



KERRY PROPERTIES LIMITED
嘉里建設有限公司

(Incorporated in Bermuda with limited liability)

Stock Code : 683

Annual Report 2010





Central Residences, Shanghai



Lions Rise, Hong Kong



Shenyang Complex Development, Shenyang



Chongqing Kerry Logistics Centre, Chongqing



Tangshan Complex Development, Tangshan



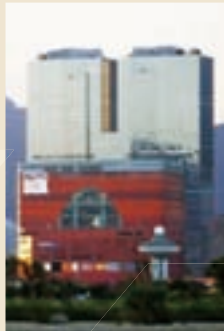
The Metropolis - Arcadia Court, Chengdu



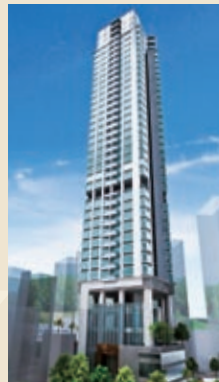
Island Crest, Hong Kong



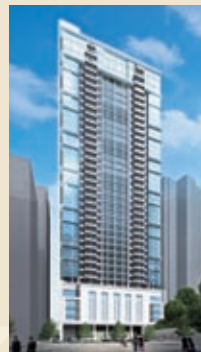
Local distribution team, Kerry Logistics



MegaBox, Hong Kong



Wilmer Street Project, Hong Kong



Shan Kwong Road Project, Hong Kong



Hangzhou Kerry Centre, Hangzhou

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

All renderings within this report are artist's impression only.



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 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 QIAN Shaohua

Mr CHAN Wai Ming, William

COMPANY SECRETARY

Ms LI Siu Ching, Liz

AUDITOR

PricewaterhouseCoopers

STOCK CODES

Stock Exchange of Hong Kong: 683

Bloomberg: 683 HK

Reuters: 683.HK

PRINCIPAL BANKERS

Agricultural Bank of China

Australia and New Zealand Banking Group Limited

Bank of China Limited

Bank of Communications Co., Ltd.

The Bank of Tokyo-Mitsubishi UFJ, Ltd.

China Construction Bank Corporation

China Merchants Bank

DBS Bank Ltd.

The Hongkong and Shanghai Banking Corporation Limited

Industrial and Commercial Bank of China Limited

Mizuho Corporate Bank, Ltd.

Standard Chartered Bank (Hong Kong) Limited

Sumitomo Mitsui Banking Corporation

Wing Lung Bank, Limited

REGISTERED OFFICE

Canon's Court, 22 Victoria Street

Hamilton HM12, Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

25/F, Kerry Centre, 683 King's Road

Quarry Bay, 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

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Quarry Bay, Hong Kong

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Email: communication@kerryprops.com

WEBSITE

www.kerryprops.com

KEY DATES

Closure of Registers of Members

3 May 2011 to 5 May 2011 (both days inclusive)

Annual General Meeting

5 May 2011

Proposed Payment of Final Dividend

12 May 2011

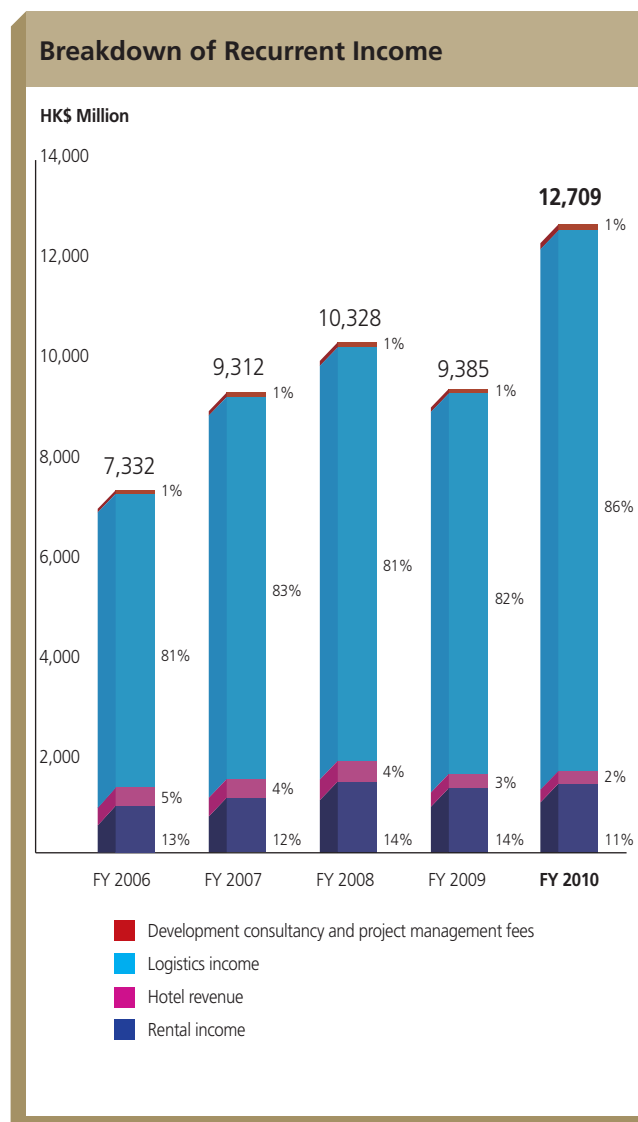
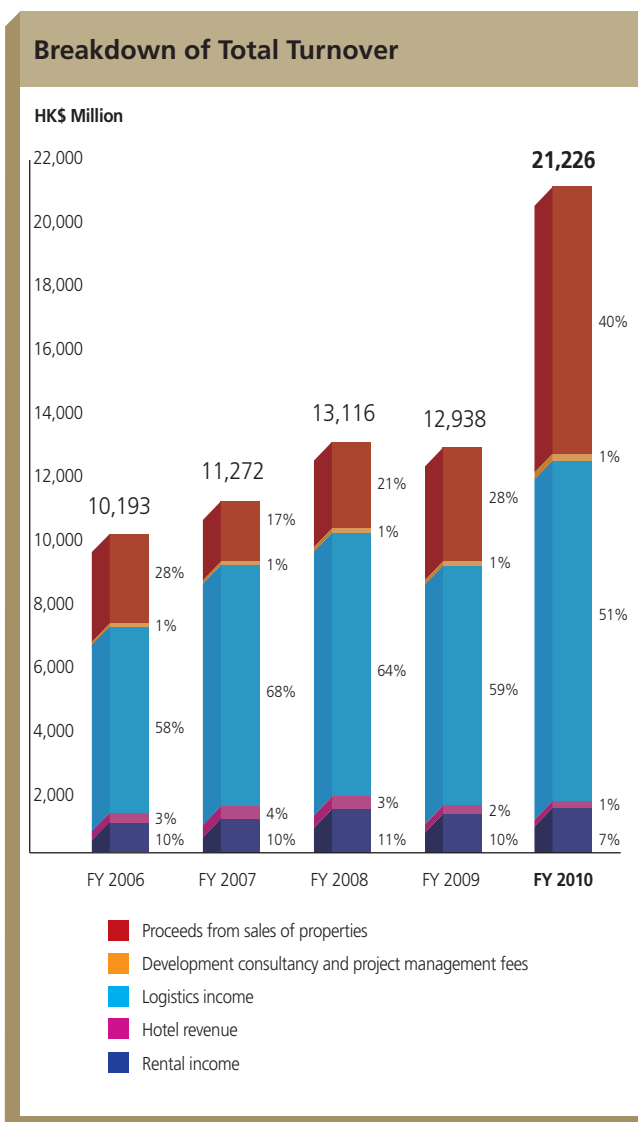
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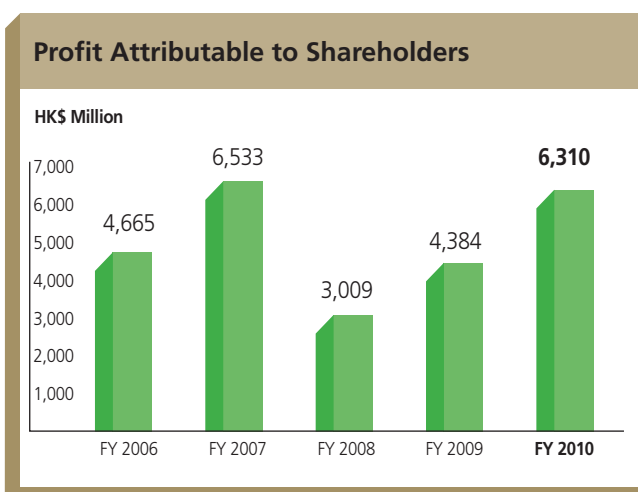
Financial Highlights

| Two-year Overview | | FY 2010 | FY 2009 | % Change |
|--|---------|---------------|---------|----------|
| Turnover | (HK\$M) | 21,226 | 12,938 | +64% |
| Gross profit | (HK\$M) | 5,301 | 4,238 | +25% |
| Gross profit margin | (%) | 25.0 | 32.8 | |
| Operating profit | (HK\$M) | 7,349 | 5,906 | +24% |
| Operating profit margin | (%) | 34.6 | 45.6 | |
| Profit attributable to shareholders | (HK\$M) | | | |
| – before fair value change of properties | | 3,405 | 2,139 | +59% |
| – after fair value change of properties | | 6,310 | 4,384 | +44% |
| Net profit margin | (%) | | | |
| – before fair value change of properties | | 16.0 | 16.5 | |
| – after fair value change of properties | | 29.7 | 33.9 | |
| Earnings per share | (HK\$) | | | |
| – before fair value change of properties | | 2.38 | 1.50 | +59% |
| – after fair value change of properties | | 4.40 | 3.07 | +43% |
| Shareholders' equity | (HK\$M) | 57,715 | 50,669 | +14% |
| Net borrowings | (HK\$M) | 10,076 | 9,192 | +10% |
| Net asset value per share | (HK\$) | 40.19 | 35.46 | +13% |
| Share price as at 31 December | (HK\$) | 40.50 | 39.50 | +3% |
| Price earnings ratio [#] | (times) | | | |
| – before fair value change of properties | | 17.0 | 26.3 | |
| – after fair value change of properties | | 9.2 | 12.9 | |
| Market capitalization as at 31 December [#] | (HK\$M) | 58,159 | 56,444 | +3% |
| Dividend per share | (HK\$) | 0.87 | 0.70 | +24% |
| Dividend payout ratio | (%) | | | |
| – before fair value change of properties | | 36.6 | 46.7 | |
| – after fair value change of properties | | 19.8 | 22.8 | |
| Dividend cover | (times) | | | |
| – before fair value change of properties | | 2.7 | 2.1 | |
| – after fair value change of properties | | 5.1 | 4.4 | |
| Dividend yield [#] | (%) | 2.1 | 1.8 | |
| Return on shareholders' equity | (%) | | | |
| – before fair value change of properties | | 5.9 | 4.2 | |
| – after fair value change of properties | | 10.9 | 8.7 | |
| Gearing | (%) | 17.5 | 18.1 | |
| Interest cover | (times) | | | |
| – before fair value change of properties | | 9.1 | 8.0 | |
| – after fair value change of properties | | 15.6 | 13.9 | |
| Current ratio | (times) | 1.6 | 3.0 | |
| Liquidity ratio | (times) | 0.9 | 1.2 | |
| Premium to net asset value [#] | (%) | 0.8 | 11.4 | |

[#] Based on share prices as at 31 December 2010 and 31 December 2009, respectively.



The Group recorded an 64% increase in total turnover for FY2010 to **HK\$21,226 million** (2009: HK\$12,938 million).



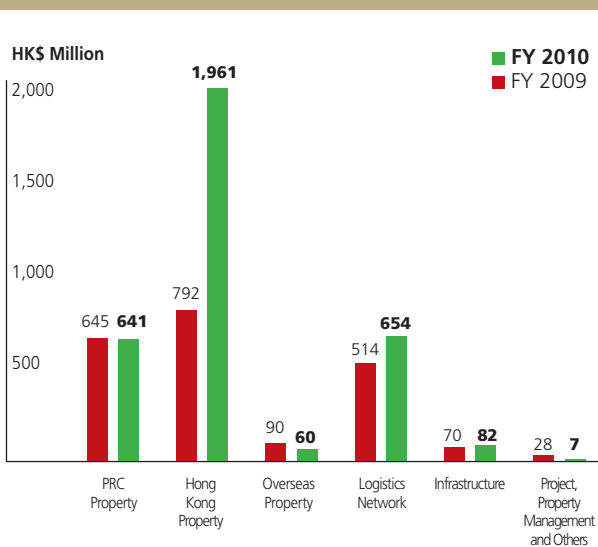
| | Total Turnover HK\$ Million | Recurrent Income HK\$ Million | % Weighting | Net Profit before fair value change of properties HK\$ Million | Net Profit after fair value change of properties HK\$ Million |
|----------------|--------------------------------|----------------------------------|----------------|--|---|
| FY 2006 | 10,193 | 7,332 | 72% | 2,920 | 4,665 |
| FY 2007 | 11,272 | 9,312 | 83% | 2,560 | 6,533 |
| FY 2008 | 13,116 | 10,328 | 79% | 2,187 | 3,009 |
| FY 2009 | 12,938 | 9,385 | 73% | 2,139 | 4,384 |
| FY 2010 | 21,226 | 12,709 | 60% | 3,405 | 6,310 |

The Group's net profit attributable to shareholders for FY 2010 increased by 44% to **HK\$6,310 million** (2009: HK\$4,384 million).

Financial Highlights

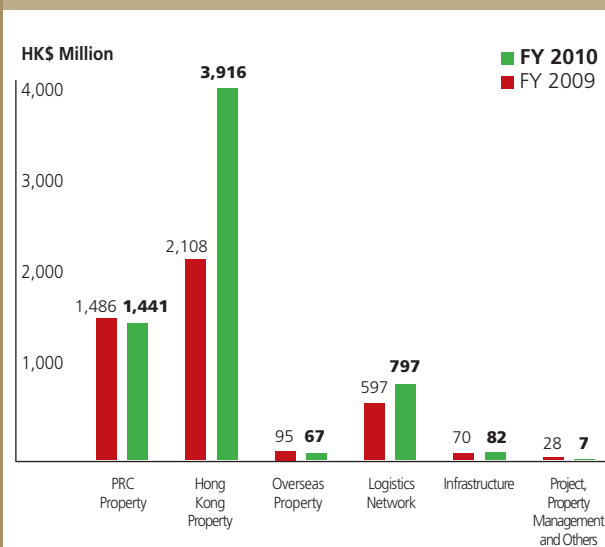
Profit Attributable to Shareholders by Division

(before fair value change of properties)



Profit Attributable to Shareholders by Division

(after fair value change of properties)



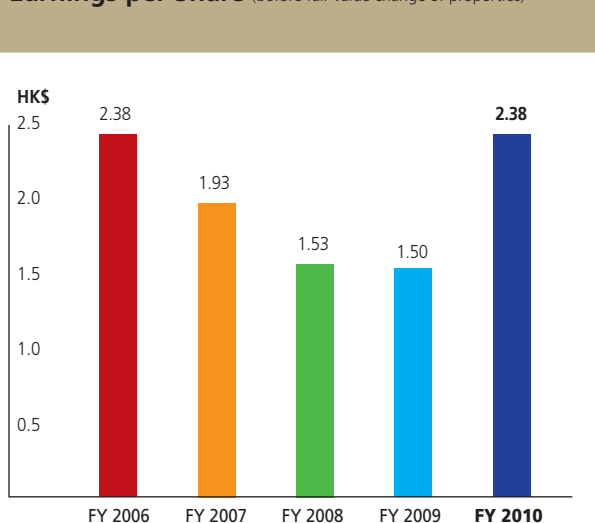
Profit Attributable to Shareholders (before fair value change of properties)

| (by division) | 2010 HK\$ Million | 2009 HK\$ Million | % Change |
|---|----------------------|----------------------|-------------|
| PRC Property | 641 | 645 | -1% |
| Hong Kong Property | 1,961 | 792 | +148% |
| Overseas Property | 60 | 90 | -33% |
| Logistics Network | 654 | 514 | +27% |
| Infrastructure | 82 | 70 | +17% |
| Project, Property Management and Others | 7 | 28 | -75% |
| | 3,405 | 2,139 | +59% |

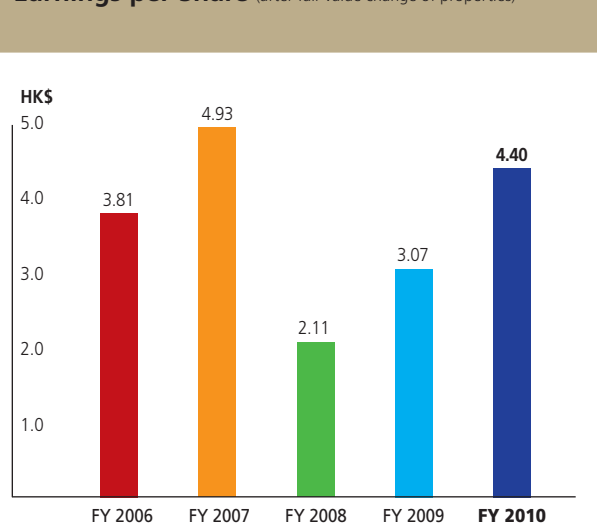
Profit Attributable to Shareholders (after fair value change of properties)

| (by division) | 2010 HK\$ Million | 2009 HK\$ Million | % Change |
|---|----------------------|----------------------|-------------|
| PRC Property | 1,441 | 1,486 | -3% |
| Hong Kong Property | 3,916 | 2,108 | +86% |
| Overseas Property | 67 | 95 | -29% |
| Logistics Network | 797 | 597 | +34% |
| Infrastructure | 82 | 70 | +17% |
| Project, Property Management and Others | 7 | 28 | -75% |
| | 6,310 | 4,384 | +44% |

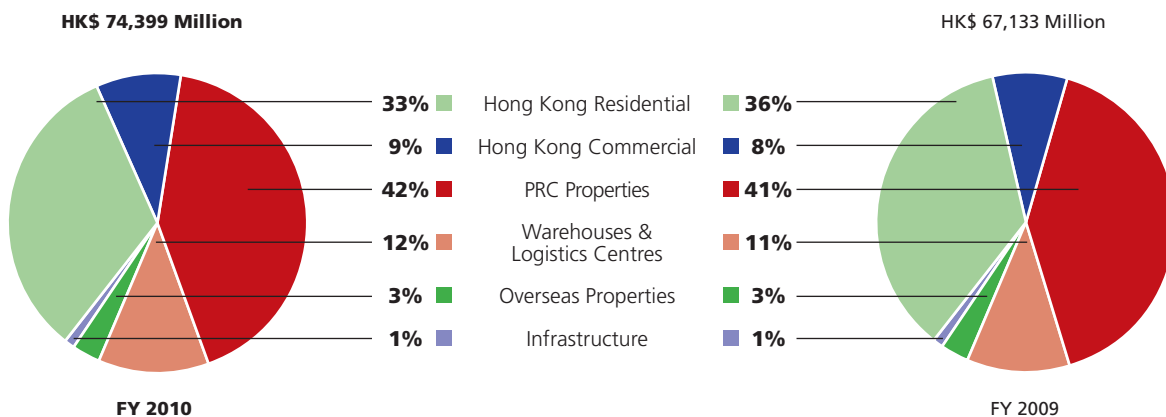
Earnings per Share (before fair value change of properties)



Earnings per Share (after fair value change of properties)

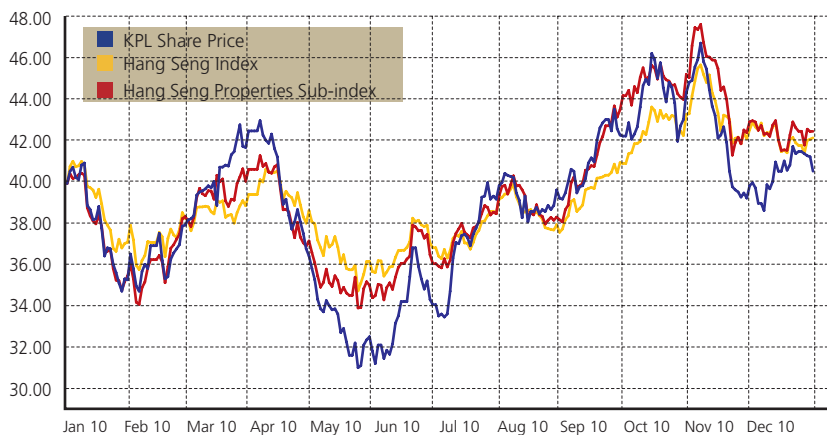


Gross Asset Value of Properties



Share Price Performances

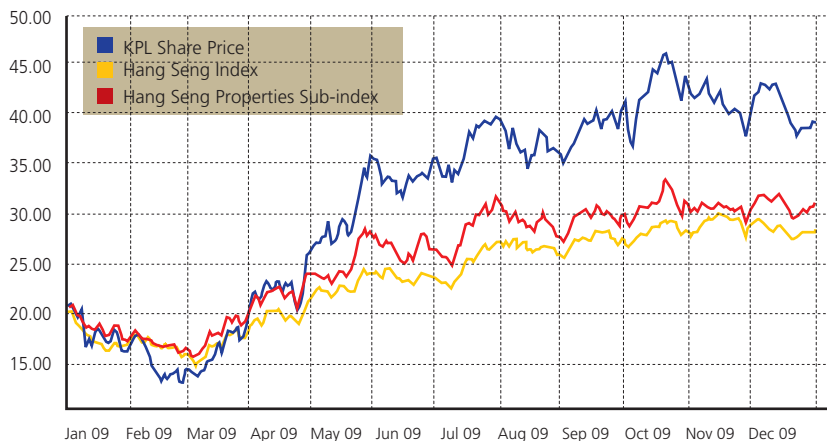
FY 2010
HK\$



KPL Share Price 2010

| | |
|-----------------------|-----------|
| High: | HK\$46.70 |
| Low: | HK\$31.00 |
| Average: | HK\$38.85 |
| Year's High PE: | 14.0x |
| Year's Low PE: | 9.3x |
| Average PE: | 11.6x |
| Hang Seng Index | |
| Average PE: | 14.5x |
| Hang Seng Properties | |
| Sub-index Average PE: | 11.05x |

FY 2009
HK\$



KPL Share Price 2009

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

Chairman's Statement

Dear Shareholders,

On behalf of the Board, I am pleased to report the annual results of Kerry Properties Limited (the "Company"), its subsidiaries and associates (collectively, the "Group") for the year ended 31 December 2010.

The Group's consolidated net profit attributable to shareholders for the year ended 31 December 2010 was HK\$6,310 million, representing an increase of 44% compared with HK\$4,384 million reported for 2009.

Earnings per share for the year were HK\$4.40, representing an increase of 43% compared with HK\$3.07 per share in 2009.

The Board has recommended the payment of a final dividend of HK\$0.52 per share for the year. Together with the interim dividend of HK\$0.35 per share, the total dividend for the year ended 31 December 2010 will be HK\$0.87 per share (2009: HK\$0.70 per share).

The Group's results reflect the sustainability of the economic fundamentals of our core markets. The increase in sales activity in our property division was encouraging and we retain a cautiously positive view that the economies of both Hong Kong and China will continue to improve, driving the Group's business forward and underpinning our future prospects.

Both Hong Kong and China continue to be the business focuses of the Group. Our portfolio of high-quality projects in Hong Kong showed good results in 2010, benefitting from a buoyant economy. China continues to be a key part of our strategy, based on the country's economic dynamism and long-term growth outlook. A rising middle class with disposable incomes, the migration of people to the cities, further investment in infrastructure and mass transportation systems, and rapid modernization are all factors that support our investment in redeveloping central sites for mixed-use, integrated projects in major cities. They also underpin our investment in residential projects in cities with strong prospects for economic growth.

With a solid network of infrastructure and talent firmly established in Greater China and Southeast Asia, our logistics business continued to deliver a strong performance. The gradual shift of the Asian economy from the conventional export-led growth model to a stronger import-driven mode has become and will remain an important source of advancement for the regional logistics sector and for our logistics business in the future.

For many years we have been committed to managing our business responsibly and sensitively for long-term sustainability while at the same time providing practical support to local communities, especially in the areas of environmental protection, education and care for the needy. Our commitment to corporate social responsibility ("CSR"), and to environmental initiatives in particular, further strengthened in 2010. Our environmental management system ("EMS"), which was launched last year, achieved all targets set in the areas of reducing consumption and minimizing waste. These achievements, together with a broad variety of community and charitable initiatives, underline our commitment to improving society and to bequeathing a better environment to future generations.

In 2010, the Hong Kong Council of Social Service awarded us the Caring Company logo for the eighth successive year. We were proud to receive this award, not only for our care shown to the community but also for the care we show our staff. We believe a fulfilling and caring work experience is a powerful motivator to our team, and during the year we continued to work hard to provide a broad range of training courses, social and family events, and work-life balance programmes to all members of the Group.

Looking back on 2010, I would like to thank my Board colleagues, the senior management team, our partners and everyone who worked with us during the year for their loyalty, support and outstanding teamwork. I firmly believe that their concerted efforts will continue to propel the growth momentum of Kerry Properties Limited and its subsidiaries going forward.

Sincerely,

Kuok Khoon Chen

Chairman

Hong Kong, 17 March 2011

President & Chief Executive Officer's Statement

Dear Shareholders,

In 2010, the world's economy might not have completely emerged from the structural adjustment mode triggered by the global financial tsunami, but nevertheless it has been slowly recovering. However, the European sovereign debt crisis did not only affect the Euro zone, it has made and continues to make a long-term impact on the global financial system.

The Asian economy, which has been relatively less affected by the economic crisis and resulting fiscal pressure in Europe, has still enjoyed growth. However, the gradual recovery and a second round of quantitative relaxation of monetary policy in the United States to bolster economic growth has inevitably caused an acceleration of capital flows and exacerbated worsening inflation rates.

The core of the Group's business is firmly rooted in China and Hong Kong. During the year under review, China's economic fundamentals remained strong. It demonstrated its intrinsic advantages during the structural adjustment period as compared to other advanced economies in Europe and the United States. This has had an overall positive impact on the business operations of Kerry Properties in China.

The central government is on high alert, keeping a close watch on rapidly rising property prices to prevent the overheated market from destabilizing the overall economy and affecting people's livelihood. Hence it has introduced numerous policy measures to rein in runaway house prices. Apart from tightening monetary policy to restrict borrowing, it is also using various administrative measures to directly restrict the development and sale of property projects, including limits on property purchases in many cities and the introduction of property tax measures in Shanghai and Chongqing, which do not paint an optimistic picture of the future.

The management believes the adjustment and control of the property market is aimed at squeezing out the bubble in the long run in order to steady the market. China's economy is taking on an increasingly significant role in the global system. Urbanization and development, coupled with the rapid rise of the new middle class in major Chinese cities, have fuelled inelastic demand for high-quality properties. Administrative control and adjustment measures introduced by the central government last year made prospective buyers more cautious. These have given a competitive advantage to those developers who are well-financed and well-established.

The Group has long focused on developing premier properties in top luxury locations of core cities. Despite the tightening of government control and adjustment measures, the Group still managed to achieve satisfactory results in the sales of a number of luxury residential projects such as Parkview Residence in Hangzhou and The Metropolis-Arcadia Court in Chengdu.

The hosting of the World Expo in Shanghai between May and October of 2010 attracted 70 million visitors to the city. It set a record for the number of participating countries and organizations. The success of the Expo has not only raised China's international image and status; it has also boosted the demand for investment, tourism and shopping in the Yangtze River Delta. The management is optimistic about the Group's future long-term business development in China.

Hong Kong's property market also showed encouraging progress in 2010. During the year under review, the Group continued with the sale of two new residential projects – Primrose Hill and Island Crest, which received a warm market response. Hong Kong also faces the challenge of an overheated property market. In late 2010, the Hong Kong Special Administrative Region Government introduced new policies to try to cool the overheating market and curb speculation. The measures mostly targeted speculators. But owing to inflation, low interest rates and expectations of further appreciation of the Renminbi, the measures have only had a slight impact on the number of property sale transactions. Overall property prices have mostly remained unaffected.

The Group will continue with its parallel investment policy in China and Hong Kong. To further reinforce the prestigious Kerry Properties brand, the Group will select only strictly top-quality locations and supplement it with superb design and development in order to keep up with demand and secure the value of our property projects. We will continue to implement our sound business strategies and to maintain a steady ratio of high-quality investment properties in order to establish a stable recurring income base. This approach will help build resilience into our overall business platform against any unexpected economic turbulence and policy changes.

In 2011, the Group will roll out a number of projects such as Pudong Kerry Parkside in Shanghai and Kerry Plaza II in Shenzhen. The Metropolis-Arcadia Court development in Chengdu will roll out four more blocks for pre-sale within this year. In Hong Kong, the Group will continue to promote the sale of the remaining units in Primrose Hill and Island Crest. The residential project, Lions Rise, in Wong Tai Sin is expected to be launched for sale in the second quarter of 2011. The Kerry Centre in Quarry Bay is ready for occupancy. This newly completed Grade-A office tower is not only the new home of Kerry Properties' headquarters; it is also another significant commercial investment property of the Group.

As both the Mainland and Hong Kong governments are intent on cooling the housing market, the management will take advantage of this period when the market is undergoing adjustment to continue to seek out quality cities and locations with investment potential for long-term development.

Logistics business remains one of the Group's main business focuses. In a positive economic climate with economic growth and a strong revival in trade, the Logistics Network Division achieved encouraging results. Kerry Logistics has established a strong cross-strait logistics network and a competitive advantage in the Southeast Asian market. As Asia continues to be the engine of growth for the global economy, the Division will further strengthen its operational prowess through acquisitions and organic expansion in order to take full advantage of the opportunities offered by the global economic restructuring.

The Group strongly believes our employees are our most valuable asset and that quality staff and their proactive attitudes are key to our continued success. With the dedication and hard work of all our staff, Kerry Properties made remarkable achievements in 2010. The Group will continue to develop the best training programmes and create comprehensive career development opportunities for staff. We will work towards further promoting and strengthening team spirit within the Group to maximize our human resources.

Finally, I would like to take this opportunity to extend my heartfelt gratitude to everyone who has contributed to the Group's success.

Sincerely,

Wong Siu Kong

President and Chief Executive Officer

Hong Kong, 17 March 2011

Management Discussion & Analysis

Overall Results

The Group's consolidated net profit attributable to shareholders for the year ended 31 December 2010 was HK\$6,310 million, representing an increase of 44% compared with HK\$4,384 million reported for 2009. In accordance with Hong Kong Accounting Standard 40 "Investment Property", the Group measured its investment property portfolio on a fair value basis and recorded an increase in fair value of investment properties (net of deferred taxation) of HK\$2,905 million for the year ended 31 December 2010 (2009: HK\$2,245 million). Profit attributable to shareholders for the year ended 31 December 2010 before taking into account the effects of the aforementioned increase in fair value is HK\$3,405 million (2009: HK\$2,139 million).

Earnings per share for the year ended 31 December 2010 were HK\$4.40, representing an increase of 43% compared with HK\$3.07 per share in 2009.

Island Crest, Hong Kong



*Kerry Parkside, Shanghai**



*New Product Customization and Consolidation Centre,
Hong Kong, Kerry Logistics*



MegaBox, Hong Kong





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

| | Year ended 31 December | | Change |
|--|------------------------|----------------------|--------|
| | 2010 HK\$ million | 2009 HK\$ million | |
| Profit attributable to shareholders before taking into account the net increase in fair value of investment properties and related tax effects | 3,405 | 2,139 | 59% |
| Add: Net increase in fair value of investment properties and related tax effects | 2,905 | 2,245 | |
| Profit attributable to shareholders after taking into account the net increase in fair value of investment properties and related tax effects | 6,310 | 4,384 | 44% |

The Board has recommended the payment of a final dividend of HK\$0.52 per share for the year. Together with the interim dividend of HK\$0.35 per share, the total dividend for the year ended 31 December 2010 will be HK\$0.87 per share (2009: HK\$0.7 per share).

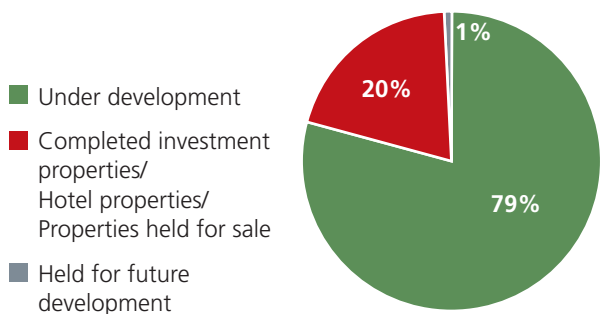
* Artist's impression

Presence in Mainland China and Hong Kong



Property Portfolio Composition - By Type

50.25 million square feet in attributable GFA



Completed investment properties/Hotel properties/Properties held for sale

9.82 million square feet in attributable GFA



Overview

The property business delivered a strong performance in the year ended 31 December 2010. Progress continued to be made with the development projects in the Mainland and in Hong Kong, while the Group deployed its experience and expertise to maximize the performance of its prime-quality investment property portfolio across the residential, office and commercial sectors.

As at 31 December 2010, the Group maintained a property portfolio that includes properties under development with a gross floor area ("GFA") of 39.71 million square feet (2009: 40.99 million square feet), completed investment properties of 8.55 million square feet (2009: 8.41 million square feet), hotel properties of 0.54 million square feet (2009: 0.54 million square feet), properties held for sale of 0.73 million square feet (2009: 0.98 million square feet) and properties held for future development of 0.72 million square feet (2009: Nil). This balanced and high-quality portfolio sets the course for the Group to deliver value to its shareholders in the long term.

Property Portfolio Composition

| | Group's attributable GFA | | | | Total |
|--|--------------------------|--------------|----------------------|--------------|---------------|
| | Mainland China | Hong Kong | Macau ⁽¹⁾ | Overseas | |
| Investment Properties | 3,748 | 2,791 | – | 2,008 | 8,547 |
| Hotel Properties | 500 | 38 | – | – | 538 |
| Properties Under Development | 33,992 | 1,535 | 2,385 | 1,801 | 39,713 |
| Properties Held for Sale | 496 | 192 | – | 48 | 736 |
| Properties Held for Future Development | 718 | – | – | – | 718 |
| Total GFA | 39,454 | 4,556 | 2,385 | 3,857 | 50,252 |

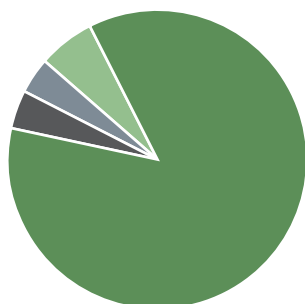
Note:

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

Under development

39.71 million square feet in attributable GFA

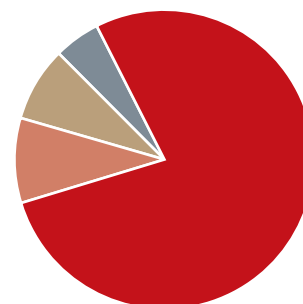
| | |
|-------|----------------|
| ■ 86% | Mainland China |
| ■ 4% | Hong Kong |
| ■ 4% | Overseas |
| ■ 6% | Macau |



Property Portfolio Composition - By Location

50.25 million square feet in attributable GFA

| | |
|-------|----------------|
| ■ 78% | Mainland China |
| ■ 9% | Hong Kong |
| ■ 8% | Overseas |
| ■ 5% | Macau |



Management Discussion & Analysis

Review of Property Business

Mainland China Property Division

New rounds of quantitative easing by the United States in a bid to revive its stalled economy have led to rising inflationary pressure for countries worldwide, including China. Alert to the profound negative impact of inflation and an overheating property market on social stability, the Mainland Chinese government has taken measures to combat rising property prices. The market is inevitably affected in the short- to mid-term by these macro-economic control measures. However, premium-quality properties in major cities in China still command robust demand. Property investments also continue to be underpinned by the prevailing low interest rate and the anticipated inflation. The Group's Mainland projects placed on the market during the year under review therefore continued to produce encouraging sales.

The Mainland China Property Division owns a premium investment portfolio and land bank, and focuses on the development of landmark properties in key locations of the major cities including Beijing, Shanghai, Shenzhen and Tianjin.

During the year, the Mainland China Property Division achieved a turnover of HK\$3,352 million (2009: HK\$3,996 million), a decrease of 16% year on year. Net profit attributable to the

Group fell by 3% year on year to HK\$1,441 million (2009: HK\$1,486 million), after taking into account the increase in fair value of investment properties (after deferred taxation) of HK\$800 million (2009: HK\$841 million). Excluding the effect of the increase in fair value of investment properties (after deferred taxation), the net profit attributable to the Group was HK\$641 million (2009: HK\$645 million).

The Group will continue to be prudent and selective in its investments, and to uphold stringent and meticulous construction management standards, in order to deliver on its promise of quality and value for buyers and tenants.

Investment Properties

The Group derived rental turnover and operating profit of HK\$808 million and HK\$594 million, respectively (2009: HK\$819 million and HK\$599 million, respectively) from rental activities on its portfolio of completed investment properties in Mainland China during the year under review.

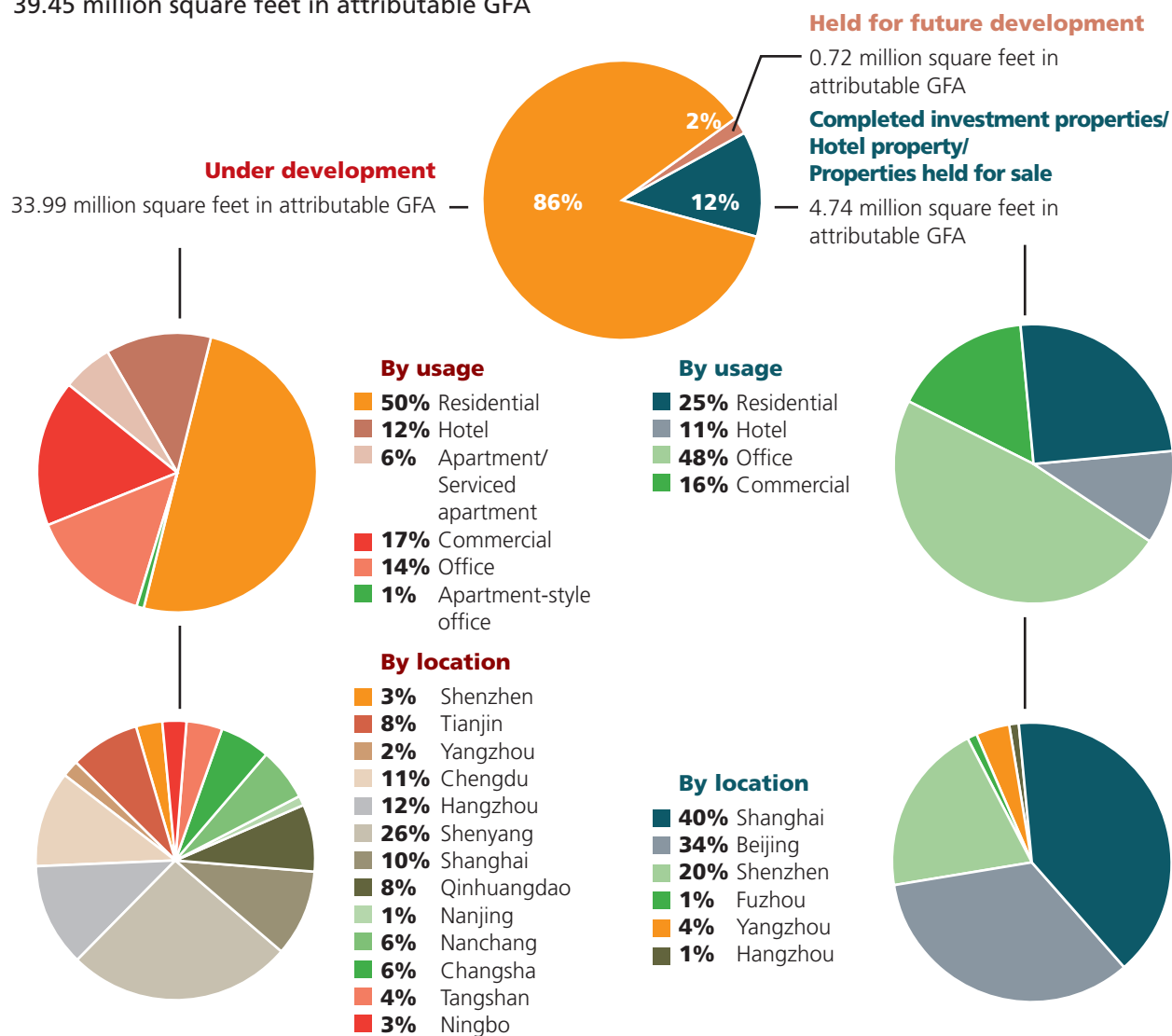
As at 31 December 2010, the Group had an aggregate GFA of 3.75 million square feet (2009: 3.82 million square feet) of completed investment properties within its portfolio in the Mainland, the geographical distribution of which and their occupancy rates are set out in the table below:

| | Group's attributable GFA | | | | | Occupancy rate |
|-------------|--------------------------|----------|----------|--------|-------|----------------|
| | Beijing | Shanghai | Shenzhen | Fuzhou | Total | |
| | ('000 square feet) | | | | | |
| Office | 711 | 612 | 813 | – | 2,136 | 84% |
| Commercial | 98 | 437 | 108 | 64 | 707 | 92% |
| Residential | 277 | 628 | – | – | 905 | 62% |
| | 1,086 | 1,677 | 921 | 64 | 3,748 | |

| | Group's attributable GFA | | | | | Occupancy rate |
|-------------|--------------------------|----------|----------|--------|-------|----------------|
| | Beijing | Shanghai | Shenzhen | Fuzhou | Total | |
| | ('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 | |

Mainland China Properties

39.45 million square feet in attributable GFA



Comparative occupancy rates of key investment properties are outlined below:

| Property | Occupancy rate as at 31 December 2010 | Occupancy rate as at 31 December 2009 |
|--|---------------------------------------|---------------------------------------|
| Beijing Kerry Centre ⁽²⁾ | 83% | 76% |
| Shanghai Kerry Centre | 61% | 71% |
| Kerry Everbright City Phase I | 82% | 88% |
| Central Residences Phase II Towers 1 and 3 | 71% | 69% |
| Shenzhen Kerry Plaza Phase I | 91% | 66% |

Note:

(2) Excluding Shangri-La's Kerry Centre Hotel, Beijing

Management Discussion & Analysis

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The mixed-use property project, Kerry Parkside, in the Pudong District will be completed in early 2011. This 40.8%-held joint venture project is situated close to the Shanghai New International Expo Centre at the core of Huamu District in the Pudong New Area. The development includes a hotel, offices, serviced apartments, commercial properties and related ancillary facilities. The hotel was opened on 18 February 2011 whilst the serviced apartments will open in late March 2011. The first office tenants have already started their fit-out works for moving in after the Chinese New Year holidays. Retail tenants are expected to commence business starting from the second quarter of 2011. As at 31 December 2010, approximately 80% of the retail space was leased while the offices were 40% leased.

Sales of Properties

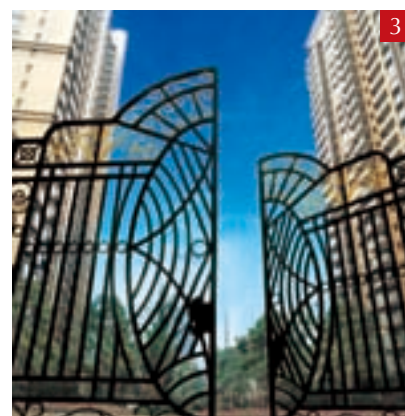
The Group's sales of properties during the year delivered a turnover and operating profit of HK\$2,250 million and HK\$935 million, respectively (2009: HK\$2,931 million and HK\$1,500 million, respectively), mainly contributed by sales of Shanghai's Kerry Everbright City Phase II (including residential units of Le Loft and offices of Enterprise Square) and Central

Residences Phase II Tower 2, and Gemini Grove in Beijing. Sales activities during the year included those of Parkview Residence in Hangzhou, Lakeview in Yangzhou and Watch Lake in Manzhouli.

Kerry Everbright City Phase II in Zhabei District, Shanghai, is a mixed-use development with a GFA of approximately 1.6 million square feet. As at 31 December 2010, 1,161 units, or 99.6% out of a total of 1,166 Le Loft residential units were sold while Enterprise Square, which offers 436 saleable office units, recorded sales of 261 units, representing 60% of the total.

Located in the upscale Huashan Road residential neighbourhood in Shanghai, Central Residences Phase II has earmarked 60 units from Tower 2 for sale. As at 31 December 2010, 70% of the lot or 42 units were taken.

Gemini Grove, a boutique-style apartment project situated in Xinyuanli, Beijing, provides a saleable GFA of approximately 343,000 square feet (including commercial and residential apartment), comprising approximately 330,000 square feet of





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1. Kerry Parkside, Shanghai Pudong, MAINLAND CHINA*
2. Le Loft, Kerry Everbright City, Shanghai, MAINLAND CHINA
3. Central Residences, Shanghai, MAINLAND CHINA
4. Gemini Grove, Beijing, MAINLAND CHINA
5. Jing An Kerry Centre, Shanghai, MAINLAND CHINA*

residential apartments and approximately 13,000 square feet of commercial space. As at 31 December 2010, about 2,700 square feet of the commercial space were sold. The Group holds a 71% interest in the project, which comprises the east and west towers. Out of a total of 317 units, 306 units or 97% were sold as at 31 December 2010.

The Lakeview residential units of the hotel and luxury residence development in the Xincheng West District of Yangzhou have been delivered to owners for occupation starting from September 2010. Up to 31 December 2010, 111 units had been sold, representing 64% of the total. On 31 December 2010, the Group entered into an agreement to sell its entire equity interest in the Yangzhou project to Shangri-La Asia Limited ("Shangri-La"), which is conditional upon government approval.

In respect of the residential and commercial property project in Manzhouli, Inner Mongolia, occupation of the first batch of Watch Lake residential units began in the third quarter of 2010. As at 31 December 2010, 101 units were sold, representing 96% of the total number of flats offered under Phase 1.

Properties under Development

The Mainland property market was under the pressure of the government's cooling measures and further tightening of housing mortgages by the banks during the year. However, the Group is of the view that the control policy will benefit genuine users and long-term investors. Furthermore, such measures have had only a relatively mild impact on the Group's portfolio of properties under development. In addition to its existing premium land bank to sustain mid- to long-term development, the Group will also take the opportunity of the market slowdown to acquire new plots of land in prosperous cities that promise long-term development value.

Shanghai

The mixed-use development lying in the heart of Shanghai's business area, Jing An District, progressed smoothly with construction work. The Jing An Kerry Centre project is being jointly developed by the Group and 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 on track for expected completion in 2012.

Management Discussion & Analysis

Review of Property Business

The construction of Phase III of the Kerry Everbright City project in Zhabei District is expected to commence by the middle of 2011. The project will generate a GFA of approximately 1.11 million square feet, comprising retail and office premises. The Group holds a 74.25% interest in the project, which is expected to be completed in 2014.

Shenzhen

Kerry Plaza Phase II is a Grade-A office project in the Futian CBD in Shenzhen with a GFA of approximately 850,000 square feet. Enjoying close connectivity with the Futian station of the future Guangzhou-Shenzhen-Hong Kong Express Rail Link, the project is designed to become a major landmark in Futian Central District and a premium office building in the city. Construction continued according to schedule with completion targeted for 2011. The project is wholly owned by the Group.

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, across a GFA of approximately 5.55 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 well on its way towards scheduled completion. Phase I is scheduled to be completed in 2013. 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





1. Shenzhen Kerry Plaza II, Shenzhen, MAINLAND CHINA*
2. Tianjin Kerry Centre, Tianjin, MAINLAND CHINA*
3. Parkview Residence, Hangzhou, MAINLAND CHINA*
4. The Metropolis - Arcadia Court, Chengdu, MAINLAND CHINA*

mall complex, with a total GFA of approximately 2.16 million square feet. Piling works are expected to commence within the first quarter of 2011, and the entire development is targeted for completion in phases by 2015. After completion, the project will become a new landmark of Hangzhou. On 31 December 2010, the Group entered into an agreement to sell 25% of the equity interest it held in this originally wholly-owned project to Shangri-La, which is conditional upon government approval. The transaction was subsequently approved by independent shareholders of the Company at a special general meeting convened on 16 February 2011.

The second site in Xiacheng District is designated 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 residential project will yield a GFA of approximately 2.63 million square feet. It is expected to be completed in phases before 2013. The first phase of Parkview Residence was delivered for occupation in December 2010. Three additional residential blocks with 276 units from Parkview Residence Phase II were introduced to the market in October 2010 for pre-sales with an equally overwhelming response. Sales are ongoing and as at 31 December 2010, approximately 80% of these units were sold.

Nanjing

The Group and Shangri-La are jointly developing a premier site at Zhong Yang Road in Gu Lou District, Nanjing. Situated at the heart of Nanjing, the site is earmarked for the development of a mixed-use project including hotel and

commercial properties with a total GFA of approximately 927,000 square feet. The Group holds a 45% interest in this project. Construction works are expected to commence in 2011. In addition to being the provincial capital of Jiangsu, Nanjing is 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 7 million square feet. In line with its strategy of developing into a "World Modern Garden City", Chengdu has implemented breakthrough plans to transform 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 an ideal neighbourhood for the development of luxury residences. Construction works on Phase I of the project are now ongoing and are expected to be completed by 2012, with Phases II and III due for completion in several stages from 2013 onwards. Phase I of The Metropolis-Arcadia Court has eight towers of luxury homes, two of which with 460 units were launched in September 2010 to a warm market response with all units taken. Four more residential blocks are expected to be introduced in 2011 for pre-sales.

Management Discussion & Analysis

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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 on the west coast of Ganjiang 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 2.5 million square feet. The project site commands a premium location adjacent to the government offices. Construction works commenced at the end of 2010, with phased completion expected between 2013 and 2015.

Changsha

The Group is participating in a 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. Infrastructure works are currently underway, and the project is scheduled to be completed in phases between 2012 and 2014. In January 2011, the Group made a successful bid to acquire the 39% equity interest held by its joint venture partner in the project. The project is now wholly owned by the Group.

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 14.7 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.

Qinhuangdao

Piling works have commenced on the Group's 60%-owned deluxe residential project adjacent to Beidaihe in Qinhuangdao, Hebei Province. This development is expected to generate a GFA of approximately 4.76 million square feet, and is planned 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 the development of the Beijing-Tianjin-Hebei metropolis circle takes shape.

Manzhouli

The Group is developing a residential and commercial property project, Watch Lake, in Manzhouli, Inner Mongolia. Phase I of the project has been completed and delivered, while the development plan of Phase II is currently under consideration. Manzhouli is a major land-transport trading depot for Sino-Russian trade and enjoys unique geographical advantages. The project now has remaining site area of approximately 209,000 square feet.

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 3.4 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 2012 and 2014.

Ningbo

In July 2010, the Group made a successful bid to acquire the land use rights for a site located in the Eastern New Town Core Region in Ningbo for a consideration of RMB1,673 million. The site is earmarked for the development of high-end residences with a developable GFA of approximately 1.06 million square feet. Immediately after the bidding, the Group was approached by a third party in respect of the proposed transfer of a 50% equity interest in the project. It is the intention of the Group to proceed with the transfer after the incorporation of the project company. As at 31 December 2010, the Group still held a 100% stake in the project, but subsequently in February 2011, it entered into a share transfer agreement with the third party for the transfer of the 50% equity interest, which is conditional upon government approval.



1. Changsha Residential Project, Changsha, MAINLAND CHINA*
2. Shenyang Complex Development, Shenyang, MAINLAND CHINA*
3. Qinhuangdao Residential Project, Qinhuangdao, MAINLAND CHINA*
4. Manzhouli Complex Development, Manzhouli, MAINLAND CHINA*
5. Tangshan Complex Development, Tangshan, MAINLAND CHINA*

Management Discussion & Analysis

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Yingkou

On 21 December 2010 and 5 January 2011, the Group won joint bids with Shangri-La and Wilmar International Limited at public biddings to acquire the land use rights of various sites in Bayuquan and Laobian Districts in Yingkou City, Liaoning Province. The sites are designated for residential, commercial and/or hotel uses. Yingkou falls within a strategic development zone under the government's "Five Points, One Line" policy to develop the coastline of Liaoning Province, as well as being a part of the Shenyang Economic Zone. It is one of the major port cities in Northeastern China and has tremendous growth potential. Total consideration for the two project sites amounted to RMB1,600 million. The Group holds a 40% equity interest in each of the two projects.

Shangri-La's Kerry Centre Hotel, Beijing

During the year ended 31 December 2010, Shangri-La's Kerry Centre Hotel, Beijing, generated turnover and operating profit of HK\$294 million and HK\$44 million, respectively (2009: HK\$246 million and HK\$34 million, respectively), and achieved an average occupancy rate of 66% (2009: 52%). The average room tariff increased 0.3% year on year. Since

December 2010, major renovation works for the hotel have been undergoing and are expected to be completed by early 2012. The Group holds a 71.25% interest in the hotel.



1. Beijing Kerry Centre, Beijing, MAINLAND CHINA

Properties under development in Mainland China

| | Group's attributable GFA upon completion | | | | | | | | | | | | | |
|--------------------|--|------------|--------------|--------------|--------------|------------|--------------|--------------|--------------|------------|--------------|--------------|--------------|---------------|
| | Shanghai | Shenzhen | Tianjin | Hangzhou | Shenyang | Nanjing | Chengdu | Nanchang | Changsha | Yangzhou | Qinhuangdao | Tangshan | Ningbo | Total |
| | ('000 square feet) | | | | | | | | | | | | | |
| Residential | - | - | 949 | 2,234 | 3,264 | - | 3,320 | 707 | 1,781 | - | 2,648 | 980 | 1,058 | 16,941 |
| Apartment/Serviced | | | | | | | | | | | | | | |
| Apartment | 147 | - | 116 | - | 1,650 | - | - | - | - | - | - | - | - | 1,913 |
| Apartment-style | | | | | | | | | | | | | | |
| Office | 261 | - | - | - | - | - | - | - | 144 | - | - | - | - | 405 |
| Office | 1,495 | 780 | 728 | 113 | 1,073 | - | - | 664 | - | - | - | - | - | 4,853 |
| Commercial | 658 | 71 | 520 | 1,262 | 2,431 | 7 | 530 | 86 | 36 | - | 208 | 76 | - | 5,885 |
| Hotel | 717 | - | 406 | 487 | 397 | 410 | - | 533 | - | 729 | - | 299 | - | 3,978 |
| Entrance Hall | 17 | - | - | - | - | - | - | - | - | - | - | - | - | 17 |
| | 3,295 | 851 | 2,719 | 4,096 | 8,815 | 417 | 3,850 | 1,990 | 1,961 | 729 | 2,856 | 1,355 | 1,058 | 33,992 |

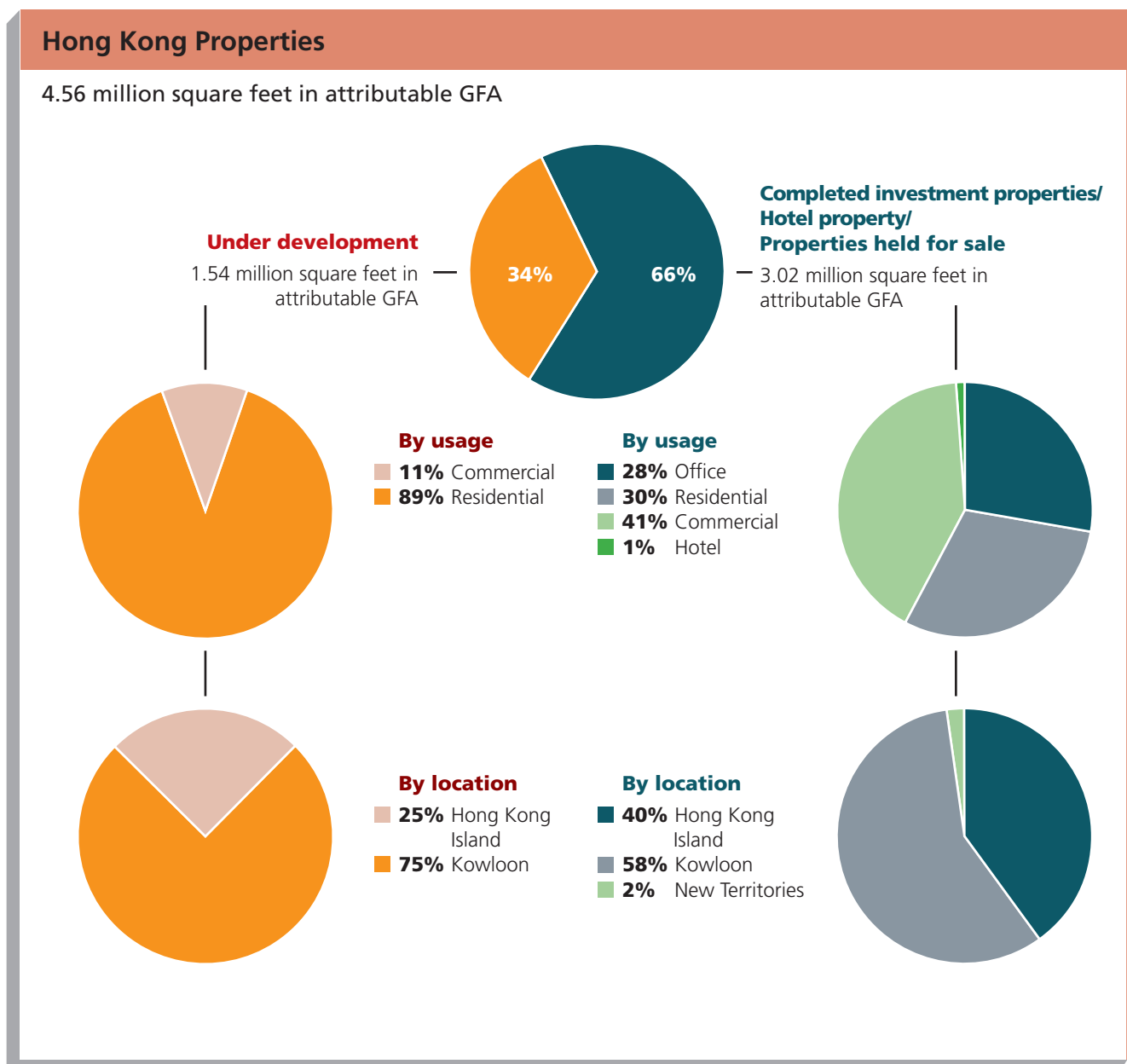
Hong Kong Property Division

During the year ended 31 December 2010, the Hong Kong Property Division recorded a turnover of HK\$6,847 million (2009: HK\$1,151 million), which produced a net profit attributable to the Group of HK\$3,916 million (2009: HK\$2,108 million), after taking into account the increase in fair value of investment properties (net of deferred taxation) of HK\$1,955 million (2009: HK\$1,316 million).

The turnover growth was mainly attributable to the recognition of sales from Primrose Hill and Island Crest.

The Division's sustained growth stems from its clear business strategy of developing and managing properties of consistently high quality, firmly positioning it at the premium end of the market and helping it to gain the support and trust of buyers and tenants.

The performance of the Division will continue to be supported by the balanced portfolio of premium assets in Hong Kong, and further reinforced by the pipeline of projects currently under development in some of the city's most prestigious locations. This exclusive land bank provides strong leverage to drive the Division's further development in the supply-restricted local market.

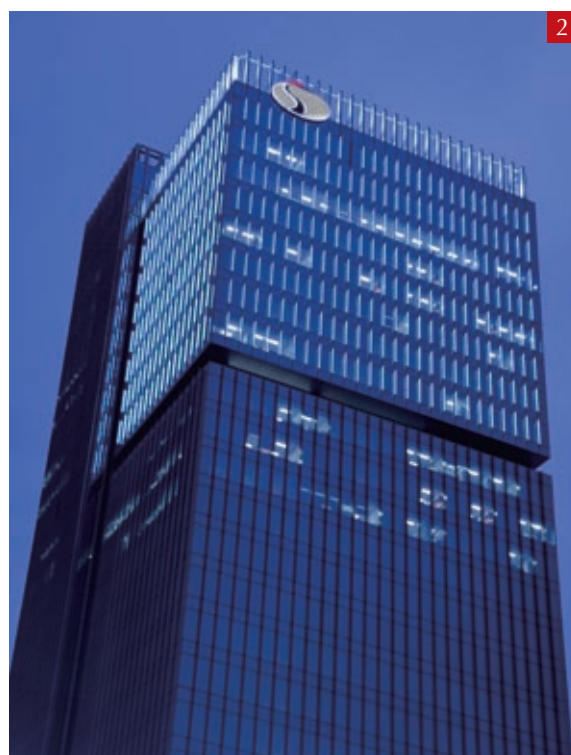


Management Discussion & Analysis

Review of Property Business



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Investment Properties

The Group holds and manages a portfolio of high-calibre residential, office and commercial investment properties in Hong Kong, which represents a major component of its earnings base and serves as a growth driver for the Division. The top-class residences in Hong Kong's most exclusive upscale neighbourhoods continued to give the Group an unrivalled advantage in the luxury sector. During the year, rental turnover generated from the Group's completed investment properties

in Hong Kong amounted to HK\$580 million (2009: HK\$529 million), generating an operating profit of HK\$408 million (2009: HK\$307 million).

As at 31 December 2010, the Group held a completed investment property portfolio in Hong Kong with an aggregate GFA of 2.79 million square feet (2009: 2.59 million square feet). Set out below are the breakdown of GFA and the respective occupancy rates, together with comparative figures:

| | As at 31 December 2010 | | As at 31 December 2009 | |
|-------------|---|----------------|---|----------------|
| | Group attributable GFA ('000 square feet) | Occupancy rate | Group attributable GFA ('000 square feet) | Occupancy rate |
| Residential | 722 ⁽³⁾ | 99% | 722 ⁽³⁾ | 96% |
| Commercial | 1,205 | 95% | 1,194 | 94% |
| Office | 839 | 81% | 646 | 93% |
| | 2,766 | | 2,562 | |

Note:

(3) The above table excludes Belgravia.

Enterprise Square Five/MegaBox

Comprising a GFA of 1.1 million square feet, the Group's major retail property MegaBox has helped drive the transformation of East Kowloon into a new hub for shopping and leisure. As the mall continues to optimize its tenant mix,

it has successfully evolved into a one-stop shopping and entertainment destination and home to a variety of world-renowned lifestyle brands. As at 31 December 2010, the occupancy rate of MegaBox stood at 98% (2009: 96%).

The two office towers of the landmark Grade-A Enterprise Square Five, with a GFA of 519,316 square feet, recorded an occupancy rate of 95% (2009: 99%) as at 31 December 2010.

Kerry Centre, Quarry Bay

Kerry Centre at 683 King's Road, Quarry Bay, is the Group's latest flagship office development in Hong Kong. With an ultra-modern exterior design and rising 32 floors, this new Grade-A office tower aims to create an ideal office environment to keep ahead of today's business needs. The property incorporates state-of-the-art architectural features and intelligent facilities that meet the exacting requirements of corporations seeking top-class accommodation. It also enjoys panoramic sea views from all office floors while overlooking the greenery of the adjacent public parks.

The 40%-held project has a GFA of approximately 511,000 square feet. With the occupation permit already issued, the office floors are being handed over to tenants in phases. As at 31 December 2010, 52% of the project was leased.

Sales of Properties

During the year under review, sales of completed properties held for sale in Hong Kong delivered a turnover of HK\$6,267 million (2009: HK\$622 million), and proceeds from sales of completed investment properties were HK\$261 million (2009: HK\$884 million). Sales activities during the year, including those of Island Crest and Primrose Hill, produced an operating profit of HK\$1,407 million (2009: HK\$426 million).

The Hong Kong property market continued to demonstrate positive momentum during 2010, seeing growth in terms of both volume and prices across most sectors, particularly in the luxury residential market where supply conditions remained tight. This positive growth trend, supported by the continuing economic recovery, low interest rates, high liquidity and strong capital inflow, also reflected the fact that Hong Kong remains one of the most attractive markets for property investment.

Island Crest, First Street, Hong Kong

Island Crest is an urban renewal project in the Western District offering 488 residential units and approximately 16,000 square feet of shop units, aggregating to a total GFA of approximately 440,000 square feet. Advantageously located in a school network with numerous prestigious and international schools within reach, the property also enjoys the glamour of Victoria Harbour while lying in the heart of an extensive transportation network. The project generated a strong market response to its introduction. As at the end of December 2010, 423 units had been sold, accounting for 87% of the total. These units have been handed over to buyers during the year.

Primrose Hill, Tsuen Wan

The launch of Primrose Hill in Tsuen Wan was another sales success for the Division. Embraced by the surrounding lush greenery, Primrose Hill is a landscaped-garden luxury residence in accordance with an In-and-Out design that brings the picturesque natural environment to the residents. The development offers 548 units with a total GFA of



1. MegaBox, Kowloon Bay, HONG KONG
2. Kerry Centre, Quarry Bay, HONG KONG
3. Island Crest, First Street, HONG KONG
4. Primrose Hill, Tsuen Wan, HONG KONG

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approximately 450,000 square feet. As at 31 December 2010, 506 units had been sold, accounting for 92% of the total. The certificate of compliance for Primrose Hill has been issued, and the units have been handed over to buyers.

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 largest new development on supply-restricted Hong Kong Island, located in a favourable position between the mountains and the sea. The project was launched in July 2010 to a good market response. As at the end of December 2010, 675 units were sold, representing 94% of the total of 715 units available for sale.

Properties under Development

Shan Kwong Road/Village Terrace, Happy Valley

Construction works have progressed smoothly 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.



Lions Rise, Wong Tai Sin

The premier residential and commercial property project at No. 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, scheduled for completion 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 redevelopment project in Wilmer Street, Sheung Wan is planned to yield a developable GFA of approximately 142,000 square feet of premier residential and retail space. Construction work has moved ahead towards the project's scheduled completion in the second quarter of 2012. The Group holds a 71% interest in this project. In light of the limited developable land supply in Central and Western Districts, the Group is confident of the prospective sales of and returns from this prominent property.





1. Shan Kwong Road Project, Happy Valley, HONG KONG*
2. Lions Rise, Wong Tai Sin, HONG KONG*
3. Wilmer Street Project, Sheung Wan, HONG KONG*
4. Yuk Yat Street Project, To Kwa Wan, HONG KONG*

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 deliver a GFA of approximately 155,000 square feet.

Hing Hon Road, Mid-Levels West

The 71%-owned joint venture project at Nos. 18-27 Hing Hon Road, Mid-Levels West, is situated in an exclusive locale between Pokfulam and Western District. Adjacent to the University of Hong Kong, the neighbourhood is also home to some of the territory's finest schools. The project will yield luxury residences with a GFA of approximately 179,000 square feet. Construction works are in progress with completion expected to be in the second quarter of 2013.

Ede Road, Kowloon Tong

In August 2010, the Group won a bid at a land auction for a site at No.1 Ede Road, Kowloon Tong for the development of another luxury residential project. This site occupies an area of about 25,823 square feet and has a plot ratio of three times with a buildable GFA of approximately 77,000 square feet. Its tranquil and prestigious location makes it an ideal site for the development of an ultimate living environment that matches the Group's luxury brand promise. Two residential blocks are planned to be developed with scheduled completion by first quarter of 2014.

Properties under development in Hong Kong

| Group's attributable GFA upon completion ('000 square feet) | |
|---|--------------|
| Residential | 1,359 |
| Commercial | 176 |
| | 1,535 |

Macau

The Group's luxury residential apartment project at Nam Van Lake has a developable GFA of approximately 400,000 square feet with scheduled completion in the first quarter of 2014. The project commands a prime city location graced with full unobstructed views of the Nam Van Lake and Macau peninsula.

The Group will also continue to liaise with the Macau SAR Government in respect of the exchange procedure for a plot of land proposed to be located in a new urban zone on reclaimed land. The reclamation scheme has already been approved by the central government.

Overseas Property Division

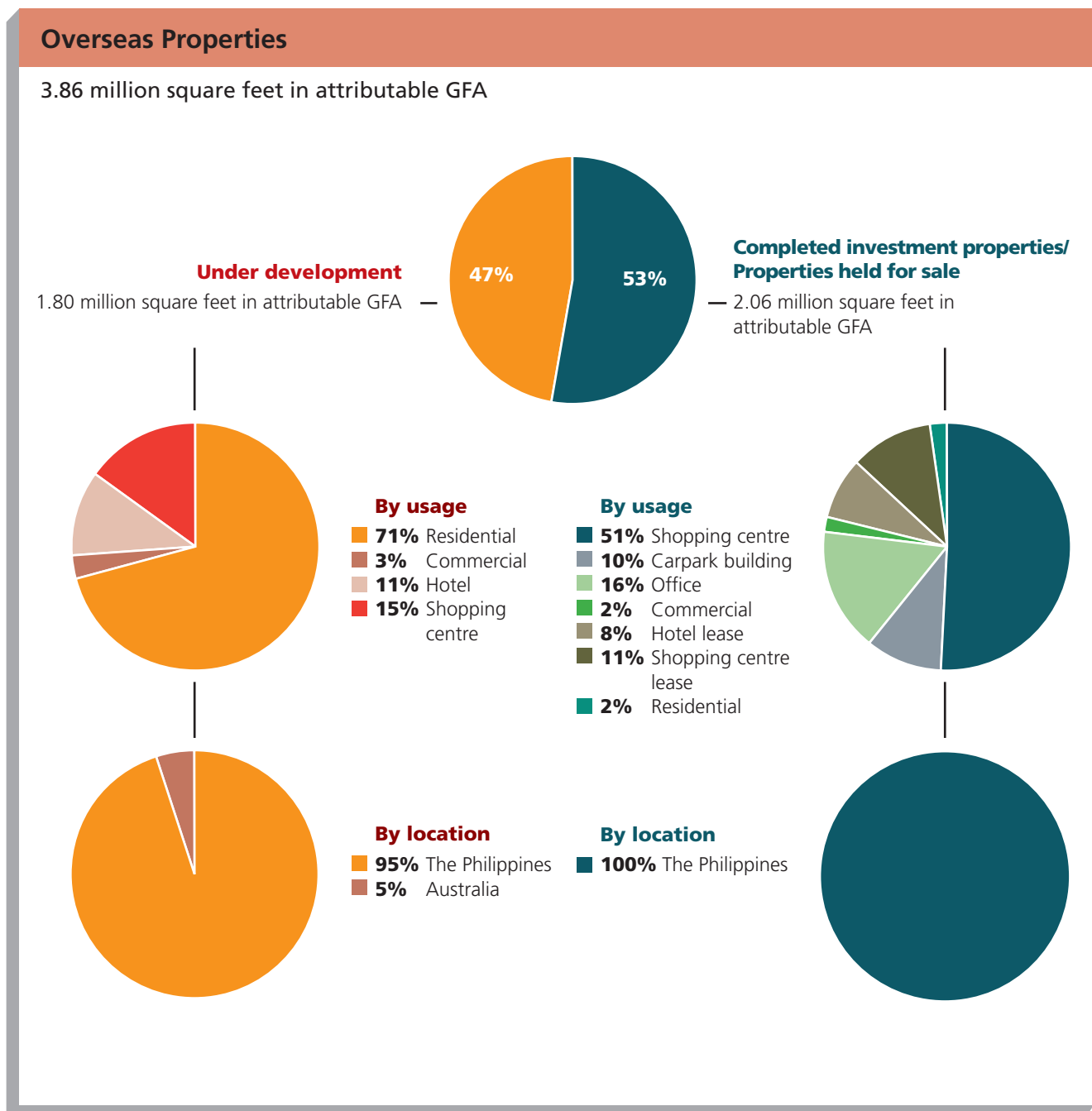
The Group's Overseas Property Division maintains a portfolio of properties in Australia and the Philippines.

Australia

As at 31 December 2010, 1,289 units (2009: 1,141 units) of the Group's 25%-owned Jacksons Landing project were sold, accounting for 96% of the total of 1,339 units available for sale. The commercial development of this project of approximately 167,000 square feet is currently under planning. This residential and commercial development lies on a 12-hectare site on the Pymont Peninsula in Sydney.

The Philippines

The Group's property investments in the Philippines are held through Shang Properties, Inc. ("SPI") in which it holds a 34.61% equity interest and a 30.75% interest in its depository receipts. SPI holds (i) a 78.72% interest in the Shangri-La Plaza Mall, Manila and (ii) indirect interests in The Enterprise Center, an office and commercial property in Makati, Manila's financial district. As at 31 December 2010, the occupancy rates of Shangri-La Plaza Mall and The Enterprise Center were 98% and 81%, respectively (2009: 99% and 89%, respectively).



The Shangri-La Plaza Mall continued to perform well. Expansion works are ongoing on an adjacent site to build an extension to the mall as well as additional residential units. This project will yield an additional GFA of approximately 2.06 million square feet, of which approximately 428,000 square feet are earmarked as retail space and approximately 1.63 million square feet are for residential development. Pre-sales of the residential units were launched in March 2010 to a welcoming market response, and 492 units were taken as at the end of December, accounting for 36% 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 31 December 2010, 1,132 units (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 holds a 40% interest in a hotel and luxury residential development project in Fort Bonifacio, Taguig, Manila. The development comprises a six-star resort hotel and luxury residences, as well as approximately 38,750 square feet of retail premises.

Overseas property portfolio

| | Group's attributable GFA | | |
|-------------------------------------|--------------------------|---------------------------------------|--------------|
| | Australia | The Philippines ('000 square feet) | Total |
| Investment properties | | | |
| Hotel lease | - | 170 | 170 |
| Shopping centre lease | - | 213 | 213 |
| Shopping centre | - | 1,054 | 1,054 |
| Commercial | - | 39 | 39 |
| Office | - | 331 | 331 |
| Car-park building | - | 201 | 201 |
| Sub-total | - | 2,008 | 2,008 |
| Properties under development | | | |
| Residential | 49 | 1,224 | 1,273 |
| Hotel | - | 196 | 196 |
| Shopping centre | - | 280 | 280 |
| Commercial | 42 | 10 | 52 |
| Sub-total | 91 | 1,710 | 1,801 |
| Properties held for sale | | | |
| Residential | 5 | 43 | 48 |
| Sub-total | 5 | 43 | 48 |
| | 96 | 3,761 | 3,857 |



1



2



3

1. Jacksons Landing, Sydney, AUSTRALIA*
2. The Enterprise Center, Manila, THE PHILIPPINES
3. The St. Francis Shangri-La Place, Manila, THE PHILIPPINES

*Artist's Impression

Outlook

Mainland China

In the second half of 2010, the central government introduced measures to curb property speculation, including the nationwide suspension of third-home mortgages and the raising of minimum down payments for private residential properties to 30% from 20%. Further in January 2011, the country braced for a new series of cooling measures, as outlined in a set of eight rules, lifting the minimum down payment for second-home loans to 60% and setting mortgage rates for second-home purchases at no less than 1.1 times the national benchmark rates.

The central government reinforced its firm resolve to implement control over the property market. As part of the measures, it urged local governments to ensure land supply for affordable housing. Furthermore, Shanghai and Chongqing became the first cities to pioneer the levying of property taxes on a trial basis. Local governments were urged to expedite the implementation of a "dual system" for the balanced development of affordable and commodity housing, in a bid to safeguard the long-term healthy development of the property market.

The new and more stringent set of control measures announced in early 2011 may add to the funding pressure for smaller developers, but the central government's policy is believed to be aimed only at speculative activities. In respect of properties in prime locations, which command demand from buyers, there have been no signs of a serious impact from these measures. High-quality properties are increasingly sought after for their investment value in an environment of accelerating inflation and potential appreciation in the value of Renminbi. Against such a backdrop, a significant fall in property values is not expected. The Group is confident that the projects it plans to launch in 2011 will appeal to buyers, with satisfactory sales expected.

After years of dedicated development, the Group's projects in various cities are on track to be harvested. Under current macro-economic controls, it will still be suitable for the Group to identify premium land for long-term development. Accordingly, the Group won bids during the second half of the financial year and in January 2011 for two sites in Liaoning Province. The Group aims to continue to develop and hold premier property projects while strategically expanding its land bank in Shanghai, Beijing, Shenzhen, Hangzhou, Tianjin and other cities in order to sustain growth momentum in the long term.

Hong Kong

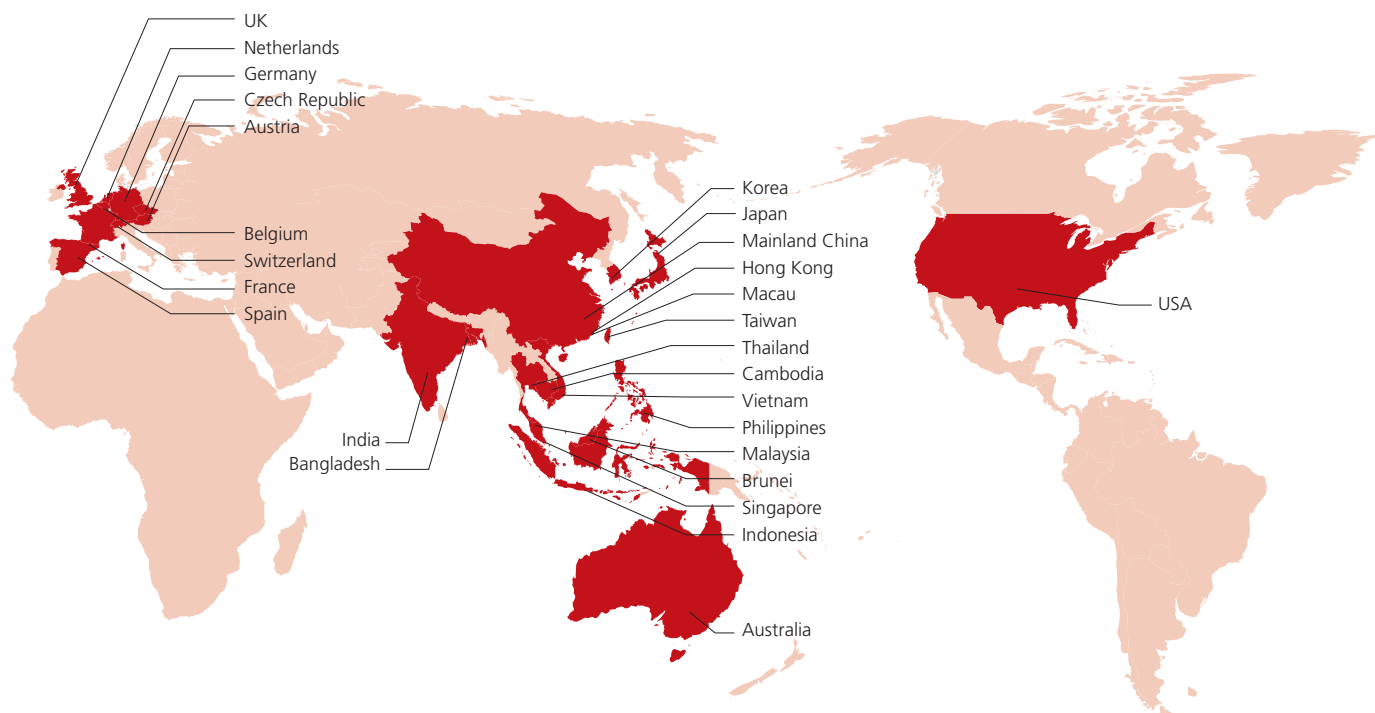
The Group maintains its view of a robust prospect for the growth of the local property market, as the overall course of the economy continues to exhibit improvement. The measures introduced by the Hong Kong SAR Government aimed at curbing speculation have weighed on the volume of flat sales but the value of property assets, in particular luxury homes, is expected to remain solid.

The residential property market will continue to be underpinned by the dynamic economic growth in Mainland China and improving business environment in Hong Kong. The prevailing low interest rates, coupled with accelerating inflation and ample liquidity, are also driving forces behind the flow of investments into real estate. The Group will continue to launch its property sales in 2011 as scheduled, and has further plans to expand its land bank in Hong Kong. It will remain focused on furthering its competitive position in the luxury residential sector.

In respect of the office sector, the Group is set to benefit further from the office rental uptrend and decentralization of tenants from Central District. Similarly, in step with the gathering pace of domestic consumption growth, the commercial property sector is expected to maintain growth momentum in 2011. The Group's initiative to optimize the tenant mix of its retail assets will add further value to its commercial investment property portfolio.

With sustained improvement noted in several key economic sectors, the Group is confident of the ongoing development of its property business in Hong Kong. It remains committed to delivering on its promise of providing high-quality living, work and leisure space for buyers, tenants and visitors.

Asia Based, China Focus, Global Network



Overview

The Logistics Network Division recorded broad-based growth in revenues and earnings during the year under review as it continued to strategically position itself to operate effectively in the present global economic landscape.

Reflective of the world's economic recovery and continuing growth in domestic demand in Asia, the Division's core integrated logistics ("IL") and international freight forwarding ("IFF") businesses have both demonstrated strong growth, driving turnover up by 42% year on year to HK\$10,880 million (2009: HK\$7,667 million). Net profit attributable to the Group for the year also increased by 33% to HK\$797 million

(2009: HK\$597 million) after taking into account HK\$143 million (2009: HK\$83 million) in fair value adjustment on investment properties.

The Division has the assets, people and information technology ("IT") infrastructure to support business activities from sourcing to manufacturing, and distribution through its global network. It has consistently invested in this network by updated facilities, a team with the ability to effectively handle its core markets' diversity, and a proprietary IT platform to bring visibility to the supply chain. The Division's global operations span 24 countries, supported by over 25 million square feet of logistics space and a staff strength of approximately 13,000 employees.

Management Discussion & Analysis

Review of Logistics Business

Integrated Logistics

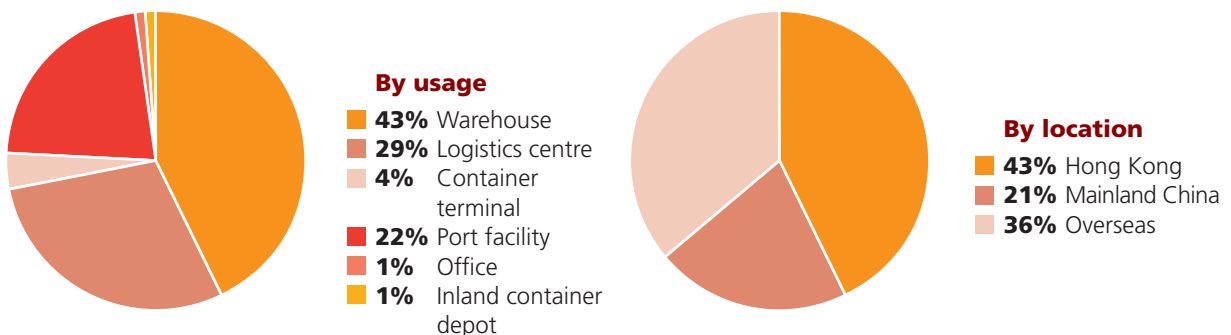
The Division continued to deploy its IL expertise and experience to maximize the performance of its assets and investments. With the majority of logistics facilities and transportation fleets based in Greater China and other Asian locations, the Division's IL business was helped by the strong domestic demand in China and a recovery of Taiwan's economy, coupled with the rebound in manufacturing activities across Asia.

During the year ended 31 December 2010, the IL segment recorded a turnover of HK\$4,811 million (2009: HK\$3,057 million) and net profit generated from operation of HK\$418 million (2009: HK\$361 million), an increase of 57% and 16% year on year, respectively. The turnover included the contribution from T.Join Transportation Co.,Ltd ("T.Join") which has become the Division's subsidiary during the year. This set of financial results also reflected both an underlying improvement in operating conditions, and the successful outcome of the segment's active business pursuits in line with its focus on the core markets.



Properties held for Logistics Operations

13.54 million square feet in attributable GFA





3



4

1. Kerry Kunshan Logistics Centre, Kunshan, MAINLAND CHINA
2. Dedicated local distribution team, HONG KONG
3. Chongqing Kerry Logistics Centre, Chongqing, MAINLAND CHINA
4. A 2,500 square-foot food factory, HONG KONG

Hong Kong

The Division continued to enhance its asset portfolio in Hong Kong with the commissioning of the new 270,000 square feet Product Customization and Consolidation Centre, PC³, in the fourth quarter of 2010. Customized to the sophisticated logistics requirements in particular for fashion-chain clients, PC³ in Tai Po Industrial Estate boasts a number of energy-saving and environmental features to support greener supply chains.

China Focus

The strong performance in 2010 continued to come from the Division's focus market in Greater China, where it benefitted significantly from the vibrant business and consumption activities.

The Division is one of the largest operators in the Mainland's logistics sector, managing a nationwide distribution network through more than 130 branches and serving 1,800 destinations with a portfolio of logistics facilities aggregating to a total GFA of over 5 million square feet. In the fourth quarter of 2010, the first phase of the logistics facilities in Chongqing and Kunshan was successfully commissioned, adding 400,000 square feet of GFA to the portfolio. Strategically located 30 minutes' drive from Shanghai Hongqiao International Airport, the Kunshan centre is designated as a cargo transport hub for the Division to optimize the efficiency of its distribution services across the Mainland. A second phase development to expand each of these facilities is currently being planned.

Aiming to build a strategic three-links cargo transportation network, the Division's cross-strait operations include Kerry EAS Logistics Limited ("KEAS"), the leading operator in China;

T.Join, Taiwan's major land transportation operator; and the long-established Kerry Logistics in Hong Kong. The early network establishment across Greater China gives the Division an unrivalled advantage to tap further into the growing cross-strait trade and increasing logistics demand in the respective domestic markets.

The Division will continue to make timely investments to meet anticipated growth in customer needs. To this end, the Division plans to launch an active expansion programme for China through construction of logistics centres in strategic locations as well as merger and acquisition exercises to further enhance its core competitiveness.

Asia-Based

Southeast Asia is forecast to be developed into a major global production base as manufacturing activities begin to return from the increasingly expensive Pearl River Delta and eastern coastal areas of Mainland China.

Over the past few years, the Division has committed efforts to better link the member countries of the Association of Southeast Asian Nations ("ASEAN") and this region with the western part of China. One such business initiative was the establishment of the KART network to serve the increasing logistics requirements arising amidst the ongoing regional integration. This ASEAN-wide cross-border road transportation network now links Yunnan directly with Laos and Guangxi with Vietnam.

Thailand performed strongly during the year with particularly notable growth in the auto parts segment. Kerry Siam Seaport continued to record cargo volume growth, generating a profit which increased more than 60% year on year. Benefiting from



1. *New Product Customization and Consolidation Centre (PC³) in Tai Po Industrial Estate, Hong Kong targeting leading fashion and retail brands*

a cost advantage and a head start in manufacturing, Thailand is expected to enjoy further upside as the flow of the region's industrial activities opens up more opportunities for the country.

Vietnam has also formulated a roadmap of industrialization while the country enjoys a vibrant economy with strong growth in international trade. In the second quarter of 2010, the Division opened a logistics centre in Da Nang in central Vietnam, adding a strategic component to the country's network. Along with the distribution centres in Ho Chi Minh City in the south and the new logistics facilities in Hung Yen which was just completed in the first quarter of 2011, the Division will provide full country coverage within 2011. The Division now has a comprehensive network of distribution centres and IL facilities in Vietnam with a total GFA of over 800,000 square feet.

Before the end of 2010, the Division acquired a 30% interest in Indev Logistics Private Limited, a company based in India specializing in integrated logistics businesses, including custom clearance; container freight station operation and inland container depot operation. This new business unit will complement the Division's capability in India, currently driven by Kerry Reliable Logistics Private Limited, in which the Division holds a 90% interest. The Division will continue to enhance its commitment to the further development of this promising market.

International Freight Forwarding

The IFF segment has successfully delivered a significant improvement in performance last year by leveraging its increasing economies of scale and a growing capability in intra-Asia and Asia-Europe trade lanes. During the year, this segment's turnover was up 32% year on year to HK\$6,069 million (2009: HK\$4,610 million) and net profit generated from operations was up 200% year on year to HK\$30 million (2009: HK\$10 million).

In early 2010, the Division established another office in Miami to strengthen its presence in the United States of America. At the moment, the Division's presence in America covers Los Angeles, New York and Miami.

In March 2010, the Division acquired a 70% interest in F.D.I Commercial and Forwarding Services Company Limited, a Vietnam-based company established in 2003 engaging in the business of master loading. The acquisition has further strengthened the Division's IFF capabilities in Vietnam.

In August 2010, the IFF segment acquired an 85% interest in Arie van Donge & Co. Holding B.V. ("ADCO"), a sea freight forwarding company headquartered in Rotterdam, the Netherlands. The addition of ADCO will strengthen the Division's platform in Western Europe and complement its growing network across the continent. ADCO also operates

storage and distribution services from its warehouse in Rotterdam, which will support the Division's objective to expand the service range for customers across the Netherlands, Belgium and Germany.

In the first quarter of 2011, the Division completed the acquisition of 70% interest in Wisdom Group ("Wisdom") which is a group of Shanghai-based companies engaging in IFF and booking agency businesses. Business integration is underway. The huge volume of cargoes handled by Wisdom as well as their well-established booking agency platform will create synergy to the existing IL and IFF businesses of KEAS.

The Division will further look for expansion opportunities in Europe as well as in the United States of America in order to strengthen its platform in the West and to provide better coverage and volumes to complement the existing network in Asia and beyond.

Logistics Investments

The profit contributed by the Division's logistics investment for the year ended 31 December 2010 increased by 29% to HK\$194 million (2009: HK\$150 million).

The Division's logistics investments mainly include a 15% interest in Asia Airfreight Terminal and another 25% interest in Chiwan Container Terminal.

Information Technology

A new data centre in PC³ has been put into production since November 2010. It is one of three first-level data centres located in Hong Kong and Beijing, facilitating reliable worldwide information services for the Division.

In addition to technical infrastructure, the Division also continues to enhance its leading position in IT application in its logistics activities. During the year, the implementation of a radio frequency identification ("RFID") enabled kitting line for a consumer electronic project in Hong Kong has earned the Division two awards in the "Hong Kong RFID Awards 2010", as well as the honour of being acknowledged in the "Hong Kong Smart City+ Award 2010" in the Hong Kong Smart City+ Forum at the Shanghai EXPO. These awards validate the readiness of the Division in advanced technology implementation.

Outlook

The economic outlook for China and Asia remains positive, with growth in logistics demand expected to be sustainable over the next few years. With its focus and deep roots in this part of the world, the Division is set to power ahead with an active business rollout in Greater China and Asia. The Division's strategy rests on a firm set of values, geared towards making its customers successful.

The Division is much encouraged by the increase in earnings over the past year, which reflected performance enhancements in and growing contributions from most of its business streams. With its proven ability to execute its business strategy in diverse and challenging marketplaces, the Division is confident that it will emerge as a stronger force in the industry in future.

In a mid-term plan, the Division aims to drive further development in its growth markets in Asia through active acquisition plans and the continued enhancement of existing IL capabilities. In particular, the Division plans to add over ten distribution centres to its portfolio over the next five years, and a number of acquisitions are underway to expand its regional network and secure capabilities. It will continue to seek opportunities to further distinguish its market-leading scale in Greater China and in key segments in Asia.

The world's economy is expected to keep recovering at a moderate pace, fuelling demand and driving the recovery of global trade. During the past few years, the IFF segment has seen solid progress in the building of its Eurozone network, and has made consistent efforts to restructure operations in order to navigate the challenging business landscape on the continent. The growing European network will help the segment derive improving efficiency and returns.

Management Discussion & Analysis

Review of Infrastructure Business



Overview

The Infrastructure Division maintains a portfolio of investments in the infrastructure, environmental and utilities-related sectors in Hong Kong and Mainland China, producing a healthy stream of recurrent income for the Group. During the year ended 31 December 2010, the Division delivered net profit attributable to the Group of approximately HK\$82 million (2009: HK\$70 million).

Hong Kong

The Group holds a 15% interest in the Western Harbour Crossing. It also maintained a 15% stake in the management contract for the Cross Harbour Tunnel, which expired on 31 October 2010. During the year, the Group's share of

aggregate net profits from these investments amounted to HK\$82 million (2009: HK\$62 million).

Mainland China

The Group's 13% beneficial interest in a water treatment project in Hohhot Municipality, Inner Mongolia Autonomous Region, contributed a shared net profit of HK\$1.9 million (2009: HK\$1.5 million) during the year ended 31 December 2010.

Outlook

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

Management Discussion & Analysis

Financial Review

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

The Group closely reviews and monitors its foreign exchange exposure. As at 31 December 2010, total foreign currency borrowings (excluding Renminbi (“RMB”) borrowings) amounted to the equivalence of HK\$3,835 million and RMB loans amounted to the equivalence of HK\$1,183 million. Therefore, non-RMB total foreign currency borrowings and RMB loans represented approximately 18% and 6% respectively, of the Group’s total borrowings of HK\$20,655 million as at 31 December 2010.

The non-RMB total foreign currency borrowings of HK\$3,835 million mainly include the Fixed Rate Bonds amounting to US\$420 million (approximately HK\$3,251 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 31 December 2010, HK\$7,931 million (representing approximately 38%) was repayable within one year, HK\$6,933 million (representing approximately 34%) was repayable in the second year, HK\$2,026 million (representing approximately 10%) was repayable in the third to fifth years and HK\$3,765 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 95% of total borrowings as at 31 December 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 31 December 2010, the gearing ratio for the Group was 17.5% (2009: 18.1%), calculated based on net debt of HK\$10,076 million and shareholders’ equity of HK\$57,715 million.

In terms of the Group’s available financial resources as at 31 December 2010, the Group had total undrawn bank loan and overdraft facilities of HK\$12,520 million and net cash on hand of HK\$10,579 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 provide the Group with a strong financial position, and enables the Group to reap the benefits of investment opportunities as and when they arise.

On 30 June 2010 and 14 December 2010, Standard & Poor’s reaffirmed a “BBB-” credit rating for Kerry Properties Limited with a stable outlook.

During the year ended 31 December 2010, an aggregate principal amount of HK\$121 million of the convertible bonds issued in 2005 has been converted into an aggregate of 4,661,914 ordinary shares of HK\$1 each of the Company. Since the issue date, all the 2005 convertible bonds have been fully converted into the ordinary shares of the Company.

On 31 January 2011, the Group signed a loan agreement for an unsecured HK\$8.45 billion term and revolving loan facility with 17 reputable international and local banks and financial institutions. This facility is for general corporate funding requirements of the Group including refinancing of a previous HK\$6 billion syndicated loan facility obtained in February 2006.

Particulars of Properties Held

Particulars of major properties held by the Group as at 31 December 2010 are as follows:

| Property name | Location | Type | % | Group's attributable interest | | Lease term |
|--|---|-------------------------------------|--------|--|--------------------------------------|--------------|
| | | | | Approximate gross floor area (square feet) | Approximate number of carpark spaces | |
| Mainland China Properties | | | | | | |
| A. Completed and held for investment | | | | | | |
| 1. Beijing Kerry Centre | 1 Guang Hua Road Chaoyang District Beijing | Office Residential Commercial | 71.25 | 711,121 277,330 98,406 1,086,857 | 430 | Medium lease |
| 2. Shenzhen Kerry Plaza I | 1 Zhong Xin Si Road Futian CBD Shenzhen | Office | 100.00 | 804,709 | 301 | Medium lease |
| 3. Kerry Everbright City Phase I | 218 Tianmu Road West Zhabei District Shanghai | Commercial Office Residential | 74.25 | 330,141 302,975 7,307 640,423 | 179 | Medium lease |
| 4. Shanghai Kerry Centre | 1515 Nanjing Road West Jing An District Shanghai | Office Residential Commercial | 74.25 | 308,584 142,355 103,971 554,910 | 180 | Medium lease |
| 5. Shanghai Central Residences Phase II – Towers 1 and 3 | 168 and 166 Lane 1038 Huashan Road Changning District Shanghai | Residential | 100.00 | 478,286 | 211 | Long lease |
| 6. Shenzhen Kerry Centre | 2008 Renminnan Road Lowu District Shenzhen | Commercial Office | 100.00 | 107,256 8,627 115,883 | 193 | Medium lease |
| 7. Fuzhou Central Residences | 139 Gutian Road Gu Lou District Fuzhou | Commercial | 100.00 | 63,986 | – | Long lease |
| 8. Shanghai Trade Square | 188 Siping Road Hongkou District Shanghai | Commercial | 55.20 | 3,233 | 48 | Medium lease |
| Total Mainland China investment properties | | | | 3,748,287 | 1,542 | |

| Property name | Location | Type | % | Group's attributable interest | | Lease term |
|--|--|-------|-------|--|--------------------------------------|--------------|
| | | | | Approximate gross floor area (square feet) | Approximate number of carpark spaces | |
| Mainland China Properties | | | | | | |
| B. Hotel property | | | | | | |
| 1. Shangri-La's Kerry Centre Hotel | 1 Guang Hua Road Chaoyang District Beijing | Hotel | 71.25 | 499,642 | – | Medium lease |
| Total Mainland China hotel property | | | | 499,642 | – | |

| Property name | Location | Type | % | Group's attributable interest | | Stage of completion | Scheduled completion |
|---|--|---|--------|--|-------------------------------------|--|----------------------|
| | | | | Approximate gross floor area (square feet) | Approximate site area (square feet) | | |
| Mainland China Properties | | | | | | | |
| C. Under development | | | | | | | |
| 1. Kerry Parkside Shanghai Pudong | No. 1039 Fangdian Road Adjacent to the Shanghai New International Expo Centre Pudong Shanghai | Office Hotel Commercial Serviced apartment Entrance hall | 40.80 | 390,880 312,576 212,524 147,250 17,132 | 258,885 | Completion verification in progress | 2011 |
| | | | | 1,080,362 | | | |
| 2. Shenzhen Kerry Plaza Phase II | 1 Zhong Xin Si Road Futian CBD Shenzhen | Office Commercial | 100.00 | 779,561 70,773 | 85,044 | Superstructure work completed. Mechanical and engineering and curtain wall installation in progress | 2011 |
| | | | | 850,334 | | | |
| 3. Jing An Kerry Centre | 1238 Yanan Zhong Road 1288 Yanan Zhong Road 1537 Nanjing Xi Road 1565 Nanjing Xi Road Jing An District Shanghai | Office Hotel Commercial | 51.00 | 624,386 404,389 364,891 | 251,793 | Superstructure work in progress | In phases to 2012 |
| | | | | 1,393,666 | | | |
| 4. Nanjing Complex Development | No. 331 Zhong Yang Road Gu Lou District Nanjing | Hotel Commercial | 45.00 | 409,907 7,367 | 78,980 | Site investigation in progress | In phases to 2012 |
| | | | | 417,274 | | | |
| Sub-total | | | | 3,741,636 | 674,702 | | |

Particulars of Properties Held

| Property name | Location | Type | % | Group's attributable interest | | Stage of completion | Scheduled completion | |
|---|---|--|--|--|---|---------------------|---|---------------------------------|
| | | | | Approximate gross floor area (square feet) | Approximate site area (square feet) | | | |
| Mainland China Properties | | | | | | | | |
| C. Under development (continued) | | | | | | | | |
| 5. | Yangzhou Complex Development ⁽¹⁾ | West of Huan Hu Road North of Wan Chang Xi Road Yangzhou | Hotel | 100.00 | 728,626 | 300,517 | Superstructure work in progress | 2012 |
| | | | | | 728,626 | | | |
| 6. | Tianjin Kerry Centre | Junction of Liuwei Road and Liujin Road Hedong District Tianjin | Residential Office Commercial Hotel Serviced apartment | 49.00 | 949,385 727,862 519,825 406,126 116,036 | 454,460 | Phase 1 – Excavation and structural work in progress | 2013 (Phase 1) |
| | | | | | 2,719,234 | | | |
| 7. | Parkview Residence Phase 2 and 3 | East to You Che River South to Hua Feng Road West to Planned Yong Feng Road North to Yong Feng Village Xia Cheng District Hangzhou | Residential Commercial | 100.00 | 1,846,617 89,585 | 828,322 | Phase 2 and 3 – Superstructure work in progress | In phases to 2013 |
| | | | | | 1,936,202 | | | |
| 8. | Chengdu Sites 1 and 2 | Junction of middle of Jiannan Da Street and Desai San Street Hi-Tech Industrial Development Zone Chengdu | Residential Commercial | 55.00 | 2,106,739 262,383 | 501,730 | Site 1 – All residential towers topped up Site 2 – Excavation work in progress | In phases between 2012 and 2013 |
| | | | | | 2,369,122 | | | |
| 9. | Kerry Everbright City Phase III | Meiyuan Road Tianmu Road West Huakong Road and Gonghu Road Zhabei District Shanghai | Office Apartment style office Commercial | 74.25 | 479,536 261,419 80,970 | 126,744 | Schematic design in progress | 2014 |
| | | | | | 821,925 | | | |
| 10. | Tangshan Complex Development | Da Li Road Changhong Street Chaoyang Street Feng Huang Xin Cheng Tangshan | Residential Hotel Commercial | 40.00 | 979,804 299,196 75,951 | 435,327 | Residential – Piling and excavation completed Hotel – Piling and excavation in progress | In phases between 2012 and 2014 |
| | | | | | 1,354,951 | | | |
| 11. | Changsha Residential Project | 25 Xin Kai Pu Road Tianxin District Changsha | Residential Apartment style office Commercial | 61.00 ⁽²⁾ | 1,780,585 143,593 36,094 | 773,617 | Excavation work completed and piling work in progress | In phases between 2012 and 2014 |
| | | | | | 1,960,272 | | | |
| Sub-total | | | | | 11,890,332 | 3,420,717 | | |

| Property name | Location | Type | % | Group's attributable interest | | Stage of completion | Scheduled completion |
|--|---|---|-----------------------|---|-------------------------------------|---|---|
| | | | | Approximate gross floor area (square feet) | Approximate site area (square feet) | | |
| Mainland China Properties | | | | | | | |
| C. Under development (continued) | | | | | | | |
| 12. Chengdu Site 3 | Desai San Street Hi-Tech Industrial Development Zone Chengdu | Residential Commercial | 55.00 | 1,213,031 267,676 | 336,957 | Schematic design in progress | 2014 |
| | | | | 1,480,707 | | | |
| 13. Qinhuangdao Residential Project | Lot No. 253-3 and Lot No. 272-2 Hebei Dao Jie Xi Duan Qinhuangdao | Residential Commercial | 60.00 | 2,647,944 207,960 | 1,254,202 | Excavation and piling work in progress | In phases to 2014 |
| | | | | 2,855,904 | | | |
| 14. Nanchang Complex Development ⁽³⁾ | Lot No. B-7 Honggutan Central District Nanchang | Residential Office Hotel Commercial | 80.00 | 706,506 664,345 532,706 86,112 | 411,081 | Piling work and schematic design in progress | Phase 1 – 2013 Phase 2 – 2014 to 2015 |
| | | | | 1,989,669 | | | |
| 15. Hangzhou Kerry Centre ⁽³⁾ | Formerly Zhejiang University Hubin Campus East to Yan An Road South to Qing Chun Road West to Planned Chang Shou Road North to Hai Er Xiang Xia Cheng District Hangzhou | Commercial Hotel Residential Office | 100.00 ⁽⁴⁾ | 1,172,533 486,533 387,396 113,388 | 725,214 | Schematic design in progress | In phases to 2015 |
| | | | | 2,159,850 | | | |
| 16. Ningbo Residential Project ⁽³⁾⁽⁵⁾ | Core Region Eastern New Town Ningbo | Residential | 100.00 ⁽⁶⁾ | 1,058,112 | 708,142 | Schematic design in progress | In phases to 2015 |
| | | | | 1,058,112 | | | |
| 17. Shenyang Complex Development ⁽³⁾⁽⁷⁾ | Lot No. 2007-053 No. 8 Golden Corridor 113 Qingnian Da Street Shenhe District Shenyang | Residential Commercial Apartment Office Hotel | 60.00 | 3,264,360 2,431,362 1,650,399 1,072,669 396,830 | 1,115,327 | Phase 1 – Hotel: Piling and excavation completed Residential: Maintaining piles and excavation in progress | In phases between 2013 and 2022 |
| | | | | 8,815,620 | | | |
| Sub-total | | | | 18,359,862 | 4,550,923 | | |
| Total Mainland China properties under development | | | | 33,991,830 | 8,646,342 | | |

Particulars of Properties Held

| Property name | Location | Type | % | Group's attributable interest | | Lease term |
|--|---|---------------------------|--------|--|--------------------------------------|--------------|
| | | | | Approximate gross floor area (square feet) | Approximate number of carpark spaces | |
| Mainland China Properties | | | | | | |
| D. Held for sale | | | | | | |
| 1. Yangzhou Lakeview Residence ⁽¹⁾ | 470 Wenchang Road West Yangzhou | Residential | 100.00 | 184,925 | 217 | Long lease |
| 2. Enterprise Square | 216 and 228 Meiyuan Road Zhabei District Shanghai | Office Commercial | 74.25 | 127,086 26,992 | 61 | Medium lease |
| | | | | 154,078 | | |
| 3. Shanghai Central Residences Phase II – Tower 2 | 170 Lane 1038 Huashan Road Changning District Shanghai | Residential | 100.00 | 62,884 | 56 | Long lease |
| 4. Gemini Grove | 63 Xin Yuan Street Chaoyang District Beijing | Apartment Commercial | 71.00 | 30,947 7,226 | 42 | Long lease |
| | | | | 38,173 | | |
| 5. Parkview Residence Phase I | East to You Che River South to Hua Feng Road West to Planned Yong Feng Road North to Yong Feng Village Xia Cheng District Hangzhou | Commercial Residential | 100.00 | 24,642 11,182 | 285 | Long lease |
| | | | | 35,824 | | |
| 6. Watch Lake Phase I | 99 Liu Dao Street Manzhouli City Inner Mongolia | Residential | 100.00 | 8,992 | 27 | Long lease |
| 7. Le Loft | 1-5 Lane 289 Minli Road 1-2 Lane 68 and 1-3 Lane 69 Huakang Road Zhabei District Shanghai | Residential | 74.25 | 6,780 | 324 | Long lease |
| 8. Arcadia Court | 1008 Haitian Road Futian District Shenzhen | Commercial | 100.00 | 4,608 | 551 | Long lease |
| Total Mainland China properties held for sale | | | | 496,264 | 1,563 | |

| Property name | Location | Type | % | Group's attributable interest | |
|--|---|----------------------------|--------|--|-------------------------------------|
| | | | | Approximate gross floor area (square feet) | Approximate site area (square feet) |
| Mainland China Properties | | | | | |
| E. Held for future development | | | | | |
| 1. Manzhouli Residential/Commercial Project Phase 2 | 99 Liu Dao Street Manzhouli City Inner Mongolia | Residential/ Commercial | 100.00 | 718,228 | 208,875 |
| Total Mainland China properties held for future development | | | | 718,228 | 208,875 |
| TOTAL MAINLAND CHINA PROPERTY PORTFOLIO | | | | 39,454,251 | |

| Property name | Location | Type | % | Group's attributable interest | | Lease term |
|--|--|----------------------|--------|--|--------------------------------------|--------------|
| | | | | Approximate gross floor area (square feet) | Approximate number of carpark spaces | |
| Hong Kong Properties | | | | | | |
| A. Completed and held for investment | | | | | | |
| I. Residential | | | | | | |
| 1. Branksome Grande | 3 Tregunter Path Mid-Levels Hong Kong | Residential | 100.00 | 257,372 | 73 | Long lease |
| 2. Aigburth | 12 Tregunter Path Mid-Levels Hong Kong | Residential | 100.00 | 204,940 | 63 | Long lease |
| 3. Branksome Crest | 3A Tregunter Path Mid-Levels Hong Kong | Residential | 100.00 | 153,375 | 126 | Long lease |
| 4. Tavistock | 10 Tregunter Path Mid-Levels Hong Kong | Residential | 100.00 | 104,460 | 24 | Long lease |
| 5. Belgravia | 57 South Bay Road Repulse Bay Hong Kong | Residential | 100.00 | 24,165 | 21 | Medium lease |
| 6. Gladdon | 3 May Road Mid-Levels Hong Kong | Residential | 100.00 | 2,300 | 14 | Long lease |
| Sub-total | | | | 746,612 | 321 | |
| II. Commercial/office | | | | | | |
| 1. Enterprise Square Five/ MegaBox | 38 Wang Chiu Road Kowloon Bay Kowloon | Commercial Office | 100.00 | 1,145,537 ⁽⁸⁾ 519,316 | 748 | Medium lease |
| | | | | 1,664,853 | | |
| 2. Kerry Centre | 683 King's Road Quarry Bay Hong Kong | Office Commercial | 40.00 | 193,252 10,952 | 74 | Medium lease |
| | | | | 204,204 | | |
| 3. Enterprise Square | 9 Sheung Yuet Road Kowloon Bay Kowloon | Office | 100.00 | 59,413 | 26 | Medium lease |
| 4. Hollywood Centre | 233 Hollywood Road Sheung Wan Hong Kong | Office Commercial | 45.00 | 33,888 10,008 | – | Long lease |
| | | | | 43,896 | | |
| 5. Harbour Centre | 25 Harbour Road Wanchai Hong Kong | Office Commercial | 15.00 | 32,944 ⁽⁹⁾ 6,135 ⁽¹⁰⁾ | 43 | Long lease |
| | | | | 39,079 | | |
| 6. Enterprise Square Three | 39 Wang Chiu Road Kowloon Bay Kowloon | Commercial | 100.00 | 19,800 | – | Medium lease |
| 7. South Seas Centre – various portions | 75 Mody Road Tsimshatsui Kowloon | Commercial | 100.00 | 6,341 | – | Long lease |
| 8. Belair Monte | 3 Ma Sik Road Area 19 Luen Wo Hui Fanling New Territories | Commercial | 8.00 | 3,820 | – | Medium lease |
| 9. Wing On Plaza | 62 Mody Road Tsimshatsui Kowloon | Commercial | 10.00 | 2,896 | – | Long lease |
| Sub-total | | | | 2,044,302 | 891 | |
| Total Hong Kong completed investment properties | | | | 2,790,914 | 1,212 | |

Particulars of Properties Held

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

| Property name | Location | Type | % | Group's attributable interest | | Stage of completion | Scheduled completion |
|---|---|----------------------------|--------|---|-------------------------------------|------------------------------------|---------------------------|
| | | | | Approximate gross floor area ⁽¹⁾ (square feet) | Approximate site area (square feet) | | |
| Hong Kong Properties | | | | | | | |
| C. Under development | | | | | | | |
| 1. Shan Kwong Road Project | 20 Shan Kwong Road and 1-5 Village Terrace Happy Valley Hong Kong | Residential | 71.00 | 154,583 | 19,805 | Superstructure work in progress | Second quarter of 2011 |
| 2. Lions Rise | 8 Muk Lun Street Wong Tai Sin Kowloon | Residential/ Commercial | 100.00 | 920,520 | 102,280 | Superstructure work in progress | Fourth quarter of 2011 |
| 3. Wilmer Street Project | 2-12 Li Sing Street 1-5A Wilmer Street and 185-189A Queen's Road West Sheung Wan Hong Kong | Residential/ Commercial | 71.00 | 100,584 | 9,425 | Superstructure work in progress | Second quarter of 2012 |
| 4. Yuk Yat Street Residential Project | 5 and 9 Yuk Yat Street To Kwa Wan Kowloon | Residential/ Commercial | 100.00 | 154,767 | 19,358 | Foundation work in progress | Third quarter of 2012 |
| 5. Hing Hon Road Project | 18-27 Hing Hon Road Mid-Levels West Hong Kong | Residential | 71.00 | 126,918 | 12,692 | Foundation work in progress | Second quarter of 2013 |
| 6. Kowloon Tong Project | 1 Ede Road Kowloon Tong Kowloon | Residential | 100.00 | 77,469 | 25,823 | Conceptual design in progress | First quarter of 2014 |
| Total Hong Kong properties under development | | | | 1,534,841 | 189,383 | | |

| Property name | Location | Type | % | Group's attributable interest | | Lease term |
|---|--|----------------------------|--------|--|--------------------------------------|--------------|
| | | | | Approximate gross floor area (square feet) | Approximate number of carpark spaces | |
| Hong Kong Properties | | | | | | |
| D. Held for sale | | | | | | |
| 1. Island Crest | 8 First Street Hong Kong | Residential/ Commercial | 100.00 | 88,504 | 46 | Medium lease |
| 2. Primrose Hill | 168 Kwok Shui Road Tsuen Wan New Territories | Residential/ Commercial | 100.00 | 55,159 | 33 | Medium lease |
| 3. Larvotto | 8 Ap Lei Chau Praya Road Hong Kong | Residential/ Commercial | 35.00 | 30,400 | 142 | Medium lease |
| 4. 15 Homantin Hill | 15 Homantin Hill Road Ho Man Tin Kowloon | Residential | 100.00 | 8,220 | 4 | Long lease |
| 5. SOHO 38 | 38 Shelley Street Mid-Levels Hong Kong | Residential | 100.00 | 1,840 | – | Long lease |
| 6. Richwood Park | 33 Lo Fai Road Tai Po New Territories | Commercial | 50.00 | 7,893 | – | Medium lease |
| Total Hong Kong properties held for sale | | | | 192,016 | 225 | |
| TOTAL HONG KONG PROPERTY PORTFOLIO | | | | 4,555,288 | | |

| Property name | Location | Type | % | Group's attributable interest | | Stage of completion | Scheduled completion |
|---------------------------------------|----------------------------------|-------------|--------|--|-------------------------------------|---------------------------------|-----------------------|
| | | | | Approximate gross floor area (square feet) | Approximate site area (square feet) | | |
| Macau Properties | | | | | | | |
| A. Under development | | | | | | | |
| 1. Nam Van Project | Lot C12 Nam Van Lake Macau | Residential | 100.00 | 397,190 | 39,719 | Schematic design in progress | First quarter of 2014 |
| TOTAL MACAU PROPERTY PORTFOLIO | | | | 397,190 ⁽¹³⁾ | 39,719 | | |

Particulars of Properties Held

| Property name | Location | Type | % | Group's attributable interest | | Lease term |
|---|--|--------------------------------------|-----------------------|--|--------------------------------------|------------|
| | | | | Approximate gross floor area (square feet) | Approximate number of carpark spaces | |
| Overseas Properties | | | | | | |
| A. Completed and held for investment | | | | | | |
| 1. Shangri-La Plaza Mall | EDSA corner Shaw Blvd. Mandaluyong City Philippines | Shopping centre | 51.46 ⁽¹⁴⁾ | 1,054,474 | 324 | Freehold |
| 2. The Enterprise Center | Ayala Avenue cor. Paseo de Roxas Makati City Philippines | Office Commercial | 34.58 ⁽¹⁵⁾ | 330,618 22,520 | 380 | Freehold |
| | | | | 353,138 | | |
| 3. The St. Francis Shangri-La Place | St. Francis St. corner Internal Road Shangri-La Place Mandaluyong City Philippines | Commercial | 65.36 ⁽¹⁶⁾ | 16,936 | – | Freehold |
| 4. Land leased to EDSA Shangri-La Hotel and Shangri-La Plaza Mall | EDSA corner Shaw Blvd. Mandaluyong City Philippines | Shopping centre lease Hotel lease | 65.36 ⁽¹⁶⁾ | 212,969 ⁽¹⁷⁾ 169,733 ⁽¹⁷⁾ | – | Freehold |
| | | | | 382,702 ⁽¹⁷⁾ | | |
| 5. Carpark Building | EDSA corner Shaw Blvd. Mandaluyong City Philippines | Carpark building | 65.36 ⁽¹⁶⁾ | 200,558 | 464 | Freehold |
| Total overseas completed investment properties | | | | 2,007,808 | 1,168 | |

| Property name | Location | Type | % | Group's attributable interest | | Stage of completion | Scheduled completion |
|-----------------------------|--|-------------|-------|--|-------------------------------------|-----------------------------|------------------------|
| | | | | Approximate gross floor area (square feet) | Approximate site area (square feet) | | |
| Overseas Properties | | | | | | | |
| B. Under development | | | | | | | |
| 1. Distillery Stage 5b | Distillery Drive Jacksons Landing Pyrmont Sydney Australia | Residential | 25.00 | 13,931 | 8,073 | Foundation work in progress | Fourth quarter of 2011 |
| 2. Distillery Stage 4 | Distillery Drive Jacksons Landing Pyrmont Sydney Australia | Residential | 25.00 | 35,217 | 8,073 | Foundation work in progress | Second quarter of 2012 |
| 3. 21 Harris Street | Harris Street Jacksons Landing Pyrmont Sydney Australia | Commercial | 25.00 | 41,711 | 8,197 | Project planning | Note (12) |
| Sub-total | | | | 90,859 | 24,343 | | |

| Property name | Location | Type | % | Group's attributable interest | | Stage of completion | Scheduled completion | |
|--|---------------------------------|---|------------------------------------|--|-------------------------------------|---------------------|--|------------------------|
| | | | | Approximate gross floor area (square feet) | Approximate site area (square feet) | | | |
| Overseas Properties | | | | | | | | |
| B. Under development (continued) | | | | | | | | |
| 4. | One Shangri-La Place | EDSA corner Shaw Blvd. Mandaluyong City Philippines | Residential Shopping centre | 65.36 ⁽¹⁹⁾ | 1,064,502 279,908 | 68,670 | Excavation and substructure work in progress | Fourth quarter of 2013 |
| | | | | | 1,344,410 | | | |
| 5. | Fort Bonifacio Shangri-La Hotel | Fort Bonifacio Taguig Philippines | Hotel Residential Commercial | 26.15 ⁽¹⁹⁾ | 195,936 159,852 10,132 | 42,553 | Project planning | Note (12) |
| Sub-total | | | | | 1,710,330 | 111,223 | | |
| Total overseas properties under development | | | | | 1,801,189 | 135,566 | | |

| Property name | Location | Type | % | Group's attributable interest | | Lease term | |
|--|----------------------------------|---|-------------|--|--------------------------------------|-------------|--|
| | | | | Approximate gross floor area (square feet) | Approximate number of carpark spaces | | |
| Overseas Properties | | | | | | | |
| C. Held for sale | | | | | | | |
| 1. | The St. Francis Shangri-La Place | St. Francis St. corner Internal Road Shangri-La Place Mandaluyong City Philippines | Residential | 65.36 ⁽¹⁹⁾ | 43,211 | 45 Freehold | |
| 2. | Distillery Stage 3 | Bowman Street Jacksons Landing Pyrmont Sydney Australia | Residential | 25.00 | 5,040 | – Freehold | |
| Total overseas properties held for sale | | | | | 48,251 | 45 | |
| TOTAL OVERSEAS PROPERTY PORTFOLIO | | | | | 3,857,248 | | |

Particulars of Properties Held

| Property name | Location | Type | % | Group's attributable interest | | Lease term |
|---|---|------------------|--------|--|--------------------------------------|--------------|
| | | | | Approximate gross floor area (square feet) | Approximate number of carpark spaces | |
| Properties held for logistics operations | | | | | | |
| A. Completed warehouses and logistics centres | | | | | | |
| 1. Kerry Cargo Centre | 55 Wing Kei Road Kwai Chung New Territories | Warehouse | 100.00 | 1,443,356 | 777 | Medium lease |
| 2. Kerry TC Warehouse 1 | 3 Kin Chuen Street Kwai Chung New Territories | Warehouse | 100.00 | 659,783 | 57 | Medium lease |
| 3. Kerry Warehouse (Tsuen Wan) | 3 Shing Yiu Street Kwai Chung New Territories | Warehouse | 100.00 | 591,973 | 56 | Medium lease |
| 4. Kerry Warehouse (Chai Wan) | 50 Ka Yip Street Chai Wan Hong Kong | Warehouse | 100.00 | 535,037 | 53 | Long lease |
| 5. Kerry TC Warehouse 2 | 35 Wing Kei Road Kwai Chung New Territories | Warehouse | 100.00 | 490,942 | 262 | Medium lease |
| 6. Kerry Warehouse (Shatin) | 36-42 Shan Mei Street Shatin New Territories | Warehouse | 100.00 | 431,530 | 64 | Medium lease |
| 7. Kerry Warehouse (Sheung Shui) | 2 San Po Street Sheung Shui New Territories | Warehouse | 100.00 | 356,253 | 37 | Medium lease |
| 8. Kerry Hung Kai Warehouse (Cheung Sha Wan) | 3 Fat Tseung Street Cheung Sha Wan Kowloon | Warehouse | 50.00 | 299,115 | 29 | Medium lease |
| 9. Kerry Warehouse (Kwai Chung) | 4-6 Kwai Tai Road Kwai Chung New Territories | Warehouse | 100.00 | 286,628 | 33 | Medium lease |
| 10. Kerry Warehouse (Fanling 1) | 39 On Lok Mun Street On Lok Tsuen Fanling New Territories | Warehouse | 100.00 | 283,580 | 30 | Medium lease |
| 11. Kerry D.G. Warehouse (Kowloon Bay) | 7 Kai Hing Road Kowloon Bay Kowloon | Warehouse | 100.00 | 181,902 | 19 | Medium lease |
| 12. Tai Po Product Customization and Consolidation Centre | 12 Dai Kwai Street Tai Po Industrial Estate Tai Po New Territories | Warehouse | 100.00 | 275,593 | – | Medium lease |
| 13. Shenzhen Kerry Futian Logistics Centre | 15 Tao Hua Road Futian Free Trade Zone Shenzhen | Logistics centre | 100.00 | 268,656 | – | Medium lease |
| 14. Shenzhen Kerry Yantian Port Logistics Centre | Lot No. 26 South Area of Yantian Port Free Trade Zone Shenzhen | Logistics centre | 55.00 | 255,607 | – | Medium lease |
| 15. Kerry Tianjin Logistics Centre | 168 Jinbinda Road Baoshui District Tianjin Port Tianjin | Logistics centre | 100.00 | 172,886 | – | Medium lease |
| 16. Kerry Waigaoqiao Logistics Centre | 268 De Lin Road Waigaoqiao Free Trade Zone Shanghai | Logistics centre | 100.00 | 153,446 | – | Medium lease |
| Sub-total | | | | 6,686,287 | 1,417 | |

| Property name | Location | Type | % | Group's attributable interest | | Lease term |
|--|--|--|--------|--|--------------------------------------|--------------|
| | | | | Approximate gross floor area (square feet) | Approximate number of carpark spaces | |
| Properties held for logistics operations | | | | | | |
| A. Completed warehouses and logistics centres (continued) | | | | | | |
| 17. Beijing Tianzhu Logistics Centre | 18 Tianzhu Road Area A Beijing Tianzhu Airport Industrial Zone Shunyi District Beijing | Logistics centre | 70.00 | 138,204 | – | Medium lease |
| 18. Kerry BHL Logistics Centre | 1 South Road Jia Fourth Ring Road East Beijing | Logistics centre | 100.00 | 124,147 | – | Medium lease |
| 19. Kerry Fuzhou Logistic Centre | No. 24-1 Mawei District Bonded Zone Fuzhou ETDZ Mawei Fuzhou | Logistics centre | 100.00 | 108,946 | – | Medium lease |
| 20. Beijing Shunyi District Logistics Centre | Block 1 to 24 Jinmi Road East Shunyi District Beijing | Logistics centre | 70.00 | 33,326 | – | Medium lease |
| 21. Kerry Chengdu Logistics Centre | Sichuan Chengdu Aviation Logistics Park District | Logistics centre | 100.00 | 264,182 | – | Medium lease |
| 22. Kerry Logistics (Australia) Pty Ltd Adelaide | 4 Martin Avenue Gillman Adelaide South Australia 5013 | Container terminal Logistics centre | 100.00 | 482,587 186,230 668,817 | – | Freehold |
| 23. Kerry Vietnam Logistics Centre | Song Than Industrial Zone II Di An District Binh Duong Province Vietnam | Logistics centre | 100.00 | 670,134 | – | Medium lease |
| 24. Laem Chabang Logistics Centre | Highway No. 7 (Bypass Laem Chabang) Nong-kham Sub-District Sriracha District Chonburi Province Thailand | Logistics centre | 73.58 | 133,146 | – | Freehold |
| 25. Singapore Kerry-ITS ISO Tank Depot | 162 Gul Circle Singapore | ISO Tank Depot | 60.00 | 66,002 | – | Medium lease |
| 26. Malaysia EAE Logistics Centre | Lot 213 Kawasan Perindustrian Bukit Kayu Hitam 06050 Kedah Malaysia | Logistics centre | 51.00 | 45,240 | – | Long lease |
| 27. Indev Irungattukottai Inland Container Depot | SIPOT Industrial Park Irungattukottai India | Inland container depot | 30.00 | 91,516 | – | Long lease |
| 28. T. Join Gueishan Logistics Centre | No. 58 Dinghu Road Gueishan Township Toayuan County Taiwan | Logistics centre | 23.41 | 110,750 | – | Freehold |
| 29. T. Join Minsyoung Logistics Centre | No. 1-69 Niouchousi Fusing Village Minsyoung Township Chiayi County Taiwan | Logistics centre | 23.41 | 45,648 | – | Freehold |
| 30. T. Join Changhua Logistics Centre | Nos 3, 6 and 11, Lane 170 Changshuei Road Changhua City Changhua County Taiwan | Logistics centre | 23.41 | 39,506 | – | Freehold |
| Sub-total | | | | 2,539,564 | – | |
| Total completed warehouses and logistics centres | | | | 9,225,851 | 1,417 | |

Particulars of Properties Held

| Property name | Location | Type | Group's attributable interest | | Lease term |
|---|---|------|-------------------------------|-------------------------------------|------------|
| | | | % | Approximate site area (square feet) | |
| Properties held for logistics operations | | | | | |
| B. Port facility | | | | | |
| 1. Kerry Siam Seaport | 113/1 Moo 1 Silo Road Tungsukha Sriracha District Chonburi Province Thailand | Port | 67.88 | 2,881,286 | Freehold |
| Total port facility | | | | 2,881,286 | |

| Property name | Location | Type | Group's attributable interest | | Lease term |
|---|--|--------|-------------------------------|--|----------------|
| | | | % | Approximate gross floor area (square feet) | |
| Properties held for logistics operations | | | | | |
| C. Office property | | | | | |
| 1. EAS Building | 21 Xiao Yun Road Chaoyang District Beijing | Office | 70.00 | 104,727 | – Medium lease |
| Total office property | | | | 104,727 | – |

| Property name | Location | Type | % | Group's attributable interest | | Stage of completion | Scheduled completion |
|--|---|------------------|--------|--|-------------------------------------|--|------------------------|
| | | | | Approximate gross floor area (square feet) | Approximate site area (square feet) | | |
| Properties held for logistics operations | | | | | | | |
| D. Warehouse and logistics centre under development | | | | | | | |
| 1. Kerry Hung Yen Logistics Centre | Minh Duc commune My Hao District Hung Yen Province Vietnam | Logistics centre | 100.00 | 115,465 | 186,163 | Interior finishing work completed and waiting for inspection | First quarter of 2011 |
| 2. Kerry Chongqing Logistics Centre | Lot A01-3 & 4 Shipan Hepian District Modern Agricultural Park District Chongqing | Logistics centre | 100.00 | 224,242 | 717,604 | Final inspection in progress | First quarter of 2011 |
| 3. Kerry Kunshan Logistics Centre | North of Yufeng Main Road Qiandeng Town Kunshan | Logistics centre | 100.00 | 199,737 | 358,796 | Final inspection in progress | First quarter of 2011 |
| 4. Kerry ITS Kandla ISO Tank Depot | G.I.D.C. – Mithirohar Ta. Gandhidham – Kachchh | ISO tank depot | 60.00 | 10,979 | 72,657 | Piling work commenced | Second quarter of 2012 |
| 5. Kerry Intratainer Dongying Precision Metal Casting Factory | Zhongxing Road Kenli, Dongying City Shandong | Factory | 60.00 | 48,955 | 191,843 | Piling work commenced | Second quarter of 2012 |
| 6. Kerry Xiamen Haicang Logistics Centre | Export Processing Zone Haicang District Xiamen | Logistics centre | 100.00 | 452,088 | 574,302 | Design work in progress | Second quarter of 2012 |
| 7. Kerry Wuxi Logistics Centre | Wangzhuang Industrial Zone Wuxi | Logistics centre | 100.00 | 279,864 | 38,518 | Planning in progress | Fourth quarter of 2012 |
| Total warehouse and logistics centre under development | | | | 1,331,330 | 2,139,883 | | |
| TOTAL PORTFOLIO OF PROPERTIES HELD FOR LOGISTICS OPERATIONS | | | | 13,543,194 | | | |

Particulars of Properties Held

Notes:

- (1) *Signed the sale and purchase agreement with Shangri-La China Limited on 31 December 2010, Kerry Properties (China) Ltd. agreed to dispose of its entire interests in the Yangzhou Company to Shangri-La China Limited. The transaction will be effective when all necessary approvals from the PRC authorities obtained.*
- (2) *Kerry Properties (China) Ltd. made a successful bid to acquire 39% equity interests held by its joint venture partner in the project on 19 January 2011.*
- (3) *Application for land use certificate in progress.*
- (4) *Signed the sale and purchase agreement with Shangri-La China Limited on 31 December 2010, Kerry Properties (China) Ltd. agreed to dispose of 25% of equity interests in the Hangzhou Company to Shangri-La China Limited. The transaction will be effective when all necessary approvals from the PRC authorities obtained.*
- (5) *Land use right was fully paid on 11 January 2011.*
- (6) *Entered into the sale and purchase agreement with the third party on 8 February 2011, Kerry Properties (China) Ltd. agreed to dispose of 50% of equity interests in the Ningbo Company. The transaction will be effective when all necessary approvals from the PRC authorities obtained.*
- (7) *Payment for land use rights in progress.*
- (8) *Included other facility with gross floor area of approximately 65,000 square feet.*
- (9) *Being lettable floor area.*
- (10) *Being net floor area.*
- (11) *Subject to final Hong Kong SAR Government approval plans and documentations.*
- (12) *The development plan is under review.*
- (13) *As regards the reclamation project in Macau, according to the Macau SAR Government Notice which was gazetted on 14 October 2009, a piece of land will be granted in exchange with location and size to be identified and agreed.*
- (14) *Including attributable interest of 24.21% held through Philippine Deposit Receipts.*
- (15) *Including attributable interest of 16.27% held through Philippine Deposit Receipts.*
- (16) *Including attributable interest of 30.75% held through Philippine Deposit Receipts.*
- (17) *Being site area.*
- (18) *Including attributable interest of 12.30% held through Philippine Deposit Receipts.*
- (19) *Gross floor areas exclude carpark spaces.*

Corporate Social Responsibility Report

The Group continually works to inspire transformative business leadership in the areas of social responsibility and sustainability. By encouraging community well-being and development, voluntarily eliminating practices that harm the environment, and engaging its employees' hearts and minds in many activities designed to enhance society and improve the workplace, the public interest is proactively promoted. The goal of these initiatives is to encourage a positive impact on the environment, customers, employees, communities, and all other stakeholders.

Key to this policy is staff participation. The Group strongly believes that the caring spirit, commitment and creativity of its employees and their families encourage the development of team spirit as well as contributing to the well-being of society. Our many activities help promote employee engagement by showing how individual actions really can make a difference, and therefore contribute to a sustainable business and a cleaner environment.

Caring Company

The Group's commitment to its responsibilities as a good corporate citizen is reflected in many caring programmes for the community, for employees and for the environment. The Group has been recognized by the Hong Kong Council of Social Service as a "Caring Company" for the eighth consecutive year. In 2010, the Group joined the Caring Company Patron's Club as a Coral Member to support the Caring Company nomination activities.

Environmental Protection

The Group strongly believes in its responsibility to help create a better environment for future generations. An internal environmental management system ("EMS") is in place to govern the development, management and maintenance of green buildings and to promote environmental awareness among staff. This green system, which involves integrating environmentally friendly procedures into almost every area of operations, is guided by an EMS Committee, which comprises

senior management and department heads and holds regular meetings. During the year, the EMS was expanded to include our property management business, and a third party review of the entire system was conducted.

The Group is pleased to report that all targets set for 2010 were achieved, including those for a reduction in paper and electricity consumption, minimizing construction waste in our development projects, and the encouragement of main contractors to implement EMS and to obtain ISO certification. Data on greenhouse emissions from all our buildings and office activities was also collected for review.

BEAM Assessment

A number of the Group's projects achieved certain standards in accordance with the BEAM Society's Building Environmental Assessment Method ("BEAM"). BEAM is one of the leading schemes in the world for assessing, improving and certifying the environmental performance of buildings. Projects that achieved BEAM Platinum Standard for new buildings were Island Crest, Tavistock and SOHO 38. Projects achieving BEAM Bronze Standard for existing buildings were Enterprise Square Three and Enterprise Square Five (MegaBox and Office Tower 1).



Corporate Social Responsibility Report



Green Hong Kong • Carbon Audit Campaign

The Group continues to be a Green Partner of the “Green Hong Kong • Carbon Audit Campaign” organized by the Environmental Protection Department and the Electrical and Mechanical Services Department, and is committed to promoting, supporting and facilitating reduction of greenhouse gas emissions from buildings. In 2010, we launched a carbon audit for our office activities and collected data on greenhouse gas emissions from our buildings.

Hong Kong Green Building Council

The Group joined the Hong Kong Green Building Council (“HKGBC”) as a Gold Patron Sponsor, with the aim of helping to promote green building principles and practices for Hong Kong’s unique environment. During the sponsorship year, the Group was also admitted as an Institutional Member of HKGBC, further underlining its support of the Council’s mission not only to slow carbon emissions and energy consumption, but also actively to lessen environmental degradation.

Considerate Contractors Site Award Scheme 2009

The Group closely monitors our contractors’ environmental and safety performances. With the close supervision and support of the Group, the main contractor of Kerry Centre became one of the winners in the “Considerate Contractors Site Award Scheme 2009” organized by the Development Bureau. The awards aim to promote a considerate attitude among workers and good site safety, health and environmental practices for construction sites. The award-

winning sites adopted various outstanding and innovative measures to enhance both safety and environmental performance.

Green Power Hike

Staff members of the Logistics Network Division participated in the “17th Green Power Hike” on 6 February 2010. The event is an annual fund-raising walkathon for Green Power. All donations are used for environmental education in the community and in schools in Hong Kong.

HKIE Building Division 9th Annual Seminar “Smart & Green Building – Design, Construction & Management”

During the year, the Group continued to show its strong commitment to the integration of green principles into the design and construction of our buildings. On 18 March 2010, the Group sponsored the Hong Kong Institution of Engineers (“HKIE”) Building Division 9th Annual Seminar “Smart & Green Building – Design, Construction & Management”, which aimed to explore intelligent, green and innovative methods in the building and construction industry.

Earth Hour 2010

The exterior lighting of MegaBox and a number of other buildings under the Group’s management was temporarily switched off for an hour in the evening of 27 March 2010 to support “Earth Hour 2010”. This global campaign is organized annually by WWF to support people and wildlife threatened by climate change and to raise environmental awareness. 126 countries and 4,000 cities participated in the event.

Tree Planting

On 25 April 2010, six corporate teams of the Logistics Network Division joined various green groups and corporations to participate in “Tree Planting Challenge 2010” organized by The Friends of the Earth. The theme of this year’s challenge was “Plant a Wish for a Better Climate”. The event combined tree planting, hiking and considerable endurance skills.

Community Chest Green Day

The Group’s staff members made donations to the “Green Day 2010” organized by the Community Chest of Hong Kong on 27 and 28 June 2010. The reduction of the public’s carbon footprint in the workplace and raising awareness of green forms of transport were the main aims of “Green Day”, which raised funds to support the Chest’s member agencies’ health and medical services.

Eco Ambassadors 2010

The Group sponsored “Eco Ambassadors 2010”, an environmental protection scheme for children and youth organized by the Eco Association. The scheme, which was themed around conservation of Chinese white dolphins and carbon reduction, started on 26 June and lasted until the end of July 2010. Its major activities included a Chinese white dolphin watching tour, seminars and exhibitions at schools. The Eco Association is a non-profit making organization with the vision of encouraging people to love nature and implement environmental protection measures to lessen the impact of pollution.

Power Smart Contest 2010

Various buildings managed by the Group participated in the “Power Smart Contest 2010” organized by Friends of the Earth. These buildings achieved at least a 2% reduction in electricity consumption between 15 June 2010 and 12 September 2010 as compared to the same period in 2009.

Supporting Hong Kong International Coastal Cleanup Challenge

On 26 October 2010, more than 50 staff of the Logistics Network Division joined the Hong Kong “2010 International Coastal Cleanup Challenge” and collected 330 kilograms of rubbish from Lung Mei Beach in Tai Po in the New Territories, Hong Kong. Three times as much rubbish was collected as compared to last year’s event. The “International Coastal Cleanup Challenge” was held in more than 100 countries around the world to help raise awareness of the amount of detritus and pollutants in the earth’s oceans.

Community and Coastal Cleanup in Thailand

On 3 December 2010, colleagues from Kerry Siam Seaport of Logistics Network Division joined hands with the Laemchabang City Municipality, Wat Mai Neon Payom School and Au Udom Community in Thailand to clean up the community area and the coast.



Offsetting Greenhouse Gas Emissions

As part of the Christmas Party arrangements, the Group joined a carbon neutral programme to offset the greenhouse gas emissions associated with the event. The offsets were sourced from projects in Mainland China validated by the Clean Development Mechanism under the United Nations.

Quality Water Recognition Scheme for Buildings

MegaBox and a number of buildings managed by the Group have complied with the requirements of the “Quality Water Recognition Scheme for Buildings”, and were awarded either a Silver Certificate or a Blue Certificate by the Water Supplies Department in recognition of their achievements in maintaining the water quality of their plumbing systems.



Community Services

The Group is proud of the strength of commitment shown by management and employees to programmes and initiatives that contribute to the health and well being of the needy and disadvantaged. Through diverse activities, the Group reaches out to the community in which it is both an active citizen and compassionate donor.

Running Community Chest Marathon

On 17 January 2010, colleagues from the Logistics Network Division joined the “2010 Community Chest Corporate Challenge” to raise funds for improving community services for the elderly in Hong Kong. With the support of over 1,400 runners from 39 organizations, this year’s event raised more than HK\$5 million for the needy.

Corporate Social Responsibility Report

Community Chest Skip Lunch Day

Colleagues from the Group supported the "Skip Lunch Day" held on 23 March 2010, donating their lunch money to support a good cause. The Community Chest organized the event and allocated the funds raised to services for the vulnerable and needy such as street sleepers.



Supporting Crossroads Foundation

In March 2010, the local distribution team of our Logistics Network Division assisted in relocating a warehouse for Crossroads Foundation at its Tuen Mun site in Hong Kong. Crossroads Foundation is a Hong Kong-based, non-profit organization that also serves global needs by distributing Hong Kong's quality excess goods such as furniture and electrical appliances both locally and internationally.



Construction Safety Promotional Campaign Launching Ceremony and Site Safety Exercise

On 5 May 2010, staff members participated in the "Construction Safety Promotional Campaign Launching Ceremony and Site Safety Exercise" organized by the Occupational Safety and Health Council, which was held at the Golden Bauhinia Square in Wanchai. Over 600 participants from the construction industry undertook the site safety exercise together. Various tips for safety exercise were communicated during the event.

Supporting Médecins Sans Frontières Truck Exhibition

In September and October 2010, colleagues from the Logistics Network Division provided support for a mobile interactive exhibition in Hong Kong aimed at raising awareness of the work of Médecins Sans Frontières ("MSF"). During the exhibition, colleagues helped move the 40-foot MSF container and trailer and set up the mobile exhibition hall in seven locations in Hong Kong. MSF, also known as Doctors Without Borders, is an international medical humanitarian organization that provides front-line medical assistance and humanitarian aid to victims affected by armed conflicts, natural disasters, epidemics or exclusion from health care.

Sight for All 2010

In October 2010, staff of Logistics Network Division joined the "Pin Campaign" organized by ORBIS to support the "World Sight Day". All donations raised through this meaningful event were allocated to help ORBIS bring light to more blind people.

Putting Smiles on Children's Faces

In November 2010, Logistics Network Division donated sports equipment and computers to the Central School of Hujil Tohom Town, Heilongjiang Province to improve the learning environment of the children. The Division made its first donation to support the expansion and renovation of the school in 1995.

UNICEF Charity Run

This year, the "UNICEF Charity Run" was again held at the Hong Kong Disneyland Resort at Sunny Bay on 28 November 2010. The run was held to support UNICEF's "Unite for Children – Unite against AIDS" global campaign, which has proved to be an excellent way of educating children about AIDS. The Group's members showed their support by enrolling as a runner for the 10km Run, the Half Marathon or the 3km Family Fun Run.

Community Chest Love Teeth Day

By joining "Love Teeth Day" on 9 December 2010, the Group's members could learn about good dental care while showing their concern for the disadvantaged. The Community Chest of Hong Kong, the Hong Kong Dental Association and the Oral Health Education Unity of the Department of Health organized the event and donated all funds received to services that supported the oral health of those in need.

Supporting ECSAF for the Fifth Year

For the fifth consecutive year, the Logistics Network Division supported the End Child Sexual Abuse Foundation (“ECSAF”) by offering two sheltered parking spaces at Kerry Cargo Centre in Hong Kong for its mobile classrooms. Founded in 1998, the ECSAF aims to protect youngsters under 18 from sexual abuse.

Charitable Donations

Over the past year, the Group continued to raise donations for causes such as children’s education, support for the elderly, academic activities and victims of natural disasters in the communities where it operates.

Supporting Gansu Drought Relief Work

At the beginning of 2010, the Gansu Province of China was hard hit by a drought due to continued low rainfall, high temperatures and low river flows from upper reaches. With the assistance of the China Charity Foundation, Logistics Network Division donated RMB100,000 to rebuild water cellars in the area. In Gansu, it costs RMB2,500 to build a 30 to 50 cubic metre water cellar sufficient to support a family of between three and five members for a year.

Community Chest Corporate and Employee Contribution Programme

To show their care for the needy, the Group and its employees contributed to this major fund-raising programme organized by the Community Chest of Hong Kong, both through direct donations and staff-organized donation-drive activities.

Donation of Computers

The Group is pleased to help those in need and to respond to calls for environmental conservation in whatever way it can help. During the year, various buildings under the Group’s management supported the used computer donation programmes organized by Caritas and The Salvation Army.

Donation to the Yushu Earthquake Victims

In April 2010, a 7.1 earthquake devastated Yushu Tibetan Autonomous Prefecture of Qinghai Province, causing over 2,600 deaths. When disaster struck, the Group came to the rescue by all means possible and the Mainland offices of the Group organized donations to support earthquake relief work in the disaster zone and other affected areas.

Visiting the Elderly

Respecting the old and loving the young have long been traditional virtues of Chinese people. On 13 June 2010, members of Logistics Network Division visited the elderly at the Tianzhu Geracomium of Shunyi, China, with food, microwave ovens and other gifts to the sum of RMB100,000.

Shepherd’s Field Children’s Village

On 21 June 2010, colleagues from the Logistics Network Division returned to the Shepherd’s Field Children’s Village in China after last year’s initial visit and donated another RMB100,000 to build more schools and support the basic living of ten children for one year. This village is the largest foreign-funded charitable institution in China that supports orphaned children, most of whom were abandoned due to their physical disabilities.

Community Chest Dress Special Day

On 28 September 2010, the Group’s staff members participated in the Community Chest’s “Dress Special Day”. A variety of themed, casual and trendy outfits gave staff the opportunity to have fun while donating to a good cause.

Charity Sale of Office Furniture

The Group relocated to Kerry Centre in November 2010. The total amount received from the staff sale of office furniture used at the old office was donated to the Save the Children fund and the unsold furniture was donated to Crossroads Foundation.



Corporate Social Responsibility Report



Caring for our People

One of the values most intrinsic to the Group's management and culture is the nurturing of staff- and family-friendliness. Staff performance is not only enhanced by a satisfying and caring work experience, but such an environment also acts as an intangible but powerful motivator to increase productivity, encourage creativity and as a means to train and secure talents for the future. The Group is dedicated to establishing a workplace that realizes human potential to its fullest extent.

Work-Life Balance Day

Work-life balance is an integral part of the Group's people-caring initiatives. On 22 October 2010, for the third consecutive year, members of the Logistics Network Division participated in the "Work-Life Balance Day" organized by charity group Community Business. Around 30 staff joined the "Fun & Smile" workshop at the Division's roof garden in order to release work stress through enjoyment and relaxation. In order to maintain a good work-life balance, colleagues were also encouraged to leave work punctually that day so that they could spend more time with their family and friends and to do some exercise after work.

Green Awareness

In December 2010, a green workshop was held, "Be Friends of Glass", which aimed to give employees an insight on glass recycling. The Group also encouraged staff and their families to join a tour to Hoi Ha Marine Life Centre in order to experience the natural marine environment of Hoi Ha Wan Marine Park. Such events develop both team spirit and raise awareness of the environment and what can be done to protect it.

Individual Development

In 2010, the Group arranged a series of training courses and events to provide staff with opportunities for self-enhancement in areas ranging from job-related skills to health and environment issues. Job-related workshops were organized for staff members, who were also provided with personal study allowances.

Health Monitoring

Over 70 Hong Kong colleagues from Logistics Network Division participated in a special Health Talk given on 26 March 2010, while 40 of them took a voluntary blood glucose test and total cholesterol test. Health professionals from the Hong Kong Health Care Federation raised employees' awareness of the possible development of nose allergies, hepatitis, liver cancer and cervical cancer while also providing preventive advice. During the year, free influenza vaccinations were offered to all Group staff on a voluntary basis.

Team Building

Among the team-building activities held during the year was a one-day team-building training workshop held on 22 April 2010, in which a number of colleagues from the operations, IT, management and business development departments of Logistics Network Division participated. Various recreational and competitive events were also held by the Division to further encourage team building. These included the "Kerry Fun Day" in August 2010, which was held at the Po Leung Kuk Jockey Club Tai Tong Holiday Camp and featured campsite sports and fun games. Colleagues from the Kerry Siam Seaport in Thailand participated in a "BB Gun Match" in August as well as a Sports Day in November, while colleagues from Hong Kong took part in a "Kerry Fun War Game".

Mega Support of Society Causes

During 2010, MegaBox pledged its venue for the support of various community, environmental protection and charitable events, contributing to many worthy causes while filling the mall with a sense of fun while doing something meaningful. The mall also hosted visits by more than 100 groups of elderly, children, students and the disadvantaged during the year.

For the second consecutive year, MegaBox continued to serve as a co-organizer of the “Hong Kong Dance Marathon”, a charity fund-raising event that is held throughout the territory during the summer. The aim of the “Hong Kong Dance Marathon 2010” was to bring joy and a positive spirit to the lives of individuals and the community while raising funds for the Suicide Prevention Services.

The MegaBox Volunteer Team, which was formed in 2009, continued to show great commitment and enthusiasm, participating in many voluntary community activities. These included visits to homes of the elderly in January 2010, a barter event arranged by Tuen Mun Youths Association in April, and a Tai Chi fund-raising activity sponsored by the Hong Kong Parkinson’s Disease Foundation in May.

As part of its “Community Concern Programme” to show its care for the community, MegaBox arranged tours to the mall for a number of non-profit organizations including Hong Chi Association and The Hong Kong Society for The Deaf. Participants were allowed to enjoy various MegaBox facilities and the mall joined hands with its tenants to offer a thoroughly rewarding experience for the visitors.

Reflecting the mall’s commitment to the health and safety of its visitors, MegaBox was awarded a “Heart-Safe Place” title by the Hong Kong College of Cardiology. The “Hong Kong – Heart-Safe Place” programme aims to encourage organizations and public facilities to deploy automated external defibrillators and be involved in early defibrillation and resuscitation of victims of sudden heart attacks and strokes.

To encourage the creation of a cleaner and greener environment and to promote the widespread adoption of electric vehicles, MegaBox has installed an electric vehicle charging station provided by China Light and Power in the mall’s carpark.

In the three years since its opening, MegaBox has become a beacon for charitable causes and for spreading good cheer and warmth in the community. MegaBox is committed to expanding these activities in the years to come.



2010 Awards and Citations

The Group continues to make strong progress in its drive to achieve excellence in all its business operations and social responsibilities, which it believes are indivisible in its corporate culture. The Group is therefore delighted that its efforts to be a good corporate citizen and an outstanding industry leader were rewarded by a string of accolades both local and international in 2010. These awards were made by prestigious trade, professional, governmental and media bodies, and offered tremendous encouragement to the whole team, which was both honoured and motivated by them.

Property Division

ERB Manpower Developer Award – Manpower Developer 1st

The Group is delighted to report that it won an “ERB Manpower Developer Award – Manpower Developer 1st” in April 2010 for its outstanding achievement in staff training and development and its commitment to promoting a manpower training culture within the company. Organized by the Employees Retraining Board (“ERB”), the scheme is the only one in Hong Kong to monitor and give awards for the depth and maturity of manpower training and development practices in local organizations.

20th International ASTRID Awards – Bronze Award

The Group again received an accolade in the “20th International ASTRID Awards” in April 2010 by winning a Bronze Award in the category of “Annual Reports – Corporation – Traditional”. The “ASTRID Awards”, organized by MerComm Inc., is one of the largest worldwide competitions honouring achievements in the field of design. The award was made to the Group for the excellence of its corporate design.



Prime Awards for Eco-Business 2010 – Gold Award

Once again the Group was recognized in the “Prime Awards for Eco-Business 2010”, achieving a Gold Award in April 2010. For the third consecutive year, the award affirmed the Group’s green commitment and its efforts towards being an environmentally concerned organization. The award was co-organized by *Prime Magazine*, a monthly business and finance magazine, and the Business Environment Council. The judges were drawn from representatives of major green groups, chambers of commerce and academia.

CAPITAL The Best Developer Awards 2010 – Property Management

Kerry Property Management Services Limited (“KPM SL”), the property management arm of the Group, was proud to win a “CAPITAL The Best Developer Awards – Property Management” in May 2010 in recognition of its efforts to strive for continued improvement and excellence in service standards. The awards were organized by *Capital Magazine*, an influential business magazine featuring financial and property related stories with substantial circulation in Hong Kong and China.



24th International ARC Awards – Silver and Bronze Awards

In acknowledgement of the creativity of design, clarity of written text and excellence of content presentation of the Group's 2009 Annual Report, the publication received a Silver Award in the category of "Overall Annual Report: Real Estate Development/Service – Commercial/Industrial" in the "24th International ARC Awards" held in August 2010. The report also received a Bronze Award in the category of "Overall Annual Report: Real Estate Development/Service – Various & Multi-use". The competition was intense, with over 1,900 entries from 27 countries around the world.

Source Separation of Domestic Waste Competition 2009/2010 – Silver Award

KPMSL, the property management arm of the Group, was honoured to receive another award in August 2010 in recognition of its commitment to promote waste separation at Regency Park, a property under its management. Organized by the Environmental Protection Department, the programme aims to encourage residents to separate waste at source and to ensure that a broader variety of recyclables is recovered from separate containers.

LACP 2009 Vision Awards Annual Report Competition – Honours Award

First organized in 2001 by the League of American Communications Professionals ("LACP"), the "Vision Awards" is one of the nation's premier annual report competitions to

honour outstanding annual reports. The Group was pleased to win an Honors Award in July 2010 from among 4,000 entries in more than 20 countries for the excellence of its 2009 Annual Report.

2010 Galaxy Awards – Gold and Silver Awards

The annual "Galaxy Awards" recognize works that contribute to the process of image building and make a difference in the marketplace. The Group was delighted that its achievements in design and the professional performance of its corporate communications were recognized in the winning of a Gold Award for its 2009 Annual Report in the category of "Real Estate Development Services" in October 2010. The Group also won a Silver Award for its 2010 corporate calendar in the "Promotion" category. The Group's publications were judged on how effectively the material met the stated objectives, how well the material was communicated to the audience, the use of imaginative and original solutions, and overall expression of message.

Prime Awards for Brand Excellence 2010 – Gold Award

In acknowledgment of the Group's commitment to quality and aspiration to brand excellence, the Group won a Gold Award in the "Property Developer" category in the "Prime Awards for Brand Excellence 2010" organized by *metroBox* (formerly known as *Prime Magazine*) in November 2010. The "Prime Awards" recognize outstanding brands from over 15 sectors and the judges include professionals from the government, commercial and academic sectors.



2010 Awards and Citations



Hong Kong Green Awards 2010 – Bronze Award

In December 2010, the Group won a Bronze Award in the “Green Office Management” category in the “Hong Kong Green Awards 2010”. As a property developer, the Group was proud to be recognized in this environmental competition, which was organized by the Green Council with support from the Environmental Protection Department, Electrical and Mechanical Services Department, Hong Kong Trade Development Council, and a number of commercial and industrial organizations and professional associations.

Hong Kong Awards for Environmental Excellence – Wastewi\$e Label

The Group demonstrated a strong commitment to environmental protection and waste reduction in its office management by fulfilling the requirements for the “Class of Excellence” Wastewi\$e Label in the “Hong Kong Awards for Environmental Excellence”. The Wastewi\$e Label is a scheme

that recognizes those Hong Kong businesses that make concerted efforts to reduce the amount of waste generated within their organizations. Nearly all the residential properties managed by KPMSL have also achieved the requirements for the “Class of Excellence” Wastewi\$e Label.

MegaBox

23rd Annual International Mercury Awards – Silver Award

The “Mercury Awards” aim to honour the professionals that have made an outstanding contribution in the field of public relations and corporate communications. In March 2010, MegaBox was pleased to garner a Silver Award in the “Promotion/Marketing” category for the “Hong Kong 2009 East Asian Games Cycling Charity Race@MegaBox” held at the mall. The award acknowledged MegaBox’s creative excellence in marketing and promoting the event. The distinguished judges were 130 industry leaders from 42 agencies and corporations around the world.

2010 China’s Most Successful Design Awards

MegaBox’s outstanding performance in promotional and decoration design was recognized in October 2010 when the mall won an award in the “2010 China’s Most Successful Design Awards” for its Easter 4D Egg Garden Decoration. Organized by the Shanghai Industrial Design Association and Shanghai Creative Industry Centre, the awards are an international competition that honours top international designers and enterprises for the most successful designs in the China market.

Logistics Network Division

ERB Manpower Developer Award – Manpower Developer 1st

In April 2010, Logistics Network Division won an “ERB Manpower Developer Award” for its dedicated efforts and outstanding success in manpower training and development.

The 10th CAPITAL Outstanding Enterprise Awards – CAPITAL Outstanding Logistics Company

For the third consecutive year, Logistics Network Division was proud to receive the award of “CAPITAL Outstanding Logistics Company” in the “10th CAPITAL Outstanding Enterprise Awards” sponsored by *Capital Magazine* on 12 May 2010. The award recognized the Division’s premier position in Hong Kong’s logistics industry, high reputation and quality services.

Model Logistics Company

Special logistics refers to the coordinated development of various links on the logistic supply chain such as purchasing, production, package processing, sorting and storage of hazardous articles, food, medicine, large and special commodities. At the “3rd China Special Logistics Annual Conference” held in May 2010, the China Committee of Special Logistics awarded the Division the title of “Model Logistics Company” in accordance with its current development trends and potential.

Customer Relationship Excellence Awards

In recognition of its outstanding customer services, in June 2010 the Division won the “People Development Programme of the Year (Logistics)” at the “Customer Relationship Excellence (“CRE”) Awards”. The “CRE Awards” recognize industry leaders and professionals for their customer centric

service innovation. The participants come from international cities and business sectors in both corporate and individual categories, all demonstrating their best practices and insights on customer service excellence.

2009 Leading Enterprise in China’s Postal Industry Statistics

In June 2010, the State Post Bureau of China granted the honorary title of “2009 Post Industry Advanced Enterprises in Statistical Work” to 160 enterprises across the country including the Division, encouraging the selected leading enterprises to constantly improve their data quality.

China National General Warehousing Enterprises

In order to guide the rapid development of China’s modern warehousing industry, promote technical innovation and drive the modernization of Chinese storage enterprises, the China Association of Warehouses and Storage ranks various storage enterprises across the country and chooses the top 50. This year, the Division was proud to be elected 24th on the list.

2009 Top 5 Agent Awards (South China)

In August 2010, Lufthansa Cargo held a grand award-giving ceremony in Shenzhen for the “Top 5 Agents” in South China of 2009. The Division was one of the “Top 5 Agents” in South China.

2009 Top 100 China IFF, Logistics and Sea Freight Enterprises

Since 2004, the China International Freight Forwarders Association and the Office of International Business Daily has ranked the top 100 international freight forwarding (“IFF”) and logistics enterprises in China. The Division was proud to be ranked 1st in air freight, 5th in warehousing and 7th overall in the “Top 100 China IFF and Logistics Enterprises 2009”.



2010 Awards and Citations



Industry Leading Award

In September 2010, a general assembly of the China International Freight Forwarders Association was held in Tianjin. The assembly commended a number of members that have made outstanding contributions to the industry and the association's work. The Division was one of only four enterprises that won the "Industry Leading Award".

China's Trusted Air Freight Sales and Forwarding Enterprise

Through recommendation and appraisal, a total of 226 forwarding enterprises across the country were honoured as "2009-10 Trusted Air Freight Sales and Forwarding Enterprises" at a news conference held in Beijing in September 2010 by the China Air Transportation Association. Logistics Network Division was honoured to be included in the select list of trusted enterprises.

Hong Kong Smart City+ Award – Silver Award

At the Hong Kong Smart City+ Forum in Shanghai on 25 October 2010, Logistics Network Division was honoured with the "Hong Kong Smart City+ Award – Silver Award" in acknowledgement of its pioneering role in adopting Radio Frequency Identification ("RFID") technologies through its Kerrier RFID services. The award aims to recognize the contributions by Hong Kong enterprises and organizations to developing and applying RFID technologies.

Hong Kong RFID Awards – Silver and Bronze Awards

The Division won another two honours at the "Hong Kong RFID Awards 2010" in Hong Kong for its Kerrier RFID solution – the Silver Award for the "Best EPC (Electronic Product Code)/RFID Implementation" and the Bronze Award for the "Most

Innovative Use of EPC/RFID". The "Hong Kong RFID Awards" aim to recognize pioneering enterprises that have successfully brought EPC/RFID technologies into their business operations. The awards also foster the development of new EPC/RFID products and services in Hong Kong and the Pearl River Delta region.

SCORE Award

In October 2010, Kerry-ITS, a member of the Division engaging in ISO tank cleaning and repair businesses in Asia Pacific, was honoured with the "Singapore Corporation of Rehabilitative Enterprises ("SCORE") Appreciation Award" from the Singapore Ministry of Home Affairs. SCORE enhances the employability of ex-offenders and prepares them to return to the workforce. Kerry-ITS began employing ex-offenders in 2006 and is currently employing six ex-offenders in its Singapore operations.

Hong Kong's 100 Leading Graduate Employers 2010

The Division was honoured to be voted by university students and graduates in Hong Kong into the Top 100 rankings in the "Hong Kong Graduate Barometer 2010".

Annual Singapore 1000 & Singapore SME (Small Medium Enterprise) 1000

In December 2010, Kerry-ITS was ranked in the "24th Annual Singapore 1000 & Singapore SME (Small Medium Enterprise) 1000" incorporating the "Singapore International 100 Ranking (Singapore 1000 Family of Rankings)" by DP Information Group in Singapore, which identifies the top performing firms across 12 key industries as the stars of the Singapore economy every year.

Corporate Governance Report

During the financial year ended 31 December 2010, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The following sections set out how the principles under the Code have been complied with by the Company during the financial year ended 31 December 2010.

A. Directors

A.1 The Board of Directors of the Company (the "Board")

1. The Board is responsible for:
 - (i) the leadership and control of the Company;
 - (ii) overseeing the Group's businesses, strategic directions and financial performance;
 - (iii) setting the Company's values and standards;
 - (iv) ensuring that its obligations to the Company's shareholders (the "Shareholders") are understood and met; and
 - (v) strategy formulation, corporate governance and performance monitoring.
2. Board minutes kept by the Company Secretary are sent to the Directors for records and are open for inspection by the Directors.
3. The Company has arranged appropriate insurance cover for the Directors.
4. Proposed Board meeting dates for a financial year are agreed in the final Board meeting of the preceding year. The Board has four scheduled meetings a year at approximately quarterly interval and meets more frequently as and when required. Notice of more than 14 days was given to all Directors to attend a regular Board meeting. For all other Board meetings, reasonable notice will be given to the Directors. During the financial year ended 31 December 2010, the Board held four meetings and the attendance record, on a named basis, is set out in the table below.

| Directors | Attendance/Number of Meetings |
|--|-------------------------------|
| Kuok Khoon Chen ⁺ | 4/4 |
| Wong Siu Kong ⁺ | 3/4 |
| Ho Shut Kan ⁺ | 4/4 |
| Ma Wing Kai, William ⁺ | 4/4 |
| So Hing Woh, MBE, JP ⁺ (resigned on 1 October 2010) | 3/3 |
| Qian Shaohua ⁺ | 4/4 |
| Chan Wai Ming, William ⁺ | 4/4 |
| Ku Moon Lun [#] | 4/4 |
| Lau Ling Fai, Herald [#] | 4/4 |
| Wong Yu Pok, Marina, JP [#] | 4/4 |
| Tse Kai Chi [®] | 4/4 |

⁺ Executive Director

[#] Independent Non-executive Director

[®] Non-executive Director

Corporate Governance Report

A.2 Division of Responsibilities

1. The Chairman, Mr Kuok Khoon Chen, has executive responsibilities and provides leadership to the Board in terms of establishing policies and business directions. He ensures that the Board works effectively and discharges its responsibilities, and that all key and appropriate issues are discussed by the Board in a timely manner. He also ensures all Directors are properly briefed on issues to be discussed at Board meetings. Mr Wong Siu Kong, the President & Chief Executive Officer, is responsible for the day-to-day management of the Company's business.
2. The Board comprises Independent Non-executive Directors ("INEDs") who bring strong independent judgement, knowledge and experience to the Board's deliberations. Apart from their appointments as INEDs, none of them has any form of service contract with the Company or any of its subsidiaries. The Board also comprises a Non-executive Director who brings financial and accounting knowledge and experience to the Board.
3. Each Executive Director is delegated individual responsibility to oversee and monitor the operations of a specific business unit, and to implement the strategies and policies set by the Board.
4. Accordingly, the Board operates in a functional manner with clearly defined objectives, strategies and responsibilities.

A.3 Board Composition

1. The composition of the Board is stated in the section headed "Corporate Information & Key Dates" of this annual report. The Board members have no financial, business, family or other material/relevant relationships with each other. The Board has a balanced composition and strong independent element. The biographies of the Directors are set out in the section headed "Directors and Senior Management" of this annual report, which demonstrate a diversity of skills, expertise, experience and qualifications.
2. The Company has received annual confirmation of independence from the three INEDs in accordance with Rule 3.13 of the Listing Rules. The Board has assessed their independence and concluded that all the INEDs are independent within the definition of the Listing Rules.

A.4 Directors' Appointment, Re-election and Removal

1. Pursuant to the Company's bye-laws (the "Bye-laws") and the Code, each Director shall retire from office no later than the third annual general meeting of the Company after he was last elected or re-elected (i.e. the term of appointment of all Directors, including the Non-executive Directors, is effectively three years) and each Director appointed to fill a casual vacancy or as an additional Director is subject to re-election at the next general meeting following his appointment.
2. The Company has not established a nomination committee. New Directors are sought mainly through referrals or internal promotion. In evaluating whether an appointee is suitable to act as a Director of the Company, the Board will review the independence, experience and skills of the appointee as well as personal ethics, integrity and time commitment of the appointee. Appointment of a new Director requires the unanimous approval of the Board members.

A.5 Responsibilities of Directors

1. The Directors are continually updated with legal and regulatory developments, business and market changes and development of the Company to facilitate them in discharging their responsibilities.
2. The INEDs take an active role in Board meetings, contribute to the development of strategies and policies and make sound judgement in various aspects. They will take lead when potential conflicts of interest arise. Independent Board Committee comprising all INEDs will be formed to advise the independent Shareholders on those connected transactions to be approved by the independent Shareholders at the special general meeting of the Company. The INEDs are also members of various Board committees and devote sufficient amount of time and attention to the affairs of the Company.

A.6 Directors' Securities Transactions

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules as the code for securities transactions by Directors of the Company (the "Model Code"). The Directors have confirmed compliance with the required standards set out in the Model Code throughout the financial year ended 31 December 2010. Employees of the Company, who are likely to be in possession of unpublished price sensitive information, have been requested to comply with provisions similar to those terms in the Model Code.

A.7 Supply of and Access to Information

1. The Board members are supplied with comprehensive board papers and relevant materials within a reasonable period of time in advance of the intended meeting date (in any event no less than 3 days before the date of the meeting). All Directors are given opportunity to include matters in the agenda for regular Board meetings. To facilitate the decision-making process, the Directors are free to have access to the management for enquiries and to obtain further information, when required.
2. All Directors have unrestricted access to the advice and services of the Company Secretary, who ensures that the Board receives appropriate and timely information for its decision-making and that Board procedures, and all applicable rules and regulations, are being followed. The Directors can obtain independent professional advice at the Company's expense.

B. Remuneration of Directors

B.1 Remuneration Committee

Details of the Remuneration Committee and the work performed by it during the year are set out in the section headed "Remuneration Committee Report" of this annual report. A Remuneration Committee meeting was held on 5 January 2010 and the attendance record, on a named basis, is set out in the table below.

| Directors | Attendance/Number of Meeting |
|--------------------------------------|------------------------------|
| Kuok Khoon Chen ⁺ | 1/1 |
| Wong Siu Kong ⁺ | 1/1 |
| Ku Moon Lun [#] | 1/1 |
| Lau Ling Fai, Herald [#] | 1/1 |
| Wong Yu Pok, Marina, JP [#] | 1/1 |

⁺ Executive Director

[#] Independent Non-executive Director

B.2 Remuneration Package for Executive Directors

1. The remuneration for the Executive Directors comprises basic salary, discretionary bonus, pensions and share options.
2. Salaries are reviewed annually. Salary increases are made where the Remuneration Committee believes that adjustments are appropriate to reflect the performance, contribution and increased responsibilities of each Executive Director and/or by reference to market/sector trends. Executive Directors are also eligible to receive a discretionary bonus taking into consideration factors such as market conditions as well as corporate and individual performances.
3. The Remuneration Committee will annually review and recommend (if appropriate) to the Board for approval the grant of share options to the Executive Directors under the Company's share option scheme. Such scheme enables the Executive Directors to obtain an ownership interest in the Company and, thus motivating them to optimize their contributions to the Group.
4. Details of the amount of Directors' emoluments during the financial year ended 31 December 2010 are set out in note 13(b) to the financial statements of this annual report. Details of the Company's share option scheme are set out in the Directors' Report and note 34 to the financial statements of this annual report.

Corporate Governance Report

C. Delegation by the Board

C.1 Management Functions

The day-to-day running of the Company is delegated to the management, with divisional heads responsible for different aspects of the Group's businesses.

C.2 Board Committees

In addition to delegating specific responsibilities to the Audit Committee and the Remuneration Committee, the Board established the Finance Committee in 1996 with delegated authority for reviewing and approving certain financial matters of the Group. Currently, the Finance Committee comprises the Chairman, the President & Chief Executive Officer and an Executive Director of the Company, and it deals with matters such as the investment of surplus funds, undertakings, determination and approval of investment acquisitions and disposals with amounts not exceeding HK\$1 billion, arrangement of banking facilities and approval of guarantees and indemnities within designated limits.

C.3 Executive Committee

The Executive Committee of the Board meets once a month and operates as a general management committee. The Executive Committee meets to discuss the corporate and development strategies of the Company. The members of the Executive Committee comprise all the Executive Directors of the Company.

D. Accountability and Audit

D.1 Financial Reporting

1. The Board is responsible for the preparation of the financial statements. In preparing the financial statements, the generally accepted accounting standards in Hong Kong have been adopted, appropriate accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made. The external auditor has a primary responsibility for auditing and reporting on the financial statements and the Auditor's Report to the Shareholders is included in this annual report.
2. Towards the end of 2010, the Board has reviewed the financial projections of the Group in respect of the eight financial years ending 31 December 2018. On the basis of this review, the Board is not aware of any material uncertainties relating to events or conditions which may cast significant doubt over the Group's ability to continue as a going concern. Accordingly, the Board has continued to adopt the going concern basis in preparing the financial statements.

D.2 Internal Controls

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

D.3 Audit Committee

Details of the Audit Committee and the work performed by it during the year are set out in the section headed "Audit Committee Report" of this annual report. The Audit Committee met four times during the financial year ended 31 December 2010 and the attendance record, on a named basis, is set out in the table below.

| Directors | Attendance/Number of Meetings |
|--------------------------------------|-------------------------------|
| Ku Moon Lun [#] | 4/4 |
| Lau Ling Fai, Herald [#] | 4/4 |
| Wong Yu Pok, Marina, JP [#] | 4/4 |
| Tse Kai Chi [®] | 4/4 |

[#] Independent Non-executive Director

[®] Non-executive Director

D.4 Auditors' Remuneration

The Company's external auditor is PricewaterhouseCoopers, Hong Kong. During the financial year ended 31 December 2010, the fees paid/payable to PricewaterhouseCoopers, Hong Kong and other firms of the worldwide network of PricewaterhouseCoopers in respect of audit and non-audit services provided to the Group were as follows:–

| Nature of services | Amount (HK\$'000) |
|---------------------|-------------------|
| Audit services | 14,853 |
| Non-audit services | |
| (i) Tax services | 1,510 |
| (ii) Other services | 958 |

E. Investor Relations and Communication with Shareholders

E.1 Communication Channels

In order to develop and maintain a continuing investors' relationship programme, the Company has established various channels of communication with the Shareholders and the investor community:–

- (i) Shareholders can raise any comments on the performance and future directions of the Company with the Directors at the annual general meeting.
- (ii) Press and analysts' conferences are held twice a year in relation to the interim and final results announcements, at which the Executive Directors are available to answer questions regarding the Group's operational and financial performances.
- (iii) The Company also avails itself of opportunities to communicate and explain its strategies to Shareholders and the investor community, through active participation in investors' conferences and regular meetings with financial analysts, fund managers and potential investors. The Group had participated in a number of roadshows and investors' conferences during the year ended 31 December 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 |
| Credit Suisse Property Day | Hong Kong |
| CLSA HK/China Property Access Day | Hong Kong |
| Citi HK/China Investor Conference | Hong Kong |
| CLSA Investors' Forum | Hong Kong |
| Citi Greater China Investor Conference | Macau |
| CLSA Property Access Day | Hong Kong |
| Macquarie Global Property Series | Hong Kong |

The Group had also conducted a non-deal roadshow in Singapore in August 2010 and in Tokyo in November 2010 to meet with the Shareholders. The Group plans to enhance its investors' relationship by participating in future roadshows and conferences.

Corporate Governance Report

- (iv) The Company's website at www.kerryprops.com contains important corporate information, annual and interim reports, as well as announcements and circulars issued by the Company to enable the Shareholders and the investor community to have timely access to updated information about the Group.
- (v) Shareholders and members of the investor community are welcome to raise enquiries through the Company's Corporate Communication Department, whose contact details are stated in the section headed "Corporate Information & Key Dates" of this annual report.

E.2 General Meetings

- (i) The general meeting provides a forum for the Board to communicate with the Shareholders. To facilitate enforcement of Shareholders' rights, significant issues are dealt with under separate resolutions at general meetings.
- (ii) The members of the Board are available at annual general meetings to answer questions raised by Shareholders. The chairman of the Company's independent board committee (if any) or his duly appointed delegate is also present to answer questions at any general meeting which is convened to approve a connected transaction or any other transaction that is subject to independent shareholders' approval.
- (iii) The 2010 annual general meeting of the Company was held on 4 May 2010 (the "2010 AGM"). Relevant resolutions were passed at the 2010 AGM by way of poll. The chairman of the 2010 AGM had at the commencement of the meetings ensured that an explanation was provided of the detailed procedures for conducting a poll and then answered questions (if any) from Shareholders regarding voting by way of poll. The Company had sent the 2010 AGM notice to Shareholders more than 20 clear business days before the 2010 AGM.

E3. Proposed Amendment of Bye-laws

In order to bring the Bye-laws in line with the recent changes to the Listing Rules, certain amendments to the Bye-laws are proposed by the Board for approval by the Shareholders at the forthcoming annual general meeting of the Company to be held on 5 May 2011 (the "2011 AGM"). The proposed amendments will, among other things, align the notice period for the holding of general meetings with the requirements under the Listing Rules and enable the Company to use its own website and other electronic means to send or otherwise make available certain notices or documents or corporate communications (as defined in the Listing Rules) to the Shareholders, subject to compliance with the Listing Rules and applicable laws and regulations. Details of the proposed amendments are set out in the circular enclosed with this annual report to be despatched to the Shareholders together with a notice of the 2011 AGM.

Audit Committee Report

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

The Audit Committee operates pursuant to written terms of reference which are available on the Company's website at www.kerryprops.com. In general, the Audit Committee is responsible for assisting the Board in discharging its responsibilities in monitoring the integrity of the Group's financial reporting process, the financial statements and reports of the Company, the effectiveness of the Group's system of internal controls, the performance of the Group's internal audit function, as well as arrangements with external auditor. The revised terms of reference has extended the annual review function of the Audit Committee to include consideration of the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function and their training programmes and budget.

In discharging its responsibilities, set out below is a summary of the work performed by the Audit Committee during the financial year ended 31 December 2010:–

- (i) The Audit Committee reviewed the draft annual and interim financial statements and the draft results announcements of the Company, focusing on main areas of judgement, consistency of and changes in accounting policies and adequacy of information disclosure prior to recommending them to the Board for approval.
- (ii) The Audit Committee reviewed, in conjunction with the external auditor, the developments of accounting standards and assessed their potential impacts on the Group's financial statements.
- (iii) The Audit Committee assessed the independence of the Company's external auditor, prior to formally engaging the external auditor to carry out the audit for the Company's financial statements for the year ended 31 December 2010.
- (iv) Prior to the actual commencement of the audit, the Audit Committee discussed the proposed scope of work and approach of the audit with the external auditor. Upon completion of the audit, the Audit Committee reviewed the results of the external audit, and discussed with the external auditor on any significant findings and audit issues.
- (v) The Audit Committee recommended to the Board regarding the appointment and remuneration of the external auditor.
- (vi) The Audit Committee reviewed and approved the internal audit programme, reviewed the internal audit reports and discussed any significant issues with the internal audit team and the Group's senior management.
- (vii) The Audit Committee reviewed the independence of the internal audit function and the level of support and co-operation given by the Group's management to the internal audit team, as well as the resources of the internal audit team when undertaking its duties and responsibilities.
- (viii) The Audit Committee reviewed the adequacy and effectiveness of the Group's systems of internal controls through a review of the work undertaken by the Group's internal and external auditor, written representations by the senior management of each of the Group's business divisions and discussions with the Board.

Audit Committee Report

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

During the financial year ended 31 December 2010, the Audit Committee met four times and the Audit Committee also conducted meetings with the Group's senior management, the external auditor and the internal audit team from time to time. Minutes of the Audit Committee Meetings are documented and circulated to the Board for information. The Audit Committee also reports and presents its findings and makes recommendations for consideration and discussion at Board meetings.

On 8 March 2011, the Audit Committee also reviewed the financial statements of the Group for the year ended 31 December 2010 prior to recommending them to the Board for approval.

MEMBERS OF THE AUDIT COMMITTEE

LAU Ling Fai, Herald (Chairman)

KU Moon Lun

WONG Yu Pok, Marina, JP

TSE Kai Chi

Hong Kong, 17 March 2011

Remuneration Committee Report

The Company established the Remuneration Committee in 1997 with the Independent Non-executive Directors constituting the majority of the committee. The chairman of the Remuneration Committee is the Chairman of the Board and the other members comprise the President & Chief Executive Officer of the Board and all the three Independent Non-executive Directors of the Company.

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

A Remuneration Committee meeting was held on 5 January 2010 during which the following matters were reviewed and recommended to the Board for approval:–

- (i) the salaries, housing allowances and pension contributions of the Directors for the financial year ended 31 December 2010; and
- (ii) the payment of bonuses to the Directors of the Company, which amounted to HK\$52,840,000 in respect of the financial year ended 31 December 2009.

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

MEMBERS OF THE REMUNERATION COMMITTEE

KUOK Khoon Chen (Chairman)

WONG Siu Kong

KU Moon Lun

LAU Ling Fai, Herald

WONG Yu Pok, Marina, JP

Hong Kong, 17 March 2011

Internal Controls

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

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

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

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

In order to better review and evaluate the adequacy and effectiveness of the Group's existing system of internal controls, an internal self-assessment and certification process was formulated during the financial year ended 31 December 2010. Under this process, each division of the Group was requested to assess the effectiveness of their fundamental operating controls over all aspects of their operations, financial controls, risk management controls and contingency measures. Each division of the Group then submitted to the Audit Committee a written report on the adequacy and effectiveness of its internal controls, which were discussed at the Audit Committee Meeting of 13 August 2010.

A review of the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function and their training programmes and budget was conducted during the financial year ended 31 December 2010. Under this review process, each business division of the Group was requested to assess such adequacy at its own level by submitting an internal questionnaire report to the Audit Committee, which was discussed at the Audit Committee Meeting of 13 August 2010.

In addition to the above, the Board also monitors its internal controls through a programme of internal audits. The internal audit team reviews the major operational, financial and risk management controls of the Group on a continuing basis, and aims to cover all major operations of the Group on a rotational basis. The scope of review and the audit programme of the internal audit team, which are formulated based on a risk assessment approach and focuses on areas with relatively higher perceived risks, are approved by the Audit Committee at the end of the preceding financial year in conjunction with the Company's senior management.

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

During the financial year ended 31 December 2010, there were no significant control failings, weaknesses or significant areas of concern identified which might affect the shareholders' stakes in the Company.

Directors and Senior Management

Directors

Executive Directors



Mr KUOK Khoon Chen, aged 56, has been an Executive Director of the Company, the Chairman of the Board and the chairman of the Remuneration Committee of the Company since 2008. He has been a senior executive of the Kuok Group since 1978. He is currently the deputy chairman and managing director of Kerry Group Limited, the chairman and managing director of Kerry Holdings Limited and a director of a number of Kuok Group companies. Both Kerry Group Limited and Kerry Holdings Limited are the controlling shareholders of the Company. Mr Kuok is a non-executive director of Wilmar International Limited which is listed on the Singapore Exchange Securities Trading Limited and an executive director of China World Trade Center Co., Ltd. which is listed on the Shanghai Stock Exchange. Mr Kuok holds a Bachelor's degree in Economics from Monash University in Australia.



Mr WONG Siu Kong, aged 59, is the President & Chief Executive Officer of the Company and a member of the Remuneration Committee of the Company. Mr Wong has been an Executive Director of the Company since 1996. He was a Joint Managing Director of the Company from 1999 to 2003. In 2003, he was elected as the Deputy Chairman of the Board and the Managing Director of the Company and subsequently re-designated as President & Chief Executive Officer in 2008. Mr Wong is a director of Kerry Holdings Limited, the controlling shareholder of the Company. He is also a director of China World Trade Center Co., Ltd. which is listed on the Shanghai Stock Exchange. In addition, Mr Wong is the chairman of a number of the Group's companies in Mainland China. He joined the Kuok Group in 1991 with responsibilities for the Group's developments in the Mainland China. Mr Wong graduated from the South China Normal University in Mainland China.

Directors and Senior Management



Mr HO Shut Kan, aged 62, has been an Executive Director of the Company since 1998. Mr Ho is an executive director of Kerry Properties (H.K.) Limited, the principal Hong Kong property company of the Group, and is responsible for the Group's property developments and infrastructure investments. Mr Ho is also responsible for overseeing the operation of the project companies and the projects of the Group in Shenzhen, Chengdu and Nanchang. Mr Ho is a non-executive director of Eagle Asset Management (CP) Limited, the manager of Champion Real Estate Investment Trust, which is listed in Hong Kong.



Mr MA Wing Kai, William, aged 49, has been an Executive Director of the Company since 2004. Mr Ma is the deputy chairman and the managing director of Kerry Logistics Network Limited, the divisional holding company of the logistics, freight and warehouse businesses of the Group. He joined Kerry Properties (H.K.) Limited, the principal Hong Kong property company of the Group, in 1990 and was transferred to the logistics, freight and warehouse division of the Group in 1999. Mr Ma holds a Bachelor of Science (Management Sciences) degree from the University of Lancaster in the United Kingdom. Mr Ma also completed an executive education programme, "Managing the Supply Chain", at Harvard Business School.



Mr QIAN Shaohua, aged 54, has been an Executive Director of the Company since 2009. In 2007, he was appointed as a Director of the Company and was subsequently re-designated as an Executive Director of the Company in 2009. Mr Qian was appointed as a director of Kerry Development (China) Limited in 2005 and as the chairman of Kerry Real Estate (Hangzhou) Co. Ltd. in 2008. He is also a director and/or the chairman of a number of the Group's companies in Mainland China. Mr Qian received his tertiary education in Mainland China and completed an international advanced management programme at Harvard Business School.



Mr CHAN Wai Ming, William, aged 56, has been an Executive Director of the Company since March 2010. In 2007, he was appointed as a Director of the Company and was subsequently re-designated as an Executive Director of the Company in 2010. Mr Chan is also a director of Kerry Development (China) Limited. Mr Chan has over 30 years of experience in project and estate management in both private and public sectors, over 10 years of which were in Mainland China projects. Mr Chan is a Fellow Member of both the Royal Institution of Chartered Surveyors and the Hong Kong Institute of Surveyors and a Registered Real Estate Appraiser in Mainland China. Mr Chan holds a Master of Science degree in International Real Estate from the Hong Kong Polytechnic University.

Directors

Independent Non-executive Directors



Mr KU Moon Lun, aged 60, has been an Independent Non-executive Director of the Company and a member of the Audit Committee and the Remuneration Committee of the Company since 2007. Mr Ku has over 35 years of experience in the real estate industry. He was the executive director of Davis Langdon and Seah International and chairman of Davis Langdon and Seah Hong Kong Limited, Premas Hong Kong Limited and icFox International. Mr Ku is now an independent non-executive director of Ascott Residence Trust Management Limited in Singapore and Lai Fung Holdings Limited, a listed company in Hong Kong. He is a member of the Hospital Governing Committee of Tuen Mun Hospital, Hong Kong Hospital Authority. Mr Ku is a fellow of the Hong Kong Institute of Surveyors.



Mr LAU Ling Fai, Herald, aged 70, has been an Independent Non-executive Director of the Company since 2003. He is now the chairman of the Audit Committee of the Company and a member of the Remuneration Committee of the Company. Mr Lau has been practising as a certified public accountant in Hong Kong for over 30 years and has extensive experience in auditing, finance, taxation and management. He was a partner in PricewaterhouseCoopers, Hong Kong until his retirement in 2001. He is an independent non-executive director of Wheelock and Company Limited, a listed company in Hong Kong. Mr Lau is a Fellow of each of The Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants. Mr Lau was formerly an independent non-executive director of Fairwood Holdings Limited (a listed company in Hong Kong) and Wheelock Properties Limited (a former listed company in Hong Kong) and an independent director of China World Trade Center Co., Ltd. (a listed company in Shanghai).



Ms WONG Yu Pok, Marina, JP, aged 62, has been an Independent Non-executive Director and a member of the Audit Committee and the Remuneration Committee of the Company since 2008. She had been with PricewaterhouseCoopers for over 30 years specializing in Mainland China tax and business advisory services, and has extensive experience in advising both Hong Kong and foreign investors in the structuring of their businesses and investments in Mainland China. Ms Wong joined Tricor Services Limited as a director from 2004 to 2006 after her retirement as a partner from PricewaterhouseCoopers in 2004. Ms Wong is now an independent non-executive director of Hong Kong Ferry (Holdings) Company Limited, a listed company in Hong Kong, and an independent director of China World Trade Center Co., Ltd. which is listed on the Shanghai Stock Exchange. She is a Fellow Member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants.

Non-executive Director



Mr TSE Kai Chi, aged 47, has been a Non-executive Director of the Company and a member of the Audit Committee of the Company since 2005. Mr Tse is a senior finance executive and currently heads the accounting function of Kerry Holdings Limited, the controlling shareholder of the Company. Mr Tse is a graduate of the London School of Economics and Political Science, University of London, and he is qualified as a Chartered Accountant and Associate Corporate Treasurer in England. He has over 20 years of experience in accounting and finance and worked in the audit and banking industry prior to joining the Kerry Group in 1994. From 2001 to 2004, Mr Tse served as the group financial controller of SCMP Group Limited.

Directors and Senior Management

Senior Management

The abovementioned Executive Directors of the Company and Mr Ang Keng Lam, the chairman of Kerry Logistics Network Limited ("KLN"), a wholly-owned subsidiary of the Company, are members of senior management of the Group:



Mr ANG Keng Lam, aged 64, is the chairman of KLN, and the chairman of a number of KLN's subsidiaries. Mr Ang was the Chairman of the Board from 2003 to 2008. He is now a vice chairman of Kerry Holdings Limited, the controlling shareholder of the Company. Mr Ang is also the chairman of China World Trade Center Co., Ltd. which is listed on the Shanghai Stock Exchange and a non-executive director of Allgreen Properties Limited which is listed on the Singapore Exchange Securities Trading Limited. Mr Ang has been an executive director of Beijing Properties (Holdings) Limited, a listed company in Hong Kong, since January 2011. He is a member of the National Committee of the Chinese People's Political Consultative Conference. Mr Ang attended the University of Western Australia, where he gained his Bachelor's degree in Civil Engineering and the University of Toronto, where he obtained a Master's degree in Business Administration. He also attended and completed the International Advanced Management Programme at Harvard Business School.

Report of Directors

The Directors submit their report together with the audited financial statements for the year ended 31 December 2010.

Principal Activities and Segmental Analysis of Operations

The principal activity of the Company is investment holding.

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

1. property development, investment and management in Hong Kong, the People's Republic of China (the "PRC") and the Asia Pacific region;
2. logistics, freight and warehouse ownership and operations;
3. infrastructure-related investments in Hong Kong and the PRC; and
4. hotel ownership in Hong Kong, and hotel ownership and operations in the PRC.

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

Results and Appropriations

The results of the Group for the year are set out in the section headed "Consolidated Income Statement" of this annual report.

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

Reserves

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

Donations

Charitable donations made by the Group during the year amounted to HK\$724,000.

Property, Plant and Equipment

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

Investment, Hotel and Development Properties

Particulars of investment, hotel and development properties of the Group are set out in the section headed "Particulars of Properties Held" of this annual report.

Distributable Reserves

As at 31 December 2010, the reserves of the Company available for distribution amounted to approximately HK\$19,057,437,000 (2009: HK\$19,123,926,000).

Report of Directors

Share Capital

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

Bonds

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

Capitalised Interest

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

Subsidiaries and Associates

Particulars of the Company's principal subsidiaries and the Group's principal associates as at 31 December 2010 are set out in note 44 to the financial statements.

Particulars of Bank Loans and Other Borrowings

Particulars of bank loans and other borrowings of the Group and the Company as at 31 December 2010 are set out in notes 28 and 42 to the financial statements.

Ten-Year Financial Summary

The results, assets and liabilities of the Group for the last ten financial years are summarised in the section headed "Ten-Year Financial Summary" of this annual report.

Directors

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

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 QIAN Shaohua
Mr CHAN Wai Ming, William
Mr SO Hing Woh, MBE, JP (resigned on 1 October 2010)

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

Messrs KUOK Khoon Chen, WONG Siu Kong, HO Shut Kan and Ms Wong Yu Pok, Marina are due to retire from the Board by rotation in accordance with bye-law 99(A) of the Company's bye-laws ("Bye-laws") at the forthcoming Annual General Meeting to be held on 5 May 2011 (the "2011 AGM"). The retiring Directors, being eligible, all offer themselves for re-election.

Biography of Directors and Senior Management

Biography of Directors and senior management are set out in the section headed "Directors and Senior Management" of this annual report.

Directors' Interests in Shares, Underlying Shares and Debentures

As at 31 December 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 of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Rules (the "Listing Rules") Governing the Listing of Securities on the Stock Exchange were as follows:

(i) Company

| Directors | Number of ordinary shares | | | Approximate % of shareholding ⁵ |
|------------------------|---------------------------------|------------------------------|-----------|--|
| | Personal interests ¹ | Other interests ³ | Total | |
| KUOK Khoon Chen | 251,004 | 6,111,707 | 6,362,711 | 0.44 |
| WONG Siu Kong | 100,000 | 50,000 | 150,000 | 0.01 |
| HO Shut Kan | – | 50,000 | 50,000 | 0.00 |
| MA Wing Kai, William | 1,020 | 50,000 | 51,020 | 0.00 |
| QIAN Shaohua | 100,000 | 50,000 | 150,000 | 0.01 |
| CHAN Wai Ming, William | – | 50,000 | 50,000 | 0.00 |

(ii) Associated Corporations

| Associated Corporations | Directors | Number of ordinary shares | | | Number of underlying ordinary shares held under equity derivatives ⁴ | Total | Approximate % of shareholding |
|----------------------------|------------------------|---------------------------------|----------------------------------|------------------------------|---|-------------|-------------------------------|
| | | Personal interests ¹ | Corporate interests ² | Other interests ³ | | | |
| Kerry Group Limited | KUOK Khoon Chen | 1,651,791 | 6,500,000 | 287,286,813 | 8,000,000 | 303,438,604 | 19.79 ⁶ |
| | WONG Siu Kong | 4,617,263 | 8,504,300 | – | 3,000,000 | 16,121,563 | 1.05 ⁶ |
| | HO Shut Kan | 1,388,452 | – | – | 1,000,000 | 2,388,452 | 0.16 ⁶ |
| | MA Wing Kai, William | 1,010,620 | – | – | 500,000 | 1,510,620 | 0.10 ⁶ |
| | QIAN Shaohua | 500,000 | 500,000 | – | 1,000,000 | 2,000,000 | 0.13 ⁶ |
| | CHAN Wai Ming, William | 100,000 | – | – | 300,000 | 400,000 | 0.03 ⁶ |
| | TSE Kai Chi | 600,000 | – | – | 1,500,000 | 2,100,000 | 0.14 ⁶ |
| 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 ⁷ |
| Shang Properties, Inc. | HO Shut Kan | 1,570 | – | – | – | 1,570 | 0.00 |

Report of Directors

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

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. This represents interests in options held by the relevant Director as a beneficial owner to subscribe for the relevant underlying ordinary shares in respect of the option shares granted by Kerry Group Limited.
5. The percentage has been compiled based on the total number of ordinary shares of the Company in issue as at 31 December 2010 (i.e. 1,436,031,280 ordinary shares).
6. The percentage has been compiled based on the total number of ordinary shares of Kerry Group Limited ("KGL") in issue as at 31 December 2010 (i.e. 1,533,649,913 ordinary shares).
7. The percentage has been compiled based on the total number of ordinary shares of SCMP Group Limited in issue as at 31 December 2010 (i.e. 1,560,945,596 ordinary shares).

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

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

Save as aforesaid, as at 31 December 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.

Directors' Interests in Contracts

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

Directors' Rights to Acquire Shares or Debentures

As at 31 December 2010, the number of outstanding Options granted by the Company to the Directors to subscribe for shares of the Company (the "Shares"), as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code is set out in the section headed "Share Options" of this report of Directors.

Apart from the aforesaid, at no time during the year ended 31 December 2010 was the Company, its subsidiaries, its fellow subsidiaries or its holding companies a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Substantial Interests in the Share Capital of the Company

As at 31 December 2010, the interests of those persons (other than the Directors) in the Shares as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

| Name | Capacity in which ordinary shares were held | Number of ordinary shares | Long position/ Short position/ Lending pool | Approximate % of shareholding ² |
|-----------------------------|---|---------------------------|---|--|
| Kerry Group Limited | Interest of controlled corporations | 774,795,744 ¹ | Long position | 53.95 |
| Kerry Holdings Limited | Interest of controlled corporations | 749,427,460 ¹ | Long position | 52.19 |
| Caninco Investments Limited | Beneficial owner | 312,248,193 ¹ | Long position | 21.74 |
| Darmex Holdings Limited | Beneficial owner | 256,899,261 ¹ | Long position | 17.89 |
| Moslane Limited | Beneficial owner | 73,821,498 ¹ | Long position | 5.14 |
| JPMorgan Chase & Co. | Interest of controlled corporations | 116,691,141 | Long position | 8.13 |
| | | 2,150,737 | Short position | 0.15 |
| | | 63,477,867 | Lending pool | 4.42 |

Notes:

- 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.
- The percentage has been compiled based on the total number of Shares in issue as at 31 December 2010 (i.e. 1,436,031,280 Shares).

Apart from the aforesaid, as at 31 December 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.

Public Float

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

Pre-emptive Rights

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

Staff

As at 31 December 2010, the Company and its subsidiaries had approximately 16,000 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 (the "Shareholders") 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") but the Options which had been granted during the life of the 1997 Share Option Scheme should continue to be valid and exercisable in accordance with their terms of issue and in all other respects its provisions should remain in full force and effect. A summary of those terms applicable to the outstanding Options of the 1997 Share Option Scheme has been disclosed in the Company's 2008 Annual Report.

Report of Directors

Share Options (Continued)

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 enable the Group to attract and retain individuals with experience and ability and to reward them for their contributions.

The maximum number of Shares which may be issued upon exercise of all Options to be granted under the 2002 Share Option Scheme (and under any other scheme of the Company) shall not in aggregate exceed 10% of the Shares in issue as at the date of the adoption of the 2002 Share Option Scheme provided that the Company may seek approval from Shareholders to refresh such limit. Moreover, the maximum number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the 2002 Share Option Scheme (and under any other scheme of the Company) shall not exceed 30% of the Shares in issue from time to time. As at 31 December 2010, a total of 44,764,403 Shares (representing approximately 3.12% of the existing issued share capital of the Company) are available for issue under the 2002 Share Option Scheme. The maximum entitlement of each participant under the 2002 Share Option Scheme in any 12-month period is 1% of the Shares in issue from time to time.

The period within which an Option may be exercised will be determined by the board of Directors of the Company (the "Board") at its absolute discretion but no Option may be exercised later than 10 years from the date on which the Option is granted. The minimum period for which an Option must be held before it can be exercised is determined by the Board upon the grant of an Option. The amount payable on acceptance of an Option is HK\$1.

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

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

Approval will be sought from the Shareholders at the 2011 AGM for the adoption of a new share option scheme and the termination of the 2002 Share Option Scheme (to the effect that no further Options shall be offered) with effect from the conclusion of the 2011 AGM. Details of the proposal are set out in the circular enclosed with this annual report to be despatched to the Shareholders together with a notice of the 2011 AGM.

Movement of the Options, which were granted under the 1997 Share Option Scheme and the 2002 Share Option Scheme, during the year ended 31 December 2010 are listed below in accordance with Rule 17.07 of the Listing Rules:

| Category | Date of grant | Tranche | Number of Options | | | Exercise price HK\$ | Exercise Period |
|--------------------------------------|---------------|---------|---------------------|----------------------------|---------------------|------------------------|-------------------------|
| | | | As at 01/01/2010 | Exercised (Notes 1 & 2) | As at 31/12/2010 | | |
| <i>(i) 1997 Share Option Scheme:</i> | | | | | | | |
| 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 | (22,000) | 15,000 | 11.59 | 02/03/2002 – 01/03/2011 |
| | 02/03/2001 | II | 37,000 | (22,000) | 15,000 | 11.59 | 02/03/2003 – 01/03/2011 |
| | 02/03/2001 | III | 31,830 | (19,622) | 12,208 | 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 | (103,924) | 176,948 | | |

Share Options (Continued)

| Category | Date of grant | Tranche | Number of Options | | | | | Exercise price HK\$ | Exercise Period |
|---|---------------|---------|-------------------|------------------------------|----------------------------|-------------------------|--------------------|---------------------|-------------------------|
| | | | As at 01/01/2010 | Transfer from other category | Transfer to other category | Exercised (Notes 1 & 3) | Lapsed | | |
| (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 | - | - | - | - | 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 | - | - | (100,000) | - | 18.74 | 17/03/2007 - 16/03/2015 |
| | 02/04/2008 | I | 750,000 | - | - | - | - | 47.70 | 02/04/2009 - 01/04/2018 |
| | 02/04/2008 | II | 750,000 | - | - | - | - | 47.70 | 02/04/2010 - 01/04/2018 |
| | 02/04/2008 | III | 1,500,000 | - | - | - | - | 47.70 | 02/04/2011 - 01/04/2018 |
| | 06/02/2009 | I | 500,000 | - | - | - | - | 17.58 | 06/02/2010 - 05/02/2019 |
| HO Shut Kan | 06/02/2009 | II | 500,000 | - | - | - | - | 17.58 | 06/02/2011 - 05/02/2019 |
| | 02/04/2008 | I | 300,000 | - | - | - | - | 47.70 | 02/04/2009 - 01/04/2018 |
| HO Shut Kan | 02/04/2008 | II | 300,000 | - | - | - | - | 47.70 | 02/04/2010 - 01/04/2018 |
| | 02/04/2008 | III | 600,000 | - | - | - | - | 47.70 | 02/04/2011 - 01/04/2018 |
| | 06/02/2009 | I | 250,000 | - | - | - | - | 17.58 | 06/02/2010 - 05/02/2019 |
| | 06/02/2009 | II | 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 | - | - | (20,000) | - | 18.74 | 17/03/2007 - 16/03/2015 |
| | 02/04/2008 | I | 200,000 | - | - | - | - | 47.70 | 02/04/2009 - 01/04/2018 |
| | 02/04/2008 | II | 200,000 | - | - | - | - | 47.70 | 02/04/2010 - 01/04/2018 |
| | 02/04/2008 | III | 400,000 | - | - | - | - | 47.70 | 02/04/2011 - 01/04/2018 |
| | 06/02/2009 | I | 100,000 | - | - | - | - | 17.58 | 06/02/2010 - 05/02/2019 |
| SO Hing Woh (resigned on 1 October 2010) | 06/02/2009 | II | 100,000 | - | - | - | - | 17.58 | 06/02/2011 - 05/02/2019 |
| | 06/02/2009 | I | 125,000 | - | - | (125,000) | - | 17.58 | 06/02/2010 - 05/02/2019 |
| QIAN Shaohua | 06/02/2009 | II | 125,000 | - | (125,000) | - | - | 17.58 | 06/02/2011 - 05/02/2019 |
| | 02/04/2008 | I | 200,000 | - | - | - | - | 47.70 | 02/04/2009 - 01/04/2018 |
| QIAN Shaohua | 02/04/2008 | II | 200,000 | - | - | - | - | 47.70 | 02/04/2010 - 01/04/2018 |
| | 02/04/2008 | III | 400,000 | - | - | - | - | 47.70 | 02/04/2011 - 01/04/2018 |
| | 06/02/2009 | I | 250,000 | - | - | (250,000) | - | 17.58 | 06/02/2010 - 05/02/2019 |
| | 06/02/2009 | II | 250,000 | - | - | - | - | 17.58 | 06/02/2011 - 05/02/2019 |
| CHAN Wai Ming, William | 02/04/2008 | I | 200,000 | - | - | - | - | 47.70 | 02/04/2009 - 01/04/2018 |
| | 02/04/2008 | II | 200,000 | - | - | - | - | 47.70 | 02/04/2010 - 01/04/2018 |
| | 02/04/2008 | III | 400,000 | - | - | - | - | 47.70 | 02/04/2011 - 01/04/2018 |
| | 06/02/2009 | I | 250,000 | - | - | (200,000) | - | 17.58 | 06/02/2010 - 05/02/2019 |
| | 06/02/2009 | II | 250,000 | - | - | - | - | 17.58 | 06/02/2011 - 05/02/2019 |
| 2. Continuous Contract Employees | 17/03/2005 | I | 522,500 | - | - | (160,000) | - | 18.74 | 17/03/2006 - 16/03/2015 |
| | 17/03/2005 | II | 672,500 | - | - | (60,000) | - | 18.74 | 17/03/2007 - 16/03/2015 |
| | 02/04/2008 | I | 1,212,500 | - | - | - | - | 47.70 | 02/04/2009 - 01/04/2018 |
| | 02/04/2008 | II | 1,212,500 | - | - | - | - | 47.70 | 02/04/2010 - 01/04/2018 |
| | 02/04/2008 | III | 2,425,000 | - | - | - | - | 47.70 | 02/04/2011 - 01/04/2018 |
| | 06/02/2009 | I | 1,665,000 | - | - | (755,000) | - | 17.58 | 06/02/2010 - 05/02/2019 |
| | 06/02/2009 | II | 1,665,000 | - | - | - | (20,000) | 17.58 | 06/02/2011 - 05/02/2019 |
| 3. Others | 17/03/2005 | II | 700,000 | - | - | - | - | 18.74 | 17/03/2007 - 16/03/2015 |
| | 02/04/2008 | I | 237,500 | - | - | - | - | 47.70 | 02/04/2009 - 01/04/2018 |
| | 02/04/2008 | II | 237,500 | - | - | - | - | 47.70 | 02/04/2010 - 01/04/2018 |
| | 02/04/2008 | III | 475,000 | - | - | - | - | 47.70 | 02/04/2011 - 01/04/2018 |
| | 06/02/2009 | I | 500,000 | - | - | (150,000) | - | 17.58 | 06/02/2010 - 05/02/2019 |
| | 06/02/2009 | II | 500,000 | 125,000 | - | - | - | 17.58 | 06/02/2011 - 05/02/2019 |
| | Total: | | | 23,467,000 | 125,000 | (125,000) | (2,312,000) | (20,000) | 21,135,000 |

Notes:

- The weighted average closing price of the Shares immediately before the dates on which the Options were exercised was HK\$40.75.
- During the year, no Options were granted/granted for adjustment, transferred from/to other category, cancelled or lapsed under the 1997 Share Option Scheme.
- During the year, no Options were granted/granted for adjustment or cancelled under the 2002 Share Option Scheme.

Report of Directors

Service Contracts

There is no service contract, which is not determinable by the Company within one year without payment of compensation (other than statutory compensation), in respect of any Director proposed for re-election at the 2011 AGM.

Management Contracts

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

Major Customers and Suppliers

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

Director's Interests in Competing Business

Pursuant to Rule 8.10 of the Listing Rules, the Company disclosed below that during the year ended 31 December 2010, the following Directors are considered to have interests in the following businesses ("Excluded Businesses"), being businesses which competed or are likely to compete, either directly or indirectly, with the businesses of the Group, other than those businesses in which (a) the Group was interested and (b) the Directors' only interests are as directors appointed to represent the interests of the Group.

Messrs Kuok Khoon Chen, Wong Siu Kong, Qian Shaohua and Chan Wai Ming, William were directors of subsidiaries of Shangri-La Asia Limited ("SA") and Mr Kuok had interests in shares of SA, the businesses of which consisted of hotel ownership and operation. The Directors believe that as the size of that part of these Excluded Businesses in Beijing, where the Group has hotel businesses, is not insignificant when compared with the hotel business of the Group in Beijing, it is likely that these Excluded Businesses may compete with the hotel business of the Group in Beijing.

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

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

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

Connected Transactions

- (i) On 29 April 2010, Kerry Freight International (Taiwan) Limited (an indirect wholly-owned subsidiary of the Company), Hsinchu Freight Co., Ltd (“Hsinchu”), T.Join Transportation Co., Ltd (“TJ”) and Mr Don Wang (“Mr Wang”) entered into a new joint venture agreement in respect of a joint venture company (an indirect 51%-owned subsidiary of the Company) following the transfer by Mr Wang of 31% and 9% of his interests in the joint venture company to Hsinchu and TJ respectively pursuant to a share transfer agreement (the “Transaction”). Following such transfer, Hsinchu, TJ and Mr Wang holds respectively 31%, 9% and 9% of the issued share capital of the joint venture company and the Company’s interest therein remain unchanged at 51%.

Hsinchu is a substantial shareholder of an indirect 77%-owned subsidiary of the Company and therefore a connected person of the Company. Accordingly, the entering into of the new joint venture agreement and the Transaction constitutes a connected transaction for the Company under the Listing Rules.

- (ii) On 21 December 2010, a consortium formed between Kerry Properties (China) Limited (“KPCL”), a wholly-owned subsidiary of the Company, Shangri-La China Limited (“SACL”), a wholly-owned subsidiary of SA, and WCA Pte. Ltd. (“WPL”), a wholly-owned subsidiary of Wilmar International Limited, won the land bids to acquire the land use rights of three sites in Bayuquan, Yingkou City, Liaoning Province, PRC (the “Bayuquan Sites”). Following the successful biddings of the Bayuquan Sites, KPCL, SACL and WPL entered into the master joint venture agreement to establish joint venture company(ies) (“Bayuquan JVCO(s)”) in the respective proportions of 40%, 25% and 35% for acquisition, holding and development of the Bayuquan Sites.

The consideration for the acquisition of the Bayuquan Sites was RMB240 million (approximately HK\$282.35 million) and the maximum total investment amount of the Group to Bayuquan JVCO(s) is expected to be approximately RMB1,027.60 million (approximately HK\$1,208.94 million).

KHL is the controlling shareholder of each of the Company and SA. SA is an associate of KHL and therefore a connected person of the Company. Accordingly, the establishment of Bayuquan JVCO(s) constituted a connected transaction for the Company under the Listing Rules.

- (iii) On 29 December 2010, KPCL, SACL and WPL entered into a joint bid agreement in relation to the joint biddings of lands located at Laobian District, Yingkou City, Liaoning Province, PRC. Pursuant to the joint bid agreement, KPCL, SACL, and WPL agreed to jointly pay an aggregate deposit of RMB271.57 million (approximately HK\$319.49 million) in the respective proportions of 40%, 25% and 35%. Therefore, KPCL had contributed RMB108.63 million (approximately HK\$127.80 million) to the payment of deposit.

SA is a connected person of the Company. Accordingly, the payment of the deposit and the entering into of the joint bid agreement constituted connected transactions for the Company under the Listing Rules.

Report of Directors

Connected Transactions (continued)

(iv) On 31 December 2010, KPCL and SACL entered into the following agreements:

- (1) A sale and purchase agreement ("Hangzhou SPA") whereby KPCL agreed to sell to SACL 25% of the equity interests in Kerry Real Estate (Hangzhou) Co. Ltd. ("Hangzhou Company") at RMB968.62 million (approximately HK\$1,139.55 million);
- (2) A joint venture agreement in respect of the Hangzhou Company ("Hangzhou JV Agreement") whereby the maximum total investment amount of KPCL to the Hangzhou Company is expected to be RMB4,500 million (approximately HK\$5,294.12 million); and
- (3) A sale and purchase agreement ("Yangzhou SPA") whereby KPCL agreed to sell to SACL the entire equity interests in Kerry Real Estate (Yangzhou) Co., Ltd. ("Yangzhou Company") at RMB226.59 million (approximately HK\$266.58 million) (subject to adjustment).

SA is a connected person of the Company. Accordingly, the entering into of the Yangzhou SPA, the Hangzhou SPA and the Hangzhou JV Agreement constituted connected transactions for the Company under the Listing Rules. The transactions in relation to the entering into of the Hangzhou SPA and the Hangzhou JV Agreement were subject to approval by resolution of the independent shareholders of the Company and such resolution was passed at a special general meeting held on 16 February 2011.

(v) On 5 January 2011, a consortium formed between KPCL, SACL and WPL won the land bids to acquire the land use rights of six sites in Laobian District, Yingkou City, Liaoning Province, PRC (the "Laobian Sites"). Following the successful biddings of the Laobian Sites, KPCL, SACL and WPL entered into a master joint venture agreement to establish joint venture company(ies) ("Laobian JVCO(s)") for acquisition, holding and development of the Laobian Sites in the respective proportions of 40%, 25% and 35%.

The consideration for the acquisition of the Laobian Sites was approximately RMB1,357.27 million (approximately HK\$1,596.79 million) and the maximum total investment amount of the Group to Laobian JVCO(s) is expected to be approximately RMB3,003.22 million (approximately HK\$3,533.20 million).

SA is a connected person of the Company. Accordingly, the establishment of Laobian JVCO(s) constituted a connected transaction for the Company under the Listing Rules and was approved by the independent shareholders of the Company at a special general meeting held on 16 February 2011.

(vi) On 31 January 2011, the Company announced that (1) Wealthy State Investments Limited (a wholly-owned subsidiary of the Company) and Urban Renewal Authority entered into preliminary agreements for sale and purchase with Ruth Kuok for sale of two property units at the development known as "Island Crest" for a total consideration of HK\$35,481,000 ("Island Crest Units") on 9 February 2010 and 29 March 2010 respectively; and (2) Woody Company Limited (a wholly-owned subsidiary of the Company) entered into a provisional agreement for sale and purchase with Kuok Khoon Hua for sale of a property unit and two car-parking spaces at the development known as "Belgravia" for a total consideration of HK\$76,000,000 ("Belgravia Unit") on 31 January 2011.

Both Ruth Kuok and Kuok Khoon Hua (the "Purchasers") are siblings of the Chairman of the Company and are therefore his associates. The Purchasers are therefore regarded as connected persons of the Company. Accordingly, the sales of Island Crest Units and Belgravia Unit by the Group to the Purchasers constitute connected transactions for the Company under the Listing Rules.

Continuing Connected Transactions

(i) Hotel Management Agreements

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

BKCH is the owner of Shangri-La’s Kerry Centre Hotel. BKCH is owned as to 71.25% by the Group, 23.75% by the SA group and 5% by an independent third party. SA and SLIM are connected persons of the Company. Accordingly, the provision of the Hotel Management Services by SLIM to BKCH is treated as continuing connected transactions of the Company under the Listing Rules.

During the remaining tenure of the Hotel Management Agreements, the annual aggregate fees payable by the Group pursuant to the Hotel Management Agreements for each of the financial years of the Company ending 31 December 2019 are not expected to exceed HK\$75,000,000 (“Cap A”). The fees paid by the Group under the Hotel Management Agreements for the year ended 31 December 2010 amount to approximately HK\$14,869,000, which is within Cap A.

(ii) Tenancy and Licence Agreements

On 18 November 2010, Kerry Properties (H.K.) Limited, a wholly-owned subsidiary of the Company, had entered into tenancy and licence agreements with Ubagan Limited (“Ubagan”) (which is owned as to 60% by Kerry Holdings Limited (“KHL”) and 40% by the Company) in respect of leasing of Unit 2 on 5/F, 22/F, 25/F and 26/F of Kerry Centre, 683 King’s Road, Quarry Bay, Hong Kong (the “Premises”) as corporate offices and licensing of 10 fixed carparking spaces and 7 floating carparking spaces on Basement 2 of Kerry Centre for the use by the Group in conjunction with such offices.

The said tenancy and licence agreements were entered into for a fixed term of 3 years from 19 November 2010 with a rental of HK\$2,329,520 per month, management fee and air-conditioning charges of HK\$378,547 per month (subject to revision from time to time by the building manager) for the Premises, HK\$3,200 per month for each fixed car parking space and HK\$2,500 per month for each floating car parking space.

KHL is the controlling shareholder of the Company. Ubagan is an associate of KHL and therefore a connected person of the Company. Accordingly, the entering into of the said tenancy and licence agreements are treated as continuing connected transactions of the Company under the Listing Rules.

The maximum aggregate annual amounts payable by the Group under the said tenancy and licence agreements for the financial year ended 31 December 2010 are not expected to exceed HK\$1,000,000 (“Cap B”). The aggregate fees paid by the Group under the said tenancy and licence agreements for the year ended 31 December 2010 amount to approximately HK\$597,000 which is within Cap B.

Report of Directors

Continuing Connected Transactions (Continued)

(iii) Review by Independent Non-executive Directors and the auditor of the Company

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

1. in the ordinary and usual course of business of the Company;
2. either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties; and
3. in accordance with the relevant agreements governing the transactions on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The auditor of the Company was engaged to report on the Group's continuing connected transactions and has issued his unqualified letter containing his findings and conclusions in respect of the abovementioned continuing connected transactions in accordance with paragraph 14A.38 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Purchase, Sale or Redemption of the Company's Listed Securities

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

Auditor

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

On behalf of the Board

Kuok Khoon Chen

Chairman

Hong Kong, 17 March 2011

Independent Auditor's Report



羅兵咸永道

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF KERRY PROPERTIES LIMITED

(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Kerry Properties Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 95 to 195, which comprise the consolidated and company statements of financial position as at 31 December 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

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

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

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

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

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Independent Auditor's Report

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 17 March 2011

Consolidated Income Statement

For the year ended 31 December 2010

| | Note | 2010 HK\$'000 | 2009 HK\$'000 (restated) |
|---|------|------------------|--------------------------------|
| Turnover | 5 | 21,225,990 | 12,938,283 |
| Cost of sales | | (5,699,519) | (1,397,914) |
| Direct operating expenses | | (10,225,870) | (7,301,998) |
| Gross profit | | 5,300,601 | 4,238,371 |
| Other income and net gains | 6 | 485,989 | 457,311 |
| Administrative expenses | | (1,407,933) | (1,094,796) |
| Increase in fair value of investment properties | | 3,009,676 | 2,368,339 |
| Operating profit before finance costs | 7 | 7,388,333 | 5,969,225 |
| Finance costs | 8 | (38,973) | (62,804) |
| Operating profit | | 7,349,360 | 5,906,421 |
| Share of results of associates | | 1,295,314 | 920,621 |
| Profit before taxation | | 8,644,674 | 6,827,042 |
| Taxation | 9 | (1,884,228) | (1,917,912) |
| Profit for the year | | 6,760,446 | 4,909,130 |
| Profit attributable to: | | | |
| Company's shareholders | | 6,310,334 | 4,384,328 |
| Non-controlling interests | | 450,112 | 524,802 |
| | | 6,760,446 | 4,909,130 |
| Dividends | 11 | 1,251,097 | 999,992 |
| Earnings per share | | | |
| – Basic | 12 | HK\$4.40 | HK\$3.07 |
| – Diluted | 12 | HK\$4.33 | HK\$3.03 |

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010

| | Note | 2010 HK\$'000 | 2009 HK\$'000 (restated) |
|--|------|------------------|--------------------------------|
| Profit for the year | | 6,760,446 | 4,909,130 |
| Other comprehensive income | | | |
| Fair value gain on leasehold and freehold land and buildings and port facilities | | 339,126 | 7,564 |
| Deferred tax on fair value change of leasehold and freehold land and buildings and port facilities | 32 | (74,058) | 3,699 |
| Fair value gain on available-for-sale investments | 36 | 317,751 | 238,806 |
| Share of fair value gain on cash flow hedge of an associate | | 1,639 | 2,462 |
| Share of exchange reserve of an associate | | 1,636 | (807) |
| Net translation differences on foreign operations | | 1,590,724 | 182,431 |
| Other comprehensive income for the year (net of tax) | | 2,176,818 | 434,155 |
| Total comprehensive income for the year | | 8,937,264 | 5,343,285 |
| Total comprehensive income attributable to: | | | |
| Company's shareholders | | 7,889,481 | 4,798,412 |
| Non-controlling interests | | 1,047,783 | 544,873 |
| | | 8,937,264 | 5,343,285 |

Consolidated Statement of Financial Position

| | Note | As at 31 December | | As at 1 January |
|---|------|-------------------|--------------------------------|--------------------------------|
| | | 2010 HK\$'000 | 2009 HK\$'000 (restated) | 2009 HK\$'000 (restated) |
| ASSETS AND LIABILITIES | | | | |
| Non-current assets | | | | |
| Property, plant and equipment | 14 | 6,549,536 | 3,334,859 | 3,339,906 |
| Investment properties | 15 | 38,848,997 | 34,857,247 | 29,709,611 |
| Leasehold land and land use rights | 16 | 422,447 | 317,906 | 323,079 |
| Properties under development | 17 | 16,982,385 | 13,355,118 | 20,329,274 |
| Land deposits | | 3,664,308 | 2,553,084 | 3,113,939 |
| Associates | 19 | 8,625,705 | 7,439,298 | 6,100,933 |
| Derivative financial instruments | 20 | 80,609 | 14,263 | – |
| Available-for-sale investments | 21 | 1,865,742 | 1,501,034 | 1,265,693 |
| Long-term receivables | 22 | 15,426 | 23,409 | 26,711 |
| Goodwill | 23 | 957,949 | 523,012 | 508,749 |
| | | 78,013,104 | 63,919,230 | 64,717,895 |
| Current assets | | | | |
| Properties under development | 17 | 10,100,859 | 10,599,736 | 5,933,005 |
| Completed properties held for sale | 24 | 1,742,691 | 4,378,262 | 819,132 |
| Accounts receivable, prepayments and deposits | 22 | 3,663,016 | 2,435,669 | 3,772,279 |
| Tax recoverable | | 231,725 | 82,060 | 107,966 |
| Tax reserve certificates | | 86,103 | 64,671 | 21,790 |
| Listed securities at fair value through profit or loss | 25 | 225,673 | 162,253 | 102,284 |
| Derivative financial instruments | | – | – | 4,884 |
| Restricted and pledged bank deposits | 26 | 135,040 | 48,790 | 1,235 |
| Cash and bank balances | 26 | 10,464,216 | 6,655,585 | 4,081,611 |
| | | 26,649,323 | 24,427,026 | 14,844,186 |
| Current liabilities | | | | |
| Accounts payable, deposits received and accrued charges | 27 | 6,173,228 | 5,936,519 | 3,533,779 |
| Taxation | | 2,050,698 | 1,480,444 | 676,332 |
| Short-term bank loans and current portion of long-term bank loans | 28 | 7,931,160 | 429,782 | 1,907,948 |
| Convertible bonds | 29 | – | 142,526 | – |
| Derivative financial instruments | 20 | – | 79,960 | – |
| Secured bank overdrafts | 26 | – | 1,065 | 3,713 |
| Unsecured bank overdrafts | 26 | 20,701 | 468 | 11,472 |
| | | 16,175,787 | 8,070,764 | 6,133,244 |
| Net current assets | | 10,473,536 | 16,356,262 | 8,710,942 |
| Total assets less current liabilities | | 88,486,640 | 80,275,492 | 73,428,837 |
| Non-current liabilities | | | | |
| Long-term bank loans | 28 | 6,877,791 | 9,619,511 | 8,495,475 |
| Convertible bonds | 29 | 2,594,635 | 2,462,238 | 2,472,202 |
| Fixed rate bonds | 30 | 3,251,082 | 3,240,870 | 3,236,664 |
| Amounts due to non-controlling interests | 31 | 2,854,685 | 2,796,071 | 2,646,477 |
| Derivative financial instruments | | – | – | 143,652 |
| Deferred taxation | 32 | 5,426,557 | 4,318,642 | 3,690,320 |
| | | 21,004,750 | 22,437,332 | 20,684,790 |
| ASSETS LESS LIABILITIES | | 67,481,890 | 57,838,160 | 52,744,047 |
| EQUITY | | | | |
| Capital and reserves attributable to the Company's shareholders | | | | |
| Share capital | 33 | 1,436,031 | 1,428,953 | 1,427,190 |
| Share premium | 35 | 12,127,520 | 11,926,986 | 11,899,348 |
| Other reserves | 36 | 14,668,378 | 13,063,618 | 12,547,856 |
| Retained profits | | 28,735,971 | 23,677,716 | 20,293,401 |
| Proposed final dividend | 11 | 746,736 | 571,581 | 570,876 |
| | | 57,714,636 | 50,668,854 | 46,738,671 |
| Non-controlling interests | | 9,767,254 | 7,169,306 | 6,005,376 |
| TOTAL EQUITY | | 67,481,890 | 57,838,160 | 52,744,047 |

On behalf of the Board

Kuok Khoon Chen
Director

Wong Siu Kong
Director

Statement of Financial Position

As at 31 December 2010

| | Note | 2010 HK\$'000 | 2009 HK\$'000 |
|---|------|--------------------|------------------|
| ASSETS AND LIABILITIES | | | |
| Non-current assets | | | |
| Property, plant and equipment | 14 | 2,593 | 3,457 |
| Subsidiaries | 18 | 36,116,013 | 34,647,401 |
| Derivative financial instruments | 20 | 80,609 | 14,263 |
| | | 36,199,215 | 34,665,121 |
| Current assets | | | |
| Dividends receivable | | 1,000,000 | 1,000,000 |
| Accounts receivable, prepayments and deposits | | 16,799 | 12,165 |
| Cash and bank balances | 26 | 1,942,322 | 198,934 |
| | | 2,959,121 | 1,211,099 |
| Current liabilities | | | |
| Accounts payable and accrued charges | | 78,935 | 69,843 |
| Short-term bank loans and current portion of long-term bank loans | 28 | 6,000,000 | – |
| Derivative financial instruments | 20 | – | 79,960 |
| | | 6,078,935 | 149,803 |
| Net current (liabilities)/assets | | (3,119,814) | 1,061,296 |
| Total assets less current liabilities | | 33,079,401 | 35,726,417 |
| Non-current liabilities | | | |
| Long-term bank loans | 28 | – | 2,825,000 |
| ASSETS LESS LIABILITIES | | 33,079,401 | 32,901,417 |
| EQUITY | | | |
| Capital and reserves attributable to the Company's shareholders | | | |
| Share capital | 33 | 1,436,031 | 1,428,953 |
| Share premium | 35 | 12,127,520 | 11,926,986 |
| Other reserves | 36 | 18,259,589 | 18,222,728 |
| Retained profits | | 509,525 | 751,169 |
| Proposed final dividend | 11 | 746,736 | 571,581 |
| TOTAL EQUITY | | 33,079,401 | 32,901,417 |

On behalf of the Board

Kuok Khoon Chen
Director

Wong Siu Kong
Director

Consolidated Statement of Cash Flows

For the year ended 31 December 2010

| | Note | 2010 HK\$'000 | 2009 HK\$'000 |
|---|-------|--------------------|------------------|
| Operating activities | | | |
| Net cash generated from operations | 37(a) | 7,387,223 | 6,226,054 |
| Interest paid | | (521,463) | (454,251) |
| Income tax paid | | (866,789) | (504,162) |
| Net cash generated from operating activities | | 5,998,971 | 5,267,641 |
| Investing activities | | | |
| Additions of property, plant and equipment | | (380,990) | (127,116) |
| Additions of investment properties | | (678,948) | (412,234) |
| Additions of properties under development | | (3,106,194) | (1,355,817) |
| Purchase of leasehold land and land use rights | | (223) | (1,533) |
| Increase in land deposits | | (2,309,489) | (938,284) |
| Acquisition of subsidiaries | 37(b) | 5,579 | (605,627) |
| Acquisition of additional interest in subsidiaries | 37(c) | (42,266) | (24,782) |
| Increase in investments in associates | | (143,900) | (306,340) |
| Proceeds from sale of investment in associates | | 1,975 | 20,500 |
| Additional loans to associates | | (365,931) | (340,274) |
| Proceeds from sale of available-for-sale investments | | 1,274 | 2,862 |
| Decrease in long-term receivables | | 8,374 | 3,744 |
| Interest received | | 69,086 | 61,905 |
| Increase in restricted and pledged bank deposits | | (84,544) | (47,553) |
| Dividends received from associates | | 199,214 | 239,773 |
| Return of capital from associates | | - | 9 |
| Dividends received from listed and unlisted investments | | 79,905 | 69,514 |
| Repayment of loans from investee companies | | 1 | 126 |
| Proceeds from sale of property, plant and equipment | | 42,149 | 17,864 |
| Proceeds from sale of investment properties | | 504,438 | 1,816,517 |
| Proceeds from sale of properties under development | | - | 51,077 |
| Net cash used in investing activities | | (6,200,490) | (1,875,669) |
| Financing activities | | | |
| Proceeds from issue of shares | | 42,327 | 23,780 |
| Repayment of bank loans | | (7,467,108) | (11,978,282) |
| Drawdown of bank loans | | 12,111,566 | 11,596,880 |
| Dividends paid | | (1,075,942) | (999,287) |
| Capital injection from non-controlling interests | | 253,621 | 736,005 |
| Dividends of subsidiaries paid to non-controlling interests | | (103,033) | (104,144) |
| Return of capital to non-controlling interests | | - | (366) |
| Increase/(decrease) in loans from non-controlling interests | | 58,614 | (99,368) |
| Net cash generated from/(used in) financing activities | | 3,820,045 | (824,782) |
| Increase in cash and cash equivalents | | 3,618,526 | 2,567,190 |
| Effect of exchange rate changes | | 170,937 | 20,436 |
| Cash and cash equivalents at 1 January | | 6,654,052 | 4,066,426 |
| Cash and cash equivalents at 31 December | 26(b) | 10,443,515 | 6,654,052 |

Consolidated Statement of Changes in Equity

For the year ended 31 December 2010

| | Attributable to the shareholders of the Company | | | | | | | |
|--|---|-------------------|-------------------|-------------------|-------------------------|-------------------|---------------------------|-------------------|
| | Share capital | Share premium | Other reserves | Retained profits | Proposed final dividend | Total | Non-controlling interests | Total equity |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Balance 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 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 year | - | - | - | 6,310,334 | - | 6,310,334 | 450,112 | 6,760,446 |
| Fair value gain on leasehold and freehold land and buildings and port facilities | - | - | 193,137 | - | - | 193,137 | 145,989 | 339,126 |
| Deferred tax on fair value gain of leasehold and freehold land and buildings and port facilities | - | - | (45,230) | - | - | (45,230) | (28,828) | (74,058) |
| Fair value gain on available-for-sale investments | - | - | 317,751 | - | - | 317,751 | - | 317,751 |
| Share of fair value gain on cash flow hedge of an associate | - | - | 1,639 | - | - | 1,639 | - | 1,639 |
| Share of exchange reserve of an associate | - | - | 1,636 | - | - | 1,636 | - | 1,636 |
| Net translation differences on foreign operations | - | - | 1,110,214 | - | - | 1,110,214 | 480,510 | 1,590,724 |
| Total comprehensive income for the year ended 31 December 2010 | - | - | 1,579,147 | 6,310,334 | - | 7,889,481 | 1,047,783 | 8,937,264 |
| Issue of share capital | | | | | | | | |
| – exercise of share options | 2,416 | 53,968 | (14,057) | - | - | 42,327 | - | 42,327 |
| – conversion of convertible bonds | 4,662 | 146,566 | (6,946) | - | - | 144,282 | - | 144,282 |
| Employee share option scheme – value of employee services | - | - | 57,864 | - | - | 57,864 | - | 57,864 |
| Dividends paid | - | - | - | (504,361) | (571,581) | (1,075,942) | (103,033) | (1,178,975) |
| 2010 proposed final dividend | - | - | - | (746,736) | 746,736 | - | - | - |
| Transfer | - | - | 982 | (982) | - | - | - | - |
| Acquisition of subsidiaries | - | - | - | - | - | - | 1,429,612 | 1,429,612 |
| Acquisition of additional interest in subsidiaries | - | - | (12,231) | - | - | (12,231) | (30,035) | (42,266) |
| Dissolution of a subsidiary | - | - | 1 | - | - | 1 | - | 1 |
| Capital injection from non-controlling interests | - | - | - | - | - | - | 253,621 | 253,621 |
| Transactions with owners | 7,078 | 200,534 | 25,613 | (1,252,079) | 175,155 | (843,699) | 1,550,165 | 706,466 |
| Balance at 31 December 2010 | 1,436,031 | 12,127,520 | 14,668,378 | 28,735,971 | 746,736 | 57,714,636 | 9,767,254 | 67,481,890 |

| | Attributable to the shareholders of the Company | | | | | | | |
|--|---|---------------|----------------|------------------|-------------------------|------------|---------------------------|--------------|
| | Share capital | Share premium | Other reserves | Retained profits | Proposed final dividend | Total | Non-controlling interests | Total equity |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Balance 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 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 year | – | – | – | 4,384,328 | – | 4,384,328 | 524,802 | 4,909,130 |
| Fair value change on leasehold and freehold land and buildings and port facilities | – | – | 18,990 | – | – | 18,990 | (11,426) | 7,564 |
| Deferred tax on fair value change of leasehold and freehold land and buildings and port facilities | – | – | 1,473 | – | – | 1,473 | 2,226 | 3,699 |
| Fair value gain on available-for-sale investments | – | – | 238,806 | – | – | 238,806 | – | 238,806 |
| Share of fair value gain on cash flow hedge of an associate | – | – | 2,462 | – | – | 2,462 | – | 2,462 |
| Share of exchange reserve of an associate | – | – | (807) | – | – | (807) | – | (807) |
| Net translation differences on foreign operations | – | – | 153,160 | – | – | 153,160 | 29,271 | 182,431 |
| Total comprehensive income for the year ended 31 December 2009 | – | – | 414,084 | 4,384,328 | – | 4,798,412 | 544,873 | 5,343,285 |
| Issue of share capital | | | | | | | | |
| – exercise of share options | 1,763 | 27,638 | (5,621) | – | – | 23,780 | – | 23,780 |
| Employee share option scheme – value of employee services | – | – | 107,285 | – | – | 107,285 | – | 107,285 |
| Dividends paid | – | – | – | (428,411) | (570,876) | (999,287) | (104,144) | (1,103,431) |
| 2009 proposed final dividend | – | – | – | (571,581) | 571,581 | – | – | – |
| Transfer | – | – | 21 | (21) | – | – | – | – |
| Acquisition of subsidiaries | – | – | – | – | – | – | 1,853 | 1,853 |
| Acquisition of additional interest in subsidiaries | – | – | – | – | – | – | (16,740) | (16,740) |
| Dissolution of subsidiaries | – | – | (7) | – | – | (7) | 2,449 | 2,442 |
| Return of capital to non-controlling interests | – | – | – | – | – | – | (366) | (366) |
| Capital injection from non-controlling interests | – | – | – | – | – | – | 736,005 | 736,005 |
| Transactions with owners | 1,763 | 27,638 | 101,678 | (1,000,013) | 705 | (868,229) | 619,057 | (249,172) |
| Balance at 31 December 2009 | 1,428,953 | 11,926,986 | 13,063,618 | 23,677,716 | 571,581 | 50,668,854 | 7,169,306 | 57,838,160 |

Notes to the Financial Statements

1 GENERAL INFORMATION

Kerry Properties Limited (the "Company") is a limited liability company incorporated in Bermuda. The address of its registered office is Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda.

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

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

- (i) property development, investment and management in Hong Kong, the People's Republic of China ("PRC") and the Asia Pacific region;
- (ii) logistics, freight and warehouse ownership and operations;
- (iii) infrastructure-related investments in Hong Kong and the PRC; and
- (iv) hotel ownership in Hong Kong, and hotel ownership and operations in the PRC.

These financial statements have been approved for issue by the Board of Directors on 17 March 2011.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

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

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

(i) *Retrospective application of an 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, i.e. 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 the lease term was classified as operating lease under 'Leasehold land and land use rights', and amortised over the lease term.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of preparation (Continued)

(i) Retrospective application of an amendment to HKAS 17 'Leases' (Continued)

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 the leasehold land in Hong Kong as finance lease retrospectively. As a result of the reassessment, the Group has reclassified certain leasehold land from operating lease to finance lease.

The land interest of the Group that is held for own use is accounted for as property, plant and equipment, where changes in fair value has been accounted for accordingly, and is depreciated from the land interest available for its intended use over the shorter of the useful live of the asset and the lease term.

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

| | As at 31 December | | As at 1 January |
|--|-------------------|------------------|--------------------|
| | 2010 HK\$'000 | 2009 HK\$'000 | 2009 HK\$'000 |
| Increase in property, plant and equipment | 376,500 | 353,700 | 303,900 |
| Decrease in leasehold land and land use rights | (69,394) | (71,307) | (197,097) |
| Increase in properties under development | – | – | 122,672 |
| Increase in deferred taxation | 43,881 | 38,582 | 29,211 |
| Increase in other reserves | 626,425 | 599,616 | 549,351 |
| Decrease in retained profits | (363,200) | (355,805) | (349,087) |

| | For the year ended 31 December | |
|---------------------------------------|--------------------------------|------------------|
| | 2010 HK\$'000 | 2009 HK\$'000 |
| Increase in direct operating expenses | 7,395 | 6,718 |

(ii) Adoption of new or revised standards, amendments and interpretations

The following new or revised standards, amendments and interpretations have been published that are effective for the accounting period of the Group beginning on 1 January 2010 and are relevant to the Group's operations:

- HKFRS 3 (revised), 'Business combinations', and consequential amendments to HKAS 27, 'Consolidated and separate financial statements', HKAS 28, 'Investments in associates', and HKAS 31, 'Interests in joint ventures', are effective prospectively to business combinations for which the acquisition date is on or after 1 January 2010.

The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with HKFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs are expensed.

The Group has applied the revised standard to account for the business combinations during the year as set out in note 38 to the financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of preparation (Continued)

(ii) Adoption of new or revised standards, amendments and interpretations (Continued)

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

The Group has changed its accounting policy for transactions with non-controlling interests and the accounting for loss of control or significant influence from 1 January 2010 when revised HKAS 27, 'Consolidated and separate financial statements', became effective. The revision to HKAS 27 contained consequential amendments to HKAS 28, 'Investments in associates', and HKAS 31, 'Interests in joint ventures'.

Previously, transactions with non-controlling interests were treated as transactions with parties external to the Group. Disposals therefore resulted in gains or losses in profit or loss and purchases resulted in the recognition of goodwill. On disposal or partial disposal, a proportionate interest in reserves attributable to the subsidiary was reclassified to profit or loss or directly to retained earnings.

Previously, when the Group ceased to have control or significant influence over an entity, the carrying amount of the investment at the date of control or significant influence became its cost for the purposes of subsequently accounting for the retained interests as associates, jointly controlled entities or financial assets.

The Group has applied the revised standard to account for the transactions with non-controlling interests during the year as set out in note 37(c) to the financial statements.

- HKFRS 2 (amendment), 'Group cash-settled share-based payment transactions'. In addition to incorporating HK(IFRIC) 8, 'Scope of HKFRS 2', and HK(IFRIC) 11, HKFRS 2 – 'Group and treasury share transactions', the amendments expand on the guidance in HK(IFRIC) 11 to address the classification of Group arrangements that were not covered by that interpretation.
- HK(IFRIC) – Int 17, 'Distribution of non-cash assets to owners'. This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. HKFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable.
- HK Interpretation 5, 'Presentation of financial statements – classification by the borrower of a term loan that contains a repayment on demand clause'. This interpretation provides guidance on the classification by the borrower of a term loan that contains a repayment on demand clause, with reference to the criteria for classification of liabilities as current or non-current as set out in HKAS 1.

Except for HKFRS 3 (revised) and HKAS 27 (revised), the adoption of the above new or revised standards, amendments and interpretations had no material financial impact on the consolidated financial statements of the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of preparation (Continued)

(iii) Standards, amendments and interpretations which are not yet effective

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2011, but the Group has not early adopted them:

| | Applicable for accounting periods beginning on/after |
|---|--|
| HKAS 12 (amendment), 'Deferred tax: Recovery of underlying assets' | 1 January 2012 |
| HKAS 24 (revised), 'Related party disclosures' | 1 January 2011 |
| HKAS 32 (amendment), 'Classification of right issues' | 1 February 2010 |
| HKFRS 9, 'Financial instruments' | 1 January 2013 |
| HK(IFRIC) – Int 14 (amendment), 'Prepayments of a minimum funding requirement' | 1 January 2011 |
| HK(IFRIC) – Int 19, 'Extinguishing financial liabilities with equity instruments' | 1 July 2010 |
| Improvements to HKFRSs 2010 | 1 January 2011 (unless otherwise specified) |

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

(b) Consolidation

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

(i) Subsidiaries

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

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Consolidation (Continued)

(i) *Subsidiaries* (Continued)

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement.

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

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

(ii) *Transactions with non-controlling interests*

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iii) *Associates*

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

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

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

Dilution gains and losses arising in investments in associates are recognised in the consolidated income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Consolidation (Continued)

(iv) Partial disposal

When the Group ceases to have control or significant influence, any retained interest in the entity is re-measured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, jointly controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

(v) Jointly controlled operations

The assets that the Group controls and liabilities that the Group incurs in relation to the jointly controlled operation are recognised in the consolidated statement of financial position on an accrual basis and classified according to the nature of the item. The expenses that the Group incurs and its share of income that it earns from the jointly controlled operations are included in the consolidated income statement.

(c) Segment reporting

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

(d) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Foreign currency translation (Continued)

(iii) Group companies

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

- assets and liabilities for each statement of financial position of the Group's entities are translated at the closing rate at the end of the reporting period;
- income and expenses for each income statement of the Group's entities are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the consolidated income statement as part of the gain or loss on sale.

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

(e) Property, plant and equipment

Properties comprise mainly hotel properties, warehouses and logistics centres (including leasehold land classified as finance lease), staff quarters, freehold land and buildings and port facilities. Properties, except for staff quarters, are stated at fair value, based on periodic, but at least annual, valuations by external independent valuers, less subsequent depreciation. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the re-valued amount of the asset. Staff quarters are stated at cost less aggregate depreciation and accumulated impairment losses. Cost represents the purchase price of the staff quarters and other costs incurred to bring them into existing use.

All other property, plant and equipment are stated at historical cost less aggregate depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Property, plant and equipment (Continued)

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

| | |
|--|---|
| Leasehold land | Over their remaining lease term ranging from 20 to 50 years |
| Port facilities | 2.5% to 3.6% |
| Properties | Shorter of remaining lease term of 20 to 50 years or useful lives |
| Leasehold improvements | Shorter of remaining lease term of 20 to 50 years or useful lives |
| Warehouse operating equipment | 5% to 25% |
| Motor vehicles, furniture, fixtures and office equipment | 5% to 50% |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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

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

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

(f) Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies of the Group, is classified as investment property. Investment property also includes property that is being constructed or developed for future use as investment property.

Investment property comprises land held under operating leases.

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

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

After initial recognition, investment property is carried at fair value. Fair value is based on valuations carried out by professional valuers. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active continues to be measured at fair value.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Investment properties (Continued)

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognised as a liability, including finance lease liabilities in respect of leasehold land, if any, classified as investment property; others, including contingent rent payments, are not recognised in the financial statements.

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

Changes in fair values of investment property are recognised in the consolidated income statement. Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

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

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, except that the land portion is reclassified as leasehold land and land use right if it is operating lease in nature, and its fair value at the date of reclassification becomes its cost for accounting purposes.

If an item of property, except for staff quarters, becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property, plant and equipment under HKAS 16. Any resulting increase in the carrying amount of the property is recognised in the income statement to the extent that it reverses a previous impairment loss, with any remaining increase recognised directly to revaluation surplus within equity. Any resulting decrease in the carrying amount of the property is initially charged in other comprehensive income against any previously recognised revaluation surplus, with any remaining decrease charged to the consolidated income statement. Upon the subsequent disposal of the investment property, any revaluation reserve balance of the property is transferred to retained profits and is shown as a movement in reserves.

(g) Properties under development

Properties under development comprises of freehold land, leasehold land, land use rights, construction costs, borrowing costs capitalised for qualifying assets and professional fees incurred during the development period. Leasehold land and land use rights classified as operating leases are amortised over the lease term in accordance with the pattern of benefit provided or on a straight-line basis over the lease term. Properties under development are stated at cost less accumulated amortisation and impairment losses where applicable.

Properties under development includes land use rights in the PRC of which the development plans of these land use rights are yet to be approved by the relevant PRC government authorities. Upon approval, certain portion of these land use rights are classified and accounted for as investment properties.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Properties under development (Continued)

During the construction stage, properties for self-use or sale purpose are classified as properties under development.

Upon completion, completed properties for pre-determined self-use purpose are classified as 'Leasehold land and land use rights' for the leasehold land portion that are classified as operating leases and as 'Property, plant and equipment' for the building. The completed properties for pre-determined sale purpose are classified as 'Completed properties held for sale'.

Properties under development are classified as non-current assets unless the construction period of the relevant property development project is expected to be completed within the normal operating cycle and are intended for sale.

(h) Completed properties held for sale

Completed properties held for sale are initially measured at the carrying amount of the property at the date of reclassification from properties under development. Subsequently, the prepaid leasehold land component not classified as finance lease is measured at amortised cost in accordance with the pattern of benefit provided less accumulated impairment losses; the building component is carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less selling expenses.

(i) Goodwill

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Investments

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

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

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

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the end of the reporting period, they are classified as non-current assets. Loans and receivables included long-term receivables, accounts receivable, restricted and pledged bank deposits, cash and bank balances and amounts due from subsidiaries and associates.

(iii) Available-for-sale investments

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

(iv) Recognition and measurement

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Investments (Continued)

(iv) Recognition and measurement (Continued)

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

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

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

(l) Impairment of financial assets

(i) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
 - (i) adverse changes in the payment status of borrowers in the portfolio;
 - (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Impairment of financial assets (Continued)

(i) *Assets carried at amortised cost* (Continued)

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement.

If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the income statement.

(ii) *Assets classified as available-for-sale*

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria refer to (i) above. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the consolidated income statement – is removed from equity and recognised in the consolidated income statement. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated income statement.

(m) Long-term receivables, accounts receivable and amounts due from subsidiaries and associates

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Derivative financial instruments and hedging activities

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

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

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

(i) Fair value hedge

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

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

(ii) Cash flow hedge

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

(iii) Net investment hedge

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

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

(iv) Derivatives that do not qualify for hedge accounting

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

(o) Cash and cash equivalents

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

Restricted and pledged bank deposits are not included in cash and cash equivalents.

(p) Accounts payable

Accounts payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

(q) Borrowings

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Current and deferred income tax

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

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

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

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

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(s) Employee benefits

(i) Employee leave entitlements

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

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

(ii) Retirement benefits

The Group operates defined contribution plans and pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Employee benefits (Continued)

(iii) Share-based payments

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

When the options are exercised, the Company issues new shares, the proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

(iv) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to a termination when the entity has a detailed formal plan to terminate the employment of current employees without possibility of withdrawal. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

(v) Bonus plans

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

(t) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

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

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

(u) Financial guarantees

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Revenue and profit recognition

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

The Group recognises revenue when the amount of revenue, costs incurred or to be incurred in respect of a transaction can be reliably measured, neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold are retained, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

- (i) Revenue from sales of properties is recognised when the significant risks and rewards of ownership of properties are transferred to the purchasers.
- (ii) Rental revenue and other revenues incidental to the letting of properties are recognised on a straight-line basis over the periods of the respective leases.
- (iii) Revenue from provision of logistics services, including freight forwarding services, is recognised when services are rendered.
- (iv) Revenue from general storage and other ancillary services is recognised when the services are rendered. Revenue from leased storage is recognised on a straight-line basis over the periods of the respective leases.
- (v) Income on development consultancy and project management is recognised on a pro-rata basis according to the progress of the projects.
- (vi) Income from property management is recognised when services are rendered.
- (vii) Hotel revenue from rooms rental, food and beverage sales and other ancillary services is recognised when the services are rendered.
- (viii) Dividend income is recognised when the right to receive payment is established.
- (ix) Interest income is recognised on a time proportion basis, using the effective interest method.

(w) Leases

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

(i) *The Group is the lessee*

Payments made under operating leases (net of any incentives received from the lessor), including up-front prepayment made for leasehold land and land use rights for development, are charged to the consolidated income statement or capitalised in the properties under development in accordance with the pattern of benefit provided or on a straight-line basis over the lease term.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) Leases (Continued)

(ii) *The Group is the lessor*

When assets are leased out under an operating lease, the assets are included in the consolidated statement of financial position based on the nature of the assets. Lease income from operating lease is recognised over the term of the lease on a straight-line basis.

(x) Leasehold land and land use rights

The Group made upfront payments to obtain operating leases of leasehold land and land use rights on which properties will be developed. Other than those classified as finance lease, the upfront payments of the leasehold land and land use rights are recorded as separate assets and amortised over the lease term in accordance with the pattern of benefit provided or on a straight-line basis over the lease term. The amortisation during the period of construction of the properties is capitalised as the cost of properties under development. The amortisation during the period before the commencement and after the completion of the construction of the properties (except for investment properties) is expensed in the consolidated income statement. The unamortised upfront payments are recognised as cost of sales when the relevant properties are sold or transferred to the cost of investment properties upon reclassification according to the usage.

(y) Borrowing costs

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

(z) Dividend distribution

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

(aa) Contingent liabilities and contingent assets

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

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

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

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

3 FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

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

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

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

(i) Market risk

(I) Foreign exchange risk

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

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

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

(II) Interest rate risk

The Group is exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank deposits and bank borrowings which carry at prevailing market interest rates. As the Group's interest income from interest-bearing assets is not significant, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

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

3 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(i) Market risk (Continued)

(II) Interest rate risk (Continued)

Interest rate sensitivity

At the end of the reporting periods, if interest rates had been increased/decreased by 50 (2009: 50) basis points and all other variables were held constant, the profit of the Group would have decreased by approximately HK\$29,842,000 or increased by approximately HK\$29,842,000 (2009: decreased by approximately HK\$10,163,000 or increased by approximately HK\$15,265,000) resulting from the change in the borrowing costs of bank borrowings and fair value of the interest rate swap contracts.

(III) Price risk

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

The carrying amount of listed portion of available-for-sale investments would be an estimated HK\$120,940,000 (2009: HK\$87,070,000) lower or higher if the year end share prices of the above-mentioned investments were to differ by 20% (2009: 20%).

The carrying amount of listed securities at fair value through profit or loss would be an estimated HK\$45,135,000 (2009: HK\$32,451,000) lower or higher if the year end share prices of the above-mentioned investments were to differ by 20% (2009: 20%).

(ii) Credit risk

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

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

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

The credit risk on liquid funds is limited because approximately 83% of the funds are placed in banks with high credit rankings, ranging from BBB to AA, and the remaining 17% in local banks in different countries with close monitoring by the management and there is no concentration in any particular bank.

3 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(iii) Liquidity risk

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

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

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

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

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

| | Group | | | | Total HK\$'000 |
|--|---------------------------------|--------------------------------------|--------------------------------------|-----------------------------|-------------------|
| | Less than 1 year HK\$'000 | Between 1 and 2 years HK\$'000 | Between 2 and 5 years HK\$'000 | Over 5 years HK\$'000 | |
| At 31 December 2010 | | | | | |
| Amounts due to associates | – | 63,145 | – | – | 63,145 |
| Bank loans | 8,114,766 | 4,461,730 | 2,147,460 | 564,127 | 15,288,083 |
| Convertible bonds | – | 2,754,271 | – | – | 2,754,271 |
| Fixed rate bonds | 208,109 | 208,109 | 624,326 | 3,472,558 | 4,513,102 |
| Amounts due to non-controlling interests | – | 2,896,642 | – | – | 2,896,642 |
| Accounts payable, deposits received and accrued charges | 5,294,386 | – | – | – | 5,294,386 |
| Unsecured bank overdrafts | 20,701 | – | – | – | 20,701 |
| Total | 13,637,962 | 10,383,897 | 2,771,786 | 4,036,685 | 30,830,330 |

Notes to the Financial Statements

3 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(iii) Liquidity risk (Continued)

| | Group | | | | Total HK\$'000 |
|--|---------------------------------|--------------------------------------|--------------------------------------|-----------------------------|-------------------|
| | Less than 1 year HK\$'000 | Between 1 and 2 years HK\$'000 | Between 2 and 5 years HK\$'000 | Over 5 years HK\$'000 | |
| At 31 December 2009 | | | | | |
| Amounts due to associates | – | 62,088 | – | – | 62,088 |
| Bank loans | 550,009 | 4,255,720 | 5,461,496 | 101,313 | 10,368,538 |
| Convertible bonds | 144,418 | – | 2,754,271 | – | 2,898,689 |
| Fixed rate bonds | 207,611 | 207,611 | 622,832 | 3,671,859 | 4,709,913 |
| Amounts due to non-controlling interests | – | 2,836,258 | – | – | 2,836,258 |
| Accounts payable, deposits received and accrued charges | 3,735,394 | – | – | – | 3,735,394 |
| Secured bank overdrafts | 1,065 | – | – | – | 1,065 |
| Unsecured bank overdrafts | 468 | – | – | – | 468 |
| Derivative financial instruments | 85,867 | – | – | – | 85,867 |
| Total | 4,724,832 | 7,361,677 | 8,838,599 | 3,773,172 | 24,698,280 |

| | Company | | | | Total HK\$'000 |
|---------------------|---------------------------------|--------------------------------------|--------------------------------------|-----------------------------|-------------------|
| | Less than 1 year HK\$'000 | Between 1 and 2 years HK\$'000 | Between 2 and 5 years HK\$'000 | Over 5 years HK\$'000 | |
| At 31 December 2010 | | | | | |
| Bank loans | 6,007,603 | – | – | – | 6,007,603 |
| Total | 6,007,603 | – | – | – | 6,007,603 |

| | Company | | | | Total HK\$'000 |
|----------------------------------|---------------------------------|--------------------------------------|--------------------------------------|-----------------------------|-------------------|
| | Less than 1 year HK\$'000 | Between 1 and 2 years HK\$'000 | Between 2 and 5 years HK\$'000 | Over 5 years HK\$'000 | |
| At 31 December 2009 | | | | | |
| Bank loans | 10,091 | 2,772,774 | 55,697 | – | 2,838,562 |
| Derivative financial instruments | 85,867 | – | – | – | 85,867 |
| Total | 95,958 | 2,772,774 | 55,697 | – | 2,924,429 |

3 FINANCIAL RISK MANAGEMENT (Continued)

(b) Capital risk management

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

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

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

The gearing ratios at 31 December 2010 and 2009 were as follows:

| | 2010 | 2009 (restated) |
|--|--------|--------------------|
| Net debt (HK\$ million) | 10,076 | 9,192 |
| Equity attributable to the Company's shareholders (HK\$ million) | 57,715 | 50,669 |
| Gearing ratio | 17.5% | 18.1% |

(c) Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

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

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2010.

| | Level 1 HK\$'000 | Level 2 HK\$'000 | Level 3 HK\$'000 | Total HK\$'000 |
|--|---------------------|---------------------|---------------------|-------------------|
| Assets | | | | |
| Derivative financial instruments | – | 80,609 | – | 80,609 |
| Available-for-sale investments | 604,699 | – | 1,261,043 | 1,865,742 |
| Listed securities at fair value through profit or loss | 225,673 | – | – | 225,673 |
| Total assets | 830,372 | 80,609 | 1,261,043 | 2,172,024 |

Notes to the Financial Statements

3 FINANCIAL RISK MANAGEMENT (Continued)

(c) Fair value estimation (Continued)

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

| | Level 1 HK\$'000 | Level 2 HK\$'000 | Level 3 HK\$'000 | Total HK\$'000 |
|--|---------------------|---------------------|---------------------|-------------------|
| Assets | | | | |
| Derivative financial instruments | – | 14,263 | – | 14,263 |
| Available-for-sale investments | 435,349 | – | 1,065,685 | 1,501,034 |
| Listed securities at fair value through profit or loss | 162,253 | – | – | 162,253 |
| Total assets | 597,602 | 14,263 | 1,065,685 | 1,677,550 |
| Liabilities | | | | |
| Derivative financial instruments | – | 79,960 | – | 79,960 |
| Total liabilities | – | 79,960 | – | 79,960 |

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

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

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

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair values of interest rate swap contracts and cross currency swap contracts are calculated as the present value of the estimated future cash flows based on observable yield curves.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

3 FINANCIAL RISK MANAGEMENT (Continued)

(c) Fair value estimation (Continued)

The following table presents the changes in level 3 instruments.

| | Available-for-sale investments | |
|---|--------------------------------|------------------|
| | 2010 HK\$'000 | 2009 HK\$'000 |
| Opening balance | 1,065,685 | 978,774 |
| Gains and losses recognised in comprehensive income | 153,086 | 86,925 |
| Acquisition of a subsidiary | 44,682 | – |
| Disposals | (1,163) | (14) |
| Impairment | (1,247) | – |
| Closing balance | 1,261,043 | 1,065,685 |

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(a) Critical accounting estimates and assumptions

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

(i) Estimate of fair value of investment properties

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

- (I) Current prices in an active market for properties of different nature, condition or location, adjusted to reflect those differences;
- (II) Recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices;
- (III) Rental income derived from the terms of any existing lease and other contracts, and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using capitalisation rates that reflect current market assessments of the uncertainty in the amount and timing of the rental income; and
- (IV) Estimated costs to completion for investment properties under construction with reference to past experience and committed contracts as well as allowances for contingencies.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(a) Critical accounting estimates and assumptions (Continued)

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

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

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

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

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

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

(iii) *Income taxes*

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

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

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

(iv) *Estimated impairment of goodwill*

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(a) Critical accounting estimates and assumptions (Continued)

(v) *Useful lives of property, plant and equipment*

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

(vi) *Fair value of available-for-sale investments and derivative financial instruments*

The fair value of available-for-sale investments and derivative financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

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

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

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

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

(ii) *Revenue recognition*

The Group has recognised revenue from the sale of properties held for sale as disclosed in note 5. The assessment of when an entity has transferred the significant risks and rewards of ownership to buyers requires the examination of the circumstances of the transaction.

(iii) *Financial implication of regulations of idle land*

Under the PRC laws and regulations, if a property developer fails to commence the development of land within the timeframe designated in the land grant contract, the PRC government may regard the land as idle land and issue a warning or impose a penalty on the developer or reclaim the land.

The Group has identified certain tracts of land for which development has not commenced according to the specified terms of the land grant contracts. Judgement is required in assessing whether these tracts of land will be subject to the penalty of idle land and thereby resulting in any financial impact to the Group. In making this judgement, the Group evaluates the extent of development of the whole tracts of land, status of negotiation with the government authorities as to the extension of time of commencement or revision of development plans.

Notes to the Financial Statements

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

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

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

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

(v) Control in T.Join Transportation Co.,Ltd ("T.Join")

The Group has obtained de facto control over T.Join in mid 2010 and since then the Group's 30.77% interest in T.Join is accounted for and consolidated into the consolidated financial statements of the Group as a subsidiary. Key judgments adopted in concluding the Group has obtained de facto control in T.Join are as follows:

- The Group has consistently and regularly held a majority of the voting rights exercised at T.Join's shareholders' meetings and no other single shareholder directly or indirectly controls more voting rights than the Group.
- The shareholding of other non-controlling interests is dispersed and the chance of all other shareholders getting together to vote against the Group is remote.
- The Group has obtained effective control over majority of the board of T.Join (four out of seven board seats) in mid 2010.

5 PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATIONS

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

| | 2010 HK\$'000 | 2009 HK\$'000 |
|---|-------------------|------------------|
| Turnover | | |
| Sale of properties | 8,516,963 | 3,553,199 |
| Rental income | 1,388,451 | 1,348,194 |
| Hotel revenue | 293,993 | 245,489 |
| Logistics services income | 10,879,909 | 7,666,741 |
| Project, property management and others | 146,674 | 124,660 |
| | 21,225,990 | 12,938,283 |

5 PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATIONS (Continued)

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

| | Turnover | | Operating profit | |
|--|-------------------|------------------|------------------|--------------------------------|
| | 2010 HK\$'000 | 2009 HK\$'000 | 2010 HK\$'000 | 2009 HK\$'000 (restated) |
| Principal activities: | | | | |
| Property rental | | | | |
| – PRC property | 808,376 | 819,650 | 593,786 | 599,165 |
| – Hong Kong property | 580,075 | 528,544 | 407,782 | 306,942 |
| | 1,388,451 | 1,348,194 | 1,001,568 | 906,107 |
| Property sales (Note) | | | | |
| – PRC property | 2,250,230 | 2,930,919 | 935,575 | 1,499,713 |
| – Hong Kong property | 6,266,733 | 622,280 | 1,406,878 | 425,954 |
| | 8,516,963 | 3,553,199 | 2,342,453 | 1,925,667 |
| Hotel operations | | | | |
| – PRC property | 293,993 | 245,489 | 44,517 | 33,627 |
| Logistics operations | 10,879,909 | 7,666,741 | 777,845 | 531,877 |
| Infrastructure | – | – | (1,607) | 3,376 |
| Project, property management and others | 146,674 | 124,660 | 174,908 | 137,428 |
| | 21,225,990 | 12,938,283 | 4,339,684 | 3,538,082 |
| Increase in fair value of investment properties | – | – | 3,009,676 | 2,368,339 |
| | 21,225,990 | 12,938,283 | 7,349,360 | 5,906,421 |
| Principal markets: | | | | |
| PRC | 8,117,958 | 7,819,670 | 2,723,507 | 3,066,587 |
| Hong Kong | 8,966,483 | 2,991,752 | 4,320,807 | 2,767,568 |
| United Kingdom | 1,113,742 | 733,506 | 51,745 | 39,045 |
| Others | 3,027,807 | 1,393,355 | 253,301 | 33,221 |
| | 21,225,990 | 12,938,283 | 7,349,360 | 5,906,421 |

Note: Analysis of proceeds from sales of properties

| | 2010 HK\$'000 | 2009 HK\$'000 |
|--|------------------|------------------|
| Property sales proceeds (as above) | | |
| – PRC property | 2,250,230 | 2,930,919 |
| – Hong Kong property | 6,266,733 | 622,280 |
| | 8,516,963 | 3,553,199 |
| Sales proceeds from investment properties | | |
| – PRC property | 243,638 | 3,198 |
| – Hong Kong property | 260,800 | 883,451 |
| | 504,438 | 886,649 |
| Total property sales proceeds | | |
| – PRC property | 2,493,868 | 2,934,117 |
| – Hong Kong property | 6,527,533 | 1,505,731 |
| | 9,021,401 | 4,439,848 |

Notes to the Financial Statements

5 PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATIONS (Continued)

(c) Information about operating segment:

Management has determined the operating segments based on the reports reviewed by the Board of Directors.

The Board of Directors considers the business by principal activities and markets, management assesses the performance of the three principal activities of the Group namely property business, logistics business and infrastructure business. The property business is further segregated into the PRC property, Hong Kong property and Overseas property.

Property segment derives revenue primarily from sales of properties, rental revenue and hotel revenue. Logistics segment derives revenue from provision of logistics services, including freight forwarding services, general storage and other ancillary services. Infrastructure segment derives revenue from infrastructure investment.

Others mainly include corporate activities including central treasury management and administrative function and results of other business not categorised as operating segments.

The Board of Directors assesses the performance of the operating segments based on a measure of operating profit before dividend income, interest income and interest expense.

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

| | 2010 | | | | | | | | |
|--|--------------------------|--------------------------------|-------------------------------|-----------------------|----------------------------|--------------------------------------|--------------------|--------------------------|--------------------------|
| | PRC Property HK\$'000 | Hong Kong Property HK\$'000 | Overseas Property HK\$'000 | Logistics HK\$'000 | Infrastructure HK\$'000 | Total Operating Segments HK\$'000 | Others HK\$'000 | Eliminations HK\$'000 | Consolidated HK\$'000 |
| Revenue | | | | | | | | | |
| Turnover | 3,352,599 | 6,846,808 | - | 10,879,909 | - | 21,079,316 | 146,674 | - | 21,225,990 |
| Inter-segment revenue | - | - | - | - | - | - | 79,691 | (79,691) | - |
| Inter-segment interest income | - | - | - | - | - | - | 522,511 | (522,511) | - |
| | 3,352,599 | 6,846,808 | - | 10,879,909 | - | 21,079,316 | 748,876 | (602,202) | 21,225,990 |
| Results | | | | | | | | | |
| Segment results before increase in fair value of investment properties | 1,499,619 | 1,998,088 | (2,481) | 787,814 | (1,834) | 4,281,206 | 470,971 | (522,511) | 4,229,666 |
| Increase in fair value of investment properties | 1,006,675 | 1,827,011 | - | 175,990 | - | 3,009,676 | - | - | 3,009,676 |
| Segment results | 2,506,294 | 3,825,099 | (2,481) | 963,804 | (1,834) | 7,290,882 | 470,971 | (522,511) | 7,239,342 |
| Dividend income | - | 55,194 | 23,096 | 1,615 | - | 79,905 | - | - | 79,905 |
| Interest income | 38,128 | 8,981 | - | 11,482 | 890 | 59,481 | 9,605 | - | 69,086 |
| Interest expenses | (3,091) | (128,534) | - | (23,066) | (663) | (155,354) | (406,130) | 522,511 | (38,973) |
| Operating profit | 2,541,331 | 3,760,740 | 20,615 | 953,835 | (1,607) | 7,274,914 | 74,446 | - | 7,349,360 |
| Share of results of associates | 197,264 | 763,218 | 48,790 | 208,821 | 83,770 | 1,301,863 | (6,549) | - | 1,295,314 |
| Profit before taxation | 2,738,595 | 4,523,958 | 69,405 | 1,162,656 | 82,163 | 8,576,777 | 67,897 | - | 8,644,674 |
| Taxation | (989,076) | (609,324) | (1,971) | (222,372) | - | (1,822,743) | (61,485) | - | (1,884,228) |
| Profit for the year | 1,749,519 | 3,914,634 | 67,434 | 940,284 | 82,163 | 6,754,034 | 6,412 | - | 6,760,446 |
| Profit attributable to: | | | | | | | | | |
| Company's shareholders | 1,440,937 | 3,916,155 | 67,434 | 797,230 | 82,163 | 6,303,919 | 6,415 | - | 6,310,334 |
| Non-controlling interests | 308,582 | (1,521) | - | 143,054 | - | 450,115 | (3) | - | 450,112 |
| | 1,749,519 | 3,914,634 | 67,434 | 940,284 | 82,163 | 6,754,034 | 6,412 | - | 6,760,446 |
| Depreciation and amortisation | | | | | | | | | |
| | 40,747 | 8,253 | - | 220,986 | - | 269,986 | 1,568 | - | 271,554 |

5 PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATIONS (Continued)

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

| | 2009 (restated) | | | | | | | | |
|--|--------------------------|--------------------------------|-------------------------------|-----------------------|----------------------------|--------------------------------------|--------------------|--------------------------|--------------------------|
| | PRC Property HK\$'000 | Hong Kong Property HK\$'000 | Overseas Property HK\$'000 | Logistics HK\$'000 | Infrastructure HK\$'000 | Total Operating Segments HK\$'000 | Others HK\$'000 | Eliminations HK\$'000 | Consolidated HK\$'000 |
| Revenue | | | | | | | | | |
| Turnover | 3,996,058 | 1,150,824 | - | 7,666,741 | - | 12,813,623 | 124,660 | - | 12,938,283 |
| Inter-segment revenue | - | - | - | - | - | - | 75,198 | (75,198) | - |
| Inter-segment interest income | - | - | - | - | - | - | 506,485 | (506,485) | - |
| | 3,996,058 | 1,150,824 | - | 7,666,741 | - | 12,813,623 | 706,343 | (581,683) | 12,938,283 |
| Results | | | | | | | | | |
| Segment results before increase in fair value of investment properties | 2,063,569 | 894,304 | (1,731) | 555,738 | 3,397 | 3,515,277 | 460,675 | (506,485) | 3,469,467 |
| Increase in fair value of investment properties | 783,857 | 1,477,756 | - | 106,726 | - | 2,368,339 | - | - | 2,368,339 |
| Segment results | 2,847,426 | 2,372,060 | (1,731) | 662,464 | 3,397 | 5,883,616 | 460,675 | (506,485) | 5,837,806 |
| Dividend income | - | 55,108 | 14,406 | - | - | 69,514 | - | - | 69,514 |
| Interest income | 30,173 | 10,668 | 2,148 | 6,539 | 1,400 | 50,928 | 10,977 | - | 61,905 |
| Interest expenses | (5,389) | (107,703) | - | (30,400) | (1,421) | (144,913) | (424,376) | 506,485 | (62,804) |
| Operating profit | 2,872,210 | 2,330,133 | 14,823 | 638,603 | 3,376 | 5,859,145 | 47,276 | - | 5,906,421 |
| Share of results of associates | 474,493 | 94,697 | 128,162 | 162,664 | 66,532 | 926,548 | (5,927) | - | 920,621 |
| Profit before taxation | 3,346,703 | 2,424,830 | 142,985 | 801,267 | 69,908 | 6,785,693 | 41,349 | - | 6,827,042 |
| Taxation | (1,399,317) | (313,271) | (47,714) | (144,411) | - | (1,904,713) | (13,199) | - | (1,917,912) |
| Profit for the year | 1,947,386 | 2,111,559 | 95,271 | 656,856 | 69,908 | 4,880,980 | 28,150 | - | 4,909,130 |
| Profit attributable to: | | | | | | | | | |
| Company's shareholders | 1,485,543 | 2,108,296 | 95,271 | 597,564 | 69,922 | 4,356,596 | 27,732 | - | 4,384,328 |
| Non-controlling interests | 461,843 | 3,263 | - | 59,292 | (14) | 524,384 | 418 | - | 524,802 |
| | 1,947,386 | 2,111,559 | 95,271 | 656,856 | 69,908 | 4,880,980 | 28,150 | - | 4,909,130 |
| Depreciation and amortisation | | | | | | | | | |
| | 41,126 | 4,049 | - | 181,839 | - | 227,014 | 1,701 | - | 228,715 |

Notes to the Financial Statements

5 PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATIONS (Continued)

(e) An analysis of the Group's financial positions by operating segment is as follows:

| | 2010 | | | | | | | | |
|--|--------------------------|--------------------------------|-------------------------------|-----------------------|----------------------------|--------------------------------------|--------------------|--------------------------|--------------------------|
| | PRC Property HK\$'000 | Hong Kong Property HK\$'000 | Overseas Property HK\$'000 | Logistics HK\$'000 | Infrastructure HK\$'000 | Total Operating Segments HK\$'000 | Others HK\$'000 | Eliminations HK\$'000 | Consolidated HK\$'000 |
| Segment assets | 43,021,145 | 32,073,127 | 1,004 | 16,510,945 | 439,078 | 92,045,299 | 37,348,534 | (35,862,389) | 93,531,444 |
| Associates | 2,728,437 | 3,312,584 | 1,259,807 | 812,605 | 448,051 | 8,561,484 | 64,221 | - | 8,625,705 |
| Derivative financial instruments | - | - | - | - | - | - | 80,609 | - | 80,609 |
| Available-for-sale investments | 470 | 915,980 | 898,496 | 50,796 | - | 1,865,742 | - | - | 1,865,742 |
| Long-term receivables | - | 15,426 | - | - | - | 15,426 | - | - | 15,426 |
| Tax recoverable | 196,132 | 25,008 | 2 | 4,675 | - | 225,817 | 5,908 | - | 231,725 |
| Tax reserve certificates | - | - | - | - | - | - | 86,103 | - | 86,103 |
| Listed securities at fair value through profit or loss | - | 225,553 | 120 | - | - | 225,673 | - | - | 225,673 |
| Total assets | 45,946,184 | 36,567,678 | 2,159,429 | 17,379,021 | 887,129 | 102,939,441 | 37,585,375 | (35,862,389) | 104,662,427 |
| Segment liabilities | 17,411,009 | 16,066,462 | 24,716 | 6,135,698 | 131,277 | 39,769,162 | 2,287,156 | (35,862,389) | 6,193,929 |
| Bank borrowings | 1,716,937 | 1,270,000 | - | 654,014 | - | 3,640,951 | 11,168,000 | - | 14,808,951 |
| Convertible bonds | - | - | - | - | - | - | 2,594,635 | - | 2,594,635 |
| Fixed rate bonds | - | - | - | - | - | - | 3,251,082 | - | 3,251,082 |
| Taxation and deferred taxation | 4,331,807 | 1,903,283 | 91,771 | 1,024,507 | - | 7,351,368 | 125,887 | - | 7,477,255 |
| Amounts due to non-controlling interests | 1,112,439 | 1,659,706 | - | 83,165 | - | 2,855,310 | (625) | - | 2,854,685 |
| Total liabilities | 24,572,192 | 20,899,451 | 116,487 | 7,897,384 | 131,277 | 53,616,791 | 19,426,135 | (35,862,389) | 37,180,537 |
| Segment non-current assets* | 36,859,691 | 24,959,806 | 1,259,808 | 12,457,068 | 448,051 | 75,984,424 | 66,903 | - | 76,051,327 |

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

5 PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATIONS (Continued)

(e) An analysis of the Group's financial positions by operating segment is as follows: (Continued)

| | 2009 (restated) | | | | | | | | |
|---|-----------------------------|-----------------------------------|----------------------------------|-----------------------|----------------------------|--|--------------------|--------------------------|--------------------------|
| | PRC Property HK\$'000 | Hong Kong Property HK\$'000 | Overseas Property HK\$'000 | Logistics HK\$'000 | Infrastructure HK\$'000 | Total Operating Segments HK\$'000 | Others HK\$'000 | Eliminations HK\$'000 | Consolidated HK\$'000 |
| Segment assets | 36,347,191 | 31,341,224 | 606 | 11,079,468 | 446,386 | 79,214,875 | 33,815,328 | (33,970,935) | 79,059,268 |
| Associates | 2,366,830 | 2,137,055 | 1,112,364 | 1,346,948 | 426,417 | 7,389,614 | 49,684 | - | 7,439,298 |
| Derivative financial instruments | - | - | - | - | - | - | 14,263 | - | 14,263 |
| Available-for-sale investments | 470 | 679,985 | 816,741 | 3,838 | - | 1,501,034 | - | - | 1,501,034 |
| Long-term receivables | - | 23,409 | - | - | - | 23,409 | - | - | 23,409 |
| Tax recoverable | 40,388 | 21,369 | - | 14,394 | - | 76,151 | 5,909 | - | 82,060 |
| Tax reserve certificates | - | 61 | - | - | - | 61 | 64,610 | - | 64,671 |
| Listed securities at fair value through profit or loss | - | 162,162 | 91 | - | - | 162,253 | - | - | 162,253 |
| Total assets | 38,754,879 | 34,365,265 | 1,929,802 | 12,444,648 | 872,803 | 88,367,397 | 33,949,794 | (33,970,935) | 88,346,256 |
| Segment liabilities | 14,250,398 | 18,115,910 | 23,865 | 4,777,117 | 202,320 | 37,369,610 | 2,539,377 | (33,970,935) | 5,938,052 |
| Derivative financial instruments | - | - | - | - | - | - | 79,960 | - | 79,960 |
| Bank borrowings | 955,119 | 1,220,000 | - | 408,174 | - | 2,583,293 | 7,466,000 | - | 10,049,293 |
| Convertible bonds | - | - | - | - | - | - | 2,604,764 | - | 2,604,764 |
| Fixed rate bonds | - | - | - | - | - | - | 3,240,870 | - | 3,240,870 |
| Taxation and deferred taxation | 3,665,550 | 1,368,622 | 89,495 | 609,712 | - | 5,733,379 | 65,707 | - | 5,799,086 |
| Amounts due to non-controlling interests | 1,101,281 | 1,613,137 | - | 80,709 | 69 | 2,795,196 | 875 | - | 2,796,071 |
| Total liabilities | 19,972,348 | 22,317,669 | 113,360 | 5,875,712 | 202,389 | 48,481,478 | 15,997,553 | (33,970,935) | 30,508,096 |
| Segment non-current assets* | 30,942,034 | 20,652,434 | 1,112,364 | 9,193,969 | 426,417 | 62,327,218 | 53,306 | - | 62,380,524 |

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

Notes to the Financial Statements

5 PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATIONS (Continued)

- (f) An analysis of the Group's segment revenue and segment non-current assets by geographical area is as follows:

| | Segment revenue | | Segment non-current assets* | |
|----------------|-------------------|-------------------|-----------------------------|-------------------|
| | 2010 HK\$'000 | 2009 HK\$'000 | 2010 HK\$'000 | 2009 HK\$'000 |
| PRC | 8,092,675 | 7,802,677 | 40,752,845 | 34,547,549 |
| Hong Kong | 8,845,092 | 2,884,085 | 29,370,562 | 24,662,435 |
| United Kingdom | 1,113,742 | 733,506 | 106,474 | 105,915 |
| Others | 3,027,807 | 1,393,355 | 5,754,543 | 3,011,319 |
| | 21,079,316 | 12,813,623 | 75,984,424 | 62,327,218 |

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

6 OTHER INCOME AND NET GAINS

| | Group | |
|--|------------------|--------------------------------|
| | 2010 HK\$'000 | 2009 HK\$'000 (restated) |
| Dividend income | | |
| – listed investments | 43,945 | 42,568 |
| – unlisted investments | 35,960 | 26,946 |
| | 79,905 | 69,514 |
| Interest income | 69,086 | 61,905 |
| (Loss)/gain on disposal of property, plant and equipment | (4,710) | 300 |
| Gain on sale of investment properties net of selling expenses | 170,269 | 182,453 |
| Gain on remeasurement of previously held equity interest in an acquiree company (note 38(b)) | 54,203 | – |
| (Loss)/gain on disposal of associates | (1,486) | 6,283 |
| Fair value gain on listed securities at fair value through profit or loss | 63,410 | 59,968 |
| Impairment of goodwill (note 23) | (40,407) | (9,448) |
| Impairment of properties under development (note 17) | (11,888) | – |
| Exchange gains, net | 55,582 | – |
| Others | 52,025 | 86,336 |
| | 485,989 | 457,311 |

7 OPERATING PROFIT BEFORE FINANCE COSTS

Operating profit before finance costs is stated after charging the following:

| | Group | |
|--|------------------|--------------------------------|
| | 2010 HK\$'000 | 2009 HK\$'000 (restated) |
| Cost of sales of properties | 5,699,519 | 1,397,914 |
| Direct operating expenses in respect of investment properties | | |
| – PRC | 145,587 | 136,637 |
| – Hong Kong | 163,707 | 157,609 |
| | 309,294 | 294,246 |
| Direct operating expenses for logistics operations | 9,243,879 | 6,538,019 |
| Depreciation of property, plant and equipment and amortisation of leasehold land and land use rights | 271,554 | 228,715 |
| Hotel operating expenses | 185,726 | 162,228 |
| Operating lease charges | | |
| – land and buildings | 151,864 | 110,281 |
| Provision for impairment of receivables | 22,770 | 14,445 |
| Auditors' remuneration | 20,150 | 13,115 |
| Exchange losses, net | – | 8,571 |

8 FINANCE COSTS

| | Group | |
|--|------------------|------------------|
| | 2010 HK\$'000 | 2009 HK\$'000 |
| Interest expense: | | |
| – bank borrowings: bank loans and overdrafts | 176,532 | 116,204 |
| – convertible bonds (note 29) | 134,153 | 132,562 |
| – fixed rate bonds (note 30) | 210,494 | 209,996 |
| – derivative financial instruments | 100,852 | 101,034 |
| – others | 36,158 | 29,457 |
| Total finance costs incurred | 658,189 | 589,253 |
| Less: amount capitalised in properties under development | (472,910) | (453,378) |
| | 185,279 | 135,875 |
| Fair value gain on derivative financial instruments | (146,306) | (73,071) |
| Total finance costs expensed during the year | 38,973 | 62,804 |

The capitalised interest rate applied to funds borrowed and used for the development of properties is between 0.3% and 6.2% per annum (2009: between 0.3% and 6% per annum).

Notes to the Financial Statements

9 TAXATION

Hong Kong and overseas profits tax

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profit for the year. Income tax on the overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the overseas countries in which the Group operates.

PRC enterprise income tax

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

Withholding tax on distributed/undistributed profits

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

PRC land appreciation tax

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

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

| | Group | |
|---|--------------------|------------------|
| | 2010 HK\$'000 | 2009 HK\$'000 |
| PRC taxation | | |
| – Current | (749,032) | (1,129,985) |
| – Over-provision in prior years | 10,623 | – |
| – Deferred | (300,683) | (316,419) |
| | (1,039,092) | (1,446,404) |
| Hong Kong profits tax | | |
| – Current | (343,277) | (124,687) |
| – (Under)/over-provision in prior years | (44,410) | 7,408 |
| – Deferred | (376,044) | (276,228) |
| | (763,731) | (393,507) |
| Overseas taxation | | |
| – Current | (85,567) | (43,239) |
| – Over/(under)-provision in prior years | 10,019 | (66) |
| – Deferred | (5,857) | (34,696) |
| | (81,405) | (78,001) |
| | (1,884,228) | (1,917,912) |

9 TAXATION (Continued)

The Group's share of associates' taxation for the year of HK\$300,387,000 (2009: HK\$257,355,000) is included in the share of results of associates in the consolidated income statement.

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

| | Group | |
|--|--------------------|--------------------------------|
| | 2010 HK\$'000 | 2009 HK\$'000 (restated) |
| Profit before taxation | 8,644,674 | 6,827,042 |
| Less: Share of results of associates | (1,295,314) | (920,621) |
| | 7,349,360 | 5,906,421 |
| Calculated at Hong Kong profits tax rate of 16.5% (2009: 16.5%) | 1,212,644 | 974,559 |
| Tax effect of different taxation rates in other countries | 228,744 | 243,821 |
| Utilisation of previously unrecognised tax losses | (23,295) | (14,715) |
| Tax effect of net income/expenses that are not taxable/deductible in determining taxable profit | 101,444 | 30,653 |
| Tax loss not recognised | 9,321 | 7,892 |
| Under/(over)-provision of taxation in prior years | 23,768 | (7,342) |
| | 1,552,626 | 1,234,868 |
| Withholding tax on distributed/undistributed profits | 54,016 | 109,571 |
| Withholding tax on capital gains | 1 | 186,231 |
| Land appreciation tax | 368,897 | 516,323 |
| Tax effect of deduction of land appreciation tax | (91,312) | (129,081) |
| Taxation charge | 1,884,228 | 1,917,912 |

10 PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders dealt with in the financial statements of the Company is HK\$1,009,453,000 (2009: HK\$1,000,842,000).

Notes to the Financial Statements

11 DIVIDENDS

| | Company | |
|--|------------------|------------------|
| | 2010 HK\$'000 | 2009 HK\$'000 |
| Interim, paid, of HK\$0.35 (2009: HK\$0.30) per ordinary share (note (a)) | 502,168 | 428,381 |
| Final, proposed, of HK\$0.52 (2009: HK\$0.40) per ordinary share (note (b)) | 746,736 | 571,581 |
| Additional prior year final dividend arising from the increase in number of ordinary shares in issue on the related record date (note (b)) | 2,193 | 30 |
| | 1,251,097 | 999,992 |

- (a) Amounts shown in respect of the interim dividend for the year ended 31 December 2010 reflect the cash dividend of HK\$0.35 (2009: HK\$0.30) per ordinary share.
- (b) At a meeting held on 17 March 2011, the directors proposed a final dividend of HK\$0.52 per ordinary share. This proposed dividend is not reflected as a dividend payable in these financial statements. The proposed final dividend for the year ended 31 December 2010, as referred to above, is calculated on the basis of 1,436,031,280 ordinary shares in issue as at 31 December 2010, and at a final dividend of HK\$0.52 per ordinary share. The actual amount of final dividend payable in respect of the year ended 31 December 2010 will be subject to the actual number of ordinary shares in issue on the record date, which is expected to be on or about 5 May 2011.

12 EARNINGS PER SHARE

Basic

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

| | 2010 | 2009 |
|---|----------------------|---------------|
| Weighted average number of ordinary shares in issue | 1,433,346,344 | 1,427,729,967 |

| | 2010 HK\$'000 | 2009 HK\$'000 (restated) |
|-------------------------------------|------------------|--------------------------------|
| Profit attributable to shareholders | 6,310,334 | 4,384,328 |
| Basic earnings per share | HK\$4.40 | HK\$3.07 |

12 EARNINGS PER SHARE (Continued)

Diluted

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

| | 2010 | 2009 |
|--|----------------------|---------------|
| Weighted average number of ordinary shares in issue | 1,433,346,344 | 1,427,729,967 |
| Adjustment for convertible bonds | 45,672,739 | 49,296,291 |
| Adjustment for share options | 5,602,662 | 5,291,323 |
| Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share | 1,484,621,745 | 1,482,317,581 |

| | 2010 HK\$'000 | 2009 HK\$'000 (restated) |
|---|------------------|--------------------------------|
| Profit attributable to shareholders | 6,310,334 | 4,384,328 |
| Adjustment for finance cost on convertible bonds | 112,017 | 110,689 |
| Profit used to determine diluted earnings per share | 6,422,351 | 4,495,017 |
| Diluted earnings per share | HK\$4.33 | HK\$3.03 |

13 EMPLOYEE BENEFIT EXPENSE

| | Group | |
|---|------------------|------------------|
| | 2010 HK\$'000 | 2009 HK\$'000 |
| Staff costs, including directors' emoluments | 1,800,124 | 1,274,195 |
| Share options granted to directors and employees | 57,864 | 107,285 |
| Pension costs – defined contribution plans (note (a)) | 138,439 | 104,542 |
| | 1,996,427 | 1,486,022 |

13 EMPLOYEE BENEFIT EXPENSE (Continued)

(a) Pensions – defined contribution plans

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

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

Certain companies within the Group are also participants of the Kerry Trading Co. Limited – Provident Fund Scheme (the “Fund”) which is a defined contribution scheme as defined in the Occupational Retirement Schemes Ordinance (Chapter 426 of the Laws of Hong Kong). The Fund is for certain salaried persons (the “Fund Members”) under the employment of the companies participating in the Fund. The assets of the Fund are managed by the trustees of the Fund. Contributions are made to the Fund by companies participating in the Fund at 10% of the Fund Members’ monthly basic salaries up to a maximum of HK\$10,000 (2009: HK\$10,000) per Fund Member per month (the “Basic Contribution”) less the MPF Contribution if the Basic Contribution is higher than the MPF Contribution. Fund Members are entitled to 100% of the employers’ contributions to the Fund plus investment earnings upon leaving employment after completing ten years of service or more, or upon retirement after attaining the retirement age after any number of years of service, or upon retirement due to ill health. Fund Members are also entitled to the employers’ contributions to the Fund plus investment earnings calculated at a reduced scale of between 20% and 90% after completing a period of service of at least two but less than ten years. The unvested benefits of employees terminating employment forfeited in accordance with the terms of the Fund can be utilised by the companies participating in the Fund to reduce future contributions. During the year, forfeited contributions totalling HK\$1,424,000 (2009: HK\$1,221,000) were utilised leaving HK\$390,000 (2009: HK\$507,000) available at the year end to reduce future contributions.

The Group also made defined contributions to pension plans as required by the relevant municipality or provincial governments in the PRC. The rates of contributions for the relevant periods ranged from 10% to 22% of the staff’s salary. For overseas subsidiaries, the Group made contributions to defined contribution pension schemes in accordance with the schemes set up by the overseas subsidiaries and/or under statutory requirements.

13 EMPLOYEE BENEFIT EXPENSE (Continued)

(b) Directors' and senior management's emoluments

The remuneration of the Directors for the year ended 31 December 2010 is set out below:

| Name of Director | Fees HK\$'000 | Salary HK\$'000 | Discretionary bonuses HK\$'000 | Other benefits (note) HK\$'000 | Employer's contribution to pension scheme HK\$'000 | Total HK\$'000 |
|-----------------------------------|------------------|--------------------|--------------------------------------|---|--|-------------------|
| Mr KUOK Khoon Chen | - | 4,200 | 10,000 | 990 | 120 | 15,310 |
| Mr WONG Siu Kong | - | 5,400 | 20,000 | 12,283 | 120 | 37,803 |
| Mr HO Shut Kan | - | 3,960 | 11,050 | 5,111 | 120 | 20,241 |
| Mr MA Wing Kai, William | - | 3,540 | 6,550 | 3,143 | 120 | 13,353 |
| Mr QIAN Shaohua | - | 3,600 | 10,050 | 3,738 | 120 | 17,508 |
| Mr CHAN Wai Ming, William | - | 3,000 | 4,000 | 3,738 | 120 | 10,858 |
| Mr KU Moon Lun | 335 | - | - | - | - | 335 |
| Mr LAU Ling Fai, Herald | 365 | - | - | - | - | 365 |
| Ms WONG Yu Pok, Marina, JP | 335 | - | - | - | - | 335 |
| Mr TSE Kai Chi | 310 | - | - | - | - | 310 |
| Mr SO Hing Woh, Victor, MBE, JP * | - | 3,420 | 50 | 390 | 90 | 3,950 |

* Resigned during the year 2010

The remuneration of the Directors for the year ended 31 December 2009 is set out below:

| Name of Director | Fees HK\$'000 | Salary HK\$'000 | Discretionary bonuses HK\$'000 | Other benefits (note) HK\$'000 | Employer's contribution to pension scheme HK\$'000 | Total HK\$'000 |
|---------------------------------|------------------|--------------------|--------------------------------------|---|--|-------------------|
| Mr KUOK Khoon Chen | - | 3,840 | 8,000 | 2,152 | 120 | 14,112 |
| Mr WONG Siu Kong | - | 5,160 | 18,000 | 22,159 | 120 | 45,439 |
| Mr HO Shut Kan | - | 3,444 | 9,050 | 9,294 | 120 | 21,908 |
| Mr MA Wing Kai, William | - | 3,444 | 5,050 | 5,622 | 120 | 14,236 |
| Mr SO Hing Woh, Victor, MBE, JP | - | 4,560 | 1,190 | 1,076 | 120 | 6,946 |
| Mr QIAN Shaohua | - | 2,400 | 8,050 | 6,913 | 120 | 17,483 |
| Mr CHAN Wai Ming, William | - | 2,832 | 3,500 | 6,913 | 120 | 13,365 |
| Mr KU Moon Lun | 325 | - | - | - | - | 325 |
| Mr LAU Ling Fai, Herald | 350 | - | - | - | - | 350 |
| Ms WONG Yu Pok, Marina, JP | 330 | - | - | - | - | 330 |
| Mr TSE Kai Chi | 310 | - | - | - | - | 310 |

Note:

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

Notes to the Financial Statements

13 EMPLOYEE BENEFIT EXPENSE (Continued)

(c) Five highest paid individuals

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

| | 2010 HK\$'000 | 2009 HK\$'000 |
|--|------------------|------------------|
| Basic salaries, housing allowances, share options, other allowances and benefits in kind | 45,965 | 64,428 |
| Discretionary bonuses | 57,650 | 48,150 |
| Pension contributions | 600 | 600 |
| | 104,215 | 113,178 |

The emoluments fell within the following bands:

| | Number of individuals | |
|---------------------------------|-----------------------|----------|
| | 2010 | 2009 |
| HK\$13,000,001 – HK\$13,500,000 | 1 | – |
| HK\$14,000,001 – HK\$14,500,000 | – | 2 |
| HK\$15,000,001 – HK\$15,500,000 | 1 | – |
| HK\$17,000,001 – HK\$17,500,000 | – | 1 |
| HK\$17,500,001 – HK\$18,000,000 | 1 | – |
| HK\$20,000,001 – HK\$20,500,000 | 1 | – |
| HK\$21,500,001 – HK\$22,000,000 | – | 1 |
| HK\$37,500,001 – HK\$38,000,000 | 1 | – |
| HK\$45,000,001 – HK\$45,500,000 | – | 1 |
| | 5 | 5 |

14 PROPERTY, PLANT AND EQUIPMENT

| | Group | | | | | | | | |
|--|------------------|----------------------------------|----------------|-----------------------------|-----------------|------------------------|-------------------------------|--|------------------|
| | Hotel property | Warehouses and logistics centres | Staff quarters | Freehold land and buildings | Port facilities | Leasehold improvements | Warehouse operating equipment | Motor vehicles, furniture, fixtures and office equipment | Total |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Cost or valuation | | | | | | | | | |
| At 1 January 2010, as previously reported | 1,058,827 | 673,407 | 24,258 | 466,928 | 224,692 | 138,248 | 549,616 | 677,450 | 3,813,426 |
| Adjustment for adoption of amendment to HKAS 17 | - | 353,700 | - | - | - | - | - | - | 353,700 |
| At 1 January 2010, as restated | 1,058,827 | 1,027,107 | 24,258 | 466,928 | 224,692 | 138,248 | 549,616 | 677,450 | 4,167,126 |
| Additions, at cost | 11,838 | - | 21,731 | 22,567 | - | 64,617 | 103,660 | 156,577 | 380,990 |
| Acquisition of subsidiaries | - | 113,722 | 2,423 | 1,773,602 | - | 106,322 | 34,489 | 72,250 | 2,102,808 |
| Adjustment on revaluation | 44,472 | 72,463 | - | 148,399 | (12,846) | - | - | - | 252,488 |
| Disposals | (2,374) | - | (3,785) | (13,865) | - | (35,713) | (54,146) | (64,010) | (173,893) |
| Transfer | - | 339,605 | - | 1,470 | - | - | - | - | 341,075 |
| Exchange adjustment | 41,309 | 21,853 | 1,792 | 237,500 | 25,502 | 39,582 | 47,309 | 96,037 | 510,884 |
| At 31 December 2010 | 1,154,072 | 1,574,750 | 46,419 | 2,636,601 | 237,348 | 313,056 | 680,928 | 938,304 | 7,581,478 |
| At cost | | | | | | | | | |
| At 31 December 2010 | - | - | 46,419 | - | - | 313,056 | 680,928 | 938,304 | 1,978,707 |
| At professional valuation | | | | | | | | | |
| At 31 December 2010 | 1,154,072 | 1,574,750 | - | 2,636,601 | 237,348 | - | - | - | 5,602,771 |
| At 31 December 2010 | 1,154,072 | 1,574,750 | 46,419 | 2,636,601 | 237,348 | 313,056 | 680,928 | 938,304 | 7,581,478 |
| Aggregate depreciation and accumulated impairment losses | | | | | | | | | |
| At 1 January 2010 | - | - | 9,078 | - | - | 84,584 | 293,128 | 445,477 | 832,267 |
| Charge for the year | 30,986 | 29,144 | 1,621 | 21,486 | 9,165 | 18,982 | 58,191 | 95,621 | 265,196 |
| Adjustment on revaluation | (33,327) | (29,565) | - | (14,116) | (9,772) | - | - | - | (86,780) |
| Disposals | (2,135) | - | (1,325) | (8,875) | - | (34,600) | (23,548) | (56,551) | (127,034) |
| Reclassification | - | - | - | - | - | (109) | - | 109 | - |
| Exchange adjustment | 4,476 | 421 | 633 | 1,505 | 607 | 26,629 | 28,249 | 85,773 | 148,293 |
| At 31 December 2010 | - | - | 10,007 | - | - | 95,486 | 356,020 | 570,429 | 1,031,942 |
| Net book value as at | | | | | | | | | |
| 31 December 2010 | 1,154,072 | 1,574,750 | 36,412 | 2,636,601 | 237,348 | 217,570 | 324,908 | 367,875 | 6,549,536 |
| Net book value as at | | | | | | | | | |
| 1 January 2010, as restated | 1,058,827 | 1,027,107 | 15,180 | 466,928 | 224,692 | 53,664 | 256,488 | 231,973 | 3,334,859 |

Notes to the Financial Statements

14 PROPERTY, PLANT AND EQUIPMENT (Continued)

| | Group | | | | | | | | |
|--|----------------------------|--|----------------------------|---|-----------------------------|------------------------------------|---|--|-------------------|
| | Hotel property HK\$'000 | Warehouses and logistics centres HK\$'000 | Staff quarters HK\$'000 | Freehold land and buildings HK\$'000 | Port facilities HK\$'000 | Leasehold improvements HK\$'000 | Warehouse operating equipment HK\$'000 | Motor vehicles, furniture, fixtures and office equipment HK\$'000 | Total HK\$'000 |
| Cost or valuation | | | | | | | | | |
| At 1 January 2009, as previously reported | 1,132,327 | 682,346 | 23,205 | 415,832 | 231,458 | 127,450 | 524,135 | 657,215 | 3,793,968 |
| Adjustment for adoption of amendment to HKAS 17 | - | 303,900 | - | - | - | - | - | - | 303,900 |
| At 1 January 2009, as restated | 1,132,327 | 986,246 | 23,205 | 415,832 | 231,458 | 127,450 | 524,135 | 657,215 | 4,097,868 |
| Additions, at cost | 5,393 | 767 | - | 13,149 | - | 3,547 | 40,309 | 63,951 | 127,116 |
| Acquisition of subsidiaries | - | 22,110 | - | - | - | - | 12,896 | 733 | 35,739 |
| Adjustment on revaluation | (80,849) | 15,227 | - | 144 | (14,596) | - | - | - | (80,074) |
| Disposals | - | - | (984) | - | (1,918) | (2,589) | (49,565) | (51,951) | (107,007) |
| Reclassification | - | - | - | - | - | (360) | - | 360 | - |
| Transfer | - | 225 | 2,000 | - | - | - | - | 522 | 2,747 |
| Exchange adjustment | 1,956 | 2,532 | 37 | 37,803 | 9,748 | 10,200 | 21,841 | 6,620 | 90,737 |
| At 31 December 2009 | 1,058,827 | 1,027,107 | 24,258 | 466,928 | 224,692 | 138,248 | 549,616 | 677,450 | 4,167,126 |
| At cost | | | | | | | | | |
| At 31 December 2009 | - | - | 24,258 | - | - | 138,248 | 549,616 | 677,450 | 1,389,572 |
| At professional valuation | | | | | | | | | |
| At 31 December 2009 | 1,058,827 | 1,027,107 | - | 466,928 | 224,692 | - | - | - | 2,777,554 |
| At 31 December 2009 | 1,058,827 | 1,027,107 | 24,258 | 466,928 | 224,692 | 138,248 | 549,616 | 677,450 | 4,167,126 |
| Aggregate depreciation and accumulated impairment losses | | | | | | | | | |
| At 1 January 2009 | - | - | 7,806 | - | - | 71,521 | 270,962 | 407,673 | 757,962 |
| Charge for the year | 32,017 | 33,099 | 1,676 | 10,991 | 8,640 | 9,312 | 53,596 | 74,967 | 224,298 |
| Adjustment on revaluation | (32,172) | (33,198) | - | (11,577) | (8,776) | - | - | - | (85,723) |
| Disposals | - | - | (417) | - | - | (1,992) | (44,922) | (42,112) | (89,443) |
| Reclassification | - | - | - | - | - | (109) | - | 109 | - |
| Exchange adjustment | 155 | 99 | 13 | 586 | 136 | 5,852 | 13,492 | 4,840 | 25,173 |
| At 31 December 2009 | - | - | 9,078 | - | - | 84,584 | 293,128 | 445,477 | 832,267 |
| Net book value as at | | | | | | | | | |
| 31 December 2009, as restated | 1,058,827 | 1,027,107 | 15,180 | 466,928 | 224,692 | 53,664 | 256,488 | 231,973 | 3,334,859 |
| Net book value as at | | | | | | | | | |
| 1 January 2009, as restated | 1,132,327 | 986,246 | 15,399 | 415,832 | 231,458 | 55,929 | 253,173 | 249,542 | 3,339,906 |

- (a) As at 31 December 2010, property, plant and equipment and port facilities with an aggregate net book value of HK\$1,721,438,000 (2009: HK\$338,364,000) and HK\$237,348,000 (2009: HK\$224,692,000), respectively, were pledged as security for bank loan facilities granted to the Group (note 42).
- (b) Hotel property, warehouses and logistics centres in the PRC and Hong Kong were valued by DTZ Debenham Tie Leung Limited and Savills Valuation and Professional Services Limited. Freehold land and buildings and port facilities were valued by DTZ Debenham Tie Leung Limited. They are independent professional valuers and the valuation was on an open market value basis as at 31 December 2010.
- (c) The carrying amount of the warehouses and logistics centres would have been HK\$757,843,000 (2009: HK\$429,724,000) had they been stated in the financial statements at cost less aggregate depreciation and accumulated impairment losses.

14 PROPERTY, PLANT AND EQUIPMENT (Continued)

- (d) The carrying amount of freehold land and buildings and port facilities would have been HK\$2,272,162,000 (2009: HK\$347,564,000) and HK\$232,797,000 (2009: HK\$217,844,000), respectively, had they been stated in the financial statements at cost less aggregate depreciation and accumulated impairment losses.
- (e) The carrying amount of the hotel property would have been HK\$673,775,000 (2009: HK\$684,128,000) had they been stated in the financial statements at cost less aggregate depreciation and accumulated impairment losses.

| | Company | | |
|-------------------------------|------------------------------------|--|-------------------|
| | Leasehold improvements HK\$'000 | Motor vehicles, furniture, fixtures and office equipment HK\$'000 | Total HK\$'000 |
| Cost | | | |
| At 1 January 2010 | 472 | 8,966 | 9,438 |
| Additions, at cost | – | 700 | 700 |
| Disposals | (472) | (478) | (950) |
| At 31 December 2010 | – | 9,188 | 9,188 |
| Aggregate depreciation | | | |
| At 1 January 2010 | 450 | 5,531 | 5,981 |
| Charge for the year | 9 | 1,506 | 1,515 |
| Disposals | (459) | (442) | (901) |
| At 31 December 2010 | – | 6,595 | 6,595 |
| Net book value | | | |
| As at 31 December 2010 | – | 2,593 | 2,593 |

| | Company | | |
|------------------------|------------------------------------|--|-------------------|
| | Leasehold improvements HK\$'000 | Motor vehicles, furniture, fixtures and office equipment HK\$'000 | Total HK\$'000 |
| Cost | | | |
| At 1 January 2009 | 472 | 9,321 | 9,793 |
| Additions, at cost | – | 114 | 114 |
| Disposals | – | (469) | (469) |
| At 31 December 2009 | 472 | 8,966 | 9,438 |
| Aggregate depreciation | | | |
| At 1 January 2009 | 395 | 4,373 | 4,768 |
| Charge for the year | 55 | 1,557 | 1,612 |
| Disposals | – | (399) | (399) |
| At 31 December 2009 | 450 | 5,531 | 5,981 |
| Net book value | | | |
| As at 31 December 2009 | 22 | 3,435 | 3,457 |

Notes to the Financial Statements

14 PROPERTY, PLANT AND EQUIPMENT (Continued)

(f) The Group's warehouses and logistic centres at their net book values are analysed as follows:

| | As at 31 December | | As at 1 January |
|----------------------------------|-------------------|------------------|--------------------------------|
| | 2010 HK\$'000 | 2009 HK\$'000 | 2009 HK\$'000 (restated) |
| In Hong Kong, held on: | | | |
| Leases of between 10 to 50 years | 957,500 | 639,700 | 628,100 |
| Outside Hong Kong, held on: | | | |
| Leases of over 50 years | 133,162 | 12,157 | 12,229 |
| Leases of between 10 to 50 years | 484,088 | 375,250 | 345,917 |
| | 1,574,750 | 1,027,107 | 986,246 |

15 INVESTMENT PROPERTIES

| | Group | |
|-----------------------------|-------------------|------------------|
| | 2010 HK\$'000 | 2009 HK\$'000 |
| At 1 January | 34,857,247 | 29,709,611 |
| Additions | 678,948 | 412,234 |
| Acquisition of subsidiaries | – | 19,982 |
| Increase in fair value | 3,009,676 | 2,368,339 |
| Disposals | (312,558) | (680,033) |
| Transfer | 17,184 | 3,003,251 |
| Exchange adjustment | 598,500 | 23,863 |
| At 31 December | 38,848,997 | 34,857,247 |

- (a) As at 31 December 2010, investment properties amounting to HK\$4,546,950,000 (2009: HK\$3,133,447,000) were pledged as securities for bank loan facilities granted to the Group (note 42).
- (b) Investment properties were valued by DTZ Debenham Tie Leung Limited and Savills Valuation and Professional Services Limited, independent professional valuers, on an open market value basis as at 31 December 2010.
- (c) The Group's investment properties at their net book values are analysed as follows:

| | 2010 HK\$'000 | 2009 HK\$'000 |
|----------------------------------|-------------------|------------------|
| In Hong Kong, held on: | | |
| Leases of over 50 years | 9,624,000 | 8,552,000 |
| Leases of between 10 to 50 years | 10,533,800 | 9,778,200 |
| Outside Hong Kong, held on: | | |
| Leases of over 50 years | 1,748,266 | 1,648,609 |
| Leases of between 10 to 50 years | 16,942,931 | 14,878,438 |
| | 38,848,997 | 34,857,247 |

16 LEASEHOLD LAND AND LAND USE RIGHTS

| | 2010 HK\$'000 | 2009 HK\$'000 (restated) |
|---|------------------|--------------------------------|
| At 1 January, as previously reported | 389,213 | 520,176 |
| Adjustment for adoption of amendment to HKAS 17 | (71,307) | (197,097) |
| At 1 January, as restated | 317,906 | 323,079 |
| Additions | 223 | 1,533 |
| Acquisition of a subsidiary | 75,209 | – |
| Amortisation | (7,642) | (5,085) |
| Transfer | 21,520 | (2,153) |
| Exchange adjustment | 15,231 | 532 |
| At 31 December | 422,447 | 317,906 |

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

| | As at 31 December | | As at 1 January |
|----------------------------------|-------------------|--------------------------------|--------------------------------|
| | 2010 HK\$'000 | 2009 HK\$'000 (restated) | 2009 HK\$'000 (restated) |
| Outside Hong Kong, held on: | | | |
| Leases of over 50 years | 91,761 | 1,813 | 2,008 |
| Leases of between 10 to 50 years | 330,686 | 316,093 | 321,071 |
| | 422,447 | 317,906 | 323,079 |

As at 31 December 2010, leasehold land and land use rights amounting to HK\$91,761,000 (2009: HK\$1,813,000) were pledged as securities for bank loan facilities granted to the Group (note 42).

17 PROPERTIES UNDER DEVELOPMENT

| | 2010 HK\$'000 | 2009 HK\$'000 (restated) |
|---|--------------------|--------------------------------|
| At 1 January, as previously reported | 23,954,854 | 26,139,607 |
| Adjustment for adoption of amendment to HKAS 17 | – | 122,672 |
| At 1 January, as restated | 23,954,854 | 26,262,279 |
| Additions | 4,795,267 | 3,221,922 |
| Acquisition of subsidiaries | 51,161 | 856,131 |
| Disposals | – | (47,000) |
| Transfer | (2,154,054) | (6,355,480) |
| Impairment | (11,888) | – |
| Exchange adjustment | 447,904 | 17,002 |
| At 31 December | 27,083,244 | 23,954,854 |

Notes to the Financial Statements

17 PROPERTIES UNDER DEVELOPMENT (Continued)

| | As at 31 December | | As at 1 January |
|---------------------------------------|-------------------|------------------|--------------------------------|
| | 2010 HK\$'000 | 2009 HK\$'000 | 2009 HK\$'000 (restated) |
| The above are represented by: | | | |
| Amount included in non-current assets | | | |
| Hong Kong | 4,089,878 | 2,800,436 | 7,400,779 |
| PRC (note (a)) | 12,822,635 | 10,517,895 | 12,903,374 |
| Overseas | 69,872 | 36,787 | 25,121 |
| | 16,982,385 | 13,355,118 | 20,329,274 |
| Amount included in current assets | | | |
| Hong Kong | 8,273,585 | 8,374,583 | 4,366,149 |
| PRC | 1,827,274 | 2,225,153 | 1,566,856 |
| | 10,100,859 | 10,599,736 | 5,933,005 |
| | 27,083,244 | 23,954,854 | 26,262,279 |

- (a) As at 31 December 2010, the balance included land use rights amounting to HK\$5,906,532,000 (2009: HK\$6,007,334,000) that the respective development plans were subject to approval from relevant government authorities. Upon approval of the plans, certain portion of these land use rights would be transferred to investment properties (note 2(g)).

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

| | As at 31 December | | As at 1 January |
|--|-------------------|------------------|--------------------------------|
| | 2010 HK\$'000 | 2009 HK\$'000 | 2009 HK\$'000 (restated) |
| In Hong Kong, held on: | | | |
| Leases of over 50 years | 5,814,075 | 4,376,633 | 2,972,134 |
| Leases of between 10 to 50 years | 6,549,388 | 6,798,386 | 8,794,794 |
| Outside Hong Kong, held on: | | | |
| Leases of over 50 years | 5,388,078 | 4,218,722 | 4,247,893 |
| Leases of between 10 to 50 years | 9,313,268 | 8,558,493 | 10,244,729 |
| Freehold land and buildings | 18,435 | 2,620 | 2,729 |
| | 27,083,244 | 23,954,854 | 26,262,279 |
| Leasehold land classified as operating lease included as above | 11,694,324 | 10,347,645 | 11,390,865 |

As at 31 December 2010, properties under development amounting to HK\$1,386,672,000 (2009: HK\$1,099,629,000) were pledged as securities for bank loan facilities granted to the Group (note 42).

As at 31 December 2010, certificates of land use rights with net book values amounting to HK\$3,103,560,000 (2009: HK\$2,975,592,000) included in properties under development were still in the progress of being obtained.

18 SUBSIDIARIES

| | Company | |
|--|-------------------|------------------|
| | 2010 HK\$'000 | 2009 HK\$'000 |
| Unlisted shares, at cost (note (a)) | 18,643,700 | 18,643,700 |
| Amounts due from subsidiaries (note (b)) | 17,472,313 | 16,003,701 |
| | 36,116,013 | 34,647,401 |

- (a) Details of principal subsidiaries are set out in note 44 to the financial statements.
- (b) The amounts due from subsidiaries are unsecured, have no fixed terms of repayment and are interest-free except for an amount of HK\$6,000,000,000 (2009: HK\$2,825,000,000) which bears interest at prevailing market rates.

19 ASSOCIATES

| | Group | |
|--|------------------|------------------|
| | 2010 HK\$'000 | 2009 HK\$'000 |
| Unlisted investments | 4,969,873 | 3,766,134 |
| Listed equity securities, outside Hong Kong | 1,055,500 | 1,508,621 |
| Share of net assets, including goodwill (note (a)) | 6,025,373 | 5,274,755 |
| Amounts due from associates (note (b)) | 2,663,477 | 2,226,631 |
| Amounts due to associates (note (c)) | (63,145) | (62,088) |
| | 8,625,705 | 7,439,298 |
| Market value of listed securities | 619,630 | 1,227,836 |

- (a) Details of principal associates are set out in note 44 to the financial statements.
- (b) The amounts due from associates are unsecured, have no fixed terms of repayment and are interest-free except for amounts totalling HK\$1,702,584,000 (2009: HK\$1,427,196,000) which bear interest at prevailing market rates.
- (c) The amounts due to associates are unsecured, interest-free and not repayable within twelve months from the end of each reporting period.
- (d) The Group's share of results of its associates and its aggregate assets and liabilities are as follows:

| | 2010 HK\$'000 | 2009 HK\$'000 |
|--|------------------|------------------|
| Aggregate attributable amounts of total assets | 17,449,185 | 12,907,333 |
| Aggregate attributable amounts of total liabilities | 11,423,812 | 7,765,517 |
| Aggregate attributable amounts of total revenue | 2,552,815 | 1,784,438 |
| Aggregate attributable amounts of net profit after tax | 1,295,314 | 920,621 |

Notes to the Financial Statements

20 DERIVATIVE FINANCIAL INSTRUMENTS

| | Group and Company | | | |
|--|--------------------|-------------------------|--------------------|-------------------------|
| | 2010 | | 2009 | |
| | Assets HK\$'000 | Liabilities HK\$'000 | Assets HK\$'000 | Liabilities HK\$'000 |
| Non-current | | | | |
| Cross currency swap contracts, at fair value (note (a)) | 80,609 | – | 14,263 | – |
| Current | | | | |
| Interest rate swap contracts, at fair value (note (b)) | – | – | – | 79,960 |
| Total | 80,609 | – | 14,263 | 79,960 |

- (a) The total principal amounts of the outstanding cross currency swap contracts as at 31 December 2010 are US\$310,000,000 (2009: US\$90,000,000).

During the year ended 31 December 2010, the Company entered into certain new cross currency swap contracts amounting to US\$220,000,000 (equivalent to HK\$1,710,661,000). There were no principal exchange at inception but will have principal exchange upon the expiration of these contracts in August 2016 at an average exchange rate of approximately US\$1 to HK\$7.776. Under these contracts, the fixed interest rates ranging from 5.63% to 5.74% per annum on the HK dollars principal amount would be paid and the fixed rate of 6.375% per annum on the US dollar principal amounts would be received.

During the year ended 31 December 2009, the principal amounts under the outstanding cross currency swap contracts amounting to US\$90,000,000 has been exchanged at inception in August 2009 and will be re-exchanged on expiry date in August 2014 at an average exchange rate of US\$1 to HK\$7.75. Under these contracts, the fixed interest rates ranging from 5.85% to 5.90% per annum on the exchanged Hong Kong dollar principal amounts would be paid and the fixed interest rate at 6.375% per annum on the US dollar principal amounts would be received.

- (b) The interest rate swap contracts which had the economic effect of converting borrowings from floating rates to fixed rates were expired in 2010. At 31 December 2009, the notional principal amounts of the outstanding interest rate swap contracts were HK\$2,300,000,000 and the fixed interest rates were 4.56% per annum.

21 AVAILABLE-FOR-SALE INVESTMENTS

| | Group | |
|--|------------------|------------------|
| | 2010 HK\$'000 | 2009 HK\$'000 |
| Listed equity securities, at fair value | 604,699 | 435,349 |
| Unlisted equity securities, at fair value | 1,261,043 | 1,065,685 |
| | 1,865,742 | 1,501,034 |
| Market value of listed securities in Hong Kong | 604,699 | 435,349 |

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

| | Group | |
|--|------------------|------------------|
| | 2010 HK\$'000 | 2009 HK\$'000 |
| Trade receivables (note (a)) | 2,470,602 | 1,447,060 |
| Less: Provision for impairment of receivables (note (b)) | (47,057) | (44,219) |
| Trade receivables – net | 2,423,545 | 1,402,841 |
| Second mortgage loans receivable | 16,162 | 24,536 |
| Others | 1,238,735 | 1,031,701 |
| | 3,678,442 | 2,459,078 |
| Less: long-term receivables (note (c)) | (15,426) | (23,409) |
| Current portion | 3,663,016 | 2,435,669 |

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

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

| | 2010 HK\$'000 | 2009 HK\$'000 |
|----------------------|------------------|------------------|
| Hong Kong dollar | 1,302,704 | 904,452 |
| Renminbi | 1,195,567 | 796,808 |
| United States dollar | 24,274 | 197,430 |
| Pound sterling | 173,398 | 142,101 |
| Other currencies | 982,499 | 418,287 |
| | 3,678,442 | 2,459,078 |

Notes to the Financial Statements

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

- (a) The Group maintains defined credit policies and applies those appropriate to the particular business circumstances of the Group. At 31 December 2010, the ageing analysis of the trade receivables based on date of the invoice and net of provision for impairment of the Group were as follows:

| | 2010 HK\$'000 | 2009 HK\$'000 |
|------------------------------|------------------|------------------|
| Below 1 month | 1,547,057 | 756,289 |
| Between 1 month and 3 months | 691,780 | 535,751 |
| Over 3 months | 184,708 | 110,801 |
| | 2,423,545 | 1,402,841 |

There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers. The credit quality of the receivables that are neither past due nor impaired can be assessed by the good repayment history and no default in the past.

According to credit terms, trade receivables that are less than three months past due are not considered impaired. As of 31 December 2010, trade receivables of HK\$535,383,000 (2009: HK\$447,381,000) were past due but not impaired. These relate to a number of independent customers of whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

| | 2010 HK\$'000 | 2009 HK\$'000 |
|----------------|------------------|------------------|
| Up to 3 months | 425,152 | 381,559 |
| Over 3 months | 110,231 | 65,822 |

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

- (b) As of 31 December 2010, trade receivables of HK\$47,057,000 (2009: HK\$44,219,000) were impaired and fully provided. The individually impaired receivables mainly relate to those customers which are in unexpected difficult economic situations.

Movements on the provision for impairment of receivables are as follows:

| | 2010 HK\$'000 | 2009 HK\$'000 |
|--|------------------|------------------|
| At 1 January | 44,219 | 36,113 |
| Provision for impairment of receivables | 22,770 | 14,445 |
| Receivables written off during the year as uncollectible | (6,068) | (2,258) |
| Release of provision | (14,673) | (4,679) |
| Exchange differences | 809 | 598 |
| At 31 December | 47,057 | 44,219 |

The creation and release of provision for impaired receivables have been included in administrative expenses in the consolidated income statement. Amounts charged to the allowance account are written off when there is no expectation of recovery.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above. Except for the second mortgage loans receivable, the Group does not hold any collateral as security.

- (c) The amount represents non-current portion of second mortgage loans to buyers of certain properties developed by the Group at prevailing market rate.

23 GOODWILL

| | Group | |
|--|------------------|------------------|
| | 2010 HK\$'000 | 2009 HK\$'000 |
| At 1 January | 523,012 | 508,749 |
| Arising from acquisition of subsidiaries | 475,344 | 14,004 |
| Arising from purchase of additional interest in subsidiaries | – | 9,707 |
| Impairment | (40,407) | (9,448) |
| At 31 December | 957,949 | 523,012 |

Notes to the Financial Statements

23 GOODWILL (Continued)

Impairment tests for goodwill

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

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

| | 2010 HK\$'000 | 2009 HK\$'000 |
|----------------|------------------|------------------|
| PRC | 257,661 | 276,891 |
| Taiwan | 303,545 | – |
| India | 135,403 | – |
| Hong Kong | 20,552 | 33,932 |
| United Kingdom | 89,176 | 89,176 |
| Others | 151,612 | 123,013 |
| | 957,949 | 523,012 |

The recoverable amount of a CGU is determined based on higher of an asset's fair value less costs to sell and value-in-use calculations. As 31 December 2010, the recoverable amount of all CGUs were determined based on value-in-use calculation except that for Taiwan which was determined based on fair value less costs to sell with reference to its market share price. The value-in-use calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below:

Key assumptions used for value-in-use calculations

For the year ended 31 December 2010

| | Logistics | | | | |
|---------------|-----------|----------|-----------|----------------|-----------|
| | PRC | India | Hong Kong | United Kingdom | Others |
| Gross margin | 4% – 5% | 3% – 14% | 5% | 4% – 8% | 3% – 42% |
| Growth rate | 3% | 5% | 1% | 1% | 1% – 3% |
| Discount rate | 12% | 14% | 10% | 11% | 10% – 13% |

For the year ended 31 December 2009

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

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

Management determined budgeted gross margin and growth rates based on past performance and its expectations of the market development. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments. Assuming growth rate decreased by 50 basis points and discount rate increased by 50 basis points, there is still sufficient headroom and no further impairment charge is required for the goodwill at 31 December 2010.

24 COMPLETED PROPERTIES HELD FOR SALE

| | Group | | |
|------------------------------------|-------------------|--------------------------------|--------------------------------|
| | As at 31 December | | As at 1 January |
| | 2010 HK\$'000 | 2009 HK\$'000 (restated) | 2009 HK\$'000 (restated) |
| Leasehold land and land use rights | 876,403 | 2,686,589 | 332,897 |
| Other development costs | 866,288 | 1,691,673 | 486,235 |
| | 1,742,691 | 4,378,262 | 819,132 |

These completed properties held for sale are located in Hong Kong and the PRC.

25 LISTED SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

| | Group | |
|-----------------------------------|------------------|------------------|
| | 2010 HK\$'000 | 2009 HK\$'000 |
| Listed securities | | |
| – Hong Kong | 225,553 | 162,162 |
| – Malaysia | 120 | 91 |
| Market value of listed securities | 225,673 | 162,253 |

26 RESTRICTED AND PLEDGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

(a) Restricted and pledged bank deposits

| | Group | | Company | |
|---------------------------------|------------------|------------------|------------------|------------------|
| | 2010 HK\$'000 | 2009 HK\$'000 | 2010 HK\$'000 | 2009 HK\$'000 |
| Restricted bank deposits (i) | 135,040 | 48,677 | – | – |
| Pledged bank deposits (note 42) | – | 113 | – | – |
| | 135,040 | 48,790 | – | – |

- (i) As at 31 December 2010, the Group's bank balances amounting to approximately HK\$135,040,000 (2009: HK\$48,677,000) were deposited in certain banks respectively as guarantee deposits for bank facilities of the Group, including mortgage loan facilities (note 41(a)(iii)) granted by the banks to the purchasers of the Group's certain properties.

Notes to the Financial Statements

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

(b) Cash and cash equivalents

| | Group | | Company | |
|-----------------------------------|------------------|------------------|------------------|------------------|
| | 2010 HK\$'000 | 2009 HK\$'000 | 2010 HK\$'000 | 2009 HK\$'000 |
| Cash at bank and in hand | 4,777,052 | 3,678,112 | 19,446 | 130,512 |
| Short-term bank deposits (i) | 5,687,164 | 2,977,473 | 1,922,876 | 68,422 |
| Cash and bank balances | 10,464,216 | 6,655,585 | 1,942,322 | 198,934 |
| Secured bank overdrafts (note 42) | – | (1,065) | – | – |
| Unsecured bank overdrafts | (20,701) | (468) | – | – |
| Cash and cash equivalents | 10,443,515 | 6,654,052 | 1,942,322 | 198,934 |

Cash and cash equivalents are denominated in the following currencies:

| | Group | | Company | |
|----------------------|------------------|------------------|------------------|------------------|
| | 2010 HK\$'000 | 2009 HK\$'000 | 2010 HK\$'000 | 2009 HK\$'000 |
| Renminbi | 5,410,724 | 4,099,652 | – | – |
| Hong Kong dollar | 3,366,470 | 1,776,004 | 1,619,853 | 48,976 |
| United States dollar | 809,573 | 335,242 | 240,972 | 81,441 |
| Other currencies | 856,748 | 443,154 | 81,497 | 68,517 |
| | 10,443,515 | 6,654,052 | 1,942,322 | 198,934 |

- (i) The effective interest rate on short-term bank deposits was 1.05% (2009: 1.18%) per annum; these deposits have an average maturity of less than 2 months.

27 ACCOUNTS PAYABLE, DEPOSITS RECEIVED AND ACCRUED CHARGES

| | Group | |
|----------------------------|------------------|------------------|
| | 2010 HK\$'000 | 2009 HK\$'000 |
| Trade payables | 992,639 | 690,979 |
| Construction costs payable | 1,068,533 | 1,072,958 |
| Rental deposits | 516,105 | 480,753 |
| Sales deposits | 878,842 | 2,201,125 |
| Others | 2,717,109 | 1,490,704 |
| | 6,173,228 | 5,936,519 |

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

The ageing analysis of trade payables of the Group as at 31 December 2010 was as follows:

| | 2010 HK\$'000 | 2009 HK\$'000 |
|------------------------------|------------------|------------------|
| Below 1 month | 774,451 | 382,609 |
| Between 1 month and 3 months | 136,717 | 198,649 |
| Over 3 months | 81,471 | 109,721 |
| | 992,639 | 690,979 |

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

| | 2010 HK\$'000 | 2009 HK\$'000 |
|----------------------|------------------|------------------|
| Renminbi | 2,640,411 | 2,951,349 |
| Hong Kong dollar | 2,176,115 | 2,476,662 |
| United States dollar | 31,586 | 19,308 |
| Pound Sterling | 225,415 | 186,369 |
| Other currencies | 1,099,701 | 302,831 |
| | 6,173,228 | 5,936,519 |

28 BANK LOANS

| | Group | | Company | |
|---------------------|-------------------|-------------------|------------------|------------------|
| | 2010 HK\$'000 | 2009 HK\$'000 | 2010 HK\$'000 | 2009 HK\$'000 |
| Non-current | | | | |
| Bank loans | | | | |
| – unsecured | 5,956,700 | 9,301,524 | – | 2,825,000 |
| – secured (note 42) | 921,091 | 317,987 | – | – |
| | 6,877,791 | 9,619,511 | – | 2,825,000 |
| Current | | | | |
| Bank loans | | | | |
| – unsecured | 7,855,606 | 401,541 | 6,000,000 | – |
| – secured (note 42) | 75,554 | 28,241 | – | – |
| | 7,931,160 | 429,782 | 6,000,000 | – |
| Total bank loans | 14,808,951 | 10,049,293 | 6,000,000 | 2,825,000 |

Notes to the Financial Statements

28 BANK LOANS (Continued)

The maturity of bank loans is as follows:

| | Group | | Company | |
|--------------------------|------------------|------------------|------------------|------------------|
| | 2010 HK\$'000 | 2009 HK\$'000 | 2010 HK\$'000 | 2009 HK\$'000 |
| Within 1 year | 7,931,160 | 429,782 | 6,000,000 | – |
| Between 1 and 2 years | 4,337,988 | 4,152,844 | – | 2,770,000 |
| Between 2 and 5 years | 2,025,600 | 5,378,117 | – | 55,000 |
| Repayable within 5 years | 14,294,748 | 9,960,743 | 6,000,000 | 2,825,000 |
| Over 5 years | 514,203 | 88,550 | – | – |
| | 14,808,951 | 10,049,293 | 6,000,000 | 2,825,000 |

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

| | 2010 | | | 2009 | | |
|------------|-------|-------|-------|-------|-------|-------|
| | HK\$ | US\$ | RMB | HK\$ | US\$ | RMB |
| Bank loans | 1.06% | 0.87% | 5.72% | 1.01% | 0.85% | 5.16% |

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

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

| | Group | | Company | |
|----------------------|------------------|------------------|------------------|------------------|
| | 2010 HK\$'000 | 2009 HK\$'000 | 2010 HK\$'000 | 2009 HK\$'000 |
| Hong Kong dollar | 13,042,500 | 9,280,000 | 6,000,000 | 2,825,000 |
| United States dollar | 229,433 | 135,711 | – | – |
| Renminbi | 1,182,763 | 345,613 | – | – |
| Other currencies | 354,255 | 287,969 | – | – |
| | 14,808,951 | 10,049,293 | 6,000,000 | 2,825,000 |

29 CONVERTIBLE BONDS

- (a) On 8 April 2005, Wise Insight Finance Limited, a wholly-owned subsidiary of the Company, issued an aggregate principal amount of HK\$2,500,000,000 zero-coupon guaranteed convertible bonds which are due in April 2010 at a redemption price of 119.354% of the principal amount. The bonds are guaranteed by the Company as to repayments, and are convertible into ordinary shares of HK\$1 per share in the Company at an initial conversion price of HK\$25.955 per share. The conversion price is subject to adjustment in certain events set out in the Trust Deed dated 8 April 2005.

During the year ended 31 December 2010, an aggregate principal amount of HK\$121,000,000 of the convertible bonds has been converted into an aggregate of 4,661,914 ordinary shares of HK\$1 each of the Company. Since the issue date, an aggregate principal amount of HK\$2,500,000,000 had been fully converted into an aggregate of 96,320,509 ordinary shares of the Company.

29 CONVERTIBLE BONDS (Continued)

- (b) On 22 February 2007, Gainlead International Limited, a wholly-owned subsidiary of the Company, issued an aggregate principal amount of HK\$2,350,000,000 zero-coupon guaranteed convertible bonds which are due in February 2012 at a redemption price of 117.203% of the principal amount. The bonds are guaranteed by the Company as to repayments, and are convertible into ordinary shares of HK\$1 per share in the Company at an initial conversion price of HK\$52.65 per share. The conversion price is subject to adjustment in certain events set out in the Trust Deed dated 22 February 2007.

During the year ended 31 December 2010, there had been no conversion of the convertible bonds into shares of the Company by the bondholders and no redemption of the convertible bonds by Gainlead International Limited.

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

The fair value of the liability component was calculated using a market interest rate for a bond with the same tenure but with no conversion features. The residual amount, representing the value of the equity component, is credited to a convertible bonds reserve under equity attributable to the Company's shareholders.

The convertible bonds recognised in the consolidated statement of financial position are calculated as follows:

| | Convertible bonds issued by Wise Insight Finance Limited HK\$'000 | Convertible bonds issued by Gainlead International Limited HK\$'000 |
|---|--|--|
| Face value of convertible bonds at issue date | 2,500,000 | 2,350,000 |
| Less: equity component | (145,250) | (207,740) |
| Liability component on initial recognition | 2,354,750 | 2,142,260 |
| Less: direct issue costs attributable to liability component | (28,356) | (22,555) |
| Liability component on initial recognition, net of direct issue costs | 2,326,394 | 2,119,705 |

| | Convertible bonds issued by Wise Insight Finance Limited HK\$'000 | Convertible bonds issued by Gainlead International Limited HK\$'000 | Total HK\$'000 |
|---|--|--|-------------------|
| Liability component on initial recognition, net of direct issue costs | 2,326,394 | 2,119,705 | 4,446,099 |
| Add: imputed finance cost in prior years | 267,463 | 342,533 | 609,996 |
| Less: amount being converted in prior years | (2,451,331) | – | (2,451,331) |
| Liability component at 31 December 2009 | 142,526 | 2,462,238 | 2,604,764 |
| Add: imputed finance cost in 2010 (note 8) | 1,756 | 132,397 | 134,153 |
| Less: amount being converted | (144,282) | – | (144,282) |
| Liability component at 31 December 2010 | – | 2,594,635 | 2,594,635 |

Notes to the Financial Statements

29 CONVERTIBLE BONDS (Continued)

The fair value of the liability component of the convertible bonds issued by Gainlead International Limited at 31 December 2010 amounted to approximately HK\$2,717,704,000 (2009: HK\$2,648,838,000). The fair value is calculated using cash flows discounted at a rate based on the borrowing rate of 1.12% per annum.

Imputed finance cost on the bonds is calculated using the effective interest method by applying the effective interest rate of 5.10% per annum for the convertible bonds issued by Wise Insight Finance Limited and 5.38% per annum for the convertible bonds issued by Gainlead International Limited.

30 FIXED RATE BONDS

On 25 August 2006, Gain Silver Finance Limited, a wholly-owned subsidiary of the Company, issued fixed rate bonds in the aggregate principal amount of US\$420,000,000. The fixed rate bonds are guaranteed by the Company as to repayment, and carry a coupon rate of 6.375% per annum and have a maturity term of 10 years.

The fixed rate bonds are listed on the Singapore Exchange Securities Trading Limited. The market value of the fixed rate bonds as at 31 December 2010 was HK\$3,562,919,000 (2009: HK\$3,328,414,000).

31 AMOUNTS DUE TO NON-CONTROLLING INTERESTS – GROUP

The amounts due to non-controlling interests represent proportionate funding from the non-controlling interests of joint venture projects including an amount of approximately HK\$589,955,000 (2009: HK\$584,569,000) due to certain subsidiaries of Shangri-La Asia Limited, a related company whose shares are listed on The Stock Exchange of Hong Kong Limited and an amount of approximately HK\$241,698,000 (2009: HK\$236,093,000) due to certain subsidiaries of Kerry Holdings Limited, an indirect holding company of the Company. These loans are unsecured, subordinated to the bank loans of the relevant subsidiaries, not repayable within twelve months from the end of reporting period, and interest-free except for an amount of HK\$889,783,000 (2009: HK\$855,690,000) which bears interest at prevailing market rates.

The carrying values of the Group's amounts due to non-controlling interests are denominated in the following currencies:

| | 2010 HK\$'000 | 2009 HK\$'000 |
|----------------------|------------------|------------------|
| Hong Kong dollar | 2,585,871 | 2,532,581 |
| United States dollar | 198,911 | 198,435 |
| Other currencies | 69,903 | 65,055 |
| | 2,854,685 | 2,796,071 |

32 DEFERRED TAXATION

| | Group | |
|--|------------------|--------------------------------|
| | 2010 HK\$'000 | 2009 HK\$'000 (restated) |
| At 1 January, as previously reported | 4,280,060 | 3,661,109 |
| Adjustment for adoption of amendment to HKAS 17 | 38,582 | 29,211 |
| At 1 January, as restated | 4,318,642 | 3,690,320 |
| Acquisition of subsidiaries | 246,145 | 25 |
| Deferred taxation charged to income statement | 682,584 | 627,343 |
| Deferred taxation charged/(credited) to other comprehensive income | 74,058 | (3,699) |
| Exchange adjustment | 105,128 | 4,653 |
| At 31 December | 5,426,557 | 4,318,642 |

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through the future taxable profits is probable. The Group has unrecognised tax losses of HK\$2,111,137,000 (2009: HK\$1,924,996,000) to be carried forward in offsetting the future taxable income. These tax losses have no expiry dates except for the tax losses of HK\$174,779,000 (2009: HK\$121,215,000) which will expire at various dates up to and including year 2019 (2009: year 2018).

As at 31 December 2010, the aggregate amount of unrecognised deferred tax liabilities associated with investments in subsidiaries totalled approximately HK\$432,869,000 (2009: HK\$344,951,000), as the Directors consider that the timing of reversal of the related temporary differences can be controlled and the temporary differences will not reverse in the foreseeable future.

The movements in deferred tax (assets) and liabilities during the year were as follows:

| | Group | | | | |
|---|-------------------------|---|------------------------|--------------------|-------------------|
| | Revaluation HK\$'000 | Accelerated depreciation allowances HK\$'000 | Tax losses HK\$'000 | Others HK\$'000 | Total HK\$'000 |
| At 1 January 2010, as previously reported | 3,842,185 | 390,109 | (145,168) | 192,934 | 4,280,060 |
| Adjustment for adoption of amendment to HKAS 17 | 38,582 | – | – | – | 38,582 |
| At 1 January 2010, as restated | 3,880,767 | 390,109 | (145,168) | 192,934 | 4,318,642 |
| Acquisition of subsidiaries | 246,145 | – | – | – | 246,145 |
| Deferred taxation charged to income statement | 585,479 | 18,486 | 33,655 | 44,964 | 682,584 |
| Deferred taxation charged to other comprehensive income | 74,058 | – | – | – | 74,058 |
| Exchange adjustment | 77,594 | 23,079 | (37) | 4,492 | 105,128 |
| At 31 December 2010 | 4,864,043 | 431,674 | (111,550) | 242,390 | 5,426,557 |

Notes to the Financial Statements

32 DEFERRED TAXATION (Continued)

| | Group | | | | |
|---|---------------------------------------|---|------------------------|--------------------|---------------------------------|
| | Revaluation HK\$'000 (restated) | Accelerated depreciation allowances HK\$'000 | Tax losses HK\$'000 | Others HK\$'000 | Total HK\$'000 (restated) |
| At 1 January 2009, as previously reported | 3,010,238 | 729,371 | (170,299) | 91,799 | 3,661,109 |
| Adjustment for adoption of amendment to HKAS 17 | 29,211 | – | – | – | 29,211 |
| At 1 January 2009, as restated | 3,039,449 | 729,371 | (170,299) | 91,799 | 3,690,320 |
| Acquisition of subsidiaries | – | 25 | – | – | 25 |
| Deferred taxation charged/ (credited) to income statement | 841,798 | (337,462) | 25,132 | 97,875 | 627,343 |
| Deferred taxation credited to other comprehensive income | (3,699) | – | – | – | (3,699) |
| Exchange adjustment | 3,219 | (1,825) | (1) | 3,260 | 4,653 |
| At 31 December 2009 | 3,880,767 | 390,109 | (145,168) | 192,934 | 4,318,642 |

33 SHARE CAPITAL

| | Authorised Ordinary shares of HK\$1 each | |
|------------------------------|---|------------|
| | No. of shares | HK\$'000 |
| At 31 December 2009 and 2010 | 10,000,000,000 | 10,000,000 |

| | Issued and fully paid Ordinary shares of HK\$1 each | | | |
|--|--|-----------|---------------|-----------|
| | 2010 | | 2009 | |
| | No. of shares | HK\$'000 | No. of shares | HK\$'000 |
| At 1 January | 1,428,953,442 | 1,428,953 | 1,427,189,759 | 1,427,190 |
| Issue of shares as a result of exercise of share options (note (a)) | 2,415,924 | 2,416 | 1,763,683 | 1,763 |
| Issue of shares as a result of conversion of convertible bonds (note 29) | 4,661,914 | 4,662 | – | – |
| At 31 December | 1,436,031,280 | 1,436,031 | 1,428,953,442 | 1,428,953 |

- (a) During the year, a total of 2,415,924 share options were exercised at exercise prices of HK\$6.70, HK\$11.59, HK\$18.74 and HK\$17.58 per share. Details of movements in share options during the year are set out in note 34.
- (b) Proceeds received in respect of the shares issued following the exercise of the share options were used as additional working capital for the Group.

34 SHARE OPTIONS

(a) 1997 Share Option Scheme

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

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

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

| | 2010 | | 2009 | |
|--------------------------------------|---|-----------|---|-----------|
| | Weighted average exercise price in HK\$ per share | Number | Weighted average exercise price in HK\$ per share | Number |
| At 1 January | 8.61 | 280,872 | 7.31 | 1,059,555 |
| Exercised during the year (note (i)) | 9.69 | (103,924) | 6.83 | (778,683) |
| At 31 December (note (iii)) | 7.98 | 176,948 | 8.61 | 280,872 |

As at 31 December 2010, all the outstanding share options granted under the 1997 Share Option Scheme were exercisable. For the share options exercised during the year, the related weighted average share price at the time of exercise was HK\$38.18 (2009: HK\$33.24).

(i) Details of share options exercised:

| Exercise price per share (HK\$) | Number of share options | |
|---------------------------------|-------------------------|---------|
| | 2010 | 2009 |
| 6.70 | 40,302 | 80,000 |
| 11.59 | 63,622 | – |
| 6.85 | – | 698,683 |
| | 103,924 | 778,683 |

Total amount of proceeds received from the exercise of share options was HK\$1,007,402 (2009: HK\$5,321,979).

Notes to the Financial Statements

34 SHARE OPTIONS (Continued)

(a) 1997 Share Option Scheme (Continued)

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

| Expiry date | Exercise price per share (HK\$) | Number of share options | |
|-------------|---------------------------------------|-------------------------|---------|
| | | 2010 | 2009 |
| 31/05/2010 | 6.70 | – | 40,302 |
| 01/03/2011 | 11.59 | 42,208 | 105,830 |
| 15/04/2012 | 6.85 | 134,740 | 134,740 |
| | | 176,948 | 280,872 |

(iii) No share options were granted or granted for adjustment, cancelled or lapsed during the year (2009: Nil).

(b) 2002 Share Option Scheme

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

Details of the movement of the share options under the 2002 Share Option Scheme are as follows:

| | 2010 | | 2009 | |
|--------------------------------------|---|--------------------|---|------------|
| | Weighted average exercise price in HK\$ per share | Number | Weighted average exercise price in HK\$ per share | Number |
| At 1 January | 33.66 | 23,467,000 | 40.27 | 16,682,000 |
| Granted during the year | – | – | 17.58 | 7,830,000 |
| Exercised during the year (note (i)) | 17.87 | (2,312,000) | 18.74 | (985,000) |
| Lapsed during the year | 17.58 | (20,000) | 17.77 | (60,000) |
| At 31 December (note (ii)) | 35.40 | 21,135,000 | 33.66 | 23,467,000 |

As at 31 December 2010, 11,065,000 (2009: 6,387,000) outstanding options granted under the 2002 Share Option Scheme were exercisable (note (ii)). For the share options exercised during the year, the related weighted average share price at the time of exercise was HK\$41.07 (2009: HK\$41.25).

34 SHARE OPTIONS (Continued)

(b) 2002 Share Option Scheme (Continued)

(i) Details of share options exercised:

| Exercise price per share (HK\$) | Number of share options | |
|------------------------------------|-------------------------|---------|
| | 2010 | 2009 |
| 18.74 | 582,000 | 985,000 |
| 17.58 | 1,730,000 | – |
| | 2,312,000 | 985,000 |

Total amount of proceeds received from the exercise of share options was HK\$41,320,080 (2009: HK\$18,458,900).

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

| Exercise period | Exercise price per share (HK\$) | Number of share options | |
|-------------------------|---------------------------------------|-------------------------|------------|
| | | 2010 | 2009 |
| 17/03/2006 – 16/03/2015 | 18.74 | 362,500* | 764,500* |
| 17/03/2007 – 16/03/2015 | 18.74 | 2,342,500* | 2,522,500* |
| 02/04/2009 – 01/04/2018 | 47.70 | 3,100,000* | 3,100,000* |
| 02/04/2010 – 01/04/2018 | 47.70 | 3,100,000* | 3,100,000 |
| 02/04/2011 – 01/04/2018 | 47.70 | 6,200,000 | 6,200,000 |
| 06/02/2010 – 05/02/2019 | 17.58 | 2,160,000* | 3,890,000 |
| 06/02/2011 – 05/02/2019 | 17.58 | 3,870,000 | 3,890,000 |
| | | 21,135,000 | 23,467,000 |

* Outstanding options that were exercisable at the end of the reporting periods of 2009 and 2010.

(iii) No share options were granted or granted for adjustment or cancelled during the year (2009: Nil).

35 SHARE PREMIUM

| | 2010 HK\$'000 | 2009 HK\$'000 |
|---|-------------------|------------------|
| At 1 January | 11,926,986 | 11,899,348 |
| Arising from exercise of share options (note 33(a)) | 39,911 | 22,017 |
| Transfer from share options reserve (note 36(g)) | 14,057 | 5,621 |
| Arising from conversion of convertible bonds | 146,566 | – |
| At 31 December | 12,127,520 | 11,926,986 |

Notes to the Financial Statements

36 OTHER RESERVES

| | Group | | | | | | | Total HK\$'000 |
|--|---|---|---|---|---|--------------------------------|----------------------------------|-------------------|
| | Hotel property revaluation reserve HK\$'000 | Other properties revaluation reserve HK\$'000 | Freehold land and buildings revaluation reserve HK\$'000 | Available- for-sale investments revaluation reserve HK\$'000 | Convertible bonds reserve HK\$'000 | Hedging reserve HK\$'000 | Others (note (a)) HK\$'000 | |
| At 1 January 2010, as previously reported | 161,349 | 576,981 | 53,241 | 886,624 | 212,498 | (5,585) | 10,578,894 | 12,464,002 |
| Adjustment for adoption of amendment to HKAS 17 | - | 599,616 | - | - | - | - | - | 599,616 |
| At 1 January 2010, as restated | 161,349 | 1,176,597 | 53,241 | 886,624 | 212,498 | (5,585) | 10,578,894 | 13,063,618 |
| On revaluation of properties (note (b)) | 55,431 | 91,418 | 46,288 | - | - | - | - | 193,137 |
| Deferred taxation charged directly to reserves | (16,535) | (18,645) | (10,050) | - | - | - | - | (45,230) |
| Fair value gain on available-for-sale investments (note (c)) | - | - | - | 317,751 | - | - | - | 317,751 |
| Share of fair value gain on cash flow hedge of an associate | - | - | - | - | - | 1,639 | - | 1,639 |
| Share of exchange reserve of an associate | - | - | - | - | - | - | 1,636 | 1,636 |
| Net translation differences on foreign operations | - | - | - | - | - | - | 1,110,214 | 1,110,214 |
| Transfer to share premium | - | - | - | - | - | - | (14,057) | (14,057) |
| Conversion of convertible bonds – equity component | - | - | - | - | (6,946) | - | - | (6,946) |
| Value of employee services | - | - | - | - | - | - | 57,864 | 57,864 |
| Transfer from retained profits | - | - | - | - | - | - | 982 | 982 |
| Acquisition of additional interest in subsidiaries | - | - | - | - | - | - | (12,231) | (12,231) |
| Reversal of reserve on dissolution of a subsidiary | - | - | - | - | - | - | 1 | 1 |
| At 31 December 2010 | 200,245 | 1,249,370 | 89,479 | 1,204,375 | 205,552 | (3,946) | 11,723,303 | 14,668,378 |

36 OTHER RESERVES (Continued)

| | Group | | | | | | | Total HK\$'000 |
|--|---|---|---|---|---|--------------------------------|----------------------------------|-------------------|
| | Hotel property revaluation reserve HK\$'000 | Other properties revaluation reserve HK\$'000 | Freehold land and buildings revaluation reserve HK\$'000 | Available- for-sale investments revaluation reserve HK\$'000 | Convertible bonds reserve HK\$'000 | Hedging reserve HK\$'000 | Others (note (a)) HK\$'000 | |
| At 1 January 2009, as previously reported | 189,430 | 586,614 | 45,329 | 647,818 | 212,498 | (8,047) | 10,324,863 | 11,998,505 |
| Adjustment for adoption of amendment to HKAS 17 | - | 549,351 | - | - | - | - | - | 549,351 |
| At 1 January 2009, as restated | 189,430 | 1,135,965 | 45,329 | 647,818 | 212,498 | (8,047) | 10,324,863 | 12,547,856 |
| On revaluation of properties (note (b)) | (34,682) | 42,433 | 11,239 | - | - | - | - | 18,990 |
| Deferred taxation credited/(charged) directly to reserves | 6,601 | (1,801) | (3,327) | - | - | - | - | 1,473 |
| Fair value gain on available-for-sale investments (note (c)) | - | - | - | 238,806 | - | - | - | 238,806 |
| Share of fair value gain on cash flow hedge of an associate | - | - | - | - | - | 2,462 | - | 2,462 |
| Share of exchange reserve of an associate | - | - | - | - | - | - | (807) | (807) |
| Net translation differences on foreign operations | - | - | - | - | - | - | 153,160 | 153,160 |
| Transfer to share premium | - | - | - | - | - | - | (5,621) | (5,621) |
| Value of employee services | - | - | - | - | - | - | 107,285 | 107,285 |
| Transfer from retained profits | - | - | - | - | - | - | 21 | 21 |
| Reversal of reserve on dissolution of a subsidiary | - | - | - | - | - | - | (7) | (7) |
| At 31 December 2009 | 161,349 | 1,176,597 | 53,241 | 886,624 | 212,498 | (5,585) | 10,578,894 | 13,063,618 |

Notes to the Financial Statements

36 OTHER RESERVES (Continued)

(a) Others

| | Group | | | | | | |
|--|--|-----------------------------------|--|---|---|--|-------------------|
| | Capital reserve (note (d)) HK\$'000 | Share options reserve HK\$'000 | Exchange fluctuation reserve HK\$'000 | Enterprise expansion and general reserve funds (note (e)) HK\$'000 | Capital redemption reserve (note (h)) HK\$'000 | Acquisition reserve (note (f)) HK\$'000 | Total HK\$'000 |
| At 1 January 2009 | 7,975,089 | 107,390 | 2,215,347 | 19,169 | 7,868 | - | 10,324,863 |
| Share of exchange reserve of an associate | - | - | (807) | - | - | - | (807) |
| Net translation differences on foreign operations | - | - | 153,160 | - | - | - | 153,160 |
| Transfer to share premium | - | (5,621) | - | - | - | - | (5,621) |
| Value of employee services | - | 107,285 | - | - | - | - | 107,285 |
| Transfer from retained profits | - | - | - | 21 | - | - | 21 |
| Reversal of reserve on dissolution of a subsidiary | (7) | - | - | - | - | - | (7) |
| At 31 December 2009 | 7,975,082 | 209,054 | 2,367,700 | 19,190 | 7,868 | - | 10,578,894 |
| At 1 January 2010 | 7,975,082 | 209,054 | 2,367,700 | 19,190 | 7,868 | - | 10,578,894 |
| Share of exchange reserve of an associate | - | - | 1,636 | - | - | - | 1,636 |
| Net translation differences on foreign operations | - | - | 1,110,214 | - | - | - | 1,110,214 |
| Transfer to share premium | - | (14,057) | - | - | - | - | (14,057) |
| Value of employee services | - | 57,864 | - | - | - | - | 57,864 |
| Transfer from retained profits | - | - | - | 982 | - | - | 982 |
| Acquisition of additional interest in subsidiaries | - | - | - | - | - | (12,231) | (12,231) |
| Reversal of reserve on dissolution of a subsidiary | 1 | - | - | - | - | - | 1 |
| At 31 December 2010 | 7,975,083 | 252,861 | 3,479,550 | 20,172 | 7,868 | (12,231) | 11,723,303 |

- (b) These represent surplus/(deficit) arising from revaluation of properties at the end of the reporting period. The accounting policies in respect of revaluation of properties are set out in note 2(e).
- (c) This represents surplus arising from valuation of the Group's available-for-sale investments at the end of the reporting period. The accounting policy in respect of valuation of available-for-sale investments is set out in note 2(k).
- (d) Capital reserve of the Group arose from the Group's reorganisation in preparation for its listing on The Stock Exchange of Hong Kong Limited in August 1996, adjusted by the excess or deficit of the fair values of the net assets of subsidiaries and associates subsequently acquired over the cost of investment at the date of acquisition before 1 January 2001.
- (e) Enterprise expansion and general reserve funds are set up by subsidiaries and associates established and operating in the PRC. According to the PRC Foreign Enterprise Accounting Standards, upon approval, the enterprise expansion reserve fund may be used for increasing capital while the general reserve fund may be used for making up losses and increasing capital.

36 OTHER RESERVES (Continued)

- (f) The acquisition reserve arose from the acquisition of additional interest or disposal of interest in subsidiaries that do not result in a loss of control by the Group, and represents any differences between the amount by which the non-controlling interests are adjusted (to reflect the changes in the interests in the subsidiaries) and the fair value of the consideration paid or received.
- (g) Other reserves of the Company

| | Contributed surplus HK\$'000 | Convertible bonds reserve HK\$'000 | Share options reserve HK\$'000 | Capital redemption reserves (note (h)) HK\$'000 | Total HK\$'000 |
|---|---------------------------------|---------------------------------------|-----------------------------------|---|-------------------|
| At 1 January 2009 | 17,793,308 | 212,498 | 107,390 | 7,868 | 18,121,064 |
| Transfer to share premium (note 35) | – | – | (5,621) | – | (5,621) |
| Value of employee services | – | – | 107,285 | – | 107,285 |
| At 31 December 2009 | 17,793,308 | 212,498 | 209,054 | 7,868 | 18,222,728 |
| At 1 January 2010 | 17,793,308 | 212,498 | 209,054 | 7,868 | 18,222,728 |
| Transfer to share premium (note 35) | – | – | (14,057) | – | (14,057) |
| Value of employee services | – | – | 57,864 | – | 57,864 |
| Conversion of convertible bonds – equity component | – | (6,946) | – | – | (6,946) |
| At 31 December 2010 | 17,793,308 | 205,552 | 252,861 | 7,868 | 18,259,589 |

The contributed surplus of the Company arose when the Company issued shares in exchange for the shares of companies being acquired, and represents the difference between the nominal value of the Company's shares issued and the value of net assets of the companies acquired. At Group level, the contributed surplus is reclassified into its components of reserves of the underlying subsidiaries.

- (h) The capital redemption reserve arose from the purchase of the Company's shares for cancellation during 1998 and 2002 and represents a transfer from the Company's retained profits equivalent to the nominal value of the shares purchased for cancellation.

Notes to the Financial Statements

37 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

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

| | Group | |
|--|------------------|--------------------------------|
| | 2010 HK\$'000 | 2009 HK\$'000 (restated) |
| Profit before taxation | 8,644,674 | 6,827,042 |
| Depreciation of property, plant and equipment and amortisation of leasehold land and land use rights | 271,554 | 228,715 |
| Dividend income from listed and unlisted investments | (79,905) | (69,514) |
| Finance costs | 38,973 | 62,804 |
| Interest income | (69,086) | (61,905) |
| Loss/(gain) on disposal of property, plant and equipment | 4,710 | (300) |
| Gain on sale of investment properties | (191,880) | (206,616) |
| Gain on sale of properties under development | – | (4,077) |
| Gain on remeasurement of previously held equity interest in an acquiree company | (54,203) | – |
| Loss/(gain) on disposal of associates | 1,486 | (6,283) |
| Fair value gain on listed securities at fair value through profit or loss | (63,410) | (59,968) |
| (Gain)/loss on sale of available-for-sale investments | (110) | 482 |
| Impairment of available-for-sale investments | 1,247 | – |
| Impairment of goodwill | 40,407 | 9,448 |
| Impairment of properties under development | 11,888 | – |
| Write-down of completed properties held for sale | 2,150 | – |
| Negative goodwill arising from acquisition of a subsidiary | – | (838) |
| Negative goodwill arising from acquisition of additional interest in a subsidiary | – | (7,361) |
| Increase in fair value of investment properties | (3,009,676) | (2,368,339) |
| Revaluation (surplus)/deficit on property, plant and equipment | (142) | 1,915 |
| Share of results of associates | (1,295,314) | (920,621) |
| Write off of investment in an associate | – | 1 |
| Reversal of reserves on dissolution of a subsidiary | 1 | (7) |
| Operating profit before working capital changes | 4,253,364 | 3,424,578 |
| Decrease in properties under development, completed properties held for sale and accounts receivable, prepayments and deposits | 3,516,820 | 291,837 |
| (Decrease)/increase in accounts payable, deposits received and accrued charges | (382,961) | 2,509,639 |
| Net cash generated from operations | 7,387,223 | 6,226,054 |

(b) Analysis of the net cash inflow/(outflow) in respect of the acquisition of subsidiaries

| | 2010 HK\$'000 | 2009 HK\$'000 |
|---|------------------|------------------|
| Cash consideration paid | (224,593) | (591,476) |
| Cash consideration paid for prior year's acquisition | (59,129) | (26,798) |
| Cash and bank balances acquired | 306,888 | 12,647 |
| Bank overdrafts acquired | (17,587) | – |
| Net cash inflow/(outflow) in respect of the acquisition of subsidiaries | 5,579 | (605,627) |

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

(c) Transactions with non-controlling interests

In March 2010, the Group acquired an additional 5.1392% effective interest of Kerry Freight (Thailand) Limited ("KFT") for a purchase consideration of HK\$241,000. The carrying amount of the acquired non-controlling interests in KFT on the date of acquisition was HK\$241,000. The Group recognised a decrease in non-controlling interests of HK\$241,000 and a zero change in equity attributable to the shareholders of the Company.

In May 2010, the Group acquired an additional 3% of the registered capital of Shanghai Kerry CHJ Logistics Limited ("KCHJ") for a purchase consideration of HK\$1,320,000. The carrying amount of the acquired non-controlling interests in KCHJ on the date of acquisition was HK\$1,320,000. The Group recognised a decrease in non-controlling interests of HK\$1,320,000 and a zero change in equity attributable to the shareholders of the Company.

During July to December 2010, the Group acquired an additional 1.35% effective interest of T.Join for a total purchase consideration of HK\$40,705,000. The average carrying amount of the acquired non-controlling interests in T.Join on the dates of acquisitions was HK\$28,474,000. The Group recognised a decrease in non-controlling interests of HK\$28,474,000 and a decrease in equity attributable to the shareholders of the Company of HK\$12,231,000.

The effect of above changes on the equity to the shareholders of the Company during the year is summarised as follows:

| | HK\$'000 |
|--|----------|
| Consideration paid to non-controlling interests | 42,266 |
| Carrying amount of non-controlling interests acquired | (30,035) |
| Excess of consideration paid recognised in the acquisition reserve within equity | 12,231 |

Notes to the Financial Statements

38 BUSINESS COMBINATIONS

- (a) In March 2010, the Group acquired 70% interest of F.D.I Commercial and Forwarding Services Company Limited (“FDI”), which is operating international freight forwarding business in Vietnam.

| | HK\$'000 |
|-------------------------|----------|
| Cash consideration paid | 8,331 |

The recognised amounts of identifiable assets acquired and liabilities assumed as at the date of acquisition are as follows:

| | HK\$'000 |
|---|----------|
| Property, plant and equipment | 319 |
| Accounts receivable, prepayments and deposits | 11,924 |
| Cash and bank balances | 815 |
| Accounts payable, deposits received and accrued charges | (10,714) |
| Taxation | (909) |
| Total identifiable net assets | 1,435 |
| Goodwill | 7,326 |
| Non-controlling interests | (430) |
| Total | 8,331 |

The acquired business contributed revenues of HK\$60,384,000 and net profit attributable to Company's shareholders of HK\$1,695,000 for the period from acquisition up to 31 December 2010. If the acquisition had occurred on 1 January 2010, the contributed revenues and profit attributable to Company's shareholders would have been HK\$80,512,000 and HK\$2,260,000 respectively.

38 BUSINESS COMBINATIONS (Continued)

- (b) T.Join has been accounted for as a subsidiary of the Group since July 2010 as the Group obtained power to govern its financial and operating policies. Fair value of equity interests held in T.Join as at the date of change in control amounted to HK\$834,792,000 and no consideration was transferred for the change. T.Join is a major logistics operator which commands an extensive distribution network in Taiwan.

The recognised amounts of identifiable assets acquired and liabilities assumed as at the date of acquisition are as follows:

| | HK\$'000 |
|---|------------------|
| Property, plant and equipment | 1,894,929 |
| Available-for-sale investments | 44,682 |
| Accounts receivable, prepayments and deposits | 316,006 |
| Cash and bank balances | 290,328 |
| Accounts payable, deposits received and accrued charges | (576,655) |
| Taxation | (18,344) |
| Bank loans | (42,523) |
| Deferred taxation | (181,913) |
| Total identifiable net assets | 1,726,510 |

The goodwill and non-controlling interests recognised upon the consolidation of T.Join amounted to HK\$303,545,000 and HK\$1,281,187,000 respectively.

As at 31 December 2010, the Group controls 32.12% interest of T.Join. T.Join contributed revenues of HK\$847,453,000 and net profit attributable to Company's shareholders of HK\$16,634,000 for the period from the date of change in control to 31 December 2010. If the assumption of management control had occurred on 1 January 2010, the contributed revenues and profit attributable to Company's shareholders would have been HK\$1,596,867,000 and HK\$28,453,000 respectively.

The Group recognised a gain of HK\$54,203,000 as a result of measuring at fair value its 30.77% equity interest in T.Join held before the change in management control of T.Join. The gain is included in other income and net gains in the Group's consolidated income statement for the year ended 31 December 2010.

Notes to the Financial Statements

38 BUSINESS COMBINATIONS (Continued)

- (c) In July 2010, the Group acquired the entire capital of Xiamen Jai Wei Logistics Co. Ltd., which was subsequently renamed as Kerry Logistics (Xiamen) Co., Ltd. The company is holding a piece of land of 574,000 square feet in Xiamen. The construction of a logistics centre of 450,000 square feet will commence in 2011.

| | HK\$'000 |
|--------------------------|---------------|
| Cash consideration paid | 18,541 |
| Consideration to be paid | 975 |
| Total | 19,516 |

The recognised amounts of identifiable assets acquired and liabilities assumed as at the date of acquisition are as follows:

| | HK\$'000 |
|---|---------------|
| Properties under development | 33,632 |
| Accounts receivable, prepayments and deposits | 1,486 |
| Cash and bank balances | 4 |
| Accounts payable, deposits received and accrued charges | (15,750) |
| Total identifiable net assets | 19,372 |
| Goodwill | 144 |
| Total | 19,516 |

38 BUSINESS COMBINATIONS (Continued)

- (d) In August 2010, the Group acquired 30% interest of Indev Logistics Private Limited (“Indev”), which is engaging in integrated logistics business in India, including custom clearance; container freight station operation and inland container depot operation. The Group obtained power to govern its financial and operating policies of Indev since the acquisition, Indev has been accounted for as a subsidiary of the Group accordingly.

| | HK\$'000 |
|--------------------------|----------------|
| Cash consideration paid | 168,600 |
| Consideration to be paid | 29,753 |
| Total | 198,353 |

The recognised amounts of identifiable assets acquired and liabilities assumed as at the date of acquisition are as follows:

| | HK\$'000 |
|---|----------------|
| Property, plant and equipment | 205,457 |
| Leasehold land and land use rights | 75,209 |
| Properties under development | 17,529 |
| Accounts receivable, prepayments and deposits | 63,720 |
| Cash and bank balances | 8,926 |
| Accounts payable, deposits received and accrued charges | (70,890) |
| Bank loans | (8,430) |
| Bank overdrafts | (17,587) |
| Deferred taxation | (64,101) |
| Total identifiable net assets | 209,833 |
| Goodwill | 135,403 |
| Non-controlling interests | (146,883) |
| Total | 198,353 |

The acquired business contributed revenues of HK\$149,857,000 and net profit attributable to Company's shareholders of HK\$2,888,000 for the period from acquisition to 31 December 2010. If the acquisition had occurred on 1 January 2010, the contributed revenues and profit attributable to Company's shareholders would have been HK\$449,571,000 and HK\$8,664,000 respectively.

Notes to the Financial Statements

38 BUSINESS COMBINATIONS (Continued)

- (e) In August 2010, the Group acquired 85% interest of Arie van Donge & Co. Holding B.V. (“ADCO”), which is engaging international freight forwarding business in the Netherlands.

| | HK\$'000 |
|---------------------------|----------|
| Cash consideration paid | 29,121 |
| Consideration to be paid | 5,993 |
| Consideration transferred | 35,114 |

The recognised amounts of identifiable assets acquired and liabilities assumed as at the date of acquisition are as follows:

| | HK\$'000 |
|---|----------|
| Property, plant and equipment | 2,103 |
| Accounts receivable, prepayments and deposits | 32,904 |
| Cash and bank balances | 6,815 |
| Accounts payable, deposits received and accrued charges | (31,643) |
| Taxation | (2,748) |
| Deferred taxation | (131) |
| Total identifiable net assets | 7,300 |
| Goodwill | 28,926 |
| Non-controlling interests | (1,112) |
| Total | 35,114 |

The acquired business contributed revenues of HK\$81,889,000 and net profit attributable to Company's shareholders of HK\$1,263,000 for the period from acquisition up to 31 December 2010. If the acquisition had occurred on 1 January 2010, the contributed revenues and profit attributable to Company's shareholders would have been HK\$245,667,000 and HK\$3,789,000, respectively. The contingent consideration arrangement requires the Group to pay the former owner of ADCO an undiscounted amount in the range between HK\$0 and HK\$47,790,000, of which HK\$5,993,000 has been provided in the consolidated financial statements of the Group.

39 RELATED PARTY TRANSACTIONS

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

(a) Rendering and purchases of services

| | 2010 HK\$'000 | 2009 HK\$'000 |
|---|------------------|------------------|
| Project management and consultancy fee income (note (i)) | – | 2,876 |
| Marketing, consultancy and administrative management fees expense (note (ii)) | 14,869 | 13,733 |
| Rental expense (note (iii)) | 597 | – |

- (i) This represents service fee income earned from provision of project management and consultancy services to companies of Shangri-La Asia Limited (“SA”), a related company of the Group, in respect of hotel and office development projects undertaken by SA. The service fee was determined in accordance with the agreement for the provision of the above services.
- (ii) This represents payment of services fees to Shangri-La International Hotel Management Limited, a subsidiary of SA, which provided marketing, consultancy and administrative management services to a member of the Group. The service fees payable during the year were determined at either a fixed amount or a certain percentage of the gross operating revenue of the relevant company in accordance with the agreement for the provision of the above services.
- (iii) This represents payment of rental expenses to Ubagan Limited, an associate of the Group, in respect of leasing of several units and floors of Kerry Centre as corporate offices and several car parking spaces for the use by the Group in conjunction with such offices.

(b) Key management compensation

| | 2010 HK\$'000 | 2009 HK\$'000 |
|--|------------------|------------------|
| Salaries and other short-term benefits | 88,820 | 78,520 |
| Share-based payments | 29,393 | 54,129 |
| Post-employment benefits | 810 | 840 |
| | 119,023 | 133,489 |

Notes to the Financial Statements

39 RELATED PARTY TRANSACTIONS (Continued)

(c) Year-end balances

| | 2010 HK\$'000 | 2009 HK\$'000 |
|---|------------------|------------------|
| Receivables from related parties: | | |
| Associates (note 19) | 2,663,477 | 2,226,631 |
| Payables to related parties: | | |
| Included under amounts due to non-controlling interests (note 31) | | |
| – Subsidiaries of SA | 589,955 | 584,569 |
| – Subsidiaries of Kerry Holdings Limited | 241,698 | 236,093 |
| Associates (note 19) | 63,145 | 62,088 |

(d) Guarantees for banking and other facilities of certain associates

The Group has executed guarantees for banking and other facilities granted to certain associates. The utilised amount of such facilities covered by the Group's guarantees which also represented the financial exposure of the Group as at 31 December 2010 amounted to approximately HK\$1,393,702,000 (2009: HK\$2,481,647,000). The total amount of such facilities covered by the Group's guarantees as at 31 December 2010 amounted to approximately HK\$2,473,752,000 (2009: HK\$3,863,013,000). The above-mentioned amounts are also reflected in the guarantees given by the Group for banking and other facilities disclosed in note 41(a).

(e) Other related party transactions

On 9 February 2010 and 29 March 2010 respectively, Wealthy State Investments Limited (a wholly-owned subsidiary of the Company) and Urban Renewal Authority entered into preliminary agreements for sale and purchase with Ruth Kuok, a sibling of the Chairman of the Company, for sale of two property units at the development known as "Island Crest" at 8 First Street, Hong Kong for a total consideration of HK\$35,481,000.

40 COMMITMENTS

- (a) At 31 December 2010, the Group had capital commitments in respect of interests in leasehold land, properties under development and property, plant and equipment and investment in associates not provided for in these financial statements as follows:

| | 2010 HK\$'000 | 2009 HK\$'000 |
|-----------------------------------|------------------|------------------|
| Contracted but not provided for | 6,651,347 | 4,390,595 |
| Authorised but not contracted for | 263,662 | 157,561 |
| | 6,915,009 | 4,548,156 |

40 COMMITMENTS (Continued)

- (b) At 31 December 2010, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

| | 2010 HK\$'000 | 2009 HK\$'000 |
|--|------------------|------------------|
| Land and buildings: | | |
| Within one year | 176,541 | 86,848 |
| In the second to fifth year, inclusive | 330,075 | 80,388 |
| Over five years | 106,312 | 32,857 |
| | 612,928 | 200,093 |

- (c) At 31 December 2010, the Group had future aggregate minimum lease rental receivable under non-cancellable operating leases as follows:

| | 2010 HK\$'000 | 2009 HK\$'000 |
|--|------------------|------------------|
| Land and buildings: | | |
| Within one year | 1,289,696 | 1,155,335 |
| In the second to fifth year, inclusive | 1,363,082 | 1,105,127 |
| Over five years | 497,738 | 330,370 |
| | 3,150,516 | 2,590,832 |

41 CONTINGENT LIABILITIES

(a) Guarantees for banking and other facilities

| | Group | | Company | |
|---|------------------|------------------|-------------------|------------------|
| | 2010 HK\$'000 | 2009 HK\$'000 | 2010 HK\$'000 | 2009 HK\$'000 |
| Guarantees for banking and other facilities of certain subsidiaries and associates (notes (i) and (ii)) | 1,393,702 | 2,481,647 | 9,211,056 | 9,455,266 |
| Guarantees to certain banks for mortgage facilities granted to first buyers of certain properties in the PRC (note (iii)) | 755,081 | 569,294 | – | – |
| Guarantees to convertible bondholders (note (iv)) | – | – | 2,594,635 | 2,604,764 |
| Guarantees to fixed rate bondholders (note (v)) | – | – | 3,251,082 | 3,240,870 |
| | 2,148,783 | 3,050,941 | 15,056,773 | 15,300,900 |

41 CONTINGENT LIABILITIES (Continued)

(a) Guarantees for banking and other facilities (Continued)

- (i) The Group has executed guarantees for banking and other facilities granted to certain associates. The utilised amount of such facilities covered by the Group's guarantees which also represented the financial exposure of the Group as at 31 December 2010 amounted to approximately HK\$1,393,702,000 (2009: HK\$2,481,647,000). The total amount of such facilities covered by the Group's guarantees as at 31 December 2010 amounted to approximately HK\$2,473,752,000 (2009: HK\$3,863,013,000).
- (ii) The Company has executed guarantees to banks for facilities granted to certain subsidiaries and associates. The utilised amount of such facilities covered by the Company's guarantees which also represented the financial exposure of the Company as at 31 December 2010 amounted to approximately HK\$9,211,056,000 (2009: HK\$9,455,266,000). The total amount of such facilities covered by the Company's guarantees as at 31 December 2010 amounted to approximately HK\$18,737,701,000 (2009: HK\$18,640,817,000).
- (iii) The Group has executed guarantees to certain banks for mortgage facilities granted to first buyers of certain properties developed by the Group in the PRC. The utilised amount of such facilities covered by the Group's guarantees which also represented the financial exposure of the Group as at 31 December 2010 amounted to approximately HK\$755,081,000 (2009: HK\$569,294,000). The total amount of such facilities covered by the Group's guarantees as at 31 December 2010 amounted to approximately HK\$4,825,058,000 (2009: HK\$1,974,132,000).
- (iv) The Company has executed guarantees in favour of convertible bondholders in respect of the outstanding convertible bonds issued by the Group for an aggregate outstanding principal value of HK\$2,350,000,000 (2009: HK\$2,471,000,000) (note 29).
- (v) The Company has executed guarantees in favour of fixed rate bondholders in respect of the outstanding fixed rate bonds issued by the Group (note 30).

(b) Other guarantees and undertakings

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

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

41 CONTINGENT LIABILITIES (Continued)

(b) Other guarantees and undertakings (Continued)

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

Pursuant to an undertaking (the "Undertaking") dated 6 January 2006, in consideration of the Government entering into and continuing the negotiations with Party 1 and Party 2 on the Proposed Land Exchange, the Company and other parties, including the holding companies of the shareholders of Party 1 and Party 2, have jointly and severally undertaken, covenanted and agreed that they shall indemnify and keep indemnified the Government and any of its officers from and against all and any actions (including judicial reviews), liabilities, demands, claims, expenses, costs and losses arising directly or indirectly out of or in connection with the gazetting of the permanent closure of the abovementioned street and its associated footpaths under the Roads (Works, Use and Compensation) Ordinance and the authorisation of such closure.

Pursuant to a deed of cross indemnity and a collateral deed of cross indemnity, both dated 6 January 2006, the Group's liabilities under the Undertaking shall be several and shall be determined based on its share of interest in the joint redevelopment.

- (iii) A wholly-owned subsidiary of the Company, Wealthy State Investments Limited ("Wealthy State"), has been granted the right to jointly develop a site in Sai Ying Pun, Hong Kong pursuant to a development agreement (the "SYP Development Agreement") entered into between Wealthy State and the Urban Renewal Authority ("URA").

Pursuant to a guarantee in relation to the above development, the Company has provided guarantees in favour of URA for the due and punctual performance and fulfilment of all Wealthy State's obligations under the SYP Development Agreement or arising out of or in connection with the SYP Development Agreement (including Wealthy State's obligations to make payments under the terms of the SYP Development Agreement).

(c) Litigation

Kerry EAS Logistics Limited ("KEAS"), a company in which the Group has a 70% interest, is involved in a legal case in which an airline operator, together with five other plaintiffs, including the insurers of the aircraft, are claiming damages, costs and interest, against six defendants, including KEAS, on a joint and several basis in relation to the alleged damages amounting to approximately US\$65.6 million (approximately HK\$511.7 million at the exchange rate of US\$1 = HK\$7.8) caused to an aircraft in 2000 in respect of the transportation of certain chemical substance.

Notes to the Financial Statements

41 CONTINGENT LIABILITIES (Continued)

(c) Litigation (Continued)

The alleged damages of approximately US\$65.6 million sought by the plaintiffs represent the market value of the aircraft at the time when the damage occurred less the resale value of the aircraft after repairs. According to the pleadings and the affidavits of the five other plaintiffs, the airline operator was compensated by these plaintiffs for 15% of the total loss. The remaining 85% of the total loss was compensated by other reinsurers. These reinsurers have not brought any legal action against the six defendants as at the reporting date of the Group's consolidated financial statements.

In the court judgment given by Beijing High Level People's Court (the "Court") on 5 December 2007, it was stated that KEAS had fulfilled all its obligations in this case and it had no liability to any of the plaintiffs. All claims brought by the airline operator together with the other five plaintiffs against KEAS, and the other three defendants were all dismissed by the Court. Judgment was entered by the Court in favour of all plaintiffs against the other two defendants for the amount of US\$65.1 million. All the six plaintiffs and one of the defendants had lodged their appeal.

Based on the opinion of the legal advisers to the Group, neither the allegation nor the said amount claimed by the plaintiffs against KEAS was substantiated and the legal advisers to the Group also advised that it is unlikely that KEAS will be found liable for the claimed damages and losses. Accordingly, no provision has been made in the financial statements.

Save as disclosed above, as at the reporting date of the Group's consolidated financial statements, the Company was not aware of any further development of this legal action. Pursuant to the sale and purchase agreement for the acquisition of KEAS, the vendor of KEAS has undertaken to indemnify the Group in full in respect of all losses, costs, expenses and other responsibilities and liabilities arising against KEAS.

42 PLEDGE OF ASSETS – GROUP

At 31 December 2010, the Group's total bank loans and overdrafts of HK\$14,829,652,000 (2009: HK\$10,050,826,000) included an aggregate amount of HK\$13,833,007,000 (2009: HK\$9,703,533,000) which is unsecured and an aggregate amount of HK\$996,645,000 (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 (notes 14 to 17);
- (ii) charges on bank balances amounting to Nil (2009: HK\$113,000) of certain subsidiaries; and
- (iii) assignments of insurance proceeds of certain properties.

43 ULTIMATE HOLDING COMPANY

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

44 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES

(i) Principal Subsidiaries

As at 31 December 2010, the Company held interests in the following subsidiaries which are categorised according to the business divisions of the Group, namely, Property Division, Logistics Network Division, Infrastructure Division and Other Divisions as listed below:

| Name | Place of incorporation/ establishment | Principal activities | Issued share capital ⁽¹⁾ / Registered capital | | Indirect interest held unless denoted with* | Notes |
|--|---------------------------------------|---|---|---------------------|---|-----------|
| | | | Number/ Amount | Par value per share | | |
| Property Division – China | | | | | | |
| Beijing Jia Ao Real Estate Development Co., Ltd. | PRC | Property investment | US\$77,967,600 | – | 71.25% | (6)(9) |
| Beijing Kerry Centre Hotel Co., Ltd. | PRC | Hotel ownership and operation | US\$33,000,000 | – | 71.25% | (6)(9) |
| Beijing Kerry Huayuan Real Estate Development Co., Ltd. | PRC | Property development | RMB178,500,000 | – | 71% | (5)(6)(9) |
| Changsha Guang Yue Real Estate Co., Ltd. | PRC | Property development | RMB218,000,000 | – | 61% | (5)(6)(9) |
| Hong Kong Shanghai Development Co Limited | HK | Investment holding | 8,000,000 | HK\$1 | 75% | |
| Kerry Cao Jia Yan Properties (Shanghai) Co., Ltd. | PRC | Property investment | US\$13,400,000 | – | 100% | (5)(8) |
| Kerry Centre Real Estate (Shenzhen) Co. Ltd. | PRC | Property investment | HK\$142,000,000 | – | 100% | (5)(6)(8) |
| Kerry Development (Chengdu) Ltd. | PRC | Property development | RMB675,000,000 | – | 55% | (5)(6)(8) |
| Kerry Development (Manzhouli) Co., Ltd. | PRC | Property investment and development | US\$6,800,000 | – | 100% | (5)(8) |
| Kerry Development (Shanghai) Co., Ltd. | PRC | Property investment | US\$5,000,000 | – | 100% | (8) |
| Kerry Development (Shenzhen) Co., Ltd. | PRC | Property investment and development | HK\$708,350,000 | – | 100% | (5)(6)(8) |
| Kerry Huafeng Property Development (Hangzhou) Co., Ltd. | PRC | Property development | HK\$680,000,000 | – | 100% | (5)(8) |
| Kerry Properties (China) Limited | BVI | Investment holding | 4,554,642,958 | HK\$1 | 100%* | |
| Kerry Properties (China) Limited | HK | Investment holding and provision of administrative support services | 100,000 | HK\$1 | 100% | |
| Kerry Properties (China) Investment Co., Ltd. | PRC | Provision of consultancy services | RMB208,000,000 | – | 100% | (5)(8) |
| Kerry Properties (Shenzhen) Co., Ltd. | PRC | Property investment | HK\$112,082,975 | – | 100% | (5)(6)(8) |
| Kerry Properties Development Management (Shanghai) Co., Ltd. | PRC | Real estate and project management | US\$650,000 | – | 100% | (6)(8) |
| Kerry Real Estate (Hangzhou) Co. Ltd. | PRC | Property development | US\$365,750,000 | – | 100% | (5)(8) |
| Kerry Real Estate (Nanchang) Co., Ltd. | PRC | Property development | RMB350,000,000 | – | 80% | (5)(8) |
| Kerry Real Estate (Yangzhou) Co., Ltd. | PRC | Property investment and development | US\$25,000,000 | – | 100% | (5)(6)(8) |
| Kerry Real Estate Management (Shenzhen) Ltd. | PRC | Real estate management | HK\$3,000,000 | – | 100% | (5)(6)(8) |
| Kerry (Shenyang) Real Estate Development Co., Ltd. | PRC | Property development | RMB2,787,500,000 | – | 60% | (5)(8) |
| Kerry Shanghai (Hongkou) Ltd. | Samoa | Investment holding | 6,000,000 | HK\$1 | 60% | |
| Lucky Billion Development (Qinhuangdao) Co., Ltd. | PRC | Property development | RMB882,000,000 | – | 60% | (5)(6)(8) |
| Million Palace Development (Chengdu) Co., Ltd. | PRC | Property development | RMB1,085,000,000 | – | 55% | (5)(6)(8) |
| Ningbo Ruifeng Real Estate Co., Ltd. | PRC | Property development | RMB1,730,000,000 | – | 100% | (5)(8) |
| Risenland Development (Fuzhou) Co., Ltd. | PRC | Property investment | HK\$44,000,000 | – | 100% | (5)(8) |
| Shanghai Gang Hu Properties Co., Ltd. | PRC | Property investment and development | US\$155,300,000 | – | 74.25% | (5)(9) |
| Shanghai Ji Xiang Properties Co., Ltd. | PRC | Property development | US\$311,250,000 | – | 51% | (5)(8) |
| Shanghai Kerry Real Estate Development Co., Ltd. | PRC | Property investment | US\$3,000,000 | – | 55.20% | (9) |
| Shanghai Xin Ci Hou Properties Co., Ltd. | PRC | Property investment | US\$60,000,000 | – | 74.25% | (9) |
| Sky Fair Development (Qinhuangdao) Co., Ltd. | PRC | Property development | RMB735,000,000 | – | 60% | (5)(6)(8) |
| Wealthy Plaza Development (Chengdu) Ltd. | PRC | Property development | RMB750,000,000 | – | 55% | (5)(6)(8) |
| Ying He Company Limited | HK | Investment holding | 10 21,000,000 ⁽³⁾ | HK\$1 HK\$1 | 100% | |

Notes to the Financial Statements

44 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (Continued)

(i) Principal Subsidiaries (Continued)

| Name | Place of incorporation/ establishment | Principal activities | Issued share capital ⁽¹⁾ / Registered capital | | Indirect interest held unless denoted with* | Notes |
|--|---------------------------------------|---|---|---------------------|---|-------|
| | | | Number/ Amount | Par value per share | | |
| Property Division – Hong Kong | | | | | | |
| Asian Profit Limited | HK | Property development | 1 | HK\$1 | 71% | |
| Bethan Company Limited | HK | Property development | 2 | HK\$1 | 100% | |
| Capital Rise Investments Limited | HK | Property development | 1 | HK\$1 | 71% | |
| Chain Base Limited | HK | Property development | 1 | HK\$1 | 71% | |
| Champrich Investments Limited | BVI | Investment holding | 1,000,000 | HK\$1 | 71% | |
| Chester Profit Limited | HK | Property development | 10,000 | HK\$1 | 71% | |
| Crown On Investment Limited | HK | Property development | 10,000 | HK\$1 | 71% | |
| Fine Century Holdings Limited | HK | Restaurant operation | 1 | HK\$1 | 100% | |
| Fortune Mega Investments Limited | BVI | Investment holding in HK | 1 | US\$1 | 100% | |
| Golden Concord Properties Limited | HK | Property development | 1 | HK\$1 | 100% | |
| Haily Investments Limited | HK | Property development | 1 | HK\$1 | 71% | |
| Hugo Vantage Limited | HK | Property development | 1 | HK\$1 | 71% | |
| Interseed Company Limited | HK | Property trading | 2 | HK\$1 | 100% | |
| Jadway Limited | HK | Investment holding and property development | 10,000 | HK\$1 | 71% | |
| Join Sky Investment Limited | HK | Property development | 1 | HK\$1 | 71% | |
| Kerry Project Management (Macau) Limited | Macau | Project management and construction management | MOP1,000,000 | – | 100% | |
| Kerry Properties (H.K.) Limited | HK | Investment holding and provision of administrative support services | 1,000 200,000,000 ⁽³⁾ | HK\$1 HK\$1 | 100% | |
| Kerry Properties (Hong Kong) Limited | BVI | Investment holding | 41,317,948 | HK\$0.01 | 100%* | |
| Kerry Properties (Macau) Limited | Macau | Property development | MOP1,000,000 | – | 71% | |
| Kildare Limited | HK | Property development | 2 | HK\$1 | 100% | |
| Mable Road Company Limited | HK | Property investment | 10 10,000 ⁽³⁾ | HK\$1 HK\$1 | 100% | |
| Magnifair Company Limited | HK | Property trading | 10,000 | HK\$1 | 100% | |
| Maple Crest Development Limited | BVI | Provision of finance services and recreation park operation | 120 | US\$1 | 75% | |
| Maxtime International Limited | HK | Property development | 1 | HK\$1 | 71% | |
| MegaBox Development Company Limited | HK | Property investment | 2 | HK\$1 | 100% | |
| MegaBox Management Services Limited | HK | Property management | 2 | HK\$1 | 100% | |
| Metro Cosmos Limited | HK | Property development | 1 | HK\$1 | 71% | |
| Mid-Levels Portfolio (Aigburth) Limited | Cook Islands | Property investment in HK | 9 | US\$1 | 100% | |
| Mid-Levels Portfolio (Branksome) Limited | HK | Property investment | 100 | HK\$10 | 100% | |
| Mid-Levels Portfolio (Gladdon) Limited | HK | Property investment | 100 | HK\$10 | 100% | |
| Mid-Levels Portfolio (Tavistock) Limited | HK | Property investment | 100 | HK\$10 | 100% | |
| Mid-Levels Portfolio (Valverde) Limited | HK | Property investment and trading | 100 | HK\$10 | 100% | |
| Newick Limited | HK | Property development | 1 | HK\$1 | 71% | |
| Panawin Limited | HK | Property development | 1 | HK\$1 | 71% | |

44 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (Continued)

(i) Principal Subsidiaries (Continued)

| Name | Place of incorporation/ establishment | Principal activities | Issued share capital ⁽¹⁾ / Registered capital | | Indirect interest held unless denoted with* | Notes |
|--|--|---|---|---------------------|---|-------|
| | | | Number/ Amount | Par value per share | | |
| Property Division – Hong Kong (Continued) | | | | | | |
| Pettico Limited | HK | Provision of finance services | 2 | HK\$10 | 100% | |
| Prismatic Limited | HK | Property trading | 2 | HK\$10 | 100% | |
| Rayhay Company Limited | HK | Provision of financial services | 2 | HK\$1 | 100% | |
| Rink Management Group Limited | HK | Ice rink operation | 1,000,000 | HK\$1 | 100% | |
| Rodder Holdings Limited | BVI | Investment holding in HK | 1 | US\$1 | 100% | |
| Shun On Properties Limited | HK | Property development | 1 | HK\$1 | 71% | |
| Sociedade de Investimento Imobiliário Tim Keng Van, S.A. | Macau | Property development | 10,000 | MOP100 | 100% | (5) |
| Taskan Limited | HK | Property trading | 2 | HK\$1 | 100% | |
| Trebanos Investment Company Limited | HK | Investment holding | 2 | HK\$1 | 100% | |
| Vickon Limited | HK | Property development | 1 | HK\$1 | 71% | |
| Wealthline Properties Limited | BVI | Investment holding and property development | 1 | US\$1 | 71% | |
| Wealthy State Investments Limited | HK | Property trading | 1 | HK\$1 | 100% | |
| Widemax Limited | HK | Property development | 1 | HK\$1 | 71% | |
| Wing Tak Cheung Limited | HK | Property trading | 1,000 | HK\$10 | 100% | |
| Woody Company Limited | HK | Property investment | 2 | HK\$1 | 100% | |
| Property Division – Overseas | | | | | | |
| Amble Aim Sdn. Bhd. | Malaysia | Investment holding | 2 | MYR1 | 100% | (5) |
| Kerry Properties (Sydney) Pty Ltd | Australia | Investment holding | 1 | AU\$1 | 100% | |
| Kerry Properties International Limited | BVI | Investment holding | 1 | HK\$1 | 100%* | |
| Travel Aim Investment B.V. | Netherlands | Investment holding | 40,000 | EURO.45 | 100% | (5) |
| Wirabay Limited | BVI | Provision of trustee services | 1 | US\$1 | 100% | |

Notes to the Financial Statements

44 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (Continued)

(i) Principal Subsidiaries (Continued)

| Name | Place of incorporation/ establishment | Principal activities | Issued share capital ⁽¹⁾ / Registered capital | | Indirect interest held unless denoted with* | Notes |
|--|---------------------------------------|--|---|---------------------|---|------------|
| | | | Number/ Amount | Par value per share | | |
| Logistics Network Division | | | | | | |
| Arie van Donge & Co. Holding B.V. | Netherlands | Freight forwarding | 1,000 500 ⁽⁴⁾ | EUR46 EUR46 | 85% | (5) |
| Beijing Jia Jia Investment Consultancy Co., Ltd. | PRC | Property investment | RMB1,000,000 | – | 70% | (6)(13) |
| Beijing Kerry EAS Real Estate Management Limited | PRC | Property management | RMB500,000 | – | 70% | (6)(13) |
| Beijing Kerry Logistics Ltd. | PRC | Logistics business | US\$12,000,000 | – | 100% | (5)(6)(8) |
| Beijing Kong Gang Kerry EAS Logistics Ltd. | PRC | Logistics business | RMB5,000,000 | – | 70% | (6)(13) |
| Best Value Promotionland Limited | HK | Direct marketing | 200,000 | HK\$1 | 51% | |
| Chongqing Lingxian Industry Development Limited | PRC | Logistics business | RMB38,000,000 | – | 100% | (5)(6)(8) |
| CV Global Logistics (Beijing) Limited | PRC | Logistics business | RMB50,000,000 | – | 100% | (5)(6)(13) |
| Dalian Kerry EAS Trading Co., Ltd. | PRC | Logistics business | RMB500,000 | – | 70% | (6)(13) |
| E.A.E. Freight & Forwarding Sdn. Bhd. | Malaysia | Freight forwarding and transportation | 500,000 | MYR1 | 51% | (5) |
| E.A.E. TRANSPORT SDN. BHD. | Malaysia | Transportation services | 500,000 | MYR1 | 51% | (5) |
| EAE LOGISTICS SDN. BHD. | Malaysia | Investment holding | 100,000 | MYR1 | 51% | (5) |
| EAS CROSS BORDER TRUCKING LIMITED | HK | Transportation services | 1 | HK\$1 | 100% | |
| EAS DA TONG INTERNATIONAL TRUCKING COMPANY LIMITED | HK | Transportation services | 1,000,000 | HK\$1 | 100% | |
| EAS INTERNATIONAL LOGISTICS (SHANGHAI) CO., LTD | PRC | Logistics business | US\$6,000,000 | – | 70% | (5)(9) |
| Eas Logistics (Shenzhen) Co., Ltd. | PRC | Logistics business | US\$400,000 | – | 70% | (5)(6)(8) |
| East Asiatic Enterprise Sdn. Bhd. | Malaysia | Freight forwarding | 500,000 | MYR1 | 51% | (5) |
| F.D.I COMMERCIAL AND FORWARDING SERVICES COMPANY LIMITED | Vietnam | Freight forwarding | VND3,333,330,000 | – | 70% | (5) |
| INDEV LOGISTICS PRIVATE LIMITED | India | Logistics business | 129,500 | INR100 | 30% | (5)(7) |
| KART Logistics (Thailand) Limited | Thailand | Transportation services | 480,000 ⁽²⁾ | THB100 | 61% | (5)(6) |
| Kerry Business Outsourcing Solutions Limited | HK | Documents storage | 2 | HK\$1 | 100% | |
| KERRY CARGO CENTRE LIMITED | HK | Warehouse ownership | 2 | HK\$1 | 100% | |
| Kerry Cargo Transportation Co Ltd | PRC | Transportation services | HK\$9,850,000 | – | 100% | (5)(9) |
| Kerry CGD Limited | HK | Trading business | 1 | HK\$1 | 100% | |
| KERRY COLD STORE (HONG KONG) LIMITED | HK | Logistics business | 2 | HK\$10 | 100% | |
| KERRY D.G. WAREHOUSE (KOWLOON BAY) LIMITED | HK | Warehouse ownership | 20,000,000 | HK\$1 | 100% | |
| KERRY DISTRIBUTION (HONG KONG) LIMITED | HK | Distribution services | 500,000 | HK\$1 | 100% | |
| Kerry Distribution (Thailand) Limited | Thailand | Distribution services | 200,000 ⁽²⁾ | THB100 | 100% | (5)(6) |
| Kerry Distribution Services (Hong Kong) Limited | HK | Transportation and distribution services | 10,000 | HK\$1 | 100% | |
| Kerry EAS (Shanghai) Freight Agency Co., Ltd. | PRC | Freight forwarding agency | HK\$20,000,000 | – | 70% | (5)(6)(9) |
| Kerry EAS Logistics (SHENZHEN) Ltd. | PRC | Freight forwarding | RMB8,700,000 | – | 70% | (5)(6)(13) |
| KERRY EAS LOGISTICS (XIAMEN) CO., LTD. | PRC | Logistics business | US\$1,500,000 | – | 70% | (5)(8) |

44 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (Continued)

(i) Principal Subsidiaries (Continued)

| Name | Place of incorporation/ establishment | Principal activities | Issued share capital ⁽¹⁾ / Registered capital | | Indirect interest held unless denoted with* | Notes |
|---|--|--|---|---------------------|---|-----------|
| | | | Number/ Amount | Par value per share | | |
| Logistics Network Division (Continued) | | | | | | |
| Kerry EAS Logistics Limited | PRC | Freight forwarding and logistics business | RMB270,000,000 | – | 70% | (9) |
| Kerry EAS Warehouse (Zhuhai Free Trade Zone) Ltd. | PRC | Logistics business | HK\$1,000,000 | – | 70% | (5)(8) |
| KERRY FACILITIES MANAGEMENT (HONG KONG) LIMITED | HK | Building management | 2 | HK\$1 | 100% | |
| KERRY FACILITIES MANAGEMENT SERVICES LIMITED | HK | Building management | 2 | HK\$1 | 100% | |
| Kerry Far East Logistics (Hong Kong) Limited | HK | Freight forwarding | 100 | HK\$1 | 65% | |
| Kerry FFTZ Warehouse (Shenzhen) Ltd. | PRC | Logistics business | HK\$70,000,000 | – | 100% | (5)(6)(8) |
| KERRY FREIGHT (AUSTRALIA) PTY LTD | Australia | Freight forwarding | 500,000 | AUD1 | 100% | |
| KERRY FREIGHT (HONG KONG) LIMITED | HK | Freight forwarding | 100 27,500 ⁽³⁾ | HK\$100 HK\$100 | 100% | |
| Kerry Freight (Korea) Inc. | South Korea | Freight forwarding | 100,000 ⁽²⁾ | KRW5,000 | 50.99% | (6) |
| Kerry Freight (Taiwan) Limited | Taiwan | Freight forwarding | 2,900,000 | TWD10 | 53.10% | (5)(6) |
| Kerry Freight (Thailand) Limited | Thailand | Freight forwarding | 115,000 ⁽²⁾ | THB100 | 100% | (5)(6) |
| Kerry Freight (USA) Incorporated | United States | Freight forwarding | 1,000,000 | US\$1 | 51% | (5) |
| KERRY FREIGHT INTERNATIONAL LIMITED | HK | Freight forwarding | 2 | HK\$1 | 100% | |
| Kerry FSDA Limited | HK | Trading and sourcing | 3,120,000 | HK\$1 | 75% | |
| KERRY INTEGRATED LOGISTICS (HUNG YEN) JOINT STOCK COMPANY | Vietnam | Logistics business | 629,760 ⁽²⁾ | VND100,000 | 100% | (5)(6) |
| KERRY INTEGRATED LOGISTICS (VIET NAM) CO.,LTD | Vietnam | Logistics business | US\$7,900,000 | – | 100% | (5)(6) |
| KERRY LOGISTICS (AUSTRALIA) PTY LTD | Australia | Operation of logistics business, rail terminal and container depot | 1,000,000 | AUD2 | 100% | |
| KERRY LOGISTICS (BELGIUM) | Belgium | Freight forwarding | EUR18,600 | – | 100% | |
| KERRY LOGISTICS (CAMBODIA) PTE. LTD. | Cambodia | Freight forwarding | 1,000 | KHR20,000 | 100% | (5) |
| Kerry Logistics (Chengdu) Ltd | PRC | Logistics business | RMB27,000,000 | – | 100% | (5)(6)(8) |
| Kerry Logistics (Czech Republic) s.r.o. | Czech Republic | Freight forwarding | CZK200,000 | – | 100% | (5) |
| Kerry Logistics (Fuzhou) Co., Ltd. | PRC | Logistics business | US\$2,820,000 | – | 100% | (5)(8) |
| Kerry Logistics (Germany) GmbH | Germany | Freight forwarding | EUR50,000 | – | 100% | |
| KERRY LOGISTICS (HONG KONG) LIMITED | HK | Logistics business | 10,000,000 | HK\$1 | 100% | |
| Kerry Logistics (Japan) Limited | Japan | Freight forwarding | 2,000 | JPY50,000 | 100% | (5) |
| Kerry Logistics (Kunshan) Ltd. | PRC | Logistics business | HK\$50,000,000 | – | 100% | (5)(6)(8) |
| KERRY LOGISTICS (MACAU) LIMITED | Macau | Logistics business | MOP100,000 | – | 100% | (5) |
| KERRY LOGISTICS (MALAYSIA) SDN. BHD. | Malaysia | Freight forwarding and logistics business | 250,000 | MYR1 | 100% | (5) |
| Kerry Logistics (Netherlands) B.V. | Netherlands | Freight forwarding | 180 | EUR100 | 100% | |
| Kerry Logistics (Shanghai Waigaoqiao) Co., Ltd. | PRC | Logistics business | HK\$44,000,000 | – | 100% | (5)(6)(8) |
| Kerry Logistics (Singapore) Pte. Ltd. | Singapore | Freight forwarding | 500,000 | SGD1 | 100% | (5) |
| Kerry Logistics (Switzerland) GmbH | Switzerland | Freight forwarding | CHF20,000 | – | 100% | (5) |
| Kerry Logistics (Thailand) Limited | Thailand | Logistics business | 1,600,000 | THB100 | 73.58% | (5)(6) |

Notes to the Financial Statements

44 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (Continued)

(i) Principal Subsidiaries (Continued)

| Name | Place of incorporation/ establishment | Principal activities | Issued share capital ⁽¹⁾ / Registered capital | | Indirect interest held unless denoted with* | Notes |
|---|--|---|---|---------------------|---|-----------|
| | | | Number/ Amount | Par value per share | | |
| Logistics Network Division (Continued) | | | | | | |
| Kerry Logistics (Tianjin) Co., Ltd. | PRC | Logistics business | HK\$20,000,000 | – | 100% | (5)(8) |
| KERRY LOGISTICS (UK) LIMITED | United Kingdom | Freight forwarding | 20,000 | GBP1 | 91% | |
| Kerry Logistics (Wuxi) Co., Ltd | PRC | Logistics business | HK\$70,000,000 | – | 100% | (5)(8) |
| KERRY LOGISTICS (XIAMEN) CO., LTD. | PRC | Logistics business | RMB40,000,000 | – | 100% | (5)(8) |
| KERRY LOGISTICS France | France | Freight forwarding | 1,500 | EUR10 | 100% | (5) |
| Kerry Logistics GmbH | Austria | Freight forwarding | EUR35,000 | – | 100% | (5) |
| Kerry Logistics Network Limited | Bermuda | Investment holding | 500,000 | HK\$1 | 100%* | |
| Kerry PC3 Limited | HK | Logistics business | 1 | HK\$1 | 100% | |
| KERRY RELIABLE LOGISTICS PRIVATE LIMITED | India | Freight forwarding and logistics business | 16,000 | INR10 | 90% | (5) |
| Kerry Siam Seaport Limited | Thailand | Operating deep-sea wharf and depots | 65,000,000 | THB10 | 67.88% | (6) |
| Kerry TC Warehouse 1 (Block A) Limited | BVI | Warehouse ownership | 1 | US\$1 | 100% | |
| Kerry TC Warehouse 1 (Block B) Limited | BVI | Warehouse ownership | 1 | US\$1 | 100% | |
| Kerry TC Warehouse 2 Limited | HK | Warehouse ownership | 10,000 | HK\$1 | 100% | |
| KERRY TEAMWORK LIMITED (Formerly known as TEAMWORK GTS LIMITED) | United Kingdom | Freight forwarding | 50,000 | GBP1 | 91% | |
| KERRY WAREHOUSE (CHAI WAN) LIMITED | HK | Warehouse ownership | 10,000,000 | HK\$1 | 100% | |
| KERRY WAREHOUSE (FANLING 1) LIMITED | HK | Warehouse ownership | 2 | HK\$1 | 100% | |
| KERRY WAREHOUSE (HONG KONG) LIMITED | HK | Logistics business | 25,000,000 | HK\$1 | 100% | |
| KERRY WAREHOUSE (KWAI CHUNG) LIMITED | HK | Warehouse ownership | 30,000 | HK\$1 | 100% | |
| KERRY WAREHOUSE (SHATIN) LIMITED | HK | Warehouse ownership | 10,000,000 | HK\$1 | 100% | |
| KERRY WAREHOUSE (SHEUNG SHUI) LIMITED | HK | Warehouse ownership | 5,000,000 | HK\$1 | 100% | |
| KERRY WAREHOUSE (TSUEN WAN) LIMITED | HK | Warehouse ownership | 2 | HK\$1 | 100% | |
| KERRYFLEX SUPPLY CHAIN SOLUTIONS (MACAU) LIMITED | Macau | Provision of supply chain solutions, import and export services | MOP100,000 | – | 100% | (5) |
| KerryFlex Supply Chain Solutions Limited | HK | Provision of supply chain solutions service | 5,000,000 | HK\$1 | 100% | |
| KERRY-ABOITIZ LOGISTICS, INC. | Philippines | Freight forwarding | 16,000,000 | PHP1 | 51% | (5) |
| Kerry-IntraTainer Precision Metal (Dongying) Co. Ltd | PRC | Manufacturing and trading | US\$2,500,000 | – | 60% | (5)(6)(8) |
| KERRY-INTRATAINER PTE. LTD. | Singapore | Trading | 350,000 | SGD1 | 60% | (5) |
| Kerry-ITS (Thailand) Limited | Thailand | ISO tank cleaning and repairing | 5,000 | THB100 | 60% | (5)(6) |
| KERRY-ITS TERMINAL (KANDLA) PRIVATE LIMITED | India | ISO tank cleaning and repairing | 10,000 | INR10 | 60% | (5) |
| Kerry-ITS Terminal (Shanghai) Co., Ltd | PRC | ISO tank cleaning and repairing | US\$450,000 | – | 60% | (5)(6)(8) |
| KERRY-ITS TERMINAL PTE. LTD. | Singapore | ISO tank cleaning and repairing | 1,800,000 | SGD1 | 60% | (5) |

44 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (Continued)

(i) Principal Subsidiaries (Continued)

| Name | Place of incorporation/ establishment | Principal activities | Issued share capital ⁽¹⁾ / Registered capital | | Indirect interest held unless denoted with* | Notes |
|---|--|--|---|---------------------|---|------------|
| | | | Number/ Amount | Par value per share | | |
| Logistics Network Division (Continued) | | | | | | |
| KLCH Limited | Thailand | Operation of inland container transportation | 10,000 | THB100 | 100% | (5)(6) |
| KLN Container Line Limited | BVI | Freight forwarding | 1,200,000 | HK\$1 | 100% | |
| MAINCO MANAGEMENT LIMITED | HK | Building management | 10,000 | HK\$1 | 100% | |
| PT. KERRY LOGISTICS INDONESIA | Indonesia | Freight forwarding and logistics business | 50,000 | US\$1 | 90% | (5) |
| Qingdao Bonded Logistics Park Kerry EAS Logistics Limited | PRC | Logistics business | US\$200,000 | – | 70% | (5)(9) |
| Shanghai Jia Jia Trading Ltd. | PRC | Trading | RMB5,000,000 | – | 70% | (5)(6)(13) |
| SHANGHAI KERRY CHJ LOGISTICS LIMITED | PRC | Logistics business | HK\$40,000,000 | – | 100% | (5)(8) |
| Shanghai Lingang Kerry EAS Logistics Limited | PRC | Logistics business | RMB5,000,000 | – | 70% | (5)(6)(13) |
| Shanghai Song Jiang Kerry EAS Transportation Limited | PRC | Logistics business | RMB2,500,000 | – | 70% | (5)(6)(13) |
| Shanghai WFTZ Kerry EAS Logistics Limited | PRC | Logistics business | RMB5,000,000 | – | 70% | (5)(6)(13) |
| Shenzhen Kerry Yantian Port Logistics Company Limited | PRC | Logistics business | RMB88,000,000 | – | 55% | (5)(6)(9) |
| Suzhou Industrial Park District Kerry Eas Logistics Co., Ltd. | PRC | Logistics business | RMB5,000,000 | – | 70% | (5)(6)(13) |
| T.Join Transportation Co.,Ltd | Taiwan | Transportation and logistics business | 483,582,498 | NTD10 | 23.41% | (5)(7)(10) |
| Tianjin Kerry Eas Customs Declaration Limited | PRC | Import and export agent | RMB1,500,000 | – | 70% | (5)(6)(13) |
| Tianjin Kerry EAS International Trading Co., Ltd. | PRC | Trading | RMB100,000 | – | 70% | (5)(6)(13) |
| WAH CHEONG COMPANY, LIMITED | HK | General merchants | 15,000 | HK\$100 | 100% | |
| Xiamen Haicang Kerry EAS Logistics Limited | PRC | Logistics business | RMB1,000,000 | – | 70% | (5)(6)(13) |
| Xian Kerry EAS Logistics Co., Ltd. | PRC | Logistics business | RMB5,000,000 | – | 70% | (5)(6)(13) |
| Xinjiang Kerry EAS Logistics Limited | PRC | Logistics business | RMB3,000,000 | – | 70% | (5)(6)(13) |

Notes to the Financial Statements

44 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (Continued)

(i) Principal Subsidiaries (Continued)

| Name | Place of incorporation/ establishment | Principal activities | Issued share capital ⁽¹⁾ / Registered capital | | Indirect interest held unless denoted with* | Notes |
|--|---------------------------------------|--|--|---------------------|---|-------|
| | | | Number/ Amount | Par value per share | | |
| Infrastructure Division | | | | | | |
| Kerry Infrastructure Limited | BVI | Investment holding | 595,026,381 | HK\$1 | 100%* | |
| Other Divisions | | | | | | |
| Alpine Project Management Ltd. | Samoa | Project management in Asia | 1 | US\$1 | 100% | |
| Dragon Fame Limited | HK | Finance | 1 | HK\$1 | 100% | |
| Gain Silver Finance Limited | BVI | Group financing | 1 | US\$1 | 100% | |
| Gainlead International Limited | BVI | Group financing | 1 | US\$1 | 100% | |
| iBe-Tech Investments Limited | BVI | Investment holding | 1 | US\$1 | 100%* | |
| ISA Investments Limited | BVI | Investment holding | 1 | US\$1 | 100% | |
| Kerry Communication Limited | HK | Advertising agency | 1 | HK\$1 | 100% | |
| Kerry Corporate Services Limited | HK | Provision of corporate services | 1 | HK\$1 | 100% | |
| Kerry Estate Management Limited | BVI | Investment holding | 10,000 | HK\$1 | 100%* | |
| Kerry Project Management (H.K.) Limited | HK | Project management | 300,000 | HK\$1 | 100% | |
| Kerry Properties Nominees Limited | BVI | Provision of nominee services | 1,000 | HK\$1 | 100% | |
| Kerry Properties Treasury Limited | BVI | Investment holding and group financing | 4,670,665,187 | HK\$1 | 100%* | |
| Kerry Property Management Services Limited | HK | Property management | 20 | HK\$1 | 100% | |
| Kerry Real Estate Agency Limited | HK | Estate agency | 2 | HK\$1 | 100% | |
| Upsmart Investments Limited | HK | Provision of administrative support services | 2 | HK\$1 | 100% | |
| Win House Industries Limited | HK | Provision of construction work | 1,000,000 | HK\$1 | 100% | |
| Wing Tsing Financial Services Limited | BVI | Group financing in HK | 1 | US\$1 | 100% | |
| Wise Insight Finance Limited | BVI | Group financing | 1 | US\$1 | 100% | |
| Wiseyear Holdings Limited | BVI | Group financing | 1 | US\$1 | 100% | |

44 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (Continued)

(ii) Principal Associates

As at 31 December 2010, the Company held interests in the following associates which are categorised according to the business divisions of the Group, namely, Property Division, Logistics Network Division, Infrastructure Division and Other Divisions as listed below:

| Name | Place of incorporation/ establishment | Principal activities | Class of shares/ Registered capital | Interest held indirectly | Notes |
|---|---------------------------------------|--|-------------------------------------|--------------------------|---------|
| Property Division – China | | | | | |
| Hengyun Real Estate (Tangshan) Co., Ltd. | PRC | Property development | RMB365,000,000 | 40% | (5)(8) |
| Ji Xiang Real Estate (Nanjing) Co., Ltd. | PRC | Property development | RMB300,000,000 | 45% | (5)(8) |
| Ruihe Real Estate (Tangshan) Co., Ltd. | PRC | Property development | RMB340,000,000 | 40% | (5)(8) |
| Shanghai Pudong Kerry City Properties Co., Ltd. | PRC | Property development | US\$171,361,400 | 40.80% | (6)(9) |
| Tianjin Kerry Real Estate Development Co., Ltd. | PRC | Property development | RMB2,261,250,000 | 49% | (5)(8) |
| Property Division – Hong Kong | | | | | |
| Brisbane Trading Company Limited | HK | Investment holding and property trading | Ordinary Non-voting deferred | 50% | |
| Cardiff Investments Limited | HK | Investment holding | Ordinary | 30% | (5) |
| Cheerjoy Development Limited | HK | Property development and trading | Ordinary | 35% | |
| Enterprico Investment Limited | HK | Loan financing | Ordinary | 45% | (5) |
| Fine Winner Holdings Limited | HK | Hotel ownership and operation | Ordinary | 30% | |
| Grand Creator Investment Limited | HK | Property trading | Ordinary | 40% | (5)(12) |
| Grand Rise Investments Limited | HK | Property investment | Ordinary | 45% | (5) |
| Hang Hau Station (Project Management) Limited | HK | Project management | Ordinary | 40% | (5)(12) |
| Jet Fame (Hong Kong) Limited | HK | Property investment | Ordinary | 45% | (5) |
| Kerry Hung Kai Warehouse (Cheung Sha Wan) Limited | HK | Warehouse operation | Ordinary | 50% | (5) |
| Orient Field Holdings Limited | HK | Property investment | Ordinary | 45% | (5) |
| Portstewart Limited | HK | Provision of finance services | Ordinary | 50% | |
| Residence Oasis Finance Company Limited | HK | Provision of finance services | Ordinary | 40% | (5)(12) |
| Time Rank Limited | HK | Property trading | Ordinary | 50% | (12) |
| Ubagan Limited | HK | Property investment | Ordinary | 40% | |
| Union Top Properties Limited | HK | Property investment | Ordinary | 45% | (5) |
| Win Chanford Enterprises Limited | HK | Investment holding and property investment | Ordinary | 45% | (5) |
| Wolver Hollow Company Limited | HK | Warehouse ownership | Ordinary | 50% | (5) |
| Wu Wing International Company, Limited | HK | Property trading and investment | Ordinary | 45% | (5)(12) |

Notes to the Financial Statements

44 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES AND ASSOCIATES (Continued)

(ii) Principal Associates (Continued)

| Name | Place of incorporation/ establishment | Principal activities | Class of shares/ Registered capital | Interest held indirectly | Notes |
|--|---------------------------------------|---|-------------------------------------|--------------------------|---------------|
| Property Division – Overseas | | | | | |
| Jacksons Landing Development Pty. Limited | Australia | Property development | Ordinary | 25% | (5)(12) |
| Jacksons Landing Estate Management Pty Limited | Australia | Property management | Ordinary | 25% | (5)(12) |
| KSA Realty Corporation | Philippines | Leasing of office and commercial spaces | Common Preference | 18.30% | (5)(11) |
| Shang Properties, Inc. | Philippines | Property development, real estate management and investment holding | Common | 34.61% | (5)(10) |
| Shangri-La Plaza Corporation | Philippines | Operation of shopping mall and other related activities | Common Preference | 27.245% | (5) |
| SPI Parking Services, Inc. | Philippines | Carpark operations | Common | 34.61% | (5) |
| The Shang Grand Tower Corporation | Philippines | Property development | Common Preference | 34.61% | (5) |
| Logistics Network Division | | | | | |
| ASIA AIRFREIGHT SERVICES LIMITED | HK | Provision of air cargo services | Ordinary | 15% | (5)(11)(12) |
| ASIA AIRFREIGHT TERMINAL COMPANY LIMITED | HK | Air cargo handling terminal operation | Ordinary | 15% | (5)(11)(12) |
| CHIWAN CONTAINER TERMINAL CO., LTD. | PRC | Port terminal operation | US\$95,300,000 | 25% | (9) |
| GHANIM INTERNATIONAL FOOD CORPORATION SDN BHD | Brunei Darussalam | Trading | Ordinary | 37.50% | (5) |
| Hanjin Kerry Logistics Co., Ltd. | South Korea | Logistics business | Ordinary | 35% | (5)(6) |
| Kerry Far East Logistics (Bangladesh) Limited | Bangladesh | Freight forwarding | Ordinary | 45.50% | (5) |
| KERRY SALVAT LOGISTICS, S.A. | Spain | Freight forwarding | Ordinary | 50% | (5) |
| Kerry Talke Chemical Logistics (Hong Kong) Limited | HK | Investment holding | Ordinary | 50% | |
| Kerry Talke Chemical Logistics (Shanghai) Limited | PRC | Logistics business | US\$2,100,000 | 50% | (5)(6)(8) |
| Kerry Wincanton Limited | HK | Logistics business | Ordinary | 50% | |
| KUOK PENGANGKUTAN SDN. BHD. | Malaysia | Distribution and logistics business | Ordinary | 46.60% | (5) |
| Infrastructure Division | | | | | |
| Hohhot Chunhua KVV Water Treatment Company Limited | PRC | Water treatment facilities ownership and management | RMB192,329,200 | 13% | (5)(6)(9)(11) |
| Hohhot Chunhua VVK Water Operation Company Limited | PRC | Water treatment facilities operation and maintenance | RMB14,000,000 | 19.50% | (5)(6)(9)(11) |
| Kerry CQ Water (Hohhot) Limited | HK | Investment holding | Ordinary | 50% | |
| KVV Investment Company Limited | HK | Investment holding | Ordinary | 25.50% | (5) |
| Western Harbour Tunnel Company Limited | HK | Tunnel operation and management | Ordinary | 15% | (11)(12) |
| Other Divisions | | | | | |
| Shine Up Holdings Limited | Samoa | Aircraft holding | Ordinary | 25% | |

Notes:

- (1) *all being ordinary shares and fully paid up except otherwise stated*
- (2) *common shares*
- (3) *non-voting deferred shares*
- (4) *preference shares*
- (5) *companies not audited by PricewaterhouseCoopers*
- (6) *English translation of name only*
- (7) *Control is obtained by the Group through obtaining power to govern the financial and operating policies of these subsidiaries*
- (8) *wholly foreign-owned enterprise*
- (9) *sino-foreign equity joint venture enterprise*
- (10) *listed company*
- (11) *Significant influence is obtained by the Group through participation in the board of directors of these associates*
- (12) *companies having a financial accounting period which is not coterminous with the Group*
- (13) *one member limited liability company (solely owned by corporation)*

BVI British Virgin Islands

HK Hong Kong

PRC The People's Republic of China

Ten-Year Financial Summary

The results, assets and liabilities of the Group for the last ten financial years are as follows:

| | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 |
|--|---------------------|--------------|--------------|--------------|--------------|--------------|-------------|-------------|-------------|-------------|
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Results | | | | | | | | | | |
| Turnover | 21,225,990 | 12,938,283 | 13,115,698 | 11,272,388 | 10,193,117 | 8,008,824 | 5,102,442 | 4,204,466 | 5,156,162 | 5,036,408 |
| Operating profit | 7,349,360 | 5,906,421 | 4,118,682 | 7,434,187 | 5,364,379 | 3,246,173 | 1,732,612 | 436,564 | 678,896 | 527,285 |
| Share of results of associates | 1,295,314 | 920,621 | 298,863 | 431,976 | 450,917 | 510,105 | 555,503 | 135,758 | 108,838 | (272,780) |
| Profit before taxation | 8,644,674 | 6,827,042 | 4,417,545 | 7,866,163 | 5,815,296 | 3,756,278 | 2,288,115 | 572,322 | 787,734 | 254,505 |
| Taxation | (1,884,228) | (1,917,912) | (1,085,978) | (1,014,564) | (889,531) | (494,199) | 139,910 | (111,192) | (175,988) | (83,165) |
| Profit after taxation | 6,760,446 | 4,909,130 | 3,331,567 | 6,851,599 | 4,925,765 | 3,262,079 | 2,428,025 | 461,130 | 611,746 | 171,340 |
| Non-controlling interests | (450,112) | (524,802) | (322,798) | (318,261) | (260,380) | (195,216) | (156,892) | (66,389) | (12,075) | (23,910) |
| Profit attributable to shareholders | 6,310,334 | 4,384,328 | 3,008,769 | 6,533,338 | 4,665,385 | 3,066,863 | 2,271,133 | 394,741 | 599,671 | 147,430 |
| Breakdown of the profit/(loss) attributable to shareholders by division: | | | | | | | | | | |
| PRC Property Division | 1,440,937 | 1,485,543 | 1,720,302 | 884,804 | 807,153 | 372,020 | 548,303 | 299,661 | 237,508 | 292,647 |
| Hong Kong Property Division | 3,916,155 | 2,108,296 | 705,618 | 4,716,769 | 2,675,562 | 1,429,102 | 1,187,302 | (212,738) | 550 | (471,996) |
| Overseas Property Division | 67,434 | 95,271 | (12,514) | 58,585 | 36,227 | 68,091 | 26,696 | 26,203 | 31,940 | 32,074 |
| Logistics Network Division | 797,230 | 597,564 | 555,385 | 782,503 | 1,149,471 | 1,085,152 | 438,297 | 92,253 | 158,739 | 57,037 |
| Infrastructure Division | 82,163 | 69,922 | 60,216 | 42,734 | 31,420 | 38,473 | 30,581 | 149,169 | 101,484 | 217,006 |
| Project, property management and others | 6,415 | 27,732 | (20,238) | 47,943 | (34,448) | 74,025 | 39,954 | 40,193 | 69,450 | 20,662 |
| | 6,310,334 | 4,384,328 | 3,008,769 | 6,533,338 | 4,665,385 | 3,066,863 | 2,271,133 | 394,741 | 599,671 | 147,430 |
| Assets and liabilities | | | | | | | | | | |
| Non-current assets | 78,013,104 | 63,919,230 | 64,717,895 | 57,573,930 | 45,609,376 | 38,940,228 | 30,414,420 | 27,035,492 | 27,605,989 | 28,090,294 |
| Net current assets | 10,473,536 | 16,356,262 | 8,710,942 | 7,738,183 | 3,336,518 | 2,660,695 | 1,810,600 | 1,600,726 | 1,410,103 | 2,420,182 |
| Total assets less current liabilities | 88,486,640 | 80,275,492 | 73,428,837 | 65,312,113 | 48,945,894 | 41,600,923 | 32,225,020 | 28,636,218 | 29,016,092 | 30,510,476 |
| Long-term liabilities and non-controlling interests | (30,772,004) | (29,606,638) | (26,690,166) | (21,089,608) | (19,436,951) | (16,380,093) | (9,896,036) | (8,753,659) | (9,219,662) | (9,694,317) |
| Shareholders' funds | 57,714,636 | 50,668,854 | 46,738,671 | 44,222,505 | 29,508,943 | 25,220,830 | 22,328,984 | 19,882,559 | 19,796,430 | 20,816,159 |

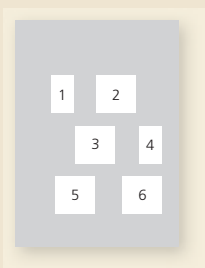
Note: Certain figures for the years from 2006 to 2009 have been restated due to an amendment to HKAS 17 'Leases'.

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Featuring the Kerry Centre, the new headquarters of the Group, and five of the Group's latest projects, the cover design highlights the various business initiatives in Mainland China and Hong Kong, all standing as testament to the Group's aspiration to excellence. Through progressive business development, the Group continues to strengthen its leadership and presence in different market segments to sustain positive momentum for the long term.