# 2010






# INTERIM REPORT

For the six months ended 30 June 2010

KERRY PROPERTIES LIMITED

*(Incorporated in Bermuda with limited liability)*

Stock Code : 683

# 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

**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***
10 September 2010 to 13 September 2010

***Proposed Payment of Interim Dividend***
17 September 2010

## INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2010

The Board of Directors (the "Board") of Kerry Properties Limited (the "Company") report the unaudited interim results of the Company, its subsidiaries and associated companies (the "Group") for the six months ended 30 June 2010. The Audit Committee of the Board has met to review the results and the financial statements of the Group for the six months ended 30 June 2010 prior to recommending them to the Board for approval.

The Group's consolidated net profit attributable to shareholders for the six months ended 30 June 2010 as shown in the consolidated income statement was HK$2,653 million, representing an increase of 41% compared with HK$1,876 million reported for the same period in 2009. 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$841 million for the six months ended 30 June 2010 (2009: HK$890 million). Before taking into account the effects of the aforementioned increase in fair value, the Group recorded an increase of 84% in profit attributable to shareholders to HK$1,812 million for the six months ended 30 June 2010 (2009: HK$986 million).

Earnings per share for the six months ended 30 June 2010 were HK$1.85, representing an increase of 41% compared with HK$1.31 per share for the same period in 2009. The basis of calculating the earnings per share is detailed in note 5 below.

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:

| | **Six months ended 30 June** | | |
|---|---|---|---|
| | **2010** | 2009 | |
| | ***HK$ million*** | *HK$ million* | Change |
| Profit attributable to shareholders before taking into account the net increase in fair value of investment properties and related tax effects | **1,812** | 986 | +84% |
| Add: | | | |
| Net increase in fair value of investment properties and related tax effects | **841** | 890 | |
| Profit attributable to shareholders after taking into account the net increase in fair value of investment properties and related tax effects | **2,653** | 1,876 | +41% |

The Directors have declared an interim dividend of HK$0.35 per share for the six months ended 30 June 2010 (2009: HK$0.3), which is payable on Friday, 17 September 2010 to shareholders whose names appear on the Registers of Members of the Company on Monday, 13 September 2010.

At the Company's Annual General Meeting held on 4 May 2010, shareholders approved the final dividend of HK$0.4 per share for the year ended 31 December 2009 which amounted to a total of approximately HK$574 million and was paid on 11 May 2010.

## CONSOLIDATED INCOME STATEMENT

| | Note | Unaudited Six months ended 30 June **2010** *HK$'000* | 2009 *HK$'000* (Restated) |
|---|---|---|---|
| Turnover | 2 | **11,697,610** | 5,404,729 |
| Cost of sales | | **(4,268,350)** | (491,886) |
| Direct operating expenses | | **(4,479,679)** | (3,085,030) |
| Gross profit | | **2,949,581** | 1,827,813 |
| Other income and net gains | | **79,609** | 229,011 |
| Administrative expenses | | **(549,636)** | (514,970) |
| | | **2,479,554** | 1,541,854 |
| Increase in fair value of investment properties | | **943,654** | 881,896 |
| Operating profit before finance costs | | **3,423,208** | 2,423,750 |
| Finance costs | | **(20,670)** | (42,096) |
| Operating profit | 2,3 | **3,402,538** | 2,381,654 |
| Share of results of associated companies | | **410,390** | 594,097 |
| Profit before taxation | | **3,812,928** | 2,975,751 |
| Taxation | 4 | **(889,365)** | (726,632) |
| Profit for the period | | **2,923,563** | 2,249,119 |
| Profit attributable to: | | | |
| Company's shareholders | | **2,652,628** | 1,876,199 |
| Non-controlling interests | | **270,935** | 372,920 |
| | | **2,923,563** | 2,249,119 |
| Interim dividend | | **502,100** | 428,310 |
| Interim dividend per share | | **HK$0.35** | HK$0.30 |
| Earnings per share | 5 | | |
| – Basic | | **HK$1.85** | HK$1.31 |
| – Diluted | | **HK$1.83** | HK$1.30 |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Unaudited<br>Six months ended 30 June<br>**2010**<br>***HK$'000*** | <br><br>2009<br>*HK$'000*<br>(Restated) |
|---|---|---|
| Profit for the period | **2,923,563** | 2,249,119 |
| Other comprehensive income | | |
| Deferred tax charged to reserves | **(413)** | (2,168) |
| Fair value gain on available-for-sale investments | **73,542** | 80,233 |
| Share of other comprehensive income of associated companies | **691** | 2,132 |
| Net translation differences on foreign operations | **336,477** | 27,343 |
| Other comprehensive income for the period (net of tax) | **410,297** | 107,540 |
| Total comprehensive income for the period | **3,333,860** | 2,356,659 |
| Total comprehensive income attributable to: | | |
| Company's shareholders | **2,981,682** | 1,974,449 |
| Non-controlling interests | **352,178** | 382,210 |
| | **3,333,860** | 2,356,659 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Note | **Unaudited As at 30 June 2010** ***HK$'000*** | Restated As at 31 December 2009 *HK$'000* |
|---|---|---|---|
| ASSETS AND LIABILITIES | | | |
| Non-current assets | | | |
| Property, plant and equipment | | **3,376,072** | 3,334,859 |
| Investment properties | | **36,173,711** | 34,857,247 |
| Leasehold land and land use rights | | **329,749** | 317,906 |
| Properties under development | | **14,421,852** | 13,355,118 |
| Land deposits | | **2,576,880** | 2,553,084 |
| Associated companies | | **8,251,357** | 7,439,298 |
| Derivative financial instruments | | **47,148** | 14,263 |
| Available-for-sale investments | | **1,574,606** | 1,501,034 |
| Long-term receivables | | **20,491** | 23,409 |
| Goodwill | | **523,012** | 523,012 |
| | | **67,294,878** | 63,919,230 |
| Current assets | | | |
| Properties under development | | **9,125,656** | 10,599,736 |
| Completed properties held for sale | | **2,200,296** | 4,378,262 |
| Accounts receivable, prepayments and deposits | 6 | **7,080,831** | 2,435,669 |
| Tax recoverable | | **261,567** | 82,060 |
| Tax reserve certificates | | **86,103** | 64,671 |
| Listed securities at fair value through profit or loss | | **178,475** | 162,253 |
| Restricted and pledged bank deposits | | **96,273** | 48,790 |
| Cash and bank balances | | **8,883,063** | 6,655,585 |
| | | **27,912,264** | 24,427,026 |
| Current liabilities | | | |
| Accounts payable, deposits received and accrued charges | 7 | **5,162,954** | 5,936,519 |
| Taxation | | **1,786,578** | 1,480,444 |
| Short-term bank loans and current portion of long-term bank loans | 8 | **6,613,556** | 429,782 |
| Convertible bonds | 9 | **–** | 142,526 |
| Derivative financial instruments | | **31,244** | 79,960 |
| Secured bank overdrafts | | **1,339** | 1,065 |
| Unsecured bank overdrafts | | **1,676** | 468 |
| | | **13,597,347** | 8,070,764 |
| Net current assets | | **14,314,917** | 16,356,262 |
| Total assets less current liabilities | | **81,609,795** | 80,275,492 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

| | Note | **Unaudited As at 30 June 2010 *HK$'000*** | Restated As at 31 December 2009 *HK$'000* |
|---|---|---|---|
| Non-current liabilities | | | |
| Long-term bank loans | 8 | **7,589,937** | 9,619,511 |
| Convertible bonds | 9 | **2,527,262** | 2,462,238 |
| Fixed rate bonds | | **3,256,098** | 3,240,870 |
| Amounts due to non-controlling interests | | **2,826,486** | 2,796,071 |
| Deferred taxation | | **4,614,085** | 4,318,642 |
| | | **20,813,868** | 22,437,332 |
| ASSETS LESS LIABILITIES | | **60,795,927** | 57,838,160 |
| EQUITY | | | |
| Capital and reserves attributable to the Company's shareholders | | | |
| Share capital | | **1,434,571** | 1,428,953 |
| Share premium | | **12,094,680** | 11,926,986 |
| Other reserves | | **13,413,706** | 13,063,618 |
| Retained profits | | **25,825,515** | 23,677,716 |
| Proposed dividend | | **502,100** | 571,581 |
| | | **53,270,572** | 50,668,854 |
| Non-controlling interests | | **7,525,355** | 7,169,306 |
| TOTAL EQUITY | | **60,795,927** | 57,838,160 |

## FINANCIAL HIGHLIGHTS

| | **30 June 2010** | 31 December 2009 |
|---|---|---|
| Equity attributable to the Company's shareholders *(HK$ million)* | **53,271** | 50,669 |
| Net borrowings (including bonds) *(HK$ million)* | **11,011** | 9,192 |
| Net asset value (attributable to the Company's shareholders) per share | **HK$37.13** | HK$35.46 |
| Gearing (Net borrowings/Equity attributable to the Company's shareholders) | **20.7%** | 18.1% |

## CONSOLIDATED STATEMENT OF CASH FLOWS

| | Unaudited Six months ended 30 June 2010 HK$'000 | 2009 HK$'000 |
|---|---|---|
| **Operating activities** | | |
| Net cash generated from operations | **986,165** | 2,102,692 |
| Interest paid | **(252,762)** | (222,065) |
| Income tax paid | **(520,538)** | (218,924) |
| Net cash generated from operating activities | **212,865** | 1,661,703 |
| **Investing activities** | | |
| Additions of property, plant and equipment, investment properties and properties under development | **(1,282,745)** | (667,888) |
| Purchase of leasehold land and land use rights | **–** | (32,131) |
| Increase in land deposits | **(5,790)** | (844,838) |
| Acquisition of subsidiaries | **(59,129)** | (5,906) |
| Acquisition of additional interest in subsidiaries | **(1,567)** | – |
| Increase in investments in associated companies | **(43,472)** | (52,000) |
| Additional loans to associated companies | **(327,643)** | (224,246) |
| Proceeds from sale of available-for-sale investments | **–** | 2,847 |
| Decrease/(increase) in long-term receivables | **3,058** | (1,547) |
| Interest received | **25,270** | 33,906 |
| Increase in restricted and pledged bank deposits | **(47,023)** | (1,550) |
| Dividends received from associated companies | **31,379** | 44,768 |
| Dividends received from listed and unlisted investments | **44,740** | 28,164 |
| Proceeds from sale of property, plant and equipment and investment properties | **30,843** | 1,325,549 |
| Net cash used in investing activities | **(1,632,079)** | (394,872) |
| **Financing activities** | | |
| Proceeds from issue of shares | **16,472** | 4,440 |
| Repayment of bank loans | **(2,260,251)** | (4,405,594) |
| Drawdown of bank loans | **6,400,468** | 4,111,049 |
| Dividends paid | **(573,774)** | (570,906) |
| Capital injection from non-controlling interests | **100,097** | 438,497 |
| Dividends paid to non-controlling interests | **(94,699)** | (12,066) |
| Return of capital to non-controlling interests | **–** | (366) |
| Increase/(decrease) in loans from non-controlling interests | **30,415** | (52,136) |
| Net cash generated from/(used in) financing activities | **3,618,728** | (487,082) |
| **Increase in cash and cash equivalents** | **2,199,514** | 779,749 |
| **Effect of exchange rate changes** | **26,482** | 13,215 |
| **Cash and cash equivalents at 1 January** | **6,654,052** | 4,066,426 |
| **Cash and cash equivalents at 30 June** | **8,880,048** | 4,859,390 |
| **Analysis of balances of cash and cash equivalents** | | |
| Cash and bank balances | **8,883,063** | 4,873,225 |
| Secured bank overdrafts | **(1,339)** | (4,480) |
| Unsecured bank overdrafts | **(1,676)** | (9,355) |
| | **8,880,048** | 4,859,390 |

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – UNAUDITED

| | Attributable to 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* | Non-controlling interests *HK$'000* | Total equity *HK$'000* |
| Balance as at 1 January 2010, as previously reported | 1,428,953 | 11,926,986 | 12,464,002 | 24,033,521 | 571,581 | 50,425,043 | 7,169,306 | 57,594,349 |
| Adjustment for adoption of amendment to HKAS 17 | – | – | 599,616 | (355,805) | – | 243,811 | – | 243,811 |
| Balance as at 1 January 2010, as restated | 1,428,953 | 11,926,986 | 13,063,618 | 23,677,716 | 571,581 | 50,668,854 | 7,169,306 | 57,838,160 |
| Profit for the period | – | – | – | 2,652,628 | – | 2,652,628 | 270,935 | 2,923,563 |
| Deferred tax charged to reserves | – | – | (294) | – | – | (294) | (119) | (413) |
| Fair value gain on available-for-sale investments | – | – | 73,542 | – | – | 73,542 | – | 73,542 |
| Fair value gain on derivative financial instruments – cash flow hedge of an associated company | – | – | 262 | – | – | 262 | – | 262 |
| Share of exchange reserve of an associated company | – | – | 429 | – | – | 429 | – | 429 |
| Net translation differences on foreign operations | – | – | 255,115 | – | – | 255,115 | 81,362 | 336,477 |
| Total comprehensive income for the six months ended 30 June 2010 | – | – | 329,054 | 2,652,628 | – | 2,981,682 | 352,178 | 3,333,860 |
| Issue of share capital – exercise of share options | 956 | 21,128 | (5,612) | – | – | 16,472 | – | 16,472 |
| – conversion of convertible bonds | 4,662 | 146,566 | (6,946) | – | – | 144,282 | – | 144,282 |
| Employee share option scheme – value of employee services | – | – | 33,096 | – | – | 33,096 | – | 33,096 |
| Dividends paid | – | – | – | (2,193) | (571,581) | (573,774) | (94,699) | (668,473) |
| 2010 proposed interim dividend | – | – | – | (502,100) | 502,100 | – | – | – |
| Transfer | – | – | 536 | (536) | – | – | – | – |
| Acquisition of additional interest in subsidiaries | – | – | (40) | – | – | (40) | (1,527) | (1,567) |
| Capital injection from non-controlling interests | – | – | – | – | – | – | 100,097 | 100,097 |
| | 5,618 | 167,694 | 21,034 | (504,829) | (69,481) | (379,964) | 3,871 | (376,093) |
| Balance as at 30 June 2010 | 1,434,571 | 12,094,680 | 13,413,706 | 25,825,515 | 502,100 | 53,270,572 | 7,525,355 | 60,795,927 |

| | Attributable to 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 | Non-controlling interests HK$'000 | Total equity HK$'000 |
| Balance as at 1 January 2009, as previously reported | 1,427,190 | 11,899,348 | 11,998,505 | 20,642,488 | 570,876 | 46,538,407 | 6,005,376 | 52,543,783 |
| Adjustment for adoption of amendment to HKAS 17 | – | – | 549,351 | (349,087) | – | 200,264 | – | 200,264 |
| Balance as at 1 January 2009, as restated | 1,427,190 | 11,899,348 | 12,547,856 | 20,293,401 | 570,876 | 46,738,671 | 6,005,376 | 52,744,047 |
| Profit for the period | – | – | – | 1,876,199 | – | 1,876,199 | 372,920 | 2,249,119 |
| Deferred tax charged to reserves | – | – | (1,545) | – | – | (1,545) | (623) | (2,168) |
| Fair value gain on available-for-sale investments | – | – | 80,233 | – | – | 80,233 | – | 80,233 |
| Fair value gain on derivative financial instruments – cash flow hedge of an associated company | – | – | 1,881 | – | – | 1,881 | – | 1,881 |
| Share of exchange reserve of an associated company | – | – | 251 | – | – | 251 | – | 251 |
| Net translation differences on foreign operations | – | – | 17,430 | – | – | 17,430 | 9,913 | 27,343 |
| Total comprehensive income for the six months ended 30 June 2009 | – | – | 98,250 | 1,876,199 | – | 1,974,449 | 382,210 | 2,356,659 |
| Issue of share capital – exercise of share options | 510 | 4,456 | (526) | – | – | 4,440 | – | 4,440 |
| Employee share option scheme – value of employee services | – | – | 57,354 | – | – | 57,354 | – | 57,354 |
| Dividends paid | – | – | – | (30) | (570,876) | (570,906) | (12,066) | (582,972) |
| 2009 proposed interim dividend | – | – | – | (428,310) | 428,310 | – | – | – |
| Acquisition of subsidiaries | – | – | – | – | – | – | 8,616 | 8,616 |
| Return of capital to non-controlling interests | – | – | – | – | – | – | (366) | (366) |
| Capital injection from non-controlling interests | – | – | – | – | – | – | 438,497 | 438,497 |
| | 510 | 4,456 | 56,828 | (428,340) | (142,566) | (509,112) | 434,681 | (74,431) |
| Balance as at 30 June 2009 | 1,427,700 | 11,903,804 | 12,702,934 | 21,741,260 | 428,310 | 48,204,008 | 6,822,267 | 55,026,275 |

# NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

**1. Basis of preparation and accounting policies**

These unaudited condensed consolidated interim financial statements are prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

These condensed consolidated interim financial statements should be read in conjunction with the 2009 annual financial statements. Except as described below, the accounting policies used in the preparation of these condensed interim financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2009.

The following new or revised standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2010:

– HKFRS 2 (Amendment), 'Group cash settled share-based payment transactions'
– HKFRS 3 (Revised), 'Business combinations'
– HKAS 27 (Revised), 'Consolidated and separate financial statements'
– HKAS 39 (Amendment), 'Financial instruments: recognition and measurement' – 'Eligible hedged items'
– HK(IFRIC) – Int 17, 'Distributions of non-cash assets to owners'
– Improvements to HKFRSs 2009

In particular, the amendment included in 'Improvements to HKFRSs 2009' that has had a material impact on the Group's accounting policies is the amendment to HKAS 17, 'Leases'.

HKAS 17 (Amendment), 'Leases', deletes specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating lease using the general principles of HKAS 17 based on whether the lease transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Prior to the amendment, land interest which title is not expected to pass to the Group by the end of lease term was classified as operating lease under "Leasehold land and land use rights", and amortised over the lease term.

HKAS 17 (Amendment) has been applied retrospectively for annual periods beginning 1 January 2010 in accordance with the effective date and transitional provisions of the amendment. The Group has reassessed the classification of unexpired leasehold land and land use rights as at 1 January 2010 on the basis of information existing at the inception of those leases, and recognised certain leasehold land as finance lease retrospectively. As a result of the reassessment, the Group has reclassified certain leasehold land from operating lease to finance lease.

For the property interest classified as finance lease and held for own use, that land interest is accounted for as 'Property, plant and equipment' and is stated at fair value based on periodic valuations less subsequent depreciation. For the property interest classified as finance lease and held for sale in the ordinary course of business or in the process of being developed for such sale, that land interest is accounted for as inventory under 'Properties under development' and is stated at the lower of cost and net realisable value. Prior to the amendment, the amortisation of the land interest during the construction period is capitalised.

The effect of the adoption of this amendment is as below:

| | **As at 30 June 2010** | As at 31 December 2009 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Decrease in leasehold land and land use rights | **(68,776)** | (71,307) |
| Increase in property, plant and equipment | **346,610** | 353,700 |
| Increase in deferred taxation | **38,582** | 38,582 |
| Decrease in retained profits | **(360,364)** | (355,805) |
| Increase in other reserves | **599,616** | 599,616 |

| | **Six months ended 30 June** | |
|---|---|---|
| | **2010** | 2009 |
| | ***HK$'000*** | *HK$'000* |
| Increase in direct operating expenses | **4,559** | 3,359 |

The adoption of this amendment also resulted in a decrease in opening retained profits at 1 January 2009 by HK$349,087,000.

The following new or revised standards and interpretations have been issued, but not effective for the financial year beginning 1 January 2010 and have not been early adopted:

- HKFRS 9, 'Financial instruments'
- HKAS 24 (Revised), 'Related party disclosures'
- HKAS 32 (Amendment), 'Classification of rights issues'
- HK(IFRIC) – Int 14 (Amendment), 'Prepayments of a minimum funding requirement'
- HK(IFRIC) – Int 19, 'Extinguishing financial liabilities with equity instruments'
- Improvements to HKFRSs 2010

The Group will adopt the above new or revised standards and interpretations 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.

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)

### 2. Principal activities and segmental analysis of operations

(a) An analysis of the Group's turnover and contribution to operating profit for the six months ended 30 June 2010 by principal activities and markets is as follows:

| | Turnover Six months ended 30 June | | Operating profit Six months ended 30 June | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* (Restated) |
| Principal activities: | | | | |
| Property rental | | | | |
| – People's Republic of China ("PRC") property | **398,004** | 416,465 | **284,439** | 298,630 |
| – Hong Kong property | **282,956** | 269,953 | **202,116** | 168,685 |
| | **680,960** | 686,418 | **486,555** | 467,315 |
| Property sales (Note) | | | | |
| – PRC property | **746,464** | 762,941 | **456,320** | 389,096 |
| – Hong Kong property | **5,449,929** | 497,570 | **1,076,615** | 332,892 |
| | **6,196,393** | 1,260,511 | **1,532,935** | 721,988 |
| Hotel operations – PRC property | **138,455** | 109,441 | **21,211** | 10,005 |
| Logistics operations | **4,625,858** | 3,284,679 | **349,493** | 266,840 |
| Infrastructure | **–** | – | **(88)** | (225) |
| Project, property management and others | **55,944** | 63,680 | **68,778** | 33,835 |
| | **11,697,610** | 5,404,729 | **2,458,884** | 1,499,758 |
| Increase in fair value of investment properties | **–** | – | **943,654** | 881,896 |
| | **11,697,610** | 5,404,729 | **3,402,538** | 2,381,654 |
| Principal markets: | | | | |
| PRC | **3,450,353** | 2,826,421 | **1,399,866** | 1,443,962 |
| Hong Kong | **6,720,618** | 1,659,827 | **1,921,569** | 917,603 |
| United Kingdom | **513,530** | 290,890 | **19,343** | 13,756 |
| Others | **1,013,109** | 627,591 | **61,760** | 6,333 |
| | **11,697,610** | 5,404,729 | **3,402,538** | 2,381,654 |

Note: Analysis of proceeds from sale of properties

| | Six months ended 30 June | |
|---|---|---|
| | **2010** | 2009 |
| | ***HK$'000*** | *HK$'000* |
| Property sales proceeds (as above) | | |
| – PRC property | **746,464** | 762,941 |
| – Hong Kong property | **5,449,929** | 497,570 |
| | **6,196,393** | 1,260,511 |
| Sales proceeds from investment properties | | |
| – PRC property | **6,507** | – |
| – Hong Kong property | **–** | 614,451 |
| | **6,507** | 614,451 |
| Total property sales proceeds | | |
| – PRC property | **752,971** | 762,941 |
| – Hong Kong property | **5,449,929** | 1,112,021 |
| | **6,202,900** | 1,874,962 |

(b) An analysis of the Group's revenue and results for the six months ended 30 June 2010 by operating segments is as follows:

| | Six months ended 30 June 2010 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 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 | 1,282,923 | 5,732,885 | – | 4,625,858 | – | 55,944 | – | 11,697,610 |
| Inter-segment revenue | – | – | – | – | – | 50,415 | (50,415) | – |
| Inter-segment interest income | – | – | – | – | – | 271,153 | (271,153) | – |
| | 1,282,923 | 5,732,885 | – | 4,625,858 | – | 377,512 | (321,568) | 11,697,610 |
| **Results** | | | | | | | | |
| Segment results before increase in fair value of investment properties | 707,392 | 1,380,562 | (3,905) | 355,500 | (189) | 241,337 | (271,153) | 2,409,544 |
| Increase in fair value of investment properties | 568,654 | 375,000 | – | – | – | – | – | 943,654 |
| Segment results | 1,276,046 | 1,755,562 | (3,905) | 355,500 | (189) | 241,337 | (271,153) | 3,353,198 |
| Dividend income | – | 30,759 | 13,981 | – | – | – | – | 44,740 |
| Interest income | 15,066 | 4,205 | – | 4,208 | 535 | 1,256 | – | 25,270 |
| Interest expenses | (731) | (86,249) | – | (10,215) | (434) | (194,194) | 271,153 | (20,670) |
| Operating profit/(loss) | 1,290,381 | 1,704,277 | 10,076 | 349,493 | (88) | 48,399 | – | 3,402,538 |
| Share of results of associated companies | 152,271 | 110,591 | (776) | 114,080 | 37,353 | (3,129) | – | 410,390 |
| Profit before taxation | 1,442,652 | 1,814,868 | 9,300 | 463,573 | 37,265 | 45,270 | – | 3,812,928 |
| Taxation | (531,304) | (272,794) | 7,021 | (86,239) | – | (6,049) | – | (889,365) |
| Profit for the period | 911,348 | 1,542,074 | 16,321 | 377,334 | 37,265 | 39,221 | – | 2,923,563 |
| Profit attributable to: | | | | | | | | |
| Company's shareholders | 685,360 | 1,542,139 | 16,321 | 332,322 | 37,265 | 39,221 | – | 2,652,628 |
| Non-controlling interests | 225,988 | (65) | – | 45,012 | – | – | – | 270,935 |
| | 911,348 | 1,542,074 | 16,321 | 377,334 | 37,265 | 39,221 | – | 2,923,563 |
| **Depreciation and amortisation** | 19,916 | 2,996 | – | 90,876 | – | 1,358 | – | 115,146 |

## 2. Principal activities and segmental analysis of operations (continued)

(b) (continued)

| | Six months ended 30 June 2009 (Restated) | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 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 | 1,288,847 | 767,523 | – | 3,284,679 | – | 63,680 | – | 5,404,729 |
| Inter-segment revenue | – | – | – | – | – | 34,078 | (34,078) | – |
| Inter-segment interest income | – | – | – | – | – | 248,748 | (248,748) | – |
| | 1,288,847 | 767,523 | – | 3,284,679 | – | 346,506 | (282,826) | 5,404,729 |
| **Results** | | | | | | | | |
| Segment results before increase in fair value of investment properties | 647,924 | 573,745 | (1,063) | 281,721 | (210) | 226,415 | (248,748) | 1,479,784 |
| Increase in fair value of investment properties | 698,086 | 183,810 | – | – | – | – | – | 881,896 |
| Segment results | 1,346,010 | 757,555 | (1,063) | 281,721 | (210) | 226,415 | (248,748) | 2,361,680 |
| Dividend income | – | 21,180 | 6,984 | – | – | – | – | 28,164 |
| Interest income | 13,684 | 5,584 | 1,275 | 3,269 | 777 | 9,317 | – | 33,906 |
| Interest expenses | (8,858) | (45,768) | – | (18,150) | (792) | (217,276) | 248,748 | (42,096) |
| Operating profit/(loss) | 1,350,836 | 738,551 | 7,196 | 266,840 | (225) | 18,456 | – | 2,381,654 |
| Share of results of associated companies | 450,424 | 6,920 | 36,148 | 71,834 | 31,054 | (2,283) | – | 594,097 |
| Profit before taxation | 1,801,260 | 745,471 | 43,344 | 338,674 | 30,829 | 16,173 | – | 2,975,751 |
| Taxation | (566,084) | (88,251) | (5,570) | (60,389) | – | (6,338) | – | (726,632) |
| Profit for the period | 1,235,176 | 657,220 | 37,774 | 278,285 | 30,829 | 9,835 | – | 2,249,119 |
| Profit attributable to: | | | | | | | | |
| Company's shareholders | 897,616 | 654,026 | 37,774 | 246,110 | 30,838 | 9,835 | – | 1,876,199 |
| Non-controlling interests | 337,560 | 3,194 | – | 32,175 | (9) | – | – | 372,920 |
| | 1,235,176 | 657,220 | 37,774 | 278,285 | 30,829 | 9,835 | – | 2,249,119 |
| **Depreciation and amortisation** | 20,203 | 3,880 | – | 88,236 | – | 1,371 | – | 113,690 |

(c) An analysis of the Group's total assets as at 30 June 2010 by operating segments is as follows:

| | As at 30 June 2010 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | PRC Property | Hong Kong Property | Overseas Property | Logistics | Infrastructure | Others | Eliminations | Consolidated |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Total assets | **40,708,987** | **36,606,029** | **1,953,152** | **12,927,420** | **904,557** | **37,976,162** | **(35,869,165)** | **95,207,142** |

| | As at 31 December 2009 (Restated) | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | PRC Property | Hong Kong Property | Overseas Property | Logistics | Infrastructure | Others | Eliminations | Consolidated |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Total assets | 38,754,879 | 34,365,265 | 1,929,802 | 12,444,648 | 872,803 | 33,949,794 | (33,970,935) | 88,346,256 |

## 3. Operating profit

| | Six months ended 30 June | |
|---|---|---|
| | **2010** | 2009 |
| | ***HK$'000*** | *HK$'000* |
| | | (Restated) |
| Operating profit is stated after crediting/charging the following: | | |
| *Crediting* | | |
| Dividend income from listed and unlisted investments | **44,740** | 28,164 |
| Interest income | **25,270** | 33,906 |
| Gain on sale of properties | **1,532,935** | 721,988 |
| *Charging* | | |
| Depreciation and amortisation | **115,146** | 113,690 |
| Total finance costs incurred | **321,054** | 288,361 |
| Less: amount capitalised in properties under development | **(218,783)** | (224,709) |
| | **102,271** | 63,652 |
| Fair value gain on derivative financial instruments | **(81,601)** | (21,556) |
| | **20,670** | 42,096 |

## 4. Taxation

| | Six months ended 30 June 2010 HK$'000 | 2009 HK$'000 |
|---|---|---|
| The taxation (charge)/credit comprises: | | |
| PRC taxation | | |
| Current | **(378,955)** | (373,296) |
| Underprovision in prior years | **(284)** | – |
| Deferred | **(179,145)** | (214,992) |
| | **(558,384)** | (588,288) |
| Hong Kong profits tax | | |
| Current | **(221,963)** | (83,919) |
| Overprovision in prior years | **9** | 21 |
| Deferred | **(90,651)** | (38,524) |
| | **(312,605)** | (122,422) |
| Overseas taxation | | |
| Current | **(26,209)** | (17,274) |
| Overprovision in prior years | **10,884** | – |
| Deferred | **(3,051)** | 1,352 |
| | **(18,376)** | (15,922) |
| | **(889,365)** | (726,632) |

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profit for the six months ended 30 June 2010. Income tax on PRC and overseas profits has been calculated on the estimated assessable profit for the six months ended 30 June 2010 at the respective rates of taxation prevailing in the PRC and the overseas countries in which the Group operates.

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.

## 5. 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 shares in issue during the period.

| | Six months ended 30 June | |
|---|---|---|
| | **2010** | 2009 |
| Weighted average number of shares in issue | **1,431,488,482** | 1,427,337,842 |
| | ***HK$'000*** | *HK$'000* (Restated) |
| Profit attributable to shareholders | **2,652,628** | 1,876,199 |
| Basic earnings per share | **HK$1.85** | HK$1.31 |

***Diluted***

Diluted earnings per share is calculated by adjusting the profit attributable to shareholders of the Company and the weighted average number of shares outstanding for the effects of all dilutive potential shares.

| | Six months ended 30 June | |
|---|---|---|
| | **2010** | 2009 |
| Weighted average number of shares in issue | **1,431,488,482** | 1,427,337,842 |
| Adjustment for convertible bonds | **46,728,311** | 49,296,291 |
| Adjustment for share options | **5,650,949** | 2,852,372 |
| Weighted average number of shares for the purpose of calculating diluted earnings per share | **1,483,867,742** | 1,479,486,505 |
| | ***HK$'000*** | *HK$'000* (Restated) |
| Profit attributable to shareholders | **2,652,628** | 1,876,199 |
| Adjustment for finance cost on convertible bonds | **55,760** | 54,355 |
| Profit used to determine diluted earnings per share | **2,708,388** | 1,930,554 |
| Diluted earnings per share | **HK$1.83** | HK$1.30 |

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)

### 6. Accounts receivable, prepayments and deposits

Included in accounts receivable, prepayments and deposits are trade receivables. The Group maintains a defined credit policy. The ageing analysis of trade receivables as at 30 June 2010 is as follows:

| | **As at 30 June 2010** *HK$'000* | As at 31 December 2009 *HK$'000* |
|---|---|---|
| Below 1 month | **4,883,108** | 756,289 |
| Between 1 month and 3 months | **564,999** | 535,751 |
| Over 3 months | **129,615** | 110,801 |
| | **5,577,722** | 1,402,841 |

### 7. Accounts payable, deposits received and accrued charges

Included in accounts payable, deposits received and accrued charges are trade payables. The ageing analysis of trade payables as at 30 June 2010 is as follows:

| | **As at 30 June 2010** *HK$'000* | As at 31 December 2009 *HK$'000* |
|---|---|---|
| Below 1 month | **289,596** | 382,609 |
| Between 1 month and 3 months | **121,516** | 198,649 |
| Over 3 months | **202,341** | 109,721 |
| | **613,453** | 690,979 |

### 8. Bank loans

| | **As at 30 June 2010** *HK$'000* | As at 31 December 2009 *HK$'000* |
|---|---|---|
| Bank loans – unsecured | **13,621,575** | 9,703,065 |
| Bank loans – secured | **581,918** | 346,228 |
| Total bank loans (note (i)) | **14,203,493** | 10,049,293 |
| Less: Short-term bank loans and current portion of long-term bank loans | **(6,613,556)** | (429,782) |
| | **7,589,937** | 9,619,511 |

(i) As at 30 June 2010, the Group's bank loans were repayable as follows:

| | **As at 30 June 2010** | As at 31 December 2009 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Within one year | **6,613,556** | 429,782 |
| In the second to fifth year | | |
| – In the second year | **3,113,776** | 4,152,844 |
| – In the third year | **3,661,772** | 3,999,458 |
| – In the fourth year | **462,234** | 1,328,131 |
| – In the fifth year | **84,773** | 50,528 |
| | **7,322,555** | 9,530,961 |
| Wholly repayable within five years | **13,936,111** | 9,960,743 |
| Over five years | **267,382** | 88,550 |
| | **14,203,493** | 10,049,293 |

**9. Convertible bonds**

During the six months ended 30 June 2010, an aggregate remaining principal amount of HK$121,000,000 of convertible bonds issued in 2005 has been converted into an aggregate of 4,661,914 ordinary shares of HK$1 each in the Company. Since the issue date, all the 2005 convertible bonds have been fully converted into the ordinary shares of the Company. For the convertible bonds issued in 2007, there has been no conversion of convertible bonds into shares of the Company by the bondholders and no redemption of the convertible bonds by the Group since the issue date. Details of the convertible bonds can be found on the annual financial statements for the year ended 31 December 2009.

**10. Commitments**

At 30 June 2010, the Group had capital commitments in respect of interests in leasehold land, properties under development, property, plant and equipment and investment in associated companies not provided for in these financial statements as follows:

| | **As at 30 June 2010** | As at 31 December 2009 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Contracted but not provided for | **4,782,816** | 4,390,595 |
| Authorised but not contracted for | **83,190** | 157,561 |
| | **4,866,006** | 4,548,156 |

## 11. Contingent liabilities

**Guarantees for banking and other facilities**

| | As at 30 June 2010 HK$'000 | As at 31 December 2009 HK$'000 |
|---|---|---|
| Guarantees for banking and other facilities of certain associated companies (note (i)) | **2,689,677** | 2,481,647 |
| Guarantees to certain banks for mortgage facilities granted to first buyers of certain properties in the PRC (note (ii)) | **597,201** | 569,294 |
| | **3,286,878** | 3,050,941 |

(i) 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 30 June 2010 amounted to approximately HK$2,689,677,000 (31 December 2009: HK$2,481,647,000). The total amount of such facilities covered by the Group's guarantees as at 30 June 2010 amounted to approximately HK$3,863,423,000 (31 December 2009: HK$3,863,013,000).

(ii) 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 30 June 2010 amounted to approximately HK$597,201,000 (31 December 2009: HK$569,294,000). The total amount of such facilities covered by the Group's guarantees as at 30 June 2010 amounted to approximately HK$2,340,021,000 (31 December 2009: HK$1,974,132,000).

Apart from the above, there are no material changes in contingent liabilities of the Group since 31 December 2009.

## 12. Pledge of assets

As at 30 June 2010, the Group's total bank loans and overdrafts of HK$14,206,508,000 (31 December 2009: HK$10,050,826,000) included an aggregate amount of HK$13,623,251,000 (31 December 2009: HK$9,703,533,000) which is unsecured and an aggregate amount of HK$583,257,000 (31 December 2009: HK$347,293,000) 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 of the Group with an aggregate net book value of HK$5,531,148,000 (31 December 2009: HK$4,797,945,000);

(ii) charges on bank balances amounting to HK$120,000 (31 December 2009: HK$113,000) of certain subsidiaries of the Group; and

(iii) assignments of insurance proceeds of certain properties of the Group.

## MANAGEMENT DISCUSSION AND ANALYSIS

### (A) Overall Results

Turnover of the Group for the six months ended 30 June 2010 was HK$11,698 million, which registered an increase of 116% when compared with the turnover of HK$5,405 million for the corresponding six months ended 30 June 2009. The Group's turnover mainly comprises proceeds from the sales of properties, rental income as well as revenue from hotel operations, warehouse operations and logistics services. The increase in turnover during the period was mainly due to the increase in property sales in Hong Kong and the increase in logistics revenue.

Profit attributable to shareholders before taking into account the net increase in fair value of investment properties and related tax effects for the six months ended 30 June 2010 was HK$1,812 million (2009: HK$986 million), representing an increase of 84% over the period.

During the six months ended 30 June 2010, the net increase in fair value of the Group's investment properties and related tax effects in the aggregate amount of HK$841 million (2009: HK$890 million) was recognised in the Group's consolidated income statement.

The effect of 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:

| | Six months ended 30 June | | |
|---|---|---|---|
| | **2010** | 2009 | |
| | ***HK$ million*** | *HK$ million* | Change |
| Profit attributable to shareholders before taking into account the net increase in fair value of investment properties and related tax effects | **1,812** | 986 | +84% |
| Add: | | | |
| Net increase in fair value of investment properties and related tax effects | **841** | 890 | |
| Profit attributable to shareholders after taking into account the net increase in fair value of investment properties and related tax effects | **2,653** | 1,876 | +41% |

### (B) Mainland China Property Division

During the six months ended 30 June 2010, the Group's Mainland China Property Division recorded a turnover of HK$1,283 million (2009: HK$1,289 million) and a net profit attributable to the Group of HK$686 million (2009: HK$898 million), after taking into account the increase in fair value of investment properties (net of deferred taxation) of HK$424 million (2009: HK$737 million).

The period under review witnessed the introduction of measures by the Chinese Government to cool the overheating real estate market. To this end, the State Council issued two circulars in January and April 2010 to prompt provincial, municipal and other related institutions to take measures to tighten credit, increase supply and step up the monitoring of the market. Such measures have calmed activities in the real estate market. However, the Group is able to remain relatively resilient on the back of its sturdy premium property portfolio. Plans for the development and launch of Mainland property projects are expected to progress as scheduled.

## (B) Mainland China Property Division (continued)

### *(i) Investment Properties*

During the six months ended 30 June 2010, the Group's investment property portfolio in Mainland China delivered rental income and operating profit of HK$398 million and HK$285 million, respectively (2009: HK$417 million and HK$298 million, respectively).

As at 30 June 2010, the Group held an investment property portfolio of residential, commercial and office properties in Mainland China with an aggregate gross floor area ("GFA") of 3.82 million square feet (as at 31 December 2009: 3.82 million square feet). Their respective composition and occupancy rates were as follows:

**As at 30 June 2010:**

| | Group's attributable GFA | | | | | |
|---|---|---|---|---|---|---|
| | **Beijing** | **Shanghai** | **Shenzhen** | **Fuzhou** | **Total** | **Occupancy rate** |
| | | | ***('000 square feet)*** | | | |
| **Office** | **711** | **682** | **814** | **–** | **2,207** | **80%** |
| **Commercial** | **98** | **441** | **107** | **64** | **710** | **91%** |
| **Residential** | **277** | **628** | **–** | **–** | **905** | **71%** |
| | **1,086** | **1,751** | **921** | **64** | **3,822** | |

As at 31 December 2009:

| | Group's attributable GFA | | | | | |
|---|---|---|---|---|---|---|
| | Beijing | Shanghai | Shenzhen | Fuzhou | Total | Occupancy rate |
| | | | *('000 square feet)* | | | |
| 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 | |

Comparative occupancy rates of key investment properties in Mainland China are set out below:

| Property | **Occupancy rate as at 30 June 2010** | Occupancy rate as at 31 December 2009 |
|---|---|---|
| Beijing Kerry Centre^ | **84%** | 76% |
| Shanghai Kerry Centre | **76%** | 71% |
| Kerry Everbright City Phase I | **82%** | 88% |
| Central Residences Phase II Towers 1 & 3 | **69%** | 69% |
| Shenzhen Kerry Plaza Phase I | **79%** | 66% |

^ Excluding Shangri-La's Kerry Centre Hotel, Beijing

***(ii) Sales of Properties***

Sales of properties in Mainland China during the six months ended 30 June 2010 produced turnover and operating profit of HK$746 million and HK$456 million, respectively (2009: HK$763 million and HK$389 million, respectively), mainly contributed by the sales of Kerry Everbright City Phase II in Shanghai (including residential property Le Loft and Enterprise Square office tower), Central Residences Phase II Tower 2, also in Shanghai, and Gemini Grove in Beijing. During the period under review, the Group also continued the pre-sales of Parkview Residence in Hangzhou and Lakeview in Yangzhou, and launched some of the residential units of Watch Lake in Manzhouli.

Kerry Everbright City Phase II in Zhabei District, Shanghai, is a mixed-use development with an aggregate GFA of approximately 1.6 million square feet. As at 30 June 2010, 98% or 1,142 units out of the total of 1,166 Le Loft residential units were sold, while Enterprise Square, which offers 436 saleable office units, recorded sales of 251 units, representing 58% of the total.

Nestled in the upscale Huashan Road residential neighbourhood in Shanghai, Central Residences Phase II has earmarked 60 units from Tower 2 for sale. As at 30 June 2010, 57% of the lot or 34 units 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 offer a GFA of approximately 331,000 square feet. The Group holds a 71% interest in the project. Out of a total of 317 units, 280 units or 88% were sold as at 30 June 2010.

***(iii) Properties under Development***

In the light of the macro-control policies, the sentiment of China's property market became more cautious in the first half of 2010 when compared with 2009. Underpinned by a premier land bank portfolio in Mainland China, the Group is nevertheless set to move ahead with its projects in major provinces and cities as planned, and will continue to pursue new sites that hold long-term value in cities with promising potential.

**(B) Mainland China Property Division (continued)**

***(iii) Properties under Development*** **(continued)**

*Shanghai*

As a result of tightened property financing from banks, the period under review witnessed less activity in Shanghai's residential property market as compared with the first half of 2009. Some downward adjustments in property prices were witnessed, but the extent of these corrections was limited. In particular, prices of properties in central city districts have remained stable.

A mixed-use development lying in the heart of Shanghai's business area, Jing An District, Jing An Kerry Centre progressed smoothly with construction work. 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%. The 2.74 million square-foot project, comprising the development of a deluxe hotel, an international Grade-A office tower and upscale shopping mall premises, is scheduled to be completed in 2012.

The Group also holds a 40.8% interest in a mixed-use property project, Kerry Parkside, in the Pudong District, Shanghai. Scheduled to be completed in the fourth quarter of 2010 and to commence operation in the first quarter of 2011, this joint venture project is located close to the Shanghai New International Expo Centre at the core of Huamu District in the Pudong New Area. The development comprises a hotel, offices, an apartment-style hotel, commercial properties and related ancillary facilities, across a GFA of approximately 2.62 million square feet. Pre-leasing of the commercial and office units has seen an active response from the market.

*Shenzhen*

Kerry Plaza Phase II is a Grade-A office project in Shenzhen. Enjoying close connectivity with the Futian station of the future Guangzhou-Shenzhen-Hong Kong Express Rail Link, the Phase II project offers a GFA of approximately 850,000 square feet. Construction is ongoing as scheduled and, upon targeted completion in 2011, the project will become a major landmark in Futian Central District and a premium office building in Shenzhen.

*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 Metro Line 9 and the Inner Ring, the development enjoys a convenient transport network. The development is planned to include a hotel, Grade-A offices, upscale residential accommodation, a 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 developed by leveraging the combined experience of the respective joint venture partners 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 total GFA of approximately 2.22 million square feet. Piling works are expected to commence by the first quarter of 2011, and the entire development is targeted for completion in phases by 2014. After completion, it will become the new landmark of Hangzhou.

The second site in Xiacheng District is earmarked for the development of Parkview Residence. Situated only 12 kilometres from the city centre and highly accessible with a public transport hub in close proximity, the project will yield a GFA of approximately 2.63 million square feet. It is expected to be completed in phases before 2013. The pre-sales for Parkview Residence Phase I since December 2008 have met with an overwhelming market response, validating its appeal to buyers. As at 30 June 2010, 584 units were sold, representing a pre-sales ratio of approximately 99%.

*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 total GFA of approximately 915,000 square feet. The Group holds a 45% interest in this project. The development is currently in design phase with construction expected to commence in the second half of 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, The Metropolis-Arcadia Court, in Chengdu, the provincial capital of Sichuan Province, is located in the southern part of the High-Tech Industrial Development Zone. The project, 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 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 district 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 completed, and the main structural engineering works are now ongoing. Construction of Phase I is expected to be completed by 2012 with Phases II and III due for completion in several stages to 2014.

**(B) Mainland China Property Division (continued)**

***(iii) Properties under Development* (continued)**

*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 total GFA of approximately 2.57 million square feet. The project site commands a premium location, and is situated in the core area of the new administrative centre of Nanchang and adjacent to the government offices. 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 exquisite river vistas of the Xiang Jiang. The project is expected to deliver a GFA of approximately 3.21 million square feet. Piling works are currently under way, and the project is scheduled to be completed in phases between 2012 and 2014.

*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 historic 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. Phase I of the residential and hotel development has moved into the construction stage, and the project is targeted for completion in phases between 2013 and 2022.

*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 of the residential portion, Lakeview, has been completed with delivery scheduled for September 2010. Up to 30 June 2010, 111 units had been sold, representing a pre-sales ratio of 64%.

*Qinhuangdao*

The Group's 60%-owned seafront deluxe residential project in Qinhuangdao, Hebei Province, is currently in the planning stage. This development is expected to generate a GFA of approximately 4.76 million square feet, and is expected to be completed in phases up 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, Watch Lake, is located in Manzhouli, Inner Mongolia. Phase I of the project is targeted to be completed in 2010. Manzhouli is a major land-transport trading depot for Sino-Russian trade and enjoys unique geographical advantages. The project is expected to yield a developable GFA of approximately 930,000 square feet. Its Phase I residential portion is now completed for inspection with sales having commenced 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. As at 30 June 2010, 52 units were sold, representing a pre-sales ratio of 55%.

*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 project is scheduled to be completed in phases between 2013 and 2014.

***(iv) Shangri-La's Kerry Centre Hotel, Beijing***

During the six months ended 30 June 2010, Shangri-La's Kerry Centre Hotel, Beijing, generated turnover and operating profit of HK$139 million and HK$21 million, respectively (2009: HK$109 million and HK$10 million, respectively), and achieved an average occupancy rate of 67% (2009: 42%). The Group holds a 71.25% interest in the hotel.

**(C) Hong Kong Property Division**

During the six months ended 30 June 2010, turnover of the Hong Kong Property Division was HK$5,733 million (2009: HK$768 million), producing a net profit attributable to the Group of HK$1,542 million (2009: HK$654 million), after taking into account the increase in fair value of investment properties (net of deferred taxation) of HK$418 million (2009: HK$153 million).

The Division's turnover was mainly attributed to the recognition of sales from Primrose Hill as well as the sales of Island Crest.

The Division enjoys an advantageous position in Hong Kong on its balanced portfolio of premier assets, including some of Hong Kong's most prestigious properties in exclusive addresses on the supply-constrained Island side. The Division will gain further growth traction as the supply of quality projects continues to be restricted. The Division's portfolio includes completed projects available for sale, a solid investment property asset base, a number of properties under development, and a land bank held in reserve for future development. With the aid of this premium portfolio, the Group can secure satisfactory returns from property sales while earning a stable stream of recurrent income from its investment assets.

## (C) Hong Kong Property Division (continued)

### *(i) Investment Properties*

During the first six months of 2010, the Group derived rental turnover and operating profit of HK$283 million and HK$202 million, respectively (2009: HK$270 million and HK$169 million, respectively) from its premier investment property portfolio in Hong Kong.

As at 30 June 2010, the Group held an investment property portfolio of residential, commercial and office properties in Hong Kong measuring an aggregate GFA of 2.59 million square feet (as at 31 December 2009: 2.59 million square feet). The GFA breakdown and the respective occupancy rates were as follows:

| | **As at 30 June 2010** | | As at 31 December 2009 | |
|---|---|---|---|---|
| | **Group attributable GFA *('000 square feet)*** | **Occupancy rate** | Group attributable GFA *('000 square feet)* | Occupancy rate |
| Residential[Δ] | **722** | **98%** | 722 | 96% |
| Commercial | **1,194** | **95%** | 1,194 | 94% |
| Office | **646** | **94%** | 646 | 93% |
| | **2,562** | | 2,562 | |

Δ Excluded Belgravia

*Enterprise Square Five/MegaBox*

MegaBox, the Group's retail and leisure flagship located in East Kowloon, has a GFA of 1.1 million square feet, which were 97% leased as at 30 June 2010 (as at 31 December 2009: 96%). As part of its tenant mix optimization initiative, the mall has brought in Japanese general merchandise store JUSCO and world-renowned home lifestyle brand IKEA, with the intention of bringing more retail, entertainment and dining innovations to local consumers and tourists.

The two Enterprise Square Five towers, setting the benchmark for Grade-A offices in East Kowloon, were 100% occupied as at 30 June 2010 (as at 31 December 2009: 99%).

### *(ii) Sales of Properties*

During the six months ended 30 June 2010, turnover of HK$5,450 million (2009: HK$498 million) was achieved from sales of completed properties in Hong Kong. An operating profit of HK$1,077 million (2009: HK$333 million) was posted during the first six months of 2010. The Division's sales activities mainly included that of Island Crest and Primrose Hill.

During the period under review, the Hong Kong SAR Government introduced new measures to further control the pre-sales and sales of new properties with a view to preventing the real estate market from overheating. Although these measures had a certain cooling and stabilizing effect, the property market continued to be fuelled by strong market liquidity, the prevailing low interest rates and, above all, a fundamentally sound economy. Albeit subject to some adjustments in certain segments, the Group's focus on the premier property segment remains relatively intact. The launches of Island Crest and Primrose Hill during the period produced satisfactory sales for the Group.

*Island Crest, First Street, Hong Kong*

Island Crest, an urban renewal project offering 488 residential units and approximately 16,000 square feet of shop units, is now setting the standard for luxury residences in Western District. Situated in a prime location, the project offers a total GFA of approximately 440,000 square feet. Its introduction generated an overwhelming market response and, as at the end of June 2010, 357 units were sold, accounting for 73% of the total. The certificate of compliance has been issued for Island Crest, and units are being handed over to buyers in phases starting from June 2010.

*Primrose Hill, Tsuen Wan*

Primrose Hill is a landscaped-garden luxury residence located in Tsuen Wan. Pre-sales launched in June 2009 produced a warm market response. Nestled in the surrounding lush green, Primrose Hill has been conceived according to an In-and-Out design concept to give residences and the clubhouse excellent views. The development offers 548 units with a GFA of approximately 400,000 square feet. Up to 30 June 2010, 483 units, accounting for 88% of the total, had been sold. The certificate of compliance for Primrose Hill has been issued, and the units are being handed over to buyers in phases starting from July 2010.

***(iii) Properties under Development***

*Larvotto, Ap Lei Chau*

Larvotto, the Group's 35%-held joint venture residential project in Ap Lei Chau, offers 715 residential units, of which the Group shares an attributable GFA of approximately 320,000 square feet. Larvotto is the biggest new development on the supply-restricted Hong Kong Island, lying in a favourable position between the mountains and the sea. The project was launched in mid-2010 as scheduled.

*King's Road, Quarry Bay*

The Group's development at 683 King's Road, Quarry Bay, has now been named Kerry Centre. Upon planned completion by the fourth quarter of 2010, the office tower will become another major landmark for the Eastern District. The project will yield a developable GFA of approximately 511,000 square feet, in which the Group holds a 40% interest.

## (C) Hong Kong Property Division (continued)

### *(iii) Properties under Development* (continued)

*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 residential project, completion of which is scheduled for the second quarter of 2011.

*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 fourth quarter of 2011, is set to become yet another uniquely-designed premium city living space developed by the Group.

*Wilmer Street, Sheung Wan*

The Group's reconstruction project in Wilmer Street, Sheung Wan, will be redeveloped into premier residences and retail space, with a developable GFA of approximately 142,000 square feet. Construction works are in progress, and the project is scheduled to complete in the second quarter of 2012. The Group holds a 71% interest in this project. Due to the limited developable land supply in Central and Western districts, the development will become another prominent property generating 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. Construction works are in progress, and the project is expected to yield 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 in an exclusive locality between Pokfulam and Western District, and adjacent to the University of Hong Kong. The neighbourhood is also home to many prestigious schools. The project will see the development of luxury residences with a GFA of approximately 178,000 square feet. Reconstruction works are in progress and the project is expected to complete in the second quarter of 2013.

*Macau*

The Group's luxury residential apartment project in Nam Van Lake will yield a developable GFA of approximately 400,000 square feet upon its scheduled completion in the third quarter of 2013. The development is situated in a prime location graced with full unobstructed views of the Nam Van Lake and Macau peninsula.

The proposed reclamation scheme in Macau has already been approved by the Central Government. The Group will further liaise with the Macau SAR Government in respect of the implementation of the land exchange procedure.

**(D) Overseas Property Division**

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

***(i) Australia***

As at 30 June 2010, 1,249 units (as at 31 December 2009: 1,141 units) of the Group's 25%-owned Jacksons Landing project were sold, representing 93% of the total of 1,339 units offered for sale. This residential and commercial development is situated on a 12-hectare site on the Pyrmont Peninsula in Sydney.

***(ii) 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 30 June 2010, the occupancy rates of Shangri-La Plaza Mall and The Enterprise Center were 97% and 83%, respectively (as at 31 December 2009: 99% and 89%, respectively).

Shangri-La Plaza Mall continues to deliver a satisfactory performance. Expansion works are ongoing on an adjacent site to build an extension for the mall and additional residential units. This project will yield an additional GFA of approximately 1.99 million square feet, of which approximately 428,000 square feet are designated as retail space and approximately 1.49 million square feet for residential development. Pre-sales of the residential units were launched in March 2010 with an overwhelming response, and 420 units were sold as at the end of June, accounting for 34% of the total.

SPI also participates in the development of The St. Francis Shangri-La Place, a residential project located in Mandaluyong City, Manila. As at 30 June 2010, 1,131 units (as at 31 December 2009: 1,108 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 38,750 square feet of retail premises. SPI holds a 40% interest in this project.

## (E) Logistics Network Division

The Division's financial results for the first half of 2010 were well ahead of the previous period, substantially driven by strong performances in its focus markets in Asia. In most respects, the Division's operations and business development in the six-month period matched management expectations at the beginning of the year.

During the six months ended 30 June 2010, the Division posted a 41% year-on-year increase in turnover to HK$4,626 million (2009: HK$3,285 million). Net profit attributable to the Group also displayed robust growth of 36% year-on-year to HK$332 million (2009: HK$245 million).

The Division operates a global network of businesses across 24 countries, supported by facilities space of over 19 million square feet and a staff force of approximately 7,000 employees.

Over the last two quarters, global trade has continued to bounce back from its precipitous decline a year ago, with most of the increase in logistics demand driven by the worldwide restocking process. As the global rebalancing of demand begins to stabilize, it is expected that inventories will resume normal levels signalling the end of the restocking cycle. However, strong growth prospects will continue to be witnessed in the Division's key Asian markets as developed nations increasingly tap into the dynamism of the developing world to restart their stalled economies.

### *(i) Integrated Logistics ("IL")*

The Division continues to leverage its worldwide network of warehouses and logistics centres to provide a comprehensive scope of advanced IL services serving the supply chains of end-user segments ranging from electronics, fashion, and fast-moving consumer goods to perishable commodities.

During the first half of 2010, the Division's IL segment delivered a 19% year-on-year increase in turnover to HK$1,820 million (2009: HK$1,530 million). Geographically, South Asia and Greater China produced the strongest growth for the segment.

*Hong Kong*

The Division has moved forward its plans to further differentiate its leading scale and market position in Hong Kong. The new 270,000 square-foot product customization and consolidation centre, PC3, in Tai Po Industrial Estate is now nearing completion. Upon scheduled commissioning in the fourth quarter of 2010, PC3 will be designated to fulfil the sophisticated supply-chain requirements of fashion-chain clients.

Designed to deliver an environmental performance of world standard, PC3 is the only industrial premises in Hong Kong to have been awarded both a Gold Rating under the HK-BEAM accreditation system and recognized by the LEED international green building certification system. This is an important imperative for PC3 in serving global brands from the United States and Europe.

*China Focus*

This focus market continues to perform strongly with the Division's distribution network in Greater China being further strengthened. Across Mainland China, the Division currently operates a total of 4 million square feet of logistics facilities. Construction is now under way in Kunshan and Chongqing to put new capacity into service next year.

The global economic transition from West to East is becoming more evident after the financial crisis in 2008 which caused a new shift in the economic centre of gravity. The Division has been progressively rolling out its three-territory development plan ahead of this trend, involving strategic moves in 2005 to acquire 70% ownership of EAS International Transportation Ltd., the leading operator in China, and rebranding it into the distinctive trademark of Kerry EAS Logistics, followed by the establishment of a joint venture operation with Taiwan's major land transportation operator T.Join Transportation Co.,Ltd ("T.Join") in 2008.

With the Economic Cooperation Framework Agreement now in place, bilateral trade between Mainland China and Taiwan is expected to be boosted significantly. To further enlarge its footprint in Greater China, the Division will actively identify and evaluate merger and acquisition opportunities in China.

*Asia Based*

The global economy has been recovering faster than expected from the recession, with Asia leading the way. In particular, trade activities within the member countries of the Association of Southeast Asian Nations ("ASEAN") have seen substantial increases, with further momentum added following the establishment of the China-ASEAN Free Trade Area. Against this background, KART Logistics (Thailand) Limited ("KART"), the Division's ASEAN business vehicle, achieved a sound performance during the first half of 2010.

KART's cross-border road transportation network is the first operation to serve the geographically challenging ASEAN market. KART's trucking fleet now links Singapore, Malaysia, Thailand, Vietnam, Cambodia and Laos directly with Kunming and Shenzhen in China.

In other parts of Asia, new facilities are under construction in Da Nang and Hung Yen in Vietnam. The logistics centre in Ho Chi Minh City is also being expanded to cater to growing demand for IL services in the country. As the new facilities come into service in the fourth quarter of 2010 and in 2011, the Division's Vietnam operations will be supported by logistics facilities with a total area of over 800,000 square feet.

Thailand is another market demonstrating strong growth. Kerry Siam Seaport enjoyed significant cargo volume growth as the fall in trade in the country rapidly reversed as from the end of 2009. Turnover generated by Kerry Siam Seaport for the first half of 2010 registered an over 100% increase compared with the same period in 2009. With export growth still under way, business gains are expected to continue to expand into the remainder of the year.

The Division expects its Asian segment to contribute to further improvements in performance as the region continues to benefit from recovering consumption dynamics in the West.

## (E) Logistics Network Division (continued)

### *(ii) International Freight Forwarding ("IFF")*

Although the Division remains alert to the impact of strains now being seen in the Eurozone, the IFF segment delivered a marked improvement in results in the first six months of this year. Segment turnover was up 60% to HK$2,806 million (2009: HK$1,755 million), producing a turnaround on the back of stabilized business operations.

Steps taken in the past few years to achieve a critical mass for the segment have yielded encouraging gains to the bottom line and business volume. With a more meaningful scale of business activity now in Europe, the IFF segment will seek to achieve synergies from cross-business pursuits with the IL segment. To this end, the Division continues to pursue acquisition opportunities in Europe.

The Division is working to strengthen the links between its operations in the East and West in order to build revenue and earnings streams.

### *(iii) Logistics Investments*

Logistics investments held by the Division include a 15% interest in Asia Airfreight Terminal, a 25% interest in Chiwan Container Terminal and, through joint ventures, an approximately 20% stake in the Taiwan-based T.Join.

T.Join is an important component of the Division's cross-strait business plan. Since the acquisition in 2008, the Division has applied its expertise and experience to helping the management of T.Join pursue an enhanced goal of achieving three-pronged growth in 'quality, value and volume'. In June 2010, the Division assumed control of the management of T.Join, another major step in building a unique three-territory cargo transportation platform.

### *(iv) Information Technology ("IT")*

The Division has been continuously strengthening its IT infrastructure foundation by building a new data centre in the coming PC3 premises. It will be the second major data centre of the Division in Hong Kong upon its completion later this year, running in active-active mode together with the primary data centre in Kerry Cargo Centre to enhance the overall business continuity capability. Meanwhile, the Division is also building a RFID solution for a flagship electronic project to facilitate its kitting line operations, in order to improve its accuracy and efficiency.

**(F) Infrastructure Division**

The Infrastructure Division continues to maintain a solid business portfolio comprising investments in the infrastructure, environmental and utilities-related sectors in Hong Kong and Mainland China. This Division continues to deliver a stable performance and produce a healthy stream of recurrent income for the Group. During the six months ended 30 June 2010, the Division generated net profit attributable to the Group of approximately HK$37 million (2009: HK$31 million).

***(i) Hong Kong***

The Group maintains a 15% interest in the Western Harbour Crossing and a 15% stake in the Cross Harbour Tunnel management contract. The management contract for the Cross Harbour Tunnel will expire on 31 October 2010. During the first six months of 2010, the Group's share of the aggregate net profits from these investments amounted to HK$36 million (2009: HK$29 million).

***(ii) Mainland China***

The Group maintains a 13% beneficial interest in a water treatment project in Hohhot Municipality, Inner Mongolia Autonomous Region, which contributed a shared net profit of HK$1 million (2009: HK$2 million) during the six months ended 30 June 2010.

**(G) 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 30 June 2010, total foreign currency borrowings (excluding Renminbi ("RMB") borrowings) amounted to the equivalence of HK$3,701 million and RMB loans amounted to the equivalence of HK$656 million. Therefore, non-RMB total foreign currency borrowings and RMB loans represented approximately 19% and 3% respectively, of the Group's total borrowings of HK$19,987 million as at 30 June 2010.

The non-RMB total foreign currency borrowings of HK$3,701 million mainly include the Fixed Rate Bonds amounting to US$420 million (approximately HK$3,256 million (net of direct issue costs)). The Group has arranged cross currency swap contracts amounting to US$310 million to hedge the exchange rate exposure between Hong Kong dollars and United States dollars.

Out of the Group's total borrowings as at 30 June 2010, HK$6,614 million (representing approximately 33%) was repayable within one year, HK$5,641 million (representing approximately 28%) was repayable in the second year, HK$4,209 million (representing approximately 21%) was repayable in the third to fifth years and HK$3,523 million (representing approximately 18%) was repayable over five years. The Group continued to maintain most of its borrowings on an unsecured basis, with unsecured debt accounting for approximately 97% of total borrowings as at 30 June 2010. 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 30 June 2010, the gearing ratio for the Group was 20.7% (as at 31 December 2009: 18.1%), calculated based on net debt of HK$11,011 million and shareholders' equity of HK$53,271 million.

## (G) Financial Review (continued)

As at 30 June 2010, 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 30 June 2010, the Group had total undrawn bank loan and overdraft facilities of HK$10,506 million and net cash on hand of HK$8,976 million. Besides, on 30 April 2010, Wiseyear Holdings Limited, a wholly-owned subsidiary of the Company, established a US$1,000 million Medium Term Note Programme to help access diversified funding sources. 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 30 June 2010, Standard & Poor's affirmed a "BBB-" credit rating for Kerry Properties Limited with a stable outlook.

## (H) Outlook

### *(i) Mainland China Property Division*

With the government's rapid moves to introduce economic stimulus measures in the wake of the global financial tsunami, China has successfully avoided a recession and indeed became one of the few economies in the world to have maintained growth. However, along with the expansion of domestic demand and loosening of credit came inflationary pressures, the property market was among the first to rebound, with overheating developing since the second half of 2009.

The State Council has shown concern over soaring property prices since the end of last year. In April 2010, the State Council announced ten measures to further reduce financing on properties, with a view to curbing speculation, while increasing supply and tightening control.

These measures have inevitably had an inhibitive effect on the property market in the short term. Property prices in major cities have seen corrections, with transactions becoming less active. Buyers have become more cautious, preferring to await a clearer market direction. However, as the Group commands a unique portfolio of projects in exclusive locations, and a significant portion of the projects is still under construction, it is therefore believed that the new round of control measures will not have a significant negative impact on the Group's businesses.

In terms of the magnitude of macro-tightening, the latest efforts are less severe than the previous control measures, but the duration of implementation is longer than before. There have not been major slides in property prices. Taking the core central districts of major cities, where the Group's investments are focused, as an example, property prices have only shown an easing of the up-trend or a slight decline. Such resilience is attributed to the genuine demand for real estate driven by recent years of economic growth and urbanization. The lack of investment channels in Mainland China and the continued strong Renminbi also underline the investment value of properties.

The Group will continue to develop and hold premium property projects and land reserves in Beijing, Shanghai, Shenzhen and other core provincial cities. It is set to take advantage of the current correction phase to put focused efforts on the planning and construction of existing projects, with a view to furthering the brand position of Kerry Properties through quality excellence.

***(ii) Hong Kong Property Division***

Following the local property market's robust growth since 2009, in terms of both sales volume and prices across most market sectors, the up-trend will ease in the second half of 2010 with growth expected to be sustained in the long term.

Economic recovery, low interest rates, market liquidity and capital inflow from overseas investors will continue to render support to the residential, office and retail property markets. The strong performance of the local market also demonstrates that Hong Kong remains one of the most attractive markets for property investment.

The Group will continue to roll out its sales launches at a steady rate, and has further plans for the expansion of its land bank to support the growth momentum. In particular, the Division will continue to build on its unique competitive edge in the luxury residential sector.

The Group is also confident that the ongoing leasing activities for its office and retail properties will continue to be underpinned by the improving economy, which will lead to further commitments from corporate tenants and a rebound in retail sales.

***(iii) Logistics Network Division***

Identifying Greater China and ASEAN as the key growth engines, the Division is set for double-digit earnings growth for the full year with the outlook for 2011 continuing to be promising.

Looking ahead, the Division will continue to focus its IL offerings on these two growing markets, with ongoing efforts to be expended on strengthening its network in Europe to support the further development of its IFF business. At the same time, the Division is continuing to globalize its footprint by entering new markets and growing existing market share by delivering new logistics solutions.

As the global logistics industry emerges from recession, the Division expects to embark on another period of sustained growth fuelled by both market dynamics and active business pursuits. As such, mergers and acquisitions will continue to be pursued in its home base of Asia as well as in Europe.

The Division looks forward to building on its distinctive expertise, asset base and financial strength in order to position its business competitively to secure further growth ahead.

***(iv) Infrastructure Division***

The Division will continue to maintain its investment portfolio in order to produce a steady source of recurrent income for the Group.

## INVESTOR RELATIONS

The Group actively participates in meetings and conferences to maintain regular communications with financial analysts, fund managers and the investor community. The Group had participated a number of roadshows and investors' conferences during the six months ended 30 June 2010 and some of them are set out below:

| **Event** | **Venue** |
|---|---|
| Credit Suisse Asian Investment Conference | Hong Kong |
| Deutsche Bank Access Asia Conference | Singapore |
| Deutsche Bank Access China Conference | Beijing |
| Macquarie China/Hong Kong Conference | Hong Kong |
| UBS Greater China Conference | Shanghai |
| US Non-deal Roadshow | New York, Boston, San Francisco |

## STAFF

As at 30 June 2010, the Company and its subsidiaries had approximately 10,000 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, subsidised 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 an executive share option scheme (the "1997 Share Option Scheme") and the adoption of a new share option scheme (the "2002 Share Option Scheme"). The 2002 Share Option Scheme is designed to motivate executives and key employees and other persons who may make a contribution to the Group, and enables the Group to attract and retain individuals with experience and ability and to reward them for their contributions.

As at 30 June 2010, a total of 22,772,570 share options (the "Options") were outstanding which comprised 240,570 and 22,532,000 Options granted under the 1997 Share Option Scheme and the 2002 Share Option Scheme respectively.

Movement of the Options, which were granted under the 1997 Share Option Scheme and the 2002 Share Option Scheme, during the six months ended 30 June 2010 are listed below in accordance with Rule 17.07 of the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"):

| | | | Number of Options | | | | |
|---|---|---|---|---|---|---|---|
| **Category** | **Date of grant** | **Tranche** | **As at 01/01/2010** | **Exercised** (Notes 1 & 2) | **As at 30/06/2010** | **Exercise price** HK$ | **Exercise Period** |
| **(i) 1997 Share Option Scheme:** | | | | | | | |
| **Continuous Contract Employees** | 01/06/2000 | III | 40,302 | (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 | 67,370 | – | 67,370 | 6.85 | 16/04/2003 – 15/04/2012 |
| | 16/04/2002 | II | 67,370 | – | 67,370 | 6.85 | 16/04/2004 – 15/04/2012 |
| **Total:** | | | **280,872** | **(40,302)** | **240,570** | | |

## SHARE OPTIONS (continued)

| Category | Date of grant | Tranche | Number of Options: As at 01/01/2010 | Exercised (Notes 1 & 2) | Lapsed | As at 30/06/2010 | Exercise price HK$ | Exercise Period |
|---|---|---|---|---|---|---|---|---|
| **(ii) 2002 Share Option Scheme:** | | | | | | | | |
| **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 | (150,000) | – | 100,000 | 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 | (100,000) | – | 150,000 | 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 | 522,500 | (100,000) | – | 422,500 | 18.74 | 17/03/2006 – 16/03/2015 |
| | 17/03/2005 | II | 672,500 | – | – | 672,500 | 18.74 | 17/03/2007 – 16/03/2015 |
| | 02/04/2008 | I | 1,212,500 | – | – | 1,212,500 | 47.70 | 02/04/2009 – 01/04/2018 |
| | 02/04/2008 | II | 1,212,500 | – | – | 1,212,500 | 47.70 | 02/04/2010 – 01/04/2018 |
| | 02/04/2008 | III | 2,425,000 | – | – | 2,425,000 | 47.70 | 02/04/2011 – 01/04/2018 |
| | 06/02/2009 | I | 1,665,000 | (315,000) | – | 1,350,000 | 17.58 | 06/02/2010 – 05/02/2019 |
| | 06/02/2009 | II | 1,665,000 | – | (20,000) | 1,645,000 | 17.58 | 06/02/2011 – 05/02/2019 |
| **3. Others** | 17/03/2005 | II | 700,000 | – | – | 700,000 | 18.74 | 17/03/2007 – 16/03/2015 |
| | 02/04/2008 | I | 237,500 | – | – | 237,500 | 47.70 | 02/04/2009 – 01/04/2018 |
| | 02/04/2008 | II | 237,500 | – | – | 237,500 | 47.70 | 02/04/2010 – 01/04/2018 |
| | 02/04/2008 | III | 475,000 | – | – | 475,000 | 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 |
| **Total:** | | | **23,467,000** | **(915,000)** | **(20,000)** | **22,532,000** | | |

Notes:

1. The weighted average closing price of the shares of the Company immediately before the dates on which the Options were exercised was HK$38.23.
2. During the period, no Options were granted/granted for adjustment, transferred from/to other category or cancelled under both the 1997 Share Option Scheme and the 2002 Share Option Scheme. During the period, no Options were lapsed under the 1997 Share Option Scheme.

## DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2010, 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 for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

### (i) Company

| | Number of ordinary shares | | | |
|---|---|---|---|---|
| **Directors** | **Personal interests[1]** | **Other interests[3]** | **Total** | **Approximate % of shareholding[4]** |
| KUOK Khoon Chen | 251,004 | 6,111,707 | 6,362,711 | 0.44 |
| 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 | 110,000 | 50,000 | 160,000 | 0.01 |
| CHAN Wai Ming, William | – | 50,000 | 50,000 | 0.00 |

### (ii) Associated Corporations

| | | Number of ordinary shares | | | | |
|---|---|---|---|---|---|---|
| **Associated Corporations** | **Directors** | **Personal interests[1]** | **Corporate interests[2]** | **Other interests[3]** | **Total** | **Approximate % of shareholding** |
| 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 | – | 1,000,000 | 0.07[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 compiled based on the total number of ordinary shares of the Company in issue as at 30 June 2010 (i.e. 1,434,570,658 ordinary shares).
5. The percentage has been compiled based on the total number of ordinary shares of Kerry Group Limited ("KGL") in issue as at 30 June 2010 (i.e. 1,527,684,428 ordinary shares).
6. The percentage has been compiled based on the total number of ordinary shares of SCMP Group Limited in issue as at 30 June 2010 (i.e. 1,560,945,596 ordinary shares).

## DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)

Details of the Options, duly granted to the Directors pursuant to the share options 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 30 June 2010, 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.

## SUBSTANTIAL INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

As at 30 June 2010, 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[1] | Long position/ Short position/ Lending pool | Approximate % of shareholding[2] |
|---|---|---|---|---|
| Kerry Group Limited | Interest of controlled corporations | 774,795,744 | Long position | 54.01 |
| Kerry Holdings Limited | Interest of controlled corporations | 749,427,460 | Long position | 52.24 |
| Caninco Investments Limited | Beneficial owner | 312,248,193 | Long position | 21.77 |
| Darmex Holdings Limited | Beneficial owner | 256,899,261 | Long position | 17.91 |
| Moslane Limited | Beneficial owner | 73,821,498 | Long position | 5.15 |
| JPMorgan Chase & Co. | Interest of controlled corporations | 101,712,140 | Long position | 7.09 |
| | | 2,450,000 | Short position | 0.17 |
| | | 37,942,748 | Lending pool | 2.64 |

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 compiled based on the total number of ordinary shares of the Company in issue as at 30 June 2010 (i.e. 1,434,570,658 ordinary shares).

Apart from the aforesaid, as at 30 June 2010, 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.

## CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Board has adopted the Model Code and that the Directors have confirmed their compliance with the required standards set out in the Model Code during the six months ended 30 June 2010.

## CORPORATE GOVERNANCE

### Compliance with Code Provisions under the Listing Rules

During the six months ended 30 June 2010, the Company has complied with the provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules.

### Audit Committee

The Audit Committee of the Board has met to review the results and the financial statements of the Group for the six months ended 30 June 2010 with no disagreement prior to recommending them to the Board for approval. In reviewing these financial statements, the Audit Committee has discussed with the external auditor regarding the accounting policies adopted and, in particular, the impact of the new HKASs and HKFRSs on the financial statements of the Group for the six months ended 30 June 2010.

## CHANGES IN THE INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the change in the information of a Director of the Company since the date of the Company's 2009 Annual Report is that Mr. Lau Ling Fai, Herald resigned on 1 August 2010 as an independent non-executive director of Wheelock Properties Limited, a former listed company in Hong Kong.

## CLOSURE OF REGISTERS OF MEMBERS

The registers of members of the Company will be closed from Friday, 10 September 2010 to Monday, 13 September 2010 for the purpose of determining shareholders' entitlement to the interim dividend for the six months ended 30 June 2010 and during such period no transfer of shares will be effected. In order to qualify for the interim dividend, all share transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Abacus Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:00 p.m. on Thursday, 9 September 2010. The interim dividend is payable on Friday, 17 September 2010 to shareholders whose names appear on the registers of members of the Company on Monday, 13 September 2010.

## 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 six months ended 30 June 2010.

## DIRECTORS

As at the date of this report, the Directors of the Company are Messrs 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#, Ms Wong Yu Pok, Marina, JP# and Mr Tse Kai Chi@.

By Order of the Board
**Kuok Khoon Chen**
*Chairman*

Hong Kong, 26 August 2010

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