Stock Code : 683

Kerry Properties Limited

(Incorporated in Bermuda with limited liability)

ANNUAL REPORT 2008

■ **Kerry Properties Limited ("KPL")** is a world-class property and logistics company with significant investments throughout Asia. Property is the Company's major line of business. The Company is known for its property development activities in China and Hong Kong. In both markets, KPL focuses on investing in premium quality property developments in prime locations. The Company has developed a successful business model for doing this over many years and has considerable experience as a developer and manager of quality properties. KPL is also a leading China-focused, Asia-based logistics operator. KPL is a service driven organization and has built a strong talent base to fulfill our business requirements. We act on principles of fairness and integrity, and we value the many relationships we have developed over our long history with staff, suppliers, partners, government agencies, and other key stakeholders.

KERRY PROPERTIES LIMITED

CORPORATE INFORMATION & KEY DATES

BOARD OF DIRECTORS
Mr KUOK Khoon Chen+
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 KU Moon Lun#
Mr LAU Ling Fai, Herald#
Ms WONG Yu Pok, Marina, JP#
Mr TSE Kai Chi@

AUDIT COMMITTEE
Mr LAU Ling Fai, Herald
Chairman
Mr KU Moon Lun
Ms WONG Yu Pok, Marina, JP
Mr TSE Kai Chi

FINANCE COMMITTEE
Mr KUOK Khoon Chen
Mr WONG Siu Kong
Mr HO Shut Kan

REMUNERATION COMMITTEE
Mr KUOK Khoon Chen
Chairman
Mr WONG Siu Kong
Mr KU Moon Lun
Mr LAU Ling Fai, Herald
Ms WONG Yu Pok, Marina, JP

EXECUTIVE COMMITTEE
Mr KUOK Khoon Chen
Mr WONG Siu Kong
Mr HO Shut Kan
Mr MA Wing Kai, William
Mr SO Hing Woh, Victor, MBE, JP

COMPANY SECRETARY
Ms LI Siu Ching, Liz

AUDITOR
PricewaterhouseCoopers

PRINCIPAL BANKERS
Agricultural Bank of China
Bank of China Limited
Bank of Communications Co., Ltd.
The Bank of Tokyo-Mitsubishi UFJ, Ltd.
China Construction Bank Corporation
DBS Bank Ltd.
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
Industrial and Commercial Bank of China Limited
Mizuho Corporate Bank, Ltd.
Standard Chartered Bank (Hong Kong) Limited
Sumitomo Mitsui Banking Corporation
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
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Hamilton HM12
Bermuda

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13/F – 14/F, Cityplaza 3
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Taikoo Shing, Hong Kong

WEBSITE
www.kerryprops.com

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Butterfield Fulcrum Group (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
7 May 2009 and 8 May 2009

Annual General Meeting
8 May 2009

Proposed Payment of Final Dividend
15 May 2009

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

CONTENTS

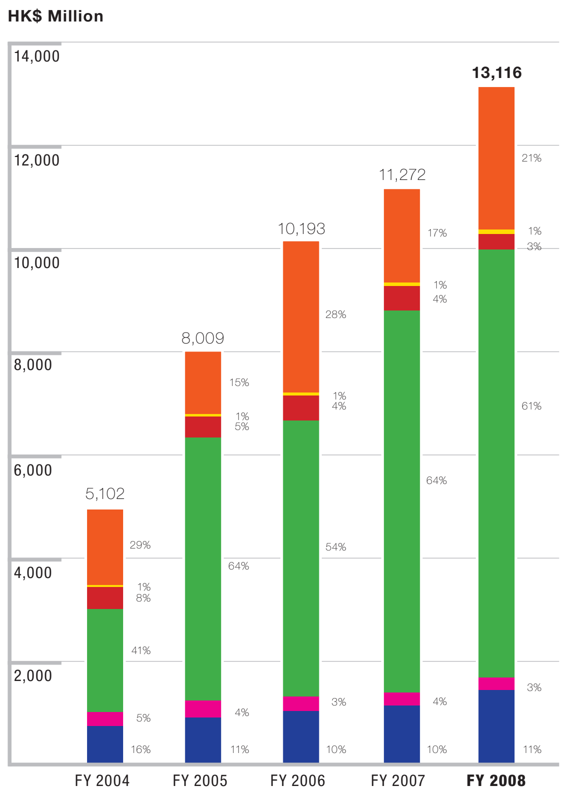
FINANCIAL HIGHLIGHTS

TWO-YEAR OVERVIEW

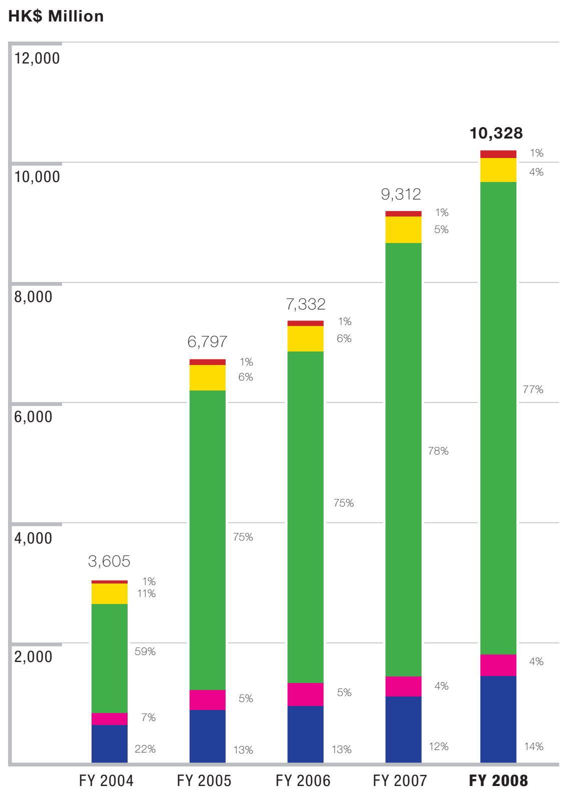
		FY 2008	FY 2007	% Change
Turnover	(HK$M)	**13,116**	11,272	+16%
Gross profit	(HK$M)	**3,968**	3,378	+17%
Gross profit margin	(%)	**30.3**	30.0	
Operating profit	(HK$M)	**4,161**	7,464	-44%
Operating profit margin	(%)	**31.7**	66.2	
Profit attributable to shareholders	(HK$M)			
– before fair value change of properties		**2,229**	2,590	-14%
– after fair value change of properties		**3,051**	6,563	-54%
Net profit margin	(%)			
– before fair value change of properties		**17.0**	23.0	
– after fair value change of properties		**23.3**	58.2	
Earnings per share	(HK$)			
– before fair value change of properties		**1.56**	1.95	-20%
– after fair value change of properties		**2.14**	4.95	-57%
Shareholders' equity	(HK$M)	**46,538**	44,011	+6%
Net borrowings	(HK$M)	**12,045**	8,933	+35%
Net asset value per share	(HK$)	**32.61**	30.90	+6%
Share price as at 31 December	(HK$)	**20.65**	62.65	-67%
Price earnings ratio#	(times)			
– before fair value change of properties		**13.2**	32.1	
– after fair value change of properties		**9.6**	12.7	
Market capitalization as at 31 December#	(HK$M)	**29,471**	89,231	-67%
Dividend per share	(HK$)	**0.70**	0.95	-26%
Dividend payout ratio	(%)			
– before fair value change of properties		**44.9**	48.7	
– after fair value change of properties		**32.7**	19.2	
Dividend cover	(times)			
– before fair value change of properties		**2.2**	2.1	
– after fair value change of properties		**3.1**	5.2	
Dividend yield#	(%)	**3.4**	1.5	
Return on shareholders' equity	(%)			
– before fair value change of properties		**4.8**	5.9	
– after fair value change of properties		**6.6**	14.9	
Gearing	(%)	**25.9**	20.3	
Interest cover	(times)			
– before fair value change of properties		**6.0**	6.2	
– after fair value change of properties		**7.5**	13.6	
Current ratio	(times)	**2.4**	2.4	
Liquidity ratio	(times)	**1.3**	1.3	
(Discount)/premium to net asset value#	(%)	**(36.7)**	102.8	

#Based on share prices as at 31 December 2008 and 31 December 2007, respectively.

BREAKDOWN OF TOTAL TURNOVER



BREAKDOWN OF RECURRENT INCOME



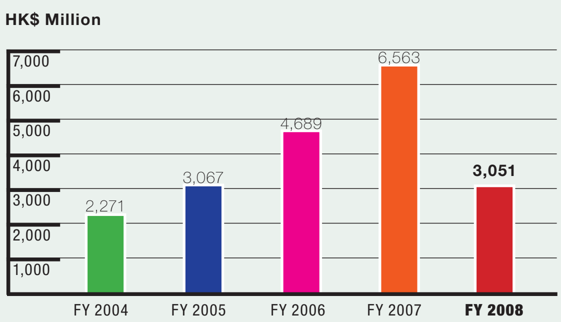
- Proceeds from sales of properties
- Development consultancy and project management fees
- Warehouse income
- Logistics income
- Hotel revenue
- Rental income

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

The Group recorded a 16% increase in total turnover for FY2008 to **HK$13,116 million** (2007: HK$11,272 million).

	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 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	11,272	9,312	83%	2,590	6,563
FY 2008	**13,116**	**10,328**	**79%**	**2,229**	**3,051**

PROFIT ATTRIBUTABLE TO SHAREHOLDERS



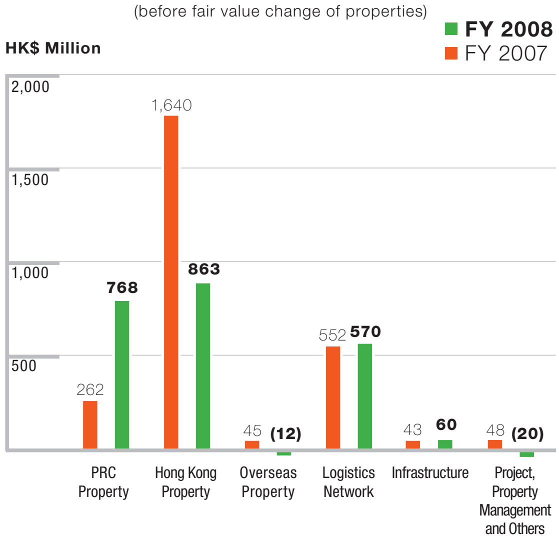
The Group's net profit attributable to shareholders for FY 2008 decreased by 54% to **HK$3,051 million** (2007: HK$6,563 million).

FINANCIAL HIGHLIGHTS

Continued

PROFIT ATTRIBUTABLE TO SHAREHOLDERS BY DIVISION

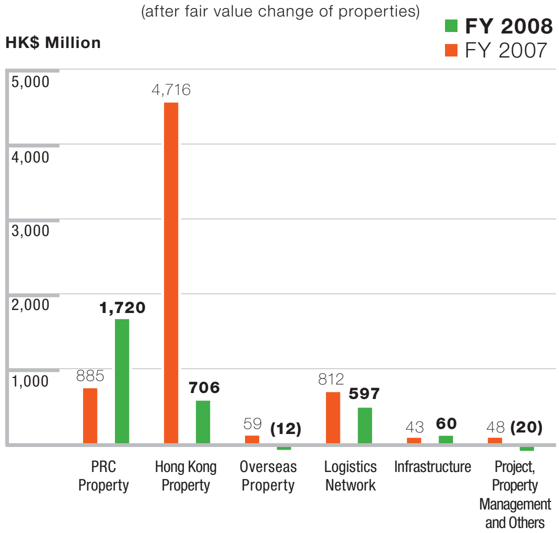
(before fair value change of properties)



Profit Attributable to Shareholders (before fair value change of properties) (by division)	2008 HK$ Million	2007 HK$ Million	% Change
PRC Property	768	262	193%
Hong Kong Property	863	1,640	-47%
Overseas Property	(12)	45	-127%
Logistics Network	570	552	3%
Infrastructure	60	43	40%
Project, Property Management and Others	(20)	48	-142%
	2,229	2,590	-14%

PROFIT ATTRIBUTABLE TO SHAREHOLDERS BY DIVISION

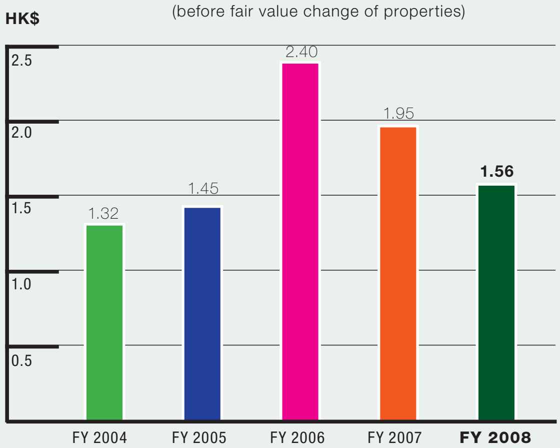
(after fair value change of properties)



Profit Attributable to Shareholders (after fair value change of properties) (by division)	2008 HK$ Million	2007 HK$ Million	% Change
PRC Property	1,720	885	94%
Hong Kong Property	706	4,716	-85%
Overseas Property	(12)	59	-120%
Logistics Network	597	812	-26%
Infrastructure	60	43	40%
Project, Property Management and Others	(20)	48	-142%
	3,051	6,563	-54%

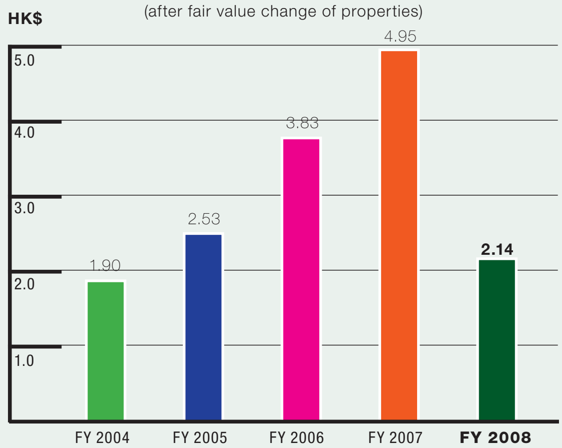
EARNINGS PER SHARE

(before fair value change of properties)



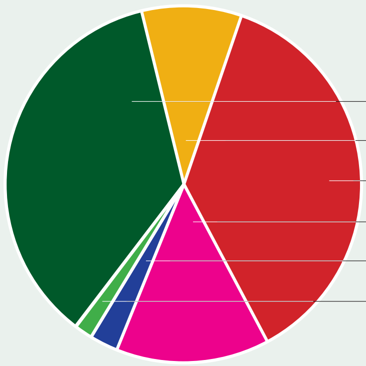
EARNINGS PER SHARE

(after fair value change of properties)



GROSS ASSET VALUE OF PROPERTIES

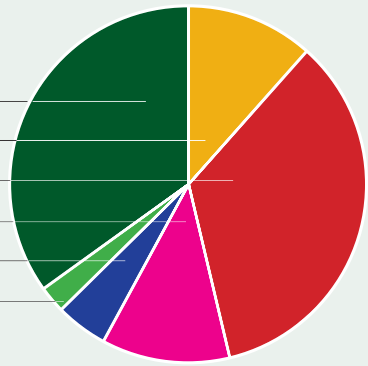
HK$ 60,792 Million



FY 2008

FY 2008		FY2007
34%	Hong Kong Residential	35%
9%	Hong Kong Commercial	12%
41%	PRC Properties	36%
12%	Logistics & Warehouses	12%
3%	Overseas Properties	4%
1%	Infrastructure	1%

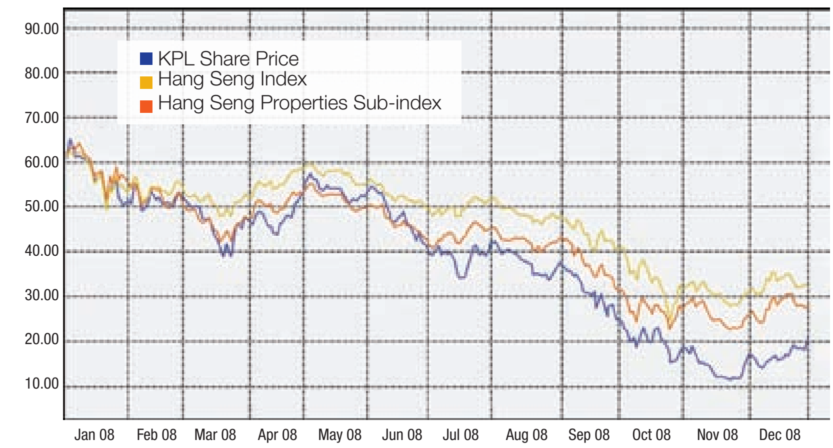
HK$ 56,118 Million



FY2007

SHARE PRICE PERFORMANCES

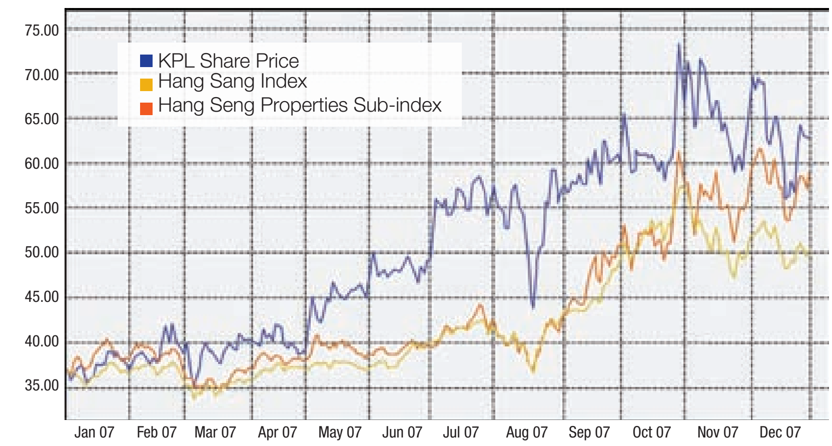
FY2008
HK$



KPL Share Price 2008

High:	HK$64.85
Low:	HK$11.80
Average:	HK$38.54
Year's High PE:	13.2x
Year's Low PE:	2.6x
Average PE:	8.0x
Hang Seng Index Average PE:	12.4x
Hang Seng Properties Sub-index Average PE:	9.6x

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

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the 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 2008.

The Group's consolidated net profit attributable to shareholders for the year ended 31 December 2008 was HK$3,051 million, representing a decrease of 54% compared with HK$6,563 million reported for 2007.

Earnings per share for the year were HK$2.14, representing a decrease of 57% compared with HK$4.95 per share in 2007.

The Board has recommended the payment of a final dividend of HK$0.40 per share for the year. Together with the interim dividend of HK$0.30 per share, the total dividend for the year ended 31 December 2008 will be HK$0.70 per share, representing a decrease of 26% compared with HK$0.95 per share in 2007.

The past year delivered a series of external shocks to the global economy. Both debt and equity markets were highly turbulent in 2008, particularly during the second half of the year and this has spilled over into the real economy globally. However, all factors considered, the long-term economic fundamentals in our core markets remain strong, particularly in China. This is positive in terms of the outlook for the Group because our future prospects are closely linked to China's prosperity. A still growing, albeit more slowly, domestic economy, increasing mass urbanization, rising disposable incomes and expanded infrastructure needs suggest that over the long-term there will continue to be opportunities in the property, logistics and infrastructure sectors in China. Recent government economic stimulus packages have a focus on infrastructure and property. Also, a continuation of efforts to put economic growth in China on a more socially and environmentally sustainable path is likely to form the basis of government policy in the coming year. In addition, specific initiatives to invest in infrastructure and to promote the property sector will have a direct bearing on the Group's business. All these undertakings by government appear to have been well received by the market.

Reflecting this focus by government at a corporate level, the Group remains committed to doing business in a manner that is environmentally sustainable and in a way that is consonant with our corporate values and our social conscience, while maximizing returns to shareholders. Lending support to community groups and to our staff in their pursuit of meaningful ways of engaging with our business partners and with the broader community in undertaking a range of environmental and socially responsible initiatives is at the core of our corporate philosophy. To this end, we sponsor a range of projects that engage the community in meaningful ways and which promote community values and highlight how our businesses operate so as to reinforce those values.

Additional information on the specific ways in which we promote efficient energy use, seek out environmentally friendly innovations in building design and in project management, and aim to be transparent and accountable to our stakeholders can be found in our Corporate Social Responsibility Report.

The medium and long-term success of the Group will depend much more heavily on long-term macroeconomic trends and on the quality of the strategy and management decisions that guide our businesses, rather than on short-term market movements. The good news on this front is that there has been a low turnover in the senior management of the Group in recent years. Therefore, essentially the same talent that developed the strategy and managed the Group in a way that has brought us continued success remains in place to guide the business into the future. Given the stability in our senior levels of management, I am optimistic that the expertise, dedication and commitment of this team, and of all our employees, will again be reflected in positive results in the times ahead.

In China, the Group will continue to invest in mixed-use development projects and in supporting infrastructure to meet the demand for upper-middle to high-end residential properties. We foresee the further development of mass transportation systems, and further investment in infrastructure in China as being key to the growth in size of Chinese cities, and to the outward spread of the epicenter of these cities. This rural, to urban, to suburban transition will increase the economic value that lies in the core of Chinese cities and we expect to be a beneficiary of this enhancement in inner-city value through our involvement in redeveloping central sites in leading cities, particularly in relation to the construction and development of the mixed-use projects that are a focus for our business.

The Group is also well-positioned to participate in investment opportunities in the logistics sector. Our extensive experience in the logistics sector, as well as the potential for significant growth in the demand for logistics services gives us a leading edge in developing our logistics business in line with growth in the sector. We will engage in such development when there is a compelling case to do so, and when it is clear that investment in this area will be a value driver for the Group as a whole.

In closing, and on behalf of your Board, I offer my sincere appreciation to our staff, management team, partners and all others who worked with us during 2008. The talented teams working in each of our businesses are well placed to capitalize on the opportunities that will arise in 2009. This promises to translate into sustained growth that will position the Group at the forefront of economic development in each of the markets in which we invest. As has been the case from the start, the coming year will see Kerry Properties continue to build on our reputation as a first class Group.

Sincerely,

Kuok Khoon Chen
Chairman
Hong Kong, 18 March 2009

PRESIDENT & CHIEF EXECUTIVE OFFICER'S STATEMENT

Dear Shareholders,

2008 has been challenging for most businesses, and our Company is no exception. A company's vision, strategy and commitment to excellence are particularly important during troubled times. Our aspiration to excel and our dedication to our core business have helped us lay a strong foundation in the midst of turbulent market conditions.

The structural weakness in the financial markets dates back some time, but it began to have a substantial effect on many non-financial businesses in the second half of 2008. The inherent strength in the Group's structure, business focus, planning, people and operating systems has enabled us to respond and develop according to the overall market trend changes, thus achieving relatively good results under adverse circumstances in 2008. The performance of the Group during the last year points to an unfaltering commitment to our strategy of developing core business values for the long-term benefit of our shareholders, rather than one which subjects itself to short-term market fluctuations and opportunism.

Positioned within the context of market movements, our performance in China and Hong Kong during the year was relatively good. Rental revenues remained strong during 2008 in these two markets, and the existence of multi-year rental contracts for most of our tenants means that rental receipts could mitigate possible future income reductions in other areas of the business. Growth in rental revenue in China was satisfactory in 2008. The prime locations of the Group's Mainland properties and our premium brands should enable us to sustain relatively high occupancy rates with competitive rental income in these properties, thus providing resilience against economic downswings.

We are a property company with property development as our core business. This has been and will continue to be our main business focus. Our property interests remain focused on China and Hong Kong in the foreseeable future. As a Group, we also participate in other businesses that offer great potential to strengthen our income base and fortify and enhance the long-term value of the Group.

If location and quality of our developments are two of the major keys to our success, the third has been our timing. Decisions on when to buy, when to develop, and when to sell are fundamental decisions that generate best value for the Group.

We own a portfolio of prime land and we emphasize land planning, property development and project management in order to add value to the land we acquire. In 2008 we undertook a thorough review of the specific characteristics of each of the project under development so as to rationalize their development potential in order to maximize overall return. We also took some important decisions to adjust the portfolio acquired during the year in order to optimize the product mix and the quality of our land bank.

The business environment of the coming year will no doubt be challenging as the global economy is in poor shape and a recovery does not look likely during 2009. While China is affected by the global situation, it is also affected by the policies of the Chinese Government. To ensure stable growth, the Chinese Government has launched appropriate measures to stimulate the economy. In 2009, the Group will be more cautious in evaluating the China market but we also believe the Chinese Government will launch appropriate measures to stimulate the economy and support the healthy development of the property sector. We fully understand and appreciate the importance of strong and healthy cash flow management in order to bring about growth in both the short and long term. The Group will continue to focus on finding properties in prime locations, with a preference for coastal regions, when the conditions are favourable, in order to support the future development of residential projects. In Hong Kong, we are also on the lookout for opportunities, and will make future investments in projects that fit our investment profile.

Last year, significant projects, including Shanghai Jing An Kerry Centre; Kerry Centre, Pudong Shanghai; Tianjin complex development; Shenzhen Kerry Plaza Phase II; and Chengdu mega residential project, progressed to the construction phase. In the coming few years, the Group will enter a peak construction cycle and will focus on managing these projects. The Group will put emphasis on project planning and design work, particularly in relation to the building of a commercially sound property development model and to the overall management of construction works.

A particular strength of the Group is construction management. We are confident that we manage to extract the most value possible during the construction phase of our projects. We are constantly enhancing our management, our systems, and our project controls to ensure that we get the best possible deal when procuring materials, labour, and other things related to construction activities. Projecting forward, we anticipate that recent reductions in raw materials prices – particularly in the cost of steel and cement – will be sustained in the coming year. The softening in the labour market will further enhance our ability to manage costs. In this sense, the timing of the economic downturn will assist us by keeping costs under control during our peak construction cycle. We anticipate that by the time many of our projects are entering the completion stage, the market will have substantially recovered and property prices will have rebounded. In combination with the comparatively low cost of constructing the projects, this should enable us to realize superior profits while we sustain high quality.

In Hong Kong, Kerry Properties is positioned as a provider of high-end properties that deliver on the promise of superior quality, and we are dedicated to extending this position and reputation to China. In Hong Kong, we had strong results in selling units in SOHO 38. The market also responded very favourably to our Belgravia project. In China, Kerry Plaza Phase I in Shenzhen attracted prime tenants including international enterprises and multinational banks, and commanded the highest rental prices in the neighbourhood. As to Parkview Residence in Hangzhou, we had overwhelmingly good pre-sales results despite the quiet market condition. These results are a testament to the impact of our brand equity and to our reputation for quality.

In terms of our other businesses, the Group has a strong and profitable logistics business in Hong Kong and China. Our Logistics Network Division is a full-service logistics provider, not merely a provider of transportation service. As such, our focus is on adding value to our customers throughout the entire supply chain across a range of geographic markets.

The Division has established a strong brand and has a profile advantage in its major markets. In 2008, Kerry Logistics was the recipient of numerous awards, and was ranked among the "Top 50 Logistics Enterprises" in China at the 2008 Logistics Enterprises International Summit co-organized by China National Development and Reform Commission, National Bureau of Statistics and China Federation of Logistics and Purchasing. Kerry Logistics was also honoured as an "Excellent Brand of Logistics Services" in the "Hong Kong Leaders' Choice Brand Award 2008".

Kerry Logistics is one of the leading players in China in terms of service scope and network coverage, and our presence in other regional markets including Thailand, Malaysia, Singapore, Cambodia, Laos, and Vietnam gives us one of the widest logistics networks in all of East Asia and Southeast Asia. The Division will seek to consolidate its operations during 2009 in ways that further enhance profitability.

By possessing a strong team of people the Group is able to continue to achieve its goals. We fully appreciate that our people are our most important asset. Our people are the source of our innovation and creativity, and therefore the source of our competitive advantage. Their participation and support are the determining factors in the success of the Company. The Group cultivates a team spirit by investing heavily in staff training and by providing opportunities for professional development. The Group's "world-class enterprise" ethos demands that our employees think in "world-class" terms. This is the essence that keeps the Group competitive and makes it capable of continuing to grow.

I wish to thank everyone who worked hard for the Group in 2008, and I look forward to working with all of you in 2009 to further build upon our success.

Sincerely,

Wong Siu Kong
President & Chief Executive Officer
Hong Kong, 18 March 2009

The Group's consolidated net profit attributable to shareholders for the year ended 31 December 2008 was HK$3,051 million, representing a decrease of 54% compared with HK$6,563 million reported for 2007. 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 value of investment properties (net of deferred taxation) of HK$822 million for the year ended 31 December 2008 (2007: HK$3,973 million). Profit attributable to shareholders for the year ended 31 December 2008 before taking into account the effects of the aforementioned increase in fair value is HK$2,229 million (2007: HK$2,590 million).

Earnings per share for the year ended 31 December 2008 were HK$2.14, representing a decrease of 57% compared with HK$4.95 per share in 2007.

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

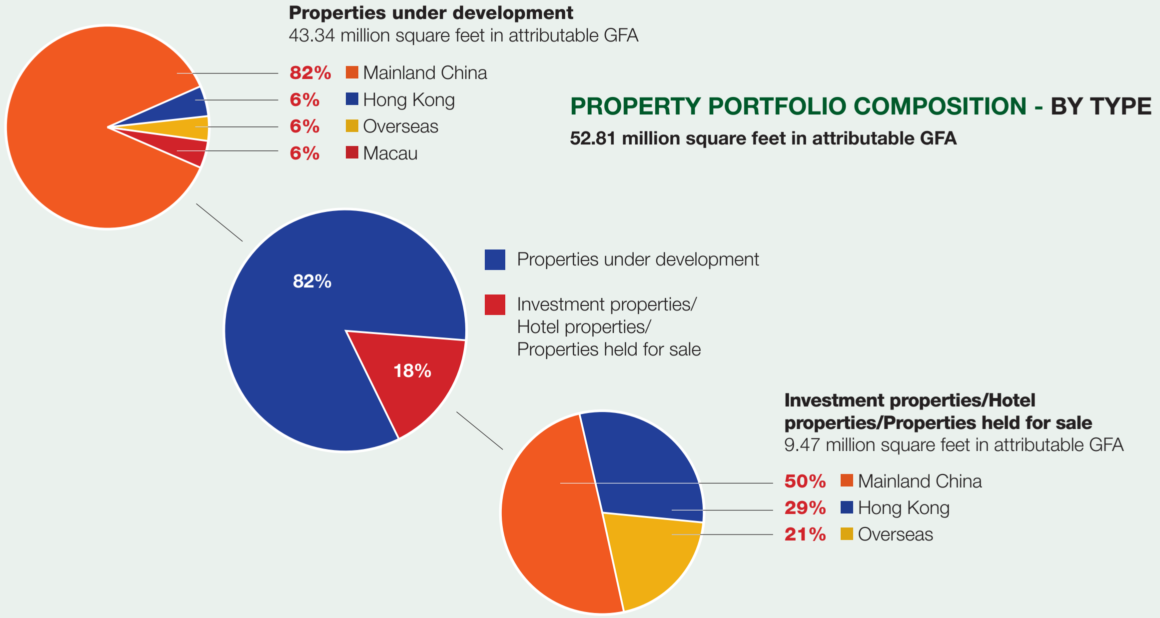
	Year ended 31 December		
	2008	2007	
	HK$ million	HK$ million	Change
Profit attributable to shareholders before taking into account the net increase in fair value of investment properties and related tax effects	**2,229**	2,590	-14%
Add:			
Net increase in fair value of investment properties and related tax effects	**822**	3,973	
Profit attributable to shareholders after taking into account the net increase in fair value of investment properties and related tax effects	**3,051**	6,563	-54%

The Board has recommended the payment of a final dividend of HK$0.40 per share for the year. Together with the interim dividend of HK$0.30 per share, the total dividend for the year ended 31 December 2008 will be HK$0.70 per share (2007: HK$0.95 per share).

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

PROPERTY PORTFOLIO COMPOSITION - BY TYPE

52.81 million square feet in attributable GFA



* Artist's impression

PROPERTY PORTFOLIO COMPOSITION

	Mainland China	Hong Kong	Macau	Overseas	Group's attributable GFA
			('000 square feet)		
Investment Properties	3,825	2,637	–	1,991	8,453
Hotel Properties	500	38	–	–	538
Properties Under Development	35,623	2,669	2,385	2,664	43,341
Properties Held for Sale	413	65	–	2	480
	40,361	**5,409**	**2,385**	**4,657**	**52,812**

OVERVIEW

While the stresses of the global financial meltdown have produced formidable challenges for the property sector in Hong Kong, Mainland China and most other overseas markets, the Group was able to maintain a healthy pace in overall business development. Building on past efforts directed at the development of exclusive properties in highly supply-restricted neighbourhoods, the Group has demonstrated resilience against economic adversity, with several of the project launches receiving positive responses beyond expectations.

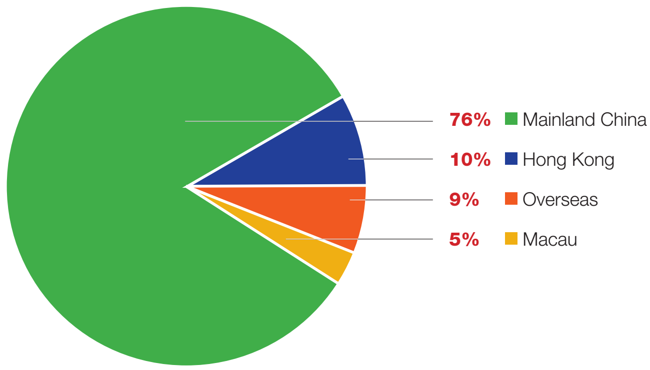
As at 31 December 2008, the Group held a portfolio of properties including properties under development with a gross floor area ("GFA") of 43.34 million square feet (2007: 45.52 million square feet), completed investment properties of 8.45 million square feet (2007: 7.96 million square feet), hotel properties of 0.54 million square feet (2007: 0.54 million square feet) and properties held for sale of 0.48 million square feet (2007: 0.28 million square feet). They make up a balanced portfolio with the respective properties featuring unique advantages and with the potential to create excellent shareholder value over the longer term.

MAINLAND CHINA PROPERTY DIVISION

Confronted by a global financial storm now endangering economies worldwide, the property market in Mainland China was buffeted by severe economic headwinds during the past year. Worsening market conditions have had a particularly significant impact on the real estate sector and, in response, the Group has made a timely move to review and adjust its property portfolio in China. After a critical examination of its existing portfolio, the Group has strategically integrated the geographic focus, property mix, scale of development and development plan, with a view to sustaining its premier profile and healthy lead in the market. During the year ended 31 December 2008, the Group was delighted to report a set of satisfactory results for its property developments and sales in the Mainland China.

PROPERTY PORTFOLIO COMPOSITION - BY LOCATION

52.81 million square feet in attributable GFA



The Mainland China Property Division has at its disposal a strong investment portfolio and land bank. Development efforts are directed towards three strategic areas: firstly, the development of large-scale mixed-use masterpieces or landmark neighbourhoods in exclusive locations in top-tier cities including Beijing, Shanghai, Shenzhen, Tianjin and Hangzhou; secondly, the construction of major boutique residential and integrated projects on prime sites in prosperous provincial capital cities such as Nanjing, Shenyang, Chengdu, Nanchang and Changsha, to generate solid sales revenues; and finally, the planning of uniquely positioned holiday apartments in heritage and tourist cities such as Yangzhou and Qinhuangdao.

In the year under review, the turnover of the Mainland China Property Division increased 166% year on year to HK$2,748 million (2007: HK$1,034 million), with property sales and leasing activities remaining the development focus of the Division. Net profit attributable to the Group also edged 94% higher year on year to HK$1,720 million (2007: HK$885 million), after taking into account the increase in fair values of investment properties (after deferred taxation) of HK$952 million (2007: HK$623 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$768 million (2007: HK$262 million).


Shenzhen Kerry Plaza I, Shenzhen, MAINLAND CHINA

Building on its professional and reputable track record, the Group has established an enviable position in the Mainland market. It will continue to make selective investments and uphold the highest standards of construction management in order to maintain its pledge to deliver both quality and value to buyers and tenants.

INVESTMENT PROPERTIES

During the year, the Group derived rental turnover and operating profit from rental activities of HK$796 million and HK$422 million, respectively (2007: HK$614 million and HK$413 million, respectively) from its portfolio of investment properties in Mainland China.

As at 31 December 2008, the Group maintained an aggregate GFA of 3.83 million square feet (2007: 3.12 million square feet) of investment properties within its Mainland China portfolio, the geographical distribution of which and their occupancy rates are set out in the table below:

As at 31 December 2008:

	Beijing	Shanghai	Shenzhen ('000 square feet)	Fuzhou	Group's attributable GFA	Occupancy rate
Office	**711**	**682**	**815**	**–**	**2,208**	**79%**
Commercial	**98**	**443**	**107**	**64**	**712**	**91%**
Residential	**277**	**628**	**–**	**–**	**905**	**74%**
	1,086	**1,753**	**922**	**64**	**3,825**	

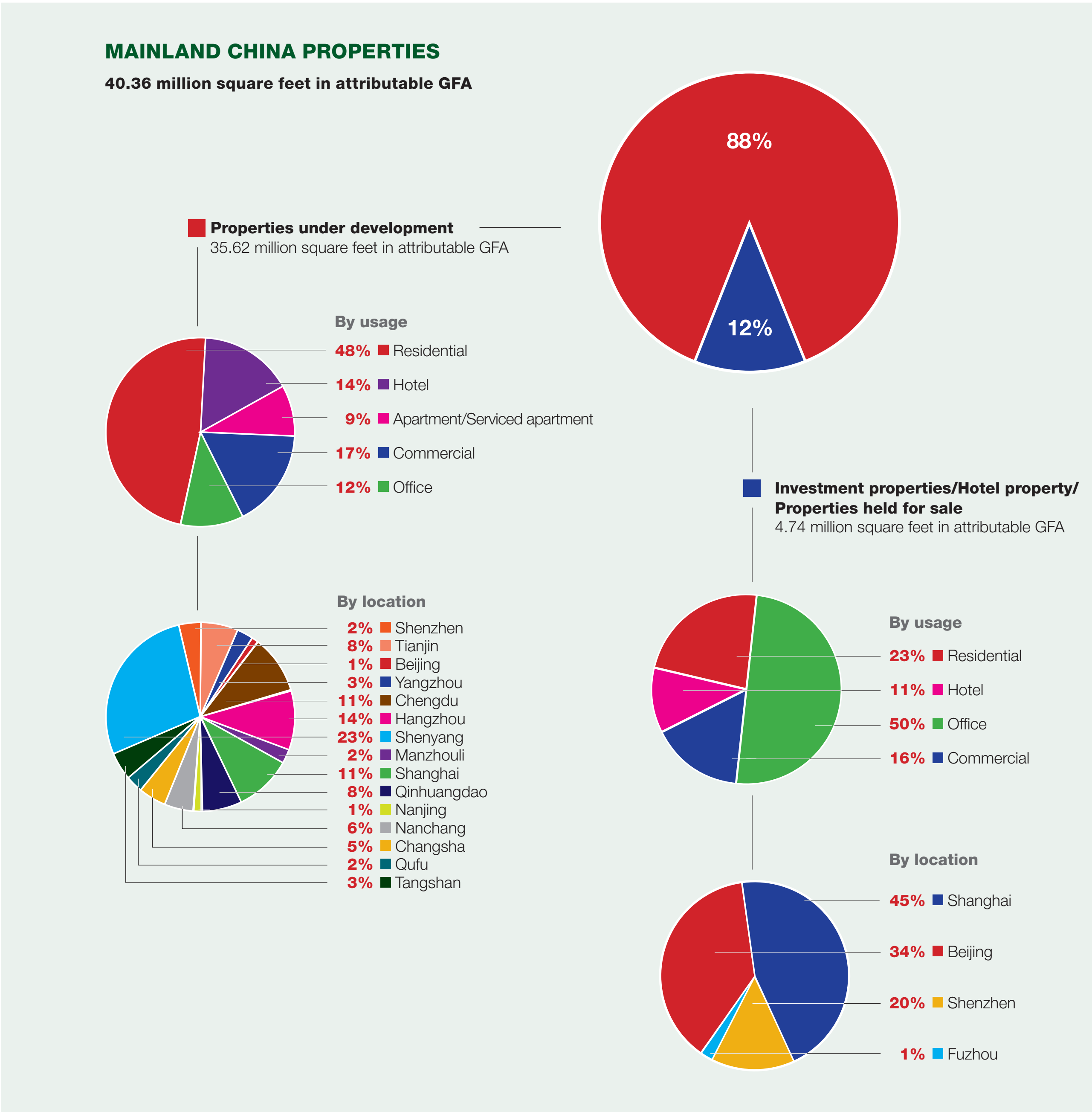
As at 31 December 2007:

	Beijing	Shanghai	Shenzhen ('000 square feet)	Fuzhou	Group's attributable 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	

Comparative occupancy rates of key investment properties are featured below:

Property	**Occupancy rate as at 31 December 2008**	Occupancy rate as at 31 December 2007
Beijing Kerry Centre ^	**90%**	90%
Shanghai Kerry Centre	**86%**	84%
Kerry Everbright City Phase I	**81%**	74%
Central Residences Phase II Towers 1 and 3	**73%**	56%
Shenzhen Kerry Plaza Phase I	**60%**	Not applicable

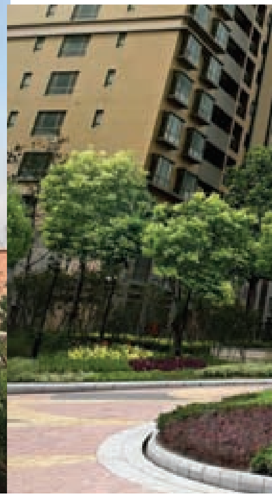
^ excluding Shangri-La's Kerry Centre Hotel.



Central Residences Phase II in Changning District, Shanghai is the Group's new luxury residential project. As at 31 December 2008, 153 units out of the total of 214 units of Towers 1 and 3 of Central Residences II were leased as serviced apartments, representing 73% of its total GFA of approximately 478,000 square feet.

Kerry Plaza Phase I, a Grade-A office complex project in Shenzhen's Central District, was completed in the first quarter of 2008, generating a GFA of approximately 805,000 square feet. The project is located on a prime site adjacent to the Futian Shangri-La Hotel in Shenzhen. Some 60% of the GFA has been leased out, with a tenant profile comprising mainly blue-chip international enterprises and multinational banks. Owing to the outstanding brand awareness generated by the property development and management of the Group, it commands prices relatively higher than other developments in the vicinity.

Kerry Centre, Pudong Shanghai, Shanghai, MAINLAND CHINA*



Le Loft, Kerry Everbright City Phase IIB, Shanghai, MAINLAND CHINA

SALES OF PROPERTIES

In the year under review, sales of completed properties contributed a turnover and operating profit of HK$1,514 million and HK$1,121 million, respectively (2007: HK$19 million and HK$23 million, respectively), driven mainly by the contribution from the sales of office and residential units from Kerry Everbright City Phase IIA.

Located on the south side of Shanghai Railway Station, and close to the Hanzhong Road Station of Metro Line 1 and the South-North Highway, Kerry Everbright City enjoys excellent accessibility with only a few minutes' drive from the People's Square and Nanjing West Road business ring. Phase II of the project is a mixed-use development comprising Phases A and B with an aggregate GFA of approximately 1.6 million square feet. Phase IIA of the project was already completed in 2008 which incorporates Enterprise Square office tower with a two-storey retail podium and four fully furnished Le Loft residential buildings (Towers 1, 2, 3 and 5). Its sales launch received an excellent market response and the price per square foot is higher than the premises in the vicinity. As at 31 December 2008, 562 units, or 99%, out of a total of 566 residential units were sold. 44% of Enterprise Square were sold as at 31 December 2008. Le Loft and Enterprise Square were delivered in March and June 2008, respectively.

PROPERTIES UNDER DEVELOPMENT

The Group has drawn up a strategic plan to safeguard its excellent market position. In implementing this, it has been continuing with its acquisition plans in cities and sites with unique prospects of creating long-term value.

Shanghai

With the completion of Le Loft (Towers 6 to 9) under Phase IIB of the Kerry Everbright City project in January 2009, the development now has four additional residential premises. The launch of two of the residential blocks since August 2008 has met with satisfactory market response.

The schematic design for the Kerry Everbright City Phase III project has been submitted for approval, with construction works scheduled to commence in 2009.

On 23 April 2008, the Group concluded a connected transaction with COFCO group to acquire from the latter a 9.9% interest it held in Kerry Everbright City project, thus increasing the Group's effective interest in the project from 64.35% to 74.25%. At the same time, the Group disposed of its 15% interest in Beijing COFCO Plaza. This arrangement enables the Group to redirect its resources to core property development operations, and the shareholders to enjoy further value from this project of high potential.

* Artist's impression

Shanghai Central Residences Phase II, Shanghai, MAINLAND CHINA

*Gemini Grove, Beijing, MAINLAND CHINA**

Jing An Kerry Centre lies in the heart of Shanghai's business district. It is located on Nanjing West Road, which is easily accessible by Metro Line 2 at Jing'an Temple Station, with further connectivity to the Changde Road Station on rapid transit Metro Line 7 which is currently under construction. The Jing An Kerry Centre project occupies a site area of approximately 500,000 square feet and is currently planned to incorporate the development of luxury hotel, international Grade-A office and high-end shopping properties with a GFA of approximately 2.75 million square feet. Construction commenced in early 2008, with completion scheduled in 2012. Jing An Kerry Centre is a joint venture project undertaken by the Group and Shangri-La Asia Limited ("Shangri-La"), with shareholding of 51% and 49% respectively. In December 2008, to facilitate the development of the project, the Group through a subsidiary in Shanghai arranged a RMB4.3 billion syndicated loan, which received an overwhelming response from major Mainland Chinese banks. The successful conclusion of this facility stands as testimony to the continued strong support from the banking community for the Group.

The Group holds a 40.8% interest in Kerry Centre, Pudong Shanghai, a mixed-use property project located in the Huamu area, one of Shanghai's four sub-centres. Underground works have been completed and superstructure construction is currently underway. Facing the Century Park, the project lies in close proximity to the Shanghai New International Expo Centre, in a neighbourhood with a major upscale international residential community, international schools and golf course. The area is being actively developed into a new business hub and the potential value of the project will be further promoted with the rollout of the 2010 World Expo in Shanghai. The site will be connected to Metro Line 7 with the convenience of transferring to Metro Line 2 and the Maglev just one station away. This joint venture project includes a hotel, offices, an apartment-style hotel, commercial properties and related ancillary facilities, targeted for completion by the third quarter of 2010.

Beijing

The Group has now unveiled its first property project for sale, Gemini Grove, in Xinyuanli, Beijing. Upon completion this development will deliver an aggregate GFA of approximately 500,000 square feet, inclusive of commercial and underground area, of which the apartments will offer a total GFA of approximately 331,000 square feet. The Group holds a 71% interest in the project. The project is scheduled for completion and inspection in the second quarter of 2009 and will be ready for occupation by the fourth quarter of 2009. To provide added value to the project, the Group has introduced one-stop asset management services, including leasing services, for investor-owners.

* *Artist's impression*

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

Shenzhen
Kerry Plaza Phase II is earmarked for the development of an office property with a GFA of approximately 850,000 square feet scheduled for completion in 2011. Construction works commenced in the second quarter of 2008. Rising to a height of more than 650 feet, this new project will represent another major landmark by the Group, strengthening its position in the Grade-A office sector in Shenzhen.

Tianjin
The Group is moving ahead with its development of a mixed-use property in Hedong District, on a site named "Tianjin South Railway Station CBD". The project is located in the Tianjin Financial Street neighbourhood, overlooking the Haihe and close to Tianjin East Railway Station, and occupying a prominent location within the city's inner ring facing the Hebei, Heping and Hexi Districts. The project is connected to the Metro Line 9 which is the main route for traffic between Tianjin municipality and Tianjin Binhai New District, built to facilitate closer ties between Tianjin municipality, Tianjin Binhai New District and Bohai Economic Rim Region. Developments underway include a hotel, class A office, luxury residence, a shopping mall and serviced apartments, with a GFA of approximately 5.69 million square feet. The Group holds a 49% interest in the project.

Leveraging the combined experience and branding strengths of the respective joint venture parties in hotel, commercial and residential developments, and capitalizing on the natural scenery along the Haihe, the Group aims to build a world-class integrated project that will become another landmark in Tianjin. Construction works are expected to complete in phases between 2011 and 2012.

Hangzhou
The Group continues to roll out its planned development for the two sites in Xiacheng District, Hangzhou. The first site is located at the busy junction of Yan'an Road and Qingchun Road, close to the future interchange station of Metro Lines 1 and 2. Commanding a prime location in the heart of Hangzhou and adjacent to Xihu (West Lake), the site is designated for the development of a mixed-use property incorporating a hotel, offices, apartments and a large-scale commercial complex with a GFA of approximately 2.2 million square feet. With schematic design underway, piling works are scheduled to commence by the third quarter of 2009 and is expected to be completed by 2012 in phases. Upon completion, the project will become a major new landmark in Hangzhou.

The second site in Xiacheng District is earmarked for residential development. Configured to deliver a GFA of approximately 2.7 million square feet, the planned Parkview Residence project is designed to be one of the largest and most emblematic communities in the city's northern old town. The city centre is only about 12 kilometres from the site, with connectivity that will be further enhanced upon the completion of two expressways. The project is expected to be completed in phases to 2011. In December 2008, some 100 stylish luxury residences were introduced at a pre-sale session, during which indications of interest were received from over 200 potential buyers, pointing to strong market acceptance.

** Artist's impression*


Hangzhou Kerry Centre, Hangzhou, MAINLAND CHINA*


Chengdu Residential Project, Chengdu, MAINLAND CHINA*

Nanjing
In September 2008, the Group, Shangri-La and Allgreen Properties Limited jointly won a bid to acquire a prime site at Zhong Yang Road in Gu Lou District, Nanjing, for a consideration of RMB200 million. The site has an area of 183,000 square feet, and is designated for the development of a hotel and commercial mixed-use properties with a total GFA of approximately 916,000 square feet. The Group holds a 45% interest in this project, which is now in the planning phase with construction works to be rolled out in 2009. The site enjoys tremendous potential for development as it stands in a prime location in Gu Lou District in the heart of Nanjing, the provincial capital of Jiangsu. The district is also where the provincial party and government offices are seated. Nanjing is a tourist hotspot endowed with the National 3A tourist spot, the heritage sites of the shipyards which built the treasure ships for Chinese mariner Zheng He for his expeditions.

Chengdu
The Group's site in Chengdu, the provincial capital of Sichuan Province, is situated in the southern part of the Chengdu High-Tech Industrial Development Zone. The site is designated mainly for residential development, and is expected to yield a total developable GFA of approximately 6.9 million square feet. The area 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 project also lies close to the city's main traffic artery and municipal park, placing it in the ideal neighbourhood for the development of luxury residences. Foundation excavation works of Phase I of the project are currently in progress, with scheduled completion in phases from 2011.

Nanchang
In March 2008, the Group acquired a prime piece of land in Honggutan Central District, Nanchang, Jiangxi Province, through a joint venture with Shangri-La. The site has an area of approximately 514,000 square feet, suitable for development into a mixed-use complex comprising hotel, offices, commercial and high-end apartments, yielding a GFA of approximately 2.57 million square feet. Nanchang is a city in Central China with tremendous growth prospects. The project site is located next to the government offices in the heart of Honggutan new district, which has been earmarked as the new administrative centre of Nanchang, and offers impressive river views. Planning for this 80%-held joint venture project is in progress with construction works to be rolled out in 2009.

* Artist's impression

Shenyang Complex Development, Shenyang, MAINLAND CHINA*

Yangzhou Complex Development, Yangzhou, MAINLAND CHINA*

Changsha
In Changsha, the provincial capital of Hunan Province, the Group is engaged in the development of a 61%-held joint venture residential and commercial property project located in the Tianxin District. The project is expected to yield a GFA of approximately 3.3 million square feet. Project planning is underway with piling works due to begin in the second quarter of 2009 and completion scheduled to take place in phases in 2012.

Shenyang
The Group's site in Shenyang, the capital of Liaoning Province, is located on the east side of Qingnian Street, opposite to Qingnian Park. Shenyang is not only the largest municipality famous for its rich historical and cultural background in Northeastern China, but also an important base for financial, trade, service and tourism activities. The landmark development of Qingnian Street, dubbed the "Golden Corridor", is crucial not only to the city's modernization of the service sector, but also to the expedited urban construction in the city centres of the Northeastern region, as well as the enhancement of the city's profile. The project is located in the core area of the Golden Corridor and stretches across an area of approximately 1.86 million square feet, delivering a GFA of approximately 14 million square feet. The site will be developed into a mixed-use project of hotels, offices, shopping mall, residential and apartments. The development is now in conceptual design phase.

Yangzhou
The Group's hotel and luxury residential project in Xincheng West District, Yangzhou, is progressing smoothly with construction works on the residential portion of the project now underway. Upon scheduled completion in phases between 2009 and 2011, the development will generate a GFA of approximately 916,000 square feet. Nestled against the greenery of sports ground, mountains and rivers, the project enjoys astounding views and is conveniently located at the northern side of Wenchang West Road and the western side of Huanhu Road. Yangzhou is situated in central Jiangsu in the Yangtze Delta, where miles of sand meet with the Jing Hang Grand Canal. It is famous for convenient water and road transportation, as well as a renowned world-class tourist city boasting unrivalled scenery and cultural relics. In 1982, Yangzhou was among the first to be approved by the State Council as a historical and cultural city.

Qinhuangdao
The Group is participating in the deluxe residential market of Qinhuangdao, Hebei Province, through a premier seafront project. Currently at the project planning stage, this development is designed to produce a GFA of approximately 4.76 million square feet, with phased completion by 2012. Qinhuangdao is a major coastal trading port and famous tourist destination in Northern China with excellent development potential.

* Artist's impression

Beijing Kerry Centre, Beijing, MAINLAND CHINA

Qufu

In February 2008, the Group acquired a site in Qufu, Shandong Province, to be developed as a hotel with a GFA of approximately 658,000 square feet. The site lies in the new city centre along the central axis, and only 1 kilometre away from the Confucius Mansion.

Manzhouli

Development of the residential and commercial property project in Manzhouli, Inner Mongolia, continued as planned with completion targeted in phases up to 2012. Manzhouli is a major inland trading port for the Sino-Russian trade, enjoying unique geographical advantages. The project is expected to deliver a developable GFA of approximately 927,000 square feet, of which Phase I, being residential portion, was introduced to the market in September 2008 with the official sales launch targeted for the third quarter of 2009. Occupation of the first batch of residential units is expected to take place in the first quarter of 2010.

Tangshan

Upon a prudent review, the Group has adjusted the scale of its development in Tangshan. The current project sites are located in Da Li Road of Feng Huang Xin Cheng, an area with the most promising prospects for development. The project has a total site area of approximately 1.02 million square feet, for development into a hotel and residential with ancillary commercial property with developable GFA of about 2.99 million square feet. The project is jointly developed with Shangri-La and other two affiliated companies.

SHANGRI-LA'S KERRY CENTRE HOTEL

During the year to 31 December 2008, Shangri-La's Kerry Centre Hotel in Beijing reported a turnover and operating profit of HK$438 million and HK$172 million, respectively (2007: HK$401 million and HK$152 million, respectively), and achieved an average occupancy rate of 64% (2007: 75%) with average room tariff growing 16% year on year.

Properties under Development in Mainland China

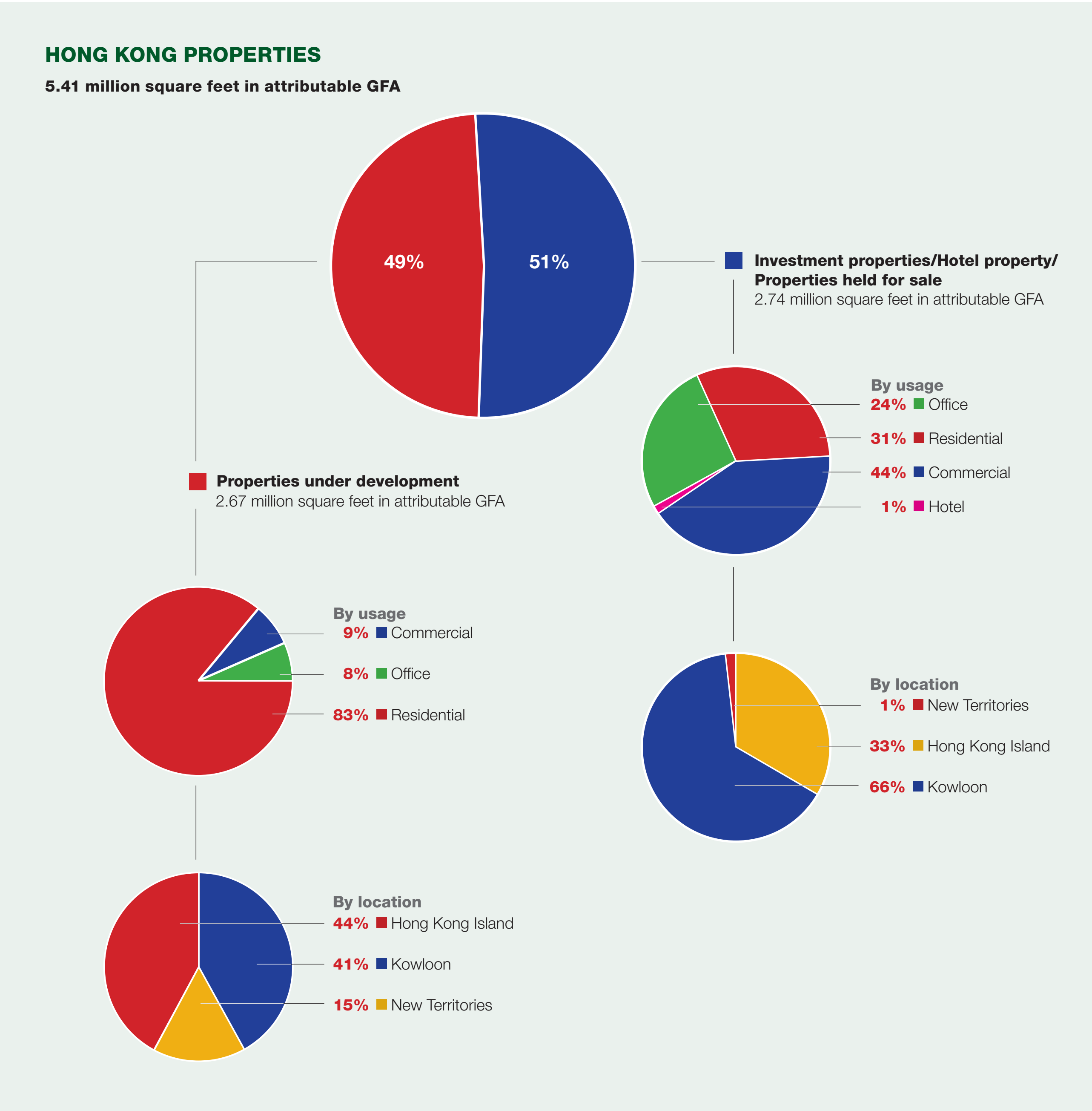
	Shanghai	Beijing	Shenzhen	Tianjin	Hangzhou	Shenyang	Nanjing	Chengdu	Nanchang	Changsha	Yangzhou	Qinhuangdao	Qufu	Manzhouli	Tangshan	Group's attributable GFA upon completion
	('000 square feet)															
Residential	439	–	–	949	2,927	2,335	–	3,320	517	1,835	431	2,648	–	845	980	17,226
Apartment/Serviced apartment	149	235	–	146	–	2,384	–	140	–	–	–	–	–	–	–	3,054
Office	1,281	–	743	658	199	998	–	–	430	–	–	–	–	–	–	4,309
Commercial	543	9	107	621	1,312	2,067	146	336	591	175	–	208	–	82	–	6,197
Hotel	1,304	–	–	415	458	501	266	–	517	–	485	–	658	–	215	4,819
Entrance hall	18	–	–	–	–	–	–	–	–	–	–	–	–	–	–	18
	3,734	**244**	**850**	**2,789**	**4,896**	**8,285**	**412**	**3,796**	**2,055**	**2,010**	**916**	**2,856**	**658**	**927**	**1,195**	**35,623**

HONG KONG PROPERTY DIVISION

In the year to 31 December 2008, the Hong Kong Property Division recorded a turnover of HK$1,863 million (2007: HK$2,433 million) and a net profit attributable to the Group of HK$706 million (2007: HK$4,716 million), after taking into account the decrease in fair value of investment properties (net of deferred taxation) of HK$157 million (2007: an increase of HK$3,076 million). The main contributor to the Division's turnover was made by sales of 15 Homantin Hill and the successful launch of SOHO 38 during the year.

The disposal of certain units in Belgravia, on South Bay Road, Repulse Bay, also delivered an extremely good performance despite the timing of the disposal in December 2008 amid the onset of the global financial meltdown.

With a balanced mix of completed properties 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 investment property portfolio.



Belgravia, Repulse Bay, HONG KONG

SOHO 38, Mid-Levels, HONG KONG

MegaBox, Kowloon Bay, HONG KONG

INVESTMENT PROPERTIES

The Group's premium portfolio of investment properties in Hong Kong is a major component of its earnings base as well as the source of the Division's core advantage. Building on the exclusive locations and luxurious facilities enjoyed by its properties, the Group has successfully established an investment portfolio in a class of its own, enabling it to command a premium market niche and maintain strong resilience against adversities in economic cycles. During the year, rental turnover and operating profit generated from the Group's investment properties in Hong Kong were HK$589 million and HK$295 million, respectively (2007: HK$492 million and HK$158 million, respectively).

As at 31 December 2008, the Group held an investment property portfolio in Hong Kong with an aggregate GFA of 2.64 million square feet (2007: 2.87 million square feet). The breakdown of GFA and the respective occupancy rates, together with comparative figures, were as follows:

	As at 31 December 2008		As at 31 December 2007	
	Group's attributable GFA ('000 square feet)	**Occupancy rate**	Group's attributable GFA ('000 square feet)	Occupancy rate
Residential	**618** ※	**93%**	649 ※	98%
Commercial	**1,194**	**96%**	1,345	92%
Office	**645**	**98%**	646	92%
	2,457		2,640	

※ The above table excluded Tavistock with refurbishment works near completion and Belgravia.

Enterprise Square Five/"MegaBox"

"MegaBox", the Group's proprietary retail and entertainment project, is now successfully established as the shopping and entertainment destination in East Kowloon, and maintains its strong appeal to new tenants. With 1.1 million square feet of space, "MegaBox" is committed to continued enhancement of the tenant mix in order to deliver more retail, entertainment and dining delights for both local shoppers and overseas visitors. As at 31 December 2008, "MegaBox" was 97% (2007: 91%) leased. "MegaBox" will continue to shape and advance the consumption landscape of Hong Kong and elevate the shopping experience to new heights and to the delight of customers.

The two Grade-A Enterprise Square Five office towers have an aggregate GFA of approximately 519,000 square feet. Kowloon Bay is poised to mature into the territory's new business and tourist centre as the Hong Kong SAR Government unfolds its plan to redevelop and revitalize the old Kai Tak site, attracting large multinational tenants. The Group remains confident in the continuing development of Kowloon Bay and East Kowloon in general. As at 31 December 2008, Enterprise Square Five office towers were 99% (2007: 92%) leased.

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

*Tsuen Wan Residential Project, Tsuen Wan, HONG KONG**

*Shan Kwong Road Project, Happy Valley, HONG KONG**

SALES OF PROPERTIES

During the year ended 31 December 2008, turnover from sales of completed properties of HK$1,274 million (2007: HK$1,941 million) and proceeds from sales of investment properties of HK$1,916 million (2007: HK$1,070 million) delivered an operating profit of HK$940 million (2007: HK$1,627 million). These were primarily derived from sales of completed properties of 15 Homantin Hill and SOHO 38 and investment properties of Auto Plaza, Belgravia and Tregunter Towers.

Against a backdrop of economic adversity, the Group's portfolio of residences of luxury continues to gain strong market acceptance due to the scarcity of supply. Their success stands testimony to the Group's ongoing commitment and dedicated efforts to developing superb quality properties in exclusive neighbourhoods.

PROPERTIES UNDER DEVELOPMENT

First Street/Second Street, Mid-Levels West

Superstructure construction works continued on the site at First Street/Second Street in Mid-Levels West. This residential and commercial project will yield 488 residential units with commercial space rendering a total GFA of approximately 410,000 square feet, and is slated for completion by the fourth quarter of 2009.

Tsuen Wan

Construction of the residential and commercial property project at Kwok Shui Road, Tsuen Wan, proceeded on schedule. A total of 548 units with an aggregate GFA of approximately 400,000 square feet are planned for this development, which will be completed in the fourth quarter of 2009.

Ap Lei Chau

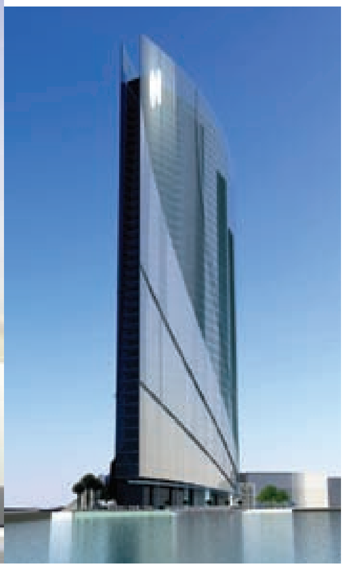
Foundation and substructure works were completed for the Group's 35%-held joint venture residential project in Ap Lei Chau, with superstructure works underway. The Group will share an attributable GFA of approximately 320,000 square feet from this development upon its anticipated completion in the first quarter of 2011. The project will yield 715 residential units.

Shan Kwong Road/Village Terrace, Happy Valley

Foundation works are ongoing at the two adjacent sites at No. 20 Shan Kwong Road and Nos. 1-5 Village Terrace, Happy Valley. The sites will generate a developable GFA of approximately 220,000 square feet, for redevelopment into luxury residential properties. The Group holds a 71% interest in this project and completion is scheduled for the second quarter of 2011.

* Artist's impression

*King's Road Project, North Point, HONG KONG**



*Nam Van Project, Nam Van Lake, MACAU**

King's Road, North Point
Basement works are in progress for this 40%-held joint venture 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.

Chun Yan Street, Wong Tai Sin
The Group will leverage its track record in property development and management excellence to create another premium living space in Wong Tai Sin, on a site at Chun Yan Street. This project is expected to deliver a developable GFA of approximately 767,000 square feet of residences and approximately 153,000 square feet of commercial properties. The Group is highly confident in the potential of this property, which will benefit from the keen demand for urban core properties in prime locations. It is planned to be completed in the third quarter of 2011.

Wilmer Street, Sheung Wan
On 30 May 2008, the Group engaged in a joint venture project for the redevelopment of several properties located in Wilmer Street, Sheung Wan, into premier residences and retail units. Redevelopment works for this 71%-held project will commence in the first half of 2009. The Central and Western districts present considerable constraints in terms of developable land supply. The Group is confident of deriving a satisfactory return from this investment by leveraging its experience and brand advantage in boutique-style luxury residential developments.

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

Properties under Development in Hong Kong

	Group's attributable GFA upon completion ('000 square feet)
Residential	2,222
Commercial	243
Office	204
	2,669

MACAU
The Group has acquired a 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. The residential project will yield a developable GFA of approximately 400,000 square feet upon its scheduled completion in the second quarter of 2012.

As regards the reclamation project in Macau, upon approval of the proposed reclamation scheme by the Central Government, the Macau SAR Government is expected to finalize the land exchange procedure.

** Artist's impression*

OVERSEAS PROPERTY DIVISION

The Group's Overseas Property Division maintains a portfolio of properties in Australia and the Philippines.

Australia

As at 31 December 2008, 1,104 units (2007: 1,017 units) of the Group's 25%-owned Jacksons Landing project were sold, representing 92% of the total of 1,196 units offered for sale. This mixed-use residential and commercial development is situated on a 12-hectare site on the Pyrmont Peninsula in Sydney.

The Philippines

In the Philippines, the Group's property investments are held through Shang Properties, Inc. ("SPI") in which it maintains a 34.61% equity interest and 30.75% interest in its depository receipts. SPI holds (i) a 78.72% interest in the Shangri-La Plaza Mall, Manila and (ii) indirect interests in The Enterprise Center, an office and commercial property in Makati, Manila's financial district. As at 31 December 2008, the occupancy rates of Shangri-La Plaza Mall and The Enterprise Center were 99% and 96%, respectively (2007: 99% and 99%, respectively).

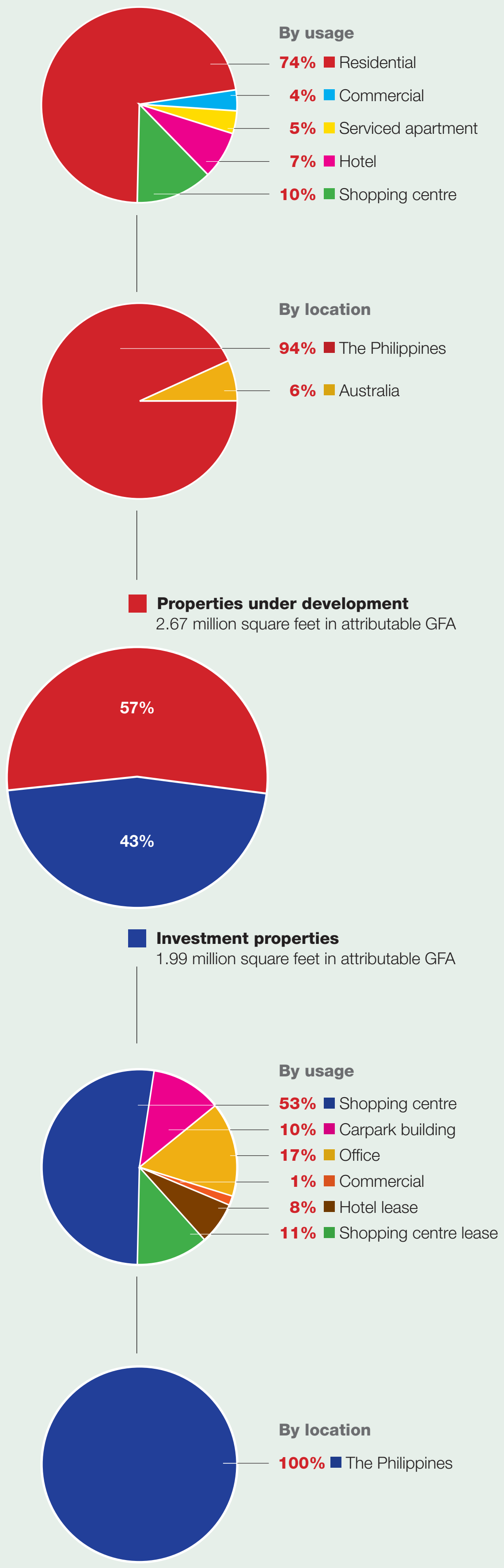
The sustained strong performance of Shangri-La Plaza Mall has paved the way for an expansion programme to develop an adjacent site of approximately 105,000 square feet into an extension of the mall and additional residential units. This proposed development, which is still in its planning stage, will yield a GFA of approximately 1.79 million square feet, of which approximately 399,000 square feet is designated as retail space, and approximately 1.39 million square feet for residential development.

SPI has also participated in the development of The St. Francis Shangri-La Place, a residential project located in Mandaluyong City, Manila. As at 31 December 2008, 952 units (2007: 787 units) out of the total of 1,152 residential units at The St. Francis Shangri-La Place were sold. Towers 1 and 2 of The St. Francis Shangri-La Place are targeted for completion in the second quarter of 2009.

During the year, SPI added to its portfolio the hotel and luxury residential development in Fort Bonifacio, Taguig, Manila. The project incorporates the building of a 500-room six-star resort hotel and approximately 300 luxury residences, as well as approximately 17,500 square feet of retail premises. SPI holds a 40% interest in this joint venture project, the construction of which commenced in the third quarter of 2008 with completion excepted to take place by the end of 2011.

OVERSEAS PROPERTIES

4.66 million square feet in attributable GFA



*Jacksons Landing, Sydney, AUSTRALIA**

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

The Enterprise Center, Manila, THE PHILIPPINES

Overseas Property Portfolio

	Australia	The Philippines	Group's attributable GFA
	('000 square feet)		
Investment properties			
Hotel lease	–	170	170
Shopping centre lease	–	213	213
Shopping centre	–	1,054	1,054
Commercial	–	22	22
Office	–	331	331
Carpark building	–	201	201
Sub-total	**–**	**1,991**	**1,991**
Properties under development			
Residential	122	1,852	1,974
Serviced apartment	–	141	141
Hotel	–	190	190
Shopping centre	–	260	260
Commercial	42	57	99
Sub-total	**164**	**2,500**	**2,664**
Properties held for sale			
Residential	2	–	2
Sub-total	**2**	**–**	**2**
	166	**4,491**	**4,657**

OUTLOOK

Mainland China

The first half of 2008 was influenced by a number of macroeconomic control measures implemented by the Chinese government in a bid to rein in the inflation caused by an overheated economy. The tightening of credit also had a certain cooling-down and consolidation effect. As the country moved into the third quarter, the Mainland real estate sector turned into negative territory as the world faced the serious impact triggered by the sub-prime-related financial storm in the United States. From September to December 2008, the People's Bank of China lowered interest rates five times. The central and local governments have also introduced stimulus packages to encourage home buying and assist property developers to ride out the market difficulties, in a bid to breathe life back into the property sector.

The year 2009 will continue to be severe but the Group is confident of the strong fundamentals of the Chinese economy, which is in better shape than most other parts of the world. As the relaxed monetary and aggressive fiscal policies begin to take effect, together with the RMB4 trillion stimulus package designed to drive infrastructure construction and property investments, the Group's management expects the Chinese economy to be among the first to recover from the global economic crisis. Demand for property continues to be strong, and is underpinned by the country's target to keep economic growth at 8% and her firm stance to sustain stability in the property market.

* *Artist's impression*

The Group is committed to its focus on the development of exclusive mixed-use and luxury residences, supply of which is more restricted, and which demonstrate relatively stronger resilience amidst market adversities. In the past few years, the Group has actively sought to grow its land bank in cities that are economically strong and enjoy a geographical advantage to safeguard its phased long-term growth. A critical review and detailed planning of the properties under development is currently underway with a view to further enhancing the potential of the Group's portfolio. Focus will be placed on the development of large-scale mixed-use properties in key cities which enjoy greater prominence in the Chinese economy, and which can better capitalize on the brand strength of the Group. The process will involve a re-engineering of internal resources and the management structure, and a serious examination of market demand. Strict project and engineering management will remain in place. The Group expects the proportionate investment and earnings contribution of its Mainland China portfolio to increase steadily, while the scale of its development in the country further advances.

Hong Kong

The global financial storm triggered by sub-prime mortgage problems began to envelop the world in the third quarter of 2008. The Hong Kong real estate market was certainly not immune to its negative impact, with a number of key local housing estates recording an overall 20% to 30% period-on-period drop in second-hand transaction prices in January 2009, indicative of the declining market trend. The Hong Kong Monetary Authority announced that the estimated number of residential mortgage loans in negative equity increased to 10,949 cases at end-December 2008, a three-fold increase from that of the third quarter of 2008.

However, in view of a convergence of positive factors, the Group continues to be confident in the long-term prospects for its Hong Kong property operations. A notable parameter is the construction volume of new homes which fell to a ten-year low in 2008, putting further strains on future supply in the local property market, which in turn is already constrained by limits in land supply. Meanwhile the supply of premier-quality new homes is particularly tight. The newly refurbished luxury residences in Belgravia received an excellent response. It is expected that Tavistock in Mid-levels, which is currently being upgraded for leasing, will also receive a warm response from the market.

The Group has actively pursued land acquisitions in recent years and, with a number of projects currently under construction, it anticipates a continuous project rollout over the next few years. The market downturn has helped to mitigate escalating raw materials and labour prices seen in the past, which is beneficial to the control of construction costs.

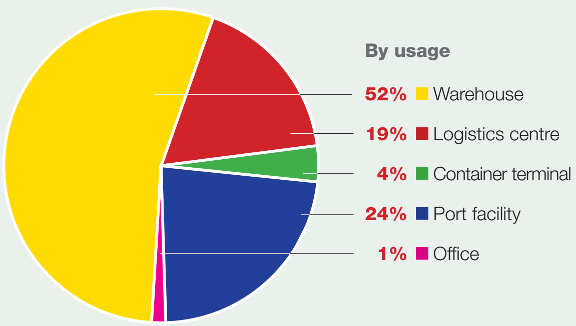
As the financial meltdown sweeps across the world, governments are being prompted to divert significant resources to the rescue of faltering markets and to kick-start their economies. Hong Kong is fortunate to have the support of China, and with the fundamentals of the Greater China economies significantly more solid than those of the West, economic recovery is expected to take place initially in this hemisphere.

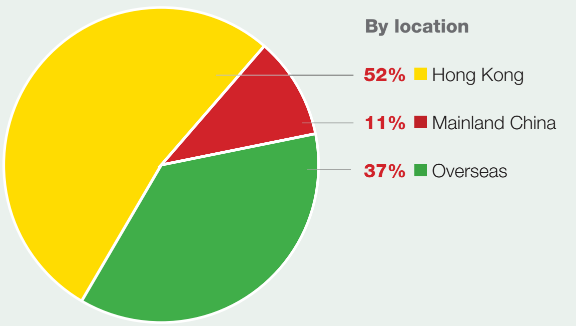
In Hong Kong, Asia's world city, the property market is also expected to find support from strong internal demand, in particular due to interest from multinational corporations and overseas investors who are attracted to the local market for its long-term investment value. Management believes Hong Kong's property sector has a unique, irreplaceable advantage which engenders great confidence in the market's long-term prospects. Management will prudently approach the opportunities emerging from the market downturn, and will continue to engineer the growth of its land bank in Hong Kong in order to lay a solid foundation ahead of market recovery.

Product Customization & Consolidation Centre

PROPERTIES HELD FOR LOGISTICS OPERATIONS

11.2 million square feet in attributable GFA





OVERVIEW

The unprecedented "super-inflation" sweeping the globe starting from the first half of 2008 exacerbated the impact of the global economic downturn in late 2008. The severe contraction in manufacturing output resulted in a sharp decrease in both air and sea cargo flows in the last quarter of the year. In the midst of the challenges imposed by such global economic changes, the Logistics Network Division experienced a drop in turnover and profit in the fourth quarter compared with the same period in 2007. But with the relatively strong performance recorded in the first three quarters of the year, the Division still managed to report respectable growth in performance across its spread of operations in 2008 when compared with 2007.

* *Artist's impression*

During the year under review, the Division reported a turnover of HK$8,360 million (2007: HK$7,682 million), an increase of 9% over the previous year. Net profit attributable to the Group for the year declined 26% to HK$597 million (2007: HK$812 million) which took into account HK$27 million (2007: HK$260 million) in fair value adjustment on warehouse properties, logistics centres and buildings. Excluding the effect of the fair value adjustment, profit for the year attributable to operations increased by 3% to HK$570 million (2007: HK$552 million), with (i) HK$222 million (2007: HK$218 million) contributed by warehousing operations in Hong Kong; (ii) HK$143 million (2007: HK$113 million) by logistics operations; and (iii) HK$205 million (2007: HK$221 million) by logistics investments.

As at the year end, the Division's portfolio of warehouses, logistics centres and port facilities aggregated to a total GFA of more than 17 million square feet, of which 13 million square feet are self-owned and 4 million square feet are rented. Its scope of operations now extends to over 150 cities in 22 countries, with a truck fleet of over 3,500 vehicles and a staff strength of over 6,700.

WAREHOUSING OPERATIONS IN HONG KONG

The Division maintains a healthy lead in the local warehousing sector, now with a total of 11 warehouses of an aggregate 5.56 million square feet GFA under its portfolio. As at the end of the year, the Division recorded an overall occupancy rate of 97% (2007: 96%) for its warehouse portfolio.

The demand for warehouse space in Hong Kong remained strong during the year until the fourth quarter of 2008, when the rental market began to weaken due to softening market conditions. It is foreseeable that the operating environment will become more challenging in the second half of 2009 after vendors clear goods in hand and lower stock holdings. The warehousing unit's ongoing target is to sustain a high utilization rate in order to achieve economies of scale, and to match its cost competitiveness with excellence in serving its clients' logistics requirements.

LOGISTICS OPERATIONS

The Division's logistics operations posted growth of over 20% in turnover for the first three quarters of 2008. With the global economy slowing down in the final quarter, the Division's international freight forwarding ("IFF") business was among

Call Centre Support

the hardest hit by the disruption to global trade. But with the Division's integrated logistics ("IL") business, which is the Division's major business focus in Mainland China and Asia, being less affected by the economic downturn, the Logistics Network Division was still able to achieve an overall growth in turnover and profit for its logistics operations as a whole for 2008.

During the reporting year, the Division generated from its logistics operations a turnover of HK$7,919 million (2007: HK$7,243 million) and profit attributable to the Division (before fair value adjustment on properties) of HK$143 million (2007: HK$113 million), representing an increase of 9% and 27% respectively.

In retrospect, the strategy over the previous years to build a China-focused, Asia-based global network has put the Division on the right course in terms of tapping the surge in Asian growth, while building unique skills, capital and diversity in incomes and resources. The interface with local partners and teams at the working level has also been valuable and constructive to the Division's long-term development.

Hong Kong

During the year, the Logistics Network Division's logistics operations in Hong Kong saw growth of over 20% year on year in turnover generated from IL and IFF businesses. But there was a considerable profit contraction of 13% in the face of margin-eroding inflation during the first half and an acute slowdown in both import and export activities in the last quarter of the year.

Inventory Management for Retail Chains

Direct Store Delivery

During the year, the Division has successfully extended its services to outsourced supply-chain procurement for a renowned fast food chain. In view of the coming challenges, the Division will continue to enhance its overall IL capabilities, while on the other hand implementing even more stringent cost-control measures, aiming to improve operational efficiency and thus increase the profit margin. New and sustainable logistics models will be developed in order to strengthen the Division's competitiveness and sustain its lead in the market.

To accommodate the latest supply-chain requirements as well as secure its leading position in the market, the Division has committed to build a 270,000 square feet product customization and consolidation centre in Tai Po Industrial Estate. Construction is scheduled for completion by the fourth quarter of 2010.

China Focus

The Division continues to be an active participant in Mainland China's logistics sector and remains the largest investor-operator in the industry. The Division's logistics operations in the Mainland reported a turnover of HK$4,090 million (2007: HK$3,706 million) with a net profit attributable to the Division (before fair value adjustment on properties) of HK$105 million (2007: HK$98 million), representing growth of 10% and 7%, respectively. During the year, the Division gradually shifted its operating focus in the Mainland from IFF to IL. The IL business is proven to be less affected by the slowdown in imports, exports, and manufacturing as well as international trading activities in the Mainland due to the global economic downturn. The Mainland authorities' recent efforts to boost domestic demand are also expected to provide continued impetus for the logistics industry, thus having a positive impact on the Division's IL business in the region.

The Division currently maintains a nationwide portfolio of logistics centres totalling approximately 3 million square feet, of which 1.4 million square feet are self-owned facilities located in Shenzhen Yantian, Shenzhen Futian, Tianjin, Shanghai Waigaoqiao, and Beijing. In March 2008, the Division acquired the remaining 49% interest in the logistics centre in Shenzhen Futian. New logistics facilities with a total GFA of over 700,000 square feet are scheduled to be built in Chengdu, Chongqing and Kunshan in 2009 to 2010. Further development of new logistics facilities in Mainland China will be pursued with prudence in order to match the Division's growing IL operating platform in the Mainland.

The Mainland China segment is well on track to realize its target of becoming the biggest revenue contributor for the Division's logistics operations, and the Division is taking a further step forward to extend its footprint to the Greater China region. In November 2008, in order to capture the emerging business opportunities arising from the establishment of the "three direct links" across the Strait, the Division entered into a joint venture agreement to acquire an 18.52% effective interest in T.Join Transportation Co.,Ltd ("T.Join") and has performed a significant role in the management of the company. T.Join is a major logistics operator, which commands an extensive distribution network in Taiwan, operates a truck fleet of over 2,000 trucks and handles approximately 200,000 goods items per day.

The year ahead will witness the Division's continued efforts to enlarge its footprints in Mainland China, Hong Kong and Taiwan, as part of its mission to become the premier logistics player in Greater China, while more focus will be placed on the IL components.

Asia Based

With the intensifying problems the world is now facing, Asia cannot remain immune from the negative momentum. On a brighter note, though, trade flows among Asian countries are still dynamic. The proposal for a trans-Pacific free-trade area will potentially create new trade flows between Asia and other parts of the world.

The Division continues with its business rollout in member countries of the Association of Southeast Asian Nations ("ASEAN") through Kerry Asia Road Transport Limited ("KART"). KART is focused on road transport network business and has completed the establishment of several cross-border routes to enable trucking of goods from Kunming to Singapore via ASEAN countries. In the first half year, the Division acquired a 51% interest in EAE Logistics Sdn. Bhd., one of Malaysia's largest cross-border trucking operators, to enhance KART's ASEAN capabilities. With the truck fleet and network in place, KART is well positioned to provide customers with a cost-effective land transportation alternative to conventional sea or air freight.

The terminal services delivered by Kerry Siam Seaport ("KSSP") in Thailand have demonstrated relatively stable performance. Works to redevelop two conventional warehouses into a modernized distribution centre were already completed in the second half of 2008, making KSSP a major distribution hub for steel coil in Thailand.

In Vietnam, manufacturing capacity has grown substantially over the past two years. During the year, the Division acquired another 280,000 square feet of logistics facilities in Song Than, Ho Chi Minh City on top of its existing 270,000 square feet of logistics centres in the region. In addition, another 120,000 square feet logistics facilities will be built in Hanoi in 2009.

Steady growth was also posted in India, where the Division operates through its 51%-held Kerry Reliable Logistics Private Limited. The Division's plan for the near future is to grow its coverage in India to more gateway cities and to increase its IL capabilities to tap into this growing marketplace.

Electronic Proof of Delivery

Global Network

The global economic downturn in the last few months and the ensuing economic downturn are putting enormous strains on the once booming Asia-Europe ocean trade. The Division's European segment was affected by the overall deceleration in the volume of cargo shipments between these two continents starting from the fourth quarter of 2008.

The Division currently operates a directly represented network on the European continent, with operations in 9 countries covering 22 cities. As before, the goal of the Division's activities in these countries is to build self-sustaining local businesses in its target markets. Meanwhile, the Division is consolidating its existing businesses in Europe and working on increasing market share by concentrating on sales and operational efficiency.

The Division's IFF and IL business in Australia also grew steadily during the year under review. The new 90,000 square feet warehouse completed in late 2008 has successfully strengthened the Division's IL capabilities in Adelaide, while the IFF operations in Sydney, Melbourne, Brisbane and Adelaide also started to generate positive returns for the Division during the year.

LOGISTICS INVESTMENTS

The Division's logistics investments, which include a 15% interest in Asia Airfreight Terminal ("AAT") and a 25% interest in Chiwan Container Terminal

("CCT"), suffered from the global economic downturn. During the year ended 31 December 2008, the Division's equity share of profits, after tax from its logistics investments, declined 7% to HK$205 million (2007: HK$221 million). The slight drop is due to the decline in cargo volume at both AAT and CCT towards the year end of 2008. It is likely that cargo volume will drop at an even faster pace in 2009, thus further eroding the profit on the Division's logistics investments.

INFORMATION TECHNOLOGY

Following the continuous enhancements to support several KerrierVISION Supply Chain Visibility initiatives, including the Kerrier Integration Platform and Electronic Proof of Delivery, the Division has been injecting new resources to research the latest software technology such as web 2.0, aiming to further improve the customer experience as well as the already rich content. In the functional aspect, the operation's carbon footprint will be the next key focus of evaluation, becoming a key feature in the next generation of KerrierVISION and enabling the Division to take the lead in the evolving green supply-chain arena.

From the infrastructure perspective, the Division is becoming a heavy computer user after years of expansion. In the middle of 2008, the technical service team outlined a new direction for a green data centre. A server-vitalization initiative has now been rolled out at the Division's primary data centres in Hong Kong and Beijing.

In promoting advanced technology, the Division was honoured to be invited together with the Hong Kong SAR Government in October 2008 to act as two new founding members of the second-generation "HK RFID CENTER – Supply Chain Innovation Center" located in the Hong Kong Science and Technology Park. Through participation as one of the Center's advisory board members, together with ten other leading multinational organizations, the Division further reinforced its position to contribute to and drive the development and implementation of leading supply-chain technologies in the region.

OUTLOOK

The year 2009 will continue to be difficult and full of challenges as a result of the global synchronized recession extending its tentacles into many industrial sectors. But with the gradual reduction of existing stock, it is expected that manufacturing activities will rebound from the second half of 2009. International cargo flows from raw materials to finished goods will also increase and IFF traffic will resume.

The Division's strategy will maintain its focus on China, particularly in the IL sector which is expected to benefit from the growing number of retail chains and brand owners in the United States and Europe seeking to establish sales network in China as well as from domestic demand boosted by market-stimulation efforts on the part of the Chinese government. The Division will also continue to expand its businesses alongside those industries least affected by the macroeconomic changes, including food, healthcare, fashion, and automobile spare parts in the after-sale auto market.

The Division's inherent strength, endowed by its China-focus business model, has put the Division in a much better position compared with its competitors. For this reason the Group is confident that the Division will be able to sustain its development and influence in the market in the coming years despite the unfavourable market conditions ahead of us, including the continued slowdown in international trade, as well as manufacturing and consumer activities. Efforts will also be made to continue pursuing opportunities which are compatible with its experience and resources.

Electronics Products Assembling

Western Harbour Crossing, HONG KONG

OVERVIEW

The Infrastructure Division continues to maintain its presence in selected infrastructure, environmental and utilities-related sectors in Hong Kong and Mainland China, where it already possesses considerable experience. This segment continues to deliver a stable performance and provides a healthy stream of recurrent income for the Group. Net profit attributable to the Group from this Division during the year ended 31 December 2008 was approximately HK$60 million (2007: HK$43 million).

Hong Kong

The Division maintains a 15% interest in the Western Harbour Crossing and a 15% stake in the Cross Harbour Tunnel management contract. The Group's share of aggregate net profits from these investments amounted to HK$59 million (2007: HK$41 million) during the reporting year.

Mainland China

The Group's 13%-owned water treatment project in Hohhot Municipality, Inner Mongolia Autonomous Region contributed a shared net profit of HK$3.5 million (2007: HK$4.6 million) during the year.

The year under review also witnessed continued development of the Group's 25%-held REDtone Telecommunications (China) Limited, which provides discounted international call packages to mobile-phone and fixed-line subscribers in Shanghai. New service initiatives have been launched successfully capitalizing and adding value to the existing platform.

OUTLOOK

The Division will continue to generate a steady source of recurrent income for the Group.

The Group has centralized 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 2008, total foreign currency borrowings (excluding Renminbi ("RMB") borrowings) amounted to the equivalence of HK$3,947 million and RMB loans amounted to the equivalence of HK$501 million. Therefore, non-RMB total foreign currency borrowings and RMB loans represented approximately 25% and 3% respectively, of the Group's total borrowings of HK$16,112 million as at 31 December 2008.

The non-RMB total foreign currency borrowings of HK$3,947 million mainly include the Fixed Rate Bonds amounting to US$420 million (approximately HK$3,237 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 2008, HK$1,907 million (representing approximately 12%) was repayable within one year, HK$759 million (representing approximately 5%) was repayable in the second year, HK$10,148 million (representing approximately 63%) was repayable in the third to fifth years and HK$3,298 million (representing approximately 20%) was repayable over five years. The Group continued to maintain most of its borrowings on an unsecured basis, with unsecured debt accounting for approximately 96% of total borrowings as at 31 December 2008. 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 2008, the gearing ratio for the Group was 25.9% (2007: 20.3%), calculated based on net debt of HK$12,045 million and shareholders' equity of HK$46,538 million.

As at 31 December 2008, the Group had outstanding interest rate swap contracts which amounted to HK$2,300 million 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 2008, the Group had total undrawn bank loan and overdraft facilities of HK$13,025 million and net cash on hand of HK$4,067 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 8 December 2008, Standard & Poor's affirmed a "BBB-" credit rating for Kerry Properties Limited with a stable outlook.

PARTICULARS OF PROPERTIES HELD

Particulars of major properties held by the Group as at 31 December 2008 are as follows:

	Property name	Location	Type	Group's attributable interest %	Approximate gross floor area (square feet)	Approximate number of carpark spaces	Lease term
Mainland China Properties							
A.	**Held for investment**						
1.	Beijing Kerry Centre	1 Guang Hua Road Chaoyang District Beijing	Office Residential Commercial	71.25	711,121 277,330 98,406 **1,086,857**	430	Medium lease
2.	Shenzhen Kerry Plaza I	1 Zhong Xin Si Road Futian CBD Shenzhen	Office	100.00	**804,709**	301	Medium lease
3.	Kerry Everbright City Phase I	218 Tianmu Road West Zhabei District Shanghai	Office Commercial Residential	74.25	373,471 330,141 7,307 **710,919**	179	Medium lease
4.	Shanghai Central Residences Phase II – Towers 1 and 3	168 and 166 Lane 1038 Huashan Road Changning District Shanghai	Residential	100.00	**478,286**	211	Long lease
5.	Shanghai Kerry Centre	1515 Nanjing Road West Jing An District Shanghai	Office Residential Commercial	74.25	308,584 142,355 103,971 **554,910**	180	Medium lease
6.	Shenzhen Kerry Centre	2008 Renminnan Road Lowu District Shenzhen	Office Commercial	100.00	9,910 107,256 **117,166**	193	Medium lease
7.	Fuzhou Central Residences	139 Gutian Road Gu Lou District Fuzhou	Commercial	100.00	**63,986**	–	Long lease
8.	Shanghai Trade Square	188 Siping Road Hongkou District Shanghai	Commercial	55.20	**5,358**	48	Medium lease
9.	International Apartments	186 Siping Road Hongkou District Shanghai	Commercial	55.20	**3,047**	33	Medium lease
	Total Mainland China investment properties				**3,825,238**	**1,575**	

Property name	Location	Type	Group's attributable interest %	Approximate gross floor area (square feet)	Approximate number of carpark spaces	Lease term
Mainland China Properties						
B. Hotel property						
1. Shangri-La's Kerry Centre Hotel (formerly known as Beijing Kerry Centre Hotel)	1 Guang Hua Road Chaoyang District Beijing	Hotel	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							
C. Under development							
1. Kerry Everbright City Phase IIB	Huakong Road Zhabei District Shanghai	Residential	74.25	**439,159**	123,596	Interior finishing work completed	First quarter of 2009
2. Gemini Grove	Xin Yuan Street Chaoyang District Beijing	Apartment Commercial	71.00	234,745 8,865 **243,610**	70,249	Interior finishing work in progress	Second quarter of 2009
3. 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	404,038 307,420 197,627 149,318 17,567 **1,075,970**	258,885	Piling work completed and superstructure work for phase I in progress	2010
4. Yangzhou Complex Development	West of Huan Hu Road North of Wan Chang Xi Road Yangzhou	Hotel Residential	100.00	485,413 430,485 **915,898**	469,138	External work for residential and basement work for hotel in progress	In phases between 2009 and 2011
5. Shenzhen Kerry Plaza Phase II	1 Zhong Xin Si Road Futian CBD Shenzhen	Office Commercial	100.00	742,716 107,640 **850,356**	85,044	Piling work in progress	2011
Sub-total				**3,524,993**	**1,006,912**		

	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								
C.	**Under development (continued)**							
6.	Chengdu Sites 1 and 2	Junction of middle of Jiannan Da Street and Desai San Street Hi-Tech Industrial Development Zone Chengdu	Residential Commercial	55.00	2,107,212 299,752 **2,406,964**	501,730	Foundation excavation work for site 1 and project planning for site 2 in progress	2011
7.	Parkview Residence	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	100.00	2,563,447 115,175 **2,678,622**	1,125,064	Superstructure work of phase I in progress	In phases to 2011
8.	Tianjin Kerry Centre	Junction of Liuwei Road and Liujin Road Hedong District Tianjin	Residential Office Commercial Hotel Serviced apartment	49.00	949,386 657,866 620,528 414,675 146,100 **2,788,555**	454,460	Foundation work in progress	In phases between 2011 and 2012
9.	Qufu Project	North to Chun Qiu Road East to Da Cheng Road South to Xiao Yi He and West to Da Tong Road Qufu	Hotel	100.00	**657,734**	545,735	Project planning	2012
10.	Chengdu Site 3 [(1)]	Desai San Street Hi-Tech Industrial Development Zone Chengdu	Residential Apartment Commercial	55.00	1,213,031 140,072 36,634 **1,389,737**	336,957	Project planning	2012
11.	Kerry Everbright City Phase III	Meiyuan Road Tianmu Road West Huakong Road and Gonghu Road Zhabei District Shanghai	Office Hotel Commercial	74.25	458,517 318,812 38,123 **815,452**	126,744	Project planning	2012
	Sub-total				**10,737,064**	**3,090,690**		

Property name	Location	Type	Group's attributable interest %	Group's attributable interest Approximate gross floor area (square feet)	Approximate site area (square feet)	Stage of completion	Scheduled completion
Mainland China Properties							
C. Under development (continued)							
12. Hangzhou Kerry Centre [(2)]	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 Residential Office	100.00	1,196,483 457,642 363,855 199,403	725,214	Project planning	In phases to 2012
				2,217,383			
13. Manzhouli Residential/ Commercial Project	Liu Dao Street Manzhouli City Inner Mongolia	Residential Commercial	100.00	844,737 82,689	322,920	External and interior finishing work in progress	In phases to 2012
				927,426			
14. Jing An Kerry Centre	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	677,680 418,645 306,827	251,793	Foundation work in progress	In phases to 2012
				1,403,152			
15. Qinhuangdao Residential Project [(2)]	Lot No. 253-3 and Lot No. 272-2 Hebei Dao Jie Xi Duan Qinhuangdao	Residential Commercial	60.00	2,647,944 207,961	1,328,133	Project planning	In phases to 2012
				2,855,905			
16. Changsha Residential Project	25 Xin Kai Pu Road Tianxin District Changsha	Residential Commercial	61.00	1,835,372 174,630	655,448	Project planning	In phases to 2012
				2,010,002			
17. Tangshan Complex Development [(1) (3)]	Da Li Road Changhong Street Chaoyang Street Feng Huang Xin Cheng Tangshan	Residential Hotel	40.00	979,524 215,280	408,034	Project planning	In phases to 2012
				1,194,804			
18. Nanjing Complex Development [(1)]	No. 331 Zhong Yang Road Gu Lou District Nanjing	Commercial Hotel	45.00	145,663 266,409	82,414	Project planning	In phases to 2012
				412,072			
Sub-total				**11,020,744**	**3,773,956**		

PARTICULARS OF PROPERTIES HELD

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
Mainland China Properties								
C. Under development (continued)								
19.	Nanchang Complex Development [(1)]	Lot No. B-7 Honggutan Central District Nanchang	Commercial	80.00	591,486	411,081	Project planning	In phases to 2014
			Residential		516,672			
			Hotel		516,672			
			Office		430,560			
					2,055,390			
20.	Shenyang Complex Development [(1)]	Lot No. 2007-053 No. 8 Golden Corridor 113 Qingnian Da Street Shenhe District Shenyang	Office	60.00	998,210	1,115,327	Conceptual design in progress	In phases to 2021
			Residential		2,335,357			
			Apartment		2,383,886			
			Hotel		501,049			
			Commercial		2,066,688			
					8,285,190			
Sub-total					**10,340,580**	**1,526,408**		
Total Mainland China properties under development					**35,623,381**	**9,397,966**		

	Property name	Location	Type	Group's attributable interest %	Approximate gross floor area (square feet)	Approximate number of carpark spaces	Lease term
Mainland China Properties							
D. Held for sale							
1.	Enterprise Square	216 and 228 Meiyuan Road Zhabei District Shanghai	Office	74.25	195,587	83	Medium lease
			Commercial		35,734		
					231,321		
2.	Shanghai Central Residences Phase II – Tower 2	170 Lane 1038 Huashan Road Changning District Shanghai	Residential	100.00	**158,998**	62	Long lease
3	Arcadia Court	1008 Haitian Road Futian District Shenzhen	Residential	100.00	5,437	551	Long lease
			Commercial		4,608		
					10,045		
4.	Le Loft	1-5 Lane 289 Minli Road Zhabei District Shanghai	Residential	74.25	**6,265**	190	Long lease
5.	Fuzhou Central Residences	139 Gutian Road Gu Lou District Fuzhou	Residential	100.00	**4,454**	95	Long lease
6.	Shanghai Central Residences – Tower 5	Lane 1038 Huashan Road Changning District Shanghai	Residential	100.00	**1,577**	61	Long lease
Total Mainland China properties held for sale					**412,660**	**1,042**	
TOTAL MAINLAND CHINA PROPERTY PORTFOLIO					**40,360,921**		

Property name	Location	Type	Group's attributable interest %	Approximate gross floor area (square feet)	Approximate number of carpark spaces	Lease term
Hong Kong Properties						
A. Held for investment						
I. 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. Tavistock	10 Tregunter Path Mid-Levels Hong Kong	Residential	100.00	**104,460**	24	Long lease
5. Belgravia	57 South Bay Road Repulse Bay Hong Kong	Residential	100.00	**75,260**	53	Medium lease
6. Gladdon	3 May Road Mid-Levels Hong Kong	Residential	100.00	**2,300**	14	Long lease
Sub-total				**797,707**	**353**	
II. Commercial/office						
1. Enterprise Square Five/ MegaBox	38 Wang Chiu Road Kowloon Bay Kowloon	Commercial Office	100.00	1,145,537 (4) 519,316 **1,664,853**	748	Medium lease
2. Enterprise Square	9 Sheung Yuet Road Kowloon Bay Kowloon	Office	100.00	**59,413**	26	Medium lease
3. Hollywood Centre	233 Hollywood Road Sheung Wan Hong Kong	Office Commercial	45.00	32,927 10,008 **42,935**	–	Long lease
4. Harbour Centre	25 Harbour Road Wanchai Hong Kong	Office Commercial	15.00	32,944 (5) 6,135 (6) **39,079**	43	Long lease
5. Enterprise Square Three	39 Wang Chiu Road Kowloon Bay Kowloon	Commercial	100.00	**19,800**	–	Medium lease
6. South Seas Centre – various portions	75 Mody Road Tsimshatsui Kowloon	Commercial	100.00	**6,341**	–	Long lease
7. Belair Monte	3 Ma Sik Road Area 19 Luen Wo Hui Fanling New Territories	Commercial	8.00	**3,820**	–	Medium lease
8. Wing On Plaza	62 Mody Road Tsimshatsui Kowloon	Commercial	10.00	**2,896**	–	Long lease
Sub-total				**1,839,137**	**817**	
Total Hong Kong investment properties				**2,636,844**	**1,170**	

	Property name	Location	Type	Group's attributable interest %	Approximate gross floor area (square feet)	Approximate number of carpark spaces	Lease term
Hong Kong Properties							
B.	**Hotel property**						
1.	Hotel Jen (formerly known as Novotel Century Harbourview)	508 Queen's Road West Hong Kong	Hotel	30.00	**37,517**	–	Long lease
	Total Hong Kong hotel property				**37,517**	**–**	

	Property name	Location	Type	Group's attributable interest %	Approximate gross floor area [7] (square feet)	Approximate site area (square feet)	Stage of completion	Scheduled completion
Hong Kong Properties								
C.	**Under development**							
1.	First Street/Second Street Project	First Street/Second Street Sai Ying Pun Hong Kong	Residential/ Commercial	100.00	**409,753**	38,062	Superstructure work in progress	Fourth quarter of 2009
2.	Tsuen Wan Residential Project	168 Kwok Shui Road Tsuen Wan New Territories	Residential/ Commercial	100.00	**397,988**	78,577	Superstructure work in progress	Fourth quarter of 2009
3.	King's Road Project	863-865 King's Road Quarry Bay Hong Kong	Office/ Commercial	40.00	**204,473**	13,631	Basement work in progress	Fourth quarter of 2010
4.	Ap Lei Chau Residential Project	Praya Road Ap Lei Chau Hong Kong	Residential/ Commercial	35.00	**319,663**	63,179	Superstructure work in progress	First quarter of 2011
5.	Shan Kwong Road Project	20 Shan Kwong Road and 1-5 Village Terrace Happy Valley Hong Kong	Residential	71.00	**154,528**	19,805	Foundation work in progress	Second quarter of 2011
6.	Wong Tai Sin Project	3 Chun Yan Street Wong Tai Sin Kowloon	Residential/ Commercial	100.00	**920,520**	102,280	Foundation work in progress	Third quarter of 2011
7.	Wilmer Street Project	2-12 Li Sing Street 1-5A Wilmer Street and 185-189A Queen's Road West Sheung Wan Hong Kong	Residential/ Commercial	71.00	**99,158**	9,417	Conceptual design in progress	Second quarter of 2012
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 (8)
	Total Hong Kong properties under development				**2,669,416**	**344,309**		

	Property name	Location	Type	%	Approximate gross floor area (square feet)	Approximate number of carpark spaces	Lease term
				Group's attributable interest			
Hong Kong Properties							
D.	**Held for sale**						
1.	15 Homantin Hill	15 Homantin Hill Road Ho Man Tin Kowloon	Residential	100.00	**43,463**	18	Long lease
2.	SOHO 38	38 Shelley Street Mid-Levels Hong Kong	Residential/ Commercial	100.00	**11,428**	–	Long lease
3.	Enterprise Square Three	39 Wang Chiu Road Kowloon Bay Kowloon	Office	100.00	**2,220**	129	Medium lease
4.	Richwood Park	33 Lo Fai Road Tai Po New Territories	Commercial	50.00	**7,893**	–	Medium lease
	Total Hong Kong properties held for sale				**65,004**	**147**	
	TOTAL HONG KONG PROPERTY PORTFOLIO				**5,408,781**		

	Property name	Location	Type	%	Approximate gross floor area (square feet)	Approximate site area (square feet)	Stage of completion	Scheduled completion
				Group's attributable interest				
Macau Properties								
A.	**Under development**							
1.	Nam Van Project	Lot C12 Nam Van Lake Macau	Residential	100.00	**397,190**	39,719	Schematic design in progress	Second quarter of 2012
	TOTAL MACAU PROPERTY PORTFOLIO				**397,190** [9]	**39,719**		

	Property name	Location	Type	Group's attributable interest %	Approximate gross floor area (square feet)	Approximate number of carpark spaces	Lease term
Overseas Properties							
A.	**Held for investment**						
1.	Shangri-La Plaza Mall	EDSA corner Shaw Blvd. Mandaluyong City Philippines	Shopping centre	51.46 (10)	**1,054,474**	324	Freehold
2.	The Enterprise Center	Ayala Avenue cor. Paseo de Roxas Makati City Philippines	Office Commercial	34.58 (11)	330,618 22,520 **353,138**	380	Freehold
3.	Land leased to EDSA Shangri-La Hotel and Shangri-La Plaza Mall	EDSA corner Shaw Blvd. Mandaluyong City Philippines	Hotel lease Shopping centre lease	65.36 (12)	169,733 (13) 212,969 (13) **382,702** (13)	–	Freehold
4.	Carpark Building	EDSA corner Shaw Blvd. Mandaluyong City Philippines	Carpark building	65.36 (12)	**200,558**	464	Freehold
	Total overseas investment properties				**1,990,872**	**1,168**	

	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.	The St. Francis Shangri-La Place	St. Francis St. corner Internal Road Shangri-La Place Mandaluyong City Philippines	Residential Commercial	65.36 (12)	839,730 52,222 **891,952**	43,425	External and interior finishing work in progress	Second quarter of 2009
2.	Distillery Stage 2b	Tambua Street Jacksons Landing Pyrmont Sydney Australia	Residential	25.00	**36,517**	5,118	Superstructure work in progress	Third quarter of 2009
3.	Distillery Stage 3	Bowman Street Jacksons Landing Pyrmont Sydney Australia	Residential	25.00	**44,353**	7,293	Foundation work in progress	Fourth quarter of 2010
	Sub-total				**972,822**	**55,836**		

	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 (continued)**							
4.	Distillery Stage 4 & 5b and 21 Harris Street	Bowman Street and Harris Street Jacksons Landing Pyrmont Sydney Australia	Residential Commercial	25.00	41,310 41,711 **83,021**	17,120	Planning and design development stage	In phases to 2011
5.	Fort Bonifacio Shangri-La Hotel	Fort Bonifacio Taguig Philippines	Residential Hotel Commercial	26.15 (14)	242,602 190,373 4,579 **437,554**	42,553	Excavation work in progress	Fourth quarter of 2011
6.	One Shangri-La Place	EDSA corner Shaw Blvd. Mandaluyong City Philippines	Residential Shopping centre Serviced apartment	65.36 (12)	769,470 260,559 141,224 **1,171,253**	68,670	Project planning	Note (8)
	Sub-total				**1,691,828**	**128,343**		
	Total overseas properties under development				**2,664,650**	**184,179**		

	Property name	Location	Type	Group's attributable interest %	Approximate gross floor area (square feet)	Approximate number of carpark spaces	Lease term
Overseas Properties							
C.	**Held for sale**						
1.	Distillery Stage 5a	Bowman Street Jacksons Landing Pyrmont Sydney Australia	Residential	25.00	**1,787**	–	Freehold
	Total overseas properties held for sale				**1,787**	**–**	
	TOTAL OVERSEAS PROPERTY PORTFOLIO				**4,657,309**		

	Property name	Location	Type	%	Group's attributable interest: Approximate gross floor area (square feet)	Group's attributable interest: Approximate number 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	100.00	**1,443,356**	777	Medium lease
2.	Kerry TC Warehouse 2	35 Wing Kei Road Kwai Chung New Territories	Warehouse	100.00	**490,942**	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 Vietnam Logistics Centre	Warehouses Nos. 3-6 Song Than Industrial Zone II Di An District Binh Duong Province Vietnam	Logistics centre	100.00	**550,256**	–	Medium lease
6.	Kerry Warehouse (Chai Wan)	50 Ka Yip Street Chai Wan Hong Kong	Warehouse	100.00	**535,037**	53	Long lease
7.	Kerry Logistics (Australia) Pty Ltd Adelaide	4 Martin Avenue Gillman Adelaide South Australia 5013	Container terminal	100.00	482,587	–	Freehold
			Logistics centre		186,230		
					668,817		
8.	Kerry Warehouse (Shatin)	36-42 Shan Mei Street Shatin New Territories	Warehouse	100.00	**431,530**	64	Medium lease
9.	Kerry Warehouse (Sheung Shui)	2 San Po Street Sheung Shui New Territories	Warehouse	100.00	**356,253**	37	Medium lease
10.	Kerry Hung Kai Warehouse (Cheung Sha Wan)	3 Fat Tseung Street Cheung Sha Wan Kowloon	Warehouse	50.00	**299,115**	29	Medium lease
11.	Kerry Warehouse (Kwai Chung)	4-6 Kwai Tai Road Kwai Chung New Territories	Warehouse	100.00	**286,628**	33	Medium lease
12.	Kerry Warehouse (Fanling 1)	39 On Lok Mun Street On Lok Tsuen Fanling New Territories	Warehouse	100.00	**283,580**	30	Medium lease
13.	Shenzhen Kerry Futian Logistics Centre	15 Tao Hua Road Futian Free Trade Zone Shenzhen	Logistics centre	100.00	**268,656**	–	Medium lease
14.	Shenzhen Kerry Yantian Port Logistics Centre	Lot No. 26 South Area of Yantian Port Free Trade Zone Shenzhen	Logistics centre	55.00	**255,607**	–	Medium lease
Sub-total					**7,121,533**	**1,398**	

Property name	Location	Type	Group's attributable interest %	Group's attributable interest Approximate gross floor area (square feet)	Group's attributable interest Approximate number of carpark spaces	Lease term
Properties held for logistics operations						
A. Completed warehouses and logistics centres (continued)						
15. Kerry D.G. Warehouse (Kowloon Bay)	7 Kai Hing Road Kowloon Bay Kowloon	Warehouse	100.00	**181,902**	19	Medium lease
16. Kerry Tianjin Logistics Centre	168 Jinbinda Road Baoshui District Tianjin Port Tianjin	Logistics centre	100.00	**172,886**	–	Medium lease
17. Kerry Waigaoqiao Logistics Centre	268 De Lin Road Waigaoqiao Free Trade Zone Shanghai	Logistics centre	100.00	**153,446**	–	Medium lease
18. 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
19. Laem Chabang Logistics Centre	Highway No. 7 (Bypass Laem Chabang) Nong-kham Sub-District Sriracha District Chonburi Province Thailand	Logistics centre	73.58	**133,146**	–	Freehold
20. Kerry BHL Logistics Centre	1 South Road Jia Fourth Ring Road East Beijing	Logistics centre	100.00	**124,147**	–	Medium lease
21. Malaysia EAE Logistics Centre	Lot 213 Kawasan Perindustrian Bukit Kayu Hitam 06050 Kedah Malaysia	Logistics centre	51.00	**45,240**	–	Long lease
22. Beijing Shunyi District Logistics Centre	Block 1 to 24 Jinmi Road East Shunyi District Beijing	Logistics centre	70.00	**33,175**	–	Medium lease
Sub-total				**982,146**	**19**	
Total completed warehouses and logistics centres				**8,103,679**	**1,417**	

Property name	Location	Type	Group's attributable interest %	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	67.88	**2,712,562**	Freehold
Total port facility				**2,712,562**	

	Property name	Location	Type	Group's attributable interest %	Approximate gross floor area (square feet)	Approximate number 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**	**–**	

	Property name	Location	Type	Group's attributable interest %	Approximate gross floor area (square feet)	Approximate site area (square feet)	Stage of completion	Scheduled completion
Properties held for logistics operations								
D.	**Warehouse and logistics centre under development**							
1.	Tai Po Product Customization and Consolidation Centre	12 Dai Kwai Street Tai Po Industrial Estate Tai Po New Territories	Warehouse	100.00	**274,719**	111,725	Conceptual design stage	Fourth quarter of 2010
	Total warehouse and logistics centre under development				**274,719**	**111,725**		
	TOTAL PORTFOLIO OF PROPERTIES HELD FOR LOGISTICS OPERATIONS				**11,195,687**			

Notes:

(1) Payment for land use rights in progress.

(2) Application for land use certificate in progress.

(3) On 15 January 2009, the Group and the joint venture parties entered into a cancellation agreement with Tangshan City Land Resources Transactions Centre to relinquish their rights to acquire the land use rights of three project sites with a gross site area of approximately 3,175,000 square feet in Tangshan which were bidded on 21 July 2008. Subsequently on 11 Feburary 2009, the Group and the joint venture parties won the bids to re-acquire the land use rights of the two smaller pieces of the original project sites in Tangshan as stated in the above table.

(4) Included other facility with gross floor area of approximately 65,000 square feet.

(5) Being lettable floor area.

(6) Being net floor area.

(7) Subject to final Hong Kong SAR Government approval plans and documentations.

(8) The development plan is under review.

(9) As regards the reclamation project in Macau, upon approval of the proposed reclamation scheme by the Central Government, the Macau SAR Government is expected to finalize the land exchange procedure.

(10) Including attributable interest of 24.21% held through Philippine Deposit Receipts.

(11) Including attributable interest of 16.27% held through Philippine Deposit Receipts.

(12) Including attributable interest of 30.75% held through Philippine Deposit Receipts.

(13) Being site area.

(14) Including attributable interest of 12.30% held through Philippine Deposit Receipts.

(15) Gross floor areas exclude carpark spaces.

Corporate Afforestation Scheme 2007-2009

As a pillar of the business community, the Group is deeply committed to sharing its success with the communities it serves through a range of green, community, charitable and staff-engaging activities. More importantly, social responsibility initiatives are broadly incorporated in the Group's daily business practices. Based on a philosophy of sustainable business and a sustainable society, the Group balances its social responsibility initiatives with the interests of all its stakeholders, including working partners, clients, consumers and staff members as a whole.

The Group also taps into the expertise, creativity, enthusiasm and caring spirit of its staff by supporting its team members in many activities designed to enhance the well-being of society. The Group believes that the success of these community services has in turn given great encouragement to our staff volunteers, moulding them into an even stronger team.

CARING COMPANY

For the sixth consecutive year, the Group has been recognized as a "Caring Company" demonstrating good corporate citizenship. In support of the mission of the Hong Kong Council of Social Service to build a caring community spirit, the Group and its staff have proudly supported a wide range of volunteer work, green initiatives, mentoring programmes and donation campaigns. The Group is also a keen supporter of corporate efforts to promote an employee-friendly workplace and the hiring of the vulnerable.

ENVIRONMENTAL PROTECTION

The Group has adopted some of the world's most progressive green management standards. As a responsible developer, the Group is keen to limit the environmental footprint of its property developments by adopting strict environmental policies as formulated and stewarded by its environmental committee. Such policies include the integration of environmental considerations in the planning, design, construction, operation and maintenance of all properties in the Group's portfolio. Responsible divisions also take constant action to conserve natural resources by reducing usage, minimizing waste, and employing environmentally-friendly materials and designs. Such requirements, which in some areas have gone above and beyond regulatory standards, are extended to the Group's consultants and contractors.

The Group now has an internal environmental management system in place to govern the development of green buildings. The system ensures that environmental considerations are taken into account during the entire project design, construction and management process, with specific measures designed to enhance energy saving, and to minimize waste and natural resource depletion and nuisance to neighbourhoods. Such measures include the adoption of natural-light-maximizing designs along with energy-efficient lighting and air-conditioning systems, as well as practices such as avoid using virgin wood for temporary construction works and the implementation of waste and environmental management plans.

In addition, the Group supports a range of environmental initiatives in the communities where it does business.

Corporate Afforestation Scheme 2007-2009

The Group's staff members continued their support of this three-year woodland adoption programme co-organized by the Agriculture, Fisheries and Conservation Department and the Friends of the Earth (Hong Kong). Through this programme, the Group has planted 10,000 seedlings and is responsible for managing and maintaining its adopted woodland, with the purpose of bringing more greenery to country areas.

Wastewi$e Scheme

The Group continues to support the Wastewi$e Scheme introduced by the Environmental Protection Department to encourage Hong Kong businesses to set targets for waste avoidance and minimization, collection and recycling of recyclable materials, and procurement of recycled products. The award of the Wastewi$e logo to the Group is a benchmark of its commitment to waste reduction.

Donation of Computers

Through donation of computers to Caritas, the Group is pleased to be able to provide assistance to those in need, and to respond to calls for conservation.

Green Power Hike

Staff members of the Group also participated in the 15th Green Power Hike held on 1 March 2008 in aid of local green education in kindergartens, primary and secondary schools. This meaningful walk is part of Green Power's efforts to encourage environmental protection among children to help them secure a greener future.

Corporate Afforestation Scheme 2007-2009

Green Power Hike

Starbucks Water Bottle Recycling & Sculpture

Starbucks Water Bottle Recycling & Sculpture

The Logistics Network Division provided free logistics support for this meaningful and innovative event which aims to engage the public in supporting the recycling of bottles and in stimulating the artistic inspirations of our young people. From 3 to 30 April 2008, plastic water bottles were collected by the Division from 60 Starbucks shops to produce a giant sculpture in the shape of a water drop.

Dim It! 6.21 Lights Out

"MegaBox" is delighted to be a part of the Dim It! 6.21 Lights Out campaign held on 21 June 2008 under a whole-year project launched by Friends of the Earth (Hong Kong) to promote the best use of light resources.

COMMUNITY SERVICES

With the support of its dedicated staff volunteer team, the Group has taken part in a broad array of community activities that spread the spirit of caring to the elderly, youth and disadvantaged groups. Through these activities the Group aims to help the needy and to enrich the lives of people.

Community Chest Corporate Challenge

A staff team from the Logistics Network Division took part in the 10-kilometre run at the Community Chest Corporate Challenge held on 20 January 2008. The Division's members demonstrated excellent sportsmanship to maximize the funds raised for services for the physically disabled.

Community Chest Dress Special Day

The Group's members showed they cared by what they wore on 30 September 2008, the Community Chest's Dress Special Day, donating to good causes while enjoying the fun of dressing down, dressing up, dressing in a special theme and dressing in "colour".

Job Opportunities for the Disadvantaged

In a bid to help alleviate the lack of employment opportunities in remote communities and for the disadvantaged, the Logistics Network Division has actively participated in public job fairs held in Tin Shui Wai, Tsing Yi, Tsuen Wan and Kowloon City organized by the Labour Department and various community service agencies.

The Division also supported a seven-day retraining programme held in June 2008 for the logistics sector organized by the New Territories Association Retraining Centre. This initiative driven by the Employees Retraining Board aims to help logistics workers enhance their employment prospects through the acquisition of new skills. After the programme, the Division offered job opportunities to the trainees and was presented with the "Caring Employer" award for its contributions.

Community Chest Corporate Challenge

Job Opportunities for the Disadvantaged

Sharing Expertise with the Community
The Group contributes to education and career development not only through monetary sponsorship, but also through a range of mentoring and exchange initiatives. During the summer of 2008, the Logistics Network Division offered internships for students of the Hong Kong Baptist University, Hong Kong University School of Professional and Continuing Education and the Hong Kong Institute of Vocational Education (Haking Wong). The Division also jointly organized a Global Internship Programme 2008 with the Chinese University of Hong Kong to provide workplace internships at its Beijing office.

The Logistics Network Division supported the Workplace Attachment Scheme of the Hong Kong Institute of Vocational Education (Tsing Yi) by providing job opportunities on part-time and ad hoc bases for students of the logistics and transportation discipline.

The Division is also an active participant in campus recruitment talks organized by local universities. Through these campus events, the Division was able to share the latest trends and developments in the logistics industry with aspiring young professionals.

CHARITABLE DONATIONS
The Group has been making contributions to various charity organizations, and has mobilized staff members to care for the needy. During the past year, the Group donated to various social welfare agencies and charitable causes.

China Snowstorm Relief
In February 2008, the Group's staff members offered their donations to aid relief efforts after the worst snowstorm in China in 50 years hit nearly 40 cities across the Mainland. The donations were used for recovery work in poor villages affected by the snowstorm.

Community Chest New Territories Walk
The Group's staff and family members took part in the Community Chest New Territories Walk – Route 8 (Tai Wai to Lai Chi Kok) held on 24 February 2008. All funds raised through this walk were designated to the support of rehabilitation and aftercare services.

Community Chest Green Day
The Group is a proud supporter of the Community Chest Green Day held on 19 March 2008. With a theme of "Think Green and Live Green", this annual event encourages the general public to adopt a holistic approach to environmental protection and, at the same time, to raise funds for the medical and health services supported by the Community Chest. The staff members of the Group have contributed through donations.

Community Chest Employee Contribution Programme
The Group's staff teams once again demonstrated their benevolence by making multiple donations in April and June 2008 to the Employee Contribution Programme, a major fund-raising scheme organized by the Community Chest.


Workplace Attachment Scheme

Community Chest New Territories Walk

Community Chest DHL Charity Golf Day

The Group donated towards the successful staging of the 10th Community Chest DHL Charity Golf Day held on 7 April 2008. Funds raised were directed to support services for the mentally ill and ex-mentally ill.

Dawanluo Primary School

The Logistics Network Division made a donation after a visit to Dawanluo Primary School in Xinhuang Dong Nationality Autonomous County in Huaihua City, Hunan Province, in April 2008. The donation was used to repair teaching facilities damaged during the snowstorm in early 2008, and aims to provide a better study environment for the students.

Hope Primary Schools in China

To date, the Logistics Network Division has supported the construction of six Hope Primary Schools in various locations in China. In May 2008, the Division constructed one "Spring Bud Primary School" in Hunan Province as part of the reconstruction project following the snow catastrophe. On 12 June 2008, the Division further donated ten computers to the KEAS Hope Primary School located in Daiwu Village, Pingshan County, Hebei Province. The installation of these computers will help the school launch multi-media education delivering more learning options. In October 2008, the Division donated computers and sports facilities to KEAS Hope Primary School in Qinghai Province, and also maintained the classroom building. In November 2008, the Division donated computers and sports facilities to two of these schools in Heilongjiang Province. With the setting up of activity space within these schools, the students can fully enjoy school life beyond the classroom.

Sichuan Earthquake Relief

The devastating earthquake and major aftershocks occurring in Sichuan Province in May 2008 have taken many lives and left even more homeless. The Group co-ordinated the donations of its staff members and directed them towards disaster-relief work organized by the Red Cross and provincial government authorities.

World Heart Day

The Group has once again supported World Heart Day, held on 11 October 2008 and organized by the Hong Kong College of Cardiology. Themed "Know Your Risk – Focus on Hypertension", the 2008 events included a health talk, a Heart Health Carnival and the Global Embrace. For the second consecutive year, the Group's staff and family members enrolled in the walkathon, which is an annual event designed to promote the health benefits of walking and itself a healthy exercise for the participants.

Operation Santa Claus

The Group is a proud supporter of Operation Santa Claus – the annual fundraising campaign jointly organized by South China Morning Post and RTHK Radio 3. The Group has engaged the support of "MegaBox" and other residential properties under its management in Hong Kong in providing a platform for canvassing public support. The campaign aims to raise money for 13 beneficiary charities, as well as awareness of several priority themes: children and young people, community and medical issues and mental and physical disabilities. A portion of the funds will also be used to help over 2,400 victims of the Sichuan earthquake to rebuild their homes.

Dawanluo Primary School

World Heart Day

CARING FOR PEOPLE

In the face of a severe economic downturn, it has become ever more important to place top priority on sustaining a winning team of employees best placed to meet challenges and capitalize on the opportunities ahead. The shift towards a knowledge-based economy has also made it essential for the Group to continue its efforts in fostering and nurturing staff growth and development. From a broader perspective, the Group is committed to caring for the overall well-being of its staff members.

Staff and Family Friendly

The Group is committed to building a staff- and family-friendly workplace where members are genuinely valued. This is conducive to the development of a positive culture of co-operation, equality and dedication. While the Group empowers staff in different aspects of their working lives, such as training and development, a healthy workplace and staff involvement and communications, it is also a keen supporter of a proper work-life balance.

Staff and family activities, including tours to theme parks and cooking workshops, were organized the whole year round. In addition, courses for staff on stress management and back-pain problems were conducted jointly with professional institutions. On 17 October 2008, the Logistics Network Division mobilized its team to participate in the Work-Life Balance Day in support of this meaningful cause. This one-day event has also been extended to encourage a habit of "lights-out at 7 pm" in the Division's offices.

These staff-engagement initiatives are much valued by staff members and go a long way to securing goodwill and team spirit for the Group.

Individual Development

Over the year, a range of professional and special-interest courses was offered to staff members, who are also entitled to personal study sponsorships encouraging continuous personal development. Staff members are also granted leave to sit public examinations.

MEGA SUPPORT OF SOCIETY CAUSES

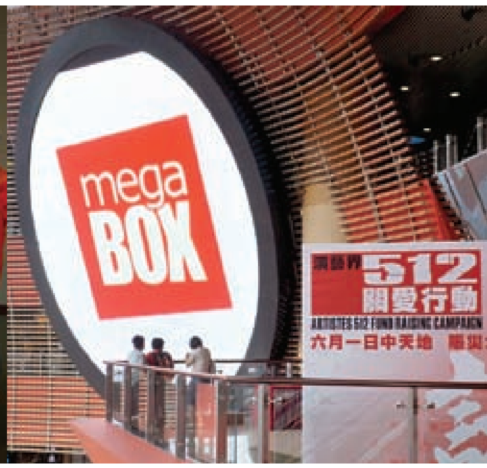
In addition to pioneering the Group's innovations in the retail and entertainment concept, "MegaBox" also provides a new platform facilitating the support of meaningful social causes. "MegaBox" itself incorporates a barrier-free architecture that actively encourages social integration, and its novel design provides the perfect backdrop for a range of creative and fun-filled events.

In 2008, "MegaBox" supported some 30 community and charitable events held to promote various causes, including healthy living, corporate citizenship, caring for the environment, and family values. In a concerted effort to provide relief for the Sichuan earthquake, "MegaBox" also made its venue available for several disaster aid activities. Meanwhile, charity sales were staged to raise funds for a number of social welfare agencies. In support of the 2008 Beijing Olympics, "MegaBox" initiated a number of creative Olympics-related events which were acclaimed by visitors. The development also continues to be a regular venue sponsor for community events including blood-donation activities.

Over the year, "MegaBox" has hosted visits by more than 100 groups of elderly, children, students and the disadvantaged. The Group is delighted that "MegaBox" also acts as a community focal point providing fun and enjoyment for people from all walks of life.

Family Friendly Activities

Work-Life Balance Day



MegaBox's Artistes 512 Fund Raising Campaign

In achieving a sustainable society, the Group endeavours to live up to its corporate social responsibilities while working towards progressive business objectives. Within the Group, the practice of good corporate citizenship has matured into a culture that receives strong support from the leadership and total commitment from employees. The Group is delighted to report that its efforts have been rewarded with a string of accolades from reputable trade, media and public bodies, as well as in prestigious competitions. This acclaim has acted as a strong encouragement and motivation for management and the team.

PROPERTY DIVISION

Prime Awards for Eco-Business 2008

The Group was selected as one of the awardees for the "Prime Awards for Eco-Business 2008" in May 2008. The award recognizes the green efforts and accomplishments of the Group in the areas of strategy development and implementation, and overall awareness and innovation in environmental protection. The judging panel consisted of representatives from major environmental protection organizations, commerce and industry associations and academic scholars in Hong Kong.

18th International ASTRID Awards – Gold Award

In May 2008, the winners in 14 design categories were announced in the "18th International ASTRID Awards" competition to honour excellence and innovation in design. The Group's 2008 calendar, succeeding in its goal to communicate the environmental theme both visually and verbally, was selected as the Gold Award winner under the "Calendars – Corporate" category. Entries were judged by international panels of design professionals on the basis of concept creativity, clarity and production quality.

18th International ASTRID Awards – Gold Award

22nd Annual International ARC Awards – Silver Awards


Prime Awards for Brand Excellence 2008 – Luxury Residential Projects

2008 HKMA Best Annual Reports Awards


Prime Awards for CSR 2008

22nd Annual International ARC Awards – Silver Awards
The "22nd Annual International ARC Awards" – the world's largest annual report competition – were presented in September 2008 to winners deemed the best out of over 2,100 entries from 28 countries. The Group was honoured with two Silver Awards under the "Real Estate Development/Service: Commercial/Industrial" and the "Real Estate Development/Service: Various & Multi-Use" categories. The Group's 2007 annual report was commended for its design, concept and execution.


Prime Awards for Brand Excellence 2008 – Luxury Residential Projects

Prime Awards for Brand Excellence 2008 – Luxury Residential Projects
The philosophy behind the Group's brand is to provide more than just an apartment but to offer residents a home and a congenial environment where optimum services, facilities, ambience and quality of life all come together. This aspiration to build and manage a residential portfolio in a class of its own has earned the Group one of the "Prime Awards for Brand Excellence 2008" under the category of "Luxury Residential Projects" in September 2008.

2008 HKMA Best Annual Reports Awards
The Group was honoured to receive an "Honourable Mention" in the "2008 Best Annual Reports Awards" organized by the Hong Kong Management Association in September 2008 to encourage the publication of timely, accurate, informative and well-presented annual reports for shareholders, stakeholders, employees and other interested parties. In 2008, a total of 120 reports were reviewed by the panel of adjudicators who chose the winners on the basis of excellence in all aspects of the preparation of the reports.

Prime Awards for CSR 2008
In October 2008, the Group was a proud recipient of the "Prime Awards for CSR 2008" co-organized by Prime Communications Limited and The Hong Kong Institute of Directors to acknowledge commitments in promoting corporate social responsibility. The stringent selection criteria included achievements in seven aspects, including extent of participation, charitable donations, community caring initiatives, care for staff and families, volunteering, community partnership and knowledge sharing.

HKIS Property Marketing Award 2008 – Top Ten Property Layouts Awards
The Group's 15 Homantin Hill has not only attracted strong buyer interest for its premium quality and exclusive neighbourhood, but also won accolades in the "HKIS Property Marketing Award 2008" held in November 2008, taking honours in the "Top Ten Property Layouts" category. This award was presented by the Hong Kong Institute of Surveyors to commend outstanding developments.

2008 Housing Design Award of Chinese Residential Projects
15 Homantin Hill won another architectural award in November 2008. It was presented with the "2008 Housing Design Award of Chinese Residential Projects" by the World Association of Chinese Architects for the project's achievements in outstanding design performance.

HKIS Property Marketing Award 2008 – Top Ten Property Layouts Awards

The Caring Environment Award (Shopping Mall)

Babycare Room Award - Meritorious Award

Service Quality Management Certificate

"MegaBox"

The Hong Kong Institution of Engineers and The Institution of Structural Engineers – Joint Structural Division Special Award 2008 (Hong Kong Project)

The Group takes pride in reporting that "MegaBox", was selected as one of the winning projects in the "Hong Kong Project Category" under the "Joint Structural Division Special Award 2008" organized in April 2008 by the Structural Division of the Hong Kong Institution of Engineers and the Institution of Structural Engineers. "MegaBox" is honoured to be ranked alongside the most outstanding structures in Hong Kong and China.

Caring Environment Recognition Scheme 2007 – The Caring Environment Award (Shopping Mall)

In recognition of the efforts by "MegaBox" towards the promotion of social integration and caring for the disadvantaged, "MegaBox" was delighted to receive the "Caring Environment Award (Shopping Mall)" in May 2008 from the Hong Kong Joint Council for People with Disabilities, Hong Kong Council of Social Service, Labour and Welfare Bureau, jointly with the 18 District Councils.

Quality Building Award 2008 – Finalist/Non-Residential Category

The "Quality Building Award 2008", themed this year as "Set No Boundary for Quality Buildings", is a biennial award acknowledging buildings of outstanding quality. It is also a tribute to the dedication to teamwork and cooperation between different industries in contributing to a quality building. "MegaBox" was delighted to be selected as a finalist in the "Non-Residential Category", receiving high praise from the panel of judges on all significant aspects of project planning and implementation that help make the mall a quality and sustainable building. The award is an industry–professional collaboration co-organized by the Hong Kong Construction Association, the Hong Kong Institute of Architects, the Hong Kong Institute of Construction Managers, the Building Division, Building Services Division and Structural Division of the Hong Kong Institution of Engineers, the Hong Kong Institute of Housing, the Hong Kong Institute of Surveyors, the Hong Kong Quality Assurance Agency, the Hong Kong Chapter of International Facility Management Association and the Real Estate Developers Association of Hong Kong.

Prime Awards for CSR 2008

Babycare Room Award - Meritorious Award

"MegaBox" was chosen as the recipient of a "Meritorious Award" from among more than 600 nominations in the "Babycare Room Award" competition jointly organized by the Department of Health, Hospital Authority and the Baby Friendly Hospital Initiative Hong Kong Association. From the onset, "MegaBox" has spared no efforts in supporting the government's initiative to enhance babycare facilities and, in a broader perspective, to create a support environment in the community.

Service Quality Management Certificate

In its endeavour to deliver high standards of customer service, "MegaBox" has initiated an assessment by the Hong Kong Quality Assurance Agency, in accordance with internationally recognized audit procedures, resulting in the award in December 2008 of "Service Quality Management Certificate". As a duly accredited company, "MegaBox" pledges continued efforts in adhering to the stringent requirements of the certified quality system.

2008 AWARDS AND CITATIONS

Continued

LOGISTICS NETWORK DIVISION

Top 50 Logistics Enterprises

Kerry EAS Logistics Limited (“KEAS”) was delighted to be ranked 11th in the list of “Top 50 Logistics Enterprises” in terms of annual turnover. The ranking was announced in January 2008 at the Logistics Enterprises International Summit co-organized by China National Development and Reform Commission, National Bureau of Statistics and China Federation of Logistics and Purchasing.

8th CAPITAL Outstanding Enterprise Award – CAPITAL Outstanding Logistics Company

Also in January 2008, Kerry Logistics Network Limited (“KLN”) received the “8th CAPITAL Outstanding Enterprise Award”, honoured as a “CAPITAL Outstanding Logistics Company” from leading business title Capital Magazine. The award commends contributions of best-in-class enterprises to the Hong Kong economy and reflects the Division’s excellence in corporate brand building and service quality. Selection was based on achievements in financial performance, overseas development, marketing strategy and development, as well as technology innovation and development.

Hong Kong Leaders’ Choice Brand Award 2008 – Excellent Brand of Logistics Services

KLN was conferred with the “Excellent Brand of Logistics Services” in the “Hong Kong Leaders’ Choice Brand Award 2008” organized by broadcaster Metro Finance. The judging process includes public nomination and deliberation by a panel of business leaders, government officials and top executives from 2,000 enterprises in Hong Kong.

5A Logistics Enterprise

KEAS stood out once again from more than 100 logistics companies to be acclaimed as a “5A Logistics Enterprise” at the “Fourth Conference on Promotion and Implementation of National Standards for Categorization and Evaluation Indexes of Logistics Enterprises” organized in April 2008 by the China Federation of Logistics and Purchasing. This honour signifies the service standard achieved by KEAS.

3rd CAPITAL Outstanding China Enterprise Awards

KLN was honoured to be, for the second year in a row, a recipient of the “3rd CAPITAL Outstanding China Enterprise Awards” presented by Capital Magazine. The two consecutive awards came as a strong encouragement for the Division’s efforts in corporate brand building and in upholding the highest standards of service quality in Mainland China.

Top 100 China International Freight Forwarding Logistics Enterprises 2007

In June 2008, announcement of the “Top 100 China International Freight Forwarding Logistics Enterprises 2007”, KEAS was delighted to be ranked 8th in the list. KEAS was further ranked 17th in the “Top 100 China International Freight Forwarding Logistics Sea Freight Enterprises 2007”, 5th in the “Top 100 China International Freight Forwarding Logistics Air Freight Enterprises 2007”, as well as 4th in the list of “Top 100 China International Freight Forwarding Logistics Storage Enterprises 2007”.

8th CAPITAL Outstanding Enterprise Award – CAPITAL Outstanding Logistics Company

5A Logistics Enterprise

3rd CAPITAL Outstanding China Enterprise Awards

Olympic Games Business Awards
KEAS was privileged to have the opportunity to serve the logistics requirements of the Beijing 2008 Olympic Games, and in recognition of the contributions of supporting businesses, a commendation ceremony was held in Beijing in November 2008. During the ceremony, KEAS was awarded an "Advanced Collective Certificate" together with a special "Advanced Individual Award".

Capital Weekly PROChoice 2008 – Logistics Services Award

Capital Weekly PROChoice 2008 – Logistics Services Award
In "Capital Weekly PROChoice 2008", awarded by Capital Weekly as a tribute to outstanding organizations with excellent business achievements and major community contributions, KLN was presented with the "Logistics Services Award". The award came after a strict adjudication process based on the candidates' achievements in quality management, leadership, risk management and marketing strategy. The Division is excited about the award as it reaffirms its industry leadership in Asia.

Partnership Awards
KEAS was named in February 2008 by Panasonic Corporation of China as the "Most Valuable Partner for Import Business in 2007", in recognition of the Division's excellence in providing supply-chain management solutions.

This was followed in the same month by receipt of the "Top Cargo Agent 2006/07" prize from Emirates Airline, with KEAS ranking 2nd among the top ten agents.

In March 2008, KEAS was presented with the "2007 Best Partner" award by Samsung China and "Samsung Logistics Partnership" by Samsung Electronics Co., Ltd., in commendation of the quality of service and longstanding working relationship.

In November 2008, Johnson & Johnson (China) handed to KEAS the "Best Forwarding Agent in China" award at its annual supplier general meeting. The Division was praised for its consistently excellent service quality, in particular during the difficult times in 2008.

Samsung China – 2007 Best Partner Award

Top 100 China International Freight Forwarding Logistics Enterprises 2007


荣誉证书
嘉里大通物流有限公司:
荣获2007年度中国国际货代物流百强排名仓储第4名，特发证书。

Johnson & Johnson (China) – Best Forwarding Agent in China

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE STATEMENT

The Company has always recognized the importance of shareholders' transparency and accountability. It is the belief of the Board of Directors of the Company (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 "Stock Exchange"), 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.

During the financial year ended 31 December 2008, the Company has complied with the provisions of the Code, except for (a) the separation of roles of chairman and chief executive officer which has been complied with since 19 March 2008; and (b) the minimum number of Independent Non-executive Directors falls below three for a short period from 6 May 2008 to 19 May 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 2008.

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. Board minutes kept by the Company Secretary are sent to the Directors for records and are open for inspection by the Directors. 3. The Company has arranged appropriate insurance cover for the Directors.

FOCUS AND PRINCIPLES

CORPORATE GOVERNANCE PRACTICES

1.1 The Board (Continued)

4. Proposed Board meeting dates for a financial year are agreed in the final Board meeting of the preceding year. The Board has four scheduled meetings a year and meets more frequently as and when required. During the financial year ended 31 December 2008, the Board held four meetings and the attendance record, on a named basis, is set out in the table below.

	Date of Board Meeting			
Name of Director	**19 March**	**3 June**	**19 August**	**11 November**
Kuok Khoon Chen+ *(appointed on 3 June 2008)*	–	–	✓	✓
Wong Siu Kong+	✓	✓	✓	✓
Ho Shut Kan+	✓	✓	✓	✓
Ma Wing Kai, William+	✓	✓	✓	✓
So Hing Woh, Victor, MBE, JP+ *(appointed on 1 April 2008)*	–	✓	✓	✓
Chan Wai Ming, William	✓	✓	✓	✓
Qian Shaohua	✓	✓	✓	✓
Ku Moon Lun#	✓	✓	✓	✓
Lau Ling Fai, Herald#	✓	✓	✓	✓
Wong Yu Pok, Marina, JP# *(appointed on 20 May 2008)*	–	✓	✓	✓
Tse Kai Chi@	✓	✓	✓	✓
Ang Keng Lam+ *(resigned on 3 June 2008)*	✓	✓	–	–
William Winship Flanz# *(retired on 6 May 2008)*	✓	–	–	–
TOTAL	**10**	**11**	**11**	**11**
PRESENT	**10 (100%)**	**11 (100%)**	**11 (100%)**	**11 (100%)**
AVERAGE FOR THE YEAR				**100%**

+ *Executive Director*
# *Independent Non-executive Director*
@ *Non-executive Director*
✓ *Attendance*
– *Not applicable*

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.

FOCUS AND PRINCIPLES	CORPORATE GOVERNANCE PRACTICES
1.2 Division of Responsibilities (Continued)	2. 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.
	3. Acting as the Chairman of the Board, Mr Kuok Khoon Chen 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.
	4. Accordingly, the Board operates in a functional manner with clearly defined objectives, strategies and responsibilities.
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 in the section headed "Directors and Senior Management" of this annual report, which demonstrate a diversity of skills, expertise, experience and qualifications.
	3. 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 (the "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 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. 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 "Model Code"). The Directors have confirmed compliance with the required standards set out in the Model Code throughout the financial year ended 31 December 2008 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

Details of the Remuneration Committee and the work performed by it during the year are set out in the section headed "Remuneration Committee Report" of this annual report. The Remuneration Committee met twice during the financial year ended 31 December 2008 and the attendance record, on a named basis, is set out in the table below.

	Date of Remuneration Committee Meeting	
Name of Director	**24 January**	**16 December**
Kuok Khoon Chen+ *(appointed on 3 June 2008)*	–	✓
Wong Siu Kong+	✗	✓
Ku Moon Lun#	✓	✓
Lau Ling Fai, Herald#	✓	✓
Wong Yu Pok, Marina, JP# *(appointed on 20 May 2008)*	–	✓
Ang Keng Lam+ *(resigned on 3 June 2008)*	✓	–
William Winship Flanz# *(retired on 6 May 2008)*	✓	–
TOTAL	**5**	**5**
PRESENT	**4 (80%)**	**5 (100%)**
AVERAGE FOR THE YEAR		**90%**

+ *Executive Director*
# *Independent Non-executive Director*
✓ *Attendance*
✗ *No attendance*
– *Not applicable*

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 motivating them to optimize their contributions to the Group.

5. Details of the amount of Directors' emoluments during the financial year ended 31 December 2008 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 2008, the Board has reviewed the financial projections of the Group in respect of the eight financial years ending 31 December 2016. 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" of this annual report.

3.3 Audit Committee

Details of the Audit Committee and the work performed by it during the year are set out in the section headed "Audit Committee Report" of this annual report. The Audit Committee met four times during the financial year ended 31 December 2008 and the attendance record, on a named basis, are set out in the table below.

	Date of Audit Committee Meeting			
Name of Director	**7 March**	**23 May**	**7 August**	**3 November**
Ku Moon Lun#	✓	✓	✓	✓
Lau Ling Fai, Herald#	✓	✓	✓	✓
Wong Yu Pok, Marina, JP# *(appointed on 20 May 2008)*	–	✓	✓	✓
Tse Kai Chi@	✓	✓	✓	✓
TOTAL	**3**	**4**	**4**	**4**
PRESENT	**3 (100%)**	**4 (100%)**	**4 (100%)**	**4 (100%)**
AVERAGE FOR THE YEAR				**100%**

\# *Independent Non-executive Director*
@ *Non-executive Director*
✓ *Attendance*
– *Not applicable*

3.4 Auditors' Remuneration

During the financial year ended 31 December 2008, 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	15,182
Non-audit services	
(i) Tax services	1,521
(ii) Other services	2,325

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 2.1 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	Communication channels 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 2008, as a move to enhance the Group's relationship with the investor community and its understanding of the Group's operations and developments.

5.1 Investor Relations (Continued)

Set out below are the roadshows and investors' conferences in which the Group had participated during the year ended 31 December 2008:–

Month (2008)	Event	Organizer	Venue
January	HK/China Property Developers Corporate Access Week	Goldman Sachs	London/New York
April	Asian Investment Conference 2008	Credit Suisse	Hong Kong
May	Asian & Australian Property Conference	Deutsche Bank	Hong Kong
May	Macquarie Capital China Property Conference	Macquarie Capital Securities	Guangzhou
July	CLSA HK Property Access Day	CLSA	Hong Kong
July	Morgan Stanley Regional Property Corporate Day	Morgan Stanley	Hong Kong
September	UBS HK/China Property Day	UBS	Hong Kong
October	Citi Greater China Investor Conference	Citi	Macau
October	JPMorgan Regional Real Estate Day	JPMorgan	Hong Kong
November	Goldman Sachs China Investment Frontier Conference	Goldman Sachs	Beijing
December	CLSA HK/China Property Access Day	CLSA	Hong Kong

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.

FOCUS AND PRINCIPLES	CORPORATE GOVERNANCE PRACTICES

5.1 Investor Relations (Continued)

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.

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 2008 annual general meeting of the Company was held on 6 May 2008 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 2007;

   (b) To declare a final dividend for the financial year ended 31 December 2007;

   (c) To re-elect Messrs Wong Siu Kong, Ho Shut Kan and So Hing Woh, Victor, the retiring Directors;

   (d) To fix Directors' fees (including fees payable to members of the Audit and Remuneration Committees);

   (e) To re-appoint PricewaterhouseCoopers as auditor and to authorize 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.

5.1 Investor Relations (Continued)

5. Voting by poll – Procedures and requirements

The Company has followed 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) during the financial year ended 31 December 2008.

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 authorized 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 authorized 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 authorized 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.

In compliance with the amendments to Rule 13.39(4) effective from 1 January 2009, any vote of shareholders at a general meeting of the Company will be taken by poll.

FOCUS AND PRINCIPLES	CORPORATE GOVERNANCE PRACTICES

5.2 Shareholder Information

An analysis of the shareholders of the Company as at 31 December 2008 based on the registers of members of the Company is as follows:–

(Bermuda principal and Hong Kong branch registers)				
As at 31 December 2008	**Shareholders**		**Shares of HK$1 each**	
Number of Shares Held	**Number**	**% of total**	**Number**	**% of total**
1-500	65	18.68%	15,320	0.00%
501-2,000	114	32.76%	144,531	0.01%
2,001-5,000	61	17.53%	218,506	0.02%
5,001-20,000	43	12.36%	451,040	0.03%
20,001-50,000	16	4.60%	510,315	0.04%
50,001-100,000	15	4.31%	1,016,067	0.07%
100,001-200,000	9	2.58%	1,346,637	0.10%
200,001-500,000	6	1.72%	1,741,894	0.12%
500,001-1,000,000	4	1.15%	2,757,396	0.19%
1,000,001-2,000,000	4	1.15%	5,593,450	0.39%
2,000,001-5,000,000	5	1.44%	19,610,950	1.37%
Over 5,000,000	6	1.72%	1,393,783,653	97.66%
	348	**100%**	**1,427,189,759**	**100%**
Geographical Distribution				
(a) Asia				
Hong Kong	314	90.23%	1,420,174,783	99.51%
Malaysia	13	3.73%	6,533,128	0.46%
Singapore	8	2.30%	262,786	0.02%
PRC	3	0.86%	84,061	0.01%
Thailand	2	0.57%	3,887	0.00%
Indonesia	1	0.29%	63,539	0.00%
Philippines	1	0.29%	19,941	0.00%
(b) Australasia				
Australia	2	0.57%	16,272	0.00%
(c) Europe				
Isle of Man, British Isles	1	0.29%	14,279	0.00%
United Kingdom	1	0.29%	110	0.00%
(d) America				
Canada	1	0.29%	15,973	0.00%
United States of America	1	0.29%	1,000	0.00%
	348	**100%**	**1,427,189,759**	**100%**

5.3 Other Relevant Information

Key corporate dates for the financial year ending 31 December 2009 and the Company's market capitalization as at 31 December 2008 are set out in the sections headed "Corporate Information & Key Dates" and "Financial Highlights" of this annual report, respectively.

The Audit Committee of the Board was established in December 1998 and currently comprises three 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. With the amendments to the Code under the Listing Rules with effect from 1 January 2009, the Board has passed resolution to approve the amendment to the terms of reference of the Audit Committee in accordance with the new Code. Such amendment to the terms of reference has also taken effect from 1 January 2009 and the revised terms of reference 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. The revised terms of reference has extended the annual review function of the Audit Committee to include consideration of the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function and their training programmes and budget. As the new Code became effective on 1 January 2009, the Audit Committee will carry out such review under the new Code at the Audit Committee Meeting to be held in 2009.

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 2008:–

(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 2008.

(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 2008, 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 5 March 2009, the Audit Committee also reviewed the financial statements of the Group for the year ended 31 December 2008 prior to recommending them to the Board for approval.

MEMBERS OF THE AUDIT COMMITTEE
LAU Ling Fai, Herald (Chairman)
KU Moon Lun
WONG Yu Pok, Marina, JP
(appointed on 20 May 2008)
TSE Kai Chi

Hong Kong, 18 March 2009

REMUNERATION COMMITTEE REPORT

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 Directors, the proposal of the specific remuneration packages of the 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 2008, the Remuneration Committee met twice 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 Directors for the financial year ended 31 December 2008, 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 Directors of the Company, which amounted to HK$74,707,000 in respect of the financial year ended 31 December 2007.

(iii) The Remuneration Committee also reviewed and recommended to the Board for approval the grant of 6,600,000 share options to the Directors of the Company under the 2002 Share Option Scheme, in respect of their services for the financial year ended 31 December 2007.

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

MEMBERS OF THE REMUNERATION COMMITTEE
KUOK Khoon Chen (Chairman)
(appointed on 3 June 2008)
WONG Siu Kong
KU Moon Lun
LAU Ling Fai, Herald
WONG Yu Pok, Marina, JP
(appointed on 20 May 2008)
ANG Keng Lam *(resigned on 3 June 2008)*
William Winship FLANZ *(retired on 6 May 2008)*

Hong Kong, 18 March 2009

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 minimize 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 eight 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 organizational 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 2008. 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 August 2008.

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.

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.

With the amendments to the Code under the Listing Rules with effect from 1 January 2009, the Audit Committee will conduct an annual review of the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function and their training programmes and budget and will inform the Board the results of such review accordingly.

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr KUOK Khoon Chen, aged 54, has been an Executive Director of the Company, the Chairman of the Board and the chairman of the Remuneration Committee of the Company since June 2008. He has been a senior executive of the Kuok Group since 1978. He is currently the deputy chairman and managing director of Kerry Group Limited, the chairman and managing director of Kerry Holdings Limited and a director of a number of Kuok Group companies. Both Kerry Group Limited and Kerry Holdings Limited are the controlling shareholders of the Company. Mr Kuok is an executive director of China World Trade Center Co., Ltd. which is listed on the Shanghai Stock Exchange. Mr Kuok holds a Bachelor's degree in Economics from Monash University in Australia. Mr Kuok is the brother-in-law of Mr Bryan Pallop Gaw whose biography is set out in the section headed "Senior Management" of this annual report.

Mr WONG Siu Kong, aged 57, is the President & Chief Executive Officer of the Company and a member of the Remuneration Committee 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. In 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 in March 2008. Mr Wong is a director of Kerry Holdings Limited, the controlling shareholder 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 graduated from the South China Normal University in the PRC.

Mr HO Shut Kan, aged 60, 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 47, 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 2000, Mr Ma also completed an executive education programme, "Managing the Supply Chain", at Harvard Business School.

Mr SO Hing Woh, Victor, MBE, JP, aged 62, has been an Executive Director of the Company since April 2008. Mr So primarily focuses on the business operation of the Company's property portfolio on the Mainland. He is the chairman of Kerry (Shenyang) Real Estate Development Co., Ltd. and Tianjin Kerry Real Estate Development Co., Ltd. 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

EXECUTIVE DIRECTORS (Continued)

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, the Long Term Housing Strategy Review Committee and the Corruption Prevention Advisory Committee of the Independent Commission Against Corruption. Currently, he is a member of The Hong Kong Housing Society.

DIRECTORS

Mr CHAN Wai Ming, William, aged 55, 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, 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.

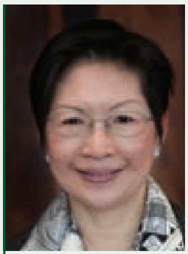
Mr QIAN Shaohua, aged 52, has been a Director of the Company since September 2007. He is also a director of Kerry Development (China) Limited and the chairman of Kerry Real Estate (Hangzhou) Co. Ltd. Mr Qian received his tertiary education in China. In 2002, Mr Qian also completed an international advanced management programme at Harvard Business School.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr KU Moon Lun, aged 58, has been an Independent Non-executive Director of the Company and a member of the Audit Committee and the Remuneration Committee of the Company since May 2007. Mr Ku has over 30 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.

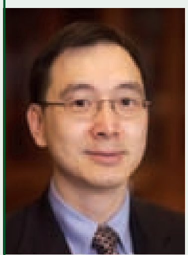
Mr LAU Ling Fai, Herald, aged 68, has been an Independent Non-executive Director of the Company since December 2003. He is now the chairman of the Audit Committee of the Company and a member of the Remuneration Committee of the Company. Mr Lau has been practising as a certified public accountant in Hong 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 in 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS (Continued)



Ms WONG Yu Pok, Marina, JP, aged 60, has been an Independent Non-executive Director and a member of the Audit Committee and the Remuneration Committee of the Company since May 2008. She had been with PricewaterhouseCoopers for over 30 years specializing in China tax and business advisory services, and has extensive experience in advising both Hong Kong and foreign investors in the structuring of their businesses and investments in the PRC. Ms Wong joined Tricor Services Limited as a director from September 2004 to February 2006 after her retirement as a partner from PricewaterhouseCoopers in July 2004. Ms Wong is now an independent non-executive director of Hong Kong Ferry (Holdings) Company Limited, a listed company in Hong Kong. She is a Fellow Member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants.

NON-EXECUTIVE DIRECTOR



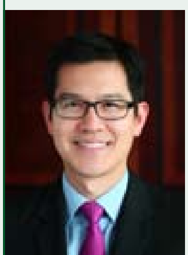
Mr TSE Kai Chi, aged 45, has been a Non-executive Director of the Company and a member of the Audit Committee of the Company since September 2005. Mr Tse is a senior finance executive and currently heads the accounting function of Kerry Holdings Limited, the controlling shareholder of the Company. Mr 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 43, 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 June 1996 and November 1998, respectively. He is also an executive director of Kerry Development (China) Limited. He is responsible for the operation of the Group's property development and investment 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 60, 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 January 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 51, 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 Nanchang. She has approximately 25 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.



Mr Bryan Pallop GAW, aged 32, is the deputy general manager of Kerry Properties (H.K.) Limited. He is also a director of Kerry Logistics Network Limited since January 2008. Mr Gaw joined the Company as a senior business development manager in November 2007. He started his career at Merrill Lynch in New York in 1998, working for the company's emerging markets private equity fund as a financial analyst. Since then, he

SENIOR MANAGEMENT Property Division (Continued)

has held roles focused on strategic planning and business development at various multinational corporations. Most recently, he was with McKinsey & Company, advising companies in Southeast Asia on market strategies and operational improvements. Mr Gaw holds a Bachelor of Arts in Political Science from Princeton University and a Master of Business Administration from Stanford's Graduate School of Business. Mr Gaw is the brother-in-law of Mr Kuok Khoon Chen, the Chairman of the Company.

Ms HSU Yu Ming, Hanna, aged 46, 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 the 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 profession with a portfolio in Hong Kong, Macau, the PRC and other part of Asia. Ms Hsu is also a Fellow Member of the 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 LIU Kung Wei, Christopher, aged 41, is a director of Kerry Development (China) Limited. He has been the general manager of Shanghai Pudong Kerry City Properties Co., Ltd. overseeing the Company's development project in Pudong, Shanghai since March 2007. Mr Liu is a registered architect in the state of New York, USA and holds a Bachelor of Architecture Degree from Cornell University, New York.

Mr TAM Sing Ki, aged 54, 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 YEUNG Pak Hin, Albert, aged 56, 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 the 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.

SENIOR MANAGEMENT Logistics Network Division

Mr ANG Keng Lam, aged 62, is the chairman of Kerry Logistics Network Limited ("KLN"), a wholly-owned subsidiary of the Company, and the chairman of a number of KLN's subsidiaries. Mr Ang was the Chairman of the Board from August 2003 to June 2008. He is now a vice chairman of Kerry Holdings Limited, the controlling shareholder of the Company. Mr Ang is also 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 a member of the National Committee of the Chinese People's Political Consultative Conference. Mr Ang 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. He also attended and completed the International Advanced Management Programme at Harvard Business School in 1998.

DIRECTORS AND SENIOR MANAGEMENT

Continued

SENIOR MANAGEMENT Logistics Network Division (Continued)

Mr Edwardo ERNI, aged 47, joined KLN in 1993 and is currently the managing director of Kerry EAS Logistics Limited, which is a 70%-owned subsidiary of KLN with over 120 branches and over 3,500 staff in the PRC. 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 the Royal Melbourne Institute of Technology, Australia.

Mr TAN Kai Whatt, Robert, aged 52, 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, United Arab Emirates and the Philippines. Mr Tan gained his Master's degree from the Asia Institute of Management in 2003 and has over 15 years of experience in the shipping and logistics industries.

Mr Gary WILCOCK, aged 47, 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. He has 27 years of experience in the logistics industry in particular the trade between the UK and Asia.

Mr LUI Kim Ming, Jesse, aged 49, 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 the 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 Kledchai BENJAATHONSIRIKUL, aged 53, joined the Group in 1983 and is currently a director of Kerry Logistics (Thailand) Limited and other subsidiaries in Thailand. Mr Benjaathonsirikul is also an independent director and an audit committee member of Shangri-La Hotel Public Company Limited in Thailand. He has over 10 years of experience in port logistics and transport-related businesses. He graduated with a Bachelor degree of Law from the University of Birmingham, England.

SENIOR MANAGEMENT Corporate Services Division

Mr WONG Chi Kong, Louis, aged 47, 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 with the Company in 2007, 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 42, 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 Chartered Secretaries. Ms Li has over 10 years of 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 2008.

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 section headed "Consolidated Income Statement" of this annual report.

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$6,286,000.

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 in the section headed "Particulars of Properties Held" of this annual report.

DISTRIBUTABLE RESERVES

As at 31 December 2008, the reserves of the Company available for distribution amounted to approximately HK$19,122,371,000 (2007: HK$19,071,608,000).

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.

CAPITALIZED INTEREST
The amounts of interest capitalized 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 2008 are set out in note 45 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 2008 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 in the section headed "Ten-Year Financial Summary" of this annual report.

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

Mr KUOK Khoon Chen (Chairman)+	(appointed on 3 June 2008)
Mr WONG Siu Kong (President & Chief Executive Officer)+	
Mr HO Shut Kan+	
Mr MA Wing Kai, William+	
Mr SO Hing Woh, Victor, MBE, JP+	(appointed on 1 April 2008)
Mr CHAN Wai Ming, William	
Mr QIAN Shaohua	
Mr KU Moon Lun#	
Mr LAU Ling Fai, Herald#	
Ms WONG Yu Pok, Marina, JP#	(appointed on 20 May 2008)
Mr TSE Kai Chi@	
Mr ANG Keng Lam+	(resigned on 3 June 2008)
Mr William Winship FLANZ#	(retired on 6 May 2008)

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

Messrs Ma Wing Kai, William, Lau Ling Fai, Herald and Tse Kai Chi 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. The retiring Directors, being eligible, all offer themselves for re-election.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT
Biography of Directors and senior management are set out in the section headed "Directors and Senior Management" of this annual report.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2008, the interests of the Directors in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) (the "Associated Corporations") as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

(i) Company

	Number of ordinary shares		Number of underlying ordinary shares held under		Approximate %
Name of Director	**Personal interests[1]**	**Other interests[4]**	**equity derivatives[2]**	**Total**	**of shareholding[5]**
Mr KUOK Khoon Chen	1,004	10,974,137	–	10,975,141	0.77
Mr WONG Siu Kong	–	50,000	3,912,000	3,962,000	0.28
Mr HO Shut Kan	–	50,000	1,200,000	1,250,000	0.09
Mr MA Wing Kai, William	81,020	50,000	1,280,000	1,411,020	0.10
Mr SO Hing Woh, MBE, JP	–	50,000	–	50,000	0.00
Mr CHAN Wai Ming, William	4,000	50,000	800,000	854,000	0.06
Mr QIAN Shaohua	–	50,000	800,000	850,000	0.06

(ii) Associated Corporations

		Number of ordinary shares				
Name of Associated Corporation	**Name of Director**	**Personal interests[1]**	**Corporate interests[3]**	**Other interests[4]**	**Total**	**Approximate % of shareholding**
Kerry Group Limited	Mr KUOK Khoon Chen	7,651,791	6,500,000	280,286,813	294,438,604	19.27[6]
	Mr WONG Siu Kong	4,617,263	8,504,300	–	13,121,563	0.86[6]
	Mr HO Shut Kan	1,388,452	–	–	1,388,452	0.09[6]
	Mr MA Wing Kai, William	1,010,620	–	–	1,010,620	0.07[6]
	Mr CHAN Wai Ming, William	100,000	–	–	100,000	0.01[6]
	Mr QIAN Shaohua	500,000	–	–	500,000	0.03[6]
	Mr TSE Kai Chi	600,000	–	–	600,000	0.04[6]
Kerry Siam Seaport Limited	Mr MA Wing Kai, William	1	–	–	1	0.00
SCMP Group Limited	Mr KUOK Khoon Chen	8,000	–	20,000	28,000	0.00[7]
Shang Properties, Inc.	Mr HO Shut Kan	1,570	–	–	1,570	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 of Directors.
3. This represents interests held by the relevant Director through his controlled corporation(s).
4. This represents interests held by the relevant Director through discretionary trust(s) of which the relevant Director is a contingent beneficiary.
5. The percentage has been adjusted based on the total number of ordinary shares of the Company in issue as at 31 December 2008 (i.e. 1,427,189,759 ordinary shares).
6. The percentage has been adjusted based on the total number of ordinary shares of Kerry Group Limited ("KGL") in issue as at 31 December 2008 (i.e. 1,527,684,428 ordinary shares).
7. The percentage has been adjusted based on the total number of ordinary shares of SCMP Group Limited in issue as at 31 December 2008 (i.e. 1,560,945,596 ordinary shares).

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

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

Save as aforesaid, as at 31 December 2008, 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

As at 31 December 2008, 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 of Directors.

Apart from the aforesaid, at no time during the year ended 31 December 2008 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 2008, 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	53.07
Kerry Holdings Limited	Interest of controlled corporations	757,398,587[1]	Long position	53.07
Caninco Investments Limited	Beneficial owner	310,718,565[1]	Long position	21.77
Darmex Holdings Limited	Beneficial owner	255,640,776[1]	Long position	17.91
Moslane Limited	Beneficial owner	88,085,647[1]	Long position	6.17
JPMorgan Chase & Co.	Interest of controlled corporations	83,933,676	Long position	5.88
		2,220,570	Short position	0.16
		46,821,809	Lending pool	3.28
Morgan Stanley	Interest of controlled corporations	72,569,337	Long position	5.08
		9,585,086	Short position	0.67

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 2008 (i.e. 1,427,189,759 ordinary shares).

Apart from the aforesaid, as at 31 December 2008, 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 of Directors and within the knowledge of the Directors, there was a sufficiency of public float of the Company's securities as required under the Listing Rules.

PRE-EMPTIVE RIGHTS

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

STAFF

As at 31 December 2008, the Company and its subsidiaries had 9,857 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 programmes 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 1997 Share Option Scheme previously adopted by the Company on 27 March 1997 and the adoption of the 2002 Share Option Scheme.

On 2 April 2008, a total of 12,400,000 Options were granted under the 2002 Share Option Scheme. As at 31 December 2008, a total of 17,741,555 Options were outstanding which comprised 1,059,555 and 16,682,000 Options granted under the 1997 Share Option Scheme and the 2002 Share Option Scheme respectively.

On 6 February 2009, a total of 7,830,000 Options were granted under the 2002 Share Option Scheme. Accordingly, as at the date of this report of Directors, a total of 25,571,555 Options were outstanding which comprised 1,059,555 and 24,512,000 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 maximizing 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 in its absolute discretion, save that no Option might be exercised later than 10 years from the date on which the Option was granted. The amount paid on acceptance of an Option was HK$1. The subscription price for any particular outstanding Option was determined by the Board 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 optimize 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): (1) 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 may think fit seek approval from its shareholders to refresh the Scheme Mandate Limit; and (2) shall not exceed 10% of the Shares in issue as at the date of approval by its shareholders 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. Moreover, 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 2008, a total of 52,594,403 Shares (representing approximately 3.69% 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 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 2008 are listed below in accordance with Rule 17.07 of the Listing Rules:

Category	Date of grant	Tranche	Number of Options held as at 01/01/2008	Transfer from other category during the year	Transfer to other category during the year	Number of Options exercised during the year (Notes 1 & 2)	Number of Options held as at 31/12/2008	Exercise price HK$	Exercise period
1. Directors									
Mr ANG Keng Lam	16/04/2002	I	518,248	–	(518,248)	–	–	6.85	16/04/2003 – 15/04/2012
(resigned on 3 June 2008)	16/04/2002	II	518,247	–	(518,247)	–	–	6.85	16/04/2004 – 15/04/2012
2. Continuous Contract Employees	01/06/2000	I	30,000	–	–	(27,000)	3,000	6.70	01/06/2001 – 31/05/2010
	01/06/2000	II	72,564	–	–	(27,000)	45,564	6.70	01/06/2002 – 31/05/2010
	01/06/2000	III	96,616	–	–	(24,878)	71,738	6.70	01/06/2003 – 31/05/2010
	02/03/2001	I	37,000	–	–	–	37,000	11.59	02/03/2002 – 01/03/2011
	02/03/2001	II	45,000	–	–	(8,000)	37,000	11.59	02/03/2003 – 01/03/2011
	02/03/2001	III	44,038	–	–	(12,208)	31,830	11.59	02/03/2004 – 01/03/2011
	16/04/2002	I	101,711	–	–	(3,247)	98,464	6.85	16/04/2003 – 15/04/2012
	16/04/2002	II	111,711	–	–	(13,247)	98,464	6.85	16/04/2004 – 15/04/2012
3. Others	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
	16/04/2002	I	–	518,248	–	(400,000)	118,248	6.85	16/04/2003 – 15/04/2012
	16/04/2002	II	–	518,247	–	–	518,247	6.85	16/04/2004 – 15/04/2012
Total:			**1,772,534**	**1,036,495**	**(1,036,495)**	**(712,979)**	**1,059,555**		

SHARE OPTIONS (Continued)

Movements of the Options, which were granted under the 2002 Share Option Scheme, during the year ended 31 December 2008 are listed below in accordance with Rule 17.07 of the Listing Rules:

Category	Date of grant	Tranche	Number of Options held as at 01/01/2008	Number of Options granted during the year	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 held as at 31/12/2008	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
(resigned on 3 June 2008)	17/03/2005	II	750,000	–	–	(750,000)	–	–	18.74	17/03/2007 – 16/03/2015
Mr WONG Siu Kong	17/03/2005	I	162,000	–	–	–	–	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
	02/04/2008	I	–	750,000	–	–	–	750,000	47.70	02/04/2009 – 01/04/2018
	02/04/2008	II	–	750,000	–	–	–	750,000	47.70	02/04/2010 – 01/04/2018
	02/04/2008	III	–	1,500,000	–	–	–	1,500,000	47.70	02/04/2011 – 01/04/2018
Mr HO Shut Kan	02/04/2008	I	–	300,000	–	–	–	300,000	47.70	02/04/2009 – 01/04/2018
	02/04/2008	II	–	300,000	–	–	–	300,000	47.70	02/04/2010 – 01/04/2018
	02/04/2008	III	–	600,000	–	–	–	600,000	47.70	02/04/2011 – 01/04/2018
Mr MA Wing Kai, William	17/03/2005	I	320,000	–	–	–	(240,000)	80,000	18.74	17/03/2006 – 16/03/2015
	17/03/2005	II	400,000	–	–	–	–	400,000	18.74	17/03/2007 – 16/03/2015
	02/04/2008	I	–	200,000	–	–	–	200,000	47.70	02/04/2009 – 01/04/2018
	02/04/2008	II	–	200,000	–	–	–	200,000	47.70	02/04/2010 – 01/04/2018
	02/04/2008	III	–	400,000	–	–	–	400,000	47.70	02/04/2011 – 01/04/2018
Mr CHAN Wai Ming, William	02/04/2008	I	–	200,000	–	–	–	200,000	47.70	02/04/2009 – 01/04/2018
	02/04/2008	II	–	200,000	–	–	–	200,000	47.70	02/04/2010 – 01/04/2018
	02/04/2008	III	–	400,000	–	–	–	400,000	47.70	02/04/2011 – 01/04/2018
Mr QIAN Shaohua	02/04/2008	I	–	200,000	–	–	–	200,000	47.70	02/04/2009 – 01/04/2018
	02/04/2008	II	–	200,000	–	–	–	200,000	47.70	02/04/2010 – 01/04/2018
	02/04/2008	III	–	400,000	–	–	–	400,000	47.70	02/04/2011 – 01/04/2018
2. Continuous Contract	17/03/2005	I	667,500	–	–	–	(37,500)	630,000	18.74	17/03/2006 – 16/03/2015
Employees	17/03/2005	II	1,197,500	–	–	–	(457,500)	740,000	18.74	17/03/2007 – 16/03/2015
	02/04/2008	I	–	1,300,000	–	–	–	1,300,000	47.70	02/04/2009 – 01/04/2018
	02/04/2008	II	–	1,300,000	–	–	–	1,300,000	47.70	02/04/2010 – 01/04/2018
	02/04/2008	III	–	2,600,000	–	–	–	2,600,000	47.70	02/04/2011 – 01/04/2018
3. Others	17/03/2005	I	–	–	750,000	–	–	750,000	18.74	17/03/2006 – 16/03/2015
	17/03/2005	II	20,000	–	750,000	–	–	770,000	18.74	17/03/2007 – 16/03/2015
	02/04/2008	I	–	150,000	–	–	–	150,000	47.70	02/04/2009 – 01/04/2018
	02/04/2008	II	–	150,000	–	–	–	150,000	47.70	02/04/2010 – 01/04/2018
	02/04/2008	III	–	300,000	–	–	–	300,000	47.70	02/04/2011 – 01/04/2018
Total:			**5,017,000**	**12,400,000**	**1,500,000**	**(1,500,000)**	**(735,000)**	**16,682,000**		

Notes:

1. The weighted average closing price of the Shares immediately before the dates on which the Options were exercised was HK$49.62.
2. During the year, no Options were granted/granted for adjustment, cancelled or lapsed under the 1997 Share Option Scheme.
3. During the year, no Options were granted for adjustment, cancelled or lapsed 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 2008 and up to the date of this report of Directors, 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.

Messrs Kuok Khoon Chen and Wong Siu Kong were directors of subsidiaries of Shangri-La Asia Limited ("SA") and both of them 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 was primarily listed on the main board of the Stock Exchange with secondary listing on the Singapore Exchange Securities Trading Limited as at the date of this report of Directors.

Messrs Kuok Khoon Chen and Wong Siu Kong were directors of (but both of them did not have any interests in shares in) the China World Trade Center Co., Ltd. ("CWTC") group of companies, the businesses of which consisted of property investment and development and hotel ownership and operation in 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 PRC, it is likely that these Excluded Businesses may compete with the property and hotel businesses of the Group in PRC.

The Excluded Businesses are operated and managed by companies (and in the case of SA and CWTC, 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 10 March 2008, a consortium formed between Kerry Properties (China) Limited (incorporated in Hong Kong) ("KPCL") (an indirect wholly-owned subsidiary of the Company) and Shangri-La China Limited ("SACL") (an indirect wholly-owned subsidiary of SA) won a bid at an open bidding to acquire the land use rights of a plot of land at the Central District of Honggutan, Nanchang City, Jiangxi Province, PRC (the "Project Site"). KPCL and SACL is now holding 80% and 20% respectively in the joint venture company established for the purposes of acquiring, holding and developing of the Project Site.

   The consideration for the acquisition of the Project Site was approximately RMB258,000,000 (approximately HK$283,000,000). The maximum contribution of the Company to the joint venture company is expected to be approximately RMB1,760,000,000 (HK$1,927,000,000).

   KHL is a controlling shareholder of the Company. SA is an associate of KHL under the Listing Rules and therefore a connected person of the Company. The establishment of the joint venture company constituted 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 22 April 2008.

2. On 23 April 2008, the Company entered into an agreement with COFCO (Hong Kong) Limited ("COFCO HK"), Crosslight International Limited ("Crosslight") and Kerry Properties (China) Limited (incorporated in the British Virgin Islands) ("Kerry China") (a direct wholly-owned subsidiary of the Company) pursuant to which the Company has conditionally acquired, through Kerry China, 10% of the issued share capital of and the proportionate shareholder's loan in Hong Kong Shanghai Development Co Ltd ("HKSD") from COFCO HK, through Crosslight, at an aggregate consideration of RMB383,887,000 (approximately HK$427,967,670).

   The consideration has been satisfied by (i) Kerry China transferring its entire interest in Nite Lites Limited ("NLL") and assigning its loan made to NLL to COFCO HK; and (ii) the Company paying an amount of RMB57,637,000 (approximately HK$64,255,295) to COFCO HK. The Company is now indirectly owning 75% of the issued share capital of HKSD and has disposed of its entire indirect interest in NLL to COFCO HK.

   Crosslight was a substantial shareholder of HKSD and HKSD was an indirect 65%-owned subsidiary of the Company. COFCO HK was the holding company, and was hence an associate, of Crosslight. Crosslight and COFCO HK were therefore connected persons of the Company. Accordingly, the aforesaid transaction constituted a connected transaction for the Company under the Listing Rules.

3. On 26 April 2008, Golden Snow Limited ("GSL"), Peterson Holdings Company Limited ("PHCL"), Peterson Property (Holdings) Company Limited ("PP(H)CL"), Mr Yeung Sai Hong ("Mr Yeung"), Precious Path Limited ("PPL") (an indirect wholly-owned subsidiary of the Company) and Wing Tsing Financial Services Limited ("WTFSL") (an indirect wholly-owned subsidiary of the Company) entered into a sale and purchase agreement for the formation of a joint venture company by way of acquisition of 71% of the entire issued share capital of Fancy Win Limited (a wholly-owned subsidiary of GSL) and the proportionate shareholder's loans at an aggregate consideration of HK$696,725,019 for the purpose of holding of various properties located at (i) Li Sing Street; (ii) Wilmer Street; and (iii) Queen's Road West, Hong Kong respectively for re-development.

   The joint venture company is owned by GSL and PPL in the proportions of 29% and 71% respectively and that the maximum contribution of the Company to the joint venture company is expected to be approximately HK$907,000,000.

   PHCL is a substantial shareholder of an indirect 71%-owned subsidiary of the Company. Both PHCL and PP(H)CL are beneficially owned by Mr Yeung and PP(H)CL is the holding company of GSL. PHCL, PP(H)CL, GSL and Mr Yeung are each therefore a connected person of the Company. Accordingly, the entering into of the sale and purchase agreement constituted a connected transaction for the Company under the Listing Rules.

CONNECTED TRANSACTIONS (Continued)

4. On 21 July 2008, KPCL, Jeston Investments Pte Ltd ("JIPL") (a direct wholly-owned subsidiary of Allgreen Properties Limited ("APL")), SACL and Winson Terrace International Limited ("WTIL") (an indirect wholly-owned subsidiary of Kuok Brothers Sdn. Bhd. ("KB")) jointly won the bids at the open biddings to acquire the land use rights of three plots of land all located at Feng Huang Xin Cheng, Tangshan City, Hebei Province, PRC (the "Tangshan Sites"). KPCL, JIPL, SACL and WTIL entered into a master joint venture agreement pursuant to which KPCL, JIPL, SACL and WTIL will hold 40%, 25%, 20% and 15% respectively in one or more joint venture companies to be established for the purposes of acquiring, holding and developing of the Tangshan Sites.

   The consideration for the acquisition of the Tangshan Sites was approximately RMB1,705,000,000 (approximately HK$1,960,000,000). The maximum contribution of the Company to the joint venture company(ies) is expected to be approximately RMB2,920,000,000 (approximately HK$3,356,000,000).

   Kuok (Singapore) Limited ("KSL") is interested in approximately 34.1% of the issued share capital of APL. KSL indirectly owns 33% of the issued shares of a 67%-owned subsidiary of the Company and therefore APL is a connected person of the Company. SA is a connected person of the Company. KB is entitled to indirectly exercise 49% of the voting power at general meetings of a 51%-owned subsidiary of the Company and is therefore a connected person of the Company. Accordingly, the entering into of the master joint venture agreement constituted 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 4 September 2008.

   On 15 January 2009, KPCL, JIPL, SACL and WTIL entered into a cancellation agreement with Tangshan City Land Resources Transactions Centre ("TCLR") to relinquish their rights to acquire the land use rights of the Tangshan Sites as the joint venture parties decided to adopt a more conservative approach in relation to the project in light of the current market conditions. A penalty of a sum of RMB21,000,000 (approximately HK$23,900,000) was deducted from the deposit by TCLR whilst the balance of the deposit in the amount of RMB679,000,000 was refunded.

5. On 23 September 2008, KPCL, SACL and Belfin Investments Pte Ltd ("BIPL") (a direct wholly-owned subsidiary of APL) jointly won a bid at an open bidding to acquire the land use rights of a plot of land located at Zhong Yang Road, Gu Lou District, Nanjing, Jiangsu Province, PRC (the "Nanjing Site"). KPCL, SACL and BIPL will hold 45%, 40% and 15% respectively in the joint venture company to be established for the purposes of acquiring, holding and developing of the Nanjing Site.

   The consideration for the acquisition of the Nanjing Site was RMB200,000,000 (approximately HK$230,000,000). The maximum contribution of the Company to the joint venture company is expected to be approximately RMB675,000,000 (approximately HK$776,000,000).

   APL and SA are connected persons of the Company. Accordingly, the establishment of the joint venture company constituted a connected transaction for the Company under the Listing Rules.

CONNECTED TRANSACTIONS (Continued)

6. On 28 October 2008, the Company and SA entered into a supplemental agreement in relation to the joint acquisition, ownership and development of the sites in Jingan District, Shanghai, PRC pursuant to which the Company and SA agreed that the maximum total commitment of the project as referred to in the master agreement previously approved by the independent shareholders of the Company at the special general meeting held on 25 June 2004 shall be increased from US$700,000,000 to RMB7,600,000,000.

   The proportionate additional funding commitment of the Company is approximately RMB924,324,000. The maximum funding commitment of the Company in respect of the project (including the commitments which the Company have already made) will be increased to RMB3,876,000,000.

   SA is a connected person of the Company. The entering into of the supplemental agreement constituted 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 8 December 2008.

7. On 6 January 2009, the Company announced that (i) Magnifair Company Limited ("Magnifair") (through its agent, Kerry Real Estate Agency Limited) (as Vendor) had on 29 August 2008 entered into three memoranda for sale with Metropoly Limited and Ms Ruth Kuok respectively (collectively, the "SOHO Purchasers") in relation to the sales and purchases of three property units at 38 Shelley Street, Mid-Levels, Hong Kong (the "SOHO Units") for a total consideration of HK$33,715,000; and (ii) Woody Company Limited ("Woody") (through its agent, Kerry Real Estate Agency Limited) (as Vendor) had on 2 January 2009 entered into three provisional agreements for sale and purchase with Connolly Limited, Triple Wise Holdings Limited and All Sheen Limited respectively (collectively, the "Belgravia Purchasers") in relation to the sales and purchases of three property units and six car-parking spaces at 57 South Road, Repulse Bay, Hong Kong (the "Belgravia Units") for a total consideration of HK$109,050,500.

   Magnifair and Woody (the "Vendors") are indirect wholly-owned subsidiaries of the Company. Connolly Limited and Ms Ruth Kuok are associates of the Chairman of the Company. Triple Wise Holdings Limited is an associate of the President & Chief Executive Officer of the Company. All Sheen Limited and Metropoly Limited are associates of Mr Ang Keng Lam, who is a director of the Company's subsidiary companies. The SOHO Purchasers and the Belgravia Purchasers are therefore regarded as connected persons of the Company. Accordingly, the sales of the SOHO Units and the Belgravia Units by the Vendors to the SOHO Purchasers and the Belgravia Purchasers constituted connected transactions for the Company under the Listing Rules.

8. On 4 February 2009, KPCL, JIPL, SACL and WTIL entered into a joint bid agreement in relation to the joint payment of a deposit (the "Deposit") in the sum of RMB239,000,000 to TCLR and the joint participation in an open bidding for the land use rights of two plots of land both located at Feng Huang Xin Cheng, Tangshan City, Hebei Province, PRC (the "New Tangshan Sites") in the proportion of interests of 40%, 25%, 20% and 15% respectively.

   APL, SA and KB are connected persons of the Company. Accordingly, the payment of the Deposit and the entering into of the joint bid agreement constituted connected transactions for the Company under the Listing Rules.

CONNECTED TRANSACTIONS (Continued)

9. On 11 February 2009, KPCL, JIPL, SACL and WTIL jointly won the bids at the open biddings to acquire the land use rights of the New Tangshan Sites. KPCL, JIPL, SACL and WTIL entered into a master joint venture agreement pursuant to which KPCL, JIPL, SACL and WTIL will hold 40%, 25%, 20% and 15% respectively in one or two joint venture companies to be established for the purposes of acquiring, holding and developing of the New Tangshan Sites.

   The consideration for the acquisition of the New Tangshan Sites was approximately RMB377,000,000 (approximately HK$428,000,000). The maximum contribution of the Company to the joint venture company(ies) is expected to be approximately RMB854,400,000 (approximately HK$971,000,000).

   APL, SA and KB are connected persons of the Company. Accordingly, the entering into of the master joint venture agreement and the transactions contemplated thereunder constituted connected transactions for the Company under the Listing Rules and approval by the independent shareholders of the Company is required at a special general meeting to be held on 31 March 2009.

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 Shangri-La's Kerry Centre Hotel (formerly known as Beijing Kerry Centre Hotel), Beijing 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 Shangri-La's Kerry Centre Hotel. BKCH is owned as to 71.25% by KPCL, 23.75% by the SA group and 5% by an independent third party. 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 2008 amount to HK$23,213,170, 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.

CONTINUING CONNECTED TRANSACTIONS (Continued)

The auditor of the Company has provided a letter to the Board of Directors of the Company confirming that the continuing connected transactions:

1. have received the approval of the Board of Directors of the Company;

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
Kuok Khoon Chen
Chairman
Hong Kong, 18 March 2009

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 97 to 191, which comprise the consolidated and company balance sheets as at 31 December 2008, 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 2008 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, 18 March 2009

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2008

	Note	2008 HK$'000	Restated 2007 HK$'000
Turnover	5	**13,115,698**	11,272,388
Cost of sales		**(1,145,620)**	(547,538)
Direct operating expenses		**(8,002,299)**	(7,346,970)
Gross profit		**3,967,779**	3,377,880
Other income and net gains	6	**580,279**	699,627
Administrative expenses		**(1,114,548)**	(806,594)
Increase in fair value of investment properties		**1,006,136**	4,493,935
Operating profit before finance costs	7	**4,439,646**	7,764,848
Finance costs	8	**(279,140)**	(300,907)
Operating profit		**4,160,506**	7,463,941
Share of results of associated companies		**298,863**	431,976
Profit before taxation		**4,459,369**	7,895,917
Taxation	9	**(1,085,978)**	(1,014,564)
Profit for the year		**3,373,391**	6,881,353
Profit attributable to:			
Company's shareholders		**3,050,593**	6,563,092
Minority interests		**322,798**	318,261
		3,373,391	6,881,353
Dividends	11	**999,338**	1,386,741
Earnings per share			
– Basic	12	**HK$2.14**	HK$4.95
– Diluted	12	**HK$2.13**	HK$4.74

CONSOLIDATED BALANCE SHEET
As at 31 December 2008

	Note	2008 HK$'000	2007 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	**3,036,006**	3,102,485
Investment properties	15	**29,709,611**	28,324,740
Leasehold land and land use rights	16	**520,176**	402,478
Properties under development	17	**20,206,602**	14,138,189
Land deposits		**3,113,939**	3,525,737
Associated companies	19	**6,100,933**	5,686,005
Derivative financial instruments	20	**–**	18,684
Available-for-sale investments	21	**1,265,693**	1,789,752
Long-term receivables	22	**26,711**	36,748
Goodwill	23	**508,749**	306,149
		64,488,420	57,330,967
Current assets			
Properties under development	17	**5,933,005**	5,408,011
Completed properties held for sale	24	**819,132**	579,784
Accounts receivable, prepayments and deposits	22	**3,772,279**	2,731,716
Tax recoverable		**107,966**	102,248
Tax reserve certificates		**21,790**	21,790
Listed securities at fair value through profit or loss	25	**102,284**	224,743
Derivative financial instruments	20	**4,884**	–
Pledged bank deposits	41	**1,235**	64,234
Cash and bank balances	26	**4,081,611**	4,236,714
		14,844,186	13,369,240
Current liabilities			
Accounts payable, deposits received and accrued charges	27	**3,533,779**	4,330,440
Taxation		**676,332**	587,346
Short-term bank loans and current portion of long-term bank loans	28	**1,907,948**	649,555
Derivative financial instruments	20	**–**	32,888
Secured bank overdrafts	26	**3,713**	4,624
Unsecured bank overdrafts	26	**11,472**	26,204
		6,133,244	5,631,057
Net current assets		**8,710,942**	7,738,183
Total assets less current liabilities		**73,199,362**	65,069,150
Non-current liabilities			
Long-term bank loans	28	**8,495,475**	6,953,242
Convertible bonds	29	**2,472,202**	2,346,387
Fixed rate bonds	30	**3,236,664**	3,254,340
Amounts due to minority shareholders	31	**2,646,477**	2,378,154
Derivative financial instruments	20	**143,652**	63,410
Deferred taxation	32	**3,661,109**	3,295,152
		20,655,579	18,290,685
ASSETS LESS LIABILITIES		**52,543,783**	46,778,465
EQUITY			
Capital and reserves attributable to the Company's shareholders			
Share capital	33	**1,427,190**	1,424,278
Share premium	35	**11,899,348**	11,804,186
Other reserves	36	**11,998,505**	11,263,616
Retained profits		**20,642,488**	18,592,906
Proposed final dividend	11	**570,876**	925,781
		46,538,407	44,010,767
Minority interests		**6,005,376**	2,767,698
TOTAL EQUITY		**52,543,783**	46,778,465

On behalf of the Board

Kuok Khoon Chen
Director

Wong Siu Kong
Director

BALANCE SHEET
As at 31 December 2008

	Note	2008 HK$'000	2007 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	**5,025**	3,307
Subsidiaries	18	**38,776,542**	35,590,418
Derivative financial instruments	20	**–**	18,684
		38,781,567	35,612,409
Current assets			
Dividends receivable		**1,400,000**	1,400,000
Accounts receivable, prepayments and deposits		**12,218**	9,618
Derivative financial instruments	20	**4,884**	–
Tax recoverable		**–**	245
Cash and bank balances	26	**54,430**	43,915
		1,471,532	1,453,778
Current liabilities			
Accounts payable and accrued charges		**50,650**	87,924
Short-term bank loans and current portion of long-term bank loans	28	**1,400,000**	150,000
Derivative financial instruments	20	**–**	32,888
		1,450,650	270,812
Net current assets		**20,882**	1,182,966
Total assets less current liabilities		**38,802,449**	36,795,375
Non-current liabilities			
Long-term bank loans	28	**5,890,000**	4,190,000
Derivative financial instruments	20	**143,652**	63,410
		6,033,652	4,253,410
ASSETS LESS LIABILITIES		**32,768,797**	32,541,965
EQUITY			
Capital and reserves attributable to the Company's shareholders			
Share capital	33	**1,427,190**	1,424,278
Share premium	35	**11,899,348**	11,804,186
Other reserves	36	**18,121,064**	18,043,069
Retained profits		**750,319**	344,651
Proposed final dividend	11	**570,876**	925,781
TOTAL EQUITY		**32,768,797**	32,541,965

On behalf of the Board

Kuok Khoon Chen
Director

Wong Siu Kong
Director

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2008

	Note	2008 HK$'000	2007 HK$'000
Operating activities			
Net cash generated from operations	37(a)	**2,448,219**	1,962,147
Interest paid		**(624,165)**	(591,111)
Income tax paid		**(750,472)**	(266,956)
Net cash generated from operating activities		**1,073,582**	1,104,080
Investing activities			
Additions of property, plant and equipment		**(223,461)**	(222,366)
Additions of investment properties		**(379,847)**	(57,456)
Additions of properties under development		**(1,281,181)**	(8,389,990)
Purchase of leasehold land and land use rights		**(57,500)**	–
Increase in land deposits		**(3,827,456)**	–
Acquisition of subsidiaries and business	37(c)	**(1,006,815)**	(76,237)
Acquisition of additional interest in subsidiaries		**(176,165)**	(22,970)
Disposal of subsidiaries	37(d)	**(6,281)**	54,241
Disposal of partial interest in subsidiaries		**2,000,154**	–
Increase in investments in associated companies		**(659,338)**	(736,515)
Repayment of loans from associated companies		**76,488**	264,205
Additions of available-for-sale investments		**–**	(119,977)
Proceeds from sale of available-for-sale investments		**–**	3,823
Decrease in long-term receivables		**10,245**	27,328
Interest received		**96,894**	121,958
Decrease/(increase) in pledged bank deposits		**66,968**	(16,971)
Dividends received from associated companies		**236,356**	223,483
Dividends received from listed and unlisted investments		**75,073**	45,662
Repayment of loans from investee companies		**458**	795
Proceeds from sale of property, plant and equipment		**17,706**	21,655
Proceeds from sale of investment properties		**1,122,207**	1,087,373
Proceeds from sale of listed securities at fair value through profit or loss		**–**	14,164
Proceeds from sale of properties under development		**14,296**	262,800
Proceeds from sale of investment in associated companies		**–**	1,302,987
Net cash used in investing activities		**(3,901,199)**	(6,212,008)
Financing activities			
Proceeds from issue of shares		**19,021**	66,469
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
Repayment of bank loans		**(5,638,649)**	(12,050,274)
Drawdown of bank loans		**8,475,672**	12,412,587
Dividends paid		**(1,279,497)**	(335,625)
Capital injection from minority shareholders		**903,971**	82,633
Dividends paid to minority shareholders in subsidiaries		**(65,475)**	(54,233)
Return of capital to minority shareholders		**(1,046)**	(3,073)
Increase in loans from minority shareholders		**189,864**	41,813
Net cash generated from financing activities		**2,603,861**	6,565,618
(Decrease)/increase in cash and cash equivalents		**(223,756)**	1,457,690
Effect of exchange rate changes		**84,296**	63,528
Cash and cash equivalents at 1 January		**4,205,886**	2,684,668
Cash and cash equivalents at 31 December	26	**4,066,426**	4,205,886

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2008

	Attributable to the shareholders of the Company							
	Share capital HK$'000	Share premium HK$'000	Other reserves HK$'000	Retained profits HK$'000	Proposed dividend HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2008

Continued

	Attributable to the shareholders of the Company							
	Share capital HK$'000	Share premium HK$'000	Other reserves HK$'000	Retained profits HK$'000	Proposed dividend HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
Balance at 1 January 2008	1,424,278	11,804,186	11,263,616	18,592,906	925,781	44,010,767	2,767,698	46,778,465
Fair value gain on leasehold and freehold land and buildings and port facilities	–	–	72,074	–	–	72,074	7,839	79,913
Deferred tax on fair value gain of leasehold and freehold land and buildings and port facilities	–	–	(12,926)	–	–	(12,926)	(6,000)	(18,926)
Fair value loss on available-for-sale investments	–	–	(102,950)	–	–	(102,950)	–	(102,950)
Fair value loss on derivative financial instruments	–	–	(6,382)	–	–	(6,382)	–	(6,382)
Exchange differences arising on translation of the financial statements of the PRC and overseas subsidiaries and associated companies	–	–	724,862	–	–	724,862	367,153	1,092,015
Reversal of reserves on disposal of a subsidiary	–	–	(19,457)	–	–	(19,457)	–	(19,457)
Net income recognised directly in equity	–	–	655,221	–	–	655,221	368,992	1,024,213
Profit for the year	–	–	–	3,050,593	–	3,050,593	322,798	3,373,391
Total recognised income and expense for the year ended 31 December 2008	–	–	655,221	3,050,593	–	3,705,814	691,790	4,397,604
Issue of share capital								
– scrip dividend	1,464	73,282	–	–	–	74,746	–	74,746
– exercise of share options	1,448	21,880	(4,307)	–	–	19,021	–	19,021
Provision for share option expense	–	–	82,302	–	–	82,302	–	82,302
Dividends paid	–	–	–	(428,462)	(925,781)	(1,354,243)	(65,475)	(1,419,718)
2008 proposed final dividend	–	–	–	(570,876)	570,876	–	–	–
Transfer	–	–	1,673	(1,673)	–	–	–	–
Acquisition of subsidiaries	–	–	–	–	–	–	150,513	150,513
Acquisition of additional interest in subsidiaries	–	–	–	–	–	–	(187,885)	(187,885)
Disposal of partial interest in subsidiaries	–	–	–	–	–	–	1,745,810	1,745,810
Return of capital to minority shareholders	–	–	–	–	–	–	(1,046)	(1,046)
Capital injection from minority shareholders	–	–	–	–	–	–	903,971	903,971
	2,912	95,162	79,668	(1,001,011)	(354,905)	(1,178,174)	2,545,888	1,367,714
Balance at 31 December 2008	**1,427,190**	**11,899,348**	**11,998,505**	**20,642,488**	**570,876**	**46,538,407**	**6,005,376**	**52,543,783**

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 18 March 2009.

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 amendments and interpretations to existing standard have been published that are effective for the accounting period of the Group beginning on 1 January 2008:

- HKAS 39, 'Financial instruments: Recognition and measurement', amendment on reclassification of financial assets permits reclassification of certain financial assets out of the held-for-trading and available-for-sale categories if specified conditions are met. The related amendment to HKFRS 7, 'Financial instruments: Disclosures', introduces disclosure requirements with respect to financial assets reclassified out of the held-for-trading and available-for-sale categories. The amendment is effective prospectively from 1 July 2008. This amendment does not have any impact on the Group's financial statements, as the Group has not reclassified any financial assets.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of preparation (Continued)

- HK(IFRIC) – Int 11, 'HKFRS 2 – Group and treasury share transactions', provides guidance on whether share-based transactions involving treasury shares or involving group entities (for example, options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies. This interpretation does not have any significant impact on the Group and the Company's financial statements.

- HK(IFRIC) – Int 12, 'Service concession arrangements', 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.

The following standards, amendments to existing standards and interpretations have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2009 or later periods, but the Group has not early adopted them:

Beginning on 1 January 2009:

- HKAS 1 (Revised), 'Presentation of financial statements', will prohibit the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the consolidated income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The Group will apply HKAS 1 (Revised) from 1 January 2009. It is likely that both the consolidated income statement and statement of comprehensive income will be presented as performance statements.

- HKAS 23 (Revised), 'Borrowing costs', 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.

- HKAS 32 (Amendment), 'Financial instruments: Presentation', and HKAS 1 (Amendment), 'Presentation of financial statements' – 'Puttable financial instruments and obligations arising on liquidation'. The amended standards require entities to classify puttable financial instruments and instruments, or components of instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation as equity, provided the financial instruments have particular features and meet specific conditions. The Group has already commenced an assessment of the impact of these amendments but is not yet in a position to state whether these would have a significant impact on its results of operations and financial position.

- HKFRS 1 (Amendment), 'First time adoption of HKFRS' and HKAS 27 'Consolidated and separate financial statements', allow first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements. The amendment also removes the definition of the cost method from HKAS 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor. The Company will apply this amendment prospectively from 1 January 2009 in its separate financial statements. This amendment will have no impact on the Group's financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of preparation (Continued)

- HKFRS 2 (Amendment), 'Share-based payment', deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. As such these features would need to be included in the grant date fair value for transactions with employees and others providing similar services, that is, these features would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Group has already commenced an assessment of the impact of this amendment but is not yet in a position to state whether it would have a significant impact on its results of operations and financial position.

- HKFRS 8, 'Operating segments', replaces HKAS 14, 'Segment reporting', and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. 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 standard and considers that this would only affect the presentation of the segment results and financial position.

- HK(IFRIC) – Int 13, 'Customer loyalty programmes', 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 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.

- HK(IFRIC) – Int 16, 'Hedges of a net investment in a foreign operation', clarifies the accounting treatment in respect of net investment hedging. This includes the fact that net investment hedging relates to differences in functional currency not presentation currency, and hedging instruments may be held anywhere in the Group. The requirements of HKAS 21, 'The effects of changes in foreign exchange rates', do apply to the hedged item. The Group has already commenced an assessment of the impact of this 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.

Beginning on 1 January 2010:

- HKAS 27 (Revised), 'Consolidated and separate financial statements', requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value and a gain or loss is recognised in profit or loss. 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of preparation (Continued)

- HKFRS 3 (Revised), 'Business combinations' (effective from 1 July 2009), continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the consolidated income statement. There is a choice on an acquisition by acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply HKFRS 3 (Revised) prospectively to all business combinations from 1 January 2010.

HKICPA has made amendments to HKFRS in October 2008 in response to the annual improvements project. These amendments are mandatory for the Group's accounting periods beginning on or after 1 January 2009 or later periods, but the Group has not early adopted them:

Beginning on 1 January 2009:

- HKAS 1 (Amendment), 'Presentation of financial statements', clarifies that some rather than all financial assets and liabilities classified as held for trading in accordance with HKAS 39, 'Financial instruments: Recognition and measurement' are examples of current assets and liabilities respectively. The Group will apply the HKAS 1 (Amendment) from 1 January 2009. The Group has already commenced an assessment of the impact of this amendment 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 16 (Amendment), 'Property, plant and equipment' (and consequential amendment to HKAS 7, 'Statement of cash flows'), clarifies that entities whose ordinary activities comprise renting and subsequently selling assets present proceeds from the sale of those assets as revenue and should transfer the carrying amount of the asset to inventories when the asset becomes held for sale. A consequential amendment to HKAS 7 states that cash flows arising from purchase, rental and sale of those assets are classified as cash flows from operating activities. The Group has already commenced an assessment of the impact of this amendment 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 19 (Amendment), 'Employee benefits':

  - The amendment clarifies that a plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases is a curtailment, while an amendment that changes benefits attributable to past service gives rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation.

  - The definition of return on plan assets has been amended to state that plan administration costs are deducted in the calculation of return on plan assets only to the extent that such costs have been excluded from measurement of the defined benefit obligation.

  - The distinction between short term and long term employee benefits will be based on whether benefits are due to be settled within or after 12 months of employee service being rendered.

  - HKAS 37, 'Provisions, contingent liabilities and contingent assets' requires contingent liabilities to be disclosed, not recognised. HKAS 19 has been amended to be consistent.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of preparation (Continued)

- HKAS 23 (Amendment), 'Borrowing costs', clarifies the definition of borrowing costs so that interest expense is calculated using the effective interest method defined in HKAS 39 'Financial instruments: Recognition and measurement'. This eliminates the inconsistency of terms between HKAS 39 and HKAS 23. The Group will apply the HKAS 23 (Amendment) prospectively to the capitalisation of borrowing costs on qualifying assets from 1 January 2009.

- HKAS 27 (Amendment), 'Consolidated and separate financial statements', clarifies that where an investment in a subsidiary that is accounted for under HKAS 39, 'Financial instruments: Recognition and measurement', is classified as held for sale under HKFRS 5, 'Non-current assets held for sale and discontinued operations', HKAS 39 would continue to be applied. The amendment will not have an impact on the Group's operations because it is the Group's policy for an investment in subsidiary to be recorded at cost in the standalone accounts of each entity.

- HKAS 28 (Amendment), 'Investments in associates' (and consequential amendments to HKAS 32, 'Financial Instruments: Presentation' and HKFRS 7, 'Financial instruments: Disclosures'), clarifies that an investment in associate is treated as a single asset for the purposes of impairment testing and any impairment loss is not allocated to specific assets included within the investment, for example, goodwill. Reversals of impairment are recorded as an adjustment to the investment balance to the extent that the recoverable amount of the associate increases. The Group will apply the HKAS 28 (Amendment) to impairment tests related to investment in associates and any related impairment losses from 1 January 2009.

- HKAS 36 (Amendment), 'Impairment of assets', clarifies that where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. The Group will apply the HKAS 36 (Amendment) and provide the required disclosure where applicable for impairment tests from 1 January 2009.

- HKAS 38 (Amendment), 'Intangible assets', clarifies that a prepayment may only be recognised in the event that payment has been made in advance of obtaining right of access to goods or receipt of services. The Group will apply the HKAS 38 (Amendment) from 1 January 2009.

- HKAS 38 (Amendment), 'Intangible assets', deletes the wording that states that there is 'rarely, if ever' support for use of a method that results in a lower rate of amortisation than the straight line method. The amendment will not currently have an impact on the Group's operations.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of preparation (Continued)

- HKAS 39 (Amendment), 'Financial instruments: Recognition and measurement':

  – This amendment clarifies that it is possible for there to be movements into and out of the fair value through profit or loss category where a derivative commences or ceases to qualify as a hedging instrument in cash flow or net investment hedge.

  – The definition of financial asset or financial liability at fair value through profit or loss as it relates to items that are held for trading is also amended. This clarifies that a financial asset or liability that is part of a portfolio of financial instruments managed together with evidence of an actual recent pattern of short-term profit-taking is included in such a portfolio on initial recognition.

  – The current guidance on designating and documenting hedges states that a hedging instrument needs to involve a party external to the reporting entity and cites a segment as an example of a reporting entity. This means that in order for hedge accounting to be applied at segment level, the requirements for hedge accounting are currently required to be met by the applicable segment. The amendment removes this requirement so that HKAS 39 is consistent with HKFRS 8, 'Operating segments' which requires disclosure for segments to be based on information reported to the chief operating decision maker.

  – When remeasuring the carrying amount of a debt instrument on cessation of fair value hedge accounting, the amendment clarifies that a revised effective interest rate (calculated at the date fair value hedge accounting ceases) are used.

  The Group will apply the HKAS 39 (Amendment) from 1 January 2009. It is not expected to have an impact on the Group's consolidated income statement.

- HK(IFRIC) – Int 15, 'Agreements for construction of real estates', clarifies whether HKAS 18, 'Revenue' or HKAS 11, 'Construction contracts' should be applied to particular transactions. It is likely to result in HKAS 18 being applied to a wider range of transactions. The Group has already commenced an assessment of the impact of this 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.

- HKAS 40 (Amendment), 'Investment property' (and consequential amendments to HKAS 16), clarifies that a property that is under construction or development for future use as investment property is within the scope of HKAS 40. Where the fair value model is applied, such property is, therefore, measured at fair value. However, where fair value of investment property under construction is not reliably measurable, the property is measured at cost until the earlier of the date construction is completed and the date at which fair value becomes reliably measurable. The Group has already commenced an assessment of the impact of this amendment but is not yet in a position to state whether it would have a significant impact on its results of operations and financial position.

Beginning on 1 January 2010:

- HKFRS 5 (Amendment), 'Non-current assets held for sale and discontinued operations' (and consequential amendment to HKFRS 1, 'First-time adoption'), clarifies that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control, and relevant disclosure should be made for this subsidiary if the definition of a discontinued operation is met. A consequential amendment to HKFRS 1 states that these amendments are applied prospectively from the date of transition to HKFRSs. The Group will apply the HKFRS 5 (Amendment) prospectively to all partial disposals of subsidiaries from 1 January 2010.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of preparation (Continued)

- HKAS 39 (Amendment) 'Financial instruments: Recognition and measurement' – 'Eligible hedged items', clarifies how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation shall be applied in particular situations. The Group has already commenced an assessment of the impact of this amendment 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 17 – 'Distributions of non-cash assets to owners' applies to non-reciprocal distributions of non-cash assets (or with a cash alternative) except for common control transactions and clarifies that:

  – a dividend payable shall be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity;

  – the dividend payable shall be measured at the fair value of the assets to be distributed; and

  – the difference between the dividend paid and the carrying amount of the assets distributed shall be recognised in profit or loss.

- There are a number of minor amendments to HKFRS 7, 'Financial instruments: Disclosures', HKAS 8, 'Accounting policies, changes in accounting estimates and errors', HKAS 10, 'Events after the balance sheet date', HKAS 18, 'Revenue', HKAS 34, 'Interim financial reporting' and HKAS 40, 'Investment property', which are not addressed above. The Group has already commenced an assessment of the impact of these amendments but is not yet in a position to state whether these would have a significant impact on its results of operations and financial position.

(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 consolidated income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Consolidation (Continued)

(i) Subsidiaries (Continued)

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 consolidated 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.

The Group's share of its associated companies post-acquisition profits or losses is recognised in the consolidated 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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 consolidated 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 consolidated income statement, and other changes in carrying amount are recognised in equity.

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 consolidated 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 consolidated 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 consolidated 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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 stated 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.

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 consolidated 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 consolidated 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 5 to 60 years
Port facilities	2.5% to 3.6%
Leasehold improvements	5% to 43%
Warehouse operating equipment	5% to 25%
Motor vehicles, furniture, fixtures and office equipment	5% to 50%

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 consolidated 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 consolidated income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

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 consolidated income statement during the financial period in which they are incurred.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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. 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 consolidated 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.

(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. 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 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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 those with maturities greater than 12 months after the balance sheet date, they are classified as non-current assets. Loans and receivables included long-term receivables, accounts receivable, pledged bank deposits, cash and bank balances and amounts due from associated companies.

(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 consolidated 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 consolidated income statement within other income and net gains, in the period in which they arise. Dividend income from listed securities at fair value through profit or loss is recognised in the consolidated income statement as part of other income and net gains when the Group's right to receive payments is established.

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 consolidated income statement and the other changes in fair value are recognised in equity. Translation differences and other changes in fair value on non-monetary securities classified as available-for-sale are recognised in equity.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Investments (Continued)

Interest on available-for-sale securities calculated using the effective interest method is recognised in the consolidated income statement as part of other income and net gains. Dividends on available-for-sale equity instruments are recognised in the consolidated 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.

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 consolidated income statement – is removed from equity and recognised in the consolidated income statement. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated 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 consolidated 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 consolidated 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

(i) Fair value hedge

Changes in fair value of derivatives that are designated and qualify as fair value hedges are recorded in the consolidated 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 consolidated 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 consolidated income statement.

Amounts accumulated in equity are recycled in the consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated income statement.

Gains and losses accumulated in equity are included in the consolidated 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 consolidated income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

(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 consolidated 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 outstanding options granted 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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 development. The amortisation during the period before the commencement and after the completion of the construction of the properties (except for investment properties) is expensed in the consolidated income statement. The unamortised upfront payments are recognised 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 consolidated 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 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 and 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.

3 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(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.

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 also entered into cross currency swap contracts to manage its exposure to United States dollar 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 certain 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 (2007: 50) basis points and all other variables were held constant, the profit of the Group would decrease by approximately HK$32,372,000 or increase by approximately HK$40,258,000 (2007: increase/decrease by HK$7,352,000) resulting from the change in the borrowing costs of bank borrowings and fair value of the interest rate swap contracts.

3 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(i) Market risk (Continued)

(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$57,384,000 (2007: HK$64,100,000) lower or higher if the year end share prices of the above-mentioned investments were to differ by 20% (2007: 10%) and would be reflected in the consolidated income statement in 2008 as there was an impairment in the carrying amount of these investments during the year.

The carrying amount of listed securities at fair value through profit or loss would be an estimated HK$20,457,000 (2007: HK$22,474,000) lower or higher if the year end share prices of the above-mentioned investments were to differ by 20% (2007: 10%).

(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.

3 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(iii) Liquidity risk (Continued)

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 2008					
Bank loans	2,043,930	728,094	7,878,995	63,477	10,714,496
Convertible bonds	–	144,418	2,754,271	–	2,898,689
Fixed rate bonds	207,495	207,495	622,487	3,877,319	4,914,796
Amounts due to minority shareholders	–	2,679,377	–	–	2,679,377
Accounts payable, deposits received and accrued charges	3,311,538	–	–	–	3,311,538
Secured bank overdrafts	3,713	–	–	–	3,713
Unsecured bank overdrafts	11,472	–	–	–	11,472
Derivative financial instruments	97,996	81,664	–	–	179,660
Total	**5,676,144**	**3,841,048**	**11,255,753**	**3,940,796**	**24,713,741**

	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)

	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 2008					
Bank loans	1,451,603	44,053	5,906,288	–	7,401,944
Derivative financial instruments	97,996	81,664	–	–	179,660
Total	**1,549,599**	**125,717**	**5,906,288**	**–**	**7,581,604**

	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

(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 loan 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.

3 FINANCIAL RISK MANAGEMENT (Continued)

(b) Capital risk management (Continued)

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.

The gearing ratios at 31 December 2008 and 2007 were as follows:

	2008	2007
Net debt (HK$ million)	**12,045**	8,933
Equity attributable to the Company's shareholders (HK$ million)	**46,538**	44,011
Gearing ratio	**25.9%**	20.3%

(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.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(a) Critical accounting estimates and assumptions (Continued)

(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 and completed properties held for sale according to their recoverable amounts based on the realisability of these properties, taking into account estimated costs to completion based on past experience and committed contracts and estimated net sales/rental 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 and withholding tax on capital gains in the PRC. Significant judgement is required in determining the amount of the land appreciation and capital gains, and its related taxes. The Group recognised these land appreciation taxes and withholding tax on capital gains 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 notes 2(i) and 2(j). 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 available-for-sale investments and derivative financial instruments

The fair value of available-for-sale investments and derivative 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.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(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.

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:

	2008 HK$'000	Restated 2007 HK$'000
Turnover		
Sale of properties	**2,788,180**	1,960,606
Rental income	**1,384,761**	1,106,279
Hotel revenue	**437,808**	400,544
Storage and logistics services income	**8,359,784**	7,681,827
Project, property management and others	**145,165**	123,132
	13,115,698	11,272,388

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 activity and market is as follows:

	Turnover		Operating profit	
	2008 HK$'000	Restated 2007 HK$'000	2008 HK$'000	2007 HK$'000
Principal activities:				
Property rental				
– PRC property	**795,841**	613,909	**422,015**	413,220
– Hong Kong property	**588,920**	492,370	**295,175**	157,968
	1,384,761	1,106,279	**717,190**	571,188
Property sales (Note)				
– PRC property	**1,513,939**	19,985	**1,120,726**	23,589
– Hong Kong property	**1,274,241**	1,940,621	**939,591**	1,626,739
– Logistics and warehouse	**–**	–	**–**	350
	2,788,180	1,960,606	**2,060,317**	1,650,678
Hotel operations				
– PRC property	**437,808**	400,544	**172,129**	151,920
Logistics and warehouse operations				
– warehouse	**440,821**	440,133	**261,089**	247,996
– logistics	**7,918,963**	7,241,694	**288,350**	239,884
	8,359,784	7,681,827	**549,439**	487,880
Infrastructure	**–**	–	**(2,800)**	(2,630)
Project, property management and others	**145,165**	123,132	**(65,651)**	110,970
	13,115,698	11,272,388	**3,430,624**	2,970,006
Increase in fair value of investment properties	**–**	–	**1,006,136**	4,493,935
Impairment loss on available-for-sale investments	**–**	–	**(276,254)**	–
	13,115,698	11,272,388	**4,160,506**	7,463,941
Principal markets				
PRC	**6,708,153**	4,691,672	**3,162,827**	1,288,152
Hong Kong	**3,772,177**	4,227,160	**897,650**	6,173,500
United Kingdom	**1,057,050**	1,091,797	**41,319**	31,330
Others	**1,578,318**	1,261,759	**58,710**	(29,041)
	13,115,698	11,272,388	**4,160,506**	7,463,941

Note: Analysis of proceeds from sales of properties

	2008 HK$'000	2007 HK$'000
Property sales proceeds (as above)		
– PRC property	**1,513,939**	19,985
– Hong Kong property	**1,274,241**	1,940,621
– Logistics and warehouse	**–**	–
	2,788,180	1,960,606
Sales proceeds from investment properties		
– PRC property	**–**	152,550
– Hong Kong property	**1,915,832**	1,070,276
– Logistics and warehouse	**–**	790
	1,915,832	1,223,616
Total property sales proceeds		
– PRC property	**1,513,939**	172,535
– Hong Kong property	**3,190,073**	3,010,897
– Logistics and warehouse	**–**	790
	4,704,012	3,184,222

5 PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATIONS (Continued)

(c) Primary reporting format – business segments

	2008							
	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	**2,747,588**	**1,863,161**	**–**	**8,359,784**	**–**	**145,165**	**–**	**13,115,698**
Inter-segment revenue	**936**	**–**	**–**	**–**	**–**	**85,527**	**(86,463)**	**–**
Inter-segment interest income	**–**	**–**	**–**	**–**	**–**	**673,603**	**(673,603)**	**–**
	2,748,524	**1,863,161**	**–**	**8,359,784**	**–**	**904,295**	**(760,066)**	**13,115,698**
Results								
Segment results before change in fair value of investment properties	**1,706,582**	**1,272,142**	**(3,147)**	**578,282**	**(2,676)**	**660,217**	**(673,603)**	**3,537,797**
Increase/(decrease) in fair value of investment properties	**1,284,572**	**(303,189)**	**–**	**24,753**	**–**	**–**	**–**	**1,006,136**
Segment results	**2,991,154**	**968,953**	**(3,147)**	**603,035**	**(2,676)**	**660,217**	**(673,603)**	**4,543,933**
Dividend income	**–**	**57,189**	**17,884**	**–**	**–**	**–**	**–**	**75,073**
Interest income	**35,124**	**11,789**	**20**	**19,059**	**2,501**	**28,401**	**–**	**96,894**
Interest expenses	**(34,008)**	**(178,713)**	**–**	**(47,902)**	**(2,625)**	**(689,495)**	**673,603**	**(279,140)**
Impairment loss on available-for-sale investments	**–**	**(276,254)**	**–**	**–**	**–**	**–**	**–**	**(276,254)**
Operating profit/(loss)	**2,992,270**	**582,964**	**14,757**	**574,192**	**(2,800)**	**(877)**	**–**	**4,160,506**
Share of results of associated companies	**(12,834)**	**28,829**	**10,408**	**216,351**	**62,946**	**(6,837)**	**–**	**298,863**
Profit/(loss) before taxation	**2,979,436**	**611,793**	**25,165**	**790,543**	**60,146**	**(7,714)**	**–**	**4,459,369**
Taxation	**(1,006,324)**	**98,850**	**(37,679)**	**(128,300)**	**–**	**(12,525)**	**–**	**(1,085,978)**
Profit/(loss) for the year	**1,973,112**	**710,643**	**(12,514)**	**662,243**	**60,146**	**(20,239)**	**–**	**3,373,391**
Profit/(loss) attributable to:								
Company's shareholders	**1,720,302**	**705,618**	**(12,514)**	**597,209**	**60,216**	**(20,238)**	**–**	**3,050,593**
Minority interests	**252,810**	**5,025**	**–**	**65,034**	**(70)**	**(1)**	**–**	**322,798**
	1,973,112	**710,643**	**(12,514)**	**662,243**	**60,146**	**(20,239)**	**–**	**3,373,391**

5 PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATIONS (Continued)

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

	Restated 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	1,034,438	2,432,991	–	7,681,827	–	123,132	–	11,272,388
Inter-segment revenue	2,686	–	–	–	–	56,785	(59,471)	–
Inter-segment interest income	–	–	–	–	–	576,831	(576,831)	–
	1,037,124	2,432,991	–	7,681,827	–	756,748	(636,302)	11,272,388
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)

	2008							
	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	32,899,816	28,760,274	1,500	9,945,904	437,460	32,703,772	(33,046,381)	71,702,345
Associated companies	1,590,047	1,699,850	982,430	1,353,883	416,387	58,336	–	6,100,933
Derivative financial instruments	–	–	–	–	–	4,884	–	4,884
Available-for-sale investments	470	506,036	755,340	3,847	–	–	–	1,265,693
Long-term receivables	–	26,711	–	–	–	–	–	26,711
Tax recoverable	93,494	9	–	8,563	–	5,900	–	107,966
Tax reserve certificates	–	–	–	–	–	21,790	–	21,790
Listed securities at fair value through profit or loss	–	102,211	73	–	–	–	–	102,284
Total assets	34,583,827	31,095,091	1,739,343	11,312,197	853,847	32,794,682	(33,046,381)	79,332,606
Segment liabilities	12,805,154	16,827,301	34,387	4,441,150	254,446	2,232,907	(33,046,381)	3,548,964
Derivative financial instruments	–	–	–	–	–	143,652	–	143,652
Bank borrowings	1,399,434	1,273,000	–	440,989	–	7,290,000	–	10,403,423
Convertible bonds	–	–	–	–	–	2,472,202	–	2,472,202
Fixed rate bonds	–	–	–	–	–	3,236,664	–	3,236,664
Taxation and deferred taxation	2,577,043	1,115,230	40,653	551,615	–	52,900	–	4,337,441
Amounts due to minority shareholders	1,235,897	1,328,725	–	77,982	2,998	875	–	2,646,477
Total liabilities	18,017,528	20,544,256	75,040	5,511,736	257,444	15,429,200	(33,046,381)	26,788,823
Capital expenditure	1,724,929	1,869,742	–	471,705	–	3,549	–	4,069,925
Depreciation and amortisation	37,278	7,729	–	173,523	–	2,540	–	221,070

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)

(d) Secondary reporting format – geographical segments

	2008			
	Segment revenue HK$'000	Segment results HK$'000	Segment assets HK$'000	Capital expenditure HK$'000
PRC	**6,708,153**	**3,163,496**	**37,231,738**	**1,870,656**
Hong Kong	**3,772,177**	**1,282,412**	**32,507,854**	**1,896,002**
United Kingdom	**1,057,050**	**37,911**	**284,320**	**23,782**
Others	**1,578,318**	**60,114**	**1,678,433**	**279,485**
	13,115,698	**4,543,933**	**71,702,345**	**4,069,925**

	Restated 2007			
	Segment revenue HK$'000	Segment results HK$'000	Segment assets HK$'000	Capital expenditure HK$'000
PRC	4,691,672	1,328,404	28,579,413	3,824,003
Hong Kong	4,227,160	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
	11,272,388	7,597,228	62,820,237	9,141,811

6 OTHER INCOME AND NET GAINS

	Group	
	2008 HK$'000	Restated 2007 HK$'000
Dividend income		
– listed investments	**47,289**	23,597
– unlisted investments	**27,784**	22,065
	75,073	45,662
Interest income	**96,894**	121,958
Gain on sale of investment properties net of selling expenses	**264,493**	357,287
Gain on disposal of subsidiaries	**129,994**	35,444
Gain on disposal of associated companies	**–**	75,994
Gain on disposal of partial interest in subsidiaries	**254,344**	–
Fair value (loss)/gain on listed securities at fair value through profit or loss	**(122,396)**	39,817
Impairment loss on available-for-sale investments	**(276,254)**	–
Loss on disposal of property, plant and equipment	**(5,788)**	(6,104)
Others	**163,919**	29,569
	580,279	699,627

7 OPERATING PROFIT BEFORE FINANCE COSTS

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

	Group 2008 HK$'000	Restated 2007 HK$'000
Cost of sale of properties	**1,145,620**	547,538
Direct operating expenses in respect of investment properties		
– PRC	**148,724**	105,153
– Hong Kong	**193,047**	191,253
	341,771	296,406
Logistics operating costs	**6,247,720**	5,858,100
Depreciation of property, plant and equipment and amortisation of leasehold land and land use rights	**221,070**	187,164
Hotel operating expenses	**197,906**	179,708
Operating lease charges		
– land and buildings	**76,454**	94,274
– vessels	**–**	37,684
Provision for impairment of receivables	**20,596**	7,547
Auditor's remuneration	**15,182**	11,733
Exchange gains, net	**(23,818)**	(40,863)

8 FINANCE COSTS

	Group 2008 HK$'000	2007 HK$'000
Interest expense:		
– bank borrowings: bank loans and overdrafts	**268,482**	342,215
– convertible bonds (note 29)	**125,815**	141,757
– fixed rate bonds (note 30)	**210,773**	211,323
– derivative financial instruments	**119,055**	9,236
– others	**27,807**	30,350
Total finance costs incurred	**751,932**	734,881
Less: amount capitalised in properties under development	**(533,946)**	(407,411)
	217,986	327,470
Fair value loss/(gain) on derivative financial instruments	**61,154**	(26,563)
Total finance costs expensed during the year	**279,140**	300,907

The capitalisation rate applied to funds borrowed and used for the development of properties is between 1% and 7% per annum.

9 TAXATION

Hong Kong and overseas profits tax

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 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.

For the year of assessment 2008/09 effected from 1 April 2008, the Hong Kong profits tax rate was changed from 17.5% to 16.5% and the deferred tax balances have been remeasured.

PRC enterprise income tax

During the year ended 31 December 2007, 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 ended 31 December 2007. There were no other preferential tax treatments granted by the relevant tax authorities in the PRC during the year ended 31 December 2007.

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 the Group's subsidiaries originally entitling a tax rate of 33%, the tax rate will decrease to 25% effective on 1 January 2008.

Withholding tax on distributed/undistributed profits

Withholding tax is levied on profit distribution upon declaration/remittance at the rates of taxation prevailing in the PRC and overseas countries.

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.

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

	Group	
	2008 HK$'000	2007 HK$'000
PRC taxation		
– Current	**(597,437)**	(197,335)
– Over/(under) provision in prior years	**1,701**	(3,436)
– Deferred		
arising from temporary differences	**(451,757)**	(182,194)
arising from tax rate changes	**–**	397,599
	(1,047,493)	14,634
Hong Kong profits tax		
– Current	**(186,119)**	(342,758)
– Overprovision in prior years	**1,925**	555
– Deferred		
arising from temporary differences	**149,903**	(661,842)
arising from tax rate changes	**80,229**	–
	45,938	(1,004,045)
Overseas taxation		
– Current	**(39,868)**	(19,668)
– Deferred	**(44,555)**	(5,485)
	(84,423)	(25,153)
	(1,085,978)	(1,014,564)

The Group's share of associated companies' taxation for the year of HK$61,286,000 (2007: HK$61,671,000) is included in the share of results of associated companies in the consolidated income statement.

9 TAXATION (Continued)

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

	Group	
	2008	2007
	HK$'000	HK$'000
Profit before taxation	**4,459,369**	7,895,917
Less: Share of results of associated companies	**(298,863)**	(431,976)
	4,160,506	7,463,941
Calculated at Hong Kong profits tax rate of 16.5% (2007: 17.5%)	**686,483**	1,306,190
Tax effect of different taxation rates in other countries	**131,968**	149,518
Utilisation of previously unrecognised tax losses	**(54,406)**	(17,090)
Tax effect of net income/expenses that are not taxable/deductible in determining taxable profit	**65,835**	(29,838)
Tax loss not recognised	**7,101**	301
Tax effect of profit re-investment in the PRC	**–**	(10,584)
Tax effect of tax rate changes	**(80,229)**	(397,599)
(Over)/under provision of taxation in prior years	**(3,626)**	2,881
	753,126	1,003,779
Withholding tax on distributed/undistributed profits	**90,470**	–
Withholding tax on capital gains	**91,601**	–
Land appreciation tax	**201,042**	13,479
Tax effect of deduction of land appreciation tax	**(50,261)**	(2,694)
Taxation charge	**1,085,978**	1,014,564

10 PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders dealt with in the financial statements of the Company is HK$1,405,006,000 (2007: HK$1,418,041,000).

11 DIVIDENDS

	Company	
	2008	2007
	HK$'000	HK$'000
Interim, paid, of HK$0.30 (2007: HK$0.30) per ordinary share (note (a))	**428,087**	423,491
Final, proposed, of HK$0.40 (2007: HK$0.65) per ordinary share (note (b))	**570,876**	925,781
Additional prior year final dividend arising from the increase in number of ordinary shares in issue on the related record date (note (b))	**375**	37,469
	999,338	1,386,741

(a) Amounts shown in respect of the interim dividend for the year ended 31 December 2008 reflect the cash dividend of HK$0.30 (2007: HK$0.30) per ordinary share. A scrip dividend alternative to the interim dividend was also offered, with the result that only approximately HK$420,271,000 (2007: HK$117,384,000) of the interim dividend was paid in cash.

(b) At a meeting held on 18 March 2009, the directors proposed a final dividend of HK$0.40 per ordinary share. This proposed dividend is not reflected as a dividend payable in these financial statements. The proposed final dividend for the year ended 31 December 2008, as referred to above, is calculated on the basis of 1,427,189,759 ordinary shares in issue as at 31 December 2008, and at a final dividend of HK$0.40 per ordinary share. The actual amount of final dividend payable in respect of the year ended 31 December 2008 will be subject to the actual number of ordinary shares in issue on the record date, which is expected to be on or about 8 May 2009.

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.

	2008	2007
Weighted average number of ordinary shares in issue	**1,425,934,944**	1,326,495,902

	2008 HK$'000	2007 HK$'000
Profit attributable to shareholders	**3,050,593**	6,563,092
Basic earnings per share	**HK$2.14**	HK$4.95

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.

	2008	2007
Weighted average number of ordinary shares in issue	**1,425,934,944**	1,326,495,902
Adjustment for convertible bonds	**49,296,291**	75,670,116
Adjustment for share options	**3,395,991**	6,117,625
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**1,478,627,226**	1,408,283,643

	2008 HK$'000	2007 HK$'000
Profit attributable to shareholders	**3,050,593**	6,563,092
Adjustment for finance cost on convertible bonds	**105,056**	116,950
Profit used to determine diluted earnings per share	**3,155,649**	6,680,042
Diluted earnings per share	**HK$2.13**	HK$4.74

13 EMPLOYEE BENEFIT EXPENSE

	Group	
	2008	2007
	HK$'000	HK$'000
Staff costs, including directors' emoluments	**1,280,181**	1,170,650
Share options granted to directors and employees	**82,303**	2,350
Pension costs – defined contribution plans (note (a))	**97,343**	74,791
	1,459,827	1,247,791

(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.

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$10,000 (2007: 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$1,307,000 (2007: HK$1,489,000) were utilised leaving HK$181,000 (2007: HK$627,000) 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.

13 EMPLOYEE BENEFIT EXPENSE (Continued)

(b) Directors' and senior management's emoluments

The remuneration of the Directors for the year ended 31 December 2008 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 KUOK Khoon Chen[1]	–	2,427	6,000	–	69	8,496
Mr WONG Siu Kong	–	5,640	15,000	19,912	120	40,672
Mr HO Shut Kan	–	3,360	6,060	7,965	120	17,505
Mr MA Wing Kai, William	–	3,360	5,060	5,310	120	13,850
Mr SO Hing Woh, Victor, MBE, JP[1]	–	3,420	600	–	90	4,110
Mr CHAN Wai Ming, William	–	2,760	3,500	5,310	120	11,690
Mr QIAN Shaohua	–	1,920	4,560	5,310	120	11,910
Mr KU Moon Lun	330	–	–	–	–	330
Mr LAU Ling Fai, Herald	360	–	–	–	–	360
Mr WONG Yu Pok, Marina, JP[1]	208	–	–	–	–	208
Mr TSE Kai Chi	310	–	–	–	–	310
Mr ANG Keng Lam[2]	–	1,550	2,525	–	51	4,126
Mr William Winship FLANZ[3]	97	–	–	–	–	97

[1] Appointed during the year 2008
[2] Resigned during the year 2008
[3] Retired during the year 2008

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[1]	–	745	2,600	–	18	3,363
Mr QIAN Shaohua[1]	–	432	3,000	–	18	3,450
Mr William Winship FLANZ	250	–	–	–	–	250
Mr KU Moon Lun[1]	166	–	–	–	–	166
Mr LAU Ling Fai, Herald	250	–	–	–	–	250
Mr TSE Kai Chi	250	–	–	–	–	250
Mr Christopher Roger MOSS, O.B.E.[2]	1,585	–	–	–	–	1,585

[1] Appointed during the year 2007
[2] Retired during the year 2007

Note:

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

13 EMPLOYEE BENEFIT EXPENSE (Continued)

(c) Five highest paid individuals

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

	2008 HK$'000	2007 HK$'000
Basic salaries, housing allowances, share options, other allowances and benefits in kind	**60,847**	18,249
Discretionary bonuses	**34,180**	71,707
Pension contributions	**600**	300
	95,627	90,256

The emoluments fell within the following bands:

	Number of individuals 2008	2007
HK$5,000,001 – HK$5,500,000	**–**	1
HK$10,000,001 – HK$10,500,000	**–**	1
HK$10,500,001 – HK$11,000,000	**–**	1
HK$11,500,001 – HK$12,000,000	**2**	–
HK$13,500,001 – HK$14,000,000	**1**	–
HK$17,500,001 – HK$18,000,000	**1**	–
HK$28,000,001 – HK$28,500,000	**–**	1
HK$35,000,001 – HK$35,500,000	**–**	1
HK$40,500,001 – HK$41,000,000	**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 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

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 2008	1,063,539	720,918	34,805	459,276	293,709	140,511	478,020	624,337	3,815,115
Additions, at cost	9,043	5,536	1,144	49,800	200	2,519	61,152	94,067	223,461
Acquisition of subsidiaries	–	7,264	–	119	–	105	31,402	1,087	39,977
Adjustment on revaluation	(10,099)	5,033	–	(15,191)	(15,936)	–	–	–	(36,193)
Disposals	–	(122)	(14,895)	–	–	(784)	(17,490)	(41,742)	(75,033)
Reclassification	–	–	–	–	–	(2,557)	21,766	(19,209)	–
Transfer	–	(80,732)	–	–	–	–	–	–	(80,732)
Exchange adjustment	69,844	24,449	2,151	(78,172)	(46,515)	(12,344)	(50,715)	(1,325)	(92,627)
At 31 December 2008	1,132,327	682,346	23,205	415,832	231,458	127,450	524,135	657,215	3,793,968
At cost	–	–	23,205	–	–	127,450	524,135	657,215	1,332,005
At professional valuation	1,132,327	682,346	–	415,832	231,458	–	–	–	2,461,963
At 31 December 2008	1,132,327	682,346	23,205	415,832	231,458	127,450	524,135	657,215	3,793,968
Aggregate depreciation and accumulated impairment losses									
At 1 January 2008	–	–	8,558	–	–	69,477	250,984	383,611	712,630
Additions, at cost	29,156	31,695	1,093	9,093	8,995	11,858	45,131	73,349	210,370
Adjustment on revaluation	(33,275)	(31,650)	–	(8,154)	(8,489)	–	–	–	(81,568)
Disposals	–	–	(2,380)	–	–	–	(14,081)	(35,078)	(51,539)
Reclassification	–	–	–	–	–	(856)	13,498	(12,642)	–
Exchange adjustment	4,119	(45)	535	(939)	(506)	(8,958)	(24,570)	(1,567)	(31,931)
At 31 December 2008	–	–	7,806	–	–	71,521	270,962	407,673	757,962
Net book value as at 31 December 2008	**1,132,327**	**682,346**	**15,399**	**415,832**	**231,458**	**55,929**	**253,173**	**249,542**	**3,036,006**

(a) As at 31 December 2008, property, plant and equipment and port facilities with an aggregate net book value of HK$300,223,000 (2007: HK$305,402,000) and HK$231,458,000 (2007: HK$293,709,000), 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 were valued by DTZ Debenham Tie Leung Limited. They are independent professional valuers and the valuation was on an open market value basis as at 31 December 2008.

(c) The carrying amount of the warehouses and logistics centres would have been HK$290,204,000 (2007: HK$396,660,000) had they been stated in the financial statements at cost less aggregate depreciation and accumulated impairment losses.

14 PROPERTY, PLANT AND EQUIPMENT (Continued)

(d) The carrying amount of freehold land and buildings and port facilities would have been HK$316,958,000 (2007: HK$335,674,000) and HK$219,303,000 (2007: HK$270,417,000), 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$699,415,000 (2007: HK$712,112,000) 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 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

	Company		
	Leasehold improvements HK$'000	Motor vehicles, furniture, fixtures and office equipment HK$'000	Total HK$'000
Cost			
At 1 January 2008	449	6,089	6,538
Additions, at cost	23	3,365	3,388
Disposals	–	(133)	(133)
At 31 December 2008	472	9,321	9,793
Aggregate depreciation			
At 1 January 2008	340	2,891	3,231
Charge for the year	55	1,568	1,623
Disposals	–	(86)	(86)
At 31 December 2008	395	4,373	4,768
Net book value			
As at 31 December 2008	**77**	**4,948**	**5,025**

15 INVESTMENT PROPERTIES

	Group	
	2008	2007
	HK$'000	HK$'000
At 1 January	**28,324,740**	21,642,166
Additions	**379,847**	57,456
Increase in fair value	**1,006,136**	4,493,935
Disposals	**(1,598,723)**	(808,991)
Transfer	**995,926**	2,357,097
Exchange adjustment	**601,685**	583,077
At 31 December	**29,709,611**	28,324,740

(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 2008.

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

	2008	2007
	HK$'000	HK$'000
In Hong Kong, held on:		
Leases of over 50 years	**7,549,000**	8,762,475
Leases of between 10 to 50 years	**9,816,900**	10,194,005
Outside Hong Kong, held on:		
Leases of over 50 years	**1,526,851**	1,384,558
Leases of between 10 to 50 years	**10,816,860**	7,983,702
	29,709,611	28,324,740

16 LEASEHOLD LAND AND LAND USE RIGHTS

	2008	2007
	HK$'000	HK$'000
At 1 January	**402,478**	338,409
Additions	**57,500**	–
Acquisition of subsidiaries	**2,242**	33,589
Amortisation	**(11,018)**	(9,171)
Transfer	**49,205**	17,073
Exchange adjustment	**19,769**	22,578
At 31 December	**520,176**	402,478

16 LEASEHOLD LAND AND LAND USE RIGHTS (Continued)

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:

	2008 HK$'000	2007 HK$'000
In Hong Kong, held on:		
Leases of over 50 years	**122,672**	–
Leases of between 10 to 50 years	**74,425**	76,337
Outside Hong Kong, held on:		
Leases of over 50 years	**2,008**	–
Leases of between 10 to 50 years	**321,071**	326,141
	520,176	402,478

17 PROPERTIES UNDER DEVELOPMENT

	2008 HK$'000	2007 HK$'000
At 1 January	**19,546,200**	12,400,243
Additions	**2,388,288**	8,755,915
Acquisition of subsidiaries	**1,529,436**	–
Disposals	**(11,986)**	(123,085)
Disposal of a subsidiary	**–**	(2,346)
Transfer	**2,158,555**	(1,937,157)
Exchange adjustment	**529,114**	452,630
At 31 December	**26,139,607**	19,546,200
The above are represented by:		
Amount included under non-current assets	**20,206,602**	14,138,189
Amount included under current assets	**5,933,005**	5,408,011
	26,139,607	19,546,200

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

	2008 HK$'000	2007 HK$'000
In Hong Kong, held on:		
Leases of over 50 years	**2,849,462**	2,105,076
Leases of between 10 to 50 years	**8,794,794**	8,022,484
Outside Hong Kong, held on:		
Leases of over 50 years	**4,247,893**	1,937,903
Leases of between 10 to 50 years	**10,244,729**	7,480,737
Freehold land and buildings	**2,729**	–
	26,139,607	19,546,200

As at 31 December 2008, properties under development amounting to HK$3,516,075,000 (2007: HK$343,248,000) were pledged as securities for bank loan facilities granted to the Group (note 41).

As at 31 December 2008, certificates of land use rights with net book values amounting to HK$4,537,025,000 (2007: HK$1,155,711,000) included in properties under development were still in the progress of being obtained.

18 SUBSIDIARIES

	Company 2008 HK$'000	2007 HK$'000
Unlisted shares, at cost (note (a))	**18,643,700**	18,643,700
Amounts due from subsidiaries (note (b))	**20,132,842**	16,946,718
	38,776,542	35,590,418

(a) Details of principal subsidiaries are set out in note 45 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$14,382,856,000 (2007: HK$11,246,892,000) which bears interest at prevailing market rates.

19 ASSOCIATED COMPANIES

	Group 2008 HK$'000	2007 HK$'000
Unlisted investments	**2,878,062**	2,780,564
Listed equity securities, outside Hong Kong	**1,420,182**	1,054,809
Share of net assets, including goodwill (note (a))	**4,298,244**	3,835,373
Amounts due from associated companies (note (b))	**1,895,248**	1,896,151
Amounts due to associated companies (note (c))	**(92,559)**	(45,519)
	6,100,933	5,686,005
Market value of listed securities	**693,175**	774,085

(a) Details of principal associated companies are set out in note 45 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 totaling HK$1,136,783,000 (2007: HK$1,052,354,000) 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:

	2008 HK$'000	2007 HK$'000
Aggregate attributable amounts of total assets	**10,748,144**	10,369,034
Aggregate attributable amounts of total liabilities	**6,582,839**	6,533,661
Aggregate attributable amounts of total revenue	**1,260,110**	1,335,854
Aggregate attributable amounts of net profit after tax	**298,863**	431,976

20 DERIVATIVE FINANCIAL INSTRUMENTS

	Group and Company			
	2008		2007	
	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	–
Interest rate swap contracts, at fair value (note (b))	–	143,652	–	63,410
	–	143,652	18,684	63,410
Current				
Cross currency swap contracts, at fair value (note (a))	4,884	–	–	–
Interest rate swap contracts, at fair value (note (b))	–	–	–	32,888
	4,884	–	–	32,888
Total	4,884	143,652	18,684	96,298

(a) The principal amounts under the outstanding cross currency swap contracts at 31 December 2008 amounting to US$417,000,000 (2007: 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 2008 were HK$2,300,000,000 (2007: 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 2008, the fixed interest rates was 4.56% (2007: 3.65% to 4.70%) per annum.

21 AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	2008 HK$'000	2007 HK$'000
Listed equity securities, at fair value	286,919	641,001
Unlisted equity securities, at fair value	978,774	1,148,751
	1,265,693	1,789,752
Market value of listed securities in Hong Kong	286,919	641,001

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

	Group	
	2008	2007
	HK$'000	HK$'000
Trade receivables (note (a))	**2,332,318**	1,851,722
Less: Provision for impairment of receivables (note (b))	**(36,113)**	(17,985)
Trade receivables – net	**2,296,205**	1,833,737
Second mortgage loans receivable	**28,280**	38,524
Refundable land deposits	**748,957**	–
Others	**725,548**	896,203
	3,798,990	2,768,464
Less: long-term receivables (note (c))	**(26,711)**	(36,748)
Current portion	**3,772,279**	2,731,716

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:

	2008	2007
	HK$'000	HK$'000
Hong Kong dollar	**2,207,415**	1,228,726
Renminbi	**957,718**	684,614
United States dollar	**199,552**	390,869
Pound sterling	**98,830**	165,177
Other currencies	**335,475**	299,078
	3,798,990	2,768,464

(a) The Group maintains defined credit policies and applies those appropriate to the particular business circumstances of the Group. At 31 December 2008 and 2007, 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:

	2008	2007
	HK$'000	HK$'000
Below 1 month	**1,642,879**	1,210,134
Between 1 month and 3 months	**504,211**	445,193
Over 3 months	**149,115**	178,410
	2,296,205	1,833,737

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 2008, trade receivables of HK$474,763,000 (2007: HK$222,260,000) 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:

	2008 HK$'000	2007 HK$'000
Up to 3 months	**363,227**	181,733
Over 3 months	**111,536**	40,527

(b) As of 31 December 2008, trade receivables of HK$36,113,000 (2007: HK$17,985,000) 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:

	2008 HK$'000	2007 HK$'000
At 1 January	**17,985**	18,711
Provision for impairment of receivables	**20,596**	7,547
Receivables written off during the year as uncollectible	**(1,669)**	(1,610)
Unused amounts reversed	**(629)**	(6,663)
Exchange differences	**(170)**	–
At 31 December	**36,113**	17,985

The creation and release of provision for impaired receivables have been included in administrative expenses in the consolidated 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 2008 HK$'000	2007 HK$'000
At 1 January	**306,149**	266,645
Arising from acquisition of subsidiaries and business	**55,656**	42,004
Arising from purchase of additional interest in subsidiaries	**146,944**	8,353
Disposal of subsidiaries	**–**	(9,605)
Impairment	**–**	(1,248)
At 31 December	**508,749**	306,149

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:

	2008 HK$'000	2007 HK$'000
PRC	**276,891**	143,460
Hong Kong	**43,379**	43,379
United Kingdom	**89,176**	68,753
Others	**99,303**	50,557
	508,749	306,149

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	5% – 15%	1% – 6%	6% – 8%	5% - 40%
Growth rate	1%	1%	1%	1%
Discount rate	10% – 12%	12%	10%	12% – 16%

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 2008 HK$'000	Group 2007 HK$'000
Leasehold land and land use rights	**324,351**	253,993
Other development costs	**494,781**	325,791
	819,132	579,784

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 2008 HK$'000	Group 2007 HK$'000
Listed securities		
– Hong Kong	**102,211**	224,570
– Malaysia	**73**	173
Market value of listed securities	**102,284**	224,743

26 CASH AND CASH EQUIVALENTS

	Group 2008 HK$'000	Group 2007 HK$'000	Company 2008 HK$'000	Company 2007 HK$'000
Cash at bank and in hand	**2,598,152**	2,319,138	**39,246**	3,515
Short-term bank deposits	**1,483,459**	1,917,576	**15,184**	40,400
Cash and bank balances	**4,081,611**	4,236,714	**54,430**	43,915

The effective interest rate on short-term bank deposits was 1.43% (2007: 2.92%) per annum; these deposits have an average maturity of less than 2 months.

Cash and cash equivalents include the following for the purposes of the consolidated cash flow statement:

	Group 2008 HK$'000	Group 2007 HK$'000
Cash and bank balances	**4,081,611**	4,236,714
Secured bank overdrafts	**(3,713)**	(4,624)
Unsecured bank overdrafts	**(11,472)**	(26,204)
	4,066,426	4,205,886

26 CASH AND CASH EQUIVALENTS (Continued)

Cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2008	2007	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000
Renminbi	**2,441,672**	1,973,587	**–**	–
Hong Kong dollar	**1,161,099**	1,708,952	**38,773**	9,262
United States dollar	**255,412**	357,657	**462**	16,840
Other currencies	**208,243**	165,690	**15,195**	17,813
	4,066,426	4,205,886	**54,430**	43,915

27 ACCOUNTS PAYABLE, DEPOSITS RECEIVED AND ACCRUED CHARGES

	Group	
	2008	2007
	HK$'000	HK$'000
Trade payables	**820,716**	712,577
Construction costs payable	**768,553**	697,565
Rental and sales deposits	**774,345**	1,572,458
Others	**1,170,165**	1,347,840
	3,533,779	4,330,440

The ageing analysis of trade payables of the Group as at 31 December 2008 was as follows:

	2008	2007
	HK$'000	HK$'000
Below 1 month	**533,349**	453,120
Between 1 month and 3 months	**182,299**	166,217
Over 3 months	**105,068**	93,240
	820,716	712,577

The carrying amounts of the Group's accounts payables, deposits received and accrued charges are denominated in the following currencies:

	2008	2007
	HK$'000	HK$'000
Renminbi	**1,619,385**	2,175,475
Hong Kong dollar	**1,406,054**	1,399,078
United States dollar	**188,045**	337,193
Pound Sterling	**106,125**	198,258
Other currencies	**214,170**	220,436
	3,533,779	4,330,440

28 BANK LOANS

	Group 2008 HK$'000	Group 2007 HK$'000	Company 2008 HK$'000	Company 2007 HK$'000
Non-current				
Bank loans				
– unsecured	**7,923,591**	6,372,870	**5,890,000**	4,190,000
– secured (note 41)	**571,884**	580,372	**–**	–
	8,495,475	6,953,242	**5,890,000**	4,190,000
Current				
Bank loans				
– unsecured	**1,871,295**	581,930	**1,400,000**	150,000
– secured (note 41)	**36,653**	67,625	**–**	–
	1,907,948	649,555	**1,400,000**	150,000
Total bank loans	**10,403,423**	7,602,797	**7,290,000**	4,340,000

The maturity of bank loans is as follows:

	Group 2008 HK$'000	Group 2007 HK$'000	Company 2008 HK$'000	Company 2007 HK$'000
Within 1 year	**1,907,948**	649,555	**1,400,000**	150,000
Between 1 and 2 years	**623,355**	373,850	**–**	–
Between 2 and 5 years	**7,811,148**	6,085,759	**5,890,000**	4,190,000
Wholly repayable within 5 years	**10,342,451**	7,109,164	**7,290,000**	4,340,000
Over 5 years	**60,972**	493,633	**–**	–
	10,403,423	7,602,797	**7,290,000**	4,340,000

The effective annual interest rates of the major bank borrowings at the balance sheet date were as follows:

	2008			2007		
	HK$	US$	RMB	HK$	US$	RMB
Bank loans	**0.85%**	**2.43%**	**5.51%**	3.74%	5.73%	7.33%

The carrying amounts of all bank loans approximate their fair value.

28 BANK LOANS (Continued)

The carrying amounts of the bank loans are denominated in the following currencies:

	Group		Company	
	2008	2007	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000
Hong Kong dollar	**9,191,500**	6,331,500	**7,290,000**	4,340,000
United States dollar	**369,699**	562,597	**–**	–
Renminbi	**501,191**	347,074	**–**	–
Other currencies	**341,033**	361,626	**–**	–
	10,403,423	7,602,797	**7,290,000**	4,340,000

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.

During the year ended 31 December 2008, there had been no conversion of the convertible bonds into shares of the Company by the bondholders and no redemption of the convertible bonds by Wise Insight Finance Limited. Since the issue date, an aggregate principal amount of HK$2,379,000,000 had been 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 ended 31 December 2008, there had been 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.

The fair value of the liability component was determined upon the issuance of the convertible bonds and the difference between the face value (net of transaction costs) and the fair value of the liability component is recognised as equity.

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.

29 CONVERTIBLE BONDS (Continued)

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	2,119,705	4,446,099
Add: imputed finance cost in prior years	253,957	97,662	351,619
Less: amount being converted in prior years	(2,451,331)	–	(2,451,331)
Liability component at 31 December 2007	129,020	2,217,367	2,346,387
Add: imputed finance cost in 2008 (note 8)	6,585	119,230	125,815
Liability component at 31 December 2008	**135,605**	**2,336,597**	**2,472,202**

The fair value of the liability component of the convertible bonds issued by Wise Insight Finance Limited and Gainland International Limited at 31 December 2008 amounted to approximately HK$141,069,000 (2007: HK$131,849,000) and HK$2,537,718,000 (2007: HK$2,280,203,000) respectively. The fair value is calculated using cash flows discounted at a rate based on the borrowing rate of 1.90% and 2.59% per annum 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 2008 was HK$2,500,326,000 (2007: HK$3,212,403,000).

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$541,032,000 (2007: HK$541,049,000) 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$619,790,000 (2007: HK$500,776,000) which bears interest at prevailing market rates.

The carrying values of the Group's amounts due to minority shareholders are denominated in the following currencies:

	2008 HK$'000	2007 HK$'000
Hong Kong dollar	**2,197,979**	1,779,304
United States dollar	**392,879**	561,753
Other currencies	**55,619**	37,097
	2,646,477	2,378,154

32 DEFERRED TAXATION

	Group	
	2008 HK$'000	2007 HK$'000
At 1 January	**3,295,152**	2,704,817
Purchase of subsidiaries (note 37(b))	**540**	–
Disposal of subsidiaries	**(8,115)**	(63)
Deferred taxation charged to income statement	**266,180**	451,922
Deferred taxation charged directly to equity	**18,926**	25,731
Exchange adjustment	**88,426**	112,745
At 31 December	**3,661,109**	3,295,152

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$1,706,823,000 (2007: HK$1,836,699,000) to be carried forward in offsetting the future taxable income.

As at 31 December 2008, the aggregate amount of unrecognised deferred tax liabilities associated with investments in subsidiaries totalled approximately HK$257,375,000, as the Directors consider that the timing of reversal of the related temporary differences can be controlled and the temporary differences will not reverse in the foreseeable future.

32 DEFERRED TAXATION (Continued)

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$'000	Others HK$'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

	Group				
	Revaluation HK$'000	Accelerated depreciation allowances HK$'000	Tax losses HK$'000	Others HK$'000	Total HK$'000
At 1 January 2008	3,090,498	396,720	(192,066)	–	3,295,152
Purchase of subsidiaries	–	540	–	–	540
Disposal of subsidiaries	–	(8,115)	–	–	(8,115)
Deferred taxation charged/(credited) to income statement	(185,593)	337,907	21,953	91,913	266,180
Deferred taxation charged directly to equity	18,926	–	–	–	18,926
Exchange adjustment	86,407	2,319	(186)	(114)	88,426
At 31 December 2008	**3,010,238**	**729,371**	**(170,299)**	**91,799**	**3,661,109**

33 SHARE CAPITAL

	Authorised Ordinary shares of HK$1 each No. of shares	HK$'000
At 31 December 2007 and 2008	10,000,000,000	10,000,000

	Issued and fully paid Ordinary shares of HK$1 each			
	2008		2007	
	No. of shares	HK$'000	No. of shares	HK$'000
At 1 January	**1,424,278,046**	**1,424,278**	1,238,289,382	1,238,289
Issue of scrip dividend shares (notes (a) and (b))	**1,463,734**	**1,464**	19,360,687	19,361
Issue of shares as a result of exercise of share options (note (c))	**1,447,979**	**1,448**	4,969,382	4,969
Placement of shares	**–**	**–**	70,000,000	70,000
Issue of shares as a result of conversion of convertible bonds	**–**	**–**	91,658,595	91,659
At 31 December	**1,427,189,759**	**1,427,190**	1,424,278,046	1,424,278

(a) On 6 May 2008, the Company approved a final 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 1,228,740 ordinary shares were issued on 17 June 2008 under this alternative.

(b) On 19 August 2008, the Company declared an interim dividend on its issued ordinary shares for the year ended 31 December 2008. 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 234,994 ordinary shares were issued on 17 October 2008 under this alternative.

(c) During the year, a total of 1,447,979 share options were exercised at exercise prices of HK$6.70, HK$11.59, HK$6.85 and HK$18.74 per share respectively. Details of movements in share options during the year are set out in note 34.

(d) Proceeds received in respect of the shares issued following the exercise of the share options were used as additional working capital for the Group.

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 share 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 share options shall be offered but the share 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:

	2008		2007	
	Weighted average exercise price in HK$ per share	Number	Weighted average exercise price in HK$ per share	Number
At 1 January	**7.33**	**1,772,534**	9.33	4,983,916
Exercised during the year (note (i))	**7.36**	**(712,979)**	10.44	(3,211,382)
At 31 December (note (ii))		**1,059,555**		1,772,534

As at 31 December 2008, all the outstanding share options granted under the 1997 Share Option Scheme were exercisable. There were a total of 712,979 (2007: 3,211,382) share options exercised during the year and that the weighted average exercise price was HK$7.36 each (2007: HK$10.44 each). The related weighted average share price at the time of exercise was HK$47.88 (2007: HK$46.02).

(i) Details of share options exercised:

Exercise price per share (HK$)	Number of share options 2008	2007
14.92	**–**	1,205,631
9.64	**–**	64,292
6.70	**212,966**	1,208,436
11.59	**83,519**	379,558
6.85	**416,494**	353,465
	712,979	3,211,382

Total amount of proceeds received from the exercise of share options was HK$5,247,841 (2007: HK$33,524,623).

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 2008	2007
31 May 2010	6.70	**120,302**	333,268
1 March 2011	11.59	**105,830**	189,349
15 April 2012	6.85	**833,423**	1,249,917
		1,059,555	1,772,534

(iii) No share options were granted or granted for adjustment, lapsed or cancelled during the year (2007: 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 share 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 share 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 share 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:

	2008		2007	
	Exercise price in HK$ per share	Number	Exercise price in HK$ per share	Number
At 1 January	**18.74**	**5,017,000**	18.74	6,812,500
Granted during the year	**47.70**	**12,400,000**	–	–
Exercised during the year (note (i))	**18.74**	**(735,000)**	18.74	(1,758,000)
Lapsed during the year	**–**	**–**	18.74	(37,500)
At 31 December (note (ii))		**16,682,000**		5,017,000

As at 31 December 2008, there were a total of 16,682,000 outstanding options granted under the 2002 Share Option Scheme, of which 4,282,000 share options at exercise price of HK$18.74 each were exercisable whilst 12,400,000 share options granted on 2 April 2008 at exercise price of HK$47.70 each were not exercisable. These share options will be exercisable in three tranches up to 1 April 2018, namely (a) 3,100,000 share options from 2 April 2009; (b) 3,100,000 share options from 2 April 2010; and (c) 6,200,000 share options from 2 April 2011 respectively. There were a total of 735,000 (2007: 1,758,000) share options exercised during the year and that the exercise price was HK$18.74 each (2007: HK$18.74 each). The related weighted average share price at the time of exercise was HK$52.05 (2007: HK$50.73).

34 SHARE OPTIONS (Continued)

(b) 2002 Share Option Scheme (Continued)

(i) Details of share options exercised:

Exercise price per share (HK$)	Number of share options 2008	2007
18.74	**735,000**	1,758,000

Total amount of proceeds received from the exercise of share options was HK$13,773,900 (2007: HK$32,944,920).

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

Expiry date	Exercise price per share (HK$)	Number of share options 2008	2007
16 March 2015	18.74	**4,282,000**	5,017,000
1 April 2018	47.40	**12,400,000**	–
		16,682,000	5,017,000

(iii) No share options were granted for adjustment, lapsed or cancelled during the year (2007: 37,500 share options were lapsed).

(iv) All the outstanding share options granted on 2 April 2008 remained unvested as at 31 December 2008.

(a) The average fair value of share options granted on 2 April 2008 is HK$16.80 per share.

(b) The valuation was based on a Binomial Model with the following data and assumptions:

Share price at the grant date:	HK$47.70
Exercise price:	HK$47.70
Expected volatility:	45% per annum
Share option life:	10 years
Expected dividend yield:	3% per annum
Average risk-free interest rate:	2.22% per annum
Rate of leaving service:	13% per annum
Early exercise assumption:	Option holders will exercise the option when the share price is at least 190% of the exercise price.

(c) The volatility rate of the share price of the Company was determined based on the movement of share prices during the period from August 2002 to April 2008. The volatility rate was about 45% per annum.

(d) Taking into account the probability of leaving employment and early exercise behaviour stated above, the average expected life of the grant was estimated to be 5.9 years. The risk-free interest rate is taken to be the linearly interpolated yields using Hong Kong Exchange Fund Notes as at the grant date conducted separately for each tranche of the grant.

Subsequent to the balance sheet date, there were a total of 7,830,000 share options at exercise price of HK$17.58 each granted on 6 February 2009. These share options will be exercisable in two tranches up to 5 February 2019, namely, (a) 3,915,000 share options from 6 February 2010; and (b) 3,915,000 share options from 6 February 2011 respectively.

35 SHARE PREMIUM

	2008 HK$'000	2007 HK$'000
At 1 January	**11,804,186**	4,315,270
Arising from shares issued on placement (notes 33(d))	**–**	4,010,063
Arising from scrip dividend (notes 33(a) and (b))	**73,282**	910,862
Arising from exercise of share options (note 33(c))	**17,573**	61,500
Transfer from share option reserve (note 36(f))	**4,307**	10,263
Transfer from equity and liability components of the convertible bonds on conversion	**–**	2,496,228
At 31 December	**11,899,348**	11,804,186

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 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
Reversal of exchange differences on disposal of subsidiaries	–	–	–	–	–	–	576	576
Exchange differences arising from investments in the PRC and overseas subsidiaries/ associated companies	–	–	–	–	–	–	1,362,688	1,362,688
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

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 January 2008	186,701	524,091	51,433	750,768	212,498	(1,665)	9,539,790	11,263,616
On revaluation of properties (note (b))	16,513	64,129	(8,568)	–	–	–	–	72,074
Fair value loss on available-for-sale investments (note (c))	–	–	–	(102,950)	–	–	–	(102,950)
Provision of share options expense	–	–	–	–	–	–	82,302	82,302
Transfer to share premium	–	–	–	–	–	–	(4,307)	(4,307)
Transfer from retained profits	–	–	–	–	–	–	1,673	1,673
Reversal of reserves on disposal of a subsidiary	–	–	–	–	–	–	(19,457)	(19,457)
Exchange differences arising from investments in the PRC and overseas subsidiaries/ associated companies	–	–	–	–	–	–	724,862	724,862
Deferred taxation (charged)/credited directly to reserves	(13,784)	(1,606)	2,464	–	–	–	–	(12,926)
Fair value loss on derivative financial instruments – cash flow hedge of an associated company	–	–	–	–	–	(6,382)	–	(6,382)
At 31 December 2008	**189,430**	**586,614**	**45,329**	**647,818**	**212,498**	**(8,047)**	**10,324,863**	**11,998,505**

36 OTHER RESERVES (Continued)

(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 2007	7,975,089	37,308	136,714	26,374	7,868	8,183,353
Provision of share option expense	–	2,350	–	–	–	2,350
Transfer to share premium	–	(10,263)	–	–	–	(10,263)
Transfer from retained profits	–	–	–	1,086	–	1,086
Reversal of exchange differences on disposal of subsidiaries	–	–	576	–	–	576
Exchange differences arising from investments in the PRC and overseas subsidiaries/associated companies	–	–	1,362,688	–	–	1,362,688
At 31 December 2007	7,975,089	29,395	1,499,978	27,460	7,868	9,539,790
At 1 January 2008	7,975,089	29,395	1,499,978	27,460	7,868	9,539,790
Provision of share option expense	–	82,302	–	–	–	82,302
Transfer to share premium	–	(4,307)	–	–	–	(4,307)
Transfer from retained profits	–	–	–	1,673	–	1,673
Reversal of reserves on disposal of a subsidiary	–	–	(9,493)	(9,964)	–	(19,457)
Exchange differences arising from investments in the PRC and overseas subsidiaries/associated companies	–	–	724,862	–	–	724,862
At 31 December 2008	**7,975,089**	**107,390**	**2,215,347**	**19,169**	**7,868**	**10,324,863**

(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 note 2(e).

(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.

36 OTHER RESERVES (Continued)

(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 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
At 1 January 2008	17,793,308	212,498	29,395	7,868	18,043,069
Provision of share options expense	–	–	82,302	–	82,302
Transfer to share premium (note 35)	–	–	(4,307)	–	(4,307)
At 31 December 2008	**17,793,308**	**212,498**	**107,390**	**7,868**	**18,121,064**

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 2008 HK$'000	2007 HK$'000
Profit before taxation	**4,459,369**	7,895,917
Depreciation of property, plant and equipment and amortisation of leasehold land and use rights	**221,070**	187,164
Dividend income from listed and unlisted investments	**(75,073)**	(45,662)
Impairment loss on available-for-sale investments	**276,254**	–
Finance costs	**279,140**	300,907
Interest income	**(96,894)**	(121,958)
Loss on disposal of property, plant and equipment	**5,788**	6,104
Gain on sale of investment properties	**(317,109)**	(414,625)
Gain on sale of properties under development	**(2,310)**	(139,715)
Gain on disposal of subsidiaries	**(129,994)**	(35,444)
Gain on disposal of associated companies	**–**	(75,994)
Loss on deemed disposal of an associated company	**–**	10,108
Gain on disposal of partial interest in subsidiaries	**(254,344)**	–
Gain on sale of listed securities at fair value through profit or loss	**–**	(762)
Fair value loss/(gain) on listed securities at fair value through profit or loss	**122,396**	(39,817)
Gain on sale of available-for-sale investments	**–**	(2,712)
Impairment of goodwill	**–**	1,248
Change in fair value of investment properties	**(1,006,136)**	(4,493,935)
Change in fair value of buildings	**499**	–
Share of results of associated companies	**(298,863)**	(431,976)
Write off investment in an associated company	**5,393**	29
Operating profit before working capital changes	**3,189,186**	2,598,877
Decrease/(increase) in completed properties held for sale, properties under development, land deposits and accounts receivable, prepayments and deposits	**254,372**	(2,499,328)
(Decrease)/increase in accounts payable, deposits received and accrued charges	**(995,339)**	1,862,598
Net cash generated from operations	**2,448,219**	1,962,147

37 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(b) Acquisition of subsidiaries and business

(i) *Logistics Network*

On 31 March 2008, the Group acquired 51% interest of EAE Logistics Sdn. Bhd. and its subsidiaries ("EAE"). EAE is one of Malaysia's largest cross-border trucking operators. The acquired business contributed revenues of HK$106,150,000 and net profit of HK$2,664,000 to the Group for the period from acquisition up to 31 December 2008. If the acquisition had occurred on 1 January 2008, the revenues and profit attributable to the group would have been HK$143,253,000 and HK$3,070,000 respectively.

On 22 August 2008, the Group acquired the entire capital of Chongqing Ling Xian Shi Ye Development Co. Ltd., which holds a piece of land of 700,000 square feet in Chongqing. The construction of a logistic centre of 300,000 square feet will commence in 2009.

On 30 October 2008, a 91% subsidiary of the Group acquired 100% of Teamwork Logistics Limited, an international freight forwarding company operating in the United Kingdom. The acquired business contributed revenues of HK$10,487,000 and net profit of HK$164,000 to the Group for the period from acquisition up to 31 December 2008. If the acquisition had occurred on 1 January 2008, the revenues and profit attributable to the group would have been HK$53,008,000 and HK$2,580,000 respectively.

(ii) *Hong Kong Property*

On 30 May 2008, the Group acquired 71% of the share capital of Fancy Win Limited which holds various companies and collectively owned various properties located at Wilmer Street, Sheung Wan. The properties will be redeveloped into premier residences and retail units. This subsidiary did not contribute any significant results to the Group from acquisition up to 31 December 2008.

(iii) *PRC Property*

In February 2008, the Group acquired 61% of Changsha Kerry Nonferrous Real Estate Co Ltd, formerly know as Changsha Rong Cheng Real Estate Co Ltd, which holds a site located at 25 Xin Kai Pu Road in Tianxin District of Changsha. This site is designated for residential property development. This subsidiary did not contribute any significant results to the Group from acquisition up to 31 December 2008.

37 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(b) Acquisition of subsidiaries and business (Continued)

(iv) Details of net assets acquired and goodwill are as follows:

	2008				2007
	Logistics HK$'000	Hong Kong Property HK$'000	PRC Property HK$'000	Total HK$'000	Total HK$'000
Net assets acquired:					
Property, plant and equipment	39,977	–	–	**39,977**	22,128
Properties under development	37,967	987,929	503,540	**1,529,436**	–
Leasehold land and land use rights	2,242	–	–	**2,242**	33,589
Land deposits	–	–	–	**–**	45,418
Accounts and other receivables	66,353	82	11	**66,446**	36,785
Cash and bank balances	2,636	–	6,810	**9,446**	23,654
Accounts and other payables	(84,065)	(6,708)	(127,056)	**(217,829)**	(54,310)
Bank overdrafts	(5,302)	–	–	**(5,302)**	–
Bank loans	(4,946)	–	–	**(4,946)**	–
Taxation	(1,379)	–	–	**(1,379)**	–
Deferred taxation	(540)	–	–	**(540)**	–
	52,943	981,303	383,305	**1,417,551**	107,264
Less: Minority interests and loans	(1,383)	(284,578)	(149,489)	**(435,450)**	(5,877)
	51,560	696,725	233,816	**982,101**	101,387
Interest originally held by the Group as an associated company	–	–	–	**–**	(43,500)
Goodwill	55,656	–	–	**55,656**	42,004
	107,216	696,725	233,816	**1,037,757**	99,891
Satisfied by:					
Cash	107,216	696,725	207,018	**1,010,959**	99,891
Accounts payable	–	–	26,798	**26,798**	–
	107,216	696,725	233,816	**1,037,757**	99,891

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

	2008 HK$'000	2007 HK$'000
Cash consideration paid	**1,010,959**	99,891
Cash and bank balances acquired	**(9,446)**	(23,654)
Bank overdrafts acquired	**5,302**	–
Net cash outflow in respect of the acquisition of subsidiaries and business	**1,006,815**	76,237

37 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(d) Analysis of the net cash (outflow)/inflow in respect of the disposal of subsidiaries

	2008 HK$'000	2007 HK$'000
Net assets disposed of:		
Property, plant and equipment	**–**	3,965
Properties under development	**–**	2,346
Goodwill	**–**	9,605
Accounts receivable, prepayment and deposits	**8,618**	143,626
Cash and bank balances	**6,575**	102,108
Accounts payable, deposits received and accrued charges	**(10,884)**	(141,258)
Taxation	**(1,301)**	–
Deferred taxation	**(8,115)**	(63)
Exchange reserve	**–**	576
	(5,107)	120,905
Interest in associated companies	**239,350**	–
	234,243	120,905
Transaction costs incurred	**14,600**	10,090
Gain on disposal of subsidiaries	**129,994**	35,444
Total consideration	**378,837**	166,439
Total consideration	**378,837**	166,439
Additional interest in a subsidiary	**(363,943)**	–
Cash consideration	**14,894**	166,439
Transaction costs incurred	**(14,600)**	(10,090)
Cash and bank balances disposed of	**(6,575)**	(102,108)
Net cash (outflow)/inflow in respect of the disposal of subsidiaries	**(6,281)**	54,241

38 RELATED PARTY TRANSACTIONS

The following significant transactions were carried out with related parties during the year:

(a) Rendering and purchases of services

	2008 HK$'000	2007 HK$'000
Project management and consultancy fee income (note (a))	**20,697**	32,249
Marketing, consultancy and administrative management fees expense (note (b))	**23,213**	22,393

(i) 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.

(ii) 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

	2008 HK$'000	2007 HK$'000
Salaries and other short-term benefits	**67,742**	90,194
Share-based payments	**43,807**	1,424
Post-employment benefits	**810**	276
	112,359	91,894

(c) Year-end balances

	2008 HK$'000	2007 HK$'000
Receivables from related parties:		
Associated companies (note 19)	**1,895,248**	1,896,151
Payables to related parties:		
Subsidiaries of SA		
– included under amounts due to minority shareholders (note 31)	**541,032**	541,049
Associated companies (note 19)	**92,559**	45,519

(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 2008 amounted to approximately HK$2,054,096,000 (2007: HK$1,972,866,000). The total amount of such facilities covered by the Group's guarantees as at 31 December 2008 amounted to approximately HK$2,570,349,000 (2007: HK$2,657,216,000). The above-mentioned amounts are also reflected in the guarantees given by the Group for banking and other facilities disclosed in note 40(a).

(e) Other related party transactions

On 29 August 2008, Magnifair Company Limited (an indirect wholly-owned subsidiary of the Company) entered into three memoranda for sale, through its agent – Kerry Real Estate Agency Limited, with Metropoly Limited (an associate of Mr Ang Keng Lam, who is a director of the Company's subsidiary companies) and Ms Ruth Kuok (an associate of the Chairman of the Company) respectively in relation to the sales and purchases of three property units at 38 Shelley Street, Mid-Levels, Hong Kong for a total consideration of HK$33,715,000.

39 COMMITMENTS

(a) At 31 December 2008, 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:

	2008 HK$'000	2007 HK$'000
Contracted but not provided for	**6,260,863**	7,003,344
Authorised but not contracted for	**228,869**	59,431
	6,489,732	7,062,775

(b) At 31 December 2008, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	2008 HK$'000	2007 HK$'000
Land and buildings:		
Within one year	**90,922**	103,665
In the second to fifth year, inclusive	**79,861**	127,728
Over five years	**32,152**	31,638
	202,935	263,031

(c) At 31 December 2008, the Group had future aggregate minimum lease rental receivable under non-cancellable operating leases as follows:

	2008 HK$'000	2007 HK$'000
Land and buildings:		
Within one year	**1,286,453**	1,155,715
In the second to fifth year, inclusive	**1,513,589**	1,551,183
Over five years	**416,105**	538,523
	3,216,147	3,245,421

40 CONTINGENT LIABILITIES

(a) Guarantees for banking and other facilities

	Group		Company	
	2008	2007	2008	2007
	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))	**2,054,096**	1,972,866	**4,471,575**	4,382,700
Guarantees to certain banks for mortgage facilities granted to first buyers of certain properties in the PRC (note (iii))	**–**	96	**–**	96
Guarantee to convertible bondholders (note (iv))	**–**	–	**2,472,202**	2,346,387
	2,054,096	1,972,962	**6,943,777**	6,729,183

(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 2008 amounted to approximately HK$2,054,096,000 (2007: HK$1,972,866,000). The total amount of such facilities covered by the Group's guarantees as at 31 December 2008 amounted to approximately HK$2,570,349,000 (2007: HK$2,657,216,000).

(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 2008 amounted to approximately HK$4,471,575,000 (2007: HK$4,382,700,000). The total amount of such facilities covered by the Company's guarantees as at 31 December 2008 amounted to approximately HK$8,960,092,000 (2007: HK$5,916,907,000).

(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 2008 amounted to approximately HK$Nil (2007: HK$96,000) and HK$Nil (2007: HK$96,000), respectively. The total amount of such facilities covered by the Group's and the Company's guarantees as at 31 December 2008 amounted to approximately HK$1,714,054,000 (2007: HK$96,000) and HK$Nil (2007: HK$96,000), 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 (2007: HK$2,471,000,000) (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.

Subsequent to the balance sheet date, on 6 January 2009, the maintenance certificate has been issued by the Government.

(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).

(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.

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.

40 CONTINGENT LIABILITIES (Continued)

(c) Litigation (Continued)

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 2008, the Group's total bank loans and overdrafts of HK$10,418,608,000 (2007: HK$7,633,625,000) included an aggregate amount of HK$9,806,358,000 (2007: HK$6,981,004,000) which is unsecured and an aggregate amount of HK$612,250,000 (2007: HK$652,621,000) 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$1,235,000 (2007: HK$64,234,000) of certain subsidiaries; and

(iii) assignments of insurance proceeds of certain properties.

42 COMPARATIVE FIGURES

In previous years, sale proceeds and the related cost of sales of investment properties were presented in the consolidated income statement within turnover, cost of sales and direct operating expenses respectively. The Group has made the following reclassifications so as to conform to current year presentation which, in the opinion of the Directors of the Company, would better facilitate analysis of the financial information of the Group and conforms with current market practice. Such reclassifications have no effect on the overall results or financial position of the Group.

The following is a summary of the effects of comparative figures which have been reclassified:

	Group 2007 HK$'000
Decrease in turnover	(1,223,616)
Decrease in cost of sales	(808,991)
Decrease in direct operating expenses	(57,338)
Increase in other income and net gains	357,287

43 EVENTS AFTER THE BALANCE SHEET DATE

On 21 July 2008, Kerry Properties (China) Limited (incorporated in Hong Kong) ("KPCL") (an indirect wholly-owned subsidiary of the Company), Jeston Investments Pte Ltd ("JIPL"), Shangri-La China Limited ("SACL") and Winson Terrace International Limited ("WTIL") jointly won the bids at the open biddings to acquire the land use rights of three plots of land all located at Phoenix New City District, Tangshan City, Hebei Province, PRC (the "Tangshan Sites"). KPCL, JIPL, SACL and WTIL entered into a master joint venture agreement pursuant to which KPCL, JIPL, SACL and WTIL will hold 40%, 25%, 20% and 15% respectively in one or more joint venture companies to be established for the purposes of acquiring, holding and developing of the Tangshan Sites.

Subsequent to the balance sheet date, on 15 January 2009, KPCL, JIPL, SACL and WTIL entered into a cancellation agreement with Tangshan City Land Resources Transactions Centre ("TCLR") to relinquish their rights to acquire the land use rights of the Tangshan Sites as the joint venture parties decided to adopt a more conservative approach in relation to the project in light of the current market conditions. A penalty of a sum of RMB21,000,000 (approximately HK$23,900,000) was deducted from the deposit by TCLR whilst the balance of the deposit in the amount of RMB679,000,000 was refunded.

On 11 February 2009, KPCL, JIPL, SACL and WTIL jointly won the bids at the open biddings to acquire the land use rights of two plots of land both located at Feng Huang Xin Cheng, Tangshan City, Hebei Province, PRC (the "New Tangshan Sites"). KPCL, JIPL, SACL and WTIL entered into a master joint venture agreement pursuant to which KPCL, JIPL, SACL and WTIL will hold 40%, 25%, 20% and 15% respectively in one or two joint venture companies to be established for the purposes of acquiring, holding and developing of the New Tangshan Sites.

The consideration for the acquisition of the New Tangshan Sites was approximately RMB377,000,000 (approximately HK$428,000,000). The maximum contribution of KPCL to the joint venture company(ies) is expected to be approximately RMB854,400,000 (approximately HK$971,000,000).

The above transactions constituted connected transactions of the Group under the Listing Rules and approval by the independent shareholders of the Company is required at a special general meeting to be held on 31 March 2009.

44 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 21.77%, 17.91% and 6.17% respectively at 31 December 2008. These shareholders are indirect wholly-owned subsidiaries of Kerry Group Limited.

45 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATED COMPANIES

(i) Principal Subsidiaries

As at 31 December 2008, the Company held interests in the following subsidiaries which are categorised according to the business divisions of the Group, namely, Property Division, Logistics Network Division, Infrastructure 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*
Property Division – China					
[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%
[4][8] Changsha Kerry Nonferrous Real Estate Co., Ltd	PRC	Property development	RMB218,000,000	–	60.32844%
Hong Kong Shanghai Development Co Limited	HK	Investment holding	8,000,000	HK$1	75%
[4][7] Kerry (Shenyang) Real Estate Development Co., Ltd.	PRC	Property development	RMB2,457,500,000	–	60%
[7] Kerry Cao Jia Yan Properties (Shanghai) Co., Ltd.	PRC	Property development	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	–	55%
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 development	US$40,000,000	–	100%
[4][5][7] Kerry Development (Shenzhen) Co., Ltd.	PRC	Property development	HK$708,350,000	–	100%
[4][7] Kerry Huafeng Property Development (Hangzhou) Co., Ltd.	PRC	Property development	HK$680,000,000	–	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%
[4][5][7] Kerry Properties (Shenzhen) Co., Ltd.	PRC	Property development	HK$112,082,975	–	100%
[5][7] Kerry Properties Development Management (Shanghai) Co., Ltd.	PRC	Real estate and project management	US$650,000	–	100%
[4][7] Kerry Real Estate (Hangzhou) Co. Ltd.	PRC	Property development	US$365,750,000	–	100%
[4][7] Kerry Real Estate (Nanchang) Co., Ltd.	PRC	Property development	RMB350,000,000	–	80%
[4][5][7] Kerry Real Estate (Qufu) Co., Ltd.	PRC	Property development	RMB150,000,000	–	100%
[4][5][7] Kerry Real Estate (Yangzhou) Co., Ltd.	PRC	Property development	US$25,000,000	–	100%
Kerry Shanghai (Hongkou) Ltd.	Samoa	Investment holding	6,000,000	HK$1	60%
[4][5][7] Lucky Billion Development (Qinhuangdao) Co., Ltd.	PRC	Property development	RMB882,000,000	–	60%
[4][5][7] Million Palace Development (Chengdu) Co., Ltd.	PRC	Property development	RMB740,000,000	–	55%
[4][7] Risenland Development (Fuzhou) Co., Ltd.	PRC	Property development	HK$44,000,000	–	100%

45 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*
Property Division – China (Continued)					
[8] Shanghai Gang Hu Properties Co., Ltd.	PRC	Property investment and development	US$155,300,000	–	74.25%
[7] Shanghai Ji Xiang Properties Co., Ltd.	PRC	Property development	US$311,250,000	–	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%
[4][5][7] Sky Fair Development (Qinhuangdao) Co., Ltd.	PRC	Property development	RMB735,000,000	–	60%
[4][5][7] Wealthy Plaza Development (Chengdu) Ltd.	PRC	Property development	RMB750,000,000	–	55%
Ying He Company Limited	HK	Investment holding	10 21,000,000[2]	HK$1 HK$1	100%
Property Division – Hong Kong					
Asian Profit Limited	HK	Property development	1	HK$1	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%
Champrich Investments Limited	BVI	Investment holding	1,000,000	HK$1	71%
Chester Profit Limited	HK	Property development	10,000	HK$1	71%
Crown On Investment Limited	HK	Property development	10,000	HK$1	71%
Fortune Mega Investments Limited	BVI	Investment holding in HK	1	US$1	100%
Golden Concord Properties Limited	HK	Property development	1	HK$1	100%
Hugo Vantage Limited	HK	Property development	1	HK$1	71%
Interseed Company Limited	HK	Property trading	2	HK$1	100%
Join Sky Investment Limited	HK	Property development	1	HK$1	71%
Kerry Project Management (Macau) Limited	Macau	Project management	MOP1,000,000	–	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%
Mable Road Company Limited	HK	Property investment	10 10,000[2]	HK$1 HK$1	100%
Magnifair Company Limited	HK	Property trading	10,000	HK$1	100%
Maple Crest Development Limited	BVI	Provision of finance services and recreation park operation	120	US$1	75%

45 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*
Property Division – Hong Kong (Continued)					
MegaBox Development Company Limited	HK	Property investment	2	HK$1	100%
MegaBox Management Services Limited	HK	Property management	2	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%
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%
Rodder Holdings Limited	BVI	Investment holding in HK	1	US$1	100%
Shun On Properties Limited	HK	Property development	1	HK$1	71%
[4] 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%
Wealthy State Investments Limited	HK	Property development	1	HK$1	100%
Wing Tak Cheung Limited	HK	Property trading	1,000	HK$10	100%
Woody Company Limited	HK	Property investment	2	HK$1	100%
Property Division – Overseas					
Kerry Properties International Limited	BVI	Investment holding	1	HK$1	100%*
Wirabay Limited	BVI	Provision of trustee services	1	US$1	100%

45 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*
Logistics Network Division					
[4][5][7] Beijing Kerry EAS Real Estate Management Limited	PRC	Property management	RMB500,000	–	70%
[4][5][7] Beijing Kerry Logistics Ltd.	PRC	Logistics business	US$12,000,000	–	100%
[4][5][7] Beijing Kong Gang Kerry EAS Logistics Ltd.	PRC	Logistics and warehousing	RMB5,000,000	–	70%
[4][5][7] Chongqing Ling Xian Shi Ye Development Co., Ltd.	PRC	Logistics and warehousing	RMB38,000,000	–	100%
[4][5][7] CV Global Logistics (Beijing) Limited	PRC	Logistics business	RMB50,000,000	–	100%
[4][5][7] Dalian Kerry EAS Trading Co., Ltd.	PRC	Logistics business	RMB500,000	–	70%
[4] E.A.E. Freight & Forwarding Sdn. Bhd.	Malaysia	Freight forwarding	500,000	RM1	51%
[4][5] E.A.E. Logistics Co., Ltd.	Thailand	Transportation	80,000	Baht100	51%
[4] E.A.E. Transport Sdn. Bhd.	Malaysia	Transportation services	500,000	RM1	51%
[4] EAE Logistics Sdn. Bhd.	Malaysia	Logistics and warehousing	100,000	RM1	51%
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] East Asiatic Enterprise Sdn. Bhd.	Malaysia	Freight forwarding	500,000	RM1	51%
[4][5] Kerry Asia Road Transport Limited	Thailand	Road Transportation	400,000	Baht100	75%
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%

45 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*
Logistics Network Division (Continued)					
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%
[4][6] Kerry Far East Logistics (Bangladesh) Limited	Bangladesh	Freight forwarding	100,000	BDT100	35.70%
Kerry Far East Logistics (Hong Kong) Limited	HK	Freight forwarding	100	HK$1	51%
[4][5][8] Kerry FFTZ Warehouse (Shenzhen) Ltd.	PRC	Warehouse and logistics business	HK$70,000,000	–	100%
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%
[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	59.86%
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	3,120,000	HK$1	75%
[4][5] Kerry Integrated Logistics (Viet Nam) Co., Ltd	Vietnam	Warehouse and logistics business	US$7,900,000	–	100%

45 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*
Logistics Network Division (Continued)					
Kerry Logistics (Australia) Pty Ltd	Australia	Operation of logistics business, rail terminal and container depot	1,000,000	A$2	100%
Kerry Logistics (Belgium)	Belgium	Freight forwarding	EUR18,600	–	100%
[4][5] Kerry Logistics (Cambodia) Pte. Ltd.	Cambodia	Freight forwarding	1,000	KHR20,000	100%
[4][5][7] Kerry Logistics (Chengdu) Ltd	PRC	Logistics and warehousing	RMB20,000,000	–	100%
[4] Kerry Logistics (Czech Republic) s.r.o.	Czech	Freight forwarding	CZK200,000	–	100%
Kerry Logistics (Germany) GmbH	Germany	Freight forwarding	EUR50,000	–	100%
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 (Japan) Limited	Japan	Freight forwarding	200	JPY50,000	100%
[4] Kerry Logistics (Macau) Limited	Macau	Logistics business	MOP100,000	–	100%
[4] Kerry Logistics (Malaysia) Sdn. Bhd.	Malaysia	Freight forwarding and logistics business	250,000	RM1	67%
Kerry Logistics (Netherlands) B.V.	Netherlands	Freight forwarding	180	EUR100	100%
[4] Kerry Logistics (Poland)	Poland	Freight forwarding	1,000	PLN50	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	73.58%
[4][7] Kerry Logistics (Tianjin) Co., Ltd.	PRC	Logistics business	HK$20,000,000	–	100%
Kerry Logistics (UK) Limited	United Kingdom	Freight forwarding	20,000	£1	91%
[4] KERRY LOGISTICS France	France	Freight forwarding	EUR1,500	EUR10	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%*
Kerry Records Management Services Limited	HK	Documents storage	2	HK$1	100%
[4] Kerry Reliable Logistics Private Limited	India	Freight forwarding and logistics business	15,000	INR10	51%

45 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*
Logistics Network Division (Continued)					
[4][5] Kerry Siam Seaport Limited	Thailand	Operating deep-sea wharf and warehouses	65,000,000	Baht10	67.88%
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%
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%

45 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*
Logistics Network Division (Continued)					
[4][6] Kuok Pengangkutan Sdn. Bhd.	Malaysia	Distribution and logistics business	2,500,000	RM1	31.22%
Mainco Management Limited	HK	Building management	10,000	HK$1	100%
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][7] Shanghai Jia Jia Trading Ltd.	PRC	Trading	RMB5,000,000	–	70%
[4][8] Shanghai Kerry CHJ Logistics Limited	PRC	Logistics business	HK$14,040,000	–	97%
[4][5][7] 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] Teamwork GTS Limited	United Kingdom	Freight forwarding	50,000	£1	91%
[4][5][7] Tianjin Kerry Eas Customs Declaration Limited	PRC	Acting as agent to import and export goods	RMB1,500,000	–	70%
[4][5][7] Tianjin Kerry EAS International Trading Co., Ltd.	PRC	International trading	RMB100,000	–	70%
Wah Cheong Company, Limited	HK	General merchants	150,000	HK$100	99.87%
[4][5][9] Wuxi Kerry EAS Warehouse Services Co., Ltd.	PRC	Warehousing services	RMB500,000	–	70%
[4][5][7] Xian Kerry EAS Logistics Co., Ltd.	PRC	Logistics business	RMB5,000,000	–	70%
[4][5][7] Xinjiang Kerry EAS Logistics Limited	PRC	Logistics business	RMB3,000,000	–	70%

45 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*
Infrastructure Division					
Kerry Infrastructure Limited	BVI	Investment holding	595,026,381	HK$1	100%*
Other Divisions					
Alpine Project Management Ltd.	Samoa	Project management in Asia	1	US$1	100%
Dragon Fame Limited	HK	Finance	1	HK$1	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	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 Project Management (H.K.) Limited	HK	Project management	300,000	HK$1	100%
Kerry Property Management Services Limited	HK	Property management	20	HK$1	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%*
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%

45 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATED COMPANIES (Continued)

(ii) Principal Associated Companies

As at 31 December 2008, the Company held interests in the following associated companies which are categorised according to the business divisions of the Group, namely, Property Division, Logistics Network Division, Infrastructure Division and Other Divisions as listed below:

Name	Place of incorporation/ establishment	Principal activities	Class of shares/ Registered capital	Interest held indirectly
Property Division – China				
(4)(5)(8) Shanghai Pudong Kerry City Properties Co., Ltd.	PRC	Property development	US$171,361,400	40.80%
(4)(7) Tianjin Kerry Real Estate Development Co., Ltd.	PRC	Property development	RMB1,408,581,125	49%
Property Division – Hong Kong				
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) 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) Grand Rise Investments Limited	HK	Property investment	Ordinary	45%
(4)(11) Hang Hau Station (Project Management) Limited	HK	Project management	Ordinary	40%
(4) Jet Fame (Hong Kong) Limited	HK	Property investment	Ordinary	45%
(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) Residence Oasis Finance Company Limited	HK	Provision of finance services	Ordinary	40%
(11) Time Rank Limited	HK	Property trading	Ordinary	50%
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%

45 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
Property Division – Overseas				
(4) Edsa Parking Services, Inc.	Philippines	Carpark operations	Common	34.61%
(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)(10) KSA Realty Corporation	Philippines	Leasing of office and commercial spaces	Common Preference	18.30%
(4) Shang Properties, Inc.	Philippines	Property development, investment holding and real estate management	Common	34.61%
(4) Shangri-La Plaza Corporation	Philippines	Operation of shopping mall and other related activities	Common Preference	27.245%
(4) The Shang Grand Tower Corporation	Philippines	Property development	Common Preference	34.61%
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%
EPHI Logistics Holdings, Inc.	Philippines	Investment holding	Common	40%
(4)(5) Hanjin Kerry Logistics Co., Ltd.	Korea	Logistics and warehousing	Ordinary	35%
(4) Kerry Salvat Logistics, S.A.	Spain	Freight forwarding	Ordinary	50%
(4)(5) Kerry Samyoung Logistics (Korea) Ltd.	Korea	Provision of logistics services, packing, loading and unloading services	Common	30.60%
Kerry Talke Chemical Logistics (Hong Kong) Limited	HK	Investment holding	Ordinary	50%
(4)(5)(7) Kerry Talke Chemical Logistics (Shanghai) Limited	PRC	Logistics business	US$315,000	50%
Kerry Wincanton Limited	HK	Logistics business	Ordinary	50%
(4) T.Join Transportation Co.,Ltd	Taiwan	Transportation and logistics	Ordinary	18.52%

45 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
Infrastructure Division				
(4)(5)(8)(10) Hohhot Chunhua KVW Water Treatment Company Limited	PRC	Water treatment facilities ownership and management	RMB192,329,200	13%
(4)(5)(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%
(4)(5)(7)(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%
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:

	2008 HK$'000	2007 HK$'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
Income statement										
Turnover	**13,115,698**	11,272,388	10,193,117	8,008,824	5,102,442	4,204,466	5,156,162	5,036,408	3,195,757	2,342,175
Operating profit	**4,160,506**	7,463,941	5,387,944	3,246,173	1,732,612	436,564	678,896	527,285	790,939	1,046,524
Share of results of associated companies	**298,863**	431,976	450,917	510,105	555,503	135,758	108,838	(272,780)	140,917	271,059
Profit before taxation	**4,459,369**	7,895,917	5,838,861	3,756,278	2,288,115	572,322	787,734	254,505	931,856	1,317,583
Taxation	**(1,085,978)**	(1,014,564)	(889,531)	(494,199)	139,910	(111,192)	(175,988)	(83,165)	(118,840)	(66,466)
Profit after taxation	**3,373,391**	6,881,353	4,949,330	3,262,079	2,428,025	461,130	611,746	171,340	813,016	1,251,117
Minority interests	**(322,798)**	(318,261)	(260,380)	(195,216)	(156,892)	(66,389)	(12,075)	(23,910)	(82,383)	(18,515)
Profit attributable to shareholders	**3,050,593**	6,563,092	4,688,950	3,066,863	2,271,133	394,741	599,671	147,430	730,633	1,232,602
Breakdown of the profit/(loss) attributable to shareholders by division:										
PRC Property Division	**1,720,302**	884,804	807,153	372,020	548,303	299,661	237,508	292,647	252,382	36,399
Hong Kong Property Division	**705,618**	4,716,769	2,675,562	1,429,102	1,187,302	(212,738)	550	(471,996)	195,977	1,012,553
Overseas Property Division	**(12,514)**	58,585	36,227	68,091	26,696	26,203	31,940	32,074	23,461	23,381
Logistics Network Division	**597,209**	812,257	1,173,036	1,085,152	438,297	92,253	158,739	57,037	64,845	89,607
Infrastructure Division	**60,216**	42,734	31,420	38,473	30,581	149,169	101,484	217,006	86,168	68,380
Project, property management and others	**(20,238)**	47,943	(34,448)	74,025	39,954	40,193	69,450	20,662	107,800	2,282
	3,050,593	6,563,092	4,688,950	3,066,863	2,271,133	394,741	599,671	147,430	730,633	1,232,602
Assets and liabilities										
Fixed assets	**53,472,395**	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
Other assets	**11,016,025**	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
Net current assets	**8,710,942**	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
Total assets less current liabilities	**73,199,362**	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
Long-term liabilities and minority interests	**(26,660,955)**	(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)
Shareholders' funds	**46,538,407**	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

Note: The above figures are based on the latest published financial statements.

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