership and operation	10,000,000	HK$1	100%

44 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATED COMPANIES (Continued)

(i) Principal Subsidiaries (Continued)

Name	Place of incorporation/ establishment	Principal activities	Issued share capital[1]/ Registered capital Number/ Amount	Issued share capital[1]/ Registered capital Par value per share	Indirect interest held unless denoted with*
Under Logistics Network Division (Continued)					
Kerry Warehouse (Sheung Shui) Limited	HK	Warehouse ownership and operation	5,000,000	HK$1	100%
Kerry Warehouse (Tsuen Wan) Limited	HK	Warehouse ownership and operation	2	HK$1	100%
[4] KerryFlex Supply Chain Solutions (Macau) Limited	Macau	Provision of supply chain solutions, import and export services	MOP100,000	–	100%
KerryFlex Supply Chain Solutions Limited	HK	Provision of supply chain solutions services	5,000,000	HK$1	100%
KLN Container Line Limited	BVI	Freight forwarding	1,200,000	HK$1	100%
[4] KLN International Logistics (Macao Commercial Offshore) Limited	Macau	Data processing, database related activities and back offices	MOP100,000	–	100%
[4][6] Kuok Pengangkutan Sdn. Bhd.	Malaysia	Freight forwarding and logistics business	2,500,000	RM1	31.22%
Mainco Management Limited	HK	Building management	10,000	HK$1	100%
[4] Orion Shipping and Forwarding Limited	United Kingdom	Freight forwarding	20,000	£1	91%
Precious Source Limited	HK	Property investment	1	HK$1	100%
[4] PT. Kerry Logistics Indonesia	Indonesia	Freight forwarding and logistics business	50,000	US$1	60.30%
[4][5][8] Shanghai Kerry CHJ Logistics Limited	PRC	Logistics business	HK$14,040,000	–	97%
[4][5][9] Shanghai Song Jiang Eas Logistics Co., Ltd.	PRC	Transportation services	RMB2,500,000	–	56%
[4][5][8] Shanghai WFTZ Kerry EAS Logistics Limited	PRC	Logistics business	RMB5,000,000	–	70%
[4][5][8] Shenzhen Kerry Yantian Port Logistics Company Limited	PRC	Logistics business	RMB88,000,000	–	55%
[4][5][9] Suzhou Industrial Park District Kerry Eas Logistics Co., Ltd.	PRC	Logistics business	RMB5,000,000	–	70%
[4][5] Tianjin Kerry Eas Customs Declaration Limited	PRC	Acting as agent to import and export goods	RMB1,500,000	–	70%
Wah Cheong Company, Limited	HK	General merchants	150,000	HK$100	99.87%
[4][5] Xinjiang Kerry EAS Logistics Limited	PRC	Logistics business	RMB3,000,000	–	70%

44 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATED COMPANIES (Continued)

(i) Principal Subsidiaries (Continued)

Name	Place of incorporation/ establishment	Principal activities	Issued share capital[1]/ Registered capital Number/ Amount	Par value per share	Indirect interest held unless denoted with*
Under Other Divisions					
Alpine Project Management Ltd.	Samoa	Project management in Asia	1	US$1	100%
[4][5][7] Beijing Kerry Datalinks Limited	PRC	Operation of internet data centre	US$2,100,000	–	100%
Gain Silver Finance Limited	BVI	Group financing	1	US$1	100%
Gainlead International Limited	BVI	Group financing	1	US$1	100%
*i*be-Tech Investments Limited	BVI	Investment holding	1	US$1	100%*
ISA Investments Limited	BVI	Investment holding	1	US$1	100%
Kerry Communication Limited (formerly known as Whole Base Investments Limited)	HK	Advertising agency	1	HK$1	100%
Kerry Corporate Services Limited	HK	Provision of corporate services	1	HK$1	100%
Kerry Estate Management Limited	BVI	Investment holding	10,000	HK$1	100%*
Kerry Overseas Project Management Limited (Jia Li Hai Wai Xiang Mu Guan Li Limited)	Liberia	Project management in Asia	1	US$100	100%
Kerry Project Management (H.K.) Limited	HK	Project management	300,000	HK$1	100%
[5][7] Kerry Properties Development Management (Shanghai) Co., Ltd.	PRC	Real estate management	US$650,000	–	100%
Kerry Properties Nominees Limited	BVI	Provision of nominee services	1,000	HK$1	100%
Kerry Properties Treasury Limited	BVI	Investment holding and group financing	4,670,665,187	HK$1	100%*
[5][7] Kerry Property Management (Beijing) Co., Ltd.	PRC	Property management and corporate consultancy services	HK$500,000	–	100%
Kerry Property Management Services Limited	HK	Property management	20	HK$1	100%
Kerry Real Estate Agency Limited	HK	Estate agency	2	HK$1	100%
[4][5][7] Kerry Real Estate Management (Shenzhen) Ltd.	PRC	Real estate management	HK$3,000,000	–	100%
Upsmart Investments Limited	HK	Provision of administrative support services	2	HK$1	100%
Win House Industries Limited	HK	Provision of construction work	1,000,000	HK$1	100%
Wing Tsing Financial Services Limited	BVI	Group financing in HK	1	US$1	100%
Wise Insight Finance Limited	BVI	Group financing	1	US$1	100%
[4][7] Yu Quan Property Management (Fuzhou) Ltd.	PRC	Real estate management	HK$500,000	–	100%

44 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATED COMPANIES (Continued)

(ii) Principal Associated Companies

As at 31 December 2007, the Company held interests in the following associated companies which are categorised according to the business divisions of the Group, namely, Property Division, Infrastructure Division, Logistics Network Division and Other Divisions as listed below:

Name	Place of incorporation/ establishment	Principal activities	Class of shares/ Registered capital	Interest held indirectly
Under Property Division				
Brisbane Trading Company Limited	HK	Investment holding and property trading	Ordinary Non-voting deferred	50%
(4) Cardiff Investments Limited	HK	Investment holding	Ordinary	30%
Cheerjoy Development Limited	HK	Property development	Ordinary	35%
(4) EDSA Parking Services, Inc.	Philippines	Carpark operations	Common	34.61%
(4) Enterprico Investment Limited	HK	Loan financing	Ordinary	45%
Fine Winner Holdings Limited	HK	Hotel ownership and operation	Ordinary	30%
(4)(11) Grand Creator Investment Limited	HK	Property trading	Ordinary	40%
(4)(11) Hang Hau Station (Project Management) Limited	HK	Project management	Ordinary	40%
(4)(11) Jacksons Landing Development Pty. Limited	Australia	Property development	Ordinary	25%
(4)(11) Jacksons Landing Estate Management Pty Limited	Australia	Property management	Ordinary	25%
(4) Kerry Hung Kai Warehouse (Cheung Sha Wan) Limited	HK	Warehouse operation	Ordinary	50%
Portstewart Limited	HK	Provision of finance services	Ordinary	50%
(4)(11) Reca Limited	BVI	Provision of nominee services	Ordinary	40%
(4)(11) Residence Oasis Finance Company Limited	HK	Provision of finance services	Ordinary	40%
(4) Shang Properties, Inc. (formerly known as EDSA Properties Holdings, Inc.)	Philippines	Property development, investment holding and real estate management	Common	34.61%
(4)(5)(8) Shanghai Pudong Kerry City Properties Co., Ltd.	PRC	Property development	US$171,361,400	40.80%
(4) Shangri-La Plaza Corporation	Philippines	Operation of shopping mall and other related activities	Common Preference	27.24%
(4) The Shang Grand Tower Corporation	Philippines	Property development	Common Preference	34.61%
(4)(5)(7) Tianjin Kerry Real Estate Development Co., Ltd.	PRC	Property development	RMB1,408,581,125	49%
(11) Time Rank Limited	HK	Property trading	Ordinary	50%
(4) Top Spring Development (Beijing) Limited	HK	Investment holding	Ordinary	25%
Ubagan Limited	HK	Property development	Ordinary	40%
(4) Win Chanford Enterprises Limited	HK	Property investment	Ordinary	45%
(4) Wolver Hollow Company Limited	HK	Warehouse ownership	Ordinary	50%
(4)(11) Wu Wing International Company, Limited	HK	Property trading and investment	Ordinary	45%
(4)(5)(8) Zhejiang Kerry Insigma Investment Management Co., Ltd.	PRC	Provision of investment management and consultancy services	RMB10,000,000	50%

44 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATED COMPANIES (Continued)

(ii) Principal Associated Companies (Continued)

Name	Place of incorporation/ establishment	Principal activities	Class of shares/ Registered capital	Interest held indirectly
Under Infrastructure Division				
(4)(8)(10) Hohhot Chunhua KVW Water Treatment Company Limited	PRC	Water treatment facilities ownership and management	RMB192,329,200	13%
(4)(8)(10) Hohhot Chunhua VWK Water Operation Company Limited	PRC	Water treatment facilities operation and maintenance	RMB14,000,000	19.5%
(10)(11) Hong Kong Transport, Logistics and Management Company Limited	HK	Tunnel management, operation and maintenance	Ordinary	15%
(10)(11) Hong Kong Tunnels and Highways Management Company Limited	HK	Tunnel management	Ordinary	15%
(4)(7)(10)(11) REDtone Telecommunications (Shanghai) Limited	PRC	Provision of technical support services to telecommunications provider	US$3,590,000	25%
(10)(11) Western Harbour Tunnel Company Limited	HK	Tunnel operation and management	Ordinary	15%
Under Logistics Network Division				
(10)(11) Asia Airfreight Services Limited	HK	Provision of air cargo services	Ordinary	15%
(10)(11) Asia Airfreight Terminal Company Limited	HK	Air cargo handling terminal operation	Ordinary	15%
(8) Chiwan Container Terminal Co., Ltd	PRC	Port terminal operation	US$95,300,000	25%
(4)(8) Dalian Hantong Logistics Co., Ltd.	PRC	Warehousing and container maintenance	US$2,720,000	35%
(4) Kerry Freight Philippines, Inc.	Philippines	Freight forwarding and logistics business	Common	20.40%
(4) Kerry Lynden Logistics, LLC	USA	Marketing	Ordinary	50%
(4) Kerry Salvat Logistics, S.A.	Spain	Transportation forwarding and materials handling	Ordinary	50%
(4)(5) Kerry Samyoung Logistics (Korea) Ltd.	Korea	Provision of logistics services, packing, loading and unloading services	Ordinary	30.60%
(4)(5)(7) Kerry Talke Chemical Logistics (Shanghai) Ltd.	PRC	Logistics business	US$2,100,000	50%
Kerry Wincanton Limited	HK	Logistics business	Ordinary	50%
Under Other Divisions				
Shine Up Holdings Limited	Samoa	Investment holding	Ordinary	25%

Notes:
(1) all being ordinary shares and fully paid up except otherwise stated
(2) non-voting deferred shares
(3) common shares
(4) companies not audited by PricewaterhouseCoopers
(5) English translation of name only
(6) deemed subsidiary
(7) wholly foreign-owned enterprise
(8) sino-foreign equity joint venture enterprise
(9) domestic joint venture enterprise
(10) deemed associated company
(11) companies having a financial accounting period which is not coterminous with the Group

BVI British Virgin Islands
HK Hong Kong
PRC The People's Republic of China

TEN-YEAR FINANCIAL SUMMARY

The results, assets and liabilities of the Group for the last ten financial years are as follows:

	2007 HK$'000	2006 HK$'000	2005 HK$'000	2004 HK$'000	2003 HK$'000	2002 HK$'000	2001 HK$'000	2000 HK$'000	1999 HK$'000	1998 HK$'000
Income statement										
Turnover	**12,496,004**	10,193,117	8,008,824	5,102,442	4,204,466	5,156,162	5,036,408	3,195,757	2,342,175	2,907,080
Operating profit	**7,463,941**	5,387,944	3,246,173	1,732,612	436,564	678,896	527,285	790,939	1,046,524	1,210,941
Share of results of associated companies	**431,976**	450,917	510,105	555,503	135,758	108,838	(272,780)	140,917	271,059	113,292
Profit before taxation	**7,895,917**	5,838,861	3,756,278	2,288,115	572,322	787,734	254,505	931,856	1,317,583	1,324,233
Taxation	**(1,014,564)**	(889,531)	(494,199)	139,910	(111,192)	(175,988)	(83,165)	(118,840)	(66,466)	(118,471)
Profit after taxation	**6,881,353**	4,949,330	3,262,079	2,428,025	461,130	611,746	171,340	813,016	1,251,117	1,205,762
Minority interests	**(318,261)**	(260,380)	(195,216)	(156,892)	(66,389)	(12,075)	(23,910)	(82,383)	(18,515)	(2,363)
Profit attributable to shareholders	**6,563,092**	4,688,950	3,066,863	2,271,133	394,741	599,671	147,430	730,633	1,232,602	1,203,399
Breakdown of the profit/(loss) attributable to shareholders by division:										
PRC Property Division	**884,804**	807,153	372,020	548,303	299,661	237,508	292,647	252,382	36,399	10,999
Hong Kong Property Division	**4,716,769**	2,675,562	1,429,102	1,187,302	(212,738)	550	(471,996)	195,977	1,012,553	974,625
Overseas Property Division	**58,585**	36,227	68,091	26,696	26,203	31,940	32,074	23,461	23,381	–
Logistics Network Division	**812,257**	1,173,036	1,085,152	438,297	92,253	158,739	57,037	64,845	89,607	108,006
Infrastructure Division	**42,734**	31,420	38,473	30,581	149,169	101,484	217,006	86,168	68,380	15,953
Project, property management and others	**47,943**	(34,448)	74,025	39,954	40,193	69,450	20,662	107,800	2,282	93,816
	6,563,092	4,688,950	3,066,863	2,271,133	394,741	599,671	147,430	730,633	1,232,602	1,203,399

Note: The above figures are based on the latest published financial statements.

Continued

	2007 HK$'000	2006 HK$'000	2005 HK$'000	2004 HK$'000	2003 HK$'000	2002 HK$'000	2001 HK$'000	2000 HK$'000	1999 HK$'000	1998 HK$'000
Assets and liabilities										
Fixed assets	**45,967,892**	36,822,018	30,818,453	24,377,313	20,960,492	20,890,174	21,810,930	25,147,197	25,778,170	23,989,597
Other assets	**11,363,075**	8,577,438	8,121,775	6,037,107	6,075,000	6,715,815	6,279,364	6,469,887	7,251,190	6,707,699
Net current assets	**7,738,183**	3,336,518	2,660,695	1,810,600	1,600,726	1,410,103	2,420,182	1,048,190	4,344,098	3,888,902
Total assets less current liabilities	**65,069,150**	48,735,974	41,600,923	32,225,020	28,636,218	29,016,092	30,510,476	32,665,274	37,373,458	34,586,198
Long-term liabilities and minority interests	**(21,058,383)**	(19,411,050)	(16,380,093)	(9,896,036)	(8,753,659)	(9,219,662)	(9,694,317)	(9,871,181)	(12,437,225)	(11,454,050)
Shareholders' funds	**44,010,767**	29,324,924	25,220,830	22,328,984	19,882,559	19,796,430	20,816,159	22,794,093	24,936,233	23,132,148

Note: The above figures are based on the latest published financial statements.

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