

# PRESIDENT & CHIEF EXECUTIVE OFFICER'S STATEMENT

Dear Shareholders,

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

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

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

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

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

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

The business environment of the coming year will no doubt be challenging as the global economy is in poor shape and a recovery does not look likely during 2009. While China is affected by the global situation, it is also affected by the policies of the Chinese Government. To ensure stable growth, the Chinese Government has launched appropriate measures to stimulate the economy. In 2009, the Group will be more cautious in evaluating the China



market but we also believe the Chinese Government will launch appropriate measures to stimulate the economy and support the healthy development of the property sector. We fully understand and appreciate the importance of strong and healthy cash flow management in order to bring about growth in both the short and long term. The Group will continue to focus on finding properties in prime locations, with a preference for coastal regions, when the conditions are favourable, in order to support the future development of residential projects. In Hong Kong, we are also on the lookout for opportunities, and will make future investments in projects that fit our investment profile.

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

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

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

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



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

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

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

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

Sincerely,

**Wong Siu Kong**

*President & Chief Executive Officer*

Hong Kong, 18 March 2009