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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 2009

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 2009. 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 2009 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 2009 was HK$4,391 million, representing an increase of 44% compared with HK$3,051 million reported for 2008. In accordance with Hong Kong Accounting Standard 40 "Investment Property", the Group measured its investment property portfolio on a fair value basis and recorded an increase in fair value of investment properties (net of deferred taxation) of HK$2,245 million for the year ended 31 December 2009 (2008: HK$822 million). Profit attributable to shareholders for the year ended 31 December 2009 before taking into account the effects of the aforementioned increase in fair value is HK$2,146 million (2008: HK$2,229 million).

Earnings per share for the year ended 31 December 2009 were HK$3.08, representing an increase of 44% compared with HK$2.14 per share in 2008.

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		
	2009	2008	
	HK$ million	HK$ million	Change
Profit attributable to shareholders before taking into account the net increase in fair value of investment properties and related tax effects	**2,146**	2,229	-4%
Add:			
Net increase in fair value of investment properties and related tax effects	**2,245**	822	
Profit attributable to shareholders after taking into account the net increase in fair value of investment properties and related tax effects	**4,391**	3,051	44%

The Board has recommended the payment of a final dividend of HK$0.4 per share for the year. Together with the interim dividend of HK$0.3 per share, the total dividend for the year ended 31 December 2009 will be HK$0.7 per share (2008: HK$0.7 per share).

CONSOLIDATED INCOME STATEMENT

	Note	Year ended 31 December 2009 HK$'000	2008 HK$'000
Turnover	2	**12,938,283**	13,115,698
Cost of sales		**(1,397,914)**	(1,145,620)
Direct operating expenses		**(7,295,280)**	(8,002,299)
Gross profit		**4,245,089**	3,967,779
Other income and net gains		**457,311**	580,279
Administrative expenses		**(1,094,796)**	(1,114,548)
Increase in fair value of investment properties		**2,368,339**	1,006,136
Operating profit before finance costs		**5,975,943**	4,439,646
Finance costs		**(62,804)**	(279,140)
Operating profit	2,3	**5,913,139**	4,160,506
Share of results of associated companies		**920,621**	298,863
Profit before taxation		**6,833,760**	4,459,369
Taxation	4	**(1,917,912)**	(1,085,978)
Profit for the year		**4,915,848**	3,373,391
Profit attributable to :			
Company's shareholders		**4,391,046**	3,050,593
Minority interests		**524,802**	322,798
		4,915,848	3,373,391
Dividends		**999,992**	999,338
Earnings per share	5		
- Basic		**HK$3.08**	HK$2.14
- Diluted		**HK$3.04**	HK$2.13

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2009	2008
	HK$'000	HK$'000
Profit for the year	**4,915,848**	3,373,391
Other comprehensive income		
Fair value (loss)/gain on leasehold and freehold land and buildings and port facilities	**(52,072)**	79,913
Deferred tax on fair value change of leasehold and freehold land and buildings and port facilities	**13,070**	(18,926)
Fair value gain/(loss) on available-for-sale investments	**238,806**	(102,950)
Share of other comprehensive income of associated companies	**1,655**	(3,329)
Reversal of reserves on disposal of a subsidiary	**-**	(19,457)
Exchange differences arising on translation of the financial statements of the PRC and overseas subsidiaries	**182,431**	1,088,962
Other comprehensive income for the year (net of tax)	**383,890**	1,024,213
Total comprehensive income for the year	**5,299,738**	4,397,604
Total comprehensive income attributable to:		
Company's shareholders	**4,754,865**	3,705,814
Minority interests	**544,873**	691,790
	5,299,738	4,397,604

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**31 December 2009 HK$'000**	31 December 2008 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**2,981,159**	3,036,006
Investment properties		**34,857,247**	29,709,611
Leasehold land and land use rights		**389,213**	520,176
Properties under development		**13,355,118**	20,206,602
Land deposits		**2,553,084**	3,113,939
Associated companies		**7,439,298**	6,100,933
Derivative financial instruments		**14,263**	-
Available-for-sale investments		**1,501,034**	1,265,693
Long-term receivables		**23,409**	26,711
Goodwill		**523,012**	508,749
		63,636,837	64,488,420
Current assets			
Properties under development		**10,599,736**	5,933,005
Completed properties held for sale		**4,378,262**	819,132
Accounts receivable, prepayments and deposits	6	**2,435,669**	3,772,279
Tax recoverable		**82,060**	107,966
Tax reserve certificates		**64,671**	21,790
Listed securities at fair value through profit or loss		**162,253**	102,284
Derivative financial instruments		**-**	4,884
Restricted and pledged bank deposits		**48,790**	1,235
Cash and bank balances		**6,655,585**	4,081,611
		24,427,026	14,844,186
Current liabilities			
Accounts payable, deposits received and accrued charges	7	**5,936,519**	3,533,779
Taxation		**1,480,444**	676,332
Short-term bank loans and current portion of long-term bank loans	8	**429,782**	1,907,948
Convertible bonds	9	**142,526**	-
Derivative financial instruments		**79,960**	-
Secured bank overdrafts		**1,065**	3,713
Unsecured bank overdrafts		**468**	11,472
		8,070,764	6,133,244
Net current assets		**16,356,262**	8,710,942
Total assets less current liabilities		**79,993,099**	73,199,362
Non-current liabilities			
Long-term bank loans	8	**9,619,511**	8,495,475
Convertible bonds	9	**2,462,238**	2,472,202
Fixed rate bonds		**3,240,870**	3,236,664
Amounts due to minority shareholders		**2,796,071**	2,646,477
Derivative financial instruments		**-**	143,652
Deferred taxation		**4,280,060**	3,661,109
		22,398,750	20,655,579
ASSETS LESS LIABILITIES		**57,594,349**	52,543,783
EQUITY			
Capital and reserves attributable to the Company's shareholders			
Share capital		**1,428,953**	1,427,190
Share premium		**11,926,986**	11,899,348
Other reserves		**12,464,002**	11,998,505
Retained profits		**24,033,521**	20,642,488
Proposed final dividend		**571,581**	570,876
		50,425,043	46,538,407
Minority interests		**7,169,306**	6,005,376
TOTAL EQUITY		**57,594,349**	52,543,783

FINANCIAL HIGHLIGHTS

	31 December 2009	31 December 2008
Equity attributable to the Company's shareholders *(HK$ million)*	**50,425**	46,538
Net borrowings (including bonds) *(HK$ million)*	**9,192**	12,045
Net asset value (attributable to the Company's shareholders) per share	**HK$35.29**	HK$32.61
Gearing (Net borrowings / Equity attributable to the Company's shareholders)	**18.2%**	25.9%

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 2008, except that the Group has adopted a number of new or revised standards and interpretations which are relevant to the Group's operations and are mandatory for the financial year ended 31 December 2009.

Major new or revised standards affecting the Group include:

HKAS 1 (Revised), 'Presentation of financial statements'. The revised standard has introduced a number of terminology changes (including revised titles for the consolidated financial statements) and has resulted in a number of changes in presentation and disclosure. In particular, the Group presents all items of income and expense recognised in the year in two statements: (i) the consolidated income statement showing components of profit or loss, and (ii) the consolidated statement of comprehensive income beginning with profit or loss and showing components of other comprehensive income. However, HKAS 1 (Revised) has had no impact on the reported results or financial position of the Group.

HKFRS 8, 'Operating segments'. HKFRS 8 replaces HKAS 14, 'Segment reporting'. It requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. HKFRS 8 does not affect the Group's reportable segments.

'Improvements to HKFRSs' (issued in October 2008). The improvements include 35 amendments across 20 different standards that largely clarify the required accounting treatment where previous practice had varied, and have resulted in a number of changes in the Group's accounting policies. The only amendment included in 'Improvements to HKFRSs' that has had a material impact on the Group's accounting policies is the amendment to HKAS 40, 'Investment property' (and consequential amendments to HKAS 16, 'Property, plant and equipment').

After the amendment, investment property under construction is now within the scope of HKAS 40. Where the fair value model is applied, such property is, therefore, measured at fair value. However, where the fair value of investment property under construction is not reliably determinable, the property is measured at cost until the earlier of the date construction is completed and the date at which fair value becomes reliably determinable. For the year ended 31 December 2009, the Group's share of the increase in fair value of investment property under construction (net of deferred taxation) amounted to HK$851,131,000 (2008: nil).

The following new or revised standards and interpretations have been issued, but not effective for the financial year beginning 1 January 2009 and have not been early adopted:

- HKFRS 2 (Amendment), 'Group cash-settled share-based payment transactions'
- HKFRS 3 (Revised), 'Business combinations'
- HKFRS 9, 'Financial instruments'
- HKAS 24 (Revised), 'Related party disclosures'
- HKAS 27 (Revised), 'Consolidated and separate financial statements'
- HKAS 32 (Amendment), 'Classification of rights issues'
- HKAS 39 (Amendment), 'Financial instruments: recognition and measurement' – 'Eligible hedged items'
- HK(IFRIC) – Int 14 (Amendment), 'Prepayments of a minimum funding requirement'
- HK(IFRIC) – Int 17, 'Distributions of non-cash assets to owners'
- HK(IFRIC) – Int 19, 'Extinguishing Financial liabilities with equity instruments'
- Improvements to HKFRSs 2009

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

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	
	2009	2008	**2009**	2008<
	HK$'000	HK$'000	**HK$'000**	HK$'000 (restated)
Principal activities:				
Property rental				
- The People's Republic of China ("PRC") Property	**819,650**	795,841	**599,165**	602,209
- Hong Kong Property	**528,544**	588,920	**306,942**	254,957
	1,348,194	1,384,761	**906,107**	857,166
Property sales (note (i))				
- PRC Property	**2,930,919**	1,513,939	**1,499,713**	1,120,726
- Hong Kong Property	**622,280**	1,274,241	**425,954**	876,313
	3,553,199	2,788,180	**1,925,667**	1,997,039
Hotel operations - PRC Property	**245,489**	437,808	**33,627**	172,129
Logistics operations	**7,666,741**	8,359,784	**538,595**	549,439
Infrastructure	**-**	-	**3,376**	(2,800)
Project, property management and others	**124,660**	145,165	**137,428**	(142,349)
	12,938,283	13,115,698	**3,544,800**	3,430,624
Increase in fair value of investment properties	**-**	-	**2,368,339**	1,006,136
Impairment loss on available-for-sale investments	**-**	-	**-**	(276,254)
	12,938,283	13,115,698	**5,913,139**	4,160,506
Principal markets:				
PRC	**7,819,670**	6,708,153	**3,066,587**	3,162,827
Hong Kong	**2,991,752**	3,772,177	**2,774,286**	897,650
United Kingdom	**733,506**	1,057,050	**39,045**	41,319
Others	**1,393,355**	1,578,318	**33,221**	58,710
	12,938,283	13,115,698	**5,913,139**	4,160,506

(i) Analysis of proceeds from sales of properties

	Year ended 31 December	
	2009	2008
	HK$'000	HK$'000
Property sales proceeds (as above)		
- PRC Property	**2,930,919**	1,513,939
- Hong Kong Property	**622,280**	1,274,241
	3,553,199	2,788,180
Sales proceeds from investment properties		
- PRC Property	**3,198**	-
- Hong Kong Property	**883,451**	1,915,832
	886,649	1,915,832
Total property sales proceeds		
- PRC Property	**2,934,117**	1,513,939
- Hong Kong Property	**1,505,731**	3,190,073
	4,439,848	4,704,012

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

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

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

Year ended 31 December 2009
HK$'000

	PRC Property	Hong Kong Property	Overseas Property	Logistics	Infrastructure	Others	Eliminations	Consolidated
REVENUE								
Turnover	3,996,058	1,150,824	-	7,666,741	-	124,660	-	12,938,283
Inter-segment revenue	-	-	-	-	-	75,198	(75,198)	-
Inter-segment interest income	-	-	-	-	-	506,485	(506,485)	-
	3,996,058	1,150,824	-	7,666,741	-	706,343	(581,683)	12,938,283
RESULTS								
Segment results before increase in fair value of investment properties	2,063,569	894,304	(1,731)	562,456	3,397	460,675	(506,485)	3,476,185
Increase in fair value of investment properties	783,857	1,477,756	-	106,726	-	-	-	2,368,339
Segment results	2,847,426	2,372,060	(1,731)	669,182	3,397	460,675	(506,485)	5,844,524
Dividend income	-	55,108	14,406	-	-	-	-	69,514
Interest income	30,173	10,668	2,148	6,539	1,400	10,977	-	61,905
Interest expenses	(5,389)	(107,703)	-	(30,400)	(1,421)	(424,376)	506,485	(62,804)
Operating profit	2,872,210	2,330,133	14,823	645,321	3,376	47,276	-	5,913,139
Share of results of associated companies	474,493	94,697	128,162	162,664	66,532	(5,927)	-	920,621
Profit before taxation	3,346,703	2,424,830	142,985	807,985	69,908	41,349	-	6,833,760
Taxation	(1,399,317)	(313,271)	(47,714)	(144,411)	-	(13,199)	-	(1,917,912)
Profit for the year	1,947,386	2,111,559	95,271	663,574	69,908	28,150	-	4,915,848
Profit attributable to:								
Company's shareholders	1,485,543	2,108,296	95,271	604,282	69,922	27,732	-	4,391,046
Minority interests	461,843	3,263	-	59,292	(14)	418	-	524,802
	1,947,386	2,111,559	95,271	663,574	69,908	28,150	-	4,915,848
Depreciation and amortisation	41,126	4,049	-	175,121	-	1,701	-	221,997

Year ended 31 December 2008
HK$'000

	PRC Property	Hong Kong Property	Overseas Property	Logistics	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)	-
	2,748,524	1,863,161	-	8,359,784	-	904,295	(760,066)	13,115,698
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	1,973,112	710,643	(12,514)	662,243	60,146	(20,239)	-	3,373,391
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
	1,973,112	710,643	(12,514)	662,243	60,146	(20,239)	-	3,373,391
Depreciation and amortisation	37,278	7,729	-	173,523	-	2,540	-	221,070

3. Operating profit

	Year ended 31 December	
	2009	2008
	HK$'000	HK$'000
Operating profit is stated after crediting/charging the following :		
Crediting		
Dividend income from listed and unlisted investments	**69,514**	75,073
Interest income	**61,905**	96,894
Gain on sale of properties	**2,361,901**	1,959,669
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	**221,997**	221,070
Impairment loss on available-for-sale investments	**-**	276,254
Total finance costs incurred	**589,253**	751,932
Less: amount capitalised in properties under development	**(453,378)**	(533,946)
	135,875	217,986
Fair value (gain)/loss on derivative financial instruments	**(73,071)**	61,154
Total finance costs expensed during the year	**62,804**	279,140

4. Taxation

	Year ended 31 December	
	2009	2008
	HK$'000	HK$'000
The taxation (charge)/credit comprises:		
PRC taxation		
Current	**(1,129,985)**	(597,437)
Overprovision in prior years	**-**	1,701
Deferred - arising from temporary differences	**(316,419)**	(451,757)
	(1,446,404)	(1,047,493)
Hong Kong profits tax		
Current	**(124,687)**	(186,119)
Overprovision in prior years	**7,408**	1,925
Deferred - arising from temporary differences	**(276,228)**	149,903
Deferred - arising from tax rate changes	**-**	80,229
	(393,507)	45,938
Overseas taxation		
Current	**(43,239)**	(39,868)
Underprovision in prior years	**(66)**	-
Deferred	**(34,696)**	(44,555)
	(78,001)	(84,423)
	(1,917,912)	(1,085,978)

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 16.5%) 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$257,355,000 (2008: HK$61,286,000) 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	
	2009	2008
Weighted average number of ordinary shares in issue	**1,427,729,967**	1,425,934,944
	HK$'000	HK$'000
Profit attributable to shareholders	**4,391,046**	3,050,593
Basic earnings per share	**HK$3.08**	HK$2.14

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	
	2009	2008
Weighted average number of ordinary shares in issue	**1,427,729,967**	1,425,934,944
Adjustment for convertible bonds	**49,296,291**	49,296,291
Adjustment for share options	**5,291,323**	3,395,991
Weighted average number of ordinary shares for calculation of diluted earnings per share	**1,482,317,581**	1,478,627,226
	HK$'000	HK$'000
Profit attributable to shareholders	**4,391,046**	3,050,593
Adjustment for finance cost on convertible bonds	**110,689**	105,056
Profit used to determine diluted earnings per share	**4,501,735**	3,155,649
Diluted earnings per share	**HK$3.04**	HK$2.13

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 2009 is as follows:

	As at 31 December 2009 HK$'000	As at 31 December 2008 HK$'000
Below 1 month	**756,289**	1,642,879
Between 1 month and 3 months	**535,751**	504,211
Over 3 months	**110,801**	149,115
	1,402,841	2,296,205

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 2009 is as follows:

	As at 31 December 2009 HK$'000	As at 31 December 2008 HK$'000
Below 1 month	**382,609**	533,349
Between 1 month and 3 months	**198,649**	182,299
Over 3 months	**109,721**	105,068
	690,979	820,716

8. Bank loans

	As at 31 December 2009 HK$'000	As at 31 December 2008 HK$'000
Bank loans - unsecured	**9,703,065**	9,794,886
Bank loans - secured	**346,228**	608,537
Total bank loans (note (i))	**10,049,293**	10,403,423
Less : Short-term bank loans and current portion of long-term bank loans	**(429,782)**	(1,907,948)
	9,619,511	8,495,475

8. Bank loans (continued)

(i) As at 31 December 2009, the Group's bank loans were repayable as follows:

	As at 31 December 2009 HK$'000	As at 31 December 2008 HK$'000
Within one year	**429,782**	1,907,948
In the second to fifth year		
- In the second year	**4,152,844**	623,355
- In the third year	**3,999,458**	7,017,424
- In the fourth year	**1,328,131**	52,559
- In the fifth year	**50,528**	741,165
	9,530,961	8,434,503
Wholly repayable within five years	**9,960,743**	10,342,451
Over five years	**88,550**	60,972
	10,049,293	10,403,423

9. Convertible bonds

During the year ended 31 December 2009, 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 2009, 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 2009 HK$'000	As at 31 December 2008 HK$'000
Contracted but not provided for	**4,390,595**	6,260,863
Authorised but not contracted for	**157,561**	228,869
	4,548,156	6,489,732

11. Contingent liabilities

(a) Guarantees for banking and other facilities

	As at 31 December 2009 HK$'000	As at 31 December 2008 HK$'000
- Guarantees for banking and other facilities of certain associated companies and investee companies (note (i))	**2,481,647**	2,054,096
- Guarantees to certain banks for mortgage facilities granted to first buyers of certain properties in the PRC (note (ii))	**569,294**	-
	3,050,941	2,054,096

(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 2009 amounted to approximately HK$2,481,647,000 (2008: HK$2,054,096,000). The total amount of such facilities covered by the Group's guarantees as at 31 December 2009 amounted to approximately HK$3,863,013,000 (2008: HK$2,570,349,000).

(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 2009 amounted to approximately HK$569,294,000 (2008: nil). The total amount of such facilities covered by the Group's guarantees as at 31 December 2009 amounted to approximately HK$1,974,132,000 (2008: HK$1,714,054,000).

(b) Other guarantees and undertakings

The deed of guarantee to the Government of the Hong Kong Special Administrative Region in respect of Western Harbour Crossing has been discharged on 5 February 2009.

Apart from the above, there are no material changes in contingent liabilities of the Group since 31 December 2008.

12. Pledge of assets

As at 31 December 2009, the Group's total bank loans and overdrafts of HK$10,050,826,000 (2008: HK$10,418,608,000) included an aggregate amount of HK$9,703,533,000 (2008: HK$9,806,358,000) which is unsecured and an aggregate amount of HK$347,293,000 (2008: HK$612,250,000) 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$4,797,945,000 (2008: HK$4,047,756,000);

(ii) charges on bank balances amounting to HK$113,000 (2008: HK$1,235,000) 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

Due in part to prompt action by governments worldwide to introduce economic stimulus measures, the global economy seems to be recovering. This is helping property markets in the Mainland and in Hong Kong. The Group's strategy of developing prime-quality properties in exclusive and undersupplied locations underpins the value of its property assets, and puts the Group in an advantageous position for an upturn. Against this background, all new property projects introduced for sales or pre-sales during the year received a warm market response.

As at 31 December 2009, the Group's portfolio of properties comprised properties under development with a gross floor area ("GFA") of 40.99 million square feet (2008: 43.34 million square feet), completed investment properties of 8.41 million square feet (2008: 8.45 million square feet), hotel properties of 0.54 million square feet (2008: 0.54 million square feet) and properties held for sale of 0.98 million square feet (2008: 0.48 million square feet). The Group has a balanced and high-quality portfolio with the potential to create long-term shareholder value.

Property Portfolio Composition

	Group's attributable GFA				
	Mainland China	Hong Kong	Macau^	Overseas	Total
	('000 square feet)				
Completed Investment Properties	3,824	2,593	-	1,991	8,408
Hotel Properties	500	38	-	-	538
Properties Under Development~	34,456	2,369	2,385	1,780	40,990
Properties Held for Sale	437	460	-	86	983
	39,217	**5,460**	**2,385**	**3,857**	**50,919**

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

~ Including investment properties under development of 2.6 million square feet and 0.2 million square feet in Mainland China and Hong Kong, respectively.

MAINLAND CHINA PROPERTY DIVISION

China has emerged relatively unscathed from the recent global financial turmoil. Domestic demand has strengthened and timely fiscal stimulus measures have stabilized consumer and investor confidence. With abundant liquidity in the market, premier properties in prime locations have attracted keen interest from buyers and the Group's sales during the year were satisfactory.

The Mainland China Property Division maintains a prime investment portfolio and land bank, and focuses on the development of integrated properties in prime locations of the major cities including Beijing, Shanghai, Tianjin and Hangzhou. These efforts set the stage for the Group's development of architectural masterpieces or landmark compounds in these cities. Development efforts are also directed towards the building of large-scale elite residential and mixed-use projects on prime sites in prosperous provincial capital cities such as Nanjing, Shenyang, Chengdu, Nanchang and Changsha.

During the year, the Mainland China Property Division recorded a turnover of HK$3,996 million (2008: HK$2,748 million), an increase of 45% year on year reflecting momentum generated from property sales and leasing activities. Net profit attributable to the Group contracted 14% year on year to HK$1,486 million (2008: HK$1,720 million), after taking into account the increase in fair values of investment properties (after deferred taxation) of HK$841 million (2008: HK$952 million). Excluding the effect of the increase in fair value of investment properties (after deferred taxation), the net profit attributable to the Group was adjusted to HK$645 million (2008: HK$768 million).

The Group will continue to make prudent and selective investments and uphold stringent and meticulous construction management in order to maintain its pledge to deliver both quality and value to buyers and tenants.

Investment Properties

In the year under review, the Group attained rental turnover and operating profit from rental activities of HK$819 million and HK$599 million, respectively (2008: HK$796 million and HK$602 million, respectively) from its portfolio of completed investment properties in Mainland China.

As at 31 December 2009, the Group held an aggregate GFA of 3.82 million square feet (2008: 3.83 million square feet) of completed investment properties within its portfolio in the Mainland, the geographical distribution of which and their occupancy rates are set out in the table below:

As at 31 December 2009:

	Group's attributable GFA					
	Beijing	**Shanghai**	**Shenzhen**	**Fuzhou**	**Total**	**Occupancy rate**
			('000 square feet)			
Office	**711**	**682**	**815**	**-**	**2,208**	**77%**
Commercial	**98**	**442**	**107**	**64**	**711**	**90%**
Residential	**277**	**628**	**-**	**-**	**905**	**62%**
	1,086	**1,752**	**922**	**64**	**3,824**	

As at 31 December 2008:

	Group's attributable GFA					
	Beijing	Shanghai	Shenzhen	Fuzhou	Total	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	

Comparative occupancy rates of key completed investment properties are outlined below:

Property	**Occupancy rate as at 31 December 2009**	Occupancy rate as at 31 December 2008
Beijing Kerry Centre ^	**76%**	90%
Shanghai Kerry Centre	**71%**	86%
Kerry Everbright City Phase I	**88%**	81%
Central Residences Phase II Towers 1 and 3	**69%**	73%
Shenzhen Kerry Plaza Phase I	**66%**	60%

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

Although the general economic conditions have affected the rental performance of the Group's completed investment properties, the portfolio's intrinsic quality has provided an excellent buffer against market pressures, and thus the impact on the Group has been relatively small.

Sales of Properties

During the year, sales of properties generated a turnover and operating profit of HK$2,931 million and HK$1,500 million, respectively (2008: HK$1,514 million and HK$1,121 million, respectively), on the back of sales contributions from Shanghai's Kerry Everbright City Phase II (including residential units of Le Loft and offices of Enterprise Square), Central Residences Phase II Tower 2, and Gemini Grove in Beijing. Pre-sales of Parkview Residence in Hangzhou and Lakeview in Yangzhou also produced a satisfactory market response.

Situated in Zhabei District, Shanghai, Kerry Everbright City commands a prime location and enjoys excellent accessibility. Phase II of the project is a mixed-use development comprising Phases A and B with a GFA of approximately 1.6 million square feet. As at 31 December 2009, 1,133 units, or 97%, out of a total of 1,166 residential units of Le Loft were sold. A total of 244 units of the Enterprise Square office tower were also sold, representing 56% of the total of 436 units offered for sale. Sale of Le Loft benefited from Kerry Properties' established reputation for quality excellence and received a satisfactory market response to its phased launches.

Nestled in the upscale Huashan Road residential neighbourhood in Shanghai, Central Residences Phase II lies in proximity to the dining and lifestyle locale of the embassy zone, Nanjing West Road, Xu Jia Hui and Hengshan Road. Some 60 units from Tower 2, which were delivered for occupation at the end of 2009, have been earmarked for sale. After receiving a satisfactory response from its sales launches in the Mainland, the project was introduced in Hong Kong in August 2009 with equal success. By 31 December 2009, 30 units, or 50% of the total, were sold.

Gemini Grove, a boutique-styled apartment project situated at Xinyuanli, Beijing, delivers a GFA of approximately 500,000 square feet, inclusive of commercial and underground areas, of which the apartments will offer a total GFA of approximately 331,000 square feet. The Group holds a 71% interest in the project. Generating a total of 317 units, the project is comprised of the east and west towers, and was completed in July 2009. Sales of the project received a satisfactory response. As at 31 December 2009, 271 units or 86% were sold.

Properties under Development

Despite entering a correction phase in the first half of 2009, China's real estate market regained growth momentum in the second half. In fact, the gathering market momentum has prompted the Chinese Government's concerns at overheating and consideration of preventive measures. The Group holds a premium land bank in the Mainland which will set its course for mid- and long-term development. It will continue to look out for sites in economically advanced cities which promise long-term investment value.

Shanghai

Themed "Better City, Better Life", Expo 2010 Shanghai China is expected to have a positive impact on Shanghai's real estate market, and to further overall economic development. With a number of large-scale developments underway in Shanghai, the Group is expected to benefit from the event.

Jing An Kerry Centre project lies in the most coveted Jing An District of Shanghai and is designed to be a mixed-use property incorporating a deluxe hotel, a Grade-A office tower up to international standards and upscale shopping mall premises, adding up to a GFA of approximately 2.74 million square feet. The Jing An Kerry Centre project is being jointly developed by the Group and Shangri-La Asia Limited ("Shangri-La"), with respective shareholdings of 51% and 49%. With construction progressing smoothly, project completion is scheduled for 2012.

The Group also holds a 40.8% interest in Kerry Parkside, Pudong District, a mixed-use property project. With construction works substantially completed, the project is now at the electrical-and-mechanical-installation and interior-decoration stages. Located close to the Shanghai New International Expo Centre, the joint venture project lies at the core of Huamu District in the Pudong New Area, and includes the development of a hotel, offices, an apartment-style hotel, commercial properties and related ancillary facilities, all due for completion by the fourth quarter of 2010.

The construction of Phase III of the Kerry Everbright City project is expected to commence by the end of 2010 after the closing of the World Expo. The project will generate a GFA of approximately 1.11 million square feet, comprising hotel, retail and office properties. The Group holds a 74.25% interest in the project which is expected to complete in 2013.

Shenzhen

Kerry Plaza Phase II is another Grade-A office project in the CBD of Futian, Shenzhen, complementing Kerry Plaza Phase I. Located in close proximity to the Futian station of the future Guangzhou-Shenzhen-Hong Kong Express Rail Link, the project offers a GFA of approximately 850,000 square feet. Designed to advanced international standards, the project is now under construction as scheduled and, upon targeted completion in 2011, is poised to become the major landmark in Futian Central District and the most exclusive business address in Shenzhen.

Tianjin

The Group's mixed-use property project in Hedong District, Tianjin, is located in the heart of the Tianjin South Railway Station CBD, adjacent to the Tianjin Financial Street neighbourhood and overlooking the Haihe River. Connected to the Metro Line 9 and Inner Ring, the development enjoys a convenient transport network. The development is planned to include a hotel, Grade-A offices, upscale residential accommodation, shopping mall and serviced apartments, with a GFA of approximately 5.22 million square feet. The project, in which the Group holds a 49% interest, will be rolled out leveraging the combined experience of the respective joint venture parties in hotel, commercial and residential developments. Construction is currently in progress and scheduled for completion in phases between 2012 and 2015. Upon completion, the project will add an iconic landmark to Tianjin's city skyline.

Hangzhou

The Group owns two sites in Xiacheng District, Hangzhou, the first of which is located at the busy junction of Yan'an Road and Qingchun Road, in the bustling city centre. Close to the future interchange station for Metro Lines 1 and 2 and adjacent to the Xihu (West Lake), the site is designated for the development of a mixed-use property comprising a hotel, offices, apartments and a large-scale commercial retail mall complex with a GFA of approximately 2.22 million square feet. Piling works are expected to commence by the third quarter of 2010, the development being targeted for completion in phases by 2013, when it will become the new architectural emblem of Hangzhou.

The second site in Xiacheng District is earmarked for the development of Parkview Residence. Situated in the largest iconic locale in the city's northern old town, the site of the project lies only 12 kilometres from the city centre and is highly accessible with a public transport hub in close proximity. The project will yield a GFA of approximately 2.63 million square feet, and is expected to complete in phases before 2012. The pre-sales for Parkview Residence in December 2008 met with an overwhelming market response, validating its appeal to consumers.

Nanjing

The Group and Shangri-La are co-developing a premier site at Zhong Yang Road in Gu Lou District, Nanjing. Lying at the heart of Nanjing, the site is designated for the development of a mixed-use project including hotel and commercial properties with a GFA of approximately 915,000 square feet. The Group holds a 45% interest in this project. The project is now in the planning phase with construction expected to commence by early 2010. Being the provincial capital of Jiangsu, Nanjing is also the commercial, trading, financial, tourism and logistics centre of the Yangtze Delta.

Chengdu

The Group's residential development in Chengdu, the provincial capital of Sichuan Province, is located in the southern part of the Chengdu High-Tech Industrial Development Zone. The site, in which the Group holds a 55% interest, is expected to generate a developable GFA of approximately 6.85 million square feet. In line with its strategy of developing into a "World Modern Garden City", Chengdu has rolled out breakthrough plans to build the zone into the city's future commercial centre. The zone will incorporate facilities such as convention centres, a consular quarter, five-star hotels, a business 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. Underground works on Phase I of the project are substantially completed, and the main structural engineering works are now ongoing. Construction of Phase I is expected to complete by 2011 with Phases II and III due for completion in several stages between 2012 and 2014.

Nanchang

In Nanchang, the provincial capital of Jiangxi Province, the Group is developing a mixed-use property through a joint venture with Shangri-La. The Group holds an 80% interest in the project. Lying at the heart of Honggutan central district, the development blueprint includes hotel, office, commercial and high-end apartment properties, with a GFA of approximately 2.57 million square feet. Nanchang is the largest industrial city in Jiangxi Province, and also an important commercial and trading city in Southern China. The project site is situated in the core area of the new administrative centre of Nanchang, adjacent to the government offices. Enjoying impressive river vistas, the site commands a premium location ideal for habitat, cultural activities and business. With the project's schematic design currently in progress, construction work is targeted to commence in the fourth quarter of 2010, with phased completion expected between 2013 and 2015.

Changsha

The Group holds a 61% interest in a joint venture residential and commercial property project in Changsha, the provincial capital of Hunan Province. The site is located in the Tianxin District to the west of the provincial government offices and enjoys the exquisite river scenery of the Xiang Jiang. The project is expected to deliver a GFA of approximately 3.21 million square feet. Piling works will commence in the first quarter of 2010, and the project is scheduled to be completed in phases between 2011 and 2013.

Shenyang

The Group's 60%-owned Shenyang Kerry Centre project in Shenyang, the capital of Liaoning Province, is located on the east side of Qingnian Street and to the south of Qingnian Park, which is the core area of the city's landmark Golden Corridor development. Shenyang is not only the largest municipality in Northeastern China, but also a historical site and tourist destination. The site yields a GFA of approximately 14 million square feet, and is designated for the development of a mixed-use project including a hotel, offices, shopping mall, residences and apartments. With the project's master layout plan now approved, the conceptual plan of Phase I of the residential project is currently being assessed, while the Phase I hotel moves into the construction stage. The project is targeted for completion in phases between 2013 and 2021.

Yangzhou

The Group's hotel and luxury residential project in Yangzhou is located at Xincheng West District, a stylish neighbourhood of museums and other cultural facilities, and nestles in a wooded lakeside environment. Construction works for the residential portion are scheduled to be completed in the first quarter of 2010. Up to 31 December 2009, 110 units were taken (sales ratio being approximately 63%) amidst a satisfactory market response.

Qinghuangdao

The Group's seafront deluxe residential project in Qinhuangdao, Hebei Province, is currently at the planning stage. This development is expected to generate a GFA of approximately 4.76 million square feet, and is expected to complete in phases to 2014. Qinhuangdao is a major export trading port and key tourist destination in Northern China, with excellent economic advantages and growth potential to be leveraged as part of the development of the Beijing-Tianjin-Hebei metropolis circle.

Manzhouli

The Group's residential and commercial property project in Manzhouli, Inner Mongolia, is targeted to complete by 2012 in phases. Manzhouli is a major land-transport trading depot for the Sino-Russian trade and enjoys unique geographical advantages. The project is anticipated to yield a developable GFA of approximately 930,000 square feet. Its Phase I residential portion is now completed for inspection and is scheduled for sale in the second quarter of 2010. Occupation of the first batch of residential units is expected to take place in the third quarter of 2010.

Tangshan

The Group, through a joint venture with subsidiaries of Shangri-La and Allgreen Properties Limited, is developing a mixed-use project located at Da Li Road in Fenghuang Xincheng, Tangshan. The project comprises the development of a hotel and residential and complementary commercial properties, with a developable GFA of about 2.99 million square feet. The Group holds a 40% interest in the joint venture project. Tangshan is an important coastal city in Northern China lying in proximity to Beijing and Tianjin, and holds promising prospects for development. The Group believes the joint venture project will contribute considerable and sustainable earnings over the long term. The project is scheduled to complete in phases between 2013 and 2014.

Shangri-La's Kerry Centre Hotel, Beijing

During the year ended 31 December 2009, Shangri-La's Kerry Centre Hotel, Beijing contributed turnover and related operating profit of HK$246 million and HK$34 million, respectively (2008: HK$438 million and HK$172 million, respectively), and achieved an average occupancy rate of 52% (2008: 64%) with average room tariff decreasing 43% year on year.

Properties under development in Mainland China

	Group's attributable GFA upon completion													
	Shanghai	Shenzhen	Tianjin	Hangzhou	Shenyang	Nanjing	Chengdu	Nanchang	Changsha	Yangzhou	Qinhuangdao	Manzhouli	Tangshan	Total
	('000 square feet)													
Residential	-	-	1,185	2,880	3,326	-	3,320	699	1,778	425	2,648	847	980	18,088
Apartment/ Serviced Apartment	149	-	-	-	1,506	-	-	-	144	-	-	-	-	1,799
Office	1,434	743	311	199	1,175	124	-	672	-	-	-	-	-	4,658
Commercial	601	107	685	1,311	2,366	-	451	86	36	-	208	83	-	5,934
Hotel	1,092	-	375	458	421	288	-	598	-	512	-	-	215	3,959
Entrance Hall	18	-	-	-	-	-	-	-	-	-	-	-	-	18
	3,294	850	2,556	4,848	8,794	412	3,771	2,055	1,958	937	2,856	930	1,195	34,456

HONG KONG PROPERTY DIVISION

During the year ended 31 December 2009, the Hong Kong Property Division recorded a turnover of HK$1,151 million (2008: HK$1,863 million) which produced a net profit attributable to the Group of HK$2,108 million (2008: HK$706 million), after taking into account the increase in fair value of investment properties (net of deferred taxation) of HK$1,316 million (2008: a decrease of HK$157 million).

The Division's turnover was mainly contributed by sales of 15 Homantin Hill and SOHO 38, and the disposal of certain units of Belgravia also delivered a satisfactory earnings contribution for the Group.

A balanced portfolio of premium assets in Hong Kong, in particular properties in exclusive locales on Hong Kong Island, is expected to provide continued impetus for the Division's development under a limited supply environment. This exclusive property mix includes both completed properties for sale and investment properties, as well as a pipeline of projects under a development backed by a land bank to support further development. The Group continues to achieve satisfactory returns from property sales, and to derive a steady stream of recurrent income from its investment properties.

Investment Properties

The Group's premium portfolio of completed investment properties in Hong Kong represents a major component of its earnings base and core competence. The properties are located in highly supply-restricted locales and in particular, the residential units are exquisitely appointed with top-end facilities and have been established as prime residences in Hong Kong commanding unrivalled advantage. During the year, rental turnover generated from the Group's completed investment properties in Hong Kong was HK$529 million (2008: HK$589 million), generating an operating profit of HK$307 million (2008: HK$255 million).

As at 31 December 2009, the Group maintained a completed investment property portfolio in Hong Kong with an aggregate GFA of 2.59 million square feet (2008: 2.64 million square feet). Set out below are the breakdown of GFA and the respective occupancy rates, together with comparative figures:

	As at 31 December 2009			As at 31 December 2008		
	Group attributable GFA ('000 square feet)		**Occupancy rate**	Group attributable GFA ('000 square feet)		Occupancy rate
Residential	**722**	△	**96%**	618	⨯	93%
Commercial	**1,194**		**94%**	1,194		96%
Office	**646**		**93%**	645		98%
	2,562			2,457		

△ Included Tavistock which has an occupancy rate of 96%.
⨯ Excluded Tavistock and Belgravia.

Enterprise Square Five/MegaBox

Retail and leisure flagship MegaBox in East Kowloon has a GFA of 1.1 million square feet. As at 31 December 2009, MegaBox was 96% (2008: 97%) leased. The mall continues to optimize its tenant mix, leading the way for local consumers and tourists towards more innovative retail, entertainment and dining experiences. As part of its efforts to build a new home-living innovations zone in 2009, MegaBox has solicited the addition of more tenants with unique characteristics in order to provide the convenience of one-stop home shopping for customers.

The two office towers of the landmark Grade-A Enterprise Square Five in East Kowloon achieved an occupancy rate of 99% (2008: 99%) as at 31 December 2009.

Sales of Properties

During the year ended 31 December 2009, sales of completed properties in Hong Kong generated turnover of HK$622 million (2008: HK$1,274 million), and proceeds from sales of completed investment properties amounted to HK$884 million (2008: HK$1,916 million). Major revenue contributors include the sales of completed properties at 15 Homantin Hill and SOHO 38, as well as investment property of Belgravia. Property sales during the year produced an operating profit of HK$426 million (2008: HK$876 million). The pre-sales of Primrose Hill in Tsuen Wan commencing from June 2009 will also contribute satisfactory sales performance for the Group's 2010 results.

Aided by strong liquidity in the market and the prevailing low interest rates, Hong Kong's real estate market showed early prospects of returning to growth in 2009. The luxury residential segment, where the Group focuses its development, showed a particularly strong pace of resurgence. The Group's sale of Island Crest at First Street is expected to deliver satisfactory results.

Island Crest, First Street, Hong Kong

The Island Crest residential project jointly developed with the Urban Renewal Authority received its occupation permit at the end of 2009 and is ready for delivery in the second quarter of 2010. The project will yield a total of 488 residential units and approximately 12,000 square feet of shop units, rendering a total GFA of approximately 440,000 square feet. Island Crest is an exclusive residential project in the Western District. The overall design is elegant and contemporary, featuring a green piazza that invites lush green into the property. It also enjoys prime neighbourhood advantages of being in one of the territory's best school nets. The project is one of the very few sizeable residential projects on the Island, and its introduction to the market in September 2009 generated an overwhelming market response. Pre-sales of a selection of the residential units commenced in early 2010, and as at the end of February 2010, 184 units were sold.

Properties under Development

Primrose Hill, Tsuen Wan

Primrose Hill is a landscaped-garden luxury residence located in Tsuen Wan. Pre-sales were launched in June 2009 to an overwhelming response, making the project a market hotspot. Primrose Hill enjoys unobstructed views and benefits from the greenery of the Tai Mo Shan Country Park. Designed around an In-and-Out architectural concept, the residences and clubhouse are laid out to take full advantage of the outdoor vista which creates a natural backdrop for the interior. A total of 548 units with approximately 450,000 square feet are on offer. Up to 31 December 2009, 358 units, accounting for 65% of the total, had been sold. The occupation permit for this project was issued in January 2010. On-site show flats are being planned and the remaining units will be launched for sale during the Easter holidays in the second quarter of 2010.

Larvotto, Ap Lei Chau

The first phase of sales of Larvotto, the Group's 35%-held joint venture residential project in Ap Lei Chau, will commence soon. The project offers 715 residential units, of which the Group will share an attributable GFA of approximately 320,000 square feet. Scheduled for completion in the fourth quarter of 2010, Larvotto is the most sizeable new development on the supply-restricted Hong Kong Island, and is expected to receive strong market attention upon its launch.

Shan Kwong Road/Village Terrace, Happy Valley

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

King's Road, North Point

Construction works are in progress on this 40%-held joint venture Grade-A office tower with a developable GFA of approximately 511,000 square feet. Upon planned completion by the fourth quarter of 2010, this office tower at 863-865 King's Road, North Point, will become another major landmark for the Eastern District.

8 Muk Lun Street, Wong Tai Sin

The premier residential and commercial property project at 8 Muk Lun Street, Wong Tai Sin, is expected to deliver a developable GFA of approximately 767,000 square feet of residences and approximately 153,000 square feet of commercial properties. The project, which is expected to complete in the third quarter of 2011, represents a major effort by the Group to develop another uniquely designed premium city living space.

Wilmer Street, Sheung Wan

The Group's reconstruction project in Wilmer Street, Sheung Wan, commenced works in the first half of 2009. The site will be redeveloped into premier residences and retail space, with planned completion in the second quarter of 2012. The Group holds a 71% interest in this project. Due to the limited developable land supply in the Central and Western Districts, the Group will leverage its experience and brand franchise in the luxury segment to develop another prominent property that generates satisfactory returns.

Yuk Yat Street, To Kwa Wan

The redevelopment of No. 5 and No. 9 Yuk Yat Street, To Kwa Wan, into residential and commercial properties is planned to be completed by the third quarter of 2012. The project is expected to deliver a GFA of approximately 150,000 square feet.

Hing Hon Road, Mid-Levels West

The 71%-held joint venture project at 18-27 Hing Hon Road, Mid-Levels West, is situated on a site connecting Pokfulam and Western District, and lies adjacent to the University of Hong Kong in a neighbourhood of prestigious schools. This exclusively located site provides both easy access to the city as well as a retreat from the city bustle. The project involves the development of luxury residences with a GFA of approximately 172,000 square feet. Demolition works will soon commence and the project is expected to be completed in the first quarter of 2013.

Properties under Development in Hong Kong

	Group's attributable GFA upon completion ('000 square feet)
Residential	1,979
Commercial	185
Office	205
	2,369

Macau

The Group's luxury residential apartment project in Nam Van Lake is situated in a prime location enjoying a full unobstructed view of the Nam Van Lake and Macau peninsula. This residential project will yield a developable GFA of approximately 400,000 square feet upon its scheduled completion in the fourth quarter of 2012.

The proposed reclamation scheme in Macau has already been approved by the Central Government, earmarking the creation of a new urban zone. The Group will further liaise with the Macau SAR Government in respect of the implementation of the land exchange procedure.

OVERSEAS PROPERTY DIVISION

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

Australia

As at 31 December 2009, 1,141 units (2008: 1,104 units) of the Group's 25%-owned Jacksons Landing project were sold, representing 95% of the total of 1,196 units offered for sale. This residential and commercial development is situated on a 12-hectare site on the Pyrmont Peninsula in Sydney.

The Philippines

The Group's property investments in the Philippines are held through Shang Properties, Inc. ("SPI") in which it maintains a 34.61% equity interest and a 30.75% interest in its depository receipts. SPI holds (i) a 78.72% interest in the Shangri-La Plaza Mall, Manila and (ii) indirect interests in The Enterprise Center, an office and commercial property in Makati, Manila's financial district. As at 31 December 2009, the occupancy rates of Shangri-La Plaza Mall and The Enterprise Center were 99% and 89%, respectively (2008: 99% and 96%, respectively).

Shangri-La Plaza Mall continued to deliver healthy performance. The ongoing expansion programme is developing an adjacent site into an extension of the mall and additional residential units. This programme will yield additional GFA of approximately 1.88 million square feet, of which approximately 428,000 square feet are designated as retail space, and approximately 1.45 million square feet for residential development.

SPI also participated in the development of The St. Francis Shangri-La Place, a residential project located in Mandaluyong City, Manila. As at 31 December 2009, 1,108 units (2008: 952 units) out of the total of 1,152 residential units at Towers 1 and 2 of The St. Francis Shangri-La Place were sold. In addition, SPI has taken part in a hotel and luxury residential development in Fort Bonifacio, Taguig, Manila. The project incorporates the building of a six-star resort hotel and luxury residences, as well as approximately 8,500 square feet of retail premises. SPI holds a 40% interest in this joint venture project.

Overseas Property Portfolio

	Group's attributable GFA		
	Australia	The Philippines ('000 square feet)	Total
Completed investment properties			
Hotel lease	-	170	170
Shopping centre lease	-	213	213
Shopping centre	-	1,054	1,054
Commercial	-	22	22
Office	-	331	331
Car-park building	-	201	201
Sub-total	-	**1,991**	**1,991**
Properties under development			
Residential	86	1,183	1,269
Hotel	-	187	187
Shopping centre	-	279	279
Commercial	43	2	45
Sub-total	**129**	**1,651**	**1,780**
Properties held for sale			
Residential	1	85	86
Sub-total	**1**	**85**	**86**
	130	**3,727**	**3,857**

Outlook

Mainland China

Fiscal stimulus measures introduced by the Government in China have ensured that China's economy remains a relatively strong performer globally. The real estate market in China continues to grow and develop in order to meet demand both for investment and accommodation. There was a rapid rebound in the property market during 2009, with signs of overheating in certain cities towards the second half of the year. Government action to tighten the incentive policies is expected, and these actions may result in market fluctuations in the short term.

Over the long term, the Mainland property market is supported by strong fundamentals. China's per-capita gross domestic product ("GDP") now exceeds US$3,000, with the development of the coastal cities on par with other newly industrialized countries. This, together with the policy to undertake a significant rural to urban population shift, reinforces management's optimistic outlook for the country's property market and for its long-term economic development.

With a focus on niche premium property projects which are resilient to changes in market demand and considering that most of the property projects within our portfolio are currently under construction, the Group is well positioned to withstand any market correction. New land acquisitions will focus on sites that are located in economically sound and geographically advantageous districts. On the rental business front, the financial crisis negatively impacted the Group's occupancy in 2009. Rental operations are expected to stabilize in the coming year, however.

The Group will continue to identify, develop and hold its prime property projects and land banks in Beijing, Shanghai, Shenzhen and other prosperous top- and mid-tier cities where strong demand is evident. Kerry Properties has established a strong brand profile in the Mainland market on the back of acknowledged quality excellence. As in the past, the Group has been able to proactively strengthen internal management and leverage its brand advantage during periods of market correction. The Group believes that its business will advance further as we see a gradual revival of foreign economies that have close ties to Mainland China.

Hong Kong

Bank interest rates have been kept at low levels in Hong Kong and there has been a significant inflow of capital into the Hong Kong property market. Both these factors have assisted the Group's property business in Hong Kong. The continued sales of 15 Homantin Hill, SOHO 38 and Belgravia together with the launch of Primrose Hill and Island Crest have all posted encouraging sales results and have validated the Group's strategy of focusing on premium properties.

Demand from corporate tenants remains healthy. The Group's office and retail properties are located in districts with strong growth prospects and this has helped sustain stable levels of rental and occupancy.

Kerry Properties is currently the biggest supplier of new residential properties on Hong Kong Island. A number of projects are now under construction and are scheduled for completion over the next few years. The Group is confident of achieving satisfactory returns from these projects as they are situated in some of the most sought-after districts in Hong Kong where supply is constrained.

The Hong Kong Property Division will continue to focus on premium properties, complementing them with unrivalled amenities and outstanding services that redefine convenience and comfort. The Group's properties are a promise to customers of high-quality living.

REVIEW OF LOGISTICS BUSINESS

OVERVIEW

In 2010 Logistics Network Division will be striding towards its 10th anniversary, marking a key milestone in its corporate development. The past decade has seen the Division's rapid evolution from a local forwarding and warehousing company into the leading China-focused, Asia-based global logistics service provider.

The Division's core business of integrated logistics ("IL") and international freight forwarding ("IFF") is built on premier assets, talented people and state-of-the-art information technology ("IT") at its home base in Asia and particularly in its focus market, Greater China. Its logistics capability is supported by a global network of operations across 24 countries, facilities space of over 18 million square feet and a staff strength of over 6,000 employees.

Despite the global financial turmoil which hampered the performance of the year under review, the Division is able to maintain its operating profit at a level similar to that of the prior year and achieved a healthy return on its logistics investments.

The Division's delivery of yet another set of solid results amidst world economic turbulence reaffirms the healthy resilience of its business portfolio. As a core strategic unit with a pivotal role in providing steady recurrent income and earnings, the Division contributes substantially to the Group's highly stable and optimized earnings base.

During the year under review, the Division reported a turnover of HK$7,667 million (2008: HK$8,360 million), a decrease of 8% over the previous year. Net profit attributable to the Group for the year increased 1% to HK$604 million (2008: HK$597 million) which took into account HK$83 million (2008: HK$27 million) in fair value adjustment on investment properties. Excluding the effect of the fair value adjustment, profit for the year attributable to operations decreased by 9% to HK$521 million (2008: HK$570 million), with (i) HK$361 million (2008: HK$343 million) contributed by IL operations; (ii) HK$10 million (2008: HK$22 million) by IFF operations; and (iii) HK$150 million (2008: HK$205 million) by logistics investments.

INTEGRATED LOGISTICS

IL is the system-wide management of the entire supply chain. The Division's strength in IL lies in the powerful synergy of its skilled people, innovative solutions, a solid IT platform and its proven commitment to sustainable value creation for customers.

The Division manages warehouse and logistics centre space worldwide, with the majority located in Greater China and Asia, to support advanced IL services that range from pick-and-pack, light assembly, to distribution to clients' retail network or end-customers.

Benefiting from pent-up demand in the year to 31 December 2009, the IL segment registered a 4% year-on-year improvement in turnover of HK$3,057 million (2008: HK$2,937 million).

These figures validate the success of the segment's strategic positioning in Asia, where the impact of the financial crisis has been less severe due to resilient domestic demand. While overseas consumers are still cautious in their spending, the massive destocking cycle in most industries eased in the second half of 2009 with manufacturers gearing up for more activity. Helped by reviving consumption, the Division's IL business volume rebounded in the second half of the year, although not fully to pre-crisis levels.

China Focus

The Division remains one of the largest investor-operators in the Mainland's logistics sector. It continues to strengthen its IL capabilities by enhancing its distribution network and increasing the number of logistics centres. In 2009, two new logistics centres commenced operation in China - in Fuzhou, Fujian Province, and in Chengdu, Sichuan Province - adding 377,000 square feet to a total of 4 million square feet of logistics facilities in the country.

Owning the largest network in China, the Division is able to fulfill clients' logistics requirements more efficiently and cost effectively. In 2008, the Division put Taiwan in its logistics services map and has since continued to strengthen its operations in Hong Kong and Taiwan in order to enhance its cross-strait platform. By leveraging this unique three-territory approach, the Division commands strong advantages to exploit emerging opportunities.

Owing to Government-led efforts, China was the first major economy to decisively recover from the global downturn, achieving the target of 8% economic growth in 2009. In particular, domestic consumption has been boosted as a driver of growth, spurring the demand for IL services across the country.

On the foreign-trade front, despite a 16% drop in exports in 2009, China has assumed a world leading position as the value of its exports surpassed that of Germany. Economists and trade bodies widely expect China to remain the world's largest exporter for the rest of the decade, pointing to sustained, robust growth momentum. As the Mainland's export sector continues to recover from the consumption downturn in the United States and Europe, the Division is expected to enjoy further market upside.

Asia Based

Asia's economic growth has outperformed the rest of the world, underlining the region's soaring economic prominence on the international stage. In particular, the Division has been tapping the enormous growth potential from the ongoing regional integration. In this connection, the Division has established KART Logistics (Thailand) Limited ("KART") to serve the burgeoning logistics requirements within the ten-member Association of Southeast Asian Nations ("ASEAN"), which accounts for one-third of the world's population and almost 10% of global GDP.

As the pioneer in creating the ASEAN-wide cross-border road transportation network, KART now links Singapore, Malaysia, Thailand, Vietnam, Cambodia and Laos directly with Kunming and Shenzhen in western and southern China, successfully providing customers with effective long-haul trucking as well as sea-land and air-land services in these geographically challenging areas.

The Division is poised to leverage its unique transportation network to exploit future business opportunities emerging from the China-ASEAN Free Trade Area, the biggest of its kind among developing countries, which became effective on 1 January 2010.

Other business activities in Asia include the acquisition of a 60% interest in Kerry-ITS Holdings Pte. Ltd. in March 2009. Based in Singapore and with operations also in Shanghai and Vietnam, this ISO tank cleaning, repair and trading operation uses advanced equipment to ensure rapid turnaround of tanks under the highest environmental compliance standards. This company has since expanded by adding Thailand operations to its network, building it into the only region-wide ISO tank servicing business in Asia.

To tap into the global Halal food market, a joint venture was formed between the Division's trading arm, Kerry FSDA Limited, and the Brunei Government in July 2009. The joint venture, Ghanim International Food Corporation Sdn Bhd, is engaged in the sourcing, distribution and marketing of merchandise under a newly developed international brand "Brunei Halal".

In August 2009, the Division formed a joint venture with Aboitiz One, Inc. in the Philippines – Kerry-Aboitiz Logistics, Inc. ("Kerry-Aboitiz") – to strengthen its IL capability in this part of Asia. Based in Manila, Kerry-Aboitiz operates branches in six other cities in the country.

INTERNATIONAL FREIGHT FORWARDING

The eurozone continued to be plagued by manufacturing overcapacity, unemployment, as well as state debts and public-sector liabilities, leading to a decline in both trade and cargo shipment volumes. Against this backdrop and amidst a macroeconomic downturn, the performance of the IFF business segment came under increasing pressure. During the year, this segment's turnover contracted 15% year on year to HK$4,610 million (2008: HK$5,423 million).

The IFF segment's forthcoming development plans will focus on the expansion of operating scale and coverage, in order to achieve economies of scale and a critical mass. The segment will therefore actively pursue acquisition or other expansion opportunities, and will seek to build a more comprehensive IFF capability on the basis of its existing Asia-Europe routes. With an expanded scale, the IFF segment will be able to achieve enhanced synergies with the IL segment as a means of strengthening its competitive advantage.

The Division currently operates a directly represented network across nine European countries covering 21 cities.

LOGISTICS INVESTMENTS

The Division's logistics investments include a 15% interest in Asia Airfreight Terminal, a 25% interest in Chiwan Container Terminal and, through joint ventures, approximately 20% stake in the Taiwan-based T.Join Transportation Co.,Ltd ("T.Join").

Taking a long-term view on its investments, the Division has yielded sound and sustainable returns from its interests in various logistics assets and operations. In the year ended 31 December 2009, the Division achieved a return on investment of 18%, underscoring management's investment acumen.

The investment in T.Join also provides synergistic benefits to the Division's development of its Greater China network. Being an established freight forwarding and transportation company in Taiwan, T.Join has 200 principal operational terminals and sales offices served by a fleet of over 2,500 trucks. The company forms a strategic component of the Division's business plan for the expanding cross-trait trade.

INFORMATION TECHNOLOGY

KerrierVISION continues to be embedded as the Division's flagship IT platform. Built on the success of the Hong Kong-based Electronic Proof-of-Delivery ("EPOD") distribution visibility platform, the system is currently being migrated to a state-of-the-art web 2.0 open platform freeing it from the geographical constraints of digital map coverage. The migration will make the KerrierEPOD solution a homogeneous platform deployable to any region with a similar demand. At the "Hong Kong ICT Awards 2009", KerrierVISION's success was further recognized when it was presented with the Best Business (Application) Bronze Award.

At the operational level, KerrierFMS (Freight Management System) was implemented in a further 13 cities in Asia during the year. The system continues to achieve higher management and operational efficiency by facilitating the standardization of the operational model across different territories. At the database level, a global freight forwarding data warehouse is now in place to provide more accurate, comprehensive, and timely management information analysis.

From the infrastructure perspective, the Division has completed the first phase of desktop computer virtualization of 40 thin desktop clients. This is a further step towards the implementation of the Division's private cloud and green computing environment after server virtualization in the data centre.

OUTLOOK

The Division specializes in Asia and, through a long-term partnership with clients and a commitment to continuous improvement, has achieved the strategic requirements of customers at a local, regional and global level. By pledging itself to adding value to its partners' visions, the Division has grown with its clients, explored emerging markets for them, and broken new ground with them. It has emerged all the stronger from the worldwide financial and trade fluctuations, and solidified its reputation in China and in Asia as a leader in logistics services.

In response to the business environment and the challenges we face, and as part of the Division's continuous efforts to optimize its operational model, different measures have been undertaken to improve efficiency and to tighten cost controls. This, coupled with active business development efforts resulting in a number of major new contracts, supports management's optimistic outlook for earnings growth in 2010.

The global financial crisis may have bottomed out, but the prevailing high unemployment rates in major economies now hint at a possibly slower recovery. Overall, the Division maintains a positive view of stable development in the year ahead as it leverages its significant geographical and business advantages to move ahead with robust business rollouts.

Despite powerful headwinds, the Division has always successfully performed its strategic role of contributing to the diversified recurrent income base of the Group. It will continue to generate steady recurring earnings, while pursuing dynamic growth across the breadth and depth of its business.

REVIEW OF INFRASTRUCTURE BUSINESS

OVERVIEW

Through investments in the infrastructure, environmental and utilities-related sectors in Hong Kong and Mainland China, the Infrastructure Division sustains healthy business operations which continue to serve as a stable source of recurrent income for the Group. During the year ended 31 December 2009, the Division generated net profit attributable to the Group of approximately HK$70 million (2008: HK$60 million).

HONG KONG

The Group holds a 15% interest in the Western Harbour Crossing and a 15% stake in the Cross Harbour Tunnel management contract. During the year, the Group's share of aggregate net profits from these investments amounted to HK$62 million (2008: HK$59 million).

MAINLAND CHINA

The Group maintains a 13% interest in a water treatment project in Hohhot Municipality, Inner Mongolia Autonomous Region. During the year, the Group's share of the net profit from this project was HK$1.5 million (2008: HK$3.5 million).

During the year, the Group disposed of its 25% interests in REDtone Telecommunications (China) Limited at a consideration of HK$20.5 million.

OUTLOOK

The Division will continue to optimize operations and maintain its investment portfolio in order to contribute a steady stream of recurrent income to 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 2009, total foreign currency borrowings (excluding Renminbi ("RMB") borrowings) amounted to the equivalence of HK$3,664 million and RMB loans amounted to the equivalence of HK$346 million. Therefore, non-RMB total foreign currency borrowings and RMB loans represented approximately 23% and 2% respectively, of the Group's total borrowings of HK$15,895 million as at 31 December 2009.

The non-RMB total foreign currency borrowings of HK$3,664 million mainly include the Fixed Rate Bonds amounting to US$420 million (approximately HK$3,241 million (net of direct issue costs)). The Group has arranged cross currency swap contracts amounting to US$90 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 2009, HK$572 million (representing approximately 4%) was repayable within one year, HK$4,153 million (representing approximately 26%) was repayable in the second year, HK$7,840 million (representing approximately 49%) was repayable in the third to fifth years and HK$3,330 million (representing approximately 21%) was repayable over five years. The Group continued to maintain most of its borrowings on an unsecured basis, with unsecured debt accounting for approximately 98% of total borrowings as at 31 December 2009. 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 2009, the gearing ratio for the Group was 18.2% (2008: 25.9%), calculated based on net debt of HK$9,192 million and shareholders' equity of HK$50,425 million.

As at 31 December 2009, the Group had outstanding interest rate swap contracts which amounted to HK$2,300 million in total, enabling the Group to hedge its interest rate exposure and to have a more stable interest rate profile.

In terms of the Group's available financial resources as at 31 December 2009, the Group had total undrawn bank loan and overdraft facilities of HK$14,362 million and net cash on hand of HK$6,703 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 11 May 2009 and 6 October 2009, Standard & Poor's reaffirmed a "BBB-" credit rating for Kerry Properties Limited with a stable outlook.

STAFF

As at 31 December 2009, the Company and its subsidiaries had approximately 9,900 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.

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 (which was terminated on 17 April 2002 to the effect that no further options shall be offered) and a new share option scheme. On 6 February 2009, a total of 7,830,000 share options (the "Options") were granted. As at 31 December 2009, a total of 23,747,872 Options were outstanding.

CORPORATE GOVERNANCE

During the financial year ended 31 December 2009, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules.

CLOSURE OF REGISTERS OF MEMBERS

The Registers of Members of the Company will be closed on Monday, 3 May 2010 and Tuesday, 4 May 2010 for the purpose of determining shareholders' entitlement to the final dividend for the year ended 31 December 2009 and during such period no transfer of shares will be effected. In order to qualify for the 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 Friday, 30 April 2010. The final dividend is payable on Tuesday, 11 May 2010 to shareholders whose names appear on the registers of members of the Company on Tuesday, 4 May 2010.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held at 2:30 p.m. on Tuesday, 4 May 2010 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 2009.

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[+], Qian Shaohua[+], Chan Wai Ming, William, Ku Moon Lun[#], Lau Ling Fai, Herald[#], Ms Wong Yu Pok, Marina, JP[#] and Mr Tse Kai Chi[@].

By Order of the Board
Kuok Khoon Chen
Chairman

Hong Kong, 17 March 2010

[+] *Executive Director*
[#] *Independent Non-executive Director*
[@] *Non-executive Director*
[*] *For identification purpose only*