

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



KERRY PROPERTIES LIMITED

(Incorporated in Bermuda with limited liability)

嘉里建設有限公司*

website: www.kerryprops.com

(Stock Code: 00683)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2008

The Board of Directors (the “Board”) of Kerry Properties Limited (the “Company”) announce the consolidated final results of the Company, its subsidiaries and associated companies (the “Group”) for the year ended 31 December 2008. The Audit Committee of the Board has met to review the results and the financial statements of the Group for the year ended 31 December 2008 prior to recommending them to the Board for approval.

OVERALL RESULTS

The Group’s consolidated net profit attributable to shareholders for the year ended 31 December 2008 was HK\$3,051 million, representing a decrease of 54% compared with HK\$6,563 million reported for 2007. 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\$822 million for the year ended 31 December 2008 (2007: HK\$3,973 million). Profit attributable to shareholders for the year ended 31 December 2008 before taking into account the effects of the aforementioned increase in fair value is HK\$2,229 million (2007: HK\$2,590 million).

Earnings per share for the year ended 31 December 2008 were HK\$2.14, representing a decrease of 57% compared with HK\$4.95 per share in 2007.

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
	2008	2007	
	HK\$ million	HK\$ million	
Profit attributable to shareholders before taking into account the net increase in fair value of investment properties and related tax effects	2,229	2,590	-14%
Add:			
Net increase in fair value of investment properties and related tax effects	<u>822</u>	<u>3,973</u>	
Profit attributable to shareholders after taking into account the net increase in fair value of investment properties and related tax effects	<u>3,051</u>	<u>6,563</u>	-54%

The Board has recommended the payment of a final dividend of HK\$0.40 per share for the year. Together with the interim dividend of HK\$0.30 per share, the total dividend for the year ended 31 December 2008 will be HK\$0.70 per share (2007: HK\$0.95 per share).

CONSOLIDATED INCOME STATEMENT

	Note	Year ended 31 December	
		2008 HK\$'000	2007 HK\$'000 (restated)
Turnover	2	13,115,698	11,272,388
Cost of sales		(1,145,620)	(547,538)
Direct operating expenses		<u>(8,002,299)</u>	<u>(7,346,970)</u>
Gross profit		3,967,779	3,377,880
Other income and net gains		580,279	699,627
Administrative expenses		(1,114,548)	(806,594)
Increase in fair value of investment properties		1,006,136	4,493,935
Operating profit before finance costs		<u>4,439,646</u>	<u>7,764,848</u>
Finance costs		<u>(279,140)</u>	<u>(300,907)</u>
Operating profit	2,3	4,160,506	7,463,941
Share of results of associated companies		298,863	431,976
Profit before taxation		4,459,369	7,895,917
Taxation	4	<u>(1,085,978)</u>	<u>(1,014,564)</u>
Profit for the year		<u><u>3,373,391</u></u>	<u><u>6,881,353</u></u>
Profit attributable to :			
Company's shareholders		3,050,593	6,563,092
Minority interests		322,798	318,261
		<u><u>3,373,391</u></u>	<u><u>6,881,353</u></u>
Dividends		<u><u>999,338</u></u>	<u><u>1,386,741</u></u>
Earnings per share	5		
- Basic		<u><u>HK\$2.14</u></u>	<u><u>HK\$4.95</u></u>
- Diluted		<u><u>HK\$2.13</u></u>	<u><u>HK\$4.74</u></u>

CONSOLIDATED BALANCE SHEET

		31 December 2008	31 December 2007
	Note	HK\$'000	HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		3,036,006	3,102,485
Investment properties		29,709,611	28,324,740
Leasehold land and land use rights		520,176	402,478
Properties under development		20,206,602	14,138,189
Land deposits		3,113,939	3,525,737
Associated companies		6,100,933	5,686,005
Derivative financial instruments		-	18,684
Available-for-sale investments		1,265,693	1,789,752
Long-term receivables		26,711	36,748
Goodwill		508,749	306,149
		64,488,420	57,330,967
Current assets			
Properties under development		5,933,005	5,408,011
Completed properties held for sale		819,132	579,784
Accounts receivable, prepayments and deposits	6	3,772,279	2,731,716
Tax recoverable		107,966	102,248
Tax reserve certificates		21,790	21,790
Listed securities at fair value through profit or loss		102,284	224,743
Derivative financial instruments		4,884	-
Pledged bank deposits		1,235	64,234
Cash and bank balances		4,081,611	4,236,714
		14,844,186	13,369,240
Current liabilities			
Accounts payable, deposits received and accrued charges	7	3,533,779	4,330,440
Taxation		676,332	587,346
Short-term bank loans and current portion of long-term bank loans	8	1,907,948	649,555
Derivative financial instruments		-	32,888
Secured bank overdrafts		3,713	4,624
Unsecured bank overdrafts		11,472	26,204
		6,133,244	5,631,057
Net current assets		8,710,942	7,738,183
Total assets less current liabilities		73,199,362	65,069,150
Non-current liabilities			
Long-term bank loans	8	8,495,475	6,953,242
Convertible bonds	9	2,472,202	2,346,387
Fixed rate bonds		3,236,664	3,254,340
Amounts due to minority shareholders		2,646,477	2,378,154
Derivative financial instruments		143,652	63,410
Deferred taxation		3,661,109	3,295,152
		20,655,579	18,290,685
ASSETS LESS LIABILITIES		52,543,783	46,778,465
EQUITY			
Capital and reserves attributable to the Company's shareholders			
Share capital		1,427,190	1,424,278
Share premium		11,899,348	11,804,186
Other reserves		11,998,505	11,263,616
Retained profits		20,642,488	18,592,906
Proposed final dividend		570,876	925,781
		46,538,407	44,010,767
Minority interests		6,005,376	2,767,698
TOTAL EQUITY		52,543,783	46,778,465

FINANCIAL HIGHLIGHTS

	31 December 2008	31 December 2007
Equity attributable to the Company's shareholders (HK\$ million)	46,538	44,011
Net borrowings (including bonds) (HK\$ million)	12,045	8,933
Net asset value (attributable to the Company's shareholders) per share	HK\$32.61	HK\$30.90
Gearing (Net borrowings / Equity attributable to the Company's shareholders)	25.9%	20.3%

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of preparation and accounting policies

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants. In addition, these financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The accounting policies are consistent with those as described in the Group’s financial statements for the year ended 31 December 2007, except that the Group has adopted the following new amendments and interpretations which are relevant to the Group’s operations and are mandatory for the financial year ended 31 December 2008:

- HK(IFRIC) – Int 11, “HKFRS 2 – Group and Treasury Share Transactions”
- HK(IFRIC) – Int 12, “Service Concession Arrangements”

The adoption of these amendments and interpretations does not have any significant impact on the results and financial position of the Group.

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

2. Principal activities and segmental analysis of operations

An analysis of the Group's turnover and contribution to operating profit for the year by principal activities and markets is as follows:

	Turnover		Operating profit	
	Year ended 31 December		Year ended 31 December	
	2008	2007	2008	2007
	HK\$'000	HK\$'000 (restated)	HK\$'000	HK\$'000
Principal activities:				
Property rental				
- The People's Republic of China ("PRC") Property	795,841	613,909	422,015	413,220
- Hong Kong Property	588,920	492,370	295,175	157,968
	1,384,761	1,106,279	717,190	571,188
Property sales (note)				
- PRC Property	1,513,939	19,985	1,120,726	23,589
- Hong Kong Property	1,274,241	1,940,621	939,591	1,626,739
- Logistics and warehouse	-	-	-	350
	2,788,180	1,960,606	2,060,317	1,650,678
Hotel operations - PRC Property	437,808	400,544	172,129	151,920
Logistics and warehouse operations				
- warehouse	440,821	440,133	261,089	247,996
- logistics	7,918,963	7,241,694	288,350	239,884
	8,359,784	7,681,827	549,439	487,880
Infrastructure	-	-	(2,800)	(2,630)
Project, property management and others	145,165	123,132	(65,651)	110,970
	13,115,698	11,272,388	3,430,624	2,970,006
Increase in fair value of investment properties	-	-	1,006,136	4,493,935
Impairment loss on available-for-sale investments	-	-	(276,254)	-
	13,115,698	11,272,388	4,160,506	7,463,941
Principal markets:				
PRC	6,708,153	4,691,672	3,162,827	1,288,152
Hong Kong	3,772,177	4,227,160	897,650	6,173,500
United Kingdom	1,057,050	1,091,797	41,319	31,330
Others	1,578,318	1,261,759	58,710	(29,041)
	13,115,698	11,272,388	4,160,506	7,463,941

Note: Analysis of proceeds from sales of properties

	Year ended 31 December	
	2008	2007
	HK\$'000	HK\$'000
Property sales proceeds (as above)		
- PRC Property	1,513,939	19,985
- Hong Kong Property	1,274,241	1,940,621
- Logistics and warehouse	-	-
	2,788,180	1,960,606
Sales proceeds from investment properties		
- PRC Property	-	152,550
- Hong Kong Property	1,915,832	1,070,276
- Logistics and warehouse	-	790
	1,915,832	1,223,616
Total property sales proceeds		
- PRC Property	1,513,939	172,535
- Hong Kong Property	3,190,073	3,010,897
- Logistics and warehouse	-	790
	4,704,012	3,184,222

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

An analysis of the Group's revenue and results for the year by business segments is as follows:

Year ended 31 December 2008								
HK\$'000								
	PRC Property	Hong Kong Property	Overseas Property	Logistics and Warehouse	Infrastructure	Others	Eliminations	Consolidated
REVENUE								
Turnover	2,747,588	1,863,161	-	8,359,784	-	145,165	-	13,115,698
Inter-segment revenue	936	-	-	-	-	85,527	(86,463)	-
Inter-segment interest income	-	-	-	-	-	673,603	(673,603)	-
	<u>2,748,524</u>	<u>1,863,161</u>	<u>-</u>	<u>8,359,784</u>	<u>-</u>	<u>904,295</u>	<u>(760,066)</u>	<u>13,115,698</u>
RESULTS								
Segment results before change in fair value of investment properties	1,706,582	1,272,142	(3,147)	578,282	(2,676)	660,217	(673,603)	3,537,797
Increase/(decrease) in fair value of investment properties	1,284,572	(303,189)	-	24,753	-	-	-	1,006,136
Segment results	2,991,154	968,953	(3,147)	603,035	(2,676)	660,217	(673,603)	4,543,933
Dividend income	-	57,189	17,884	-	-	-	-	75,073
Interest income	35,124	11,789	20	19,059	2,501	28,401	-	96,894
Interest expenses	(34,008)	(178,713)	-	(47,902)	(2,625)	(689,495)	673,603	(279,140)
Impairment loss on available-for-sale investments	-	(276,254)	-	-	-	-	-	(276,254)
Operating profit/(loss)	2,992,270	582,964	14,757	574,192	(2,800)	(877)	-	4,160,506
Share of results of associated companies	(12,834)	28,829	10,408	216,351	62,946	(6,837)	-	298,863
Profit/(loss) before taxation	2,979,436	611,793	25,165	790,543	60,146	(7,714)	-	4,459,369
Taxation	(1,006,324)	98,850	(37,679)	(128,300)	-	(12,525)	-	(1,085,978)
Profit/(loss) for the year	<u>1,973,112</u>	<u>710,643</u>	<u>(12,514)</u>	<u>662,243</u>	<u>60,146</u>	<u>(20,239)</u>	<u>-</u>	<u>3,373,391</u>
Profit/(loss) attributable to:								
Company's shareholders	1,720,302	705,618	(12,514)	597,209	60,216	(20,238)	-	3,050,593
Minority interests	252,810	5,025	-	65,034	(70)	(1)	-	322,798
	<u>1,973,112</u>	<u>710,643</u>	<u>(12,514)</u>	<u>662,243</u>	<u>60,146</u>	<u>(20,239)</u>	<u>-</u>	<u>3,373,391</u>
Year ended 31 December 2007 (restated)								
HK\$'000								
	PRC Property	Hong Kong Property	Overseas Property	Logistics and Warehouse	Infrastructure	Others	Eliminations	Consolidated
REVENUE								
Turnover	1,034,438	2,432,991	-	7,681,827	-	123,132	-	11,272,388
Inter-segment revenue	2,686	-	-	-	-	56,785	(59,471)	-
Inter-segment interest income	-	-	-	-	-	576,831	(576,831)	-
	<u>1,037,124</u>	<u>2,432,991</u>	<u>-</u>	<u>7,681,827</u>	<u>-</u>	<u>756,748</u>	<u>(636,302)</u>	<u>11,272,388</u>
RESULTS								
Segment results before increase in fair value of investment properties	623,892	2,007,711	(17,084)	515,424	(2,474)	552,655	(576,831)	3,103,293
Increase in fair value of investment properties	495,542	3,674,202	-	324,191	-	-	-	4,493,935
Segment results	1,119,434	5,681,913	(17,084)	839,615	(2,474)	552,655	(576,831)	7,597,228
Dividend income	-	31,302	14,360	-	-	-	-	45,662
Interest income	26,705	20,044	10	28,543	3,728	42,928	-	121,958
Interest expenses	(61,868)	(234,546)	-	(55,737)	(3,884)	(521,703)	576,831	(300,907)
Operating profit/(loss)	1,084,271	5,498,713	(2,714)	812,421	(2,630)	73,880	-	7,463,941
Share of results of associated companies	2,820	105,166	61,299	220,978	45,244	(3,531)	-	431,976
Profit before taxation	1,087,091	5,603,879	58,585	1,033,399	42,614	70,349	-	7,895,917
Taxation	52,824	(886,489)	-	(158,502)	-	(22,397)	-	(1,014,564)
Profit for the year	<u>1,139,915</u>	<u>4,717,390</u>	<u>58,585</u>	<u>874,897</u>	<u>42,614</u>	<u>47,952</u>	<u>-</u>	<u>6,881,353</u>
Profit attributable to:								
Company's shareholders	884,804	4,716,769	58,585	812,257	42,734	47,943	-	6,563,092
Minority interests	255,111	621	-	62,640	(120)	9	-	318,261
	<u>1,139,915</u>	<u>4,717,390</u>	<u>58,585</u>	<u>874,897</u>	<u>42,614</u>	<u>47,952</u>	<u>-</u>	<u>6,881,353</u>

3. Operating profit

Year ended 31 December
2008 **2007**
HK\$'000 **HK\$'000**

Operating profit is stated after crediting/charging the following :

Crediting

Dividend income from listed and unlisted investments	75,073	45,662
Interest income	96,894	121,958
Gain on sale of properties	1,959,669	1,827,693
Gain on disposal of certain equity interest in certain PRC projects	254,344	-
Gain on disposal of a subsidiary which held 15% effective interest in Beijing COFCO Plaza	124,348	-

Charging

Depreciation of property, plant and equipment and amortisation of leasehold land and land use rights	221,070	187,164
Impairment loss on available-for-sale investments	276,254	-
Total finance costs incurred	751,932	734,881
Less: amount capitalised in properties under development	(533,946)	(407,411)
	217,986	327,470
Fair value loss/(gain) on derivative financial instruments	61,154	(26,563)
Total finance costs expensed during the year	279,140	300,907

4. Taxation

	Year ended 31 December	
	2008 HK\$'000	2007 HK\$'000
The taxation (charge)/credit comprises:		
PRC taxation		
Current	(597,437)	(197,335)
Over/(under) provision in prior years	1,701	(3,436)
Deferred - arising from temporary differences	(451,757)	(182,194)
Deferred - arising from tax rate changes	-	397,599
	(1,047,493)	14,634
Hong Kong profits tax		
Current	(186,119)	(342,758)
Overprovision in prior years	1,925	555
Deferred - arising from temporary differences	149,903	(661,842)
Deferred - arising from tax rate changes	80,229	-
	45,938	(1,004,045)
Overseas taxation		
Current	(39,868)	(19,668)
Deferred	(44,555)	(5,485)
	(84,423)	(25,153)
	<u>(1,085,978)</u>	<u>(1,014,564)</u>

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profit for the year. Income tax on PRC and overseas profits has been calculated on the estimated assessable profit for the year at the respective rates of taxation prevailing in the PRC and the overseas countries in which the Group operates.

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

The Group's share of associated companies' taxation for the year of HK\$61,286,000 (2007: HK\$61,671,000) is included in the consolidated income statement under share of results of associated companies.

5. Earnings per share

Basic

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

	Year ended 31 December	
	2008	2007
Weighted average number of ordinary shares in issue	<u>1,425,934,944</u>	<u>1,326,495,902</u>
	HK\$'000	HK\$'000
Profit attributable to shareholders	<u>3,050,593</u>	<u>6,563,092</u>
Basic earnings per share	<u>HK\$2.14</u>	<u>HK\$4.95</u>

Diluted

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

	Year ended 31 December	
	2008	2007
Weighted average number of ordinary shares in issue	1,425,934,944	1,326,495,902
Adjustment for convertible bonds	49,296,291	75,670,116
Adjustment for share options	<u>3,395,991</u>	<u>6,117,625</u>
Weighted average number of ordinary shares for calculation of diluted earnings per share	<u>1,478,627,226</u>	<u>1,408,283,643</u>
	HK\$'000	HK\$'000
Profit attributable to shareholders	3,050,593	6,563,092
Adjustment for finance cost on convertible bonds	<u>105,056</u>	<u>116,950</u>
Profit used to determine diluted earnings per share	<u>3,155,649</u>	<u>6,680,042</u>
Diluted earnings per share	<u>HK\$2.13</u>	<u>HK\$4.74</u>

6. Accounts receivable, prepayments and deposits

Included in accounts receivable, prepayments and deposits are trade receivables. The Group maintains a defined credit policy. The ageing analysis of trade receivables as at 31 December 2008 is as follows:

	As at 31 December 2008 HK\$'000	As at 31 December 2007 HK\$'000
Below 1 month	1,642,879	1,210,134
Between 1 month and 3 months	504,211	445,193
Over 3 months	149,115	178,410
	<u>2,296,205</u>	<u>1,833,737</u>

7. Accounts payable, deposits received and accrued charges

Included in accounts payable, deposits received and accrued charges are trade payables. The ageing analysis of trade payables as at 31 December 2008 is as follows:

	As at 31 December 2008 HK\$'000	As at 31 December 2007 HK\$'000
Below 1 month	533,349	453,120
Between 1 month and 3 months	182,299	166,217
Over 3 months	105,068	93,240
	<u>820,716</u>	<u>712,577</u>

8. Bank loans

	As at 31 December 2008 HK\$'000	As at 31 December 2007 HK\$'000
Bank loans - unsecured	9,794,886	6,954,800
Bank loans - secured	608,537	647,997
Total bank loans (note (i))	10,403,423	7,602,797
Less : Short-term bank loans and current portion of long-term bank loans	(1,907,948)	(649,555)
	8,495,475	6,953,242

(i) As at 31 December 2008, the Group's bank loans were repayable as follows:

	As at 31 December 2008 HK\$'000	As at 31 December 2007 HK\$'000
Within one year	1,907,948	649,555
In the second to fifth year		
- In the second year	623,355	373,850
- In the third year	7,017,424	506,803
- In the fourth year	52,559	5,530,930
- In the fifth year	741,165	48,026
	8,434,503	6,459,609
Wholly repayable within five years	10,342,451	7,109,164
Over five years	60,972	493,633
	10,403,423	7,602,797

9. Convertible bonds

During the year ended 31 December 2008, 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 the Group.

10. Commitments

At 31 December 2008, the Group had capital commitments in respect of interests in leasehold land, properties under development, property, plant and equipment and investment in associated companies, not provided for in these financial statements as follows:

	As at 31 December 2008 HK\$'000	As at 31 December 2007 HK\$'000
Contracted but not provided for	6,260,863	7,003,344
Authorised but not contracted for	228,869	59,431
	<u>6,489,732</u>	<u>7,062,775</u>

11. Contingent liabilities

	As at 31 December 2008 HK\$'000	As at 31 December 2007 HK\$'000
- Guarantees for banking and other facilities of certain associated companies and investee companies (note (i))	2,054,096	1,972,866
- Guarantees to certain banks for mortgage facilities granted to first buyers of certain properties in the PRC (note (ii))	-	96
	<u>2,054,096</u>	<u>1,972,962</u>

- (i) The Group has executed guarantees for banking and other facilities granted to certain associated companies and investee companies. The utilised amount of such facilities covered by the Group's guarantees, which also represented the financial exposure of the Group as at 31 December 2008, amounted to approximately HK\$2,054,096,000 (2007: HK\$1,972,866,000). The total amount of such facilities covered by the Group's guarantees as at 31 December 2008 amounted to approximately HK\$2,570,349,000 (2007: HK\$2,657,216,000).
- (ii) The Group has executed guarantees to certain banks for mortgage facilities granted to first buyers of certain properties developed by the Group in the PRC. The utilised amount of such facilities covered by the Group's guarantees, which also represented the financial exposure of the Group as at 31 December 2008, amounted to approximately HK\$nil (2007: HK\$96,000). The total amount of such facilities covered by the Group's guarantees as at 31 December 2008 amounted to approximately HK\$1,714,054,000 (2007: HK\$96,000).

Apart from the above, there are no material changes in contingent liabilities of the Group since 31 December 2007.

12. Pledge of assets

As at 31 December 2008, the Group's total bank loans and overdrafts of HK\$10,418,608,000 (2007: HK\$7,633,625,000) included an aggregate amount of HK\$9,806,358,000 (2007: HK\$6,981,004,000) which is unsecured and an aggregate amount of HK\$612,250,000 (2007: HK\$652,621,000) which is secured. The securities provided for the secured banking facilities available to the Group are as follows:

- (i) legal charges over certain properties and port facilities of the Group with an aggregate net book value of HK\$4,047,756,000 (2007: HK\$942,359,000);
- (ii) charges on bank balances amounting to HK\$1,235,000 (2007: HK\$64,234,000) of certain subsidiaries of the Group; and
- (iii) assignments of insurance proceeds of certain properties of the Group.

MANAGEMENT DISCUSSION & ANALYSIS

REVIEW OF PROPERTY BUSINESS

OVERVIEW

While the stresses of the global financial meltdown have produced formidable challenges for the property sector in Hong Kong, Mainland China and most other overseas markets, the Group was able to maintain a healthy pace in overall business development. Building on past efforts directed at the development of exclusive properties in highly supply-restricted neighbourhoods, the Group has demonstrated resilience against economic adversity, with several of the project launches receiving positive responses beyond expectations.

As at 31 December 2008, the Group held a portfolio of properties including properties under development with a gross floor area (“GFA”) of 43.34 million square feet (2007: 45.52 million square feet), completed investment properties of 8.45 million square feet (2007: 7.96 million square feet), hotel properties of 0.54 million square feet (2007: 0.54 million square feet) and properties held for sale of 0.48 million square feet (2007: 0.28 million square feet). They make up a balanced portfolio with the respective properties featuring unique advantages and with the potential to create excellent shareholder value over the longer term.

Property Portfolio Composition

	Mainland China	Hong Kong	Macau	Overseas	Group’s attributable GFA
Investment Properties	3,825	2,637	-	1,991	8,453
Hotel Properties	500	38	-	-	538
Properties Under Development	35,623	2,669	2,385	2,664	43,341
Properties Held for Sale	413	65	-	2	480
	40,361	5,409	2,385	4,657	52,812

MAINLAND CHINA PROPERTY DIVISION

Confronted by a global financial storm now endangering economies worldwide, the property market in Mainland China was buffeted by severe economic headwinds during the past year. Worsening market conditions have had a particularly significant impact on the real estate sector and, in response, the Group has made a timely move to review and adjust its property portfolio in China. After a critical examination of its existing portfolio, the Group has strategically integrated the geographic focus, property mix, scale of development and development plan, with a view to sustaining its premier profile and healthy lead in the market. During the year ended 31 December 2008, the Group was delighted to report a set of satisfactory results for its property developments and sales in the Mainland China.

The Mainland China Property Division has at its disposal a strong investment portfolio and land bank. Development efforts are directed towards three strategic areas: firstly, the development of large-scale mixed-use masterpieces or landmark neighbourhoods in exclusive locations in top-tier cities including Beijing, Shanghai, Shenzhen, Tianjin and Hangzhou; secondly, the construction of major boutique residential and integrated projects on prime sites in prosperous provincial capital cities such as Nanjing, Shenyang, Chengdu, Nanchang and Changsha, to generate solid sales revenues; and finally, the planning of uniquely positioned holiday apartments in heritage and tourist cities such as Yangzhou and Qinhuangdao.

In the year under review, the turnover of the Mainland China Property Division increased 166% year on year to HK\$2,748 million (2007: HK\$1,034 million), with property sales and leasing activities remaining the development focus of the Division. Net profit attributable to the Group also edged 94% higher year on year to HK\$1,720 million (2007: HK\$885 million), after taking into account the increase in fair values of investment properties (after deferred taxation) of HK\$952 million (2007: HK\$623 million). Excluding the effect of the increase in fair values of investment properties (after deferred taxation), net profit attributable to the Group was adjusted to HK\$768 million (2007: HK\$262 million).

Building on its professional and reputable track record, the Group has established an enviable position in the Mainland market. It will continue to make selective investments and uphold the highest standards of construction management in order to maintain its pledge to deliver both quality and value to buyers and tenants.

Investment Properties

During the year, the Group derived rental turnover and operating profit from rental activities of HK\$796 million and HK\$422 million, respectively (2007: HK\$614 million and HK\$413 million, respectively) from its portfolio of investment properties in Mainland China.

As at 31 December 2008, the Group maintained an aggregate GFA of 3.83 million square feet (2007: 3.12 million square feet) of investment properties within its Mainland China portfolio, the geographical distribution of which and their occupancy rates are set out in the table below:

As at 31 December 2008:

	Beijing	Shanghai	Shenzhen	Fuzhou	Group's attributable GFA	Occupancy rate
	('000 square feet)					
Office	711	682	815	-	2,208	79%
Commercial	98	443	107	64	712	91%
Residential	277	628	-	-	905	74%
	1,086	1,753	922	64	3,825	

As at 31 December 2007:

	Beijing	Shanghai	Shenzhen	Fuzhou	Group's attributable GFA	Occupancy rate
	('000 square feet)					
Office	815	632	10	-	1,457	83%
Commercial	185	399	107	64	755	93%
Residential	277	627	-	-	904	61%
	1,277	1,658	117	64	3,116	

Comparative occupancy rates of key investment properties are featured below:

Property	Occupancy rate as at 31 December 2008	Occupancy rate as at 31 December 2007
Beijing Kerry Centre ^	90%	90%
Shanghai Kerry Centre	86%	84%
Kerry Everbright City Phase I	81%	74%
Central Residences Phase II Towers 1 and 3	73%	56%
Shenzhen Kerry Plaza Phase I	60%	Not applicable

^ excluding Shangri-La's Kerry Centre Hotel.

Central Residences Phase II in Changning District, Shanghai is the Group's new luxury residential project. As at 31 December 2008, 153 units out of the total of 214 units of Towers 1 and 3 of Central Residences II were leased as serviced apartments, representing 73% of its total GFA of approximately 478,000 square feet.

Kerry Plaza Phase I, a Grade-A office complex project in Shenzhen's Central District, was completed in the first quarter of 2008, generating a GFA of approximately 805,000 square feet. The project is located on a prime site adjacent to the Futian Shangri-La Hotel in Shenzhen. Some 60% of the GFA has been leased out, with a tenant profile comprising mainly blue-chip international enterprises and multinational banks. Owing to the outstanding brand awareness generated by the property development and management of the Group, it commands prices relatively higher than other developments in the vicinity.

Sales of Properties

In the year under review, sales of completed properties contributed a turnover and operating profit of HK\$1,514 million and HK\$1,121 million, respectively (2007: HK\$19 million and HK\$23 million, respectively), driven mainly by the contribution from the sales of office and residential units from Kerry Everbright City Phase IIA.

Located on the south side of Shanghai Railway Station, and close to the Hanzhong Road Station of Metro Line 1 and the South-North Highway, Kerry Everbright City enjoys excellent accessibility with only a few minutes' drive from the People's Square and Nanjing West Road business ring. Phase II of the project is a mixed-use development comprising Phases A and B with an aggregate GFA of approximately 1.6 million square feet. Phase IIA of the project was already completed in 2008 which incorporates Enterprise Square office tower with a two-storey retail podium and four fully furnished Le Loft residential buildings (Towers 1, 2, 3 and 5). Its sales launch received an excellent market response and the price per square foot is higher than the premises in the vicinity. As at 31 December 2008, 562 units, or 99%, out of a total of 566 residential units were sold. 44% of Enterprise Square were sold as at 31 December 2008. Le Loft and Enterprise Square were delivered in March and June 2008, respectively.

Properties under Development

The Group has drawn up a strategic plan to safeguard its excellent market position. In implementing this, it has been continuing with its acquisition plans in cities and sites with unique prospects of creating long-term value.

Shanghai

With the completion of Le Loft (Towers 6 to 9) under Phase IIB of the Kerry Everbright City project in January 2009, the development now has four additional residential premises. The launch of two of the residential blocks since August 2008 has met with satisfactory market response.

The schematic design for the Kerry Everbright City Phase III project has been submitted for approval, with construction works scheduled to commence in 2009.

On 23 April 2008, the Group concluded a connected transaction with COFCO group to acquire from the latter a 9.9% interest it held in Kerry Everbright City project, thus increasing the Group's effective interest in the project from 64.35% to 74.25%. At the same time, the Group disposed of its 15% interest in Beijing COFCO Plaza. This arrangement enables the Group to redirect its resources to core property development operations, and the shareholders to enjoy further value from this project of high potential.

Jing An Kerry Centre lies in the heart of Shanghai's business district. It is located on Nanjing West Road, which is easily accessible by Metro Line 2 at Jing'an Temple Station, with further connectivity to the Changde Road Station on rapid transit Metro Line 7 which is currently under construction. The Jing An Kerry Centre project occupies a site area of approximately 500,000 square feet and is currently planned to incorporate the development of luxury hotel, international Grade-A office and high-end shopping properties with a GFA of approximately 2.75 million square feet. Construction commenced in early 2008, with completion scheduled in 2012. Jing An Kerry Centre is a joint venture project undertaken by the Group and Shangri-La Asia Limited ("Shangri-La"), with shareholding of 51% and 49% respectively. In December 2008, to facilitate the development of the project, the Group through a subsidiary in Shanghai arranged a RMB4.3 billion syndicated loan, which received an overwhelming response from major Mainland Chinese banks. The successful conclusion of this facility stands as testimony to the continued strong support from the banking community for the Group.

The Group holds a 40.8% interest in Kerry Centre, Pudong Shanghai, a mixed-use property project located in the Huamu area, one of Shanghai's four sub-centres. Underground works have been completed and superstructure construction is currently underway. Facing the Century Park, the project lies in close proximity to the Shanghai New International Expo Centre, in a neighbourhood with a major upscale international residential community, international schools and golf course. The area is being actively developed into a new business hub and the potential value of the project will be further promoted with the rollout of the 2010 World Expo in Shanghai. The site will be connected to Metro Line 7 with the convenience of transferring to Metro Line 2 and the Maglev just one station away. This joint venture project includes a hotel, offices, an apartment-style hotel, commercial properties and related ancillary facilities, targeted for completion by the third quarter of 2010.

Beijing

The Group has now unveiled its first property project for sale, Gemini Grove, in Xinyuanli, Beijing. Upon completion this development will deliver an aggregate GFA of approximately 500,000 square feet, inclusive of commercial and underground area, of which the apartments will offer a total GFA of approximately 331,000 square feet. The Group holds a 71% interest in the project. The project is scheduled for completion and inspection in the second quarter of 2009 and will be ready for occupation by the fourth quarter of 2009. To provide added value to the project, the Group has introduced one-stop asset management services, including leasing services, for investor-owners.

Shenzhen

Kerry Plaza Phase II is earmarked for the development of an office property with a GFA of approximately 850,000 square feet scheduled for completion in 2011. Construction works commenced in the second quarter of 2008. Rising to a height of more than 650 feet, this new project will represent another major landmark by the Group, strengthening its position in the Grade-A office sector in Shenzhen.

Tianjin

The Group is moving ahead with its development of a mixed-use property in Hedong District, on a site named “Tianjin South Railway Station CBD”. The project is located in the Tianjin Financial Street neighbourhood, overlooking the Haihe and close to Tianjin East Railway Station, and occupying a prominent location within the City’s inner ring facing the Hebei, Heping and Hexi Districts. The project is connected to the Metro Line 9 which is the main route for traffic between Tianjin municipality and Tianjin Binhai New District, built to facilitate closer ties between Tianjin municipality, Tianjin Binhai New District and Bohai Economic Rim Region. Developments underway include a hotel, class A office, luxury residence, a shopping mall and serviced apartments, with a GFA of approximately 5.69 million square feet. The Group holds a 49% interest in the project.

Leveraging the combined experience and branding strengths of the respective joint venture parties in hotel, commercial and residential developments, and capitalising on the natural scenery along the Haihe, the Group aims to build a world-class integrated project that will become another landmark in Tianjin. Construction works are expected to complete in phases between 2011 and 2012.

Hangzhou

The Group continues to roll out its planned development for the two sites in Xiacheng District, Hangzhou. The first site is located at the busy junction of Yan’an Road and Qingchun Road, close to the future interchange station of Metro Lines 1 and 2. Commanding a prime location in the heart of Hangzhou and adjacent to Xihu (West Lake), the site is designated for the development of a mixed-use property incorporating a hotel, offices, apartments and a large-scale commercial complex with a GFA of approximately 2.2 million square feet. With schematic design underway, piling works are scheduled to commence by the third quarter of 2009 and is expected to be completed by 2012 in phases. Upon completion, the project will become a major new landmark in Hangzhou.

The second site in Xiacheng District is earmarked for residential development. Configured to deliver a GFA of approximately 2.7 million square feet, the planned Parkview Residence project is designed to be one of the largest and most emblematic communities in the city's northern old town. The city centre is only about 12 kilometres from the site, with connectivity that will be further enhanced upon the completion of two expressways. The project is expected to be completed in phases to 2011. In December 2008, some 100 stylish luxury residences were introduced at a pre-sale session, during which indications of interest were received from over 200 potential buyers, pointing to strong market acceptance.

Nanjing

In September 2008, the Group, Shangri-La and Allgreen Properties Limited jointly won a bid to acquire a prime site at Zhong Yang Road in Gu Lou District, Nanjing, for a consideration of RMB200 million. The site has an area of 183,000 square feet, and is designated for the development of a hotel and commercial mixed-use properties with a total GFA of approximately 916,000 square feet. The Group holds a 45% interest in this project, which is now in the planning phase with construction works to be rolled out in 2009. The site enjoys tremendous potential for development as it stands in a prime location in Gu Lou District in the heart of Nanjing, the provincial capital of Jiangsu. The district is also where the provincial party and government offices are seated. Nanjing is a tourist hotspot endowed with the National 3A tourist spot, the heritage sites of the shipyards which built the treasure ships for Chinese mariner Zheng He for his expeditions.

Chengdu

The Group's site in Chengdu, the provincial capital of Sichuan Province, is situated in the southern part of the Chengdu High-Tech Industrial Development Zone. The site is designated mainly for residential development, and is expected to yield a total developable GFA of approximately 6.9 million square feet. The area has been zoned as Chengdu's future central business district and will incorporate facilities such as convention centres, an embassy zone, five-star hotels, a business area and a technology park. The project also lies close to the city's main traffic artery and municipal park, placing it in the ideal neighbourhood for the development of luxury residences. Foundation excavation works of Phase I of the project are currently in progress, with scheduled completion in phases from 2011.

Nanchang

In March 2008, the Group acquired a prime piece of land in Honggutuan Central District, Nanchang, Jiangxi Province, through a joint venture with Shangri-La. The site has an area of approximately 514,000 square feet, suitable for development into a mixed-use complex comprising hotel, offices, commercial and high-end apartments, yielding a GFA of approximately 2.57 million square feet. Nanchang is a city in Central China with tremendous growth prospects. The project site is located next to the government offices in the heart of Honggutuan new district, which has been earmarked as the new administrative centre of Nanchang, and offers impressive river views. Planning for this 80%-held joint venture project is in progress with construction works to be rolled out in 2009.

Changsha

In Changsha, the provincial capital of Hunan Province, the Group is engaged in the development of a 61%-held joint venture residential and commercial property project located in the Tianxin District. The project is expected to yield a GFA of approximately 3.3 million square feet. Project planning is underway with piling works due to begin in the second quarter of 2009 and completion scheduled to take place in phases in 2012.

Shenyang

The Group's site in Shenyang, the capital of Liaoning Province, is located on the east side of Qingnian Street, opposite to Qingnian Park. Shenyang is not only the largest municipality famous for its rich historical and cultural background in Northeastern China, but also an important base for financial, trade, service and tourism activities. The landmark development of Qingnian Street, dubbed the "Golden Corridor", is crucial not only to the city's modernisation of the service sector, but also to the expedited urban construction in the city centres of the Northeastern region, as well as the enhancement of the city's profile. The project is located in the core area of the Golden Corridor and stretches across an area of approximately 1.86 million square feet, delivering a GFA of approximately 14 million square feet. Some 30% of the development is designated for residential use and 70% will be for commercial properties, making up a mixed-use development of hotels, offices, shopping mall, residential and apartments. The development is now in conceptual design phase.

Yangzhou

The Group's hotel and luxury residential project in Xincheng West District, Yangzhou, is progressing smoothly with construction works on the residential portion of the project now underway. Upon scheduled completion in phases between 2009 and 2011, the development will generate a GFA of approximately 916,000 square feet. Nestled against the greenery of sports ground, mountains and rivers, the project enjoys astounding views and is conveniently located at the northern side of Wenchang West Road and the western side of Huanhu Road. Yangzhou is situated in central Jiangsu in the Yangtze Delta, where miles of sand meet with the Jing Hang Grand Canal. It is famous for convenient water and road transportation, as well as a renowned world-class tourist city boasting unrivalled scenery and cultural relics. In 1982, Yangzhou was among the first to be approved by the State Council as a historical and cultural city.

Qinhuangdao

The Group is participating in the deluxe residential market of Qinhuangdao, Hebei Province, through a premier seafront project. Currently at the project planning stage, this development is designed to produce a GFA of approximately 4.76 million square feet, with phased completion by 2012. Qinhuangdao is a major coastal trading port and famous tourist destination in Northern China with excellent development potential.

Qufu

In February 2008, the Group acquired a site in Qufu, Shandong Province, to be developed as a hotel with a GFA of approximately 658,000 square feet. The site lies in the new city centre along the central axis, and only 1 kilometre away from the Confucius Mansion.

Manzhouli

Development of the residential and commercial property project in Manzhouli, Inner Mongolia, continued as planned with completion targeted in phases up to 2012. Manzhouli is a major inland trading port for the Sino-Russian trade, enjoying unique geographical advantages. The project is expected to deliver a developable GFA of approximately 927,000 square feet, of which Phase I, being residential portion, was introduced to the market in September 2008 with the official sales launch targeted for the third quarter of 2009. Occupation of the first batch of residential units is expected to take place in the first quarter of 2010.

Tangshan

Upon a prudent review, the Group has adjusted the scale of its development in Tangshan. The current project sites are located in Da Li Road of Feng Huang Xin Cheng, an area with the most promising prospects for development. The project has a total site area of approximately 1.02 million square feet, for development into a hotel and residential with ancillary commercial property with developable GFA of about 2.99 million square feet. The project is jointly developed with Shangri-La and other two affiliated companies.

Shangri-La's Kerry Centre Hotel

During the year to 31 December 2008, Shangri-La's Kerry Centre Hotel in Beijing reported a turnover and operating profit of HK\$438 million and HK\$172 million, respectively (2007: HK\$401 million and HK\$152 million, respectively), and achieved an average occupancy rate of 64% (2007: 75%) with average room tariff growing 16% year on year.

Properties under Development in Mainland China

	Shanghai	Beijing	Shenzhen	Tianjin	Hangzhou	Shenyang	Nanjing	Chengdu	Nanchang	Changsha	Yangzhou	Qinhuangdao	Qufu	Manzhouli	Tangshan	Group's attributable GFA upon completion
	('000 square feet)															
Residential	439	–	–	949	2,927	2,335	–	3,320	517	1,835	431	2,648	–	845	980	17,226
Apartment / serviced apartment	149	235	–	146	–	2,384	–	140	–	–	–	–	–	–	–	3,054
Office	1,281	–	743	658	199	998	–	–	430	–	–	–	–	–	–	4,309
Commercial	543	9	107	621	1,312	2,067	146	336	591	175	–	208	–	82	–	6,197
Hotel	1,304	–	–	415	458	501	266	–	517	–	485	–	658	–	215	4,819
Entrance hall	18	–	–	–	–	–	–	–	–	–	–	–	–	–	–	18
	3,734	244	850	2,789	4,896	8,285	412	3,796	2,055	2,010	916	2,856	658	927	1,195	35,623

HONG KONG PROPERTY DIVISION

In the year to 31 December 2008, the Hong Kong Property Division recorded a turnover of HK\$1,863 million (2007: HK\$2,433 million) and a net profit attributable to the Group of HK\$706 million (2007: HK\$4,716 million), after taking into account the decrease in fair value of investment properties (net of deferred taxation) of HK\$157 million (2007: an increase of HK\$3,076 million). The main contributor to the Division's turnover was made by sales of 15 Homantin Hill and the successful launch of SOHO 38 during the year.

The disposal of certain units in Belgravia, on South Bay Road, Repulse Bay also delivered an extremely good performance despite the timing of the disposal in December 2008 amid the onset of the global financial meltdown.

With a balanced mix of completed properties for sale, investment properties and a pipeline of projects under development, the Division continues to achieve healthy profit margins from property sales, as well as a steady stream of recurrent income from its investment property portfolio.

Investment Properties

The Group's premium portfolio of investment properties in Hong Kong is a major component of its earnings base as well as the source of the Division's core advantage. Building on the exclusive locations and luxurious facilities enjoyed by its properties, the Group has successfully established an investment portfolio in a class of its own, enabling it to command a premium market niche and maintain strong resilience against adversities in economic cycles. During the year, rental turnover and operating profit generated from the Group's investment properties in Hong Kong were HK\$589 million and HK\$295 million, respectively (2007: HK\$492 million and HK\$158 million, respectively).

As at 31 December 2008, the Group held an investment property portfolio in Hong Kong with an aggregate GFA of 2.64 million square feet (2007: 2.87 million square feet). The breakdown of GFA and the respective occupancy rates, together with comparative figures, were as follows:

	As at 31 December 2008		As at 31 December 2007	
	Group's attributable GFA ('000 square feet)	Occupancy rate	Group's attributable GFA ('000 square feet)	Occupancy rate
Residential	618 *	93%	649 *	98%
Commercial	1,194	96%	1,345	92%
Office	645	98%	646	92%
	<u>2,457</u>		<u>2,640</u>	

* The above table excluded Tavistock with refurbishment works near completion and Belgravia.

Enterprise Square Five/“MegaBox”

“MegaBox”, the Group’s proprietary retail and entertainment project, is now successfully established as the shopping and entertainment destination in East Kowloon, and maintains its strong appeal to new tenants. With 1.1 million square feet of space, “MegaBox” is committed to continued enhancement of the tenant mix in order to deliver more retail, entertainment and dining delights for both local shoppers and overseas visitors. As at 31 December 2008, “MegaBox” was 97% (2007: 91%) leased. “MegaBox” will continue to shape and advance the consumption landscape of Hong Kong and elevate the shopping experience to new heights and to the delight of customers.

The two grade-A Enterprise Square Five office towers have an aggregate GFA of approximately 519,000 square feet. Kowloon Bay is poised to mature into the territory’s new business and tourist centre as the Hong Kong SAR Government unfolds its plan to re-develop and revitalise the old Kai Tak site, attracting large multinational tenants. The Group remains confident in the continuing development of Kowloon Bay and East Kowloon in general. As at 31 December 2008, Enterprise Square Five office towers were 99% (2007: 92%) leased.

Sales of Properties

During the year ended 31 December 2008, turnover from sales of completed properties of HK\$1,274 million (2007: HK\$1,941 million) and proceeds from sales of investment properties of HK\$1,916 million (2007: HK\$1,070 million) delivered an operating profit of HK\$940 million (2007: HK\$1,627 million). These were primarily derived from sales of completed properties of 15 Homantin Hill and SOHO 38 and investment properties of Auto Plaza, Belgravia and Tregunter Towers.

Against a backdrop of economic adversity, the Group’s portfolio of residences of luxury continues to gain strong market acceptance due to the scarcity of supply. Their success stands testimony to the Group’s ongoing commitment and dedicated efforts to developing superb quality properties in exclusive neighbourhoods.

Properties under Development

First Street/Second Street, Mid-Levels West

Superstructure construction works continued on the site at First Street/Second Street in Mid-Levels West. This residential and commercial project will yield 488 residential units with commercial space rendering a total GFA of approximately 410,000 square feet, and is slated for completion by the fourth quarter of 2009.

Tsuen Wan

Construction of the residential and commercial property project at Kwok Shui Road, Tsuen Wan, proceeded on schedule. A total of 548 units with an aggregate GFA of approximately 400,000 square feet is planned for this development, which will be completed in the fourth quarter of 2009.

Ap Lei Chau

Foundation and substructure works were completed for the Group's 35%-held joint venture residential project in Ap Lei Chau, with superstructure works underway. The Group will share an attributable GFA of approximately 320,000 square feet from this development upon its anticipated completion in the first quarter of 2011. The project will yield 715 residential units.

Shan Kwong Road/Village Terrace, Happy Valley

Foundation works are ongoing at the two adjacent sites at No. 20 Shan Kwong Road and Nos. 1-5 Village Terrace, Happy Valley. The sites will generate a developable GFA of approximately 220,000 square feet, for redevelopment into luxury residential properties. The Group holds a 71% interest in this project and completion is scheduled for the second quarter of 2011.

King's Road, North Point

Basement works are in progress for this 40%-held joint venture grade-A office tower with a developable GFA of approximately 511,000 square feet. This project is planned to be completed in the fourth quarter of 2010.

Chun Yan Street, Wong Tai Sin

The Group will leverage its track record in property development and management excellence to create another premium living space in Wong Tai Sin, on a site at Chun Yan Street. This project 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 Group is highly confident in the potential of this property, which will benefit from the keen demand for urban core properties in prime locations. It is planned to be completed in the third quarter of 2011.

Wilmer Street, Sheung Wan

On 30 May 2008, the Group engaged in a joint venture project for the redevelopment of several properties located in Wilmer Street, Sheung Wan, into premier residences and retail units. Redevelopment works for this 71%-held project will commence in the first half of 2009. The Central and Western districts present considerable constraints in terms of developable land supply. The Group is confident of deriving a satisfactory return from this investment by leveraging its experience and brand advantage in boutique-style luxury residential developments.

Yuk Yat Street, To Kwa Wan

The redevelopment of No. 5 and No. 9 Yuk Yat Street into residential and commercial properties is now in the planning phase. The project is expected to deliver a GFA of approximately 163,000 square feet.

Properties under Development in Hong Kong

	Group's attributable GFA upon completion ('000 square feet)
Residential	2,222
Commercial	243
Office	204
	<hr/> 2,669 <hr/>

Macau

The Group has acquired a site in Nam Van Lake for the development of a luxury residential apartment building. The site is situated in a prime location enjoying a full unobstructed view of the Nam Van Lake and Macau peninsula. The residential project will yield a developable GFA of approximately 400,000 square feet upon its scheduled completion in the second quarter of 2012.

As regards the reclamation project in Macau, upon approval of the proposed reclamation scheme by the Central Government, the Macau SAR Government is expected to finalise the land exchange procedure.

OVERSEAS PROPERTY DIVISION

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

Australia

As at 31 December 2008, 1,104 units (2007: 1,017 units) of the Group's 25%-owned Jacksons Landing project were sold, representing 92% of the total of 1,196 units offered for sale. This mixed-use residential and commercial development is situated on a 12-hectare site on the Pymont Peninsula in Sydney.

The Philippines

In the Philippines, the Group's property investments are held through Shang Properties, Inc. ("SPI") in which it maintains a 34.61% equity interest and 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 Centre, an office and commercial property in Makati, Manila's financial district. As at 31 December 2008, the occupancy rates of Shangri-La Plaza Mall and The Enterprise Centre were 99% and 96%, respectively (2007: 99% and 99%, respectively).

The sustained strong performance of Shangri-La Plaza Mall has paved the way for an expansion programme to develop an adjacent site of approximately 105,000 square feet into an extension of the mall and additional residential units. This proposed development, which is still in its planning stage, will yield a GFA of approximately 1.79 million square feet, of which approximately 399,000 square feet is designated as retail space, and approximately 1.39 million square feet for residential development.

SPI has also participated in the development of The St. Francis Shangri-La Place, a residential project located in Mandaluyong City, Manila. As at 31 December 2008, 952 units (2007: 787 units) out of the total of 1,152 residential units at The St. Francis Shangri-La Place were sold. Towers 1 and 2 of The St. Francis Shangri-La Place are targeted for completion in the second quarter of 2009.

During the year, SPI added to its portfolio the hotel and luxury residential development in Fort Bonifacio, Taguig, Manila. The project incorporates the building of a 500-room six-star resort hotel and approximately 300 luxury residences, as well as approximately 17,500 square feet of retail premises. SPI holds a 40% interest in this joint venture project, the construction of which commenced in the third quarter of 2008 with completion expected to take place by the end of 2011.

Overseas Property Portfolio

	Australia	The Philippines (’000 square feet)	Group’s attributable GFA
Investment properties			
Hotel lease	-	170	170
Shopping centre lease	-	213	213
Shopping centre	-	1,054	1,054
Commercial	-	22	22
Office	-	331	331
Carpark building	-	201	201
Sub-total	-	1,991	1,991
Properties under development			
Residential	122	1,852	1,974
Serviced apartment	-	141	141
Hotel	-	190	190
Shopping centre	-	260	260
Commercial	42	57	99
Sub-total	164	2,500	2,664
Properties held for sale			
Residential	2	-	2
Sub-total	2	-	2
	166	4,491	4,657

OUTLOOK

Mainland China

The first half of 2008 was influenced by a number of macroeconomic control measures implemented by the Chinese government in a bid to rein in the inflation caused by an overheated economy. The tightening of credit also had a certain cooling-down and consolidation effect. As the country moved into the third quarter, the Mainland real estate sector turned into negative territory as the world faced the serious impact triggered by the sub-prime-related financial storm in the United States. From September to December 2008, the People’s Bank of China lowered interest rates five times. The central and local governments have also introduced stimulus packages to encourage home buying and assist property developers to ride out the market difficulties, in a bid to breathe life back into the property sector.

The year 2009 will continue to be severe but the Group is confident of the strong fundamentals of the Chinese economy, which is in better shape than most other parts of the world. As the relaxed monetary and aggressive fiscal policies begin to take effect, together with the RMB4 trillion stimulus package designed to drive infrastructure construction and property investments, the Group's management expects the Chinese economy to be among the first to recover from the global economic crisis. Demand for property continues to be strong, and is underpinned by the country's target to keep economic growth at 8% and her firm stance to sustain stability in the property market.

The Group is committed to its focus on the development of exclusive mixed-use and luxury residences, supply of which is more restricted, and which demonstrate relatively stronger resilience amidst market adversities. In the past few years, the Group has actively sought to grow its land bank in cities that are economically strong and enjoy a geographical advantage to safeguard its phased long-term growth. A critical review and detailed planning of the properties under development is currently underway with a view to further enhancing the potential of the Group's portfolio. Focus will be placed on the development of large-scale mixed-use properties in key cities which enjoy greater prominence in the Chinese economy, and which can better capitalise on the brand strength of the Group. The process will involve a re-engineering of internal resources and the management structure, and a serious examination of market demand. Strict project and engineering management will remain in place. The Group expects the proportionate investment and earnings contribution of its Mainland China portfolio to increase steadily, while the scale of its development in the country further advances.

Hong Kong

The global financial storm triggered by sub-prime mortgage problems began to envelop the world in the third quarter of 2008. The Hong Kong real estate market was certainly not immune to its negative impact, with a number of key local housing estates recording an overall 20% to 30% period-on-period drop in second-hand transaction prices in January 2009, indicative of the declining market trend. The Hong Kong Monetary Authority announced that the estimated number of residential mortgage loans in negative equity increased to 10,949 cases at end-December 2008, a three-fold increase from that of the third quarter of 2008.

However, in view of a convergence of positive factors, the Group continues to be confident in the long-term prospects for its Hong Kong property operations. A notable parameter is the construction volume of new homes which fell to a ten-year low in 2008, putting further strains on future supply in the local property market, which in turn is already constrained by limits in land supply. Meanwhile the supply of premier-quality new homes is particularly tight. The newly refurbished luxury residences in Belgravia received an excellent response. It is expected that Tavistock in Mid-levels, which is currently being upgraded for leasing, will also receive a warm response from the market.

The Group has actively pursued land acquisitions in recent years and, with a number of projects currently under construction, it anticipates a continuous project rollout over the next few years. The market downturn has helped to mitigate escalating raw materials and labour prices seen in the past, which is beneficial to the control of construction costs.

As the financial meltdown sweeps across the world, governments are being prompted to divert significant resources to the rescue of faltering markets and to kick-start their economies. Hong Kong is fortunate to have the support of China, and with the fundamentals of the Greater China economies significantly more solid than those of the West, economic recovery is expected to take place initially in this hemisphere.

In Hong Kong, Asia's world city, the property market is also expected to find support from strong internal demand, in particular due to interest from multinational corporations and overseas investors who are attracted to the local market for its long-term investment value. Management believes Hong Kong's property sector has a unique, irreplaceable advantage which engenders great confidence in the market's long-term prospects. Management will prudently approach the opportunities emerging from the market downturn, and will continue to engineer the growth of its land bank in Hong Kong in order to lay a solid foundation ahead of market recovery.

REVIEW OF LOGISTICS BUSINESS

OVERVIEW

The unprecedented "super-inflation" sweeping the globe starting from the first half of 2008 exacerbated the impact of the global economic downturn in late 2008. The severe contraction in manufacturing output resulted in a sharp decrease in both air and sea cargo flows in the last quarter of the year. In the midst of the challenges imposed by such global economic changes, the Logistics Network Division experienced a drop in turnover and profit in the fourth quarter compared with the same period in 2007. But with the relatively strong performance recorded in the first three quarters of the year, the Division still managed to report respectable growth in performance across its spread of operations in 2008 when compared with 2007.

During the year under review, the Division reported a turnover of HK\$8,360 million (2007: HK\$7,682 million), an increase of 9% over the previous year. Net profit attributable to the Group for the year declined 26% to HK\$597 million (2007: HK\$812 million) which took into account HK\$27 million (2007: HK\$260 million) in fair value adjustment on warehouse properties, logistics centres and buildings. Excluding the effect of the fair value adjustment, profit for the year attributable to operations increased by 3% to HK\$570 million (2007: HK\$552 million), with (i) HK\$222 million (2007: HK\$218 million) contributed by warehousing operations in Hong Kong; (ii) HK\$143 million (2007: HK\$113 million) by logistics operations; and (iii) HK\$205 million (2007: HK\$221 million) by logistics investments.

As at the year end, the Division's portfolio of warehouses, logistics centres and port facilities aggregated to a total GFA of more than 17 million square feet, of which 13 million square feet are self-owned and 4 million square feet are rented. Its scope of operations now extends to over 150 cities in 22 countries, with a truck fleet of over 3,500 vehicles and a staff strength of over 6,700.

WAREHOUSING OPERATIONS IN HONG KONG

The Division maintains a healthy lead in the local warehousing sector, now with a total of 11 warehouses of an aggregate 5.56 million square feet GFA under its portfolio. As at the end of the year, the Division recorded an overall occupancy rate of 97% (2007: 96%) for its warehouse portfolio.

The demand for warehouse space in Hong Kong remained strong during the year until the fourth quarter of 2008, when the rental market began to weaken due to softening market conditions. It is foreseeable that the operating environment will become more challenging in the second half of 2009 after vendors clear goods in hand and lower stock holdings. The warehousing unit's ongoing target is to sustain a high utilisation rate in order to achieve economies of scale, and to match its cost competitiveness with excellence in serving its clients' logistics requirements.

LOGISTICS OPERATIONS

The Division's logistics operations posted growth of over 20% in turnover for the first three quarters of 2008. With the global economy slowing down in the final quarter, the Division's international freight forwarding ("IFF") business was among the hardest hit by the disruption to global trade. But with the Division's integrated logistics ("IL") business, which is the Division's major business focus in Mainland China and Asia, being less affected by the economic downturn, the Logistics Network Division was still able to achieve an overall growth in turnover and profit for its logistics operations as a whole for 2008.

During the reporting year, the Division generated from its logistics operations a turnover of HK\$7,919 million (2007: HK\$7,243 million) and profit attributable to the Division (before fair value adjustment on properties) of HK\$143 million (2007: HK\$113 million), representing an increase of 9% and 27% respectively.

In retrospect, the strategy over the previous years to build a China-focused, Asia-based global network has put the Division on the right course in terms of tapping the surge in Asian growth, while building unique skills, capital and diversity in incomes and resources. The interface with local partners and teams at the working level has also been valuable and constructive to the Division's long-term development.

Hong Kong

During the year, the Logistics Network Division's logistics operations in Hong Kong saw growth of over 20% year on year in turnover generated from IL and IFF businesses. But there was a considerable profit contraction of 13% in the face of margin-eroding inflation during the first half and an acute slowdown in both import and export activities in the last quarter of the year.

During the year, the Division has successfully extended its services to outsourced supply-chain procurement for a renowned fast food chain. In view of the coming challenges, the Division will continue to enhance its overall IL capabilities, while on the other hand implementing even more stringent cost-control measures, aiming to improve operational efficiency and thus increase the profit margin. New and sustainable logistics models will be developed in order to strengthen the Division's competitiveness and sustain its lead in the market.

To accommodate the latest supply-chain requirements as well as secure its leading position in the market, the Division has committed to build a 270,000 square feet product customisation and consolidation centre in Tai Po Industrial Estate. Construction is scheduled for completion by the fourth quarter of 2010.

China Focus

The Division continues to be an active participant in Mainland China's logistics sector and remains the largest investor-operator in the industry. The Division's logistics operations in the Mainland reported a turnover of HK\$4,090 million (2007: HK\$3,706 million) with a net profit attributable to the Division (before fair value adjustment on properties) of HK\$105 million (2007: HK\$98 million), representing growth of 10% and 7%, respectively. During the year, the Division gradually shifted its operating focus in the Mainland from IFF to IL. The IL business is proven to be less affected by the slowdown in imports, exports, and manufacturing as well as international trading activities in the Mainland due to the global economic downturn. The Mainland authorities' recent efforts to boost domestic demand are also expected to provide continued impetus for the logistics industry, thus having a positive impact on the Division's IL business in the region.

The Division currently maintains a nationwide portfolio of logistics centres totalling approximately 3 million square feet, of which 1.4 million square feet are self-owned facilities located in Shenzhen Yantian, Shenzhen Futian, Tianjin, Shanghai Waigaoqiao, and Beijing. In March 2008, the Division acquired the remaining 49% interest in the logistics centre in Shenzhen Futian. New logistics facilities with a total GFA of over 700,000 square feet are scheduled to be built in Chengdu, Chongqing and Kunshan in 2009 to 2010. Further development of new logistics facilities in Mainland China will be pursued with prudence in order to match the Division's growing IL operating platform in the Mainland.

The Mainland China segment is well on track to realise its target of becoming the biggest revenue contributor for the Division's logistics operations, and the Division is taking a further step forward to extend its footprint to the Greater China region. In November 2008, in order to capture the emerging business opportunities arising from the establishment of the "three direct links" across the Strait, the Division entered into a joint venture agreement to acquire an 18.52% effective interest in T-Join Transportation Company Limited ("T-Join") and has performed a significant role in the management of the company. T-Join is a major logistics operator which commands an extensive distribution network in Taiwan, operates a truck fleet of over 2,000 trucks and handles approximately 200,000 goods items per day.

The year ahead will witness the Division's continued efforts to enlarge its footprints in Mainland China, Hong Kong and Taiwan, as part of its mission to become the premier logistics player in Greater China, while more focus will be placed on the IL components.

Asia Based

With the intensifying problems the world is now facing, Asia cannot remain immune from the negative momentum. On a brighter note, though, trade flows among Asian countries are still dynamic. The proposal for a trans-Pacific free-trade area will potentially create new trade flows between Asia and other parts of the world.

The Division continues with its business rollout in member countries of the Association of Southeast Asian Nations ("ASEAN") through Kerry Asia Road Transport Limited ("KART"). KART is focused on road transport network business and has completed the establishment of several cross-border routes to enable trucking of goods from Kunming to Singapore via ASEAN countries. In the first half year, the Division acquired a 51% interest in EAE Logistics Sdn. Bhd., one of Malaysia's largest cross-border trucking operators, to enhance KART's ASEAN capabilities. With the truck fleet and network in place, KART is well positioned to provide customers with a cost-effective land transportation alternative to conventional sea or air freight.

The terminal services delivered by Kerry Siam Seaport (“KSSP”) in Thailand have demonstrated relatively stable performance. Works to redevelop two conventional warehouses into a modernised distribution centre were already completed in the second half of 2008, making KSSP a major distribution hub for steel coil in Thailand.

In Vietnam, manufacturing capacity has grown substantially over the past two years. During the year, the Division acquired another 280,000 square feet of logistics facilities in Song Than, Ho Chi Minh City on top of its existing 270,000 square feet of logistics centres in the region. In addition, another 120,000 square feet logistics facilities will be built in Hanoi in 2009.

Steady growth was also posted in India, where the Division operates through its 51%-held Kerry Reliable Logistics Private Limited. The Division’s plan for the near future is to grow its coverage in India to more gateway cities and to increase its IL capabilities to tap into this growing marketplace.

Global Network

The global economic downturn in the last few months and the ensuing economic downturn are putting enormous strains on the once booming Asia–Europe ocean trade. The Division’s European segment was affected by the overall deceleration in the volume of cargo shipments between these two continents starting from the fourth quarter of 2008.

The Division currently operates a directly represented network on the European continent, with operations in 9 countries covering 22 cities. As before, the goal of the Division’s activities in these countries is to build self-sustaining local businesses in its target markets. Meanwhile, the Division is consolidating its existing businesses in Europe and working on increasing market share by concentrating on sales and operational efficiency.

The Division’s IFF and IL business in Australia also grew steadily during the year under review. The new 90,000 square feet warehouse completed in late 2008 has successfully strengthened the Division’s IL capabilities in Adelaide, while the IFF operations in Sydney, Melbourne, Brisbane and Adelaide also started to generate positive returns for the Division during the year.

LOGISTICS INVESTMENTS

The Division’s logistics investments, which include a 15% interest in Asia Airfreight Terminal (“AAT”) and a 25% interest in Chiwan Container Terminal (“CCT”), suffered from the global economic downturn. During the year ended 31 December 2008, the Division’s equity share of profits, after tax from its logistics investments, declined 7% to HK\$205 million (2007: HK\$221 million). The slight drop is due to the decline in cargo volume at both AAT and CCT towards the year end of 2008. It is likely that cargo volume will drop at an even faster pace in 2009, thus further eroding the profit on the Division’s logistics investments.

INFORMATION TECHNOLOGY

Following the continuous enhancements to support several KerrierVISION Supply Chain Visibility initiatives, including the Kerrier Integration Platform and Electronic Proof of Delivery, the Division has been injecting new resources to research the latest software technology such as web 2.0, aiming to further improve the customer experience as well as the already rich content. In the functional aspect, the operation’s carbon footprint will be the next key focus of evaluation, becoming a key feature in the next generation of KerrierVISION and enabling the Division to take the lead in the evolving green supply-chain arena.

From the infrastructure perspective, the Division is becoming a heavy computer user after years of expansion. In the middle of 2008, the technical service team outlined a new direction for a green data centre. A server-vitalization initiative has now been rolled out at the Division's primary data centres in Hong Kong and Beijing.

In promoting advanced technology, the Division was honoured to be invited together with the Hong Kong SAR Government in October 2008 to act as two new founding members of the second-generation "HK RFID CENTER - Supply Chain Innovation Center" located in the Hong Kong Science and Technology Park. Through participation as one of the Center's advisory board members, together with ten other leading multinational organisations, the Division further reinforced its position to contribute to and drive the development and implementation of leading supply-chain technologies in the region.

OUTLOOK

The year 2009 will continue to be difficult and full of challenges as a result of the global synchronized recession extending its tentacles into many industrial sectors. But with the gradual reduction of existing stock, it is expected that manufacturing activities will rebound from the second half of 2009. International cargo flows from raw materials to finished goods will also increase and IFF traffic will resume.

The Division's strategy will maintain its focus on China, particularly in the IL sector which is expected to benefit from the growing number of retail chains and brand owners in the United States and Europe seeking to establish sales network in China as well as from domestic demand boosted by market-stimulation efforts on the part of the Chinese government. The Division will also continue to expand its businesses alongside those industries least affected by the macroeconomic changes, including food, healthcare, fashion, and automobile spare parts in the after-sale auto market.

The Division's inherent strength, endowed by its China-focus business model, has put the Division in a much better position compared with its competitors. For this reason the Group is confident that the Division will be able to sustain its development and influence in the market in the coming years despite the unfavourable market conditions ahead of us, including the continued slowdown in international trade, as well as manufacturing and consumer activities. Efforts will also be made to continue pursuing opportunities which are compatible with its experience and resources.

REVIEW OF INFRASTRUCTURE BUSINESS

OVERVIEW

The Infrastructure Division continues to maintain its presence in selected infrastructure, environmental and utilities-related sectors in Hong Kong and Mainland China, where it already possesses considerable experience. This segment continues to deliver a stable performance and provides a healthy stream of recurrent income for the Group. Net profit attributable to the Group from this Division during the year ended 31 December 2008 was approximately HK\$60 million (2007: HK\$43 million).

Hong Kong

The Division maintains a 15% interest in the Western Harbour Crossing and a 15% stake in the Cross Harbour Tunnel management contract. The Group's share of aggregate net profits from these investments amounted to HK\$59 million (2007: HK\$41 million) during the reporting year.

Mainland China

The Group's 13%-owned water treatment project in Hohhot Municipality, Inner Mongolia Autonomous Region contributed a shared net profit of HK\$3.5 million (2007: HK\$4.6 million) during the year.

The year under review also witnessed continued development of the Group's 25%-held REDtone Telecommunications (China) Limited, which provides discounted international call packages to mobile-phone and fixed-line subscribers in Shanghai. New service initiatives have been launched successfully capitalising and adding value to the existing platform.

OUTLOOK

The Division will continue to generate a steady source of recurrent income for the Group.

FINANCIAL REVIEW

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

The Group closely reviews and monitors its foreign exchange exposure. As at 31 December 2008, total foreign currency borrowings (excluding Renminbi ("RMB") borrowings) amounted to the equivalence of HK\$3,947 million and RMB loans amounted to the equivalence of HK\$501 million. Therefore, non-RMB total foreign currency borrowings and RMB loans represented approximately 25% and 3% respectively, of the Group's total borrowings of HK\$16,112 million as at 31 December 2008.

The non-RMB total foreign currency borrowings of HK\$3,947 million mainly include the Fixed Rate Bonds amounting to US\$420 million (approximately HK\$3,237 million (net of direct issue costs)). The Group has arranged cross currency swap contracts amounting to US\$417 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 2008, HK\$1,907 million (representing approximately 12%) was repayable within one year, HK\$759 million (representing approximately 5%) was repayable in the second year, HK\$10,148 million (representing approximately 63%) was repayable in the third to fifth years and HK\$3,298 million (representing approximately 20%) was repayable over five years. The Group continued to maintain most of its borrowings on an unsecured basis, with unsecured debt accounting for approximately 96% of total borrowings as at 31 December 2008. 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 2008, the gearing ratio for the Group was 25.9% (2007: 20.3%), calculated based on net debt of HK\$12,045 million and shareholders' equity of HK\$46,538 million.

As at 31 December 2008, the Group had outstanding interest rate swap contracts which amounted to HK\$2,300 million in total, enabling the Group to hedge its interest rate exposure and to have a more stable interest rate profile in the next few years.

In terms of the Group's available financial resources as at 31 December 2008, the Group had total undrawn bank loan and overdraft facilities of HK\$13,025 million and net cash on hand of HK\$4,067 million. In addition, the generation of strong recurrent cashflows from the Group's investment property portfolio, hotel operations and logistics, freight forwarding and warehousing businesses 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 8 December 2008, Standard & Poor's affirmed a "BBB-" credit rating for Kerry Properties Limited with a stable outlook.

STAFF

As at 31 December 2008, the Company and its subsidiaries had 9,857 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 Option Schemes

On 17 April 2002, the shareholders of the Company approved the termination (to the effect that no further options shall be offered) of the executive share option scheme adopted by the Company on 27 March 1997 (the "1997 Share Option Scheme") and the adoption of a new share option scheme (the "2002 Share Option Scheme"). The 2002 Share Option Scheme is designed to motivate executives and key employees and other persons who may make a contribution to the Group, and enables the Group to attract and retain individuals with experience and ability and to reward them for their contributions.

On 2 April 2008, a total of 12,400,000 share options (the "Options") were granted under the 2002 Share Option Scheme. As at 31 December 2008, a total of 17,741,555 Options were outstanding which comprised 1,059,555 and 16,682,000 Options granted under the 1997 Share Option Scheme and the 2002 Share Option Scheme respectively.

On 6 February 2009, a total of 7,830,000 Options were granted under the 2002 Share Option Scheme. Accordingly, as at the date of this announcement, a total of 25,571,555 Options were outstanding which comprised 1,059,555 and 24,512,000 Options granted under the 1997 Share Option Scheme and the 2002 Share Option Scheme respectively.

CORPORATE GOVERNANCE

Compliance with Code Provisions under Appendix 14 of the Listing Rules

During the financial year ended 31 December 2008, the Company has complied with the provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules, 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.

CLOSURE OF REGISTERS OF MEMBERS

The Registers of Members of the Company will be closed on Thursday, 7 May 2009 and Friday, 8 May 2009, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all share transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Abacus Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:00 p.m. on Wednesday, 6 May 2009. Subject to shareholders' approval of the payment of the final dividend at the annual general meeting of the Company, the dividend warrants will be distributed on or about Friday, 15 May 2009.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held at 2:30 p.m. on Friday, 8 May 2009 at Atrium Room, Level 39, Island Shangri-La Hotel, Pacific Place, Supreme Court Road, Central, Hong Kong.

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 ended 31 December 2008.

GENERAL INFORMATION

As at the date of this announcement, the Directors of the Company are Messrs Kuok Khoon Chen⁺, Wong Siu Kong⁺, Ho Shut Kan⁺, Ma Wing Kai, William⁺, So Hing Woh, MBE, JP⁺, Chan Wai Ming, William, Qian Shaohua, Ku Moon Lun[#], Lau Ling Fai, Herald[#], Ms Wong Yu Pok, Marina, JP[#] and Mr Tse Kai Chi[@].

By Order of the Board
Kuok Khoon Chen
Chairman

Hong Kong, 18 March 2009

⁺ *Executive Director*

[#] *Independent Non-executive Director*

[@] *Non-executive Director*

^{*} *For identification purpose only*