Annual Report 2009

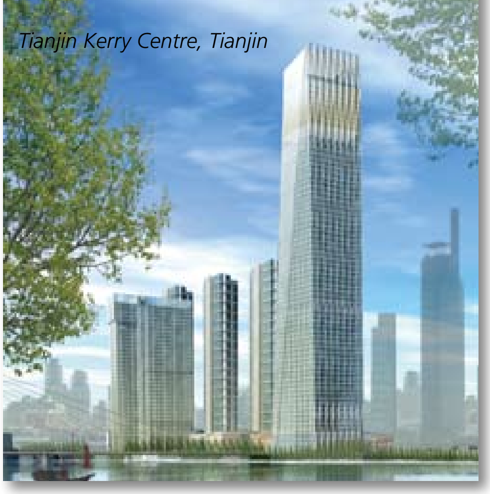
KERRY PROPERTIES LIMITED

嘉里建設有限公司

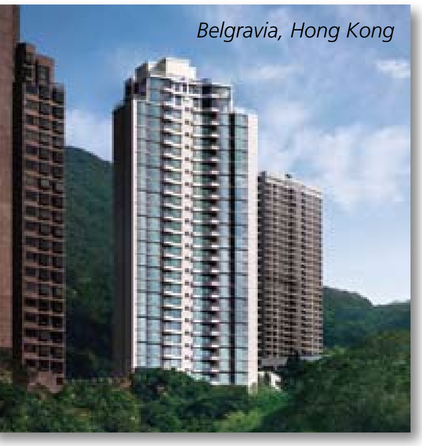
(Incorporated in Bermuda with limited liability)

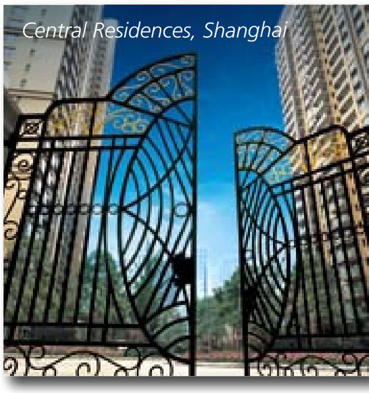
Stock Code : 683

Kerry Logistics


Tianjin Kerry Centre, Tianjin


Gemini Grove, Beijing

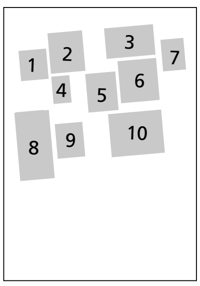

Belgravia, Hong Kong


Central Residences, Shanghai


Parkview Residence, Hangzhou


Shenyang Complex Development, Shenyang

Images on Front Cover



1. Chengdu Project, Chengdu
2. MegaBox, Hong Kong
3. Hangzhou Kerry Centre, Hangzhou
4. Primrose Hill, Hong Kong
5. Le Loft, Kerry Everbright City, Shanghai
6. Island Crest, Hong Kong
7. Shenzhen Kerry Plaza, Shenzhen
8. King's Road Project, Hong Kong
9. Wong Tai Sin Project, Hong Kong
10. Kerry Parkside, Shanghai Pudong

All renderings are artist's impression only

Jing An Kerry Centre, Shanghai

Mid-levels Portfolio, Hong Kong

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.

Logistics Centre, Chengdu

Shan Kwong Road Project, Hong Kong

Hangzhou Kerry Centre, Hangzhou

Corporate Information & Key Dates

BOARD OF DIRECTORS

Executive 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, MBE, JP
Mr QIAN Shaohua
Mr CHAN Wai Ming, William

Independent Non-executive Directors

Mr KU Moon Lun
Mr LAU Ling Fai, Herald
Ms WONG Yu Pok, Marina, JP

Non-executive Director

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

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

FINANCE COMMITTEE

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

EXECUTIVE COMMITTEE

Mr KUOK Khoon Chen
Mr WONG Siu Kong
Mr HO Shut Kan
Mr MA Wing Kai, William
Mr SO Hing Woh, MBE, JP
Mr QIAN Shaohua
Mr CHAN Wai Ming, William

COMPANY SECRETARY

Ms LI Siu Ching, Liz

AUDITOR

PricewaterhouseCoopers

STOCK CODES

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

PRINCIPAL BANKERS

Agricultural Bank of China
Australia and New Zealand Banking Group Limited
Bank of China Limited
Bank of Communications Co., Ltd.
The Bank of Tokyo-Mitsubishi UFJ, Ltd.
China Construction Bank Corporation
China Merchants Bank
DBS Bank Ltd.
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

REGISTERED OFFICE

Canon's Court, 22 Victoria Street
Hamilton HM12, Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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 Communication 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
Email: communication@kerryprops.com

WEBSITE

www.kerryprops.com

KEY DATES

Closure of Registers of Members

3 May 2010 and 4 May 2010

Annual General Meeting

4 May 2010

Proposed Payment of Final Dividend

11 May 2010

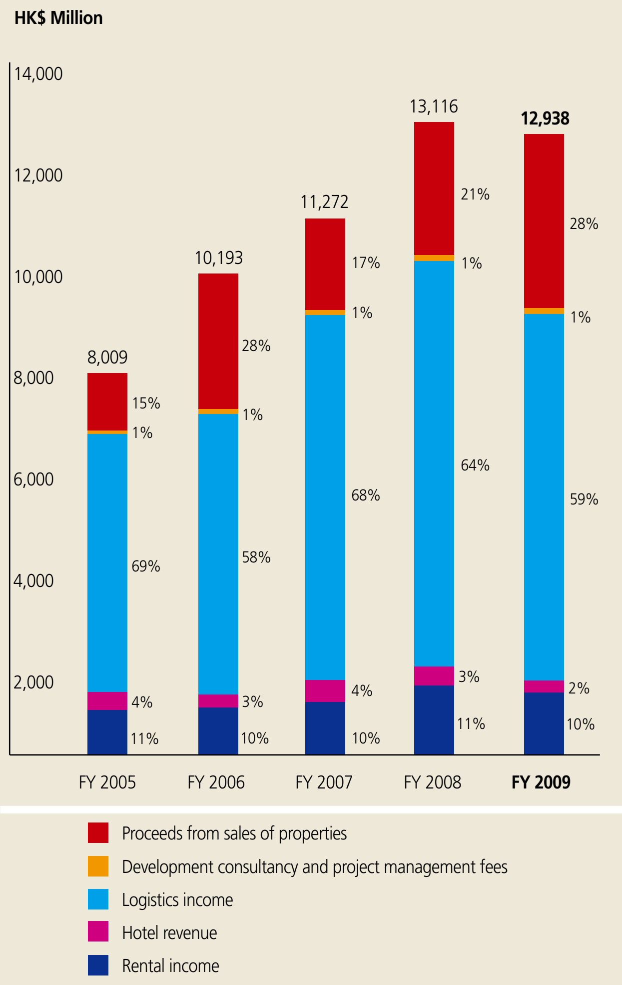
Contents

Financial Highlights

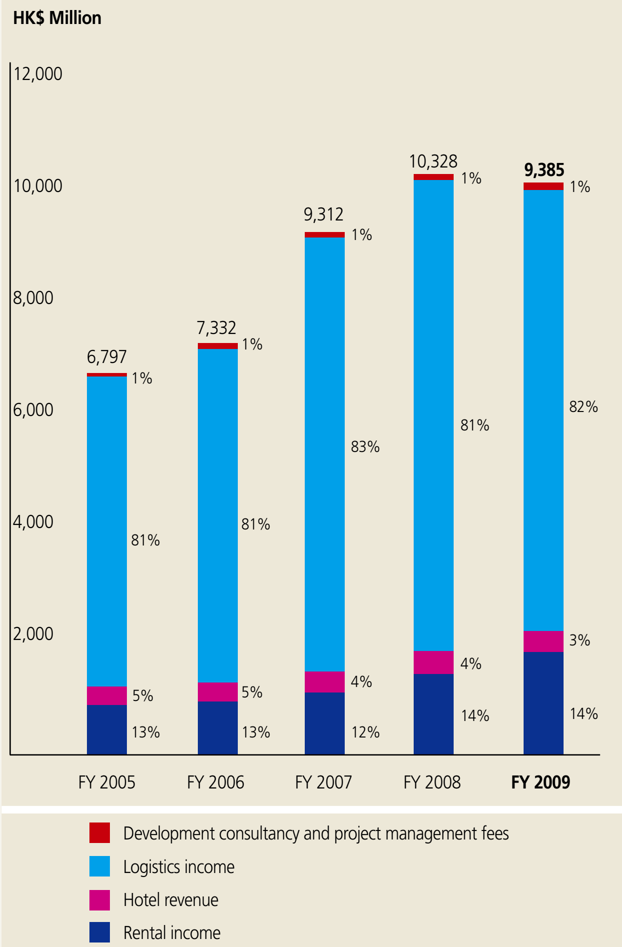
Two-year Overview		FY 2009	FY 2008	% Change
Turnover	(HK$M)	**12,938**	13,116	-1%
Gross profit	(HK$M)	**4,245**	3,968	+7%
Gross profit margin	(%)	**32.8**	30.3	
Operating profit	(HK$M)	**5,913**	4,161	+42%
Operating profit margin	(%)	**45.7**	31.7	
Profit attributable to shareholders	(HK$M)			
– before fair value change of properties		**2,146**	2,229	-4%
– after fair value change of properties		**4,391**	3,051	+44%
Net profit margin	(%)			
– before fair value change of properties		**16.6**	17.0	
– after fair value change of properties		**33.9**	23.3	
Earnings per share	(HK$)			
– before fair value change of properties		**1.50**	1.56	-4%
– after fair value change of properties		**3.08**	2.14	+44%
Shareholders' equity	(HK$M)	**50,425**	46,538	+8%
Net borrowings	(HK$M)	**9,192**	12,045	-24%
Net asset value per share	(HK$)	**35.29**	32.61	+8%
Share price as at 31 December	(HK$)	**39.50**	20.65	+91%
Price earnings ratio#	(times)			
– before fair value change of properties		**26.3**	13.2	
– after fair value change of properties		**12.8**	9.6	
Market capitalization as at 31 December#	(HK$M)	**56,444**	29,471	+92%
Dividend per share	(HK$)	**0.70**	0.70	
Dividend payout ratio	(%)			
– before fair value change of properties		**46.7**	44.9	
– after fair value change of properties		**22.7**	32.7	
Dividend cover	(times)			
– before fair value change of properties		**2.1**	2.2	
– after fair value change of properties		**4.4**	3.1	
Dividend yield#	(%)	**1.8**	3.4	
Return on shareholders' equity	(%)			
– before fair value change of properties		**4.3**	4.8	
– after fair value change of properties		**8.7**	6.6	
Gearing	(%)	**18.2**	25.9	
Interest cover	(times)			
– before fair value change of properties		**8.0**	6.0	
– after fair value change of properties		**13.9**	7.5	
Current ratio	(times)	**3.0**	2.4	
Liquidity ratio	(times)	**1.2**	1.3	
Premium/(discount) to net asset value#	(%)	**11.9**	(36.7)	

Based on share prices as at 31 December 2009 and 31 December 2008, respectively.

Breakdown of Total Turnover

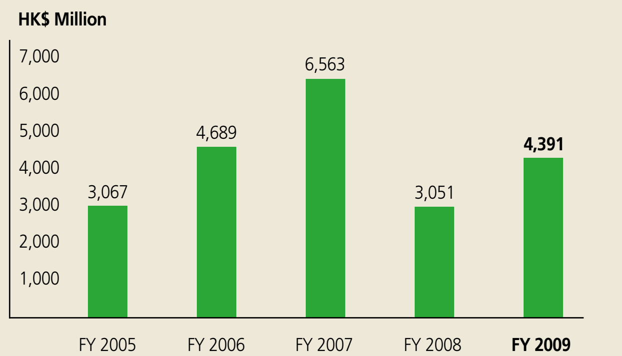


Breakdown of Recurrent Income



The Group recorded a 1% decrease in total turnover for FY2009 to **HK$12,938 million** (2008: HK$13,116 million).

Profit Attributable to Shareholders



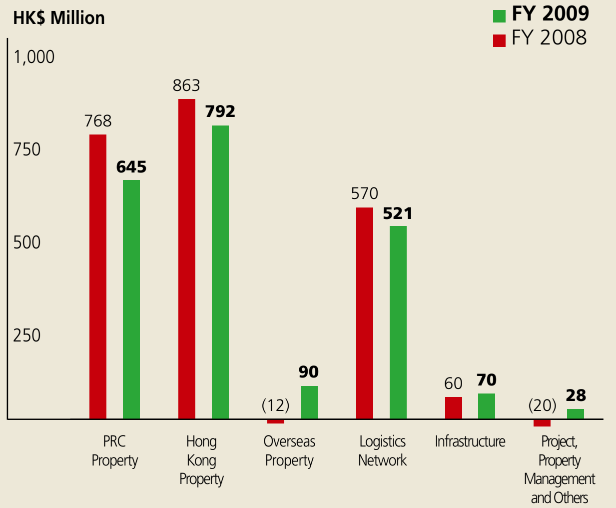
	Total Turnover HK$ Million	Recurrent Income HK$ Million	% Weighting	Net Profit before fair value change of properties HK$ Million	Net Profit after fair value change of properties HK$ Million
FY 2005	8,009	6,797	85%	1,759	3,067
FY 2006	10,193	7,332	72%	2,944	4,689
FY 2007	11,272	9,312	83%	2,590	6,563
FY 2008	13,116	10,328	79%	2,229	3,051
FY 2009	**12,938**	**9,385**	**73%**	**2,146**	**4,391**

The Group's net profit attributable to shareholders for FY 2009 increased by 44% to **HK$4,391 million** (2008: HK$3,051 million).

Financial Highlights

Profit Attributable to Shareholders by Division

(before fair value change of properties)

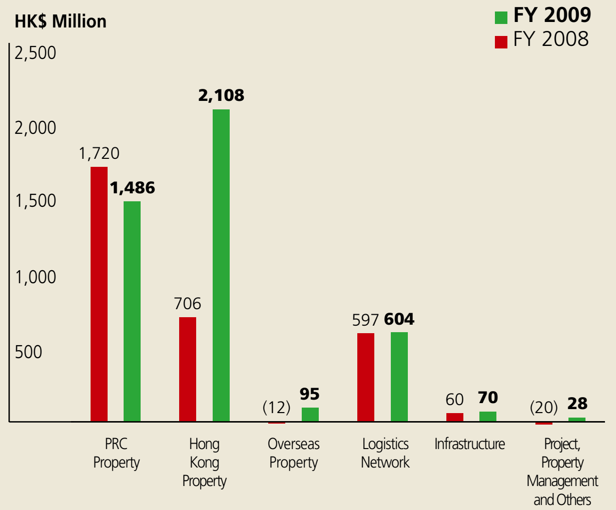


Profit Attributable to Shareholders (before fair value change of properties) (by division)	**2009** **HK$ Million**	2008 HK$ Million	% Change
PRC Property	**645**	768	-16%
Hong Kong Property	**792**	863	-8%
Overseas Property	**90**	(12)	N/A
Logistics Network	**521**	570	-9%
Infrastructure	**70**	60	+17%
Project, Property Management and Others	**28**	(20)	N/A
	2,146	2,229	-4%

N/A – not applicable

Profit Attributable to Shareholders by Division

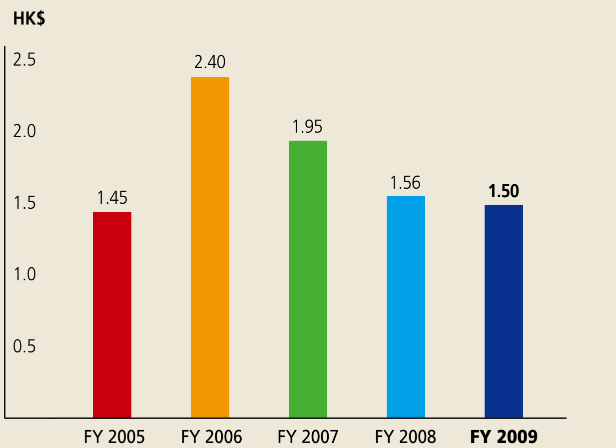
(after fair value change of properties)



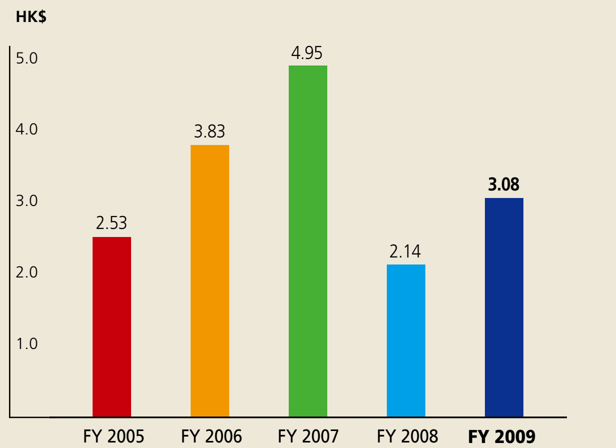
Profit Attributable to Shareholders (after fair value change of properties) (by division)	**2009** **HK$ Million**	2008 HK$ Million	% Change
PRC Property	**1,486**	1,720	-14%
Hong Kong Property	**2,108**	706	+199%
Overseas Property	**95**	(12)	N/A
Logistics Network	**604**	597	+1%
Infrastructure	**70**	60	+17%
Project, Property Management and Others	**28**	(20)	N/A
	4,391	3,051	+44%

N/A – not applicable

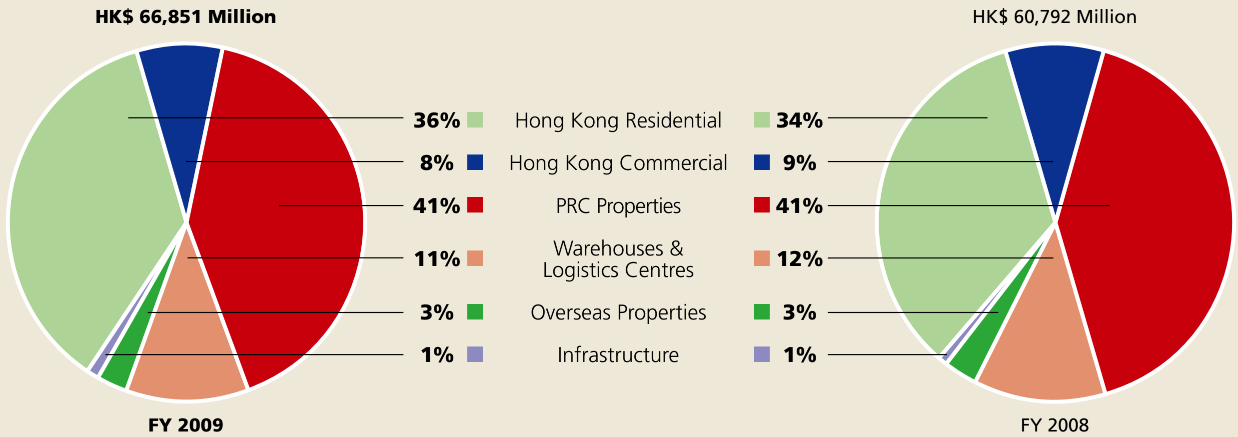
Earnings per Share (before fair value change of properties)



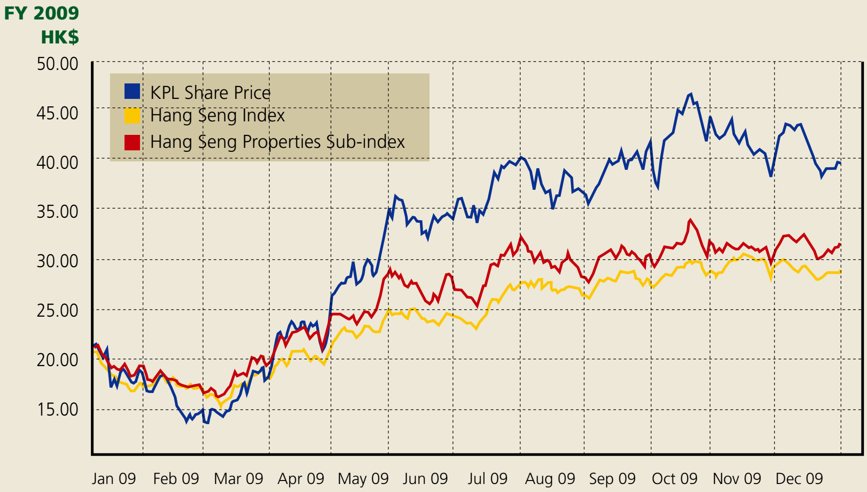
Earnings per Share (after fair value change of properties)



Gross Asset Value of Properties

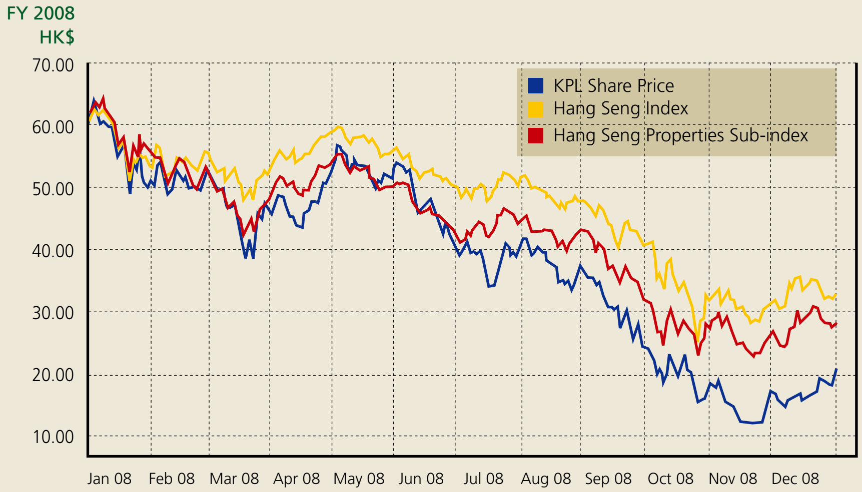


Share Price Performances



KPL Share Price 2009

High:	HK$46.45
Low:	HK$13.60
Average:	HK$31.55
Year's High PE:	27.0x
Year's Low PE:	6.4x
Average PE:	17.0x
Hang Seng Index Average PE:	18.0x
Hang Seng Properties Sub-index Average PE:	15.9x



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

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 2009.

The Group's consolidated net profit attributable to shareholders for the year ended 31 December 2009 was HK$4,391 million, representing an increase of 44% compared with HK$3,051 million reported for 2008.

Earnings per share for the year were HK$3.08, representing an increase of 44% compared with HK$2.14 per share in 2008.

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 2009 will be HK$0.70 per share (2008: HK$0.70 per share).

The Group's results demonstrate the merit of our strategy in taking a long-term view to business in all the sectors in which we operate. The performance of our various businesses is more fully described in other sections of this annual report. Suffice it to say here that the flexibility and diversity that is built into our business, and the geographic concentration of key activities in dynamic and growing markets such as China, are competitive drivers that will likely see the Group continue to prosper in coming years.

As I remarked in last year's annual report, the series of external shocks to the global economy in 2008 were a backdrop to performance of the Group during the latter part of that year, and performance continued to be affected through the first half of 2009. The extremes of the global financial crisis were felt early in 2009 when there was a lull in all forms of business activity. This was an understandable reaction to global uncertainty. Fortunately, the measures taken to overcome the crisis, particularly the stimulus packages that governments in China and elsewhere put into effect, had improved performance by mid-year and led to a more buoyant outlook for investors and consumers which translated into a fairly rapid recovery that was sustained during the second half of 2009. The increase in sales activity in our property division was particularly encouraging and at this point there is reason for cautious optimism that the economies that our property business links closely to will continue to improve.

The economic outlook for the year ahead seems positive but conditions are likely to be uneven across business sectors as recovery continues. The possibility of regulatory change is ever-present and carries the potential to disrupt and destabilize markets in the short-term. However, our focus is on the long-term economic fundamentals that are time proven to generate shareholder value. This means that future value creation for the Group is far more dependent on macroeconomic trends than it is on short-term market movements.

Both China and Hong Kong will continue to be investment centres for the Group, with China increasingly becoming a focus for growth as its economy develops and as the market for property in China expands and matures. Following a period of policy easing as well as measures to improve bank liquidity, the availability of funds in the second half of 2009 was a driver of demand for property and resulted in prices for property returning to more realistic levels that reflect their fundamental value.

China holds particular promise for growth due to consistent and sustained increases in consumption that are propelled by asset affordability which is a function of steady advances in income levels. Following a period during which increases in property values lagged inflation in salaries and other costs, housing prices in China are now moving upward in line with the upward movement in household income and prices in general. This has reset property prices and removed a portion of the speculative activity that was interfering with efficient market mechanisms. Consequently, the market for housing in China is likely to be less volatile in terms of pricing, and the transaction values that are achieved are likely to be more sustainable.

The same governance and management principles that have kept our property business at the leading edge strategically and competitively for many years, apply to our logistics business. Although our logistics business was affected by the slowdown in 2009, responsible stewardship and a focus on the long-term potential of the logistics sector to generate shareholder value has ensured that this part of our business remained relatively strong during the year. The logistics business will likely continue to recover and strengthen into the future, particularly as commercial activity increases in China.

Over the years, our broad commitment to the community, society, the environment, and to high ethical and professional standards, has resulted in a number of commendations and awards. Our commitment to corporate social responsibility ("CSR"), and to environmental initiatives in particular, further strengthened in 2009. It is most welcome to observe that our efforts in this regard are making a meaningful difference in many ways and have received unprecedented recognition from a wide range of well respected bodies from around the world that independently monitor and comment on CSR activities. I am particularly pleased with the success of our comprehensively designed and far-reaching environmental management system ("EMS") in making our organization more sustainable and environmentally friendly. The results of our EMS, together with our carbon reduction campaign and other "green" initiatives, ensure that our ethos of "going beyond building" is brought to life in a very tangible and real way so as to successfully deliver upon our mission to be a caring company. The excellent work that the entire team has done to galvanize our position as a leader in CSR, and in managing for sustainability, is more fully described in our "Corporate Social Responsibility Report", as well as on our website.

Finally, I would like to thank my Board colleagues and those on the senior management team for their outstanding leadership and commitment during 2009. I also wish to offer my deep appreciation to the hardworking staff of Kerry Properties Limited and its subsidiaries whose daily efforts aim to ensure the continued positive momentum of our business.

Sincerely,

Kuok Khoon Chen
Chairman
Hong Kong, 17 March 2010

President & Chief Executive Officer's Statement

Dear Shareholders,

The financial tsunami structurally changed the order of the global economy in 2009. The rapid move by the Chinese Government to launch a RMB4-trillion economic stimulus package has effectively spurred domestic consumption. As a result of the multiplier effect, the increase in domestic demand has successfully helped to mitigate the impact of the external negative economic environment, enabling the government to achieve its economic growth target of 8%. China remains the country with the strongest growth momentum in the world. The Group's governing strategy to establish a strong foothold in China and Hong Kong and to seek excellence is key to steering us through the global financial crisis.

China's economic fundamentals are sound. With the economy reviving in the second half of the year, the China business of Kerry Properties benefited from the overall upturn. In particular, relaxed credit helped to bring about a rapid rebound in the property market; a reflection of increased purchasing power and confidence in the market. The Group's business focus for the Mainland has been on the development of premium-quality properties in prime locations. Leveraging Kerry's strong brand reputation, these properties are better positioned to demonstrate their advantages amidst the economic turbulence.

The property market in Hong Kong has also displayed a steady upward trend in 2009, but the focus has clearly been on supply-restrained premier assets. The Group's focus on high-quality projects has helped build an advantageous market positioning. As a property company maintaining interests in both the Mainland and Hong Kong, Kerry Properties is relatively less affected by the repercussions of the recent global financial turmoil. Accordingly, the Group is delighted to announce a satisfactory performance for the year.

Despite the re-emergence of signs of overheating in China's property market towards the end of the year, the Group believes that the rise in prices of properties such as those that are core to the Group reflects the value added by the Group through the superior management of activities including the choice of materials, the control of project quality, and property management. The upward trend in property prices also reasonably reflects the rising resettlement costs in core cities, as well as a catching up period following the lagged effect of inflation over the past decade.

The continued climb in property prices in the Mainland may reflect speculation in part. This may lead to bubbles forming in the asset markets. However, China's urbanization has created long-term genuine demand for real estate and this is supporting the value of and demand for premier properties in core locations in key cities and provincial capitals. As international currencies reposition after the financial crisis, it is expected that the US Dollar will remain relatively weak in the foreseeable future. The Renminbi, on the other hand, appears to be relatively strong and holds the potential for appreciation. This has helped increase the investment appeal of Mainland assets to foreign buyers. These factors bode well for the long-term prospects of the Group.

The threat of a deep recession developing out of the recent financial crisis appears to have diminished, but a number of areas of potential instability and risks remain. For example, lending for property and related investment incentives were adjusted during the new financial year. This could see a slump in demand. To counter this, the Group continues to develop property in both China and Hong Kong, and adheres to its focus of acquiring and developing sites in cities that are more advanced economically. The Group stringently selects locations that are highly likely to support demand for and value of its developments. The Group then ensures that demand is further supported by superb design and construction quality. This leads to the further strengthening of our premium brand. The Group will continue to attempt at all times to mitigate risk by focusing on the development of prime properties in China and Hong Kong. The vast accumulated experience of the Group acts as a further control for risk. Further, the Group maintains a proportion of premier investment properties in its portfolio so as to strengthen its recurrent income base. This is a cornerstone of our strategy to remain resilient to unpredictable economic fluctuations or policy changes.

The Group continues to seek prime sites in China's top-tier cities and provincial capitals that are suited to the development of high-end projects. In Hong Kong, the Group will further advance its development on the back of its unequalled prime residential property land bank on Hong Kong Island. The Group has actively sought to increase its land bank over the past few years. Most of the projects planned for the land bank were still in the phase of planning or construction in 2009. The launch of new properties, such as Central Residences Phase II and Kerry Everbright City Phase IIB in Shanghai, Parkview Residence in Hangzhou, and Lakeview in Yangzhou, as well as Primrose Hill in Hong Kong, have all achieved satisfactory sales results. The Island Crest project at First Street, Hong Kong, was introduced in Hong Kong in early 2010 and received a welcome response from the market.

Logistics also remains a focus of the Group. Kerry Logistics has not only affirmed its position as the leading logistics company in China, but is also gradually building a logistics network in the emerging ASEAN and Southeast Asian markets. Management firmly believes that Kerry Logistics is poised to demonstrate further development potential in an altered landscape where Asia, led by China, will undertake a more important role in the global economy amidst its genuine recovery.

Our outstanding staff team has always been our most important asset, creating the dynamics to drive the Group's growth and supporting us in facing all kinds of challenges. The Group's achievements in the past year are made possible through the participation and support of all employees. We will continue to actively support the training and professional development of staff. We will also work to further promote team spirit.

The Group has focused on improving its project management capabilities in order to enhance project quality and as a means of providing complementary services to our customers. This has helped Kerry Properties to build a brand advantage. During the year, management also realigned some internal company structures with a view to enhancing administrative efficiency and to achieving better synergies between business units. Leasing and sales rollouts in the coming year will include Kerry Parkside in Pudong, Parkview Residence in Hangzhou and Arcadia Court in Chengdu, as well as Island Crest in Hong Kong. The Group expects continued strong performance for such launches. We will enter into a period of harvesting as the projects under development near completion over the next few years.

I wish to thank everyone who has worked hard for the Group during the year and I look forward to working with you in the coming year to build further on our success.

Wong Siu Kong
President & Chief Executive Officer
Hong Kong, 17 March 2010

Overall Results


Primrose Hill, Hong Kong


Shenzhen Kerry Plaza, Shenzhen

Kerry Logistics


*Yangzhou Complex Development, Yangzhou**

The Group's consolidated net profit attributable to shareholders for the year ended 31 December 2009 was HK$4,391 million, representing an increase of 44% compared with HK$3,051 million reported for 2008. 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$2,245 million for the year ended 31 December 2009 (2008: HK$822 million). Profit attributable to shareholders for the year ended 31 December 2009 before taking into account the effects of the aforementioned increase in fair value is HK$2,146 million (2008: HK$2,229 million).

Earnings per share for the year ended 31 December 2009 were HK$3.08, representing an increase of 44% compared with HK$2.14 per share in 2008.

* *Artist's impression*


*Kerry Parkside, Shanghai**

MegaBox, Hong Kong


Island Crest, Hong Kong

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		
	2009 **HK$ million**	2008 HK$ million	Change
Profit attributable to shareholders before taking into account the net increase in fair value of investment properties and related tax effects	**2,146**	2,229	-4%
Add: Net increase in fair value of investment properties and related tax effects	**2,245**	822	
Profit attributable to shareholders after taking into account the net increase in fair value of investment properties and related tax effects	**4,391**	3,051	44%

The Board has recommended the payment of a final dividend of HK$0.4 per share for the year. Together with the interim dividend of HK$0.3 per share, the total dividend for the year ended 31 December 2009 will be HK$0.7 per share (2008: HK$0.7 per share).

* *Artist's impression*

Review of Property Business

Presence in Mainland China and Hong Kong

Property Portfolio Composition

	Group's attributable GFA				
	Mainland China	Hong Kong	Macau^ ('000 square feet)	Overseas	Total
Completed Investment Properties	3,824	2,593	–	1,991	8,408
Hotel Properties	500	38	–	–	538
Properties Under Development~	34,456	2,369	2,385	1,780	40,990
Properties Held for Sale	437	460	–	86	983
	39,217	**5,460**	**2,385**	**3,857**	**50,919**

^ *The property portfolio in Macau includes developable GFA of a site which was surrendered to the Macau SAR Government in September 2009. According to the Macau SAR Government Notice which was gazetted on 14 October 2009, a piece of land will be granted in exchange with location and size to be identified and agreed.*

~ *Including investment properties under development of 2.6 million square feet and 0.2 million square feet in Mainland China and Hong Kong, respectively.*

Overview

Due in part to prompt action by governments worldwide to introduce economic stimulus measures, the global economy seems to be recovering. This is helping property markets in the Mainland and in Hong Kong. The Group's strategy of developing prime-quality properties in exclusive and undersupplied locations underpins the value of its property assets, and puts the Group in an advantageous position for an upturn. Against this background, all new property projects introduced for sales or pre-sales during the year received a warm market response.

As at 31 December 2009, the Group's portfolio of properties comprised properties under development with a gross floor area ("GFA") of 40.99 million square feet (2008: 43.34 million square feet), completed investment properties of 8.41 million square feet (2008: 8.45 million square feet), hotel properties of 0.54 million square feet (2008: 0.54 million square feet) and properties held for sale of 0.98 million square feet (2008: 0.48 million square feet). The Group has a balanced and high-quality portfolio with the potential to create long-term shareholder value.

Mainland China Property Division

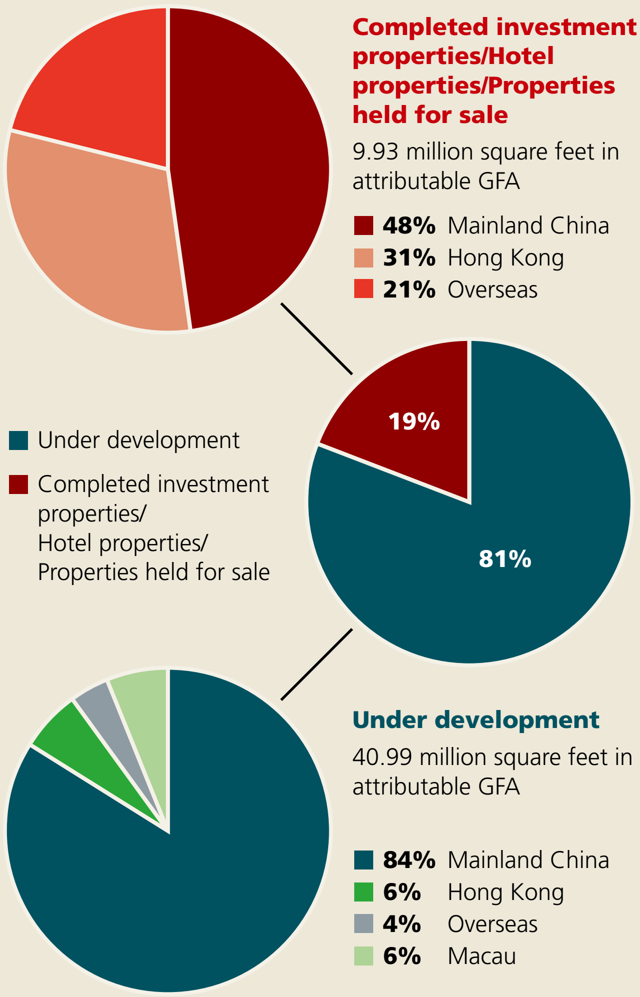
China has emerged relatively unscathed from the recent global financial turmoil. Domestic demand has strengthened and timely fiscal stimulus measures have stabilized consumer and investor confidence. With abundant liquidity in the market, premier properties in prime locations have attracted keen interest from buyers and the Group's sales during the year were satisfactory.

The Mainland China Property Division maintains a prime investment portfolio and land bank, and focuses on the development of integrated properties in prime locations of the major cities including Beijing, Shanghai, Tianjin and Hangzhou. These efforts set the stage for the Group's development of architectural masterpieces or landmark compounds in these cities. Development efforts are also directed towards the building of large-scale elite residential and mixed-use projects on prime sites in prosperous provincial capital cities such as Nanjing, Shenyang, Chengdu, Nanchang and Changsha.

Property Portfolio Composition

- By Type

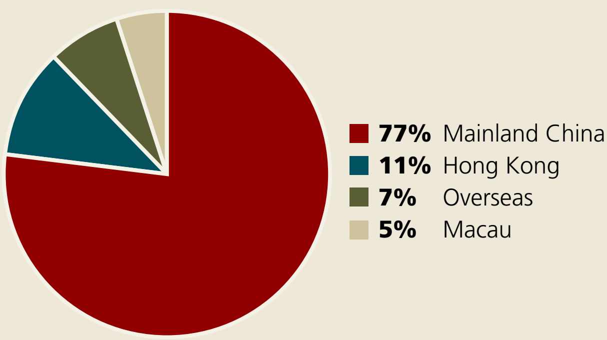
50.92 million square feet in attributable GFA



Property Portfolio Composition

- By Location

50.92 million square feet in attributable GFA



During the year, the Mainland China Property Division recorded a turnover of HK$3,996 million (2008: HK$2,748 million), an increase of 45% year on year reflecting momentum generated from property sales and leasing activities. Net profit attributable to the Group contracted 14% year on year to HK$1,486 million (2008: HK$1,720 million), after taking into account the increase in fair value of investment properties (after deferred taxation) of HK$841 million (2008: HK$952 million). Excluding the effect of the increase in fair value of investment properties (after deferred taxation), the net profit attributable to the Group was adjusted to HK$645 million (2008: HK$768 million).

The Group will continue to make prudent and selective investments and uphold stringent and meticulous construction management in order to maintain its pledge to deliver both quality and value to buyers and tenants.

Investment Properties

In the year under review, the Group attained rental turnover and operating profit from rental activities of HK$819 million and HK$599 million, respectively (2008: HK$796 million and HK$602 million, respectively) from its portfolio of completed investment properties in Mainland China.

As at 31 December 2009, the Group held an aggregate GFA of 3.82 million square feet (2008: 3.83 million square feet) of completed investment properties within its portfolio in the Mainland, the geographical distribution of which and their occupancy rates are set out in the table below:

As at 31 December 2009:

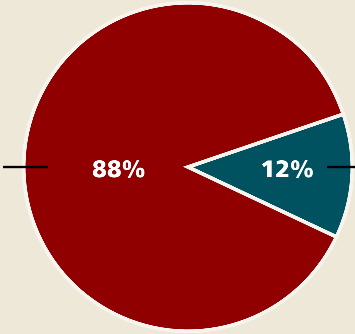
	Group's attributable GFA ('000 square feet)					
	Beijing	Shanghai	Shenzhen	Fuzhou	Total	Occupancy rate
Office	**711**	**682**	**815**	**–**	**2,208**	**77%**
Commercial	**98**	**442**	**107**	**64**	**711**	**90%**
Residential	**277**	**628**	**–**	**–**	**905**	**62%**
	1,086	**1,752**	**922**	**64**	**3,824**	

As at 31 December 2008:

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

Mainland China properties

39.22 million square feet in attributable GFA

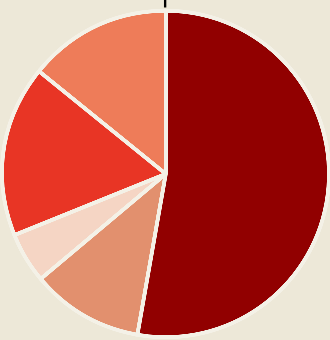


Under development

34.46 million square feet in attributable GFA

Completed investment properties/ Hotel property/ Properties held for sale

4.76 million square feet in attributable GFA

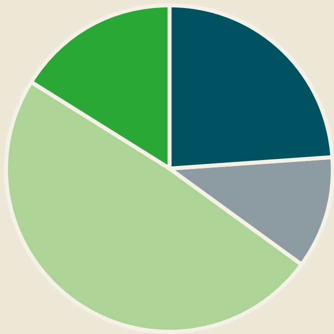


By usage

- **53%** Residential
- **11%** Hotel
- **5%** Apartment/ Serviced apartment
- **17%** Commercial
- **14%** Office

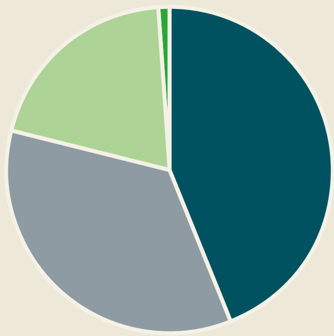
By location

- **2%** Shenzhen
- **7%** Tianjin
- **3%** Yangzhou
- **11%** Chengdu
- **14%** Hangzhou
- **26%** Shenyang
- **3%** Manzhouli
- **10%** Shanghai
- **8%** Qinhuangdao
- **1%** Nanjing
- **6%** Nanchang
- **6%** Changsha
- **3%** Tangshan



By usage

- **24%** Residential
- **11%** Hotel
- **49%** Office
- **16%** Commercial



By location

- **44%** Shanghai
- **35%** Beijing
- **20%** Shenzhen
- **1%** Fuzhou

Comparative occupancy rates of key completed investment properties are outlined below:

Property	Occupancy rate as at 31 December 2009	Occupancy rate as at 31 December 2008
Beijing Kerry Centre ^	**76%**	90%
Shanghai Kerry Centre	**71%**	86%
Kerry Everbright City Phase I	**88%**	81%
Central Residences Phase II Towers 1 and 3	**69%**	73%
Shenzhen Kerry Plaza Phase I	**66%**	60%

^ *Excluding Shangri-La's Kerry Centre Hotel, Beijing*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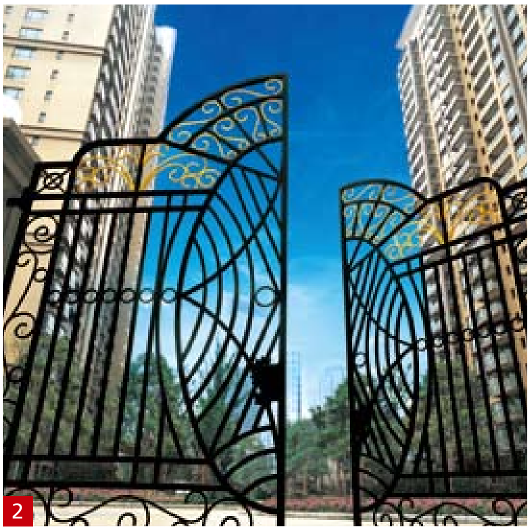
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Although the general economic conditions have affected the rental performance of the Group's completed investment properties, the portfolio's intrinsic quality has provided an excellent buffer against market pressures, and thus the impact on the Group has been relatively small.

Sales of Properties

During the year, sales of properties generated a turnover and operating profit of HK$2,931 million and HK$1,500 million, respectively (2008: HK$1,514 million and HK$1,121 million, respectively), on the back of sales contributions from Shanghai's Kerry Everbright City Phase II (including residential units of Le Loft and offices of Enterprise Square), Central Residences Phase II Tower 2, and Gemini Grove in Beijing. Pre-sales of Parkview Residence in Hangzhou and Lakeview in Yangzhou also produced a satisfactory market response.

Situated in Zhabei District, Shanghai, Kerry Everbright City commands a prime location and enjoys excellent accessibility. Phase II of the project is a mixed-use development comprising Phases A and B with a GFA of approximately 1.6 million square feet. As at 31 December 2009, 1,133 units, or 97%, out of a total of 1,166 residential units of Le Loft were sold. A total of 244 units of the Enterprise Square office tower were also sold, representing 56% of the total of 436 units offered for sale. Sale of Le Loft benefited from Kerry Properties' established reputation for quality excellence and received a satisfactory market response to its phased launches.

Nestled in the upscale Huashan Road residential neighbourhood in Shanghai, Central Residences Phase II lies in proximity to the dining and lifestyle locale of the embassy zone, Nanjing West Road, Xu Jia Hui and Hengshan Road. Some 60 units from Tower 2, which were delivered for occupation at the end of 2009, have been earmarked for sale. After receiving a satisfactory response from its sales launches in the Mainland, the project was introduced in Hong Kong in August 2009 with equal success. By 31 December 2009, 30 units, or 50% of the total, were sold.

Gemini Grove, a boutique-styled apartment project situated at Xinyuanli, Beijing, delivers a GFA of approximately 500,000 square feet, inclusive of commercial and underground areas, of which the apartments will offer a total GFA of approximately 331,000 square feet. The Group holds a 71% interest in the project. Generating a total of 317 units, the project is comprised of the east and west towers, and was completed in July 2009. Sales of the project received a satisfactory response. As at 31 December 2009, 271 units or 86% were sold.

1. Le Loft, Kerry Everbright City, Shanghai, MAINLAND CHINA

2. Central Residences, Shanghai, MAINLAND CHINA

3. Gemini Grove, Beijing, MAINLAND CHINA

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

*5. Kerry Parkside, Shanghai Pudong, MAINLAND CHINA**

*6. Shenzhen Kerry Plaza, Shenzhen, MAINLAND CHINA**

Properties under Development

Despite entering a correction phase in the first half of 2009, China's real estate market regained growth momentum in the second half. In fact, the gathering market momentum has prompted the Chinese Government's concerns at overheating and consideration of preventive measures. The Group holds a premium land bank in the Mainland which will set its course for mid- and long-term development. It will continue to look out for sites in economically advanced cities which promise long-term investment value.

Shanghai

Themed "Better City, Better Life", Expo 2010 Shanghai China is expected to have a positive impact on Shanghai's real estate market, and to further overall economic development. With a number of large-scale developments underway in Shanghai, the Group is expected to benefit from the event.

Jing An Kerry Centre project lies in the most coveted Jing An District of Shanghai and is designed to be a mixed-use property incorporating a deluxe hotel, a Grade-A office tower up to international standards and upscale shopping mall premises, adding up to a GFA of approximately 2.74 million square feet. The Jing An Kerry Centre project is being jointly developed by the Group and Shangri-La Asia Limited ("Shangri-La"), with respective shareholdings of 51% and 49%. With construction progressing smoothly, project completion is scheduled for 2012.

The Group also holds a 40.8% interest in Kerry Parkside, Pudong District, a mixed-use property project. With construction works substantially completed, the project is now at the electrical-and-mechanical-installation and interior-decoration stages. Located close to the Shanghai New International Expo Centre, the joint venture project lies at the core of Huamu District in the Pudong New Area, and includes the development of a hotel, offices, an apartment-style hotel, commercial properties and related ancillary facilities, all due for completion by the fourth quarter of 2010.

The construction of Phase III of the Kerry Everbright City project is expected to commence by the end of 2010 after the closing of the World Expo. The project will generate a GFA of approximately 1.11 million square feet, comprising hotel, retail and office properties. The Group holds a 74.25% interest in the project which is expected to complete in 2013.

Shenzhen

Kerry Plaza Phase II is another Grade-A office project in the CBD of Futian, Shenzhen, complementing Kerry Plaza Phase I. Located in close proximity to the Futian station of the future Guangzhou-Shenzhen-Hong Kong Express Rail Link, the project offers a GFA of approximately 850,000 square feet. Designed to advanced international standards, the project is now under construction as scheduled and, upon targeted completion in 2011, is poised to become the major landmark in Futian Central District and the most exclusive business address in Shenzhen.

* *Artist's impression*


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Tianjin

The Group's mixed-use property project in Hedong District, Tianjin, is located in the heart of the Tianjin South Railway Station CBD, adjacent to the Tianjin Financial Street neighbourhood and overlooking the Haihe River. Connected to the Metro Line 9 and Inner Ring, the development enjoys a convenient transport network. The development is planned to include a hotel, Grade-A offices, upscale residential accommodation, shopping mall and serviced apartments, with a GFA of approximately 5.22 million square feet. The project, in which the Group holds a 49% interest, will be rolled out leveraging the combined experience of the respective joint venture parties in hotel, commercial and residential developments. Construction is currently in progress and scheduled for completion in phases between 2012 and 2015. Upon completion, the project will add an iconic landmark to Tianjin's city skyline.

Hangzhou

The Group owns two sites in Xiacheng District, Hangzhou, the first of which is located at the busy junction of Yan'an Road and Qingchun Road, in the bustling city centre. Close to the future interchange station for Metro Lines 1 and 2 and adjacent to the Xihu (West Lake), the site is designated for the development of a mixed-use property comprising a hotel, offices, apartments and a large-scale commercial retail mall complex with a GFA of approximately 2.22 million square feet. Piling works are expected to commence by the third quarter of 2010, the development being targeted for completion in phases by 2013, when it will become the new architectural emblem of Hangzhou.

The second site in Xiacheng District is earmarked for the development of Parkview Residence. Situated in the largest iconic locale in the city's northern old town, the site of the project lies only 12 kilometres from the city centre and is highly accessible with a public transport hub in close proximity. The project will yield a GFA of approximately 2.63 million square feet, and is expected to complete in phases before 2012. The pre-sales for Parkview Residence in December 2008 met with an overwhelming market response, validating its appeal to consumers.

Nanjing

The Group and Shangri-La are co-developing a premier site at Zhong Yang Road in Gu Lou District, Nanjing. Lying at the heart of Nanjing, the site is designated for the development of a mixed-use project including hotel and commercial properties with a GFA of approximately 915,000 square feet. The Group holds a 45% interest in this project. The project is now in the planning phase with construction expected to commence by early 2010. Being the provincial capital of Jiangsu, Nanjing is also the commercial, trading, financial, tourism and logistics centre of the Yangtze Delta.

Chengdu

The Group's residential development in Chengdu, the provincial capital of Sichuan Province, is located in the southern part of the Chengdu High-Tech Industrial Development Zone. The site, in which the Group holds a 55% interest, is expected to generate a developable GFA of approximately 6.85 million square feet. In line with its strategy of developing into a "World Modern Garden

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1. Tianjin Kerry Centre, Tianjin, MAINLAND CHINA*
2. Hangzhou Kerry Centre, Hangzhou, MAINLAND CHINA*
3. Chengdu Project, Chengdu, MAINLAND CHINA*
4. Shenyang Complex Development, Shenyang, MAINLAND CHINA*

City", Chengdu has rolled out breakthrough plans to build the zone into the city's future commercial centre. The zone will incorporate facilities such as convention centres, a consular quarter, 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. Underground works on Phase I of the project are substantially completed, and the main structural engineering works are now ongoing. Construction of Phase I is expected to complete by 2011 with Phases II and III due for completion in several stages between 2012 and 2014.

Nanchang

In Nanchang, the provincial capital of Jiangxi Province, the Group is developing a mixed-use property through a joint venture with Shangri-La. The Group holds an 80% interest in the project. Lying at the heart of Honggutan central district, the development blueprint includes hotel, office, commercial and high-end apartment properties, with a GFA of approximately 2.57 million square feet. Nanchang is the largest industrial city in Jiangxi Province, and also an important commercial and trading city in Southern China. The project site is situated in the core area of the new administrative centre of Nanchang, adjacent to the government offices. Enjoying impressive river vistas, the site commands a premium location ideal for habitat, cultural activities and business. With the project's schematic design currently in progress, construction work is targeted to commence in the fourth quarter of 2010, with phased completion expected between 2013 and 2015.

Changsha

The Group holds a 61% interest in a joint venture residential and commercial property project in Changsha, the provincial capital of Hunan Province. The site is located in the Tianxin District to the west of the provincial government offices and enjoys the exquisite river scenery of the Xiang Jiang. The project is expected to deliver a GFA of approximately 3.21 million square feet. Piling works will commence in the first quarter of 2010, and the project is scheduled to be completed in phases between 2011 and 2013.

Shenyang

The Group's 60%-owned Shenyang Kerry Centre project in Shenyang, the capital of Liaoning Province, is located on the east side of Qingnian Street and to the south of Qingnian Park, which is the core area of the city's landmark Golden Corridor development. Shenyang is not only the largest municipality in Northeastern China, but also a historical site and tourist destination. The site yields a GFA of approximately 14 million square feet, and is designated for the development of a mixed-use project including a hotel, offices, shopping mall, residences and apartments. With the project's master layout plan now approved, the conceptual plan of Phase I of the residential project is currently being assessed, while the Phase I hotel moves into the construction stage. The project is targeted for completion in phases between 2013 and 2021.

* Artist's impression

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Yangzhou
The Group's hotel and luxury residential project in Yangzhou is located at Xincheng West District, a stylish neighbourhood of museums and other cultural facilities, and nestles in a wooded lakeside environment. Construction works for the residential portion are scheduled to be completed in the first quarter of 2010. Up to 31 December 2009, 110 units were taken (sales ratio being approximately 63%) amidst a satisfactory market response.

Qinghuangdao
The Group's seafront deluxe residential project in Qinhuangdao, Hebei Province, is currently at the planning stage. This development is expected to generate a GFA of approximately 4.76 million square feet, and is expected to complete in phases to 2014. Qinhuangdao is a major export trading port and key tourist destination in Northern China, with excellent economic advantages and growth potential to be leveraged as part of the development of the Beijing-Tianjin-Hebei metropolis circle.

Manzhouli
The Group's residential and commercial property project in Manzhouli, Inner Mongolia, is targeted to complete by 2012 in phases. Manzhouli is a major land-transport trading depot for the Sino-Russian trade and enjoys unique geographical advantages. The project is anticipated to yield a developable GFA of approximately 930,000 square feet. Its Phase I residential portion is now completed for inspection and is scheduled for sale in the second quarter of 2010. Occupation of the first batch of residential units is expected to take place in the third quarter of 2010.

Tangshan
The Group, through a joint venture with subsidiaries of Shangri-La and Allgreen Properties Limited, is developing a mixed-use project located at Da Li Road in Fenghuang Xincheng, Tangshan. The project comprises the development of a hotel and residential and complementary commercial properties, with a developable GFA of about 2.99 million square feet. The Group holds a 40% interest in the joint venture project. Tangshan is an important coastal city in Northern China lying in proximity to Beijing and Tianjin, and holds promising prospects for development. The Group believes the joint venture project will contribute considerable and sustainable earnings over the long term. The project is scheduled to complete in phases between 2013 and 2014.

1. *Yangzhou Complex Development, Yangzhou, MAINLAND CHINA**
2. *Tangshan Complex Development, Tangshan, MAINLAND CHINA**
3. *Beijing Kerry Centre, Beijing, MAINLAND CHINA*

Shangri-La's Kerry Centre Hotel, Beijing

During the year ended 31 December 2009, Shangri-La's Kerry Centre Hotel, Beijing contributed turnover and related operating profit of HK$246 million and HK$34 million, respectively (2008: HK$438 million and HK$172 million, respectively), and achieved an average occupancy rate of 52% (2008: 64%) with average room tariff decreasing 43% year on year.

Properties under development in Mainland China

	Group's attributable GFA upon completion													
	Shanghai	Shenzhen	Tianjin	Hangzhou	Shenyang	Nanjing	Chengdu ('000 square feet)	Nanchang	Changsha	Yangzhou	Qinhuangdao	Manzhouli	Tangshan	Total
Residential	–	–	1,185	2,880	3,326	–	3,320	699	1,778	425	2,648	847	980	18,088
Apartment/Serviced Apartment	149	–	–	–	1,506	–	–	–	144	–	–	–	–	1,799
Office	1,434	743	311	199	1,175	124	–	672	–	–	–	–	–	4,658
Commercial	601	107	685	1,311	2,366	–	451	86	36	–	208	83	–	5,934
Hotel	1,092	–	375	458	421	288	–	598	–	512	–	–	215	3,959
Entrance Hall	18	–	–	–	–	–	–	–	–	–	–	–	–	18
	3,294	850	2,556	4,848	8,794	412	3,771	2,055	1,958	937	2,856	930	1,195	34,456

* *Artist's impression*

Hong Kong Property Division

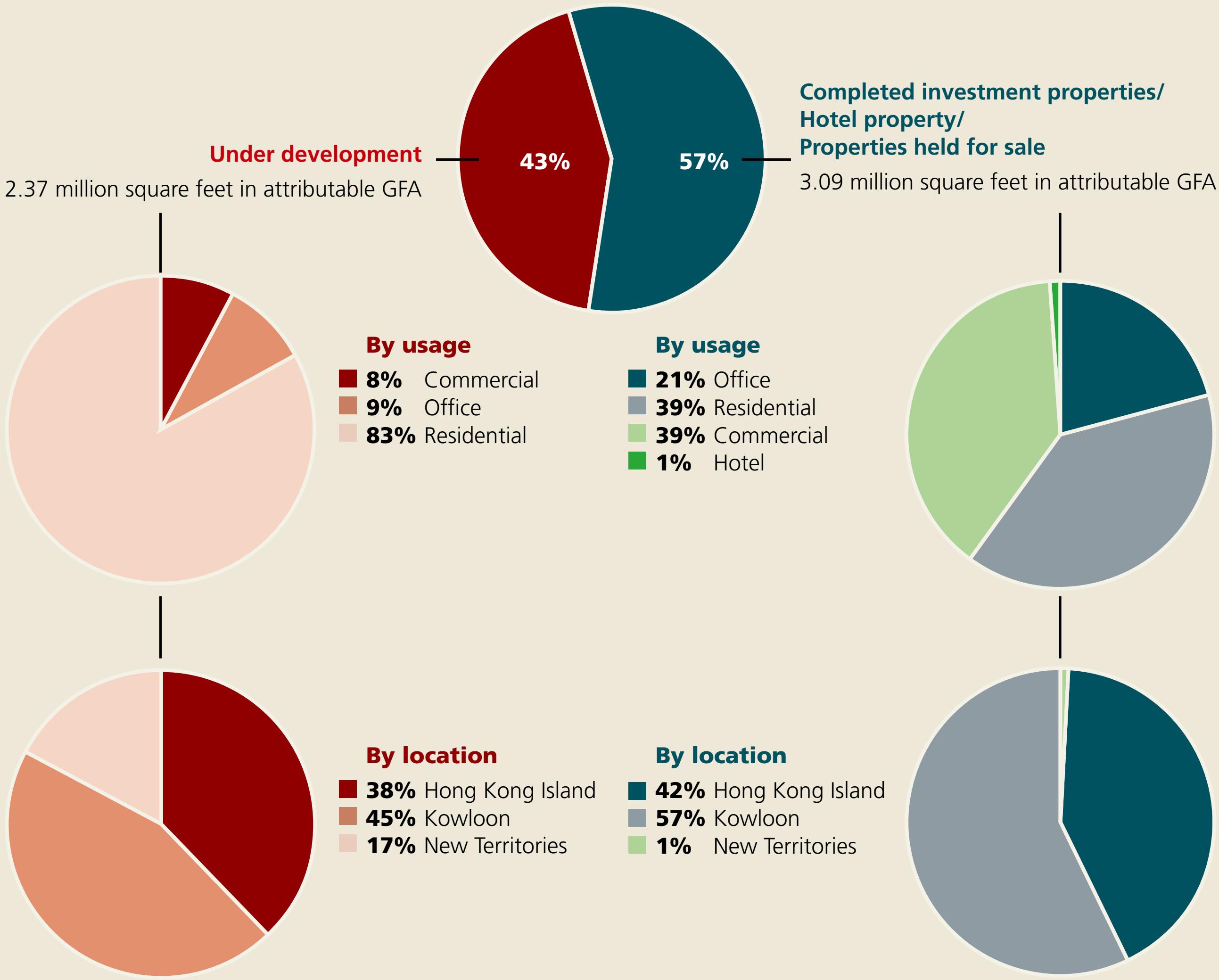
During the year ended 31 December 2009, the Hong Kong Property Division recorded a turnover of HK$1,151 million (2008: HK$1,863 million) which produced a net profit attributable to the Group of HK$2,108 million (2008: HK$706 million), after taking into account the increase in fair value of investment properties (net of deferred taxation) of HK$1,316 million (2008: a decrease of HK$157 million).

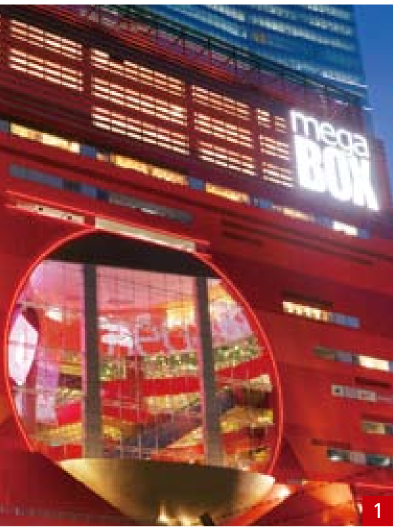
The Division's turnover was mainly contributed by sales of 15 Homantin Hill and SOHO 38, and the disposal of certain units of Belgravia also delivered a satisfactory earnings contribution for the Group.

A balanced portfolio of premium assets in Hong Kong, in particular properties in exclusive locales on Hong Kong Island, is expected to provide continued impetus for the Division's development under a limited supply environment. This exclusive property mix includes both completed properties for sale and investment properties, as well as a pipeline of projects under development backed by a land bank to support further development. The Group continues to achieve satisfactory returns from property sales, and to derive a steady stream of recurrent income from its investment properties.

Hong Kong properties

5.46 million square feet in attributable GFA





1. MegaBox, Kowloon Bay, HONG KONG
2. Primrose Hill, Tsuen Wan, HONG KONG

Investment Properties

The Group's premium portfolio of completed investment properties in Hong Kong represents a major component of its earnings base and core competence. The properties are located in highly supply-restricted locales and in particular, the residential units are exquisitely appointed with top-end facilities and have been established as prime residences in Hong Kong commanding unrivalled advantage. During the year, rental turnover generated from the Group's completed investment properties in Hong Kong was HK$529 million (2008: HK$589 million), generating an operating profit of HK$307 million (2008: HK$255 million).

As at 31 December 2009, the Group maintained a completed investment property portfolio in Hong Kong with an aggregate GFA of 2.59 million square feet (2008: 2.64 million square feet). Set out below are the breakdown of GFA and the respective occupancy rates, together with comparative figures:

	As at 31 December 2009		As at 31 December 2008	
	Group attributable GFA ('000 square feet)	**Occupancy rate**	Group attributable GFA ('000 square feet)	Occupancy rate
Residential	**722**[Δ]	**96%**	618[<]	93%
Commercial	**1,194**	**94%**	1,194	96%
Office	**646**	**93%**	645	98%
	2,562		2,457	

Δ *Included Tavistock which has an occupancy rate of 96%.*
< *Excluded Tavistock and Belgravia.*

Enterprise Square Five/MegaBox

Retail and leisure flagship MegaBox in East Kowloon has a GFA of 1.1 million square feet. As at 31 December 2009, MegaBox was 96% (2008: 97%) leased. The mall continues to optimize its tenant mix, leading the way for local consumers and tourists towards more innovative retail, entertainment and dining experiences. As part of its efforts to build a new home-living innovations zone in 2009, MegaBox has solicited the addition of more tenants with unique characteristics in order to provide the convenience of one-stop home shopping for customers.

The two office towers of the landmark Grade-A Enterprise Square Five in East Kowloon achieved an occupancy rate of 99% (2008: 99%) as at 31 December 2009.

Sales of Properties

During the year ended 31 December 2009, sales of completed properties in Hong Kong generated turnover of HK$622 million (2008: HK$1,274 million), and proceeds from sales of completed investment properties amounted to HK$884 million (2008: HK$1,916 million). Major revenue contributors include the sales of completed properties at 15 Homantin Hill and SOHO 38, as well as investment property of Belgravia. Property sales during the year produced an operating profit of HK$426 million (2008: HK$876 million). The pre-sales of Primrose Hill in Tsuen Wan commencing from June 2009 will also contribute satisfactory sales performance for the Group's 2010 results.

* *Artist's impression*

1. *Island Crest, First Street, HONG KONG*
2. *Shan Kwong Road Project, Happy Valley, HONG KONG**
3. *King's Road Project, Quarry Bay, HONG KONG**
4. *Wong Tai Sin Project, Wong Tai Sin, HONG KONG**
5. *Wilmer Street Project, Sheung Wan, HONG KONG**
6. *Yuk Yat Street Residential Project, To Kwa Wan, HONG KONG**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Aided by strong liquidity in the market and the prevailing low interest rates, Hong Kong's real estate market showed early prospects of returning to growth in 2009. The luxury residential segment, where the Group focuses its development, showed a particularly strong pace of resurgence. The Group's sale of Island Crest at First Street is expected to deliver satisfactory results.

Island Crest, First Street, Hong Kong

The Island Crest residential project jointly developed with the Urban Renewal Authority received its occupation permit at the end of 2009 and is ready for delivery in the second quarter of 2010. The project will yield a total of 488 residential units and approximately 12,000 square feet of shop units, rendering a total GFA of approximately 440,000 square feet. Island Crest is an exclusive residential project in the Western District. The overall design is elegant and contemporary, featuring a green piazza that invites lush green into the property. It also enjoys prime neighbourhood advantages of being in one of the territory's best school nets. The project is one of the very few sizeable residential projects on the Island, and its introduction to the market in September 2009 generated an overwhelming market response. Pre-sales of a selection of the residential units commenced in early 2010, and as at the end of February 2010, 184 units were sold.

Properties under Development

Primrose Hill, Tsuen Wan

Primrose Hill is a landscaped-garden luxury residence located in Tsuen Wan. Pre-sales were launched in June 2009 to an overwhelming response, making the project a market hotspot. Primrose Hill enjoys unobstructed views and benefits from the greenery of the Tai Mo Shan Country Park. Designed around an In-and-Out architectural concept, the residences and clubhouse are laid out to take full advantage of the outdoor vista which creates a natural backdrop for the interior. A total of 548 units with approximately 450,000 square feet are on offer. Up to 31 December 2009, 358 units, accounting for 65% of the total, had been sold. The occupation permit for this project was issued in January 2010. On-site show flats are being planned and the remaining units will be launched for sale during the Easter holidays in the second quarter of 2010.

Larvotto, Ap Lei Chau

The first phase of sales of Larvotto, the Group's 35%-held joint venture residential project in Ap Lei Chau, will commence soon. The project offers 715 residential units, of which the Group will share an attributable GFA of approximately 320,000 square feet. Scheduled for completion in the fourth quarter of 2010, Larvotto is the most sizeable new development on the supply-restricted Hong Kong Island, and is expected to receive strong market attention upon its launch.

Shan Kwong Road/Village Terrace, Happy Valley

Construction 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. The Group holds a 71% interest in this luxury redevelopment project, completion of which is scheduled for the second quarter of 2011.

King's Road, Quarry Bay

Construction works are in progress on this 40%-held joint venture Grade-A office tower with a developable GFA of approximately 511,000 square feet. Upon planned completion by the fourth quarter of 2010, this office tower at 863-865 King's Road, Quarry Bay, will become another major landmark for the Eastern District.


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8 Muk Lun Street, Wong Tai Sin

The premier residential and commercial property project at 8 Muk Lun Street, Wong Tai Sin, 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 project, which is expected to complete in the third quarter of 2011, represents a major effort by the Group to develop another uniquely designed premium city living space.

Wilmer Street, Sheung Wan

The Group's reconstruction project in Wilmer Street, Sheung Wan, commenced works in the first half of 2009. The site will be redeveloped into premier residences and retail space, with planned completion in the second quarter of 2012. The Group holds a 71% interest in this project. Due to the limited developable land supply in the Central and Western Districts, the Group will leverage its experience and brand franchise in the luxury segment to develop another prominent property that generates satisfactory returns.

Yuk Yat Street, To Kwa Wan

The redevelopment of No. 5 and No. 9 Yuk Yat Street, To Kwa Wan, into residential and commercial properties is planned to be completed by the third quarter of 2012. The project is expected to deliver a GFA of approximately 150,000 square feet.

Hing Hon Road, Mid-Levels West

The 71%-held joint venture project at 18-27 Hing Hon Road, Mid-Levels West, is situated on a site connecting Pokfulam and Western District, and lies adjacent to the University of Hong Kong in a neighbourhood of prestigious schools. This exclusively located site provides both easy access to the city as well as a retreat from the city bustle. The project involves the development of luxury residences with a GFA of approximately 172,000 square feet. Demolition works will soon commence and the project is expected to be completed in the first quarter of 2013.

Properties under Development in Hong Kong

	Group's attributable GFA upon completion ('000 square feet)
Residential	1,979
Commercial	185
Office	205
	2,369

Macau

The Group's luxury residential apartment project in Nam Van Lake is situated in a prime location enjoying a full unobstructed view of the Nam Van Lake and Macau peninsula. This residential project will yield a developable GFA of approximately 400,000 square feet upon its scheduled completion in the fourth quarter of 2012.

The proposed reclamation scheme in Macau has already been approved by the Central Government, earmarking the creation of a new urban zone. The Group will further liaise with the Macau SAR Government in respect of the implementation of the land exchange procedure.

** Artist's impression*

Overseas Property Division

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

Australia

As at 31 December 2009, 1,141 units (2008: 1,104 units) of the Group's 25%-owned Jacksons Landing project were sold, representing 95% of the total of 1,196 units offered for sale. This residential and commercial development is situated on a 12-hectare site on the Pyrmont Peninsula in Sydney.

The Philippines

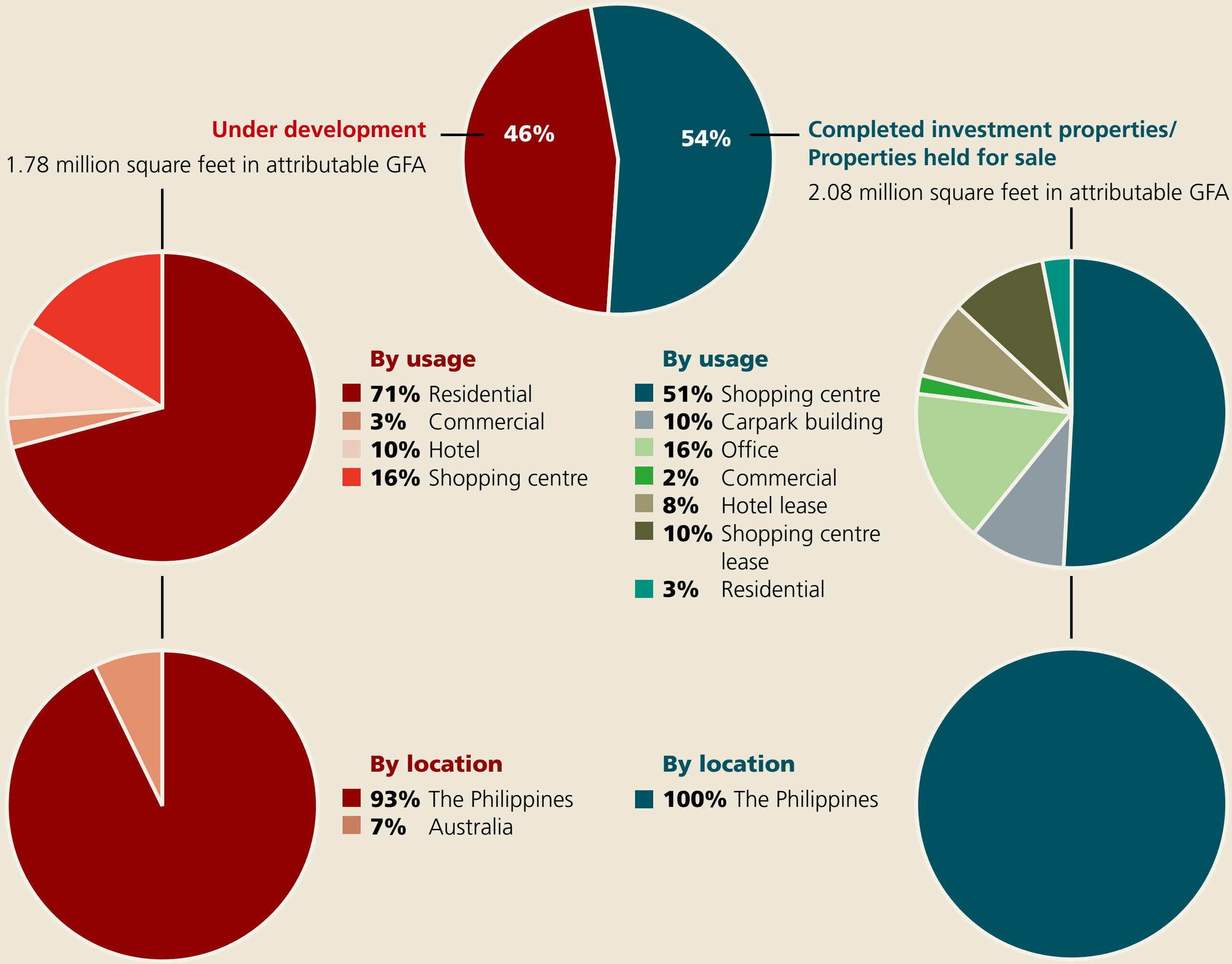
The Group's property investments in the Philippines are held through Shang Properties, Inc. ("SPI") in which it maintains a 34.61% equity interest and a 30.75% interest in its depository receipts. SPI holds (i) a 78.72% interest in the Shangri-La Plaza Mall, Manila and (ii) indirect interests in The Enterprise Center, an office and commercial property in Makati, Manila's financial district. As at 31 December 2009, the occupancy rates of Shangri-La Plaza Mall and The Enterprise Center were 99% and 89%, respectively (2008: 99% and 96%, respectively).

Shangri-La Plaza Mall continued to deliver healthy performance. The ongoing expansion programme is developing an adjacent site into an extension of the mall and additional residential units. This programme will yield additional GFA of approximately 1.88 million square feet, of which approximately 428,000 square feet are designated as retail space, and approximately 1.45 million square feet for residential development.

SPI also participated in the development of The St. Francis Shangri-La Place, a residential project located in Mandaluyong City, Manila. As at 31 December 2009, 1,108 units (2008: 952 units) out of the total of 1,152 residential units at Towers 1 and 2 of The St. Francis Shangri-La Place were sold. In addition, SPI has taken part in a hotel and luxury residential development in Fort Bonifacio, Taguig, Manila. The project incorporates the building of a six-star resort hotel and luxury residences, as well as approximately 8,500 square feet of retail premises. SPI holds a 40% interest in this joint venture project.

Overseas properties

3.86 million square feet in attributable GFA



*1. Jacksons Landing, Sydney, AUSTRALIA**

2. The Enterprise Center, Makati City, THE PHILIPPINES

Overseas Property Portfolio

	Group's attributable GFA		
	Australia	The Philippines ('000 square feet)	Total
Completed investment properties			
Hotel lease	–	170	170
Shopping centre lease	–	213	213
Shopping centre	–	1,054	1,054
Commercial	–	22	22
Office	–	331	331
Car-park building	–	201	201
Sub-total	**–**	**1,991**	**1,991**
Properties under development			
Residential	86	1,183	1,269
Hotel	–	187	187
Shopping centre	–	279	279
Commercial	43	2	45
Sub-total	**129**	**1,651**	**1,780**
Properties held for sale			
Residential	1	85	86
Sub-total	**1**	**85**	**86**
	130	**3,727**	**3,857**

Outlook

Mainland China

Fiscal stimulus measures introduced by the Government in China have ensured that China's economy remains a relatively strong performer globally. The real estate market in China continues to grow and develop in order to meet demand both for investment and accommodation. There was a rapid rebound in the property market during 2009, with signs of overheating in certain cities towards the second half of the year. Government action to tighten the incentive policies is expected, and these actions may result in market fluctuations in the short term.

Over the long term, the Mainland property market is supported by strong fundamentals. China's per-capita gross domestic product ("GDP") now exceeds US$3,000, with the development of the coastal cities on par with other newly industrialized countries. This, together with the policy to undertake a significant rural to urban population shift, reinforces management's optimistic outlook for the country's property market and for its long-term economic development.

With a focus on niche premium property projects which are resilient to changes in market demand and considering that most of the property projects within our portfolio are currently under construction, the Group is well positioned to withstand any market correction. New land acquisitions will focus on sites that are located in economically sound and geographically advantageous districts. On the rental business front, the financial crisis negatively impacted the Group's occupancy in 2009. Rental operations are expected to stabilize in the coming year, however.

** Artist's impression*

The Group will continue to identify, develop and hold its prime property projects and land banks in Beijing, Shanghai, Shenzhen and other prosperous top- and mid-tier cities where strong demand is evident. Kerry Properties has established a strong brand profile in the Mainland market on the back of acknowledged quality excellence. As in the past, the Group has been able to proactively strengthen internal management and leverage its brand advantage during periods of market correction. The Group believes that its business will advance further as we see a gradual revival of foreign economies that have close ties to Mainland China.

Hong Kong

Bank interest rates have been kept at low levels in Hong Kong and there has been a significant inflow of capital into the Hong Kong property market. Both these factors have assisted the Group's property business in Hong Kong. The continued sales of 15 Homantin Hill, SOHO 38 and Belgravia together with the launch of Primrose Hill and Island Crest have all posted encouraging sales results and have validated the Group's strategy of focusing on premium properties.

Demand from corporate tenants remains healthy. The Group's office and retail properties are located in districts with strong growth prospects and this has helped sustain stable levels of rental and occupancy.

Kerry Properties is currently the biggest supplier of new residential properties on Hong Kong Island. A number of projects are now under construction and are scheduled for completion over the next few years. The Group is confident of achieving satisfactory returns from these projects as they are situated in some of the most sought-after districts in Hong Kong where supply is constrained.

The Hong Kong Property Division will continue to focus on premium properties, complementing them with unrivalled amenities and outstanding services that redefine convenience and comfort. The Group's properties are a promise to customers of high-quality living.

Review of Logistics Business

Asia Based, China Focus, Global Network

Overview

In 2010 Logistics Network Division will be striding towards its 10th anniversary, marking a key milestone in its corporate development. The past decade has seen the Division's rapid evolution from a local forwarding and warehousing company into the leading China-focused, Asia-based global logistics service provider.

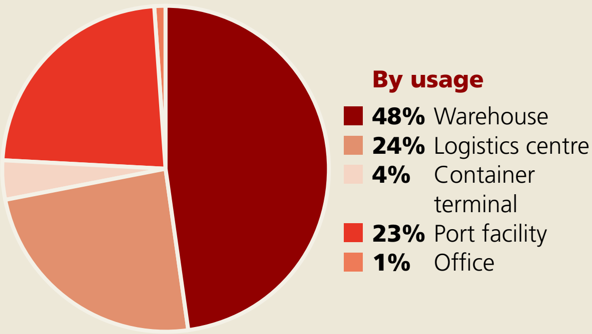
The Division's core business of integrated logistics ("IL") and international freight forwarding ("IFF") is built on premier assets, talented people and state-of-the-art information technology ("IT") at its home base in Asia and particularly in its focus market, Greater China. Its logistics capability is supported by a global network of operations across 24 countries, facilities space of over 18 million square feet and a staff strength of over 6,000 employees.

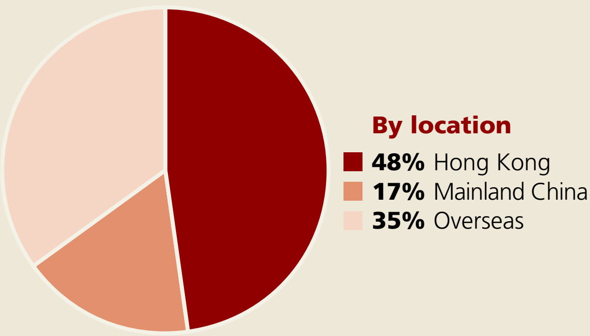
Despite the global financial turmoil which hampered the performance of the year under review, the Division is able to maintain its operating profit at a level similar to that of the prior year and achieved a healthy return on its logistics investments.

1. *Distribution Team*
2. *Logistics Centre in Fuzhou*
3. *Distribution Team in Taiwan*

Properties held for Logistics Operations

12.18 million square feet in attributable GFA





The Division's delivery of yet another set of solid results amidst world economic turbulence reaffirms the healthy resilience of its business portfolio. As a core strategic unit with a pivotal role in providing steady recurrent income and earnings, the Division contributes substantially to the Group's highly stable and optimized earnings base.

During the year under review, the Division reported a turnover of HK$7,667 million (2008: HK$8,360 million), a decrease of 8% over the previous year. Net profit attributable to the Group for the year increased 1% to HK$604 million (2008: HK$597 million) which took into account HK$83 million (2008: HK$27 million) in fair value adjustment on investment properties. Excluding the effect of the fair value adjustment, profit for the year attributable to operations decreased by 9% to HK$521 million (2008: HK$570 million), with (i) HK$361 million (2008: HK$343 million) contributed by IL operations; (ii) HK$10 million (2008: HK$22 million) by IFF operations; and (iii) HK$150 million (2008: HK$205 million) by logistics investments.

Integrated Logistics

IL is the system-wide management of the entire supply chain. The Division's strength in IL lies in the powerful synergy of its skilled people, innovative solutions, a solid IT platform and its proven commitment to sustainable value creation for customers.

The Division manages warehouse and logistics centre space worldwide, with the majority located in Greater China and Asia, to support advanced IL services that range from pick-and-pack, light assembly, to distribution to clients' retail network or end-customers.

2

3

Benefiting from pent-up demand in the year to 31 December 2009, the IL segment registered a 4% year-on-year improvement in turnover of HK$3,057 million (2008: HK$2,937 million).

These figures validate the success of the segment's strategic positioning in Asia, where the impact of the financial crisis has been less severe due to resilient domestic demand. While overseas consumers are still cautious in their spending, the massive destocking cycle in most industries eased in the second half of 2009 with manufacturers gearing up for more activity. Helped by reviving consumption, the Division's IL business volume rebounded in the second half of the year, although not fully to pre-crisis levels.

China Focus

The Division remains one of the largest investor-operators in the Mainland's logistics sector. It continues to strengthen its IL capabilities by enhancing its distribution network and increasing the number of logistics centres. In 2009, two new logistics centres commenced operation in China – in Fuzhou, Fujian Province, and in Chengdu, Sichuan Province – adding 377,000 square feet to a total of 4 million square feet of logistics facilities in the country.

Owning the largest network in China, the Division is able to fulfill clients' logistics requirements more efficiently and cost effectively. In 2008, the Division put Taiwan in its logistics services map and has since continued to strengthen its operations in Hong Kong and Taiwan in order to enhance its cross-strait platform. By leveraging this unique three-territory approach, the Division commands strong advantages to exploit emerging opportunities.

Owing to Government-led efforts, China was the first major economy to decisively recover from the global downturn, achieving the target of 8% economic growth in 2009. In particular, domestic consumption has been boosted as a driver of growth, spurring the demand for IL services across the country.

On the foreign-trade front, despite a 16% drop in exports in 2009, China has assumed a world leading position as the value of its exports surpassed that of Germany. Economists and trade bodies widely expect China to remain the world's largest exporter for the rest of the decade, pointing to sustained, robust growth momentum. As the Mainland's export sector continues to recover from the consumption downturn in the United States and Europe, the Division is expected to enjoy further market upside.

Asia Based

Asia's economic growth has outperformed the rest of the world, underlining the region's soaring economic prominence on the international stage. In particular, the Division has been tapping the enormous growth potential from the ongoing regional integration. In this connection, the Division has established KART Logistics (Thailand) Limited ("KART") to serve the burgeoning logistics requirements within the ten-member Association of Southeast Asian Nations ("ASEAN"), which accounts for one-third of the world's population and almost 10% of global GDP.

As the pioneer in creating the ASEAN-wide cross-border road transportation network, KART now links Singapore, Malaysia, Thailand, Vietnam, Cambodia and Laos directly with Kunming and Shenzhen in western and southern China, successfully providing customers with effective long-haul trucking as well as sea-land and air-land services in these geographically challenging areas.

1. Logistics Centre in Chengdu

2. Wine Cellar in Hong Kong

The Division is poised to leverage its unique transportation network to exploit future business opportunities emerging from the China-ASEAN Free Trade Area, the biggest of its kind among developing countries, which became effective on 1 January 2010.

Other business activities in Asia include the acquisition of a 60% interest in Kerry-ITS Holdings Pte. Ltd. in March 2009. Based in Singapore and with operations also in Shanghai and Vietnam, this ISO tank cleaning, repair and trading operation uses advanced equipment to ensure rapid turnaround of tanks under the highest environmental compliance standards. This company has since expanded by adding Thailand operations to its network, building it into the only region-wide ISO tank servicing business in Asia.

To tap into the global Halal food market, a joint venture was formed between the Division's trading arm, Kerry FSDA Limited, and the Brunei Government in July 2009. The joint venture, Ghanim International Food Corporation Sdn Bhd, is engaged in the sourcing, distribution and marketing of merchandise under a newly developed international brand "Brunei Halal".

In August 2009, the Division formed a joint venture with Aboitiz One, Inc. in the Philippines – Kerry-Aboitiz Logistics, Inc. ("Kerry-Aboitiz") – to strengthen its IL capability in this part of Asia. Based in Manila, Kerry-Aboitiz operates branches in six other cities in the country.

International Freight Forwarding

The eurozone continued to be plagued by manufacturing overcapacity, unemployment, as well as state debts and public-sector liabilities, leading to a decline in both trade and cargo shipment volumes. Against this backdrop and amidst a macroeconomic downturn, the performance of the IFF business segment came under increasing pressure. During the year, this segment's turnover contracted 15% year on year to HK$4,610 million (2008: HK$5,423 million).

The IFF segment's forthcoming development plans will focus on the expansion of operating scale and coverage, in order to achieve economies of scale and a critical mass. The segment will therefore actively pursue acquisition or other expansion opportunities, and will seek to build a more comprehensive IFF capability on the basis of its existing Asia-Europe routes. With an expanded scale, the IFF segment will be able to achieve enhanced synergies with the IL segment as a means of strengthening its competitive advantage.

The Division currently operates a directly represented network across nine European countries covering 21 cities.

Logistics Investments

The Division's logistics investments include a 15% interest in Asia Airfreight Terminal, a 25% interest in Chiwan Container Terminal and, through joint ventures, approximately 20% stake in the Taiwan-based T.Join Transportation Co., Ltd ("T.Join").

Taking a long-term view on its investments, the Division has yielded sound and sustainable returns from its interests in various logistics assets and operations. In the year ended 31 December 2009, the Division achieved a return on investment of 18%, underscoring management's investment acumen.

The investment in T.Join also provides synergistic benefits to the Division's development of its Greater China network. Being an established freight forwarding and transportation company in Taiwan, T.Join has 200 principal operational terminals and sales offices served by a fleet of over 2,500 trucks. The company forms a strategic component of the Division's business plan for the expanding cross-trait trade.

Information Technology

KerrierVISION continues to be embedded as the Division's flagship IT platform. Built on the success of the Hong Kong-based Electronic Proof-of-Delivery ("EPOD") distribution visibility platform, the system is currently being migrated to a state-of-the-art web 2.0 open platform freeing it from the geographical constraints of digital map coverage. The migration will make the KerrierEPOD solution a homogeneous platform deployable to any region with a similar demand. At the "Hong Kong ICT Awards 2009", KerrierVISION's success was further recognized when it was presented with the Best Business (Application) Bronze Award.

At the operational level, KerrierFMS (Freight Management System) was implemented in a further 13 cities in Asia during the year. The system continues to achieve higher management and operational efficiency by facilitating the standardization of the operational model across different territories. At the database level, a global freight forwarding data warehouse is now in place to provide more accurate, comprehensive, and timely management information analysis.

From the infrastructure perspective, the Division has completed the first phase of desktop computer virtualization of 40 thin desktop clients. This is a further step towards the implementation of the Division's private cloud and green computing environment after server virtualization in the data centre.

Outlook

The Division specializes in Asia and, through a long-term partnership with clients and a commitment to continuous improvement, has achieved the strategic requirements of customers at a local, regional and global level. By pledging itself to adding value to its partners' visions, the Division has grown with its clients, explored emerging markets for them, and broken new ground with them. It has emerged all the stronger from the worldwide financial and trade fluctuations, and solidified its reputation in China and in Asia as a leader in logistics services.

In response to the business environment and the challenges we face, and as part of the Division's continuous efforts to optimize its operational model, different measures have been undertaken to improve efficiency and to tighten cost controls. This, coupled with active business development efforts resulting in a number of major new contracts, supports management's optimistic outlook for earnings growth in 2010.

The global financial crisis may have bottomed out, but the prevailing high unemployment rates in major economies now hint at a possibly slower recovery. Overall, the Division maintains a positive view of stable development in the year ahead as it leverages its significant geographical and business advantages to move ahead with robust business rollouts.

Despite powerful headwinds, the Division has always successfully performed its strategic role of contributing to the diversified recurrent income base of the Group. It will continue to generate steady recurring earnings, while pursuing dynamic growth across the breadth and depth of its business.

Review of Infrastructure Business

Overview

Through investments in the infrastructure, environmental and utilities-related sectors in Hong Kong and Mainland China, the Infrastructure Division sustains healthy business operations which continue to serve as a stable source of recurrent income for the Group. During the year ended 31 December 2009, the Division generated net profit attributable to the Group of approximately HK$70 million (2008: HK$60 million).

Hong Kong

The Group holds a 15% interest in the Western Harbour Crossing and a 15% stake in the Cross Harbour Tunnel management contract. During the year, the Group's share of aggregate net profits from these investments amounted to HK$62 million (2008: HK$59 million).

Mainland China

The Group maintains a 13% interest in a water treatment project in Hohhot Municipality, Inner Mongolia Autonomous Region. During the year, the Group's share of the net profit from this project was HK$1.5 million (2008: HK$3.5 million).

During the year, the Group disposed of its 25% interests in REDtone Telecommunications (China) Limited at a consideration of HK$20.5 million.

Outlook

The Division will continue to optimize operations and maintain its investment portfolio in order to contribute a steady stream of recurrent income to the Group.

Financial Review

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

The Group closely reviews and monitors its foreign exchange exposure. As at 31 December 2009, total foreign currency borrowings (excluding Renminbi ("RMB") borrowings) amounted to the equivalence of HK$3,664 million and RMB loans amounted to the equivalence of HK$346 million. Therefore, non-RMB total foreign currency borrowings and RMB loans represented approximately 23% and 2% respectively, of the Group's total borrowings of HK$15,895 million as at 31 December 2009.

The non-RMB total foreign currency borrowings of HK$3,664 million mainly include the Fixed Rate Bonds amounting to US$420 million (approximately HK$3,241 million (net of direct issue costs)). The Group has arranged cross currency swap contracts amounting to US$90 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 2009, HK$572 million (representing approximately 4%) was repayable within one year, HK$4,153 million (representing approximately 26%) was repayable in the second year, HK$7,840 million (representing approximately 49%) was repayable in the third to fifth years and HK$3,330 million (representing approximately 21%) was repayable over five years. The Group continued to maintain most of its borrowings on an unsecured basis, with unsecured debt accounting for approximately 98% of total borrowings as at 31 December 2009. 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 2009, the gearing ratio for the Group was 18.2% (2008: 25.9%), calculated based on net debt of HK$9,192 million and shareholders' equity of HK$50,425 million.

As at 31 December 2009, 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 terms of the Group's available financial resources as at 31 December 2009, the Group had total undrawn bank loan and overdraft facilities of HK$14,362 million and net cash on hand of HK$6,703 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 provides the Group with a strong financial position, and enables the Group to reap the benefits of investment opportunities as and when they arise.

On 11 May 2009 and 6 October 2009, Standard & Poor's reaffirmed 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 2009 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. Completed and 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 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
5.	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
6.	Shenzhen Kerry Centre	2008 Renminnan Road Lowu District Shenzhen	Commercial Office	100.00	107,256 9,910 **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	**4,320**	48	Medium lease
9.	International Apartments	186 Siping Road Hongkou District Shanghai	Commercial	55.20	**3,047**	33	Medium lease
Total Mainland China completed investment properties					**3,824,200**	**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	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 Parkside Shanghai Pudong	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	All towers topped out and all major structural work completed. Mechanical and engineering, curtain wall and interior fit-out work in progress	Fourth quarter of 2010
2. Yangzhou Complex Development	West of Huan Hu Road North of Wan Chang Xi Road Yangzhou	Hotel Residential	100.00	512,108 424,887 **936,995**	469,138	Residential completion verification in progress	In phases between 2010 and 2012
3. 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	2,516,655 114,228 **2,630,883**	1,125,064	Phase 1 – All towers topped out and all major structural work completed Phase 2 – Piling work in progress	In phases between 2010 and 2012
Sub-total				**4,643,848**	**1,853,087**		

	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)**							
4.	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	Excavation completed and basement structural work in progress	2011
5.	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	2,107,212 302,226 **2,409,438**	501,730	Site 1 – Underground work completed Main structural work in progress Site 2 – Project planning	In phases between 2011 and 2012
6.	Manzhouli Residential/ Commercial Project	Liu Dao Street Manzhouli City Inner Mongolia	Residential Commercial	100.00	846,825 82,689 **929,514**	322,920	Phase 1 – Completion verification in progress Phase 2 – Project planning	In phases to 2012
7.	Jing An Kerry Centre	1238 Yanan Zhong Road 1288 Yanan Zhong Road 1537 Nanjing Xi Road 1565 Nanjing Xi Road Jing An District Shanghai	Office Hotel Commercial	51.00	617,211 401,715 376,419 **1,395,345**	251,793	South site – Structural work in progress North site – Basement structural work in progress	In phases to 2012
8.	Nanjing Complex Development [(2)]	No. 331 Zhong Yang Road Gu Lou District Nanjing	Hotel Office	45.00	287,615 124,108 **411,723**	78,980	Project planning	In phases to 2012
9.	Kerry Everbright City Phase III	Meiyuan Road Tianmu Road West Huakong Road and Gonghu Road Zhabei District Shanghai	Office Hotel Commercial	74.25	412,873 382,726 27,469 **823,068**	126,744	Project planning	2013
10.	Changsha Residential Project	25 Xin Kai Pu Road Tianxin District Changsha	Residential Serviced apartment Commercial	61.00	1,778,661 143,593 36,054 **1,958,308**	773,617	Site investigation completed	In phases between 2011 and 2013
	Sub-total				**8,777,752**	**2,140,828**		

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)							
11. 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 **2,217,383**	725,214	Design in progress	In phases to 2013
12. Tangshan Complex Development [2]	Da Li Road Changhong Street Chaoyang Street Feng Huang Xin Cheng Tangshan	Residential Hotel	40.00	979,524 215,280 **1,194,804**	408,034	Project planning	In phases between 2013 and 2014
13. Chengdu Site 3 [2]	Desai San Street Hi-Tech Industrial Development Zone Chengdu	Residential Commercial	55.00	1,212,990 148,005 **1,360,995**	336,957	Project planning	2014
14. Qinhuangdao Residential Project	Lot No. 253-3 and Lot No. 272-2 Hebei Dao Jie Xi Duan Qinhuangdao	Residential Commercial	60.00	2,647,944 207,960 **2,855,904**	1,254,202	Project planning	In phases to 2014
15. Tianjin Kerry Centre	Junction of Liuwei Road and Liujin Road Hedong District Tianjin	Residential Office Commercial Hotel	49.00	1,185,412 311,187 685,139 374,480 **2,556,218**	454,460	Excavation and structural work in progress	In phases between 2012 and 2015
16. Nanchang Complex Development [2]	Lot No. B-7 Honggutan Central District Nanchang	Commercial Residential Hotel Office	80.00	86,112 698,756 598,823 671,674 **2,055,365**	411,081	Project planning	In phases between 2013 and 2015
17. Shenyang Complex Development [1]	Lot No. 2007-053 No. 8 Golden Corridor 113 Qingnian Da Street Shenhe District Shenyang	Office Residential Apartment Hotel Commercial	60.00	1,174,860 3,325,559 1,505,724 421,217 2,366,300 **8,793,660**	1,115,327	Phase 1 – Planning for residential and hotel in progress	In phases between 2013 and 2021
Sub-total				**21,034,329**	**4,705,275**		
Total Mainland China properties under development [14]				**34,455,929**	**8,699,190**		

Particulars of Properties Held

	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 Commercial	74.25	139,405 26,992 **166,397**	61	Medium lease
2.	Shanghai Central Residences Phase II – Tower 2	170 Lane 1038 Huashan Road Changning District Shanghai	Residential	100.00	**127,957**	60	Long lease
3.	Gemini Grove	63 Xin Yuan Street Chaoyang District Beijing	Apartment Commercial	71.00	84,787 9,168 **93,955**	96	Long lease
4.	Le Loft	1-5 Lane 289 Minli Road 1-2 Lane 68 and 1-3 Lane 69 Huakang Road Zhabei District Shanghai	Residential	74.25	**39,142**	324	Long lease
5.	Arcadia Court	1008 Haitian Road Futian District Shenzhen	Residential Commercial	100.00	5,437 4,608 **10,045**	551	Long lease
	Total Mainland China properties held for sale				**437,496**	**1,092**	
	TOTAL MAINLAND CHINA PROPERTY PORTFOLIO				**39,217,267**		

	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.	**Completed and 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	**30,630**	26	Medium lease
6.	Gladdon	3 May Road Mid-Levels Hong Kong	Residential	100.00	**2,300**	14	Long lease
Sub-total					**753,077**	**326**	
II.	**Commercial/office**						
1.	Enterprise Square Five/ MegaBox	38 Wang Chiu Road Kowloon Bay Kowloon	Commercial Office	100.00	1,145,537 (3) 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	33,888 10,008 **43,896**	–	Long lease
4.	Harbour Centre	25 Harbour Road Wanchai Hong Kong	Office Commercial	15.00	32,944 (4) 6,135 (5) **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					**1,840,098**	**817**	
Total Hong Kong completed investment properties					**2,593,175**	**1,143**	

	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	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 [(6)] (square feet)	Approximate site area (square feet)	Stage of completion	Scheduled completion
Hong Kong Properties								
C.	**Under development**							
1.	Primrose Hill	168 Kwok Shui Road Tsuen Wan New Territories	Residential/ Commercial	100.00	**397,988**	78,577	External and interior finishing work in progress	First quarter of 2010
2.	King's Road Project	863-865 King's Road Quarry Bay Hong Kong	Office/ Commercial	40.00	**204,473**	13,631	Superstructure work in progress	Fourth quarter of 2010
3.	Larvotto	8 Ap Lei Chau Praya Road Hong Kong	Residential/ Commercial	35.00	**319,663**	63,179	Superstructure work in progress	Fourth quarter of 2010
4.	Shan Kwong Road Project	20 Shan Kwong Road and 1-5 Village Terrace Happy Valley Hong Kong	Residential	71.00	**154,528**	19,805	Superstructure work in progress	Second quarter of 2011
5.	Wong Tai Sin Project	8 Muk Lun Street Wong Tai Sin Kowloon	Residential/ Commercial	100.00	**920,520**	102,280	Basement work in progress	Third quarter of 2011
6.	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	**100,811**	9,425	Foundation work in progress	Second quarter of 2012
7.	Yuk Yat Street Residential Project	5 and 9 Yuk Yat Street To Kwa Wan Kowloon	Residential/ Commercial	100.00	**148,968**	19,358	Ground investigation work in progress	Third quarter of 2012
8.	Hing Hon Road Project	18-27 Hing Hon Road Sai Ying Pun Hong Kong	Residential	71.00	**122,001**	13,556	Conceptual design in progress	First quarter of 2013
	Total Hong Kong properties under development [(14)]				**2,368,952**	**319,811**		

	Property name	Location	Type	Group's attributable interest %	Approximate gross floor area (square feet)	Approximate number of carpark spaces	Lease term
Hong Kong Properties							
D.	**Held for sale**						
1.	Island Crest	8 First Street Hong Kong	Residential/ Commercial	100.00	**438,325**	92	Medium lease
2.	15 Homantin Hill	15 Homantin Hill Road Ho Man Tin Kowloon	Residential	100.00	**12,548**	6	Long lease
3.	SOHO 38	38 Shelley Street Mid-Levels Hong Kong	Residential	100.00	**1,840**	–	Long 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				**460,606**	**98**	
	TOTAL HONG KONG PROPERTY PORTFOLIO				**5,460,250**		

	Property name	Location	Type	Group's attributable interest %	Approximate gross floor area (square feet)	Approximate site area (square feet)	Stage of completion	Scheduled completion
Macau Properties								
A.	**Under development**							
1.	Nam Van Project	Lot C12 Nam Van Lake Macau	Residential	100.00	**397,190**	39,719	Schematic design in progress	Fourth quarter of 2012
	TOTAL MACAU PROPERTY PORTFOLIO				**397,190** (8)	**39,719**		

Particulars of Properties Held

	Property name	Location	Type	Group's attributable interest %	Approximate gross floor area (square feet)	Approximate number of carpark spaces	Lease term
Overseas Properties							
A.	**Completed and held for investment**						
1.	Shangri-La Plaza Mall	EDSA corner Shaw Blvd. Mandaluyong City Philippines	Shopping centre	51.46 [9]	**1,054,474**	324	Freehold
2.	The Enterprise Center	Ayala Avenue cor. Paseo de Roxas Makati City Philippines	Office Commercial	34.58 [10]	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 [11]	169,733 [12] 212,969 [12] **382,702** [12]	–	Freehold
4.	Carpark Building	EDSA corner Shaw Blvd. Mandaluyong City Philippines	Carpark building	65.36 [11]	**200,558**	464	Freehold
	Total overseas completed 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.	Distillery Stage 3	Bowman Street Jacksons Landing Pyrmont Sydney Australia	Residential	25.00	**44,353**	7,293	Superstructure work in progress	Fourth quarter of 2010
2.	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
	Sub-total				**127,374**	**24,413**		

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)							
3. One Shangri-La Place	EDSA corner Shaw Blvd. Mandaluyong City Philippines	Residential Shopping centre	65.36 (11)	946,775 279,909 **1,226,684**	68,670	Excavation work in progress	Fourth quarter of 2013
4. Fort Bonifacio Shangri-La Hotel	Fort Bonifacio Taguig Philippines	Residential Hotel Commercial	26.15 (13)	236,551 186,813 2,218 **425,582**	42,553	Project planning	Note (7)
Sub-total				**1,652,266**	**111,223**		
Total overseas properties under development				**1,779,640**	**135,636**		

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. The St. Francis Shangri-La Place	St. Francis St. corner Internal Road Shangri-La Place Mandaluyong City Philippines	Residential Commercial	65.36 (11)	67,654 16,936 **84,590**	45	Freehold
2. Distillery Stage 2b	Tambua Street Jacksons Landing Pyrmont Sydney Australia	Residential	25.00	**1,128**	–	Freehold
3. Distillery Stage 5a	Bowman Street Jacksons Landing Pyrmont Sydney Australia	Residential	25.00	**449**	–	Freehold
Total overseas properties held for sale				**86,167**	**45**	
TOTAL OVERSEAS PROPERTY PORTFOLIO				**3,856,679**		

Particulars of Properties Held

	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							
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 Logistics (Australia) Pty Ltd Adelaide	4 Martin Avenue Gillman Adelaide South Australia 5013	Container terminal Logistics centre	100.00	482,587 186,230 **668,817**	–	Freehold
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	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 TC Warehouse 2	35 Wing Kei Road Kwai Chung New Territories	Warehouse	100.00	**490,942**	262	Medium lease
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 %	Approximate gross floor area (square feet)	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. Fuzhou Kerry Logistic Centre	No. 24-1 Mawei District Bonded Zone Fuzhou ETDZ Mawei Fuzhou	Logistics centre	100.00	**108,946**	–	Medium lease
22. Singapore Kerry-ITS ISO Tank Depot	162 Gul Circle Singapore	ISO Tank Depot	60.00	**66,002**	–	Medium lease
23. Malaysia EAE Logistics Centre	Lot 213 Kawasan Perindustrian Bukit Kayu Hitam 06050 Kedah Malaysia	Logistics centre	51.00	**45,240**	–	Long lease
24. 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				**1,157,094**	**19**	
Total completed warehouses and logistics centres				**8,278,627**	**1,417**	

Particulars of Properties Held

	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 %	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							
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.	Kerry Chengdu Logistics Centre	Sichuan Chengdu Aviation Logistics Park District	Logistics centre	100.00	**268,766**	316,332	Interior finishing work completed	First quarter of 2010
2.	Hung Yen Logistics Centre	Minh Duc commune My Hao District Hung Yen Province Vietnam	Logistics centre	100.00	**115,465**	186,163	Piling work to be commenced	Fourth quarter of 2010
3.	Kerry Chongqing Logistics Centre	Lot A01-3 & 4 Shipan Hepian District Modern Agricultural Park District Chongqing	Logistics centre	100.00	**226,044**	717,604	Piling work to be commenced	First quarter of 2011
4.	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	Piling work completed and superstructure work in progress	Third quarter of 2011
5.	Kerry Kunshan Logistics Centre	North of Yufeng Main Road Qiandeng Town Kunshan	Logistics centre	100.00	**199,134**	358,796	Superstructure work in progress	Third quarter of 2011
	Total warehouse and logistics centre under development				**1,084,128**	**1,690,620**		
	TOTAL PORTFOLIO OF PROPERTIES HELD FOR LOGISTICS OPERATIONS				**12,180,044**			

Notes:

(1) *Payment for land use rights in progress.*

(2) *Application for land use certificate in progress.*

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

(4) *Being lettable floor area.*

(5) *Being net floor area.*

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

(7) *The development plan is under review.*

(8) *As regards the reclamation project in Macau, according to the Macau SAR Government Notice which was gazetted on 14 October 2009, a piece of land will be granted in exchange with location and size to be identified and agreed.*

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

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

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

(12) *Being site area.*

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

(14) *Including investment properties under development of 2.6 million square feet and 0.2 million square feet in Mainland China and Hong Kong, respectively.*

(15) *Gross floor areas exclude carpark spaces.*

Corporate Social Responsibility Report

The Group acts in a socially responsible manner and undertakes a range of activities that are designed to care for and support the environment and the general community, as well as to positively develop the industries that the Group belongs to and to create an improved workplace. The Group's values guide its behaviour at every level and apply across its full scope of operations. Staying true to its beliefs, translating them into policies, and implementing those policies is the best way for the Group to demonstrate to all stakeholders its firm resolve to be a company that puts corporate responsibility on the same level as running a successful business.

In practice, this means continuing to observe the highest standards of ethics while conducting business and discharging the Group's responsibility to contribute to sustainable economic development. Staff participation is a key part of the Group's commitment to being socially responsible. Working with employees and their families, the Group seeks to improve the quality of the life of both its team members and the local community.

Caring Company

The Group continues its quest for strong governance and corporate citizenship, as exhibited in its caring initiatives towards the community, employees and the environment. It has been recognized as a Caring Company by the Hong Kong Council of Social Service for the seventh year in a row, and for this the management is thankful to its staff team, who are the custodians of the culture and values that define the Company.

Environmental Protection

With a far-sighted commitment to sustainability, the Group continues to look for more comprehensive ways to make its practices sustainable. As regards property development, an environmental management system ("EMS") is in place to govern the development of green buildings and to promote environmental awareness among staff. From design to site management, procedures are renewed constantly, with a view to being greener in virtually every area of operations.

The green system is stewarded by an EMS Committee which comprises top management and department heads. The committee lays down key environmental policies and maintains internal communications on related matters.

The Group is glad to report that it achieved all targets set for 2009, including those for paper and electricity consumption reduction, the encouragement of main contractors to implement EMS and obtain ISO14001 certification, and the minimization of construction waste in all development projects.

Hong Kong Green Building Council

The Group proudly supports the Hong Kong Green Building Council's initiative to engage the community, industry and government in creating practical solutions for Hong Kong's unique environment. By joining as a Gold Patron Sponsor, the Group is pleased to help promote green building principles and practices, and looks forward to contributing to positive change in the building environment.

Green Hong Kong • Carbon Audit Campaign

The Group has become a Green Partner of the "Green Hong Kong • Carbon Audit" campaign co-organized by the Environmental Protection Department and the Electrical and Mechanical Services Department. The Group is committed to promoting, supporting and facilitating the reduction of greenhouse gas emissions from buildings under its management.

Corporate Afforestation Scheme 2007-2009

The Group's staff members have pledged a further year of support for the three-year woodland adoption programme co-organized by the Agriculture, Fisheries and Conservation Department and the Friends of the Earth (Hong Kong). A weeding excursion was held on 18 October 2009, allowing staff members to visit the trees they planted in 2007 and to help maintain the young woodland while conveying care for the environment.

Green Power Hike

Staff members of the Logistics Network Division were among the 3,000 runners who took part in the "16th Green Power Hike" held on 28 February 2009. The Division mobilized three teams, including one corporate and two individual teams, to participate in the 50-kilometre and 25-kilometre hikes. Through this activity, Green Power aims to inspire more people to better appreciate the natural environment and to raise funds for environmental, educational and conservation programmes.

Tree-planting Challenge

At the "Tree-planting Challenge 2009" organized by Friends of the Earth, the Logistics Network Division joined a number of green groups and corporations to help restore the Pat Sin Leng Country Park which has been damaged by hill fires. A total of 192 seedlings were planted on 26 April 2009 by the Division's five teams. The event was a unique environmental activity combining tree-planting, hiking and a challenge of self-endurance.

Earth Hour

MegaBox and a number of other buildings under the Group's management switched off their exterior lights and non-essential lighting for an hour on 28 March 2009 in support of "Earth Hour 2009", a global campaign organized by WWF to raise awareness about the threat from rising greenhouse gas emissions. More than 1,000 cities in over 80 countries observed "Earth Hour 2009" and issued a joint communiqué on climate change.

Community Chest Green Day

The Group's staff members donated to the "Green Day 2009" organized by The Community Chest of Hong Kong. Taking place on 7 and 8 June 2009, the campaign encouraged participants to "Think Green and Ride Green" by taking a greener form of transportation. Donations went towards medical and health-related services provided by the Chest.

Dim It! 6.21 Lights Out

MegaBox and several other buildings managed by the Group also took part in the "Dim It! 6.21 Lights Out" campaign held on 21 June 2009 by switching off their exterior lights for an hour. This campaign, launched by Friends of the Earth (Hong Kong), aims to raise public awareness about energy conservation.

Green Please Project

On 12 September 2009, staff members of Kerry Siam Seaport and offices in Thailand joined the "Green Please Project" to plant trees in Bang Kra Chao, Samutprakarn. This served not only as a tree-rearing activity but also a team-building one.

Hong Kong International Coastal Cleanup Challenge

On 18 October 2009, a team of more than 50 staff members, friends and family of the Logistics Network Division spread out on the territory's beaches to take part in the "2009 Hong Kong International Coastal Cleanup Challenge". The team won the Bronze Corporate Award for collecting trash weighing a total of 110 kilograms in two hours. During the challenge, thousands of volunteers from some 100 countries and regions descended on beaches, lakes, rivers and streams all over the world to take responsibility for a clean ocean.

Walk for Nature@Mai Po Charity Walk

More than 30 colleagues from the Logistics Network Division participated in the "Walk for Nature@Mai Po Charity Walk 2009" held on 8 November 2009. It is WWF Hong Kong's walkathon event to promote sustainable lifestyle via different activities and nature appreciation at Mai Po Nature Reserve.

Community Services

Management support and employee participation are key parts of the Group's organizational commitment to the well-being of the needy and disadvantaged. Through a wide range of programmes, the Group reaches out to various levels of need in different communities.

Community Chest Corporate Challenge

Colleagues from the Logistics Network Division participated in the 10-kilometre run at the "Community Chest Corporate Challenge" which took place on 18 January 2009. Funds raised through the event went to community support services for the elderly under the Chest umbrella.

Typhoon Morakot Relief

Typhoon Morakot hit Taiwan on 7 and 8 August 2009, causing widespread damage in the southern regions. From 13 to 17 August 2009, T.Join Transportation Co. Ltd, a member company of the Logistics Network Division in Taiwan, mobilized transportation teams to provide free delivery of a total of 320 tonnes of relief materials to five collection centres.

In addition, the Division donated TWD10 million (approximately HK$2.35 million) on 24 August 2009 to the Kaoshiung City Government towards the relief programme, including personal donations from the management. Staff members also echoed the appeal by donating one day's salary to the campaign.

The End Child Sexual Abuse Foundation

The Logistics Network Division supported The End Child Sexual Abuse Foundation (ECSAF) by offering two parking spaces with shelters for its mobile classrooms at one of its facilities in Hong Kong for the fourth consecutive year. Founded in 1998, the ECSAF aims to protect youngsters under 18 from sexual abuse.

Used Book Recycling Campaign

In August 2009, a total of 20 buildings under the Group's management supported the "Used Book Recycling Campaign" organized by World Vision Hong Kong through encouraging residents or tenants to donate used books for charity sales, in order to fund charity work in the Mainland.

Roundabout Charity Store

The Logistics Network Division assisted Beijing Kerry Centre Apartment to support the meaningful cause of the "Roundabout Charity Store" to help those in need by collecting and selling donated goods. On 25 September 2009, the Division assisted in the transportation of goods to poverty-stricken villages in various parts of China.

Community Chest Dress Special Day

The Group's staff members responded actively to the call by The Community Chest of Hong Kong for members of the public to wear special attire to work on 30 September 2009, "Dress Special Day", to show their care for the needy. Donations were allocated to the Chest's social welfare agencies.

Habitat for Humanity China Work Project

The Logistics Network Division pledged its support for the "26th Jimmy & Rosalynn Carter Work Project", the latest global volunteer building event organized annually by Habitat for Humanity China, by helping transport event materials from Hong Kong to Chengdu in China's Sichuan Province. The event plans to build at least 166 homes in the selected cities in five days in November 2009 with the help of over 2,000 volunteers.

UNICEF Charity Run

Since 2006, the "UNICEF Charity Run" has turned into an annual fund-raiser for its long-term recovery work for the Sichuan earthquake. The Group's staff members consistently show their keen support by running in both the 10-kilometre run and the half marathon.

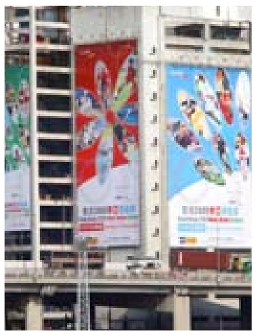
International Day of the Disabled and Charity Carnival Beijing

The Logistics Network Division joined its clients Daimler AG and NCR Logistics in supporting the "International Day of the Disabled and Charity Carnival Beijing 2009" and the "Charity Project – Hearing Aid Action". Both campaigns were launched on 27 November 2009 with the aim of calling for more social action and concern for children with hearing disabilities.

Hong Kong 2009 East Asian Games

Kerry Properties Limited was a Gold Sponsor of the "Hong Kong 2009 East Asian Games" ("EAG"), a major event in the Asian sports arena and the largest international multi-sport event ever held in Hong Kong. Held once every four years, the 5th EAG was staged in Hong Kong from 5 to 13 December 2009, during which elite athletes competed for the medals in 262 competition events divided between the 22 sports.

As an EAG sponsor, the Group also helped promote this international sports event via MegaBox, and through participating properties under its management and Little Egret Restaurant. The Logistics Network Division provided in-kind support to the EAG, including delivery of sports equipment to 22 competition venues as well as the display of two giant promotional billboards at its Kwai Chung warehouse during the period from September to December 2009.



Community Chest Love Teeth Day

By joining the "Love Teeth Day" on 9 December 2009, the Group's staff members reminded themselves to take care of their teeth whilst showing their concern for those in need. Co-organized by The Community Chest of Hong Kong, the Hong Kong Dental Association and the Oral Health Education Unit of the Department of Health, all donations received from the event were allocated towards oral-health services for the needy.

Charitable Donations

Over the past year, the Group's donations were allocated to the different causes it supports in a bid to provide wide-reaching help for less privileged groups in the communities where it operates.

Community Chest Corporate and Employee Contribution Programme

Through direct donations and staff-organized donation-drive activities, both the Group and its employees contributed to this major fund-raising programme of The Community Chest of Hong Kong. Also through these activities, the staff team showed their care for the needy and participated in events which also helped promote corporate unity.

Mianzhu Special Education School

The Group's staff members invited to the annual dinner held in Chengdu, Sichuan, on 12 January 2009 volunteered to donate their travelling or meal allowances to Mianzhu Special Education School, the first teaching facility for the disabled rebuilt after the earthquake. Donations were collected from colleagues from Chengdu, Hong Kong, Shenzhen, Fuzhou and Nanchang. All cash prizes drawn during the evening were also donated for the purchase of New Year festive items, clothing, stationery and sports equipment for the school.

Asia Center Foundation

The Melbourne Rams rugby team sponsored by the Logistics Network Division competed in the "10th Annual Phuket International Rugby" tournament held in May 2009 in Thailand to raise funds for the Asia Center Foundation. This charity helps underprivileged and orphaned children in Phuket, Thailand, and ensures they are adequately housed and educated so that they can have a promising start in life. The Kerry Logistics Melbourne Rams team also sponsored two children for one year.

Shepherd's Field Children's Village

The Logistics Network Division made a donation to the Shepherd's Field Children's Village in China for the purchase of rehabilitation equipment and to provide support for 12 children for one year. On 28 August 2009, staff members visited children living in this largest foreign-funded charitable institution in China which supports orphaned children, most of whom were abandoned due to their physical disabilities.

Nursing Home in Tianzhu Town

Donations were made by the Logistics Network Division to a nursing home in Tianzhu Town, Shunyi District, Beijing. On 3 October 2009, the Division's staff members visited the elderly residents of the home and brought with them some gifts as a gesture to wish them health and happiness.

Bainian Vocational School

The Logistics Network Division donated to Bainian Vocational School to help it purchase a truck to be used both as a school bus and for delivery of food and other items for teachers and students. The truck was delivered on 10 October 2009 to the school, which was established to help the children of migrant workers in Beijing.

Caring for People

The Group provides an inclusive environment that embraces innovation, staff-generated ideas, respect for the individual and equal opportunity to succeed. The Group seeks to be an organization worthy of its staff's potential. It helps nurture the further development of its staff members and is genuinely concerned about their well-being.

Staff and Family Friendly

The Group ensures that staff- and family-friendliness is an element infused and embedded into the organization's management and culture. A fulfilling and caring work experience is not only conducive to performance, but also acts as a powerful motivator to produce intangible knowledge-based output and as a means to retain talents. The Group is dedicated to creating a workplace that realizes human potential to the fullest extent.

Work-life balance is a core element of the Group's people-caring initiatives. On 23 October 2009, staff of the Logistics Network Division participated in the "Work-Life Balance Day" for the second year in a row. Members took part in a Brain Gym Workshop at the Division's rooftop garden. Other activities over the past year include the organization of family workshops and special festive events, such as chocolate making for Valentine's Day.

Individual Development

Recognizing the need to build an executive team and to craft a culture based on core values, the Group arranged a series of training courses and sessions to provide staff with self-enhancement opportunities in areas ranging from job-related skills to intellectual studies. Staff members are also provided with personal study allowances.

Team Building

Among the team-building activities held during the year was a training workshop to help members of the Logistics Network Division gain inspiration from experiential challenges on the application of the four essential elements of "T-E-A-M" in their daily work life.

Mega Support of Society Causes

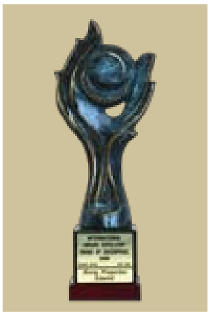
From September to November 2009, MegaBox staged several events in support of the EAG, including a cycling charity race and BMX cycling performance, several meet mascots Dony and Ami events, as well as cheerleading activities for the Hong Kong elite athletes team.

Momentum had already begun to build up when MegaBox co-organized the "Hong Kong Dance Marathon 2009", a territory-wide, summer charity fund-raising event held on 29 August 2009. The eight-hour marathon aims to reinforce the joy of living and promote a positive lifestyle attitude. The campaign helped raise funds to support the work of the Suicide Prevention Services.

During the year, MegaBox pledged its venue for the support of some 30 community, environmental protection and charitable events. These activities lent a helping hand to many worthy causes and at the same time brightened up the mall with fun and warmth. The mall has also arranged visits by more than 100 groups of elderly, children, students and the less privileged.

MegaBox staff members formed a volunteer team in 2009 to engage in community-care activities. The MegaBox volunteer team showed great enthusiasm and concern, taking part in activities which included visits to homes for the elderly and a Tai Chi fund-raising activity for the Hong Kong Parkinson's Disease Foundation.

2009 Awards and Citations



The Group has been greatly encouraged by the commendations received during 2009 from a broad range of investor, professional and media associations. They have recognized our efforts towards realizing true accountability to all our stakeholders, whose satisfaction with our work is our greatest reward. These awards came in recognition of the Group's top-down commitment to achieving excellence, and more importantly, honoured the hard work of the whole team, who are greatly motivated by them.

Property Division

Hong Kong BIM Awards 2009

The Group proudly reports its garnering of a "Hong Kong BIM Award 2009" for its outstanding performance in the application of Building Information Modelling in its office and commercial development on King's Road, North Point. This project-management tool facilitates collaboration in design and planning, and the award validates the Group's ongoing efforts in improving construction co-ordination and design quality, and ensuring timely delivery of project.

2009 Galaxy Awards – Grand Winner and Gold Awards

The annual "Galaxy Awards" honour design works that contribute to the process of image building and make a difference in the marketplace. The Group's 2009 corporate calendar and marketing-communications publication *Dress Circle* both received Gold Awards in the categories of "Design: Calendar" and "Design: Magazine". *Dress Circle* was also named "Best of Design – Grand Winner". The Group's publications were commended for their overall expression of message meeting stated objectives and reaching targeted audiences, as well as the use of imaginative and original solutions.

19th International ASTRID Awards – Silver Award

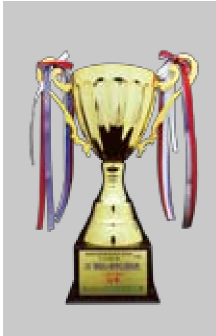
The Group took honours again at the "19th International ASTRID Awards" in April 2009 by winning a Silver Award in the category of "Calendars – Corporate". The award was made to the Group for the project's excellence in corporate design. The "ASTRID Awards" competition is staged by independent awards organization MerComm Inc., and is one of the world's most important recognition programmes in the design field.

Prime Awards for Eco-Business 2009

The "Prime Awards for Eco-Business 2009" recognized the Group again in June 2009, reaffirming its green commitment and its efforts in being an environmentally concerned corporation. The award was organized by *Prime Magazine* in association with the Business Environment Council. The panel of judges included representatives from major green groups, chambers of commerce and academia, who evaluate the candidates based on their green strategies, implementation and leadership.

International Award – Excellent Image of Enterprise 2009

Kerry Properties is delighted to be recognized by *Actualidad*, a tourism, industry and commerce magazine based in Europe, for being the best business enterprise demonstrating true driving and market-leading forces that have acted as an engine of the economy. The "Excellent Image of Enterprise 2009" under the International Award programme was conferred on the Group in June 2009.



LACP 2008 Vision Awards Annual Report Competition – Bronze Award

The "2008 Vision Awards Annual Report Competition", organized by the League of American Communications Professionals, drew more than 3,500 entries from 22 countries. The Group's 2008 Annual Report received a Bronze Award in June 2009 for its creativity and clarity of message.

23rd International ARC Awards – Bronze Award and Honours

Acknowledging the Group's 2008 Annual Report for excellence in design, clarity of written text, presentation of corporate information, expression of financial data and communication of organizational spirit, the work received a Bronze Award in the category of "Overall Annual Report: Real Estate Development/Service – Commercial/Industrial" at the "23rd International ARC Awards" held in September 2009. The report also received an honours mention in the category of "Overall Annual Report: Real Estate Development/Service – Various & Multi-Use". The Group is delighted to have been chosen from among 1,800 entries from 25 countries around the world.

Source Separation of Domestic Waste Competition 2008/2009 – Bronze Award and Award for Enhancement

The main objective of the programme is to make waste separation more convenient. Kerry Property Management Services Limited ("KPMSL") has committed to promoting waste separation and broadening the types of recyclable to be recovered at Regency Park, a property under its management. A Bronze Award and an Award for Enhancement were conferred on KPMSL under this programme, based on the increases in the average quantities of total recyclables.

MegaBox

2008 Kwun Tong District Private Buildings Greening and Cleaning Competition – Champion

MegaBox emerged as the sector champion in the "2008 Kwun Tong District Private Buildings Greening and Cleaning Competition" organized by the Kwun Tong District Council. This latest award, presented to MegaBox in January 2009, came as further recognition of MegaBox's continuous efforts and commitment in providing a clean, green and pleasant environment for shoppers and tenants.

Prime Awards for Brand Excellence

MegaBox was recognized by the "Prime Awards for Brand Excellence" as playing a leading role in revolutionizing the mall concept by shaping it into a unique lifestyle destination. Presented in August 2009, the award was adjudged by various chambers of commerce and promotes excellence in branding, results achievement, quality, social commitment and creativity.

Influence China – Ten Classic Architectural Landmarks

In October 2009, MegaBox was named one of the "Ten Classic Architectural Landmarks" by *Wen Wei Po* and various professional associations as part of a large-scale commendation activity. Themed "Influence China", the awards presentation was part of the news organization's celebration events to commemorate the 60th anniversary of the founding of the People's Republic of China. The iconic architecture and popularity of MegaBox were both recognized.




Kowloon East Best Security Service Awards 2008-2009

MegaBox's efforts to achieve safety excellence were recognized by success in the intense competition for the "Kowloon East Best Security Service Awards 2008-2009". Two awards, including Best Security Guard and Best Partner Property, Kowloon East, were handed to MegaBox by the Kowloon East Regional Crime Prevention Office in October 2009 in recognition of its staff's work enthusiasm and excellence in serving both shoppers and tenants.

Logistics Network Division

AA Customs Declaration Enterprise in Shanghai

The Shanghai branch of KEAS has been named as the first "AA Customs Declaration Enterprise in Shanghai" in recognition of its long-standing partnership with Shanghai Customs. The citation also reflected the branch's leadership and credibility.

2008 Best Partner of Samsung Electronics

In January 2009, Kerry EAS Logistics Limited ("KEAS") proudly received the 2008 Best Partner award from Samsung Electronics Co., Ltd., for the second consecutive year, in recognition of the Logistics Network Division's sustained service excellence.

Hong Kong Leaders' Choice Brand Awards 2009 – Excellent Brand of Logistics Services

Also for the second year in a row, the Logistics Network Division was named an Excellent Brand of Logistics Services at the "Hong Kong Leaders' Choice Brand Awards 2009", organized by broadcaster Metro Finance in February 2009. The award came as recognition for the Division's vital role in driving the local industry's branding development.

The 9th CAPITAL Outstanding Enterprise Awards

In March 2009, the Division was delighted to be named "9th CAPITAL Outstanding Enterprise Awards – Capital Outstanding Logistics Company" for the second consecutive year. The award recognized the Division for its well-established corporate brand image and consistent high-quality service provided in Hong Kong for many years.

GE Healthcare China Group – Excellent Indirect Supplier 2008

KEAS has served the logistics requirements of GE Healthcare China Group continuously since 2003. The award, presented in May 2009, was recognition of KEAS' excellence in the provision of air and surface import services, as well as one-day bonded logistics facilities.

The 4th CAPITAL Outstanding China Enterprise Awards

The "CAPITAL Outstanding China Enterprise Awards" promote excellence in corporate brand building and service quality of operations in Mainland China. This year's award, which was conferred in June 2009, represents the third occasion on which KEAS has won, reflecting strong commitment to leading industry service standard advancements.

China Association of Warehouse and Storage -Vice-President Organization

At the "2009 Annual Conference of the China Association of Warehouse and Storage" held in July 2009, KEAS was nominated by attending manufacturers, vendors and logistics corporations from around the country as a Vice-President Organization for its leadership status and efforts to champion industry issues. KEAS is confident that the nomination will help enhance its profile and bring more collaboration opportunities in future.

Prime Awards for CSR 2009

The Division was pleased to receive the "Prime Awards for CSR 2009" in October 2009 from major financial publication *Prime Magazine*. The award was a commendation for the Division's respect for all stakeholders and its commitment to sustainable development. In particular, the Division displayed sustained efforts and achievements in four major areas of corporate citizenship: environment, community, society and employees.

Excellent Customs Brokers

In December 2009, four branches of KEAS – in Beijing, Shanghai, Wuxi and Xiamen – were named "Excellent Customs Brokers" in an adjudication organized by the China Customs Brokers Association under the General Administration of Customs. The selection is carried out every three years and the "Excellent Customs Brokers" were chosen from close to 7,000 customs broking enterprises based on their transaction volume, frequency of refund/adjustment requests, and credibility. KEAS was commended for its high quality and accuracy of customs broking service, long-term relationship with the Customs and its sound credibility.

Top 25 Freight Forwarders

The Division was ranked 20 among the Top 25 Freight Forwarders by Armstrong & Associates in "The 2009 TRANSPORT TOPICS", the most respected and authoritative publication in the US trucking industry, produced by the Transport Topics Publishing Group.

Hong Kong ICT Awards 2009- Best Business (Application) Bronze Award

In January 2010, the Division was presented with the Best Business (Application) Bronze Award under "The Hong Kong ICT Awards 2009" for its proprietary KerrierVISION system. The award programme, established in 2006 by the Hong Kong Computer Society and supported by academia and the Hong Kong SAR Government, aims to promote in-house application of information technology ("IT") to maximize company competitiveness. The Division was commended for successfully incorporating IT into its business operations.

Best Distribution Partner of NETGEAR

At the NETGEAR Supplier Conference 2010 held on 26 January 2010, the Division was named the Best Distribution Partner. The Division has strived to optimize the supply chain behind NETGEAR Inc as the client re-invents its networking and broadband solutions.

Certificate of Appreciation from Canon

The Division was delighted to receive a Certificate of Appreciation from Canon Hongkong Company Ltd on 11 February 2010 awarded for admirable service enhancements achieved over 2009. The Division has served the logistics requirements of Canon Hongkong for over two years and has constantly created and delivered new service initiatives in order to help the client cope with the ever-changing consumer landscape.

Corporate Governance Report

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 the Company's shareholders (the "Shareholders") can maximize their benefits from good corporate governance. During the financial year ended 31 December 2009, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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 2009.

A. Directors

A.1 The Board

1. The Board is responsible for:–

   (i) the leadership and control of the Company;

   (ii) overseeing the Group's businesses, strategic directions and financial performance;

   (iii) setting the Company's values and standards;

   (iv) ensuring that its obligations to the Shareholders are understood and met; and

   (v) strategy formulation, corporate governance and performance monitoring.

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.

A.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 at approximately quarterly interval and meets more frequently as and when required. Notice of more than 14 days were given to all Directors to attend a regular Board meeting. For all other Board meetings, reasonable notice will be given to the Directors. During the financial year ended 31 December 2009, the Board held four meetings and the attendance record, on a named basis, is set out in the table below.

Name of Director	Date of Board Meeting 18 March	5 June	26 August	11 November
Kuok Khoon Chen+	✓	–	✓	–
Wong Siu Kong+	✓	✓	✓	✓
Ho Shut Kan+	✓	✓	✓	✓
Ma Wing Kai, William+	✓	✓	✓	✓
So Hing Woh, MBE, JP+	✓	✓	✓	✓
Qian Shaohua+	✓	✓	✓	✓
Chan Wai Ming, William^	✓	✓	✓	✓
Ku Moon Lun#	–	✓	✓	✓
Lau Ling Fai, Herald#	✓	✓	✓	–
Wong Yu Pok, Marina, JP#	✓	✓	✓	✓
Tse Kai Chi@	✓	✓	✓	✓
PRESENT	**10 (91%)**	**10 (91%)**	**11 (100%)**	**9 (82%)**

\+ *Executive Director*
\# *Independent Non-executive Director*
@ *Non-executive Director*
^ *Redesignated as Executive Director (with effect from 18 March 2010)*
✓ *Attendance*
– *No attendance*

A.2 Division of Responsibilities

1. The Chairman, Mr Kuok Khoon Chen, has executive responsibilities and provides leadership to the Board in terms of establishing policies and business directions. He 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. He also 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.

2. The Board comprises Independent Non-executive Directors ("INEDs") who bring strong independent judgement, knowledge and experience to the Board's deliberations. Apart from their appointments as INEDs, 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.

3. 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.

4. As noted below, the majority of the Audit Committee members and the Remuneration Committee members are INEDs. This ensures that independent views and opinions are expressed by the Directors at the Audit Committee and the Remuneration Committee meetings.

5. Accordingly, the Board operates in a functional manner with clearly defined objectives, strategies and responsibilities.

A.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 INEDs in accordance with Rule 3.13 of the Listing Rules. The Board has assessed their independence and concluded that all the INEDs are independent within the definition of the Listing Rules.

A.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 all Directors, including the Non-executive Directors, 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.

A.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 INEDs 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. Independent Board Committee comprising all INEDs will be formed to advise the independent Shareholders on those connected transactions to be approved by the independent Shareholders at the special general meeting of the Company. The INEDs are also members of various Board committees and devote sufficient amount of time and attention to the affairs of the Company.

A.6 Directors' Securities Transactions

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 2009. Employees of the Company, who are likely to be in possession of unpublished price sensitive information, have been requested to comply with provisions similar to those terms in the Model Code.

A.7 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. All Directors are given opportunity to include matters in the agenda for regular Board meetings.

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, and all applicable rules and regulations, are being followed. The Directors can obtain independent professional advice at the Company's expense.

B. Remuneration of Directors

B.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. A Remuneration Committee meeting was held on 16 December 2008 and the attendance record, on a named basis, is set out in the table below.

Name of Director	Date of Remuneration Committee Meeting 16 December 2008
Kuok Khoon Chen+	✓
Wong Siu Kong+	✓
Ku Moon Lun#	✓
Lau Ling Fai, Herald#	✓
Wong Yu Pok, Marina, JP#	✓
PRESENT	**5 (100%)**

\+ *Executive Director*
\# *Independent Non-executive Director*
✓ *Attendance*

B.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 2009 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.

C. Delegation by the Board

C.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.

C.2 Board Committees

In addition to delegating specific responsibilities to the Audit Committee and the Remuneration Committee, the Board established the Finance Committee in 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.

C.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.

D. Accountability and Audit

D.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 2009, the Board has reviewed the financial projections of the Group in respect of the eight financial years ending 31 December 2017. 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.

D.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.

D.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 2009 and the attendance record, on a named basis, are set out in the table below.

	Date of Audit Committee Meeting			
Name of Director	**5 March**	**29 May**	**13 August**	**3 November**
Ku Moon Lun#	✓	✓	✓	✓
Lau Ling Fai, Herald#	✓	✓	✓	–
Wong Yu Pok, Marina, JP#	✓	✓	✓	✓
Tse Kai Chi@	✓	✓	✓	✓
PRESENT	**4 (100%)**	**4 (100%)**	**4 (100%)**	**3 (75%)**

\# *Independent Non-executive Director*
@ *Non-executive Director*
✓ *Attendance*
– *No attendance*

D.4 Auditors' Remuneration

During the financial year ended 31 December 2009, 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	13,115
Non-audit services	
(i) Tax services	2,330
(ii) Other services	1,624

E. Communication with Shareholders

E.1 Investor Relations

1. Communication channels

In order to develop and maintain a continuing investors' relationship programme with the Shareholders, the Company has established various channels of communication with the 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. As a move to enhance the Group's relationship with the investor community and its understanding of the Group's operations and developments, the Group had participated a number of roadshows and investors' conferences during the year ended 31 December 2009 and some of them are set out below:–

Month	Event	Venue
January	Deutsche Bank Access China Conference 2009	Beijing
February	Citi Asia Pacific Fixed Income Investor Conference 2009	Hong Kong
March	Credit Suisse Asian Investment Conference 2009	Hong Kong
May	Macquarie China Conference	Hong Kong
June	DBS Vickers Pulse of Asia Conference	Singapore
October	Macquarie Asia Pacific Conference	New York
November	Bank of America Merrill Lynch China Investment Summit	Beijing
December	CLSA HK/China Property Access Day	Hong Kong

The Group had also conducted a non-deal roadshow in the United States in October 2009 to meet with the Shareholders. The Group plans to continue to enhance its investors' relationship by participating in future roadshows and conferences.

E.1 Investor Relations (Continued)

1. Communication channels (Continued)

   (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 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 Communication 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.

2. General meetings

   (i) The general meeting provides a forum for the Board to communicate with the Shareholders. To facilitate enforcement of Shareholders' rights, significant issues are dealt with under separate resolutions at general meetings.

   (ii) The members of the Board are available at annual general meetings to answer questions raised by Shareholders. The chairman of the Company's independent board committee (if any) or his duly appointed delegate 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.

   (iii) The 2009 annual general meeting of the Company was held on 8 May 2009 (the "AGM") and a special general meeting of the Company was held on 31 March 2009 (the "SGM"). Relevant resolutions were passed at both the AGM and the SGM by way of poll. The chairman of both the AGM and the SGM had at the commencement of the meetings ensured that an explanation was provided of the detailed procedures for conducting a poll and then answered questions (if any) from Shareholders regarding voting by way of poll.

   (iv) The Company had sent the AGM notice to Shareholders more than 20 clear business days before the AGM and the SGM notice to Shareholders more than 10 clear business days before the SGM.

E.2 Shareholder Information

An analysis of the Shareholders as at 31 December 2009 based on the registers of members of the Company is as follows:–

(Bermuda principal and Hong Kong branch registers) As at 31 December 2009 Number of Shares Held	Shareholders Number	Shareholders % of total	Shares of HK$1 each Number	Shares of HK$1 each % of total
1-500	71	19.83%	17,459	0.00%
501-2,000	111	31.01%	138,259	0.01%
2,001-5,000	59	16.48%	212,747	0.02%
5,001-20,000	48	13.41%	496,779	0.03%
20,001-50,000	18	5.03%	572,205	0.04%
50,001-100,000	14	3.91%	981,339	0.07%
100,001-200,000	10	2.79%	1,442,675	0.10%
200,001-500,000	6	1.67%	1,741,894	0.12%
500,001-1,000,000	4	1.12%	2,757,396	0.19%
1,000,001-2,000,000	4	1.12%	5,593,450	0.39%
2,000,001-5,000,000	6	1.67%	24,473,380	1.71%
Over 5,000,000	7	1.96%	1,390,525,859	97.32%
	358	**100%**	**1,428,953,442**	**100%**
Geographical Distribution				
(a) Asia				
Hong Kong	323	90.22%	1,422,001,146	99.51%
Malaysia	13	3.63%	6,533,128	0.46%
Singapore	10	2.79%	277,778	0.02%
PRC	2	0.56%	6,389	0.00%
Thailand	2	0.56%	3,887	0.00%
Indonesia	1	0.28%	63,539	0.01%
Philippines	1	0.28%	19,941	0.00%
(b) Australasia				
Australia	2	0.56%	16,272	0.00%
(c) Europe				
Isle of Man	1	0.28%	14,279	0.00%
United Kingdom	1	0.28%	110	0.00%
(d) America				
Canada	1	0.28%	15,973	0.00%
United States of America	1	0.28%	1,000	0.00%
	358	**100%**	**1,428,953,442**	**100%**

E.3 Other Relevant Information

Key corporate dates for the financial year ending 31 December 2010 and the Company's market capitalization as at 31 December 2009 are set out in the sections headed "Corporate Information & Key Dates" and "Financial Highlights" of this annual report, respectively.

Audit Committee Report

The Audit Committee of the Board was established in 1998 and currently comprises three Independent Non-executive Directors and the Non-executive Director of the Company, who among themselves possess a wealth of experience in the accounting profession, finance and commercial sectors.

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 are 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.

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 2009:–

(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 2009.

(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.

(ix) The Audit Committee reviewed the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function and their training programmes and budget through a review of the work undertaken by the Group's senior financial management and internal audit, as well as the questionnaire report by the financial head of each of the Group's business divisions and discussions with the Board.

During the financial year ended 31 December 2009, 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 2010, the Audit Committee also reviewed the financial statements of the Group for the year ended 31 December 2009 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
TSE Kai Chi

Hong Kong, 17 March 2010

Remuneration Committee Report

The Company established the Remuneration Committee in 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 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.

A Remuneration Committee meeting was held on 16 December 2008 during which the following matters were reviewed and recommended to the Board for approval:–

(i) the salaries, housing allowances and pension contributions of the Directors for the financial year ended 31 December 2009; and

(ii) the payment of bonuses to the Directors of the Company, which amounted to HK$43,305,000 in respect of the financial year ended 31 December 2008.

During the year, the Remuneration Committee reviewed and recommended to the Board for approval the grant of 3,450,000 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 2008.

The Board approved all the aforesaid recommendations of the Remuneration Committee.

MEMBERS OF THE REMUNERATION COMMITTEE
KUOK Khoon Chen (Chairman)
WONG Siu Kong
KU Moon Lun
LAU Ling Fai, Herald
WONG Yu Pok, Marina, JP

Hong Kong, 17 March 2010

Internal Controls

The Board is responsible for maintaining and reviewing the effectiveness of the Group's system of internal controls. The internal controls are designed to meet the Group's particular needs and to 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 2009. 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 13 August 2009.

As the revised Code under the Listing Rules has taken effect from 1 January 2009, a 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 was conducted during the financial year ended 31 December 2009. Under this review process, each business division of the Group was requested to assess such adequacy at its own level by submitting an internal questionnaire report to the Audit Committee, which was discussed at the Audit Committee Meeting of 13 August 2009.

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.

During the financial year ended 31 December 2009, there were no significant control failings, weaknesses or significant areas of concern identified which might affect the shareholders' stakes in the Company.

Directors and Senior Management

Executive Directors

Mr KUOK Khoon Chen, aged 55, has been an Executive Director of the Company, the Chairman of the Board and the chairman of the Remuneration Committee of the Company since 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 58, 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 1996. He was a Joint Managing Director of the Company from 1999 to 2003. In 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 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 61, has been an Executive Director of the Company since 1998. Mr Ho is an executive director of Kerry Properties (H.K.) Limited, the principal Hong Kong property company of the Group, and is responsible for the Group's property developments and infrastructure investments. Mr Ho is also responsible for overseeing the operation of the project companies and the projects of the Group in Shenzhen, Chengdu and Nanchang. 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 48, has been an Executive Director of the Company since 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 1990 and was transferred to the logistics, freight and warehouse division of the Group in 1999. Mr Ma holds a Bachelor of Science (Management Sciences) degree from the University of Lancaster in the United Kingdom. Mr Ma also completed an executive education programme, "Managing the Supply Chain", at Harvard Business School.

Mr SO Hing Woh, MBE, JP, aged 63, has been an Executive Director of the Company since 2008. Mr So primarily focuses on the business operation of the Company's property portfolio on the Mainland. Mr So has extensive experience in the development and management of commercial and residential portfolios. He was the executive director and chief executive officer of The Link Management Limited from 2004 to 2007, executive director of Sun Hung Kai Properties Limited from 2002 to 2004, executive director of The Hong Kong Housing Society from 1990 to 2002, property director of Mass Transit Railways Corporation Limited from 1981 to 1990 and assistant general manager of Hutchison Properties Limited from 1972 to 1981. Mr So holds a Master's degree in Business Administration from the Chinese University of Hong Kong. He is a Registered Professional Housing Manager, and a Fellow Member of the Royal Institution of Chartered Surveyors, Chartered Institute of Housing, Hong Kong Institute of Surveyors and Hong Kong Institute of Housing. Mr So had been a 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.

Mr QIAN Shaohua, aged 53, has been an Executive Director of the Company since July 2009. In 2007, he was appointed as a Director of the Company and was subsequently re-designated as an Executive Director of the Company in 2009. Mr Qian was appointed as a director of Kerry Development (China) Limited in 2005 and as the chairman of Kerry Real Estate (Hangzhou) Co. Ltd. in 2008. He is also a director and/or the chairman of a number of the Group's companies in the PRC. Mr Qian received his tertiary education in China and completed an international advanced management programme at Harvard Business School.

Mr CHAN Wai Ming, William, aged 55, has been an Executive Director of the Company since 18 March 2010. In 2007, he was appointed as a Director of the Company and was subsequently re-designated as an Executive Director of the Company in March 2010. Mr Chan 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.

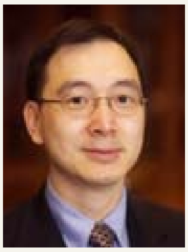
Independent Non-Executive Directors

Mr KU Moon Lun, aged 59, 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 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 69, has been an Independent Non-executive Director of the Company since 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 2001. He is an independent non-executive director of Wheelock Properties Limited, a listed company 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.

Ms WONG Yu Pok, Marina, JP, aged 61, has been an Independent Non-executive Director and a member of the Audit Committee and the Remuneration Committee of the Company since 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 2004 to 2006 after her retirement as a partner from PricewaterhouseCoopers in 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

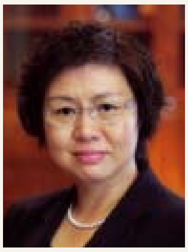


Mr TSE Kai Chi, aged 46, has been a Non-executive Director of the Company and a member of the Audit Committee of the Company since 2005. Mr Tse is a senior finance executive and currently heads the accounting function of Kerry Holdings Limited, the controlling shareholder of the Company. Mr Tse is a 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 44, has been a director and the general manager of Kerry Properties Development Management (Shanghai) Co., Ltd., the Group's subsidiary providing real estate management services in Shanghai, since 1996 and 1998, respectively. He is 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 61, is an executive director of Kerry Property Management Services Limited, a subsidiary providing property management services to the Group. Mr Chu has over 30 years of experience in various aspects of the property business. Since joining the Group in 2000, Mr Chu's principal responsibility is the marketing and management of the Group's property portfolio in Hong Kong. Mr Chu holds a Master's degree in Business Administration from the University of Macau.



Ms FENG Ying, aged 52, 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 over 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 33, is the deputy general manager of Kerry Properties (H.K.) Limited. He is also a director of Kerry Logistics Network Limited since 2008. Mr Gaw joined the Company as a senior business development manager in 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 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 47, 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.

Senior Management
– Property Division (Continued)

Mr Wilkie LEE, aged 52, joined the Company in 1997. He is now a director and the general manager of Kerry Properties (Macau) Limited and is responsible for the Company's development projects in Macau. He is also a director and the general manager of Beijing Kerry Huayuan Real Estate Development Co., Ltd. and is responsible for The Gemini Grove, the joint venture residential development, in Beijing. In 2008, Mr Lee was appointed as a director of Shang Properties, Inc., a company listed in the Philippines Stock Exchange, of which the Company is the major shareholder, and is responsible for the project management of the Company's mixed-use development projects in Manila. Mr Lee holds a Degree in Civil Engineering from the University of Saskatchewan in Canada and a MBA Degree jointly accredited by the University of Notre Dame in the U.S. and the London Business School. He is a member of the Institution of Structural Engineers in the UK and the Institution of Engineers Australia.

Mr LIU Kung Wei, Christopher, aged 42, 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 2007. Mr Liu is a qualified architect and holds a Bachelor of Architecture Degree from Cornell University, New York.

Mr TAM Sing Ki, aged 55, 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 57, 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 30 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 63, 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 2003 to 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.

Mr Edwardo ERNI, aged 48, 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 130 branches and over 4,000 staff in the PRC. With over 15 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, The Integrated Transport Federation of China Communications and Transportation Association and China Association of Warehouses and Storage. 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 53, 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 and has over 15 years of experience in the shipping and logistics industries.

Mr Gary WILCOCK, aged 48, 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 28 years of experience in the logistics industry in particular the trade between the UK and Asia.

Mr LUI Kim Ming, Jesse, aged 50, 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.

Senior Management
– Logistics Network Division (Continued)

Mr Kledchai BENJAATHONSIRIKUL, aged 54, 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.

Mr CHENG Chi Wai, Ellis, aged 45, joined KLN in 2009 as the Chief Financial Officer. Mr Cheng is a Fellow of the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants as well as a chartered accountant and a chartered secretary. Mr Cheng has more than 20 years' experience in auditing, financial control and corporate finance and previously worked in an international accounting firm and held key finance positions in several companies whose shares are listed on the Main Board of the Hong Kong Stock Exchange. Mr Cheng holds a Bachelor's Degree in accounting and an Executive Master Degree in business administration.

Senior Management
– Corporate Services Division

Mr WONG Chi Kong, Louis, aged 48, 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 University of Cambridge, England.

Ms LI Siu Ching, Liz, aged 43, 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.

Report of Directors

The Directors submit their report together with the audited financial statements for the year ended 31 December 2009.

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$361,000.

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 2009, the reserves of the Company available for distribution amounted to approximately HK$19,123,926,000 (2008: HK$19,122,371,000).

Share Capital

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

Bonds

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

Capitalised Interest

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

Subsidiaries and Associated Companies

Particulars of the Company's principal subsidiaries and the Group's principal associated companies as at 31 December 2009 are set out in note 43 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 2009 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)+
Mr WONG Siu Kong (President & Chief Executive Officer)+
Mr HO Shut Kan+
Mr MA Wing Kai, William+
Mr SO Hing Woh, MBE, JP+
Mr QIAN Shaohua+
Mr CHAN Wai Ming, William
Mr KU Moon Lun#
Mr LAU Ling Fai, Herald#
Ms WONG Yu Pok, Marina, JP#
Mr TSE Kai Chi@

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

Messrs QIAN Shaohua, CHAN Wai Ming, William and KU Moon Lun 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.

(Subsequent note: Mr Chan Wai Ming, William was re-designated as an Executive Director of the Company with effect from 18 March 2010.)

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 2009, 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

Directors	Number of ordinary shares			Approximate % of shareholding[4]
	Personal interests[1]	Other interests[3]	Total	
KUOK Khoon Chen	1,004	6,111,707	6,112,711	0.43
WONG Siu Kong	–	50,000	50,000	0.00
HO Shut Kan	–	50,000	50,000	0.00
MA Wing Kai, William	21,020	50,000	71,020	0.00
SO Hing Woh	–	50,000	50,000	0.00
QIAN Shaohua	–	50,000	50,000	0.00
CHAN Wai Ming, William	4,000	50,000	54,000	0.00

(ii) Associated Corporations

Associated Corporations	Directors	Number of ordinary shares				Approximate % of shareholding
		Personal interests[1]	Corporate interests[2]	Other interests[3]	Total	
Kerry Group Limited	KUOK Khoon Chen	1,651,791	6,500,000	287,286,813	295,438,604	19.34[5]
	WONG Siu Kong	4,617,263	8,504,300	–	13,121,563	0.86[5]
	HO Shut Kan	1,388,452	–	–	1,388,452	0.09[5]
	MA Wing Kai, William	1,010,620	–	–	1,010,620	0.07[5]
	QIAN Shaohua	500,000	–	–	500,000	0.03[5]
	CHAN Wai Ming, William	100,000	–	–	100,000	0.01[5]
	TSE Kai Chi	600,000	–	–	600,000	0.04[5]
Kerry Siam Seaport Limited	MA Wing Kai, William	1	–	–	1	0.00
SCMP Group Limited	KUOK Khoon Chen	8,000	–	20,000	28,000	0.00[6]
Shang Properties, Inc.	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 held by the relevant Director through his controlled corporation(s).*
3. *This represents interests held by the relevant Director through discretionary trust(s) of which the relevant Director is a contingent beneficiary.*
4. *The percentage has been complied based on the total number of ordinary shares of the Company in issue as at 31 December 2009 (i.e. 1,428,953,442 ordinary shares).*
5. *The percentage has been complied based on the total number of ordinary shares of Kerry Group Limited ("KGL") in issue as at 31 December 2009 (i.e. 1,527,684,428 ordinary shares).*
6. *The percentage has been complied based on the total number of ordinary shares of SCMP Group Limited in issue as at 31 December 2009 (i.e. 1,560,945,596 ordinary shares).*

Directors' Interests in Shares, Underlying Shares and Debentures (Continued)

Details of share options of the Company (the "Options"), duly granted to the Directors pursuant to the share option schemes, which constitute interests in underlying ordinary shares of equity derivatives of the Company under the SFO are set out in the section headed "Share Options" of this report.

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 2009, 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 2009, 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 2009 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 2009, 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	756,779,446[1]	Long position	52.96
Kerry Holdings Limited	Interest of controlled corporations	749,122,686[1]	Long position	52.42
Caninco Investments Limited	Beneficial owner	312,248,193[1]	Long position	21.85
Darmex Holdings Limited	Beneficial owner	256,899,261[1]	Long position	17.98
Moslane Limited	Beneficial owner	74,628,498[1]	Long position	5.22
JPMorgan Chase & Co.	Interest of controlled corporations	102,749,594	Long position	7.19
		3,200,000	Short position	0.22
		52,537,626	Lending pool	3.68

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 complied based on the total number of ordinary shares of the Company in issue as at 31 December 2009 (i.e. 1,428,953,442 ordinary shares).*

Substantial Interests in The Share Capital of The Company (Continued)

Apart from the aforesaid, as at 31 December 2009, 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 2009, the Company and its subsidiaries had approximately 9,900 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 and the adoption of the 2002 Share Option Scheme but the Options which had been granted during the life of the 1997 Share Option Scheme 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. A summary of those terms applicable to the outstanding Options of the 1997 Share Option Scheme has been disclosed in the Company's 2008 Annual Report.

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) 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 "Mandate Limit") provided that the Company may seek approval from its shareholders to refresh the Mandate Limit. 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 2009, a total of 44,764,403 Shares (representing approximately 3.13% 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 in any 12-month period 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 at its absolute discretion but no Option may be exercised later than 10 years from the date on which the Option is granted. The minimum period for which an Option must be held before it can be exercised is determined by the Board upon the grant of an Option. The amount payable on acceptance of an Option is HK$1.

Share Options (Continued)

The subscription price of the Option under the 2002 Share Option Scheme shall be determined by the Board at its absolute discretion at the time of grant of the Option but it 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.

Movement of the Options, which were granted under the 1997 Share Option Scheme, during the year ended 31 December 2009 are listed below in accordance with Rule 17.07 of the Listing Rules:

Category	Date of grant	Tranche	Number of Options held as at 01/01/2009	Number of Options exercised during the year *(Notes 1 & 2)*	Number of Options held as at 31/12/2009	Exercise price HK$	Exercise Period
1. Continuous Contract Employees	01/06/2000	I	3,000	(3,000)	–	6.70	01/06/2001 – 31/05/2010
	01/06/2000	II	45,564	(45,564)	–	6.70	01/06/2002 – 31/05/2010
	01/06/2000	III	71,738	(31,436)	40,302	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	37,000	–	37,000	11.59	02/03/2003 – 01/03/2011
	02/03/2001	III	31,830	–	31,830	11.59	02/03/2004 – 01/03/2011
	16/04/2002	I	98,464	(31,094)	67,370	6.85	16/04/2003 – 15/04/2012
	16/04/2002	II	98,464	(31,094)	67,370	6.85	16/04/2004 – 15/04/2012
2. Others	16/04/2002	I	118,248	(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:			**1,059,555**	**(778,683)**	**280,872**		

Share Options (Continued)

Movement of the Options, which were granted under the 2002 Share Option Scheme, during the year ended 31 December 2009 are listed below in accordance with Rule 17.07 of the Listing Rules:

Category	Date of grant	Tranche	Number of Options held as at 01/01/2009	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 lapsed during the year	Number of Options held as at 31/12/2009	Exercise price HK$	Exercise Period
1. Directors											
KUOK Khoon Chen	06/02/2009	I	–	250,000	–	–	–	–	250,000	17.58	06/02/2010 – 05/02/2019
	06/02/2009	II	–	250,000	–	–	–	–	250,000	17.58	06/02/2011 – 05/02/2019
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
	06/02/2009	I	–	500,000	–	–	–	–	500,000	17.58	06/02/2010 – 05/02/2019
	06/02/2009	II	–	500,000	–	–	–	–	500,000	17.58	06/02/2011 – 05/02/2019
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
	06/02/2009	I	–	250,000	–	–	–	–	250,000	17.58	06/02/2010 – 05/02/2019
	06/02/2009	II	–	250,000	–	–	–	–	250,000	17.58	06/02/2011 – 05/02/2019
MA Wing Kai, William	17/03/2005	I	80,000	–	–	–	–	–	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
	06/02/2009	I	–	100,000	–	–	–	–	100,000	17.58	06/02/2010 – 05/02/2019
	06/02/2009	II	–	100,000	–	–	–	–	100,000	17.58	06/02/2011 – 05/02/2019
SO Hing Woh	06/02/2009	I	–	125,000	–	–	–	–	125,000	17.58	06/02/2010 – 05/02/2019
	06/02/2009	II	–	125,000	–	–	–	–	125,000	17.58	06/02/2011 – 05/02/2019
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
	06/02/2009	I	–	250,000	–	–	–	–	250,000	17.58	06/02/2010 – 05/02/2019
	06/02/2009	II	–	250,000	–	–	–	–	250,000	17.58	06/02/2011 – 05/02/2019
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
	06/02/2009	I	–	250,000	–	–	–	–	250,000	17.58	06/02/2010 – 05/02/2019
	06/02/2009	II	–	250,000	–	–	–	–	250,000	17.58	06/02/2011 – 05/02/2019
2. Continuous Contract Employees	17/03/2005	I	630,000	–	–	–	(107,500)	–	522,500	18.74	17/03/2006 – 16/03/2015
	17/03/2005	II	740,000	–	–	–	(57,500)	(10,000)	672,500	18.74	17/03/2007 – 16/03/2015
	02/04/2008	I	1,300,000	–	–	(87,500)	–	–	1,212,500	47.70	02/04/2009 – 01/04/2018
	02/04/2008	II	1,300,000	–	–	(87,500)	–	–	1,212,500	47.70	02/04/2010 – 01/04/2018
	02/04/2008	III	2,600,000	–	–	(175,000)	–	–	2,425,000	47.70	02/04/2011 – 01/04/2018
	06/02/2009	I	–	1,790,000	–	(100,000)	–	(25,000)	1,665,000	17.58	06/02/2010 – 05/02/2019
	06/02/2009	II	–	1,790,000	–	(100,000)	–	(25,000)	1,665,000	17.58	06/02/2011 – 05/02/2019
3. Others	17/03/2005	I	750,000	–	–	–	(750,000)	–	–	18.74	17/03/2006 – 16/03/2015
	17/03/2005	II	770,000	–	–	–	(70,000)	–	700,000	18.74	17/03/2007 – 16/03/2015
	02/04/2008	I	150,000	–	87,500	–	–	–	237,500	47.70	02/04/2009 – 01/04/2018
	02/04/2008	II	150,000	–	87,500	–	–	–	237,500	47.70	02/04/2010 – 01/04/2018
	02/04/2008	III	300,000	–	175,000	–	–	–	475,000	47.70	02/04/2011 – 01/04/2018
	06/02/2009	I	–	400,000	100,000	–	–	–	500,000	17.58	06/02/2010 – 05/02/2019
	06/02/2009	II	–	400,000	100,000	–	–	–	500,000	17.58	06/02/2011 – 05/02/2019
Total:			**16,682,000**	**7,830,000**	**550,000**	**(550,000)**	**(985,000)**	**(60,000)**	**23,467,000**		

Notes:

1. The weighted average closing price of the Shares immediately before the dates on which the Options were exercised was HK$37.48.
2. During the year, no Options were granted/granted for adjustment, transferred from/to other category, cancelled or lapsed under the 1997 Share Option Scheme.
3. During the year, no Options were granted for adjustment or cancelled under the 2002 Share Option Scheme.

Service Contracts

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

Management Contracts

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

Major Customers and Suppliers

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

Director's Interests in Competing Business

Pursuant to Rule 8.10 of the Listing Rules, the Company disclosed below that during the year ended 31 December 2009, 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.

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 16 November 2009, the Company through:

   (a) Kerry Freight Services Limited ("KFS"), an indirect wholly-owned subsidiary of the Company, entered into an agreement (the "KLSEA Agreement") with Pacific Carriers Limited ("PCL") pursuant to which PCL agreed to sell and KFS agreed to purchase 1,485,000 ordinary shares in the share capital of Kerry Logistics (South East Asia) Pte. Ltd. ("KLSEA") (representing 33% of the issued share capital of KLSEA as at the date of the KLSEA Agreement) at a consideration of S$2,042,406 (equivalent to approximately HK$11,379,265); and

   (b) KLN (Thailand) Limited ("KLNTH"), an indirect wholly-owned subsidiary of the Company, entered into an agreement (the "KFTH Agreement") with Newship Agencies (Thailand) Co., Ltd. ("NEWSHIP") pursuant to which NEWSHIP agreed to sell and KLNTH agreed to purchase 16,100 Class B shares of THB100 each and 24,150 Class C shares of THB100 each in the share capital of Kerry Freight (Thailand) Limited ("KFTH") (representing in aggregate 35% of the issued share capital of KFTH as at the date of the KFTH Agreement) at a consideration of THB7,544,249 (equivalent to approximately HK$1,810,620).

   Before the transactions, the Company held an indirect 67% interest in KLSEA and an indirect 59.86% interest in KFTH. PCL and NEWSHIP were the substantial shareholders of KLSEA and KFTH, respectively. Accordingly, PCL and NEWSHIP were connected persons of the Company and the entering into of the KLSEA Agreement and the KFTH Agreement constituted connected transactions for the Company under the Listing Rules.

2. On 26 January 2010, the Company and SA, through their respective wholly-owned subsidiaries entered into a shareholders' agreement and an articles of association in relation to the establishment of a joint venture company for potential real estate development projects involving hotel, commercial and/or residential elements in PRC. The joint venture company may also participate at land bid for sites in PRC appropriate for such real estate development.

   The joint venture company is owned by the Company and SA in the proportions of 55% and 45% respectively and the maximum contribution of the Company to the joint venture company is expected to be RMB187 million (approximately HK$212.5 million).

   KHL is the 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.

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, 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 the Group, 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.

Continuing Connected Transactions (Continued)

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 2009 amount to approximately HK$13,700,000, which is within the Cap.

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

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

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

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

The auditor of the Company has provided a letter to the 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, 17 March 2010

Independent Auditor's Report

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 95 to 187, which comprise the consolidated and company statements of financial position as at 31 December 2009 and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows 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 2009 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, 17 March 2010

Consolidated Income Statement

For the year ended 31 December 2009

	Note	**2009 HK$'000**	2008 HK$'000
Turnover	5	**12,938,283**	13,115,698
Cost of sales		**(1,397,914)**	(1,145,620)
Direct operating expenses		**(7,295,280)**	(8,002,299)
Gross profit		**4,245,089**	3,967,779
Other income and net gains	6	**457,311**	580,279
Administrative expenses		**(1,094,796)**	(1,114,548)
Increase in fair value of investment properties		**2,368,339**	1,006,136
Operating profit before finance costs	7	**5,975,943**	4,439,646
Finance costs	8	**(62,804)**	(279,140)
Operating profit		**5,913,139**	4,160,506
Share of results of associated companies		**920,621**	298,863
Profit before taxation		**6,833,760**	4,459,369
Taxation	9	**(1,917,912)**	(1,085,978)
Profit for the year		**4,915,848**	3,373,391
Profit attributable to:			
Company's shareholders		**4,391,046**	3,050,593
Minority interests		**524,802**	322,798
		4,915,848	3,373,391
Dividends	11	**999,992**	999,338
Earnings per share			
– Basic	12	**HK$3.08**	HK$2.14
– Diluted	12	**HK$3.04**	HK$2.13

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2009

	Note	**2009 HK$'000**	2008 HK$'000
Profit for the year		**4,915,848**	3,373,391
Other comprehensive income			
Fair value (loss)/gain on leasehold and freehold land and buildings and port facilities		**(52,072)**	79,913
Deferred tax on fair value change of leasehold and freehold land and buildings and port facilities	32	**13,070**	(18,926)
Fair value gain/(loss) on available-for-sale investments	36	**238,806**	(102,950)
Share of other comprehensive income of associated companies		**1,655**	(3,329)
Reversal of reserves on disposal of a subsidiary	36	**–**	(19,457)
Net translation differences on foreign operations		**182,431**	1,088,962
Other comprehensive income for the year (net of tax)		**383,890**	1,024,213
Total comprehensive income for the year		**5,299,738**	4,397,604
Total comprehensive income attributable to:			
Company's shareholders		**4,754,865**	3,705,814
Minority interests		**544,873**	691,790
		5,299,738	4,397,604

Consolidated Statement of Financial Position

As at 31 December 2009

	Note	2009 HK$'000	2008 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	**2,981,159**	3,036,006
Investment properties	15	**34,857,247**	29,709,611
Leasehold land and land use rights	16	**389,213**	520,176
Properties under development	17	**13,355,118**	20,206,602
Land deposits		**2,553,084**	3,113,939
Associated companies	19	**7,439,298**	6,100,933
Derivative financial instruments	20	**14,263**	–
Available-for-sale investments	21	**1,501,034**	1,265,693
Long-term receivables	22	**23,409**	26,711
Goodwill	23	**523,012**	508,749
		63,636,837	64,488,420
Current assets			
Properties under development	17	**10,599,736**	5,933,005
Completed properties held for sale	24	**4,378,262**	819,132
Accounts receivable, prepayments and deposits	22	**2,435,669**	3,772,279
Tax recoverable		**82,060**	107,966
Tax reserve certificates		**64,671**	21,790
Listed securities at fair value through profit or loss	25	**162,253**	102,284
Derivative financial instruments	20	**–**	4,884
Restricted and pledged bank deposits	26	**48,790**	1,235
Cash and bank balances	26	**6,655,585**	4,081,611
		24,427,026	14,844,186
Current liabilities			
Accounts payable, deposits received and accrued charges	27	**5,936,519**	3,533,779
Taxation		**1,480,444**	676,332
Short-term bank loans and current portion of long-term bank loans	28	**429,782**	1,907,948
Convertible bonds	29	**142,526**	–
Derivative financial instruments	20	**79,960**	–
Secured bank overdrafts	26	**1,065**	3,713
Unsecured bank overdrafts	26	**468**	11,472
		8,070,764	6,133,244
Net current assets		**16,356,262**	8,710,942
Total assets less current liabilities		**79,993,099**	73,199,362
Non-current liabilities			
Long-term bank loans	28	**9,619,511**	8,495,475
Convertible bonds	29	**2,462,238**	2,472,202
Fixed rate bonds	30	**3,240,870**	3,236,664
Amounts due to minority shareholders	31	**2,796,071**	2,646,477
Derivative financial instruments	20	**–**	143,652
Deferred taxation	32	**4,280,060**	3,661,109
		22,398,750	20,655,579
ASSETS LESS LIABILITIES		**57,594,349**	52,543,783
EQUITY			
Capital and reserves attributable to the Company's shareholders			
Share capital	33	**1,428,953**	1,427,190
Share premium	35	**11,926,986**	11,899,348
Other reserves	36	**12,464,002**	11,998,505
Retained profits		**24,033,521**	20,642,488
Proposed final dividend	11	**571,581**	570,876
		50,425,043	46,538,407
Minority interests		**7,169,306**	6,005,376
TOTAL EQUITY		**57,594,349**	52,543,783

On behalf of the Board

Kuok Khoon Chen
Director

Wong Siu Kong
Director

Statement of Financial Position

As at 31 December 2009

	Note	2009 HK$'000	2008 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	**3,457**	5,025
Subsidiaries	18	**34,647,401**	38,776,542
Derivative financial instruments	20	**14,263**	–
		34,665,121	38,781,567
Current assets			
Dividends receivable		**1,000,000**	1,400,000
Accounts receivable, prepayments and deposits		**12,165**	12,218
Derivative financial instruments	20	**–**	4,884
Cash and bank balances	26	**198,934**	54,430
		1,211,099	1,471,532
Current liabilities			
Accounts payable and accrued charges		**69,843**	50,650
Short-term bank loans and current portion of long-term bank loans	28	**–**	1,400,000
Derivative financial instruments	20	**79,960**	–
		149,803	1,450,650
Net current assets		**1,061,296**	20,882
Total assets less current liabilities		**35,726,417**	38,802,449
Non-current liabilities			
Long-term bank loans	28	**2,825,000**	5,890,000
Derivative financial instruments	20	**–**	143,652
		2,825,000	6,033,652
ASSETS LESS LIABILITIES		**32,901,417**	32,768,797
EQUITY			
Capital and reserves attributable to the Company's shareholders			
Share capital	33	**1,428,953**	1,427,190
Share premium	35	**11,926,986**	11,899,348
Other reserves	36	**18,222,728**	18,121,064
Retained profits		**751,169**	750,319
Proposed final dividend	11	**571,581**	570,876
TOTAL EQUITY		**32,901,417**	32,768,797

On behalf of the Board

Kuok Khoon Chen
Director

Wong Siu Kong
Director

Consolidated Statement of Cash Flows

For the year ended 31 December 2009

	Note	2009 HK$'000	2008 HK$'000
Operating activities			
Net cash generated from operations	37(a)	**6,226,054**	2,448,219
Interest paid		**(454,251)**	(624,165)
Income tax paid		**(504,162)**	(750,472)
Net cash generated from operating activities		**5,267,641**	1,073,582
Investing activities			
Additions of property, plant and equipment		**(127,116)**	(223,461)
Additions of investment properties		**(412,234)**	(379,847)
Additions of properties under development		**(1,355,817)**	(1,281,181)
Purchase of leasehold land and land use rights		**(1,533)**	(57,500)
Increase in land deposits		**(938,284)**	(3,827,456)
Acquisition of subsidiaries	37(c)	**(605,627)**	(1,006,815)
Acquisition of additional interest in subsidiaries		**(24,782)**	(176,165)
Disposal of subsidiaries	37(d)	**–**	(6,281)
Disposal of partial interest in subsidiaries		**–**	2,000,154
Increase in investments in associated companies		**(306,340)**	(659,338)
Proceeds from sale of investment in associated companies		**20,500**	–
(Additional loans to)/repayment of loans from associated companies		**(340,274)**	76,488
Proceeds from sale of available-for-sale investments		**2,862**	–
Decrease in long-term receivables		**3,744**	10,245
Interest received		**61,905**	96,894
(Increase)/decrease in restricted and pledged bank deposits		**(47,553)**	66,968
Dividends received from associated companies		**239,773**	236,356
Return of capital from associated companies		**9**	–
Dividends received from listed and unlisted investments		**69,514**	75,073
Repayment of loans from investee companies		**126**	458
Proceeds from sale of property, plant and equipment		**17,864**	17,706
Proceeds from sale of investment properties		**1,816,517**	1,122,207
Proceeds from sale of properties under development		**51,077**	14,296
Net cash used in investing activities		**(1,875,669)**	(3,901,199)
Financing activities			
Proceeds from issue of shares		**23,780**	19,021
Repayment of bank loans		**(11,978,282)**	(5,638,649)
Drawdown of bank loans		**11,596,880**	8,475,672
Dividends paid		**(999,287)**	(1,279,497)
Capital injection from minority shareholders		**736,005**	903,971
Dividends paid to minority shareholders in subsidiaries		**(104,144)**	(65,475)
Return of capital to minority shareholders		**(366)**	(1,046)
(Decrease)/increase in loans from minority shareholders		**(99,368)**	189,864
Net cash (used in)/generated from financing activities		**(824,782)**	2,603,861
Increase/(decrease) in cash and cash equivalents		**2,567,190**	(223,756)
Effect of exchange rate changes		**20,436**	84,296
Cash and cash equivalents at 1 January		**4,066,426**	4,205,886
Cash and cash equivalents at 31 December	26(b)	**6,654,052**	4,066,426

Consolidated Statement of Changes in Equity

For the year ended 31 December 2009

	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 2009	1,427,190	11,899,348	11,998,505	20,642,488	570,876	46,538,407	6,005,376	52,543,783
Profit for the year	–	–	–	4,391,046	–	4,391,046	524,802	4,915,848
Fair value loss on leasehold and freehold land and buildings and port facilities	–	–	(40,646)	–	–	(40,646)	(11,426)	(52,072)
Deferred tax on fair value loss of leasehold and freehold land and buildings and port facilities	–	–	10,844	–	–	10,844	2,226	13,070
Fair value gain on available-for-sale investments	–	–	238,806	–	–	238,806	–	238,806
Fair value gain on derivative financial instruments – cash flow hedge of an associated company	–	–	2,462	–	–	2,462	–	2,462
Share of exchange reserve of an associated company	–	–	(807)	–	–	(807)	–	(807)
Net translation differences on foreign operations	–	–	153,160	–	–	153,160	29,271	182,431
Total comprehensive income for the year ended 31 December 2009	–	–	363,819	4,391,046	–	4,754,865	544,873	5,299,738
Issue of share capital – exercise of share options	1,763	27,638	(5,621)	–	–	23,780	–	23,780
Employee share option scheme – value of employee services	–	–	107,285	–	–	107,285	–	107,285
Dividends paid	–	–	–	(428,411)	(570,876)	(999,287)	(104,144)	(1,103,431)
2009 proposed final dividend	–	–	–	(571,581)	571,581	–	–	–
Transfer	–	–	21	(21)	–	–	–	–
Acquisition of subsidiaries	–	–	–	–	–	–	1,853	1,853
Acquisition of additional interest in subsidiaries	–	–	–	–	–	–	(16,740)	(16,740)
Dissolution of subsidiaries	–	–	(7)	–	–	(7)	2,449	2,442
Return of capital to minority shareholders	–	–	–	–	–	–	(366)	(366)
Capital injection from minority shareholders	–	–	–	–	–	–	736,005	736,005
	1,763	27,638	101,678	(1,000,013)	705	(868,229)	619,057	(249,172)
Balance at 31 December 2009	**1,428,953**	**11,926,986**	**12,464,002**	**24,033,521**	**571,581**	**50,425,043**	**7,169,306**	**57,594,349**

	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
Profit for the year	–	–	–	3,050,593	–	3,050,593	322,798	3,373,391
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 – cash flow hedge of an associated company	–	–	(6,382)	–	–	(6,382)	–	(6,382)
Reversal of reserves on disposal of a subsidiary	–	–	(19,457)	–	–	(19,457)	–	(19,457)
Share of exchange reserve of an associated company	–	–	3,053	–	–	3,053	–	3.053
Net translation differences on foreign operations	–	–	721,809	–	–	721,809	367,153	1,088,962
Total comprehensive income 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
Employee share option scheme – value of employee services	–	–	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

Notes to the Financial Statements

1 GENERAL INFORMATION

Kerry Properties Limited (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 17 March 2010.

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 the Company and its subsidiaries (together, the "Group") 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.

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 standards and amendments have been published that are effective for the accounting period of the Group beginning on 1 January 2009 and are relevant to the Group's operations:

- HKAS 1 (Revised), 'Presentation of financial statements', requires 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are also presented in the consolidated statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. HKAS 1 (Revised) only impacts the presentation aspects of the financial statements and it has no impact on the reported results or financial position of the Group.

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. These features would need to be included in the grant date fair value for transactions with employees and others providing similar services; they 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 and Company has adopted HKFRS 2 (Amendment) from 1 January 2009. The amendment does not have a material impact on the Group's or Company's financial statements.

- HKFRS 7 (Amendment), 'Financial instruments – Disclosures', requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. HKFRS 7 (Amendment) only results in additional disclosures, there is no impact on the reported results and financial position of the Group.

- HKFRS 8, 'Operating segments', replaces HKAS 14, 'Segment reporting', requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. HKFRS 8 does not affect the Group's reportable segments.

- HKAS 23 (Amendment), 'Borrowing costs' requires the Group to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The option of immediately expensing those borrowing costs was removed. The capitalisation is required for qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009. The amendment does not have a material impact on the Group's or Company's financial statements.

- HKAS 40 (Amendment), 'Investment property', amends the standard to include within its scope property that is being constructed or developed for future use as investment property. Prior to the amendment such property under construction or development was either within the scope of HKAS 2 'Inventories' or HKAS 16 'Property, plant and equipment' or HKAS 17 'Leases' until the construction or development was complete.

  The adoption of HKAS 40 (Amendment) resulted in the change in accounting policies on properties under development and investment properties. Property that is being constructed or developed as investment property is carried at fair value. Where fair value is not reliably determinable, such investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of preparation (Continued)

As at 31 December 2009, the carrying value of investment properties under development amounted to HK$4,077,229,000. The adoption of HKAS 40 (Amendment) has resulted in the recognition of an additional fair value gain of HK$731,061,000, an increase in share of results of associated companies of HK$554,972,000 and an increase in minority interests of HK$252,137,000 in respect of the fair value gain of investment properties under development.

As a result of the increased gain, deferred income tax liabilities as at 31 December 2009 and taxation for 2009 increased by HK$182,765,000.

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2010, but the Group has not early adopted them:

	Applicable for accounting periods beginning on/after
HKFRS 2 (Amendment), 'Group cash settled share-based payment transactions'	1 January 2010
HKFRS 3 (Revised), 'Business combinations'	1 July 2009
HKFRS 9, 'Financial instruments'	1 January 2013
HKAS 24 (Revised), 'Related party disclosures'	1 January 2011
HKAS 27 (Revised), 'Consolidated and separate financial statements'	1 July 2009
HKAS 32 (Amendment), 'Classification of right issues'	1 February 2010
HKAS 39 (Amendment), 'Financial instruments: recognition and measurement' – 'Eligible hedged items'	1 July 2009
HK(IFRIC)-Int 14 (Amendment), 'Prepayments of a minimum funding requirement'	1 January 2011
HK(IFRIC)-Int 17, 'Distributions of non-cash assets to owners'	1 July 2009
HK(IFRIC)-Int 19, 'Extinguishing financial liabilities with equity instruments'	1 July 2010
Improvements to HKFRSs 2009	1 January 2010 (unless otherwise specified)

The Group will adopt the above new or revised standards, amendments and interpretations to existing standards as and when they become effective. The Group has already commenced the assessment of the impact to the Group and is not yet in a position to state whether these would have a significant impact on its results of operations and financial position.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Consolidation

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

(i) Subsidiaries

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

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

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

In the Company's statement of financial position, 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Consolidation (Continued)

(iii) Associated companies (Continued)

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

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

(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 or valuations where items are remeasured. 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Foreign currency translation (Continued)

(ii) Transactions and balances (Continued)

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 statement of financial position of the Group's entities are translated at the closing rate at the end of the reporting period;

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

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

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to equity. When a foreign operation is partially 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.

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 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 20 to 50 years
Port facilities	2.5% to 3.6%
Leasehold improvements	2% to 50%
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 the end of each reporting period.

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 of 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 and borrowing costs. Borrowing costs are incurred for the purpose of acquiring or constructing a qualifying asset are capitalised as part of its cost. Borrowing costs are capitalised while acquisition or construction is actively underway and cease once the asset is substantially complete, or suspended if the development of the asset is suspended.

After initial recognition, investment property is carried at fair value. Fair value is based on valuations carried out by professional 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. Where fair value of investment property under construction is not reliably determinable, such investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier).

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 leasehold land, if any, classified as investment property; others, including contingent rent payments, are not recognised in the financial statements.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure 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. Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

When an investment property undergoes a change in use, evidenced by commencement of development with a view to sale, the property is transferred to completed properties held for sale at its fair value at the date of change in use.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Investment properties (Continued)

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.

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. Any resulting increase in the carrying amount of the property is recognised in the income statement to the extent that it reverses a previous impairment loss, with any remaining increase recognised directly to revaluation surplus within equity. Any resulting decrease in the carrying amount of the property is initially charged in other comprehensive income against any previously recognised revaluation surplus, with any remaining decrease charged to income statement.

(g) Properties under development

Properties under development comprises of freehold land, leasehold land, land use rights and buildings on which construction work and development have not been completed. Freehold land is measured at cost less accumulated impairment losses. Prepayments for leasehold land and land use rights are amortised over the lease term in accordance with the pattern of benefit provided or on a straight-line basis over the lease term and are measured at amortised cost less accumulated impairment losses. The building is stated at cost less accumulated impairment losses.

The cost of building comprises construction costs and amounts capitalised in respect of amortisation of prepayments for leasehold land and land use rights and borrowing costs incurred in the acquisition of qualifying assets during the construction.

On completion, the properties are reclassified to various categories of properties according to the usage 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 (note 2(w)). 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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 on acquisitions of subsidiaries 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 operating 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 been 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.

Impairment testing of the investments in subsidiaries or associates is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary or associate in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Investments (Continued)

(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 end of the reporting period, they are classified as non-current assets. Loans and receivables included long-term receivables, accounts receivable, restricted and 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 end of the reporting period.

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

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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Investments (Continued)

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 the end of reporting period 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 other comprehensive income. 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 other comprehensive income. 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 statement of financial position.

Restricted and 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 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 end of the reporting period.

(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 end of the reporting period 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 end of the reporting period 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 end of the reporting period.

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 the end of each reporting period, 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 the end of the reporting period 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 for development, are charged to the consolidated income statement or capitalised in the properties under development in accordance with the pattern of benefit provided or on a straight-line basis over the lease term.

(ii) The Group is the lessor

When assets are leased out under an operating lease, the assets are included in the consolidated statement of financial position 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 term in accordance with the pattern of benefit provided or on a straight-line basis over the lease term. 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 reclassification according to the usage.

(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 construction or acquisition of qualifying assets 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, restricted and 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's interest income from interest-bearing assets is not significant, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

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 end of the reporting periods, if interest rates had been increased/decreased by 50 (2008: 50) basis points and all other variables were held constant, the profit of the Group would have decreased by approximately HK$10,163,000 or increased by approximately HK$15,265,000 (2008: decreased by HK$32,370,000 or increased by HK$40,258,000) 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 statement of financial position 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$87,070,000 (2008: HK$57,384,000) lower or higher if the year end share prices of the above-mentioned investments were to differ by 20% (2008: 20%).

The carrying amount of listed securities at fair value through profit or loss would be an estimated HK$32,451,000 (2008: HK$20,457,000) lower or higher if the year end share prices of the above-mentioned investments were to differ by 20% (2008: 20%).

(ii) Credit risk

The carrying amounts of cash and bank balances, restricted and 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 the end of each reporting period 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 80% of the funds are placed in banks with high credit rankings, ranging from BBB– to AA, and the remaining 20% 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)

Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group Treasury. Group Treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal statement of financial position ratio targets and, if applicable external regulatory or legal requirements – for example, currency restrictions.

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 2009					
Bank loans	**550,009**	**4,255,720**	**5,461,496**	**101,313**	**10,368,538**
Convertible bonds	**144,418**	**–**	**2,754,271**	**–**	**2,898,689**
Fixed rate bonds	**207,611**	**207,611**	**622,832**	**3,671,859**	**4,709,913**
Amounts due to minority shareholders	**–**	**2,836,258**	**–**	**–**	**2,836,258**
Accounts payable, deposits received and accrued charges	**3,735,394**	**–**	**–**	**–**	**3,735,394**
Secured bank overdrafts	**1,065**	**–**	**–**	**–**	**1,065**
Unsecured bank overdrafts	**468**	**–**	**–**	**–**	**468**
Derivative financial instruments	**85,867**	**–**	**–**	**–**	**85,867**
Total	**4,724,832**	**7,299,589**	**8,838,599**	**3,773,172**	**24,636,192**

3 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(iii) Liquidity risk (Continued)

	Group				
	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
At 31 December 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

	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 2009					
Bank loans	**10,091**	**2,772,774**	**55,697**	**–**	**2,838,562**
Derivative financial instruments	**85,867**	**–**	**–**	**–**	**85,867**
Total	**95,958**	**2,772,774**	**55,697**	**–**	**2,924,429**

	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

3 FINANCIAL RISK MANAGEMENT (Continued)

(b) Capital risk management

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

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 statement of financial position) less cash and cash equivalents and restricted and pledged bank deposits.

The gearing ratios at 31 December 2009 and 2008 were as follows:

	2009	2008
Net debt (HK$ million)	**9,192**	12,045
Equity attributable to the Company's shareholders (HK$ million)	**50,425**	46,538
Gearing ratio	**18.2%**	25.9%

(c) Fair value estimation

Effective 1 January 2009, the Group adopted the amendment to HKFRS 7 for financial instruments that are measured in the statement of financial position at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

3 FINANCIAL RISK MANAGEMENT (Continued)

(c) Fair value estimation (Continued)

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2009.

	Level 1	Level 2	Level 3	Total
Assets				
Derivative financial instruments	–	14,263	–	14,263
Available-for-sale investments	435,349	–	1,065,685	1,501,034
Listed securities at fair value through profit or loss	162,253	–	–	162,253
Total assets	597,602	14,263	1,065,685	1,677,550
Liabilities				
Derivative financial instruments	–	79,960	–	79,960
Total liabilities	–	79,960	–	79,960

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily equity investments listed on the Hong Kong Stock Exchange classified as listed securities at fair value through profit or loss or available for sale.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.

- The fair values of interest rate swap contracts and cross currency swap contacts are calculated as the present value of the estimated future cash flows based on observable yield curves.

- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

3 FINANCIAL RISK MANAGEMENT (Continued)

(c) Fair value estimation (Continued)

The following table presents the changes in level 3 instruments for the year ended 31 December 2009.

	Available-for-sale investments
Opening balance	978,774
Gains and losses recognised in comprehensive income	86,925
Disposal	(14)
Closing balance	1,065,685

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(a) Critical accounting estimates and assumptions

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

(i) Estimate of fair value of investment properties

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

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

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

(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; and

(IV) estimated costs to completion for investment properties under construction with reference to past experience and committed contracts as well as allowances for contingencies.

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 the end of each reporting period.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(a) Critical accounting estimates and assumptions (Continued)

(i) Estimate of fair value of investment properties *(Continued)*

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.

(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.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(a) Critical accounting estimates and assumptions (Continued)

(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 the end of each reporting period.

(b) Critical judgements in applying the Group'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:

	2009 **HK$'000**	2008 HK$'000
Turnover		
Sale of properties	**3,553,199**	2,788,180
Rental income	**1,348,194**	1,384,761
Hotel revenue	**245,489**	437,808
Logistics services income	**7,666,741**	8,359,784
Project, property management and others	**124,660**	145,165
	12,938,283	13,115,698

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*	
	2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000 (Restated)
Principal activities:				
Property rental				
– PRC property	**819,650**	795,841	**599,165**	602,209
– Hong Kong property	**528,544**	588,920	**306,942**	254,957
	1,348,194	1,384,761	**906,107**	857,166
Property sales (Note)				
– PRC property	**2,930,919**	1,513,939	**1,499,713**	1,120,726
– Hong Kong property	**622,280**	1,274,241	**425,954**	876,313
	3,553,199	2,788,180	**1,925,667**	1,997,039
Hotel operations – PRC property	**245,489**	437,808	**33,627**	172,129
Logistics operations	**7,666,741**	8,359,784	**538,595**	549,439
Infrastructure	**–**	–	**3,376**	(2,800)
Project, property management and others	**124,660**	145,165	**137,428**	(142,349)
	12,938,283	13,115,698	**3,544,800**	3,430,624
Increase in fair value of investment properties	**–**	–	**2,368,339**	1,006,136
Impairment loss on available-for-sale investments	**–**	–	**–**	(276,254)
	12,938,283	13,115,698	**5,913,139**	4,160,506
Principal markets:				
PRC	**7,819,670**	6,708,153	**3,066,587**	3,162,827
Hong Kong	**2,991,752**	3,772,177	**2,774,286**	897,650
United Kingdom	**733,506**	1,057,050	**39,045**	41,319
Others	**1,393,355**	1,578,318	**33,221**	58,710
	12,938,283	13,115,698	**5,913,139**	4,160,506

Note: Analysis of proceeds from sales of properties

	2009 HK$'000	2008 HK$'000
Property sales proceeds (as above)		
– PRC property	**2,930,919**	1,513,939
– Hong Kong property	**622,280**	1,274,241
	3,553,199	2,788,180
Sales proceeds from investment properties		
– PRC property	**3,198**	–
– Hong Kong property	**883,451**	1,915,832
	886,649	1,915,832
Total property sales proceeds		
– PRC property	**2,934,117**	1,513,939
– Hong Kong property	**1,505,731**	3,190,073
	4,439,848	4,704,012

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

5 PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATIONS (Continued)

(c) An analysis of the Group's financial results by operating segments is as follows:

	2009							
	PRC Property HK$'000	Hong Kong Property HK$'000	Overseas Property HK$'000	Logistics HK$'000	Infrastructure HK$'000	Others HK$'000	Eliminations HK$'000	Consolidated HK$'000
Revenue								
Turnover	3,996,058	1,150,824	–	7,666,741	–	124,660	–	12,938,283
Inter-segment revenue	–	–	–	–	–	75,198	(75,198)	–
Inter-segment interest income	–	–	–	–	–	506,485	(506,485)	–
	3,996,058	1,150,824	–	7,666,741	–	706,343	(581,683)	12,938,283
Results								
Segment results before increase in fair value of investment properties	2,063,569	894,304	(1,731)	562,456	3,397	460,675	(506,485)	3,476,185
Increase in fair value of investment properties	783,857	1,477,756	–	106,726	–	–	–	2,368,339
Segment results	2,847,426	2,372,060	(1,731)	669,182	3,397	460,675	(506,485)	5,844,524
Dividend income	–	55,108	14,406	–	–	–	–	69,514
Interest income	30,173	10,668	2,148	6,539	1,400	10,977	–	61,905
Interest expenses	(5,389)	(107,703)	–	(30,400)	(1,421)	(424,376)	506,485	(62,804)
Operating profit	2,872,210	2,330,133	14,823	645,321	3,376	47,276	–	5,913,139
Share of results of associated companies	474,493	94,697	128,162	162,664	66,532	(5,927)	–	920,621
Profit before taxation	3,346,703	2,424,830	142,985	807,985	69,908	41,349	–	6,833,760
Taxation	(1,399,317)	(313,271)	(47,714)	(144,411)	–	(13,199)	–	(1,917,912)
Profit for the year	1,947,386	2,111,559	95,271	663,574	69,908	28,150	–	4,915,848
Profit attributable to:								
Company's shareholders	1,485,543	2,108,296	95,271	604,282	69,922	27,732	–	4,391,046
Minority interests	461,843	3,263	–	59,292	(14)	418	–	524,802
	1,947,386	2,111,559	95,271	663,574	69,908	28,150	–	4,915,848
Depreciation and amortisation	41,126	4,049	–	175,121	–	1,701	–	221,997

5 PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATIONS (Continued)

(c) An analysis of the Group's financial results by operating segments is as follows: (Continued)

	2008							
	PRC Property HK$'000	Hong Kong Property HK$'000	Overseas Property HK$'000	Logistics HK$'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
Depreciation and amortisation	37,278	7,729	–	173,523	–	2,540	–	221,070

5 PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATIONS (Continued)

(c) An analysis of the Group's financial results by operating segments is as follows: (Continued)

	2009							
	PRC Property HK$'000	Hong Kong Property HK$'000	Overseas Property HK$'000	Logistics HK$'000	Infrastructure HK$'000	Others HK$'000	Eliminations HK$'000	Consolidated HK$'000
Segment assets	36,347,191	31,341,224	606	10,797,075	446,386	33,815,328	(33,970,935)	78,776,875
Associated companies	2,366,830	2,137,055	1,112,364	1,346,948	426,417	49,684	-	7,439,298
Derivative financial instruments	-	-	-	-	-	14,263	-	14,263
Available-for-sale investments	470	679,985	816,741	3,838	-	-	-	1,501,034
Long-term receivables	-	23,409	-	-	-	-	-	23,409
Tax recoverable	40,388	21,369	-	14,394	-	5,909	-	82,060
Tax reserve certificates	-	61	-	-	-	64,610	-	64,671
Listed securities at fair value through profit or loss	-	162,162	91	-	-	-	-	162,253
Total assets	38,754,879	34,365,265	1,929,802	12,162,255	872,803	33,949,794	(33,970,935)	88,063,863
Segment liabilities	14,250,398	18,115,910	23,865	4,777,117	202,320	2,539,377	(33,970,935)	5,938,052
Derivative financial instruments	-	-	-	-	-	79,960	-	79,960
Bank borrowings	955,119	1,220,000	-	408,174	-	7,466,000	-	10,049,293
Convertible bonds	-	-	-	-	-	2,604,764	-	2,604,764
Fixed rate bonds	-	-	-	-	-	3,240,870	-	3,240,870
Taxation and deferred taxation	3,665,550	1,368,622	89,495	571,130	-	65,707	-	5,760,504
Amounts due to minority shareholders	1,101,281	1,613,137	-	80,709	69	875	-	2,796,071
Total liabilities	19,972,348	22,317,669	113,360	5,837,130	202,389	15,997,553	(33,970,935)	30,469,514
Non-current assets*	30,942,034	20,652,434	1,112,364	8,911,576	426,417	53,306	-	62,098,131

* *Other than derivative financial instruments, available-for-sale investments and long-term receivables.*

5 PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATIONS (Continued)

(c) An analysis of the Group's financial results by operating segments is as follows: (Continued)

	2008							
	PRC Property HK$'000	Hong Kong Property HK$'000	Overseas Property HK$'000	Logistics HK$'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
Non-current assets*	29,148,767	23,977,010	982,430	8,607,844	416,387	63,578	–	63,196,016

* *Other than derivative financial instruments, available-for-sale investments and long-term receivables.*

5 PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATIONS (Continued)

(d) An analysis of the Group's financial results by geographical areas is as follows:

	2009			
	Segment revenue HK$'000	**Segment results HK$'000**	**Segment assets HK$'000**	**Non current assets* HK$'000**
PRC	**7,819,670**	**3,040,436**	**40,932,034**	**34,547,670**
Hong Kong	**2,991,752**	**2,734,076**	**35,607,299**	**24,433,227**
United Kingdom	**733,506**	**38,258**	**366,826**	**105,915**
Others	**1,393,355**	**31,754**	**1,870,716**	**3,011,319**
	12,938,283	**5,844,524**	**78,776,875**	**62,098,131**

	2008			
	Segment revenue HK$'000	Segment results HK$'000	Segment assets HK$'000	Non current assets* HK$'000
PRC	6,708,153	3,163,496	37,231,738	32,673,515
Hong Kong	3,772,177	1,282,412	32,507,854	27,677,159
United Kingdom	1,057,050	37,911	284,320	104,258
Others	1,578,318	60,114	1,678,433	2,741,084
	13,115,698	4,543,933	71,702,345	63,196,016

* *Other than derivative financial instruments, available-for-sale investments and long-term receivables.*

6 OTHER INCOME AND NET GAINS

	Group	
	2009 HK$'000	2008 HK$'000
Dividend income		
– listed investments	**42,568**	47,289
– unlisted investments	**26,946**	27,784
	69,514	75,073
Interest income	**61,905**	96,894
Gain on sale of investment properties net of selling expenses	**182,453**	264,493
Gain on disposal of subsidiaries	**–**	129,994
Gain on disposal of associated companies	**6,283**	–
Gain on disposal of partial interest in subsidiaries	**–**	254,344
Fair value gain/(loss) on listed securities at fair value through profit or loss	**59,968**	(122,396)
Impairment loss on available-for-sale investments	**–**	(276,254)
Gain/(loss) on disposal of property, plant and equipment	**300**	(5,788)
Others	**76,888**	163,919
	457,311	580,279

7 OPERATING PROFIT BEFORE FINANCE COSTS

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

	Group	
	2009	2008
	HK$'000	HK$'000
Cost of sale of properties	**1,397,914**	1,145,620
Direct operating expenses in respect of investment properties		
– PRC	**136,637**	148,724
– Hong Kong	**157,609**	193,047
	294,246	341,771
Direct operating expenses for logistics operations	**6,538,019**	7,222,601
Depreciation of property, plant and equipment and amortisation of leasehold land and land use rights	**221,997**	221,070
Hotel operating expenses	**162,228**	197,906
Operating lease charges		
– land and buildings	**110,281**	76,454
Provision for impairment of receivables	**14,445**	20,596
Auditor's remuneration	**13,115**	15,182
Exchange losses/(gains), net	**8,571**	(23,818)

8 FINANCE COSTS

	Group	
	2009	2008
	HK$'000	HK$'000
Interest expense:		
– bank borrowings: bank loans and overdrafts	**116,204**	268,482
– convertible bonds (note 29)	**132,562**	125,815
– fixed rate bonds (note 30)	**209,996**	210,773
– derivative financial instruments	**101,034**	119,055
– others	**29,457**	27,807
Total finance costs incurred	**589,253**	751,932
Less: amount capitalised in properties under development	**(453,378)**	(533,946)
	135,875	217,986
Fair value (gain)/loss on derivative financial instruments	**(73,071)**	61,154
Total finance costs expensed during the year	**62,804**	279,140

The capitalised interest rate applied to funds borrowed and used for the development of properties is between 0.3% and 6% per annum (2008: 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% (2008: 16.5%) on the estimated assessable profit for the year. Income tax on the overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the overseas countries in which the Group operates.

PRC enterprise income tax

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 decreased 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	
	2009	2008
	HK$'000	HK$'000
PRC taxation		
– Current	**(1,129,985)**	(597,437)
– Overprovision in prior years	**–**	1,701
– Deferred		
arising from temporary differences	**(316,419)**	(451,757)
	(1,446,404)	(1,047,493)
Hong Kong profits tax		
– Current	**(124,687)**	(186,119)
– Overprovision in prior years	**7,408**	1,925
– Deferred		
arising from temporary differences	**(276,228)**	149,903
arising from tax rate changes	**–**	80,229
	(393,507)	45,938
Overseas taxation		
– Current	**(43,239)**	(39,868)
– Underprovision in prior years	**(66)**	–
– Deferred	**(34,696)**	(44,555)
	(78,001)	(84,423)
	(1,917,912)	(1,085,978)

9 TAXATION (Continued)

The Group's share of associated companies' taxation for the year of HK$257,355,000 (2008: HK$61,286,000) is included in the share of results of associated companies in the consolidated income statement.

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

	Group	
	2009	2008
	HK$'000	HK$'000
Profit before taxation	**6,833,760**	4,459,369
Less: Share of results of associated companies	**(920,621)**	(298,863)
	5,913,139	4,160,506
Calculated at Hong Kong profits tax rate of 16.5% (2008: 16.5%)	**975,668**	686,483
Tax effect of different taxation rates in other countries	**243,821**	131,968
Utilisation of previously unrecognised tax losses	**(14,715)**	(54,406)
Tax effect of net income/expenses that are not taxable/deductible in determining taxable profit	**29,544**	65,835
Tax loss not recognised	**7,892**	7,101
Tax effect of tax rate changes	**–**	(80,229)
Overprovision of taxation in prior years	**(7,342)**	(3,626)
	1,234,868	753,126
Withholding tax on distributed/undistributed profits	**109,571**	90,470
Withholding tax on capital gains	**186,231**	91,601
Land appreciation tax	**516,323**	201,042
Tax effect of deduction of land appreciation tax	**(129,081)**	(50,261)
Taxation charge	**1,917,912**	1,085,978

10 PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders dealt with in the financial statements of the Company is HK$1,000,842,000 (2008: HK$1,405,006,000).

11 DIVIDENDS

	Company 2009 HK$'000	2008 HK$'000
Interim, paid, of HK$0.30 (2008: HK$0.30) per ordinary share (note (a))	**428,381**	428,087
Final, proposed, of HK$0.40 (2008: HK$0.40) per ordinary share (note (b))	**571,581**	570,876
Additional prior year final dividend arising from the increase in number of ordinary shares in issue on the related record date (note (b))	**30**	375
	999,992	999,338

(a) Amounts shown in respect of the interim dividend for the year ended 31 December 2009 reflect the cash dividend of HK$0.30 (2008: HK$0.30) per ordinary share. In 2008, a scrip dividend alternative to the interim dividend was offered, with the result that only approximately HK$420,271,000 of the interim dividend was paid in cash.

(b) At a meeting held on 17 March 2010, 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 2009, as referred to above, is calculated on the basis of 1,428,953,442 ordinary shares in issue as at 31 December 2009, 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 2009 will be subject to the actual number of ordinary shares in issue on the record date, which is expected to be on or about 11 May 2010.

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.

	2009	2008
Weighted average number of ordinary shares in issue	**1,427,729,967**	1,425,934,944

	2009 HK$'000	2008 HK$'000
Profit attributable to shareholders	**4,391,046**	3,050,593
Basic earnings per share	**HK$3.08**	HK$2.14

12 EARNINGS PER SHARE (Continued)

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.

	2009	2008
Weighted average number of ordinary shares in issue	**1,427,729,967**	1,425,934,944
Adjustment for convertible bonds	**49,296,291**	49,296,291
Adjustment for share options	**5,291,323**	3,395,991
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**1,482,317,581**	1,478,627,226

	2009 **HK$'000**	2008 HK$'000
Profit attributable to shareholders	**4,391,046**	3,050,593
Adjustment for finance cost on convertible bonds	**110,689**	105,056
Profit used to determine diluted earnings per share	**4,501,735**	3,155,649
Diluted earnings per share	**HK$3.04**	HK$2.13

13 EMPLOYEE BENEFIT EXPENSE

	Group	
	2009 **HK$'000**	2008 HK$'000
Staff costs, including directors' emoluments	**1,274,196**	1,280,181
Share options granted to directors and employees	**107,284**	82,303
Pension costs – defined contribution plans (note (a))	**104,542**	97,343
	1,486,022	1,459,827

(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.

13 EMPLOYEE BENEFIT EXPENSE (Continued)

(a) Pensions – defined contribution plans (Continued)

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 (2008: HK$10,000) 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 totalling HK$1,221,000 (2008: HK$1,307,000) were utilised leaving HK$507,000 (2008: HK$181,000) 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 22% of the staff's salary. For overseas subsidiaries, the Group made contributions to defined contribution pension schemes in accordance with the schemes set up by the overseas subsidiaries and/or under statutory requirements.

13 EMPLOYEE BENEFIT EXPENSE (Continued)

(b) Directors' and senior management's emoluments

The remuneration of the Directors for the year ended 31 December 2009 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	**–**	**3,840**	**8,000**	**2,152**	**120**	**14,112**
Mr WONG Siu Kong	**–**	**5,160**	**18,000**	**22,159**	**120**	**45,439**
Mr HO Shut Kan	**–**	**3,444**	**9,050**	**9,294**	**120**	**21,908**
Mr MA Wing Kai, William	**–**	**3,444**	**5,050**	**5,622**	**120**	**14,236**
Mr SO Hing Woh, Victor, MBE, JP	**–**	**4,560**	**1,190**	**1,076**	**120**	**6,946**
Mr QIAN Shaohua	**–**	**2,400**	**8,050**	**6,913**	**120**	**17,483**
Mr CHAN Wai Ming, William	**–**	**2,832**	**3,500**	**6,913**	**120**	**13,365**
Mr KU Moon Lun	**325**	**–**	**–**	**–**	**–**	**325**
Mr LAU Ling Fai, Herald	**350**	**–**	**–**	**–**	**–**	**350**
Ms WONG Yu Pok, Marina, JP	**330**	**–**	**–**	**–**	**–**	**330**
Mr TSE Kai Chi	**310**	**–**	**–**	**–**	**–**	**310**

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 QIAN Shaohua	–	1,920	4,560	5,310	120	11,910
Mr CHAN Wai Ming, William	–	2,760	3,500	5,310	120	11,690
Mr KU Moon Lun	330	–	–	–	–	330
Mr LAU Ling Fai, Herald	360	–	–	–	–	360
Ms 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

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:

	2009 HK$'000	2008 HK$'000
Basic salaries, housing allowances, share options, other allowances and benefits in kind	**64,428**	60,847
Discretionary bonuses	**48,150**	34,180
Pension contributions	**600**	600
	113,178	95,627

The emoluments fell within the following bands:

	Number of individuals 2009	2008
HK$11,500,001 – HK$12,000,000	**–**	2
HK$13,500,001 – HK$14,000,000	**–**	1
HK$14,000,001 – HK$14,500,000	**2**	–
HK$17,000,001 – HK$17,500,000	**1**	–
HK$17,500,001 – HK$18,000,000	**–**	1
HK$21,500,001 – HK$22,000,000	**1**	–
HK$40,500,001 – HK$41,000,000	**–**	1
HK$45,000,001 – HK$45,500,000	**1**	–
	5	5

14 PROPERTY, PLANT AND EQUIPMENT

	Group								
	Hotel property HK$'000	**Warehouses and logistics centres HK$'000**	**Staff quarters HK$'000**	**Freehold land and buildings HK$'000**	**Port facilities HK$'000**	**Leasehold improvements HK$'000**	**Warehouse operating equipment HK$'000**	**Motor vehicles, furniture, fixtures and office equipment HK$'000**	**Total HK$'000**
Cost or valuation									
At 1 January 2009	1,132,327	682,346	23,205	415,832	231,458	127,450	524,135	657,215	3,793,968
Additions, at cost	5,393	767	-	13,149	-	3,547	40,309	63,951	127,116
Acquisition of subsidiaries	-	22,110	-	-	-	-	12,896	733	35,739
Adjustment on revaluation	(80,849)	(34,573)	-	144	(14,596)	-	-	-	(129,874)
Disposals	-	-	(984)	-	(1,918)	(2,589)	(49,565)	(51,951)	(107,007)
Reclassification	-	-	-	-	-	(360)	-	360	-
Transfer	-	225	2,000	-	-	-	-	522	2,747
Exchange adjustment	1,956	2,532	37	37,803	9,748	10,200	21,841	6,620	90,737
At 31 December 2009	1,058,827	673,407	24,258	466,928	224,692	138,248	549,616	677,450	3,813,426
At cost	-	-	24,258	-	-	138,248	549,616	677,450	1,389,572
At professional valuation	1,058,827	673,407	-	466,928	224,692	-	-	-	2,423,854
At 31 December 2009	1,058,827	673,407	24,258	466,928	224,692	138,248	549,616	677,450	3,813,426
Aggregate depreciation and accumulated impairment losses									
At 1 January 2009	-	-	7,806	-	-	71,521	270,962	407,673	757,962
Charge for the year	32,017	23,263	1,676	10,991	8,640	9,312	53,596	74,967	214,462
Adjustment on revaluation	(32,172)	(23,362)	-	(11,577)	(8,776)	-	-	-	(75,887)
Disposals	-	-	(417)	-	-	(1,992)	(44,922)	(42,112)	(89,443)
Reclassification	-	-	-	-	-	(109)	-	109	-
Exchange adjustment	155	99	13	586	136	5,852	13,492	4,840	25,173
At 31 December 2009	-	-	9,078	-	-	84,584	293,128	445,477	832,267
Net book value as at 31 December 2009	1,058,827	673,407	15,180	466,928	224,692	53,664	256,488	231,973	2,981,159

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
Charge for the year	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 2009, property, plant and equipment and port facilities with an aggregate net book value of HK$338,364,000 (2008: HK$300,223,000) and HK$224,692,000 (2008: HK$231,458,000), 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 2009.

(c) The carrying amount of the warehouses and logistics centres would have been HK$353,456,000 (2008: HK$290,204,000) 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$347,564,000 (2008: HK$316,958,000) and HK$217,844,000 (2008: HK$219,303,000), 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$684,128,000 (2008: HK$699,415,000) 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 2009	**472**	**9,321**	**9,793**
Additions, at cost	**–**	**114**	**114**
Disposals	**–**	**(469)**	**(469)**
At 31 December 2009	**472**	**8,966**	**9,438**
Aggregate depreciation			
At 1 January 2009	**395**	**4,373**	**4,768**
Charge for the year	**55**	**1,557**	**1,612**
Disposals	**–**	**(399)**	**(399)**
At 31 December 2009	**450**	**5,531**	**5,981**
Net book value			
As at 31 December 2009	**22**	**3,435**	**3,457**

	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	
	2009	2008
	HK$'000	HK$'000
At 1 January	**29,709,611**	28,324,740
Additions	**412,234**	379,847
Purchase of subsidiaries	**19,982**	–
Increase in fair value	**2,368,339**	1,006,136
Disposals	**(680,033)**	(1,598,723)
Transfer	**3,003,251**	995,926
Exchange adjustment	**23,863**	601,685
At 31 December	**34,857,247**	29,709,611

(a) As at 31 December 2009, investment properties amounting to HK$3,133,447,000 (2008: Nil) were pledged as securities for bank loan facilities granted to the Group (note 41).

(b) 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 2009.

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

	2009	2008
	HK$'000	HK$'000
In Hong Kong, held on:		
Leases of over 50 years	**8,552,000**	7,549,000
Leases of between 10 to 50 years	**9,778,200**	9,816,900
Outside Hong Kong, held on:		
Leases of over 50 years	**1,648,609**	1,526,851
Leases of between 10 to 50 years	**14,878,438**	10,816,860
	34,857,247	29,709,611

16 LEASEHOLD LAND AND LAND USE RIGHTS

	2009	2008
	HK$'000	HK$'000
At 1 January	**520,176**	402,478
Additions	**1,533**	57,500
Acquisition of subsidiaries	**–**	2,242
Amortisation	**(8,203)**	(11,018)
Transfer	**(124,825)**	49,205
Exchange adjustment	**532**	19,769
At 31 December	**389,213**	520,176

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:

	2009 HK$'000	2008 HK$'000
In Hong Kong, held on:		
Leases of over 50 years	**–**	122,672
Leases of between 10 to 50 years	**71,307**	74,425
Outside Hong Kong, held on:		
Leases of over 50 years	**1,813**	2,008
Leases of between 10 to 50 years	**316,093**	321,071
	389,213	520,176

As at 31 December 2009, leasehold land and land use rights amounting to HK$1,813,000 (2008: Nil) were pledged as securities for bank loan facilities granted to the Group (note 41).

17 PROPERTIES UNDER DEVELOPMENT

	2009 HK$'000	2008 HK$'000
At 1 January	**26,139,607**	19,546,200
Additions	**3,221,922**	2,388,288
Acquisition of subsidiaries	**856,131**	1,529,436
Disposals	**(47,000)**	(11,986)
Transfer	**(6,232,808)**	2,158,555
Exchange adjustment	**17,002**	529,114
At 31 December	**23,954,854**	26,139,607
The above are represented by:		
Amount included under non-current assets	**13,355,118**	20,206,602
Amount included under current assets	**10,599,736**	5,933,005
	23,954,854	26,139,607

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

	2009 HK$'000	2008 HK$'000
In Hong Kong, held on:		
Leases of over 50 years	**4,376,633**	2,849,462
Leases of between 10 to 50 years	**6,798,386**	8,794,794
Outside Hong Kong, held on:		
Leases of over 50 years	**4,218,722**	4,247,893
Leases of between 10 to 50 years	**8,558,493**	10,244,729
Freehold land and buildings	**2,620**	2,729
	23,954,854	26,139,607

17 PROPERTIES UNDER DEVELOPMENT (Continued)

As at 31 December 2009, properties under development amounting to HK$1,099,629,000 (2008: HK$3,516,075,000) were pledged as securities for bank loan facilities granted to the Group (note 41).

As at 31 December 2009, certificates of land use rights with net book values amounting to HK$2,975,592,000 (2008: HK$4,537,025,000) included in properties under development were still in the progress of being obtained.

18 SUBSIDIARIES

	Company	
	2009	2008
	HK$'000	HK$'000
Unlisted shares, at cost (note (a))	**18,643,700**	18,643,700
Amounts due from subsidiaries (note (b))	**16,003,701**	20,132,842
	34,647,401	38,776,542

(a) Details of principal subsidiaries are set out in note 43 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$2,825,000,000 (2008: HK$14,382,856,000) which bears interest at prevailing market rates.

19 ASSOCIATED COMPANIES

	Group	
	2009	2008
	HK$'000	HK$'000
Unlisted investments	**3,766,134**	2,878,062
Listed equity securities, outside Hong Kong	**1,508,621**	1,420,182
Share of net assets, including goodwill (note (a))	**5,274,755**	4,298,244
Amounts due from associated companies (note (b))	**2,226,631**	1,895,248
Amounts due to associated companies (note (c))	**(62,088)**	(92,559)
	7,439,298	6,100,933
Market value of listed securities	**1,227,836**	693,175

(a) Details of principal associated companies are set out in note 43 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$1,427,196,000 (2008: HK$1,136,783,000) 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 end of each reporting period.

19 ASSOCIATED COMPANIES (Continued)

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

	2009 **HK$'000**	2008 HK$'000
Aggregate attributable amounts of total assets	**12,907,333**	10,748,144
Aggregate attributable amounts of total liabilities	**7,765,517**	6,582,839
Aggregate attributable amounts of total revenue	**1,784,438**	1,260,110
Aggregate attributable amounts of net profit after tax	**920,621**	298,863

20 DERIVATIVE FINANCIAL INSTRUMENTS

	Group and Company			
	2009		2008	
	Assets HK$'000	**Liabilities HK$'000**	Assets HK$'000	Liabilities HK$'000
Non-current				
Cross currency swap contracts, at fair value (note (a))	**14,263**	**–**	–	–
Interest rate swap contracts, at fair value (note (b))	**–**	**–**	–	143,652
	14,263	**–**	–	143,652
Current				
Cross currency swap contracts, at fair value (note (a))	**–**	**–**	4,884	–
Interest rate swap contracts, at fair value (note (b))	**–**	**79,960**	–	–
	–	**79,960**	4,884	–
Total	**14,263**	**79,960**	4,884	143,652

(a) The principal amounts under the outstanding cross currency swap contracts at 31 December 2009 amounting to US$90,000,000 (2008: 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$7.75 (2008: US$1 to HK$7.78 approximate). Under these contracts, the fixed interest rates ranging from 5.85% to 5.90% (2008: 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 2009 were HK$2,300,000,000 (2008: HK$2,300,000,000). Such interest rate swap contracts have the economic effect of converting borrowings from floating rates to fixed rates. At 31 December 2009, the fixed interest rates was 4.56% (2008: 4.56%) per annum.

21 AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	2009	2008
	HK$'000	HK$'000
Listed equity securities, at fair value	**435,349**	286,919
Unlisted equity securities, at fair value	**1,065,685**	978,774
	1,501,034	1,265,693
Market value of listed securities in Hong Kong	**435,349**	286,919

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

	Group	
	2009	2008
	HK$'000	HK$'000
Trade receivables (note (a))	**1,447,060**	2,332,318
Less: Provision for impairment of receivables (note (b))	**(44,219)**	(36,113)
Trade receivables – net	**1,402,841**	2,296,205
Second mortgage loans receivable	**24,536**	28,280
Refundable land deposits	**–**	748,957
Others	**1,031,701**	725,548
	2,459,078	3,798,990
Less: long-term receivables (note (c))	**(23,409)**	(26,711)
Current portion	**2,435,669**	3,772,279

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:

	2009	2008
	HK$'000	HK$'000
Hong Kong dollar	**904,452**	2,207,415
Renminbi	**796,808**	957,718
United States dollar	**197,430**	199,552
Pound sterling	**142,101**	98,830
Other currencies	**418,287**	335,475
	2,459,078	3,798,990

22 LONG-TERM RECEIVABLES AND ACCOUNTS RECEIVABLE, PREPAYMENTS AND DEPOSITS (Continued)

(a) The Group maintains defined credit policies and applies those appropriate to the particular business circumstances of the Group. At 31 December 2009 and 2008, 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:

	2009 HK$'000	2008 HK$'000
Below 1 month	**756,289**	1,642,879
Between 1 month and 3 months	**535,751**	504,211
Over 3 months	**110,801**	149,115
	1,402,841	2,296,205

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 2009, trade receivables of HK$447,381,000 (2008: HK$474,763,000) 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:

	2009 HK$'000	2008 HK$'000
Up to 3 months	**381,559**	363,227
Over 3 months	**65,822**	111,536

22 LONG-TERM RECEIVABLES AND ACCOUNTS RECEIVABLE, PREPAYMENTS AND DEPOSITS (Continued)

(b) As of 31 December 2009, trade receivables of HK$44,219,000 (2008: HK$36,113,000) 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:

	2009 **HK$'000**	2008 HK$'000
At 1 January	**36,113**	17,985
Provision for impairment of receivables	**14,445**	20,596
Receivables written off during the year as uncollectible	**(2,258)**	(1,669)
Release of provision	**(4,679)**	(629)
Exchange differences	**598**	(170)
At 31 December	**44,219**	36,113

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 receivables mentioned above. Except for the second mortgage loans receivable, 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 2009 HK$'000	2008 HK$'000
At 1 January	**508,749**	306,149
Arising from acquisition of subsidiaries	**14,004**	55,656
Arising from purchase of additional interest in subsidiaries	**9,707**	146,944
Impairment	**(9,448)**	–
At 31 December	**523,012**	508,749

Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to country of operation and operating segment.

A segment-level summary of the goodwill allocation is presented below:

	2009 HK$'000	2008 HK$'000
PRC	**276,891**	276,891
Hong Kong	**33,932**	43,379
United Kingdom	**89,176**	89,176
Others	**123,013**	99,303
	523,012	508,749

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			
	PRC	Hong Kong	United Kingdom	Others
Gross margin	6% – 20%	2% – 5%	4% – 10%	3% – 42%
Growth rate	3%	1% – 3%	1%	1% – 3%
Discount rate	10%	10%	10%	10% – 13%

These assumptions have been used for the analysis of each CGU within the operating segment of logistics.

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 2009 HK$'000	2008 HK$'000
Leasehold land and land use rights	**2,481,598**	324,351
Other development costs	**1,896,664**	494,781
	4,378,262	819,132

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 2009 HK$'000	2008 HK$'000
Listed securities		
– Hong Kong	**162,162**	102,211
– Malaysia	**91**	73
Market value of listed securities	**162,253**	102,284

26 RESTRICTED AND PLEDGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

(a) Restricted and pledged bank deposits

		Group		Company	
		2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000
Restricted bank deposits	(i)	**48,677**	–	**–**	–
Pledged bank deposits	(note 41)	**113**	1,235	**–**	–
		48,790	1,235	**–**	–

(i) As at 31 December 2009, the Group's bank balances amounting to approximately HK$48,677,000 (2008: Nil) were deposited in certain banks respectively as guarantee deposits for the benefit of mortgage loan facilities (note 40(a)(iii)) granted by the banks to the purchasers of the Group's certain properties.

26 RESTRICTED AND PLEDGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS (Continued)

(b) Cash and cash equivalents

		Group		Company	
		2009	2008	**2009**	2008
		HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at bank and in hand		**3,678,112**	2,598,152	**130,512**	39,246
Short-term bank deposits	(i)	**2,977,473**	1,483,459	**68,422**	15,184
Cash and bank balances		**6,655,585**	4,081,611	**198,934**	54,430
Secured bank overdrafts	(note 41)	**(1,065)**	(3,713)	**–**	–
Unsecured bank overdrafts		**(468)**	(11,472)	**–**	–
Cash and cash equivalents		**6,654,052**	4,066,426	**198,934**	54,430

Cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Reminbi	**4,099,652**	2,441,672	**–**	–
Hong Kong dollar	**1,776,004**	1,161,099	**48,976**	38,773
United States dollar	**335,242**	255,412	**81,441**	462
Other currencies	**443,154**	208,243	**68,517**	15,195
	6,654,052	4,066,426	**198,934**	54,430

(i) The effective interest rate on short-term bank deposits was 1.18% (2008: 1.43%) per annum; these deposits have an average maturity of less than 2 months.

27 ACCOUNTS PAYABLE, DEPOSITS RECEIVED AND ACCRUED CHARGES

	Group	
	2009	2008
	HK$'000	HK$'000
Trade payables	**690,979**	820,716
Construction costs payable	**1,072,958**	768,553
Rental deposits	**480,753**	552,104
Sales deposits	**2,201,125**	222,241
Others	**1,490,704**	1,170,165
	5,936,519	3,533,779

The ageing analysis of trade payables of the Group as at 31 December 2009 was as follows:

	2009	2008
	HK$'000	HK$'000
Below 1 month	**382,609**	533,349
Between 1 month and 3 months	**198,649**	182,299
Over 3 months	**109,721**	105,068
	690,979	820,716

27 ACCOUNTS PAYABLE, DEPOSITS RECEIVED AND ACCRUED CHARGES (Continued)

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

	2009 HK$'000	2008 HK$'000
Renminbi	**2,951,349**	1,619,385
Hong Kong dollar	**2,476,662**	1,406,054
United States dollar	**19,308**	188,045
Pound Sterling	**186,369**	106,125
Other currencies	**302,831**	214,170
	5,936,519	3,533,779

28 BANK LOANS

	Group		**Company**	
	2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000
Non-current				
Bank loans				
– unsecured	**9,301,524**	7,923,591	**2,825,000**	5,890,000
– secured (note 41)	**317,987**	571,884	**–**	–
	9,619,511	8,495,475	**2,825,000**	5,890,000
Current				
Bank loans				
– unsecured	**401,541**	1,871,295	**–**	1,400,000
– secured (note 41)	**28,241**	36,653	**–**	–
	429,782	1,907,948	**–**	1,400,000
Total bank loans	**10,049,293**	10,403,423	**2,825,000**	7,290,000

The maturity of bank loans is as follows:

	Group		**Company**	
	2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000
Within 1 year	**429,782**	1,907,948	**–**	1,400,000
Between 1 and 2 years	**4,152,844**	623,355	**2,770,000**	–
Between 2 and 5 years	**5,378,117**	7,811,148	**55,000**	5,890,000
Wholly repayable within 5 years	**9,960,743**	10,342,451	**2,825,000**	7,290,000
Over 5 years	**88,550**	60,972	**–**	–
	10,049,293	10,403,423	**2,825,000**	7,290,000

The effective annual interest rates of the major bank borrowings at the end of the reporting period were as follows:

	2009			2008		
	HK$	**US$**	**RMB**	HK$	US$	RMB
Bank loans	**1.01%**	**0.85%**	**5.16%**	0.85%	2.43%	5.51%

28 BANK LOANS (Continued)

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

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

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong dollar	**9,280,000**	9,191,500	**2,825,000**	7,290,000
United States dollar	**135,711**	369,699	**–**	–
Renminbi	**345,613**	501,191	**–**	–
Other currencies	**287,969**	341,033	**–**	–
	10,049,293	10,403,423	**2,825,000**	7,290,000

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 2009, 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 2009, 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 statement of financial position 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	260,542	216,892	477,434
Less: amount being converted in prior years	(2,451,331)	–	(2,451,331)
Liability component at 31 December 2008	135,605	2,336,597	2,472,202
Add: imputed finance cost in 2009 (note 8)	6,921	125,641	132,562
Liability component at 31 December 2009	**142,526**	**2,462,238**	**2,604,764**

The fair value of the liability component of the convertible bonds issued by Wise Insight Finance Limited and Gainlead International Limited at 31 December 2009 amounted to approximately HK$143,800,000 (2008: HK$141,069,000) and HK$2,648,838,000 (2008: HK$2,537,718,000) respectively. The fair value is calculated using cash flows discounted at a rate based on the borrowing rate of 1.73% and 1.79% 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 2009 was HK$3,328,414,000 (2008: HK$2,500,326,000).

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$584,569,000 (2008: HK$541,032,000) due to certain subsidiaries of Shangri-La Asia Limited, a related company whose shares are listed on The Stock Exchange of Hong Kong Limited and an amount of approximately HK$236,093,000 (2008: HK$144,000,000) due to certain subsidiaries of Kerry Holdings Limited, an indirect holding company of the Company. 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$855,690,000 (2008: HK$619,790,000) 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:

	2009 **HK$'000**	2008 HK$'000
Hong Kong dollar	**2,532,581**	2,197,979
United States dollar	**198,435**	392,879
Other currencies	**65,055**	55,619
	2,796,071	2,646,477

32 DEFERRED TAXATION

	Group	
	2009 **HK$'000**	2008 HK$'000
At 1 January	**3,661,109**	3,295,152
Purchase of subsidiaries (note 37(b))	**25**	540
Disposal of subsidiaries	**–**	(8,115)
Deferred taxation charged to income statement	**627,343**	266,180
Deferred taxation (credited)/charged to other comprehensive income	**(13,070)**	18,926
Exchange adjustment	**4,653**	88,426
At 31 December	**4,280,060**	3,661,109

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$1,924,996,000 (2008: HK$1,706,823,000) to be carried forward in offsetting the future taxable income.

As at 31 December 2009, the aggregate amount of unrecognised deferred tax liabilities associated with investments in subsidiaries and associated companies totalled approximately HK$344,951,000, 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 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 to other comprehensive income	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

	Group				
	Revaluation HK$'000	**Accelerated depreciation allowances HK$'000**	**Tax losses HK$'000**	**Others HK$'000**	**Total HK$'000**
At 1 January 2009	**3,010,238**	**729,371**	**(170,299)**	**91,799**	**3,661,109**
Purchase of subsidiaries	**–**	**25**	**–**	**–**	**25**
Deferred taxation charged/ (credited) to income statement	**841,798**	**(337,462)**	**25,132**	**97,875**	**627,343**
Deferred taxation credited to other comprehensive income	**(13,070)**	**–**	**–**	**–**	**(13,070)**
Exchange adjustment	**3,219**	**(1,825)**	**(1)**	**3,260**	**4,653**
At 31 December 2009	**3,842,185**	**390,109**	**(145,168)**	**192,934**	**4,280,060**

33 SHARE CAPITAL

	Authorised Ordinary shares of HK$1 each	
	No. of shares	HK$'000
At 31 December 2008 and 2009	10,000,000,000	10,000,000

	Issued and fully paid Ordinary shares of HK$1 each			
	2009		2008	
	No. of shares	**HK$'000**	No. of shares	HK$'000
At 1 January	**1,427,189,759**	**1,427,190**	1,424,278,046	1,424,278
Issue of scrip dividend shares	**–**	**–**	1,463,734	1,464
Issue of shares as a result of exercise of share options (note (a))	**1,763,683**	**1,763**	1,447,979	1,448
At 31 December	**1,428,953,442**	**1,428,953**	1,427,189,759	1,427,190

33 SHARE CAPITAL (Continued)

(a) During the year, a total of 1,763,683 share options were exercised at exercise prices of HK$6.70, 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.

(b) 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:

	2009		2008	
	Weighted average exercise price in HK$ per share	**Number**	Weighted average exercise price in HK$ per share	Number
At 1 January	**7.31**	**1,059,555**	7.33	1,772,534
Exercised during the year (note (i))	**6.83**	**(778,683)**	7.36	(712,979)
At 31 December (note (ii))	**8.61**	**280,872**	7.31	1,059,555

As at 31 December 2009, all the outstanding share options granted under the 1997 Share Option Scheme were exercisable. For the share options exercised during the year, the related weighted average share price at the time of exercise was HK$33.24 (2008: HK$47.88).

(i) Details of share options exercised:

Exercise price per share (HK$)	**Number of share options 2009**	Number of share options 2008
6.70	**80,000**	212,966
11.59	**–**	83,519
6.85	**698,683**	416,494
	778,683	712,979

Total amount of proceeds received from the exercise of share options was HK$5,321,979 (2008: HK$5,247,841).

34 SHARE OPTIONS (Continued)

(a) 1997 Share Option Scheme (Continued)

(ii) Terms of share options at the end of the reporting period were as follows:

Expiry date	Exercise price per share (HK$)	Number of share options 2009	2008
31 May 2010	6.70	**40,302**	120,302
1 March 2011	11.59	**105,830**	105,830
15 April 2012	6.85	**134,740**	833,423
		280,872	1,059,555

(iii) No share options were granted or granted for adjustment, lapsed or cancelled during the year (2008: 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:

	2009		2008	
	Weighted average exercise price in HK$ per share	**Number**	Weighted average exercise price in HK$ per share	Number
At 1 January	**40.27**	**16,682,000**	18.74	5,017,000
Granted during the year	**17.58**	**7,830,000**	47.70	12,400,000
Exercised during the year (note (i))	**18.74**	**(985,000)**	18.74	(735,000)
Lapsed during the year	**17.77**	**(60,000)**	–	–
At 31 December (note (ii))	**33.66**	**23,467,000**	40.27	16,682,000

As at 31 December 2009, 6,387,000 (2008: 4,282,000) outstanding options granted under the 2002 Share Option Scheme were exercisable (note (ii)). For the share options exercised during the year, the related weighted average share price at the time of exercise was HK$41.25 (2008: HK$52.05).

(i) Details of share options exercised:

Exercise price per share (HK$)	Number of share options 2009	2008
18.74	**985,000**	735,000

Total amount of proceeds received from the exercise of share options was HK$18,458,900 (2008: HK$13,773,900).

34 SHARE OPTIONS (Continued)

(b) 2002 Share Option Scheme (Continued)

(ii) Terms of share options at the end of the reporting period were as follows:

Exercise period	Exercise price per share (HK$)	Number of share options **2009**	2008
17/03/2006 – 16/03/2015	18.74	**764,500***	1,622,000*
17/03/2007 – 16/03/2015	18.74	**2,522,500***	2,660,000*
02/04/2009 – 01/04/2018	47.70	**3,100,000***	3,100,000
02/04/2010 – 01/04/2018	47.70	**3,100,000**	3,100,000
02/04/2011 – 01/04/2018	47.70	**6,200,000**	6,200,000
06/02/2010 – 05/02/2019	17.58	**3,890,000**	–
06/02/2011 – 05/02/2019	17.58	**3,890,000**	–
		23,467,000	16,682,000

* *Outstanding options that were exercisable as at the end of the reporting period.*

(iii) No share options were granted for adjustment or cancelled during the year (2008: Nil).

(iv) All the outstanding share options granted on 6 February 2009 remained unvested as at 31 December 2009.

(a) As at 6 February 2009, the average fair value of share options granted on the same date is HK$6.45 per share.

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

Share price at the grant date:	HK$17.58
Exercise price:	HK$17.58
Expected volatility:	50% per annum
Share option life:	10 years
Expected dividend yield:	2.5% per annum
Average risk-free interest rate:	1.36% 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 200% 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 June 2003 to February 2009. The volatility rate was about 50% 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 5.2 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.

35 SHARE PREMIUM

	2009 HK$'000	2008 HK$'000
At 1 January	**11,899,348**	11,804,186
Arising from scrip dividend	**–**	73,282
Arising from exercise of share options (note 33(a))	**22,017**	17,573
Transfer from share option reserve (note 36(f)	**5,621**	4,307
At 31 December	**11,926,986**	11,899,348

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 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
Deferred taxation (charged)/ credited directly to reserves	(13,784)	(1,606)	2,464	–	–	–	–	(12,926)
Fair value loss on available-for-sale investments (note (c))	–	–	–	(102,950)	–	–	–	(102,950)
Fair value loss on derivative financial instruments – cash flow hedge of an associated company	–	–	–	–	–	(6,382)	–	(6,382)
Reversal of reserves on disposal of a subsidiary	–	–	–	–	–	–	(19,457)	(19,457)
Share of exchange reserve of an associated company	–	–	–	–	–	–	3,053	3,053
Net translation differences on foreign operations	–	–	–	–	–	–	721,809	721,809
Transfer to share premium	–	–	–	–	–	–	(4,307)	(4,307)
Value of employee services	–	–	–	–	–	–	82,302	82,302
Transfer from retained profits	–	–	–	–	–	–	1,673	1,673
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)

	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 2009	189,430	586,614	45,329	647,818	212,498	(8,047)	10,324,863	11,998,505
On revaluation of properties (note (b))	(34,682)	(17,203)	11,239	-	-	-	-	(40,646)
Deferred taxation credited/(charged) directly to reserves	6,601	7,570	(3,327)	-	-	-	-	10,844
Fair value gain on available-for-sale investments (note (c))	-	-	-	238,806	-	-	-	238,806
Fair value gain on derivative financial instruments – cash flow hedge of an associated company	-	-	-	-	-	2,462	-	2,462
Share of exchange reserve of an associated company	-	-	-	-	-	-	(807)	(807)
Net translation differences on foreign operations	-	-	-	-	-	-	153,160	153,160
Transfer to share premium	-	-	-	-	-	-	(5,621)	(5,621)
Value of employee services	-	-	-	-	-	-	107,285	107,285
Transfer from retained profits	-	-	-	-	-	-	21	21
Reversal of reserve on dissolution of a subsidiary	-	-	-	-	-	-	(7)	(7)
At 31 December 2009	161,349	576,981	53,241	886,624	212,498	(5,585)	10,578,894	12,464,002

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 2008	7,975,089	29,395	1,499,978	27,460	7,868	9,539,790
Reversal of reserves on disposal of a subsidiary	–	–	(9,493)	(9,964)	–	(19,457)
Share of exchange reserve of an associated company	–	–	3,053	–	–	3,053
Net translation differences on foreign operations	–	–	721,809	–	–	721,809
Transfer to share premium	–	(4,307)	–	–	–	(4,307)
Value of employee service	–	82,302	–	–	–	82,302
Transfer from retained profits	–	–	–	1,673	–	1,673
At 31 December 2008	7,975,089	107,390	2,215,347	19,169	7,868	10,324,863
At 1 January 2009	**7,975,089**	**107,390**	**2,215,347**	**19,169**	**7,868**	**10,324,863**
Share of exchange reserve of an associated company	**–**	**–**	**(807)**	**–**	**–**	**(807)**
Net translation differences on foreign operations	**–**	**–**	**153,160**	**–**	**–**	**153,160**
Transfer to share premium	**–**	**(5,621)**	**–**	**–**	**–**	**(5,621)**
Value of employee service	**–**	**107,285**	**–**	**–**	**–**	**107,285**
Transfer from retained profits	**–**	**–**	**–**	**21**	**–**	**21**
Reversal of reserve on dissolution of a subsidiary	**(7)**	**–**	**–**	**–**	**–**	**(7)**
At 31 December 2009	**7,975,082**	**209,054**	**2,367,700**	**19,190**	**7,868**	**10,578,894**

(b) These represent surplus/(deficit) arising from revaluation of properties at the end of the reporting period. The accounting policies in respect of revaluation of properties are set out in note 2(e).

(c) This represents surplus/(deficit) arising from valuation of the Group's available-for-sale investments at the end of the reporting period. 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 2008	17,793,308	212,498	29,395	7,868	18,043,069
Transfer to share premium (note 35)	–	–	(4,307)	–	(4,307)
Value of employee service	–	–	82,302	–	82,302
At 31 December 2008	17,793,308	212,498	107,390	7,868	18,121,064
At 1 January 2009	**17,793,308**	**212,498**	**107,390**	**7,868**	**18,121,064**
Transfer to share premium (note 35)	**–**	**–**	**(5,621)**	**–**	**(5,621)**
Value of employee service	**–**	**–**	**107,285**	**–**	**107,285**
At 31 December 2009	**17,793,308**	**212,498**	**209,054**	**7,868**	**18,222,728**

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 STATEMENT OF CASH FLOWS

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

	Group	
	2009 HK$'000	2008 HK$'000
Profit before taxation	**6,833,760**	4,459,369
Depreciation of property, plant and equipment and amortisation of leasehold land and land use rights	**221,997**	221,070
Dividend income from listed and unlisted investments	**(69,514)**	(75,073)
Impairment loss on available-for-sale investments	**–**	276,254
Finance costs	**62,804**	279,140
Interest income	**(61,905)**	(96,894)
(Gain)/loss on disposal of property, plant and equipment	**(300)**	5,788
Gain on sale of investment properties	**(206,616)**	(317,109)
Gain on sale of properties under development	**(4,077)**	(2,310)
Gain on disposal of subsidiaries	**–**	(129,994)
Gain on disposal of associated companies	**(6,283)**	–
Gain on disposal of partial interest in subsidiaries	**–**	(254,344)
Fair value (gain)/loss on listed securities at fair value through profit or loss	**(59,968)**	122,396
Loss on sale of available-for-sale investments	**482**	–
Impairment of goodwill	**9,448**	–
Negative goodwill arising from acquisition of a subsidiary	**(838)**	–
Negative goodwill arising from acquisition of additional interest in a subsidiary	**(7,361)**	–
Change in fair value of investment properties	**(2,368,339)**	(1,006,136)
Revaluation deficit on property, plant and equipment	**1,915**	499
Share of results of associated companies	**(920,621)**	(298,863)
Write off of investment in an associated company	**1**	5,393
Reversal of reserves on dissolution of a subsidiary	**(7)**	–
Operating profit before working capital changes	**3,424,578**	3,189,186
Decrease in properties under development, completed properties held for sale and accounts receivable, prepayments and deposits	**291,837**	254,372
Increase/(decrease) in accounts payable, deposits received and accrued charges	**2,509,639**	(995,339)
Net cash generated from operations	**6,226,054**	2,448,219

37 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(b) Acquisition of subsidiaries

(i) Logistics Network

In March 2009, the Group acquired 60% interest of ITS Terminal Group Pte. Ltd., which was subsequently renamed as Kerry-ITS Holdings Pte. Ltd. ("KITS"). KITS and its subsidiaries are operating ISO tank cleaning, repairing and trading business in Singapore, Vietnam and Shanghai. The acquired subsidiaries contributed revenues of HK$76,761,000 and net profit of HK$1,829,000 to the Group for the period from acquisition up to 31 December 2009. If the acquisition had occurred on 1 January 2009, the revenues and profit attributable to the Group would have been HK$120,459,000 and HK$3,011,000, respectively.

In June 2009, the Group acquired the entire capital of NYK Logistics (Fuzhou Bonded Zone) Co,. Ltd., which is holding a logistics centre with 108,000 square feet in Fuzhou. The company was subsequently renamed as Kerry Logistics (Fuzhou) Co., Ltd. The acquired subsidiary contributed revenues of HK$280,000 and net loss of HK$106,000 to the Group for the period from acquisition up to 31 December 2009. If the acquisition had occurred on 1 January 2009, the revenues and loss attributable to the Group would have been HK$302,000 and HK$1,141,000, respectively.

In August 2009, the Group acquired 51% effective interest of Kerry Aboitiz Logistics Inc. which is engaged in international freight forwarding business with its headquarter located at Manila. The acquired subsidiary started business after acquisition and contributed revenues of HK$18,584,000 and net loss of HK$49,000 to the Group for the period from acquisition up to 31 December 2009.

(ii) Hong Kong Property

On 11 August 2009, the Group acquired 71% of the share capital of Aston Development Limited ("Aston") which holds various companies that collectively owned various properties located at Hing Hon Road, Mid-levels West ("the Properties"). On 30 November 2009, Aston (being a subsidiary of the Group), acquired 100% of the share capital of Cheerluck Global Limited which holds various companies that collectively owned various properties adjoining the Properties. All these properties will be jointly redeveloped into luxury residences. These subsidiaries did not contribute any significant results to the Group from acquisition up to 31 December 2009.

37 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(b) Acquisition of subsidiaries (Continued)

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

	2009			2008
	Logistics HK$'000	**Hong Kong Property HK$'000**	**Total HK$'000**	Total HK$'000
Net assets acquired:				
Property, plant and equipment	**35,739**	**–**	**35,739**	39,977
Investment properties	**19,982**	**–**	**19,982**	–
Properties under development	**–**	**856,131**	**856,131**	1,529,436
Leasehold land and land use rights	**–**	**–**	**–**	2,242
Accounts and other receivables	**23,480**	**9**	**23,489**	66,446
Tax recoverable	**180**	**–**	**180**	–
Cash and bank balances	**12,040**	**607**	**12,647**	9,446
Accounts and other payables	**(39,760)**	**(4,726)**	**(44,486)**	(217,829)
Bank overdrafts	**–**	**–**	**–**	(5,302)
Bank loans	**(9,314)**	**–**	**(9,314)**	(4,946)
Taxation	**(112)**	**–**	**(112)**	(1,379)
Deferred taxation	**(25)**	**–**	**(25)**	(540)
	42,210	**852,021**	**894,231**	1,417,551
Less: Minority interests and loans	**(9,376)**	**(247,416)**	**(256,792)**	(435,450)
	32,834	**604,605**	**637,439**	982,101
Goodwill	**14,004**	**–**	**14,004**	55,656
Negative goodwill	**(838)**	**–**	**(838)**	–
	46,000	**604,605**	**650,605**	1,037,757
Satisfied by:				
Cash	**46,000**	**545,476**	**591,476**	1,010,959
Accounts payable	**–**	**59,129**	**59,129**	26,798
	46,000	**604,605**	**650,605**	1,037,757

The fair value of net assets acquired of each subsidiary approximates to their book value at the respective dates of acquisition.

(c) Analysis of the net cash outflow in respect of the acquisition of subsidiaries

	2009 HK$'000	2008 HK$'000
Cash consideration paid	**591,476**	1,010,959
Cash consideration paid for prior year's acquisition	**26,798**	–
Cash and bank balances acquired	**(12,647)**	(9,446)
Bank overdrafts acquired	**–**	5,302
Net cash outflow in respect of the acquisition of subsidiaries	**605,627**	1,006,815

37 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

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

	2009 **HK$'000**	2008 HK$'000
Net assets disposed of:		
Accounts receivable, prepayment and deposits	–	8,618
Cash and bank balances	–	6,575
Accounts payable, deposits received and accrued charges	–	(10,884)
Taxation	–	(1,301)
Deferred taxation	–	(8,115)
	–	(5,107)
Interest in associated companies	–	239,350
	–	234,243
Transaction costs incurred	–	14,600
Gain on disposal of subsidiaries	–	129,994
Total consideration	–	378,837
Total consideration	–	378,837
Additional interest in a subsidiary	–	(363,943)
Cash consideration	–	14,894
Transaction costs incurred	–	(14,600)
Cash and bank balances disposed of	–	(6,575)
Net cash outflow in respect of the disposal of subsidiaries	–	(6,281)

38 RELATED PARTY TRANSACTIONS

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

(a) Rendering and purchases of services

	2009 **HK$'000**	2008 HK$'000
Project management and consultancy fee income (note (i))	**2,876**	20,697
Marketing, consultancy and administrative management fees expense (note (ii))	**13,733**	23,213

(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

	2009 HK$'000	2008 HK$'000
Salaries and other short-term benefits	**78,520**	67,742
Share-based payments	**54,129**	43,807
Post-employment benefits	**840**	810
	133,489	112,359

(c) Year-end balances

	2009 HK$'000	2008 HK$'000
Receivables from related parties:		
Associated companies (note 19)	**2,226,631**	1,895,248
Payables to related parties:		
Included under amounts due to minority shareholders (note 31)		
– Subsidiaries of SA	**584,569**	541,032
– Subsidiaries of Kerry Holdings Limited	**236,093**	144,000
Associated companies (note 19)	**62,088**	92,559

(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 2009 amounted to approximately HK$2,481,647,000 (2008: HK$2,054,096,000). The total amount of such facilities covered by the Group's guarantees as at 31 December 2009 amounted to approximately HK$3,863,013,000 (2008: HK$2,570,349,000). 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 2 January 2009, Woody 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 Triple Wise Holdings Limited (an associate of the President & Chief Executive Officer of the Company), All Sheen Limited (an associate of Mr Ang Keng Lam, who is a director of the Company's subsidiary companies) and Connolly Limited (an associate of the Chairman of the Company) respectively in relation to the sales and purchases of three property units and six car-parking spaces at 57 South Bay Road, Repulse Bay, Hong Kong for a total consideration of HK$109,050,500.

39 COMMITMENTS

(a) At 31 December 2009, 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:

	2009 **HK$'000**	2008 HK$'000
Contracted but not provided for	**4,390,595**	6,260,863
Authorised but not contracted for	**157,561**	228,869
	4,548,156	6,489,732

(b) At 31 December 2009, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	2009 **HK$'000**	2008 HK$'000
Land and buildings:		
Within one year	**86,848**	90,922
In the second to fifth year, inclusive	**80,388**	79,861
Over five years	**32,857**	32,152
	200,093	202,935

(c) At 31 December 2009, the Group had future aggregate minimum lease rental receivable under non-cancellable operating leases as follows:

	2009 **HK$'000**	2008 HK$'000
Land and buildings:		
Within one year	**1,155,335**	1,286,453
In the second to fifth year, inclusive	**1,105,127**	1,513,589
Over five years	**330,370**	416,105
	2,590,832	3,216,147

40 CONTINGENT LIABILITIES

(a) Guarantees for banking and other facilities

	Group		Company	
	2009	2008	**2009**	2008
	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))	**2,481,647**	2,054,096	**9,455,266**	4,471,575
Guarantees to certain banks for mortgage facilities granted to first buyers of certain properties in the PRC (note (iii))	**569,294**	–	**–**	–
Guarantee to convertible bondholders (note (iv))	**–**	–	**2,604,764**	2,472,202
	3,050,941	2,054,096	**12,060,030**	6,943,777

(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 2009 amounted to approximately HK$2,481,647,000 (2008: HK$2,054,096,000). The total amount of such facilities covered by the Group's guarantees as at 31 December 2009 amounted to approximately HK$3,863,013,000 (2008: HK$2,570,349,000).

(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 2009 amounted to approximately HK$9,455,266,000 (2008: HK$4,471,575,000). The total amount of such facilities covered by the Company's guarantees as at 31 December 2009 amounted to approximately HK$18,640,817,000 (2008: HK$8,960,092,000).

(iii) The Group has 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 guarantees which also represented the financial exposure of the Group as at 31 December 2009 amounted to approximately HK$569,294,000 (2008: Nil). The total amount of such facilities covered by the Group's guarantees as at 31 December 2009 amounted to approximately HK$1,974,132,000 (2008: HK$1,714,054,000).

(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 (2008: HK$2,471,000,000) (note 29).

40 CONTINGENT LIABILITIES (Continued)

(b) Other guarantees and undertakings

(i) 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.

(ii) 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.

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.

(iii) 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).

40 CONTINGENT LIABILITIES (Continued)

(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.

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 2009, the Group's total bank loans and overdrafts of HK$10,050,826,000 (2008: HK$10,418,608,000) included an aggregate amount of HK$9,703,533,000 (2008: HK$9,806,358,000) which is unsecured and an aggregate amount of HK$347,293,000 (2008: HK$612,250,000) 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 to 17);

(ii) charges on bank balances amounting to HK$113,000 (2008: HK$1,235,000) of certain subsidiaries; and

(iii) assignments of insurance proceeds of certain properties.

42 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 21.85%, 17.98% and 5.22% respectively at 31 December 2009. These shareholders are indirect wholly-owned subsidiaries of Kerry Group Limited.

43 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATED COMPANIES

(i) Principal Subsidiaries

As at 31 December 2009, 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	Par value per share	Indirect interest held unless denoted with*
Property Division – China					
[9] Beijing Jia Ao Real Estate Development Co., Ltd.	PRC	Property investment	US$77,967,600	–	71.25%
[9] Beijing Kerry Centre Hotel Co., Ltd.	PRC	Hotel ownership and operation	US$33,000,000	–	71.25%
[5][6][9] Beijing Kerry Huayuan Real Estate Development Co., Ltd.	PRC	Property development	RMB178,500,000	–	71%
[5][9] Changsha Kerry Nonferrous Real Estate Co., Ltd	PRC	Property development	RMB218,000,000	–	61%
Hong Kong Shanghai Development Co Limited	HK	Investment holding	8,000,000	HK$1	75%
[5][8] Kerry (Shenyang) Real Estate Development Co., Ltd.	PRC	Property development	RMB2,457,500,000	–	60%
[5][8] Kerry Cao Jia Yan Properties (Shanghai) Co., Ltd.	PRC	Property investment	US$13,400,000	–	100%
[5][6][8] Kerry Centre Real Estate (Shenzhen) Co. Ltd.	PRC	Property investment	HK$142,000,000	–	100%
[5][6][8] 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%
[5][8] Kerry Development (Manzhouli) Co., Ltd.	PRC	Property development	US$6,800,000	–	100%
[8] Kerry Development (Shanghai) Co., Ltd.	PRC	Property investment	US$40,000,000	–	100%
[5][6][8] Kerry Development (Shenzhen) Co., Ltd.	PRC	Property development	HK$708,350,000	–	100%
[5][8] 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%
[5][6][8] Kerry Properties (Shenzhen) Co., Ltd.	PRC	Property investment	HK$112,082,975	–	100%
[6][8] Kerry Properties Development Management (Shanghai) Co., Ltd.	PRC	Real estate and project management	US$650,000	–	100%
[5][8] Kerry Real Estate (Hangzhou) Co. Ltd.	PRC	Property development	US$365,750,000	–	100%
[5][8] Kerry Real Estate (Nanchang) Co., Ltd.	PRC	Property development	RMB350,000,000	–	80%
[5][6][8] 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%
[5][6][8] Lucky Billion Development (Qinhuangdao) Co., Ltd.	PRC	Property development	RMB882,000,000	–	60%
[5][6][8] Million Palace Development (Chengdu) Co., Ltd.	PRC	Property development	RMB1,085,000,000	–	55%
[5][8] Risenland Development (Fuzhou) Co., Ltd.	PRC	Property investment	HK$44,000,000	–	100%
[5][9] Shanghai Gang Hu Properties Co., Ltd.	PRC	Property investment and development	US$155,300,000	–	74.25%
[5][8] Shanghai Ji Xiang Properties Co., Ltd.	PRC	Property development	US$311,250,000	–	51%
[9] Shanghai Kerry Real Estate Development Co., Ltd.	PRC	Property investment	US$12,000,000	–	55.20%
[9] Shanghai Xin Ci Hou Properties Co., Ltd.	PRC	Property investment	US$60,000,000	–	74.25%
[5][6][8] Sky Fair Development (Qinhuangdao) Co., Ltd.	PRC	Property development	RMB735,000,000	–	60%
[5][6][8] Wealthy Plaza Development (Chengdu) Ltd.	PRC	Property development	RMB750,000,000	–	55%
Ying He Company Limited	Hong Kong	Investment holding	10 21,000,000[3]	HK$1 HK$1	100%

43 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*
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%
Haily Investments Limited	HK	Property development	1	HK$1	71%
Hugo Vantage Limited	HK	Property development	1	HK$1	71%
Interseed Company Limited	HK	Property trading	2	HK$1	100%
Jadway Limited	HK	Investment holding and property development	10,000	HK$1	71%
Join Sky Investment Limited	HK	Property development	1	HK$1	71%
Kerry Project Management (Macau) Limited	Macau	Project management and construction management	MOP1,000,000	–	100%
Kerry Properties (H.K.) Limited	HK	Investment holding and provision of administrative support services	1,000 200,000,000[3]	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[3]	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%
Maxtime International Limited	HK	Property development	1	HK$1	71%
MegaBox Development Company Limited	HK	Property investment	2	HK$1	100%
MegaBox Management Services Limited	HK	Property management	2	HK$1	100%
Metro Cosmos Limited	HK	Property development	1	HK$1	71%
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 (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%

43 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)					
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 financial 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%
[5] Sociedade de Investimento Imobiliário Tim Keng Van, S.A.	Macau	Property development	10,000	MOP100	100%
Taskan Limited	HK	Property development and trading	2	HK$1	100%
Trebanos Investment Company Limited	HK	Investment holding	2	HK$1	100%
Vickon Limited	HK	Property development	1	HK$1	71%
Wealthline Properties Limited	BVI	Investment holding and property development	1	US$1	71%
Wealthy State Investments Limited	HK	Property development and trading	1	HK$1	100%
Widemax Limited	HK	Property development	1	HK$1	71%
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					
[5] Amble Aim Sdn. Bhd.	Malaysia	Investment holding	2	MYR1	100%
Kerry Properties (Sydney) Pty Ltd	Australia	Investment holding	1	AU$1	100%
Kerry Properties International Limited	BVI	Investment holding	1	HK$1	100%*
[5] Travel Aim Investment B.V.	Netherlands	Investment holding	40,000	EUR0.45	100%
Wirabay Limited	BVI	Provision of trustee services	1	US$1	100%
Logistics Network Division					
[6][8] Beijing Kerry EAS Real Estate Management Limited	PRC	Property management	RMB500,000	–	70%
[5][6][8] Beijing Kerry Logistics Ltd.	PRC	Logistics business	US$12,000,000	–	100%
[6][8] Beijing Kong Gang Kerry EAS Logistics Ltd.	PRC	Logistics business	RMB5,000,000	–	70%
Best Value Promotionland Limited (Formerly known as Asia Air Cargo (Hong Kong) Limited)	HK	Direct marketing	200,000	HK$1	51%
[5][6][8] Chongqing Lingxian Industry Development Limited	PRC	Logistics business	RMB38,000,000	–	100%
[5][6][8] CV Global Logistics (Beijing) Limited	PRC	Logistics business	RMB50,000,000	–	100%
[6][8] Dalian Kerry EAS Trading Co., Ltd.	PRC	Logistics business	RMB500,000	–	70%
[5] E.A.E. Freight & Forwarding Sdn. Bhd.	Malaysia	Freight forwarding and transportation	500,000	MYR1	51%
[5] E.A.E. Transport Sdn. Bhd.	Malaysia	Transportation services	500,000	MYR1	51%

43 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)					
[5] EAE Logistics Sdn. Bhd.	Malaysia	Investment holding	100,000	MYR1	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%
[5][9] EAS International Logistics (Shanghai) Co., Ltd	PRC	Logistics business	US$6,000,000	–	70%
[6][8] Eas Logistics (Shenzhen) Co., Ltd.	PRC	Logistics business	US$400,000	–	70%
[5] East Asiatic Enterprise Sdn. Bhd.	Malaysia	Freight forwarding and transportation	500,000	MYR1	51%
[5][6] KART Logistics (Thailand) Limited	Thailand	Transportation services	480,000[2]	THB100	61%
Kerry Buisness Outsourcing Solutions Limited (Formerly known as Kerry Records Management Services Limited)	HK	Documents storage	2	HK$1	100%
Kerry Cargo Centre Limited	HK	Warehouse ownership	2	HK$1	100%
[5][9] Kerry Cargo Transportation Co Ltd	PRC	Transportation services	HK$9,850,000	–	100%
Kerry Cold Store (Hong Kong) Limited	HK	Logistics business	2	HK$10	100%
Kerry D.G. Warehouse (Kowloon Bay) Limited	HK	Warehouse ownership	20,000,000	HK$1	100%
Kerry Distribution (Hong Kong) Limited	HK	Distribution services	500,000	HK$1	100%
[5][6] Kerry Distribution (Thailand) Limited	Thailand	Distribution services	200,000[2]	THB100	100%
Kerry Distribution Services (Hong Kong) Limited (Formerly known as Eas Express Services Limited)	HK	Provision of transportation/ distribution services	10,000	HK$1	100%
[6][9] Kerry EAS (Shanghai) Freight Agency Co., Ltd.	PRC	Freight forwarding agency	HK$20,000,000	–	70%
[6][9] Kerry EAS Logistics (SHENZHEN) Ltd.	PRC	Freight forwarding	US$1,000,000	–	70%
[8] Kerry EAS Logistics (Xiamen) Co., Ltd.	PRC	Logistics business	US$1,500,000	–	70%
[9] Kerry EAS Logistics Limited	PRC	Freight forwarding and logistics business	RMB270,000,000	–	70%
[8] Kerry EAS Warehouse (Zhuhai Free Trade Zone) Ltd.	PRC	Logistics business	HK$1,000,000	–	70%
Kerry Facilities Management (Hong Kong) Limited	HK	Building management	2	HK$1	100%
Kerry Facilities Management Services Limited	HK	Building management	2	HK$1	100%
Kerry Far East Logistics (Hong Kong) Limited	HK	Freight forwarding	100	HK$1	65%
[5][6][8] Kerry FFTZ Warehouse (Shenzhen) Ltd.	PRC	Logistics business	HK$70,000,000	–	100%
Kerry Freight (Australia) Pty Ltd	Australia	Freight forwarding	500,000	AUD1	100%
Kerry Freight (Hong Kong) Limited	HK	Freight forwarding	100 27,500[3]	HK$100 HK$100	100%
[5][6] Kerry Freight (Korea) Inc.	Korea	Freight forwarding	100,000[2]	KRW5,000	50.99%
[5][6] Kerry Freight (Taiwan) Limited	Taiwan	Freight forwarding	2,900,000	TWD10	51%
[5][6] Kerry Freight (Thailand) Limited	Thailand	Freight forwarding	115,000[2]	THB100	94.86%
[5] Kerry Freight (USA) Incorporated	United States	Investment holding	1,000,000	US$1	51%
Kerry Freight International Limited	HK	Freight forwarding	2	HK$1	100%
Kerry FSDA Limited	HK	Trading and sourcing	3,120,000	HK$1	75%
[5][6] Kerry Integrated Logistics (Hung Yen) Joint Stock Company	Vietnam	Logistics business	629,760[2]	VND100,000	100%
[5][6] Kerry Integrated Logistics (Viet Nam) Co.,Ltd	Vietnam	Logistics business	US$7,900,000	–	100%

43 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	AUD2	100%
	Kerry Logistics (Belgium)	Belgium	Freight forwarding	EUR18,600	–	100%
(5)(6)	Kerry Logistics (Cambodia) Pte. Ltd.	Cambodia	Freight forwarding	1,000	KHR20,000	100%
(5)(6)(8)	Kerry Logistics (Chengdu) Ltd	PRC	Logistics business	RMB20,000,000	–	100%
(5)	Kerry Logistics (Czech Republic) s.r.o.	Czech Republic	Freight forwarding	CZK200,000	–	100%
(5)(8)	Kerry Logistics (Fuzhou) Co., Ltd.	PRC	Logistics business	US$2,700,000	–	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%
(5)	Kerry Logistics (Japan) Limited	Japan	Freight forwarding	200	JPY50,000	100%
(5)(6)(8)	Kerry Logistics (Kunshan) Ltd.	PRC	Logistics business	HK$50,000,000	–	100%
(5)	Kerry Logistics (Macau) Limited	Macau	Logistics business	MOP100,000	–	100%
(5)	Kerry Logistics (Malaysia) Sdn. Bhd.	Malaysia	Freight forwarding and logistics business	250,000	MYR1	100%
	Kerry Logistics (Netherlands) B.V.	Netherlands	Freight forwarding	180	EUR100	100%
(5)(6)(8)	Kerry Logistics (Shanghai Waigaoqiao) Co., Ltd.	PRC	Logistics business	HK$44,000,000	–	100%
(5)	Kerry Logistics (Singapore) Pte. Ltd.	Singapore	Freight forwarding	500,000	SGD1	100%
(5)	Kerry Logistics (Switzerland) GmbH	Switzerland	Freight forwarding	CHF20,000	–	100%
(5)(6)	Kerry Logistics (Thailand) Limited	Thailand	Logistics business	1,600,000	THB100	73.58%
(5)(8)	Kerry Logistics (Tianjin) Co., Ltd.	PRC	Logistics business	HK$20,000,000	–	100%
	Kerry Logistics (UK) Limited	United Kingdom	Freight forwarding	20,000	GBP1	91%
(5)	KERRY LOGISTICS France	France	Freight forwarding	1,500	EUR10	100%
(5)	Kerry Logistics GmbH	Austria	Freight forwarding	EUR35,000	–	100%
	Kerry Logistics Holdings (Australia) Pty Ltd	Australia	Investment holding	100	AUD1	100%
	Kerry Logistics Network Limited	Bermuda	Investment holding	500,000	HK$1	100%*
	Kerry PC3 Limited (Formerly known as Precious Source Limited)	HK	Logistics business	1	HK$1	100%
(5)	Kerry Reliable Logistics Private Limited	India	Freight forwarding and logistics business	16,000	INR10	90%
(6)	Kerry Siam Seaport Limited	Thailand	Operating deep-sea wharf and depots	65,000,000	THB10	67.88%
	Kerry TC Warehouse 1 (Block A) Limited	BVI	Warehouse ownership	1	US$1	100%
	Kerry TC Warehouse 1 (Block B) Limited	BVI	Warehouse ownership	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	10,000,000	HK$1	100%
	Kerry Warehouse (Fanling 1) Limited	HK	Warehouse ownership	2	HK$1	100%
	Kerry Warehouse (Hong Kong) Limited	HK	Logistics business	25,000,000	HK$1	100%
	Kerry Warehouse (Kwai Chung) Limited	HK	Warehouse ownership	30,000	HK$1	100%
	Kerry Warehouse (Shatin) Limited	HK	Warehouse ownership	10,000,000	HK$1	100%

43 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 Warehouse (Sheung Shui) Limited	HK	Warehouse ownership	5,000,000	HK$1	100%
	Kerry Warehouse (Tsuen Wan) Limited	HK	Warehouse ownership	2	HK$1	100%
(5)	Kerry-Aboitiz Logistics, Inc.	Philippines	Freight forwarding	16,000,000	PHP1	51%
(5)	Kerry-IntraTainer Pte. Ltd.	Singapore	Trading	350,000	SGD1	60%
(5)(6)	Kerry-ITS (Thailand) Limited	Thailand	Cleaning and repairing ISO tanks	5,000	THB100	60%
(5)(6)(8)	Kerry-ITS Terminal (Shanghai) Co., Ltd	PRC	Cleaning and repairing ISO tanks	US$450,000	–	60%
(5)	Kerry-ITS Terminal Pte. Ltd.	Singapore	Cleaning and repairing ISO tanks	1,800,000	SGD1	60%
(5)	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 service	5,000,000	HK$1	100%
	KLN Container Line Limited	BVI	Freight forwarding	1,200,000	HK$1	100%
(5)	KLN International Logistics (Macao Commercial Offshore) Limited	Macau	Data processing, database related activities and back offices	MOP100,000	–	100%
(5)(6)	Logistics (Thailand) Limited	Thailand	Investment holding	49,000 51,000[4]	THB10 THB10	100%
	Mainco Management Limited	HK	Building management	10,000	HK$1	100%
(5)	PT. Kerry Logistics Indonesia	Indonesia	Freight forwarding and logistics business	50,000	US$1	90%
(9)	Qingdao Bonded Logistics Park Kerry EAS Logistics Limited (Formerly known as Kerry EAS Logistics (Qingdao) Co., Ltd.)	PRC	Logistics business	US$200,000	–	70%
(6)(8)	Shanghai Jia Jia Trading Ltd.	PRC	Trading	RMB5,000,000	–	70%
(5)(9)	Shanghai Kerry CHJ Logistics Limited	PRC	Logistics business	HK$40,000,000	–	97%
(6)(8)	Shanghai Lingang Kerry EAS Logistics Limited	PRC	Logistics services	RMB5,000,000	–	70%
(6)(8)	Shanghai Song Jiang Kerry EAS Transportation Limited	PRC	Logistics services	RMB2,500,000	–	70%
(6)(8)	Shanghai WFTZ Kerry EAS Logistics Limited	PRC	Logistics business	RMB5,000,000	–	70%
(5)(6)(9)	Shenzhen Kerry Yantian Port Logistics Company Limited	PRC	Logistics business	RMB88,000,000	–	55%
(6)(8)	Suzhou Industrial Park District Kerry Eas Logistics Co., Ltd.	PRC	Logistics business	RMB5,000,000	–	70%
(5)	Teamwork GTS Limited	United Kingdom	Freight forwarding	50,000	GBP1	91%
(6)(8)	Tianjin Kerry Eas Customs Declaration Limited	PRC	Import and export agent	RMB1,500,000	–	70%
(6)(8)	Tianjin Kerry EAS International Trading Co., Ltd.	PRC	Trading	RMB100,000	–	70%
	Wah Cheong Company, Limited	HK	General merchants	150,000	HK$100	100%
(6)(8)	Xiamen Haicang Kerry EAS Logistics Limited	PRC	Logistics business	RMB1,000,000	–	70%
(6)(8)	Xian Kerry EAS Logistics Co., Ltd.	PRC	Logistics business	RMB5,000,000	–	70%
(6)(8)	Xinjiang Kerry EAS Logistics Limited	PRC	Logistics business	RMB3,000,000	–	70%

43 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*
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 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 Property Management Services Limited	HK	Property management	20	HK$1	100%
Kerry Real Estate Agency Limited	HK	Estate agency	2	HK$1	100%
[5][6][8] 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%

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

(ii) Principal Associated Companies

As at 31 December 2009, 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				
(5)(8) Hengyun Real Estate (Tangshan) Co., Ltd.	PRC	Property development	RMB335,000,000	40%
(5)(8) Ji Xiang Real Estate (Nanjing) Co., Ltd.	PRC	Property development	RMB300,000,000	45%
(5)(8) Ruihe Real Estate (Tangshan) Co., Ltd.	PRC	Property development	RMB168,000,000	40%
(5)(6)(8) Shanghai Pudong Kerry City Properties Co., Ltd.	PRC	Property development	US$171,361,400	40.80%
(5)(8) 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%
(5) Cardiff Investments Limited	HK	Investment holding	Ordinary	30%
Cheerjoy Development Limited	HK	Property development	Ordinary	35%
(5) Enterprico Investment Limited	HK	Loan financing	Ordinary	45%
Fine Winner Holdings Limited	HK	Hotel ownership and operation	Ordinary	30%
(5)(12) Grand Creator Investment Limited	HK	Property trading	Ordinary	40%
(5) Grand Rise Investments Limited	HK	Property investment	Ordinary	45%
(5)(12) Hang Hau Station (Project Management) Limited	HK	Project management	Ordinary	40%
(5) Jet Fame (Hong Kong) Limited	HK	Property investment	Ordinary	45%
(5) Kerry Hung Kai Warehouse (Cheung Sha Wan) Limited	HK	Warehouse operation	Ordinary	50%
(5) Orient Field Holdings Limited	HK	Property investment	Ordinary	45%
Portstewart Limited	HK	Provision of finance services	Ordinary	50%
(5)(12) Residence Oasis Finance Company Limited	HK	Provision of finance services	Ordinary	40%
(12) Time Rank Limited	HK	Property trading	Ordinary	50%
Ubagan Limited	HK	Property development	Ordinary	40%
(5) Union Top Properties Limited	HK	Property investment	Ordinary	45%
(5) Win Chanford Enterprises Limited	HK	Property investment	Ordinary	45%
(5) Wolver Hollow Company Limited	HK	Warehouse ownership	Ordinary	50%
(5)(12) Wu Wing International Company, Limited	HK	Property trading and investment	Ordinary	45%

43 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				
(5)(12) Jacksons Landing Development Pty. Limited	Australia	Property development	Ordinary	25%
(5)(12) Jacksons Landing Estate Management Pty Limited	Australia	Property management	Ordinary	25%
(5)(11) KSA Realty Corporation	Philippines	Leasing of office and commercial spaces	Common Preference	18.30%
(5) Shang Properties, Inc.	Philippines	Property development, real estate management and investment holding	Common	34.61%
(5) Shangri-La Plaza Corporation	Philippines	Operation of shopping mall and other related activities	Common Preference	27.245%
(5) SPI Parking Services, Inc. (Formerly known as EDSA Parking Services, Inc.)	Philippines	Carpark operations	Common	34.61%
(5) The Shang Grand Tower Corporation	Philippines	Property development	Common Preference	34.61%
Logistics Network Division				
(5)(11)(12) Asia Airfreight Services Limited	HK	Provision of air cargo services	Ordinary	15%
(5)(11)(12) Asia Airfreight Terminal Company Limited	HK	Air cargo handling terminal operation	Ordinary	15%
(9) Chiwan Container Terminal Co., Ltd.	PRC	Port terminal operation	US$95,300,000	25%
(5)(9) Dalian Hantong Logistics Co., Ltd	PRC	Warehousing and container maintenance	US$2,720,000	35%
(5) Ghanim International Food Corporation Sdn Bhd	Brunei Darussalam	Trading	Ordinary	50%
(5)(6) Hanjin Kerry Logistics Co., Ltd.	Korea	Logistics business	Ordinary	35%
(5) Kerry Far East Logistics (Bangladesh) Limited	Bangladesh	Freight forwarding	Ordinary	45.50%
(5) Kerry Salvat Logistics, S.A.	Spain	Freight forwarding	Ordinary	50%
(5)(6) Kerry Samyoung Logistics (Korea) Ltd.	Korea	Logistics services	Common	30.60%
Kerry Talke Chemical Logistics (Hong Kong) Limited	HK	Investment holding	Ordinary	50%
(5)(6)(8) Kerry Talke Chemical Logistics (Shanghai) Limited	PRC	Logistics business	US$2,100,000	50%
Kerry Wincanton Limited	HK	Logistics business	Ordinary	50%
(5) Kuok Pengangkutan Sdn. Bhd.	Malaysia	Distribution and logistics business	Ordinary	46.60%
(5) T.Join Transportation Co.,Ltd	Taiwan	Transportation and logistics business	Ordinary	19.45%

43 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				
(5)(6)(9)(11) Hohhot Chunhua KVW Water Treatment Company Limited	PRC	Water treatment facilities ownership and management	RMB192,329,200	13%
(5)(6)(9)(11) Hohhot Chunhua VWK Water Operation Company Limited	PRC	Water treatment facilities operation and maintenance	RMB14,000,000	19.50%
(11)(12) Hong Kong Transport, Logistics and Management Company Limited	HK	Tunnel management, operation and maintenance	Ordinary	15%
Kerry CQ Water (Hohhot) Limited	HK	Investment holding	Ordinary	50%
(5) KVW Investment Company Limited	HK	Investment holding	Ordinary	25.50%
(11)(12) Western Harbour Tunnel Company Limited	HK	Tunnel operation and management	Ordinary	15%
Other Divisions				
Shine Up Holdings Limited	Samoa	Aircraft holding	Ordinary	25%

Notes:

(1) *All being ordinary shares and fully paid up except otherwise stated*
(2) *common shares*
(3) *non-voting deferred shares*
(4) *preference shares*
(5) *companies not audited by PricewaterhouseCoopers*
(6) *English translation of name only*
(7) *deemed subsidiary*
(8) *wholly foreign-owned enterprise*
(9) *sino-foreign equity joint venture enterprise*
(10) *domestic joint venture enterprise*
(11) *deemed associated company*
(12) *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:

	2009 HK$'000	2008 HK$'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
Income statement										
Turnover	**12,938,283**	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
Operating profit	**5,913,139**	4,160,506	7,463,941	5,387,944	3,246,173	1,732,612	436,564	678,896	527,285	790,939
Share of results of associated companies	**920,621**	298,863	431,976	450,917	510,105	555,503	135,758	108,838	(272,780)	140,917
Profit before taxation	**6,833,760**	4,459,369	7,895,917	5,838,861	3,756,278	2,288,115	572,322	787,734	254,505	931,856
Taxation	**(1,917,912)**	(1,085,978)	(1,014,564)	(889,531)	(494,199)	139,910	(111,192)	(175,988)	(83,165)	(118,840)
Profit after taxation	**4,915,848**	3,373,391	6,881,353	4,949,330	3,262,079	2,428,025	461,130	611,746	171,340	813,016
Minority interests	**(524,802)**	(322,798)	(318,261)	(260,380)	(195,216)	(156,892)	(66,389)	(12,075)	(23,910)	(82,383)
Profit attributable to shareholders	**4,391,046**	3,050,593	6,563,092	4,688,950	3,066,863	2,271,133	394,741	599,671	147,430	730,633
Breakdown of the profit/(loss) attributable to shareholders by division:										
PRC Property Division	**1,485,543**	1,720,302	884,804	807,153	372,020	548,303	299,661	237,508	292,647	252,382
Hong Kong Property Division	**2,108,296**	705,618	4,716,769	2,675,562	1,429,102	1,187,302	(212,738)	550	(471,996)	195,977
Overseas Property Division	**95,271**	(12,514)	58,585	36,227	68,091	26,696	26,203	31,940	32,074	23,461
Logistics Network Division	**604,282**	597,209	812,257	1,173,036	1,085,152	438,297	92,253	158,739	57,037	64,845
Infrastructure Division	**69,922**	60,216	42,734	31,420	38,473	30,581	149,169	101,484	217,006	86,168
Project, property management and others	**27,732**	(20,238)	47,943	(34,448)	74,025	39,954	40,193	69,450	20,662	107,800
	4,391,046	3,050,593	6,563,092	4,688,950	3,066,863	2,271,133	394,741	599,671	147,430	730,633
Assets and liabilities										
Fixed assets	**51,582,737**	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
Other assets	**12,054,100**	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
Net current assets	**16,356,262**	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
Total assets less current liabilities	**79,993,099**	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
Long-term liabilities and minority interests	**(29,568,056)**	(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)
Shareholders' funds	**50,425,043**	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

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

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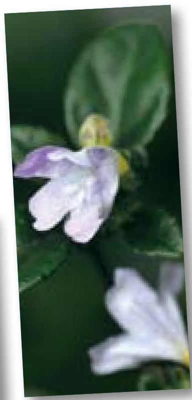

The design of this report highlights the strategic positioning of the Group, in terms of both geography and market focus. The Group will continue to map out new business initiatives that aim to strengthen its leadership and presence in the market segments in which it operates.

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