

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE STATEMENT

The Company has always recognized the importance of shareholders' transparency and accountability. It is the belief of the Board of Directors of the Company (the "Board") that shareholders can maximize their benefits from good corporate governance. Prior to the issuance of Code on Corporate Governance Practices (the "Code") by The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company has taken the initiative to disclose its corporate governance practices in the annual reports and accounts commencing from the financial year ended 31 December 2000. Essentially, the Code adopts a two-tier approach: (a) code provisions; and (b) recommended best practices, and requires the inclusion of a corporate governance report in a listed issuer's annual report.

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

The following sections set out how the principles under the Code have been complied with by the Company during the financial year ended 31 December 2008.

FOCUS AND PRINCIPLES

CORPORATE GOVERNANCE PRACTICES

1. Directors

1.1 The Board

1. The Board is responsible for the leadership and control of the Company and oversees the Group's businesses, strategic directions and financial performance. It sets the Company's values and standards and ensures that its obligations to the Company's shareholders are understood and met. To this end, it assumes responsibility for strategy formulation, corporate governance and performance monitoring. The management was delegated authority and responsibility by the Board for the management of the Group within the control and authority framework set by the Board. In addition, the Board has also delegated various responsibilities to the Remuneration Committee, the Audit Committee and the Finance Committee. Further details of these committees are set out in this annual report.
2. Board minutes kept by the Company Secretary are sent to the Directors for records and are open for inspection by the Directors.
3. The Company has arranged appropriate insurance cover for the Directors.

1.1 The Board (Continued)

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

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

+ Executive Director
 # Independent Non-executive Director
 ® Non-executive Director
 ✓ Attendance
 - Not applicable

1.2 Division of Responsibilities

1. The Board has appointed a Chairman who has executive responsibilities and who provides leadership to the Board in terms of establishing policies and business directions. The Chairman ensures that the Board works effectively and discharges its responsibilities, and that all key and appropriate issues are discussed by the Board in a timely manner. The Board also comprises Independent Non-executive Directors who bring strong independent judgement, knowledge and experience to the Board's deliberations. Apart from their appointments as Independent Non-executive Directors, none of them has any form of service contract with the Company or any of its subsidiaries. The Board also comprises a Non-executive Director who brings financial and accounting knowledge and experience to the Board. In addition, each Executive Director is delegated individual responsibility to oversee and monitor the operations of a specific business unit, and to implement the strategies and policies set by the Board.

CORPORATE GOVERNANCE REPORT

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FOCUS AND PRINCIPLES

CORPORATE GOVERNANCE PRACTICES

1.2 *Division of Responsibilities* (Continued)

2. As noted below, the majority of the Audit Committee members and the Remuneration Committee members are Independent Non-executive Directors. This structure ensures that the independence of views and opinions expressed by the Directors at the Audit Committee and Remuneration Committee meetings.
3. Acting as the Chairman of the Board, Mr Kuok Khoon Chen leads the Board and ensures all Directors are properly briefed on issues to be discussed at Board meetings. Mr Wong Siu Kong, being the President & Chief Executive Officer, is responsible for the day-to-day management of the Company's business.
4. Accordingly, the Board operates in a functional manner with clearly defined objectives, strategies and responsibilities.

1.3 *Board Composition*

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

1.4 *Directors' Appointment, Re-election and Removal*

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

1.5 Responsibilities of Directors

1. The Directors are continually updated with legal and regulatory developments, business and market changes and development of the Company to facilitate them in discharging their responsibilities.
2. The Independent Non-executive Directors take an active role in Board meetings, contribute to the development of strategies and policies and make sound judgement in various aspects. They will take lead when potential conflicts of interest arise. They are also members of various Board committees and devote sufficient amount of time and attention to the affairs of the Company.
3. The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules as the code for securities transactions by Directors of the Company (the "Model Code"). The Directors have confirmed compliance with the required standards set out in the Model Code throughout the financial year ended 31 December 2008 and for the period up to the latest practicable date prior to the publication of this annual report.

1.6 Supply of and Access to Information

1. All Directors receive a regular supply of information about the business activities, financial highlights and operations review of the Group so that they are up-to-date and are well-informed prior to participation in Board meetings.
2. The Board members are supplied with comprehensive board papers and relevant materials within a reasonable period of time in advance of the intended meeting date (in any event no less than 3 days before the date of the meeting), including business and financial reports covering the Group's principal business activities.
3. To facilitate the decision-making process, the Directors are free to have access to the management for enquiries and to obtain further information, when required.
4. All Directors have unrestricted access to the advice and services of the Company Secretary, who ensures that the Board receives appropriate and timely information for its decision-making and that Board procedures are being followed. The Directors can obtain independent professional advice at the Company's expense.

FOCUS AND PRINCIPLES

CORPORATE GOVERNANCE PRACTICES

2. Remuneration of Directors

2.1 Remuneration Committee

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

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

⁺ Executive Director

[#] Independent Non-executive Director

✓ Attendance

X No attendance

– Not applicable

2.2 Remuneration Package for Executive Directors

1. The remuneration for the Executive Directors comprises basic salary, discretionary bonus, pensions and share options.
2. Salaries are reviewed annually. Salary increases are made where the Remuneration Committee believes that adjustments are appropriate to reflect the performance, contribution and increased responsibilities of each Executive Director and/or by reference to market/sector trends.
3. In addition to basic salary, Executive Directors and employees of the Company and its subsidiaries are eligible to receive a discretionary bonus taking into consideration factors such as market conditions as well as corporate and individual performances.
4. As part of the compensation of the Executive Directors and in order to attract, retain and motivate executives and key employees serving any members of the Group or other persons contributing to the Group, the Company has adopted an executive share option scheme (the "1997 Share Option Scheme") (which was terminated on 17 April 2002 to the effect that no further options shall be offered) and a new share option scheme (the "2002 Share Option Scheme"). Such incentive schemes enable the eligible persons to obtain an ownership interest in the Company and, thus motivating them to optimize their contributions to the Group.
5. Details of the amount of Directors' emoluments during the financial year ended 31 December 2008 are set out in note 13(b) to the financial statements of this annual report. Details of the 1997 Share Option Scheme and the 2002 Share Option Scheme by the Company are set out in the Directors' Report and note 34 to the financial statements of this annual report.

3. Accountability and Audit

3.1 Financial Reporting

1. The Board is responsible for the preparation of the financial statements. In preparing the financial statements, the generally accepted accounting standards in Hong Kong have been adopted, appropriate accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made. The external auditor has a primary responsibility for auditing and reporting on the financial statements and the Auditor's Report to the shareholders is included in this annual report.
2. Towards the end of 2008, the Board has reviewed the financial projections of the Group in respect of the eight financial years ending 31 December 2016. On the basis of this review, the Board is not aware of any material uncertainties relating to events or conditions which may cast significant doubt over the Group's ability to continue as a going concern. Accordingly, the Board has continued to adopt the going concern basis in preparing the financial statements.

3.2 Internal Controls

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

3.3 Audit Committee

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

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

- [#] Independent Non-executive Director
- [®] Non-executive Director
- ✓ Attendance
- Not applicable

3.4 Auditors' Remuneration

During the financial year ended 31 December 2008, the fees paid/payable to the auditors in respect of audit and non-audit services provided by the auditors to the Group were as follows:–

Nature of services	Amount HK\$'000
Audit services	15,182
Non-audit services	
(i) Tax services	1,521
(ii) Other services	2,325

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CORPORATE GOVERNANCE PRACTICES

4. Delegation by the Board

4.1 Management Functions

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

4.2 Board Committees

In addition to delegating specific responsibilities to the Audit Committee (see paragraph 3.3 above) and the Remuneration Committee (see paragraph 2.1 above), the Board established the Finance Committee in August 1996 with delegated authority for reviewing and approving certain financial matters of the Group. Currently, the Finance Committee comprises the Chairman, the President & Chief Executive Officer and an Executive Director of the Company, and it deals with matters such as the investment of surplus funds, undertakings, determination and approval of investment acquisitions and disposals with amounts not exceeding HK\$1 billion, arrangement of banking facilities and approval of guarantees and indemnities within designated limits.

4.3 Executive Committee

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

5. Communication with Shareholders

5.1 Investor Relations

Communication channels

In order to develop and maintain a continuing investors' relationship programme with the Company's shareholders, the Company has established various channels of communication with its shareholders:-

- (i) Shareholders can raise any comments on the performance and future directions of the Company with the Directors at the annual general meeting.
- (ii) Press and analysts' conferences are held twice a year in relation to the interim and final results announcements, at which the Executive Directors are available to answer questions regarding the Group's operational and financial performances.
- (iii) The Company also avails itself of opportunities to communicate and explain its strategies to shareholders and the investor community, through active participation at investors' conferences and regular meetings with financial analysts, fund managers and potential investors. In particular, the Company participated in a number of roadshows and investors' conferences organized by various investment banks during 2008, as a move to enhance the Group's relationship with the investor community and its understanding of the Group's operations and developments.

5.1 Investor Relations (Continued)

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

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

The Group plans to continue to enhance its investors' relationship by participating in future roadshows and conferences.

- (iv) The Company's website at www.kerryprops.com contains important corporate information, biographical details of Directors and senior management, organization structure, annual and interim reports, major historical developments with comprehensive and user-friendly information about the Group, as well as announcements and circulars issued by the Company in order to enable the Company's shareholders and the investor community to have timely access to updated information about the Group.
- (v) Shareholders and members of the investor community are welcome to raise enquiries through our Corporate Communications Department, whose contact details are available in the Company's website www.kerryprops.com and as stated in the section headed "Corporate Information & Key Dates" of this annual report.

CORPORATE GOVERNANCE REPORT

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FOCUS AND PRINCIPLES

CORPORATE GOVERNANCE PRACTICES

5.1 *Investor Relations (Continued)* General meetings

1. The general meeting provides a forum for the Board to communicate with the shareholders of the Company. Shareholders holding not less than one-tenth of the paid-up capital of the Company may deposit a requisition to convene a special general meeting and state the purpose therefor at the Company's registered office in Bermuda at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda.
2. To facilitate enforcement of shareholders' rights, significant issues are dealt with under separate resolutions at general meetings.
3. The Board is available at annual general meetings to answer questions raised by shareholders or other parties. The chairman of the Company's independent board committee (if any) is also present to answer questions at any general meeting which is convened to approve a connected transaction or any other transaction that is subject to independent shareholders' approval.
4. The 2008 annual general meeting of the Company was held on 6 May 2008 at Island Ballroom, Level 5, Island Shangri-La Hotel, Pacific Place, Supreme Court Road, Central, Hong Kong. The following resolutions were passed at the meeting:–
 - (a) To adopt the audited financial statements and the reports of the directors and the auditor for the financial year ended 31 December 2007;
 - (b) To declare a final dividend for the financial year ended 31 December 2007;
 - (c) To re-elect Messrs Wong Siu Kong, Ho Shut Kan and So Hing Woh, Victor, the retiring Directors;
 - (d) To fix Directors' fees (including fees payable to members of the Audit and Remuneration Committees);
 - (e) To re-appoint PricewaterhouseCoopers as auditor and to authorize the Directors of the Company to fix its remuneration;
 - (f)
 - (i) To grant a general mandate to the Directors of the Company to allot, issue and deal with additional shares not exceeding 20% of the issued share capital of the Company as at the date of passing the resolution;
 - (ii) To grant a general mandate to the Directors of the Company to repurchase shares in the share capital of the Company not exceeding 10% of the issued share capital of the Company as at the date of passing the resolution; and
 - (iii) To extend, conditional upon the above resolution No. (f)(ii) being duly passed, the general mandate to allot shares by adding aggregate nominal amount of the repurchased shares to the 20% general mandate.

5.1 Investor Relations (Continued) 5. Voting by poll – Procedures and requirements

The Company has followed the requirements under the Listing Rules by disclosing in its circulars convening a general meeting the procedures for and the rights of shareholders to demand a poll in compliance with Rule 13.39(4) during the financial year ended 31 December 2008.

In accordance with Bye-law 70 of the Company's Bye-laws, a resolution put to the vote of a general meeting shall be decided on a show of hands, but a poll may be demanded (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll):–

- (i) by the Chairman of the meeting; or
- (ii) by at least three shareholders present in person or by duly authorized corporate representative or by proxy for the time being entitled to vote at the meeting; or
- (iii) by any shareholder or shareholders present in person or by duly authorized corporate representative or by proxy and representing not less than one-tenth of the total voting rights of all the shareholders having the right to vote at the meeting; or
- (iv) by any shareholder or shareholders present in person or by duly authorized corporate representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

In addition, according to Bye-law 70A of the Company's Bye-laws, notwithstanding any other provisions of the Company's Bye-laws:–

- (a) if the aggregate proxies held by (i) the Chairman of a particular meeting, and (ii) the Directors, account for 5% or more of the total voting rights at that meeting, and
- (b) if on a show of hands in respect of any resolution, the shareholders at the meeting vote in the opposite manner to that instructed in the proxies referred to in (a) above,

the Chairman of the meeting and/or any Director holding the proxies referred to above shall demand a poll. However, if it is apparent from the total proxies held by the persons referred to in (a) above that a vote taken on a poll will not reverse the vote taken on a show of hands, then no poll shall be required.

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

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CORPORATE GOVERNANCE PRACTICES

5.2 Shareholder Information

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

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

5.3 Other Relevant Information

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