INTERIM REPORT

For the six months ended 30 June 2007

KERRY PROPERTIES LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code : 683

CORPORATE INFORMATION AND KEY DATES

Board of Directors
Executive Directors
Mr ANG Keng Lam
Chairman
Mr WONG Siu Kong
Deputy Chairman and Managing Director
Mr HO Shut Kan
Mr MA Wing Kai, William

Directors
Mr CHAN Wai Ming, William
Mr QIAN Shaohua

Independent Non-executive Directors
Mr William Winship FLANZ
Mr KU Moon Lun
Mr LAU Ling Fai, Herald

Non-executive Director
Mr TSE Kai Chi

Audit Committee
Mr LAU Ling Fai, Herald
Chairman
Mr KU Moon Lun
Mr TSE Kai Chi

Finance Committee
Mr ANG Keng Lam
Mr WONG Siu Kong
Mr HO Shut Kan

Remuneration Committee
Mr ANG Keng Lam
Chairman
Mr WONG Siu Kong
Mr William Winship FLANZ
Mr KU Moon Lun
Mr LAU Ling Fai, Herald

Executive Committee
Mr ANG Keng Lam
Mr WONG Siu Kong
Mr HO Shut Kan
Mr MA Wing Kai, William

Qualified Accountant
Mr YU Kam Wah

Company Secretary
Ms LI Siu Ching, Liz

Auditor
PricewaterhouseCoopers

Registered Office
Canon's Court
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Rosebank Centre
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Bermuda

Hong Kong Branch Registrar and Transfer Office
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26/F, Tesbury Centre
28 Queen's Road East
Wanchai
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Contact
Corporate Communications Department
Kerry Properties Limited
13/F – 14/F, Cityplaza 3
14 Taikoo Wan Road
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Key Dates
Closure of Registers of Members
3 October 2007 to 5 October 2007
(both days inclusive)

Payment of Interim Dividend/Despatch of Share Certificates in respect of Scrip Dividend
14 November 2007

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2007

The Board of Directors (the "Board") of Kerry Properties Limited (the "Company") is pleased to report the unaudited interim results of the Company, its subsidiaries and associated companies (the "Group") for the six months ended 30 June 2007. The Audit Committee of the Board, comprising three Non-executive Directors (two of whom are independent), has met to review the results and the financial statements of the Group for the six months ended 30 June 2007 prior to recommending them to the Board for approval.

The Group's consolidated net profit attributable to shareholders for the six months ended 30 June 2007 was HK$2,470 million, representing an increase of 24% compared with HK$1,996 million reported for 2006. 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 values of investment properties (net of deferred taxation) of HK$1,098 million for the six months ended 30 June 2007 (2006: HK$128 million). Before taking into account the effects of the aforementioned increase in fair values, the Group recorded a decrease of 27% in profit attributable to shareholders to HK$1,372 million for the six months ended 30 June 2007 (2006: HK$1,868 million which includes HK$1,160 million profit arising from the Group's disposal of its 10.16% minority interest in Citibank Plaza by way of participation in the global offering of the Champion Real Estate Investment Trust).

Earnings per share for the six months ended 30 June 2007 were HK$1.94, representing an increase of 18% compared with HK$1.64 per share in 2006. The basis of calculating the earnings per share is detailed in note 5 below.

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

	Six months ended 30 June		
	2007	2006	
	HK$ million	*HK$ million*	Change
Profit attributable to shareholders before taking into account the net increase in fair values of investment properties and related tax effects	**1,372**	1,868	-27%
Add:			
Net increase in fair values of investment properties and related tax effects	**1,098**	128	
Profit attributable to shareholders after taking into account the net increase in fair values of investment properties and related tax effects	**2,470**	1,996	24%

The Directors have declared an interim dividend of HK$0.3 per share for the six months ended 30 June 2007 (2006: HK$0.2), which is payable on Wednesday, 14 November 2007 to shareholders whose names appear on the Registers of Members of the Company on Friday, 5 October 2007, with a scrip alternative to offer the right to shareholders to elect to receive such interim dividend wholly or partly by allotment of new shares credited as fully paid in lieu of cash (the "2007 Interim Scrip Dividend Scheme").

The 2007 Interim Scrip Dividend Scheme is conditional upon (a) the issue price of a new share to be issued pursuant thereto being not less than the nominal value of a share of the Company; and (b) the granting by the Listing Committee of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") of the listing of and permission to deal in the new shares to be issued pursuant thereto. In the unlikely event that any of the aforementioned conditions are not satisfied, shareholders will receive the interim dividend for the six months ended 30 June 2007 wholly in cash. The issue price of the new shares to be issued under the 2007 Interim Scrip Dividend Scheme will be fixed with reference to the average closing price of the shares of the Company quoted on the Stock Exchange for five consecutive trading days to be determined by the Directors. A circular containing details of the 2007 Interim Scrip Dividend Scheme together with the relevant election form, where applicable, will be sent to each shareholder of the Company on or about Thursday, 18 October 2007.

At the Company's Annual General Meeting held on 3 May 2007, shareholders approved the final dividend of HK$0.65 per share for the year ended 31 December 2006 which amounted to a total of approximately HK$842.3 million. Shareholders were given a scrip alternative to receive such final dividend wholly or partly by allotment of new shares credited as fully paid in lieu of cash. As a result, a total of 14,337,593 shares were issued on 8 June 2007 at a price of HK$43.53 per share, which was equivalent to a total value of approximately HK$624.1 million pursuant to the aforesaid scrip dividend scheme and a total amount of HK$218.2 million was paid in cash on 8 June 2007.

CONSOLIDATED INCOME STATEMENT

	Note	Unaudited Six months ended 30 June 2007 HK$'000	2006 HK$'000
Turnover	2	**5,815,979**	3,769,025
Cost of sales		**(749,797)**	(302,326)
Direct operating expenses		**(3,243,789)**	(2,474,265)
Gross profit		**1,822,393**	992,434
Other income		**135,825**	52,914
Administrative expenses		**(372,268)**	(265,977)
		1,585,950	779,371
Increase in fair value of investment properties		**1,331,191**	153,122
Dividend income from an available-for-sale investment		**–**	1,357,884
Impairment loss on available-for-sale investments		**–**	(197,941)
Profit arising from the disposal of property interest held by an available-for-sale investment		**–**	1,159,943
Operating profit before finance costs		**2,917,141**	2,092,436
Finance costs			
– Before fair value gain on derivative financial instruments		**(155,161)**	(136,490)
– Fair value gain on derivative financial instruments		**159,671**	102,111
		4,510	(34,379)
Operating profit	2,3	**2,921,651**	2,058,057
Share of results of associated companies		**174,230**	184,205
Profit before taxation		**3,095,881**	2,242,262
Taxation	4	**(537,792)**	(163,066)
Profit for the period		**2,558,089**	2,079,196
Profit attributable to:			
Company's shareholders		**2,470,343**	1,995,913
Minority interests		**87,746**	83,283
		2,558,089	2,079,196
Interim dividend		**396,882**	244,966
Interim dividend per share		**HK$0.30**	HK$0.20
Earnings per share	5		
– Basic		**HK$1.94**	HK$1.64
– Diluted		**HK$1.84**	HK$1.55

CONSOLIDATED BALANCE SHEET

	Note	**Unaudited As at 30 June 2007 *HK$'000***	Audited As at 31 December 2006 *HK$'000*
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**2,639,282**	2,441,200
Investment properties		**24,417,534**	21,642,166
Leasehold land and land use rights		**355,236**	338,409
Properties under development		**12,151,084**	12,400,243
Associated companies		**6,250,097**	5,992,070
Derivative financial instruments		**58,093**	2,687
Available-for-sale investments		**1,525,089**	1,388,508
Long-term receivables		**50,519**	63,588
Goodwill		**287,066**	266,645
		47,734,000	44,535,516
Current assets			
Stock of completed properties held for sale		**929,991**	1,188,101
Accounts receivable, prepayments and deposits	6	**5,376,331**	3,598,205
Tax recoverable		**95,796**	125,707
Tax reserve certificates		**21,790**	21,790
Listed securities at fair value through profit or loss		**220,317**	198,318
Pledged bank deposits		**24,552**	47,263
Cash and bank balances		**3,682,272**	2,691,358
		10,351,049	7,870,742
Current liabilities			
Accounts payable, deposits received and accrued charges	7	**3,116,935**	2,557,769
Taxation		**457,256**	302,397
Short-term bank loans and current portion of long-term bank loans	8	**656,109**	803,428
Secured bank overdrafts		**1,039**	–
Unsecured bank overdrafts		**14,687**	6,690
		4,246,026	3,670,284
Net current assets		**6,105,023**	4,200,458
Total assets less current liabilities		**53,839,023**	48,735,974

CONSOLIDATED BALANCE SHEET (continued)

	Note	**Unaudited As at 30 June 2007** *HK$'000*	Audited As at 31 December 2006 *HK$'000*
Non-current liabilities			
Long-term bank loans	8	**5,644,889**	6,351,145
Convertible bonds	9	**2,952,165**	2,536,256
Fixed rate bonds		**3,261,708**	3,243,330
Amounts due to minority shareholders		**2,425,198**	2,336,341
Derivative financial instruments		**2,599**	107,005
Deferred taxation		**3,023,592**	2,704,817
		17,310,151	17,278,894
ASSETS LESS LIABILITIES		**36,528,872**	31,457,080
EQUITY			
Capital and reserves attributable to the Company's shareholders			
Share capital		**1,322,939**	1,238,289
Share premium		**6,788,124**	4,315,270
Other reserves		**10,212,637**	9,548,836
Retained profits		**15,452,881**	13,417,641
Proposed dividend		**396,882**	804,888
		34,173,463	29,324,924
Minority interests		**2,355,409**	2,132,156
TOTAL EQUITY		**36,528,872**	31,457,080

FINANCIAL HIGHLIGHTS

	30 June 2007	31 December 2006
Equity attributable to the Company's shareholders *(HK$ million)*	**34,173**	29,325
Net borrowings (including bonds) *(HK$ million)*	**8,824**	10,202
Net asset value (attributable to the Company's shareholders) per share	**HK$25.83**	HK$23.68
Gearing (Net borrowings/Equity attributable to the Company's shareholders)	**25.8%**	34.8%

CONSOLIDATED CASH FLOW STATEMENT

	Unaudited Six months ended 30 June 2007 HK$'000	2006 HK$'000
Operating activities		
Net cash generated from/(used in) operations	**283,589**	(186,335)
Interest paid	**(255,256)**	(222,566)
Income tax paid	**(87,172)**	(102,224)
Net cash used in operating activities	**(58,839)**	(511,125)
Investing activities		
Additions of property, plant and equipment, investment properties and properties under development	**(1,100,807)**	(1,490,132)
Purchase of a subsidiary (net of cash and cash equivalents acquired)	**(14,025)**	(17,465)
Purchase of additional interest in subsidiaries	**–**	(5,198)
Disposal of subsidiaries	**23,403**	–
Additional investments in associated companies	**(484,256)**	(421,850)
Disposal of associated companies	**33,065**	–
Repayment of loans from associated companies	**445,616**	1,541,328
Purchase of available-for-sale investments	**–**	(730)
Decrease in long-term receivables	**13,341**	21,145
Purchase of business	**(30,000)**	–
Interest received	**40,212**	32,923
Dividends received from associated companies	**26,419**	23,281
Dividends received from listed and unlisted investments	**20,768**	6,099
Dividends received from an available-for-sale investment	**–**	575,647
Repayment of loans from investee companies	**288**	–
Proceeds from sale of property, plant and equipment and investment properties	**674,990**	368,226
Proceeds from sale of listed investments	**14,164**	22,717
Net cash (used in)/generated from investing activities	**(336,822)**	655,991
Net cash (outflow)/inflow before financing activities	**(395,661)**	144,866
Financing activities		
Proceeds from issue of shares	**46,406**	97,256
Proceed from issue of convertible bonds, net of direct issue costs	**2,325,258**	–
Repayment of bank loans	**(4,436,582)**	(7,967,699)
Drawdown of bank loans	**3,529,882**	7,575,205
Dividends paid	**(218,241)**	(581,098)
Capital contribution from minority shareholders	**47,276**	9,800
Dividends paid to minority shareholders in subsidiaries	**(25,048)**	(28,267)
Capital reduction to minority shareholders	**(2,980)**	–
Increase in loans from minority shareholders	**88,857**	206,226
Net cash generated from/(used in) financing activities	**1,354,828**	(688,577)
Increase/(decrease) in cash and cash equivalents	**959,167**	(543,711)
Cash and cash equivalents at 1 January	**2,731,931**	2,563,942
Cash and cash equivalents at 30 June	**3,691,098**	2,020,231
Analysis of balances of cash and cash equivalents		
Pledged bank deposits	**24,552**	17,904
Cash and bank balances	**3,682,272**	2,007,093
Secured bank overdrafts	**(1,039)**	–
Unsecured bank overdrafts	**(14,687)**	(4,766)
	3,691,098	2,020,231

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – UNAUDITED

	Attributable to shareholders of the Company							
	Share capital	Share premium	Other reserves	Retained profits	Proposed dividend	Total	Minority interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance as at 1 January 2006	1,216,579	3,918,838	9,699,847	9,777,277	608,289	25,220,830	1,677,045	26,897,875
Deferred tax credited to reserves	–	–	782	–	–	782	–	782
Realisation on available-for-sale investments	–	–	(568,347)	–	–	(568,347)	–	(568,347)
Fair value gain on available-for-sale investments	–	–	912	–	–	912	–	912
Fair value gain on derivative financial instruments	–	–	1,130	–	–	1,130	–	1,130
Exchange differences arising on translation of the accounts of the PRC and overseas subsidiaries and associated companies	–	–	44,831	–	–	44,831	–	44,831
Net loss recognised directly in equity	–	–	(520,692)	–	–	(520,692)	–	(520,692)
Profit for the period	–	–	–	1,995,913	–	1,995,913	83,283	2,079,196
Total recognised income and expense for the six months ended 30 June 2006	–	–	(520,692)	1,995,913	–	1,475,221	83,283	1,558,504
Issue of share capital	8,251	119,330	–	–	–	127,581	–	127,581
Issue of share options	–	–	11,099	–	–	11,099	–	11,099
Dividends paid	–	–	–	(3,135)	(608,289)	(611,424)	(28,267)	(639,691)
2006 proposed interim dividend	–	–	–	(244,966)	244,966	–	–	–
Transfer	–	–	2,525	(2,525)	–	–	–	–
Share of deferred tax	–	–	–	–	–	–	315	315
Purchase of additional interest in an subsidiary	–	–	–	–	–	–	(3,210)	(3,210)
Capital injection from minority shareholders	–	–	–	–	–	–	9,800	9,800
Exchange adjustments	–	–	–	–	–	–	11,639	11,639
	8,251	119,330	13,624	(250,626)	(363,323)	(472,744)	(9,723)	(482,467)
Balance as at 30 June 2006	1,224,830	4,038,168	9,192,779	11,522,564	244,966	26,223,307	1,750,605	27,973,912

	Attributable to shareholders of the Company							
	Share capital *HK$'000*	Share premium *HK$'000*	Other reserves *HK$'000*	Retained profits *HK$'000*	Proposed dividend *HK$'000*	Total *HK$'000*	Minority interests *HK$'000*	Total equity *HK$'000*
Balance as at 1 January 2007	1,238,289	4,315,270	9,548,836	13,417,641	804,888	29,324,924	2,132,156	31,457,080
Deferred tax charged to reserves	–	–	(35,314)	–	–	(35,314)	–	(35,314)
Fair value gain on available-for-sale investments	–	–	136,609	–	–	136,609	–	136,609
Fair value gain on derivative financial instruments	–	–	1,030	–	–	1,030	–	1,030
Exchange differences arising on translation of the accounts of the PRC and overseas subsidiaries and associated companies	–	–	458,621	–	–	458,621	–	458,621
Net gain recognised directly in equity	–	–	560,946	–	–	560,946	–	560,946
Profit for the period	–	–	–	2,470,343	–	2,470,343	87,746	2,558,089
Total recognised income and expense for the six months ended 30 June 2007	–	–	560,946	2,470,343	–	3,031,289	87,746	3,119,035
Issue of share capital								
– scrip dividend	14,338	609,778	–	–	–	624,116	–	624,116
– exercise of share options	3,350	49,094	(6,038)	–	–	46,406	–	46,406
– conversion of convertible bonds	66,962	1,813,982	(99,762)	–	–	1,781,182	–	1,781,182
Issue of convertible bonds	–	–	205,553	–	–	205,553	–	205,553
Issue of share options	–	–	2,350	–	–	2,350	–	2,350
Dividends paid	–	–	–	(37,469)	(804,888)	(842,357)	(25,048)	(867,405)
2007 proposed interim dividend	–	–	–	(396,882)	396,882	–	–	–
Transfer	–	–	752	(752)	–	–	–	–
Share of deferred tax	–	–	–	–	–	–	(11,974)	(11,974)
Purchase of a subsidiary	–	–	–	–	–	–	5,877	5,877
Disposal of a subsidiary	–	–	–	–	–	–	(291)	(291)
Capital injection from minority shareholders	–	–	–	–	–	–	47,276	47,276
Capital reduction to minority shareholders	–	–	–	–	–	–	(2,980)	(2,980)
Exchange adjustments	–	–	–	–	–	–	122,647	122,647
	84,650	2,472,854	102,855	(435,103)	(408,006)	1,817,250	135,507	1,952,757
Balance as at 30 June 2007	1,322,939	6,788,124	10,212,637	15,452,881	396,882	34,173,463	2,355,409	36,528,872

NOTES TO THE ACCOUNTS

1. Basis of preparation and accounting policies

These unaudited condensed consolidated interim accounts are prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

These condensed consolidated interim accounts should be read in conjunction with the 2006 annual financial statements. The accounting policies used in the preparation of these condensed interim accounts are consistent with those used in the annual accounts for the year ended 31 December 2006.

In 2007, the Group has adopted the following new/revised accounting standards and interpretations of Hong Kong Financial Reporting Standards ("HKFRS") issued by the HKICPA:

- Amendment to HKAS 1 "Presentation of Financial Statements – Capital Disclosures"
- HKFRS 7 "Financial Instruments: Disclosures"
- HK(IFRIC) – Int 8 "Scope of HKFRS 2"
- HK(IFRIC) – Int 9 "Reassessment of Embedded Derivatives"
- HK(IFRIC) – Int 10 "Interim Financial Reporting and Impairment"

The adoption of these accounting standards and interpretations has no significant impact on the Group's interim results 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 six months ended 30 June 2007 by principal activities and markets is as follows:

	Turnover		Operating profit	
	Six months ended 30 June		Six months ended 30 June	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Principal activities:				
Property rental				
– People's Republic of China ("PRC")	**298,565**	283,482	**200,236**	205,229
– Hong Kong	**210,535**	190,157	**36,316**	30,265
	509,100	473,639	**236,552**	235,494
Property sales				
– PRC	**121,341**	32,379	**31,154**	(99)
– Hong Kong	**1,567,178**	426,129	**844,769**	1,259,694
	1,688,519	458,508	**875,923**	1,259,595
Hotel operations	**185,383**	168,551	**83,217**	67,251
Logistics and warehouse operations				
– warehouse	**212,674**	212,790	**128,372**	113,739
– logistics	**3,188,161**	2,435,556	**114,441**	106,935
	3,400,835	2,648,346	**242,813**	220,674
Infrastructure	**–**	–	**(562)**	(7,119)
Project, property management and others	**32,142**	19,981	**152,517**^	129,040^
	5,815,979	3,769,025	**1,590,460**	1,904,935
Increase in fair value of investment properties	**–**	–	**1,331,191**	153,122
	5,815,979	3,769,025	**2,921,651**	2,058,057
Principal markets:				
PRC	**2,195,004**	1,779,886	**397,792**	316,706
Hong Kong	**2,614,693**	1,357,314	**2,528,768**	1,706,269
United Kingdom	**452,549**	350,262	**7,029**	14,259
Others	**553,733**	281,563	**(11,938)**	20,823
	5,815,979	3,769,025	**2,921,651**	2,058,057

^ Including fair value gain on derivative financial instruments of HK$159,671,000 (2006: HK$102,111,000).

NOTES TO THE ACCOUNTS (continued)

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

An analysis of the Group's revenue and results for the six months ended 30 June 2007 by business segments is as follows:

	Six months ended 30 June 2007 *HK$'000*							
	PRC Property	Hong Kong Property	Overseas Property	Logistics and Warehouse	Infrastructure	Others	Eliminations	Consolidated
REVENUE								
Turnover	605,289	1,777,713	–	3,400,835	–	32,142	–	5,815,979
Inter-segment revenue	296	–	–	–	–	20,057	(20,353)	–
Inter-segment interest income	–	–	–	–	–	252,250	(252,250)	–
	605,585	1,777,713	–	3,400,835	–	304,449	(272,603)	5,815,979
RESULTS								
Segment results before increase in fair value of investment properties	333,323	969,093	(8,437)	258,270	(491)	222,341	(252,250)	1,521,849
Increase in fair value of investment properties	–	1,331,191	–	–	–	–	–	1,331,191
Segment results	333,323	2,300,284	(8,437)	258,270	(491)	222,341	(252,250)	2,853,040
Dividend income	–	13,428	7,340	–	–	–	–	20,768
Interest income	5,082	10,580	–	11,125	2,017	14,529	–	43,333
Interest expenses	(23,798)	(112,016)	–	(26,582)	(2,088)	(83,256)	252,250	4,510
Operating profit/(loss)	314,607	2,212,276	(1,097)	242,813	(562)	153,614	–	2,921,651
Share of results of associated companies	4,856	36,984	23,321	88,155	20,914	–	–	174,230
Profit before taxation	319,463	2,249,260	22,224	330,968	20,352	153,614	–	3,095,881
Taxation	(103,747)	(372,123)	–	(56,023)	–	(5,899)	–	(537,792)
Profit for the period	215,716	1,877,137	22,224	274,945	20,352	147,715	–	2,558,089
Profit attributable to:								
Company's shareholders	162,319	1,877,088	22,224	240,583	20,418	147,711	–	2,470,343
Minority interests	53,397	49	–	34,362	(66)	4	–	87,746
	215,716	1,877,137	22,224	274,945	20,352	147,715	–	2,558,089

	Six months ended 30 June 2006 *HK$'000*							
	PRC Property	Hong Kong Property	Overseas Property	Logistics and Warehouse	Infrastructure	Others	Eliminations	Consolidated
REVENUE								
Turnover	484,412	616,286	–	2,648,346	–	19,981	–	3,769,025
Inter-segment revenue	282	–	–	–	–	16,103	(16,385)	–
Inter-segment interest income	–	–	–	–	–	269,624	(269,624)	–
	484,694	616,286	–	2,648,346	–	305,708	(286,009)	3,769,025
RESULTS								
Segment results before increase in fair value of investment properties	289,824	218,754	(3,534)	252,551	(6,866)	259,399	(269,624)	740,504
Increase in fair value of investment properties	–	153,122	–	–	–	–	–	153,122
Segment results	289,824	371,876	(3,534)	252,551	(6,866)	259,399	(269,624)	893,626
Dividend income	–	1,360,183	3,769	–	–	31	–	1,363,983
Interest income	5,965	9,822	–	5,017	3,726	8,238	–	32,768
Interest expenses	(23,408)	(100,859)	–	(36,894)	(3,979)	(138,863)	269,624	(34,379)
Impairment loss on available-for-sale investments	–	(197,941)	–	–	–	–	–	(197,941)
Operating profit/(loss)	272,381	1,443,081	235	220,674	(7,119)	128,805	–	2,058,057
Share of results of associated companies	6,294	37,016	13,413	102,843	24,639	–	–	184,205
Profit before taxation	278,675	1,480,097	13,648	323,517	17,520	128,805	–	2,242,262
Taxation	(79,203)	(42,897)	–	(40,838)	–	(128)	–	(163,066)
Profit for the period	199,472	1,437,200	13,648	282,679	17,520	128,677	–	2,079,196
Profit attributable to:								
Company's shareholders	139,715	1,432,553	13,648	262,324	19,001	128,672	–	1,995,913
Minority interests	59,757	4,647	–	20,355	(1,481)	5	–	83,283
	199,472	1,437,200	13,648	282,679	17,520	128,677	–	2,079,196

NOTES TO THE ACCOUNTS (continued)

3. Operating profit

	Six months ended 30 June	
	2007	2006
	HK$'000	*HK$'000*
Operating profit is stated after crediting/charging the following:		
Crediting		
Dividend income from listed and unlisted investments	**20,768**	6,099
Dividend income from an available-for-sale investment	**–**	1,357,884
Interest income	**43,333**	32,768
Gain on sale of properties		
– Investment properties	**166,283**	95,526
– Completed properties	**772,439**	60,656
	938,722	156,182
Charging		
Depreciation and amortisation	**91,353**	76,970
Total finance costs incurred	**333,647**	282,886
Less: amount capitalised in properties under development	**(178,486)**	(146,396)
	155,161	136,490
Fair value gain on derivative financial instruments	**(159,671)**	(102,111)
	(4,510)	34,379
Impairment loss on available-for-sale investments	**–**	197,941

4. Taxation

	Six months ended 30 June	
	2007	2006
	HK$'000	*HK$'000*
The taxation (charge)/credit comprises:		
PRC taxation		
Current	**(94,565)**	(60,238)
Deferred	**(22,019)**	(25,399)
	(116,584)	(85,637)
Hong Kong profits tax		
Current	**(162,026)**	(31,393)
Overprovision in prior years	**–**	139
Deferred	**(249,140)**	(36,635)
	(411,166)	(67,889)
Overseas taxation		
Current	**(10,042)**	(9,521)
Deferred	**–**	(19)
	(10,042)	(9,540)
	(537,792)	(163,066)

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profit for the six months ended 30 June 2007. Income tax on PRC and overseas profits has been calculated on the estimated assessable profit for the six months ended 30 June 2007 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.

NOTES TO THE ACCOUNTS (continued)

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 shares in issue during the period.

	Six months ended 30 June	
	2007	2006
Weighted average number of shares in issue	**1,274,980,525**	1,220,460,846
	HK$'000	*HK$'000*
Profit attributable to shareholders	**2,470,343**	1,995,913
Basic earnings per share	**HK$1.94**	HK$1.64

Diluted

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

	Six months ended 30 June	
	2007	2006
Weighted average number of shares in issue	**1,274,980,525**	1,220,460,846
Adjustment for convertible bonds	**95,094,301**	96,320,555
Adjustment for share options	**6,340,866**	9,437,138
Weighted average number of shares for the purpose of calculating diluted earnings per share	**1,376,415,692**	1,326,218,539
	HK$'000	*HK$'000*
Profit attributable to shareholders	**2,470,343**	1,995,913
Adjustment for finance cost on convertible bonds	**63,843**	60,320
Profit used to determine diluted earnings per share	**2,534,186**	2,056,233
Diluted earnings per share	**HK$1.84**	HK$1.55

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 30 June 2007 is as follows:

	As at 30 June 2007	As at 31 December 2006
	HK$'000	*HK$'000*
Below 1 month	**1,502,764**	1,636,354
Between 1 month and 3 months	**408,253**	274,310
Over 3 months	**146,340**	191,397
	2,057,357	2,102,061

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 30 June 2007 is as follows:

	As at 30 June 2007	As at 31 December 2006
	HK$'000	*HK$'000*
Below 1 month	**440,771**	404,326
Between 1 month and 3 months	**90,201**	117,889
Over 3 months	**150,279**	91,425
	681,251	613,640

NOTES TO THE ACCOUNTS (continued)

8. Bank loans

	As at 30 June 2007 ***HK$'000***	As at 31 December 2006 *HK$'000*
Bank loans – unsecured	**5,942,889**	6,852,888
Bank loans – secured	**358,109**	301,685
Total bank loans *(note (i))*	**6,300,998**	7,154,573
Less: Short-term bank loans and current portion of long-term bank loans	**(656,109)**	(803,428)
	5,644,889	6,351,145

(i) As at 30 June 2007, the Group's bank loans were repayable as follows:

	As at 30 June 2007 ***HK$'000***	As at 31 December 2006 *HK$'000*
Within one year	**656,109**	803,428
In the second to fifth year		
– In the second year	**425,242**	384,535
– In the third year	**235,092**	295,256
– In the fourth year	**3,180,830**	121,761
– In the fifth year	**1,298,325**	5,075,549
	5,139,489	5,877,101
Wholly repayable within five years	**5,795,598**	6,680,529
Over five years	**505,400**	474,044
	6,300,998	7,154,573

9. Convertible bonds

(a) On 22 February 2007, Gainlead International Limited, a wholly-owned subsidiary of the Company, issued convertible bonds in the aggregate principal amount of HK$2,350,000,000. These convertible bonds are zero coupon-based, have a maturity term of five years until 22 February 2012 and are convertible into the Company's ordinary shares at a conversion price of HK$52.65 per share (subject to adjustments).

(b) During the six months ended 30 June 2007, an aggregate principal amount of HK$1,738,000,000 of convertible bonds issued in 2005 has been converted into an aggregate of 66,962,017 ordinary shares of HK$1 each in the Company, representing approximately 69.5% of the entire amount of the aforementioned convertible bonds of HK$2,500,000,000.

10. Commitments

At 30 June 2007, the Group had capital commitments in respect of interests in leasehold land, properties under development and property, plant and equipment not provided for in these accounts as follows:

	As at 30 June 2007	As at 31 December 2006
	HK$'000	*HK$'000*
Contracted but not provided for	**8,395,033**	4,158,755
Authorised but not contracted for	**62,300**	174,034
	8,457,333	4,332,789

11. Contingent liabilities

	As at 30 June 2007	As at 31 December 2006
	HK$'000	*HK$'000*
Guarantees for banking and other facilities of certain associated companies and investee companies *(note (a))*	**1,940,676**	1,685,232
Guarantees to certain banks for mortgage facilities granted to first buyers of certain properties in the PRC *(note (b))*	**264**	445
	1,940,940	1,685,677

(a) 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 30 June 2007, amounted to approximately HK$1,940,676,000 (31 December 2006: HK$1,685,232,000). The total amount of such facilities covered by the Group's guarantees as at 30 June 2007 amounted to approximately HK$2,462,790,000 (31 December 2006: HK$1,714,236,000).

(b) 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 30 June 2007, amounted to approximately HK$264,000 (31 December 2006: HK$445,000). The total amount of such facilities covered by the Group's guarantees as at 30 June 2007 amounted to approximately HK$264,000 (31 December 2006: HK$445,000).

Apart from the above, there are no material changes in contingent liabilities of the Group since 31 December 2006.

NOTES TO THE ACCOUNTS (continued)

12. Pledge of assets

As at 30 June 2007, the Group's total bank loans of HK$6,300,998,000 (31 December 2006: HK$7,154,573,000) included an aggregate amount of HK$5,942,889,000 (31 December 2006: HK$6,852,888,000) which is unsecured and an aggregate amount of HK$358,109,000 (31 December 2006: HK$301,685,000) 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$671,825,000 (31 December 2006: HK$564,116,000);

(ii) charges on all assets, including bank balances amounting to HK$24,552,000 (31 December 2006: HK$47,263,000), of certain subsidiaries of the Group; and

(iii) assignments of insurance proceeds of certain properties of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

(A) Overall Results

The Group continued to demonstrate strong financial performance during the first six months of 2007. Turnover of the Group for the six months ended 30 June 2007 was HK$5,816 million, which registered an increase of 54% when compared with the turnover of HK$3,769 million for the corresponding six months ended 30 June 2006. The Group's turnover mainly comprises proceeds from the continuing sales of properties, rental income as well as revenue from hotel operations, warehouse operations and logistics services. The increase in turnover during the period was mainly contributed by the increase in property sales in Hong Kong and strong revenue growth in logistics operations, particularly Kerry EAS Logistics Limited ("KEAS") in China.

Profit attributable to shareholders before taking into account the net increase in fair values of investment properties and related tax effects for the six months ended 30 June 2007 is HK$1,372 million (2006: HK$1,868 million after or HK$708 million before the profit of HK$1,160 million arising from the Group's disposal of its 10.16% minority interest in Citibank Plaza), representing a decrease of 27% or an increase of 94% over the period respectively with or without the effect of the said disposal.

During the six months ended 30 June 2007, the net increase in fair values of the Group's investment properties and related tax effects in the aggregate amount of HK$1,098 million was recognised in the Group's consolidated income statement (2006: HK$128 million).

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

	Six months ended 30 June		
	2007	2006	
	HK$ million	*HK$ million*	Change
Profit attributable to shareholders before taking into account the net increase in fair values of investment properties and related tax effects	**1,372**	1,868	-27%
Add:			
Net increase in fair values of investment properties and related tax effects	**1,098**	128	
Profit attributable to shareholders after taking into account the net increase in fair values of investment properties and related tax effects	**2,470**	1,996	24%

(B) Mainland China Property Division

During the six months ended 30 June 2007, the Mainland China Property Division reported a turnover of HK$605 million (2006: HK$485 million) and a net profit attributable to the Group of HK$162 million (2006: HK$140 million).

The Group made solid progress in property development and sales and site acquisitions during the first six months of 2007.

(i) Investment Properties

During the six months ended 30 June 2007, rental income and operating profit generated from the Group's portfolio of investment properties in Mainland China amounted to HK$299 million and HK$200 million, respectively (2006: HK$284 million and HK$205 million, respectively).

As at 30 June 2007, the Group held an investment property portfolio of residential, commercial and office properties in Mainland China totalled an aggregate gross floor area ("GFA") of 2.9 million square feet (as at 31 December 2006: 3.0 million square feet) and their respective occupancy rates were as follows:

As at 30 June 2007:

	Beijing *(sq. ft.)*	**Shanghai** *(sq. ft.)*	**Shenzhen** *(sq. ft.)*	**Fuzhou** *(sq. ft.)*	**Total GFA** *(sq. ft.)*	**Occupancy rate** *(%)*
Office	**814,665**	**632,259**	**30,218**	**–**	**1,477,142**	**90%**
Commercial	**184,998**	**398,498**	**107,256**	**63,986**	**754,738**	**93%**
Residential	**277,330**	**435,789**	**–**	**–**	**713,119**	**47%**
Total GFA	**1,276,993**	**1,466,546**	**137,474**	**63,986**	**2,944,999**	

As at 31 December 2006:

	Beijing *(sq. ft.)*	Shanghai *(sq. ft.)*	Shenzhen *(sq. ft.)*	Fuzhou *(sq. ft.)*	Total GFA *(sq. ft.)*	Occupancy rate *(%)*
Office	814,665	632,259	82,099	–	1,529,023	95%
Commercial	184,998	400,707	107,256	63,986	756,947	92%
Residential	277,330	435,789	–	–	713,119	67%
Total GFA	1,276,993	1,468,755	189,355	63,986	2,999,089	

Set out below are highlights of the occupancy rates of the Group's major investment properties in Mainland China as at 30 June 2007:

Property	**Occupancy rate as at 30 June 2007**	Occupancy rate as at 31 December 2006
Beijing Kerry Centre	**84%**	90%
Shanghai Kerry Centre	**79%**	86%
Shenzhen Kerry Centre	**96%**	97%
Kerry Everbright City Phase I	**90%**	95%

Leasing of the Group's most recent luxury residential development, Central Residences Phase II, in Changning District, Shanghai, has met with good response. As at 30 June 2007, 55 units out of a total of 154 units in Tower 3 of the development were leased as serviced apartments.

(ii) Sales of Completed Properties

Sales of completed properties in Mainland China during the six months ended 30 June 2007 contributed turnover of HK$121 million (2006: HK$32 million) and operating profit of HK$31 million (2006: operating loss of HK$0.1 million).

(iii) Properties under Development

During the first six months of 2007, the Group actively expanded its land bank in strategic locations of Mainland China, with a view to further strengthening its presence in this market of tremendous potential.

Shanghai

The approximately 1,598,000 square feet Kerry Everbright City Phase II project in Zhabei District is a salient component of the Group's Mainland China portfolio of large-scale mixed-use developments in prime locations. Phase IIa of the project, comprising an office tower with a two-storey retail podium and four residential towers, is currently due for completion in early 2008. Phase IIb of the project will add four residential towers to the development on completion, which is currently scheduled in the first quarter of 2008. Pre-sale of the residential units in Phase IIa commenced in February 2007 and registered strong results which were underpinned by firm demand. As at 30 June 2007, 380 units or 66% out of a total of 572 units were sold at an average price of approximately RMB1,610 per square foot.

Construction of the mixed-use development in Jingan District will commence soon, with completion currently expected in 2011. This project, which is being developed as a joint venture with Shangri-La Asia Limited on a 51%/49% basis, is intended to have two luxury hotels, office and retail properties with an aggregate GFA of approximately 2,750,000 square feet in the development blueprint.

Development of the 40.8%-held joint-venture mixed-use property project in Pudong is ongoing and is currently planned for completion in the second quarter of 2010. With an expected aboveground GFA of approximately 2,476,000 square feet, the development incorporates a hotel, offices, an apartment-style hotel, commercial properties and related ancillary facilities. It is located on a prime site adjacent to the Shanghai New International Expo Centre, which is expected to turn its neighbourhood into a new hub of business activity.

(B) Mainland China Property Division (continued)

(iii) Properties under Development (continued)

Shenzhen

Construction of a grade-A office complex project in Futian Central District is expected to be completed in the fourth quarter of 2007. This project is designed to deliver an aboveground GFA of approximately 807,000 square feet.

The Group expanded its portfolio in Shenzhen by acquiring through public tender a 85,000 square feet site adjacent to the above development in Futian. Also earmarked as an office property, this project will add a further buildable GFA of approximately 850,000 square feet, which will enable the Group to capitalise on the potential of Futian Central District. Development of the project is progressing as scheduled and is expected to be completed in 2010.

Manzhouli

The development of an apartment and commercial property project in Manzhouli, Inner Mongolia progresses as scheduled, with completion currently scheduled in phases to 2010. The development has a buildable GFA of approximately 927,000 square feet.

Hangzhou

The Group's acquisition of two sites in Xiacheng District spearheaded its property developments in Hangzhou. The first site, which is adjacent to Xihu (West Lake), has been designated for a mixed-use development comprising a hotel, offices, apartments and a commercial shopping complex with a total buildable GFA of approximately 2,217,000 square feet. With project concept design in progress, piling work is targeted to start by January 2008. The project is expected to be completed in phases between 2010 and 2011.

Project planning for the other site in Xiacheng District proceeded as scheduled with piling work expected to start in the fourth quarter of 2007. This site is earmarked for a residential property development with a planned aboveground GFA of approximately 2,700,000 square feet. This project is currently scheduled for completion in phases to 2010.

Yangzhou

Development of the Group's hotel and apartment project in Yangzhou is progressing as scheduled, with completion currently scheduled for 2009. This project offers a total buildable GFA of approximately 1,032,000 square feet.

Tianjin

The acquisition of a site in Hedong District provided an inroad for the Group to roll out property developments in the heart of the city's central business district. A mixed-use property with a GFA of approximately 5,565,000 square feet, and incorporating a hotel, serviced apartments, offices, residences, a shopping mall and related ancillary facilities, is planned for this site. Foundation work is expected to commence soon and is scheduled for completion in phases between 2010 and 2011. Upon completion, this development will represent a strong addition to the Group's premier investment properties in Mainland China.

Beijing

The Xinyuanli residential project in Beijing has an aboveground GFA of approximately 334,000 square feet. Development and construction works are in good progress and the project is scheduled for completion by end 2008.

(iv) Major Acquisitions and Developments

Qinhuangdao

In April 2007, the Group acquired residential sites through public bidding in Qinhuangdao, Hebei Province. The sites are in prime locations of the metropolitan area of Qinhuangdao on the southern seafront. Enjoying unobstructed sea views, they are ideally situated for the development of prime quality residential properties. This property development is planned to deliver a total aboveground GFA of approximately 4,760,000 square feet and is currently scheduled for completion in phases to 2012. Qinhuangdao is a major coastal trading hub and popular tourist destination in northern China. As it has been selected as a venue for the 2008 Summer Olympics, it enjoys tremendous potential for further economic development.

Chengdu

In June 2007, the Group acquired through public bidding two adjacent sites in the southern part of the Chengdu High-Tech Industrial Development Zone. These sites, which are earmarked for a residential property development, are expected to yield a developable GFA of approximately 3,831,000 square feet. The Chengdu High-Tech Industrial Development Zone will become the city's future central business district and will offer integrated facilities such as convention centres, an embassy zone, five-star hotels, a business district and technology park. Chengdu Municipal Government will also relocate its offices to this new zone. The acquired sites are in close proximity to the city's main traffic artery and municipal park, making them an ideal neighbourhood for the development of luxury residences.

Shenyang

Also in June 2007, the Group acquired a site located on the east side of Qingnian Street, Shenhe District, the central business district of Shenyang. The area, which has been dubbed the "Golden Corridor", has been designated the city's new centre of business and retail activities. The developable site area is approximately 1,859,000 square feet with a plot ratio of not exceeding 12, of which 30% will be designated for residential use and 70% for commercial properties. Vacant possession of levelled land will be handed over to the Group in two phases, the first phase within 12 months and the second within 31 months.

(B) Mainland China Property Division (continued)

(v) *Beijing Kerry Centre Hotel*

During the six months ended 30 June 2007, Beijing Kerry Centre Hotel contributed turnover and operating profit of HK$185 million and HK$83 million, respectively (2006: HK$169 million and HK$67 million, respectively), and achieved an average occupancy rate of 72% (2006: 75%).

(C) Hong Kong Property Division

During the six months ended 30 June 2007, the Hong Kong Property Division recorded turnover of HK$1,778 million (2006: HK$616 million) and a net profit attributable to the Group of HK$1,877 million (2006: HK$1,432 million), after taking into account the increase in fair value of investment properties (net of deferred taxation) of HK$1,098 million (2006: HK$128 million).

Demand for luxury residential and prime office properties and high-quality retail space in Hong Kong continued to be supported by positive momentum in business growth and consumer spending, while being underpinned by tight supply. The Division achieved stable performance in terms of rental levels and occupancy rates for its investment property portfolio in Hong Kong. Healthy profit margins were also achieved from the sales of completed properties as a result of generally good market sentiment.

(i) *Investment Properties*

During the first six months of 2007, rental turnover and operating profit generated from the Group's premier portfolio of investment properties in Hong Kong were HK$211 million and HK$37 million, respectively (2006: HK$190 million and HK$30 million, respectively).

As at 30 June 2007, the Group's investment property portfolio of residential, commercial and office properties in Hong Kong totalled an aggregate GFA of 2.5 million square feet (as at 31 December 2006: 1.5 million square feet) and their respective occupancy rates were as follows:

	As at 30 June 2007		As at 31 December 2006	
	Total GFA *(sq. ft.)*	**Occupancy rate *(%)***	Total GFA *(sq. ft.)*	Occupancy rate *(%)*
Residential	**674,858**※	**95%**	738,170※	97%
Commercial	**1,434,927**	**88%**	387,305	91%
Office	**148,852**	**76%**	152,920	83%
	2,258,637		1,278,395	

※ Excluded Tavistock and Belgravia with a total GFA of 226,813 square feet which are currently under extensive renovation programme and are not offered for lease.

In June 2007, the Group made a successful foray into the local retail property sector with the completion and opening of the 1.1 million square feet retail portion of Enterprise Square Five project in Kowloon Bay, also known as "MegaBox". Together with the 0.5 million square feet of offices, Enterprise Square Five project has a total GFA of 1.6 million square feet. "MegaBox", being the largest shopping and leisure destination in East Kowloon, embraces a unique tenant mix to deliver the ultimate retail, entertainment and dining experience to customers, which includes Hong Kong's largest world-standard ice rink, an exciting cluster of new-to-Hong-Kong home improvement retailers, the city's first and only commercial IMAX cinema and Hong Kong's largest electrical and electronics centre, complemented by a book city and selected collection of fashion, sports and lifestyle retailers and gourmet restaurants. Encouraging and sustainable traffic flows have been recorded so far, and the Group is optimistic about the mall's ongoing performance in this defining landmark of East Kowloon.

The Group is proud to report that in June 2007, "MegaBox" received the prestigious "2007 Digie Awards" (Commercial Real Estate Digital Innovation Awards) from world-leading real estate conference and exposition organiser Realcomm. "MegaBox" was named the winner in the "Extreme Retail Complex" category against two other finalists: Mall of the Emirates and The Dubai Mall, both in Dubai. These annual awards recognise the forward-thinking leaders in commercial real estate who are making the greatest impact through the use of technology and automation. "MegaBox" was remarked as having demonstrated the most advanced and sophisticated marketing centre presentation, advanced use of building automation systems, and the use of advanced retail building and technology concepts.

(ii) Sales of Completed Properties

During the six months ended 30 June 2007, turnover amounted to HK$1,567 million (2006: HK$426 million), mainly from the continuing sales of property units at 15 Homantin Hill, Tregunter Towers and Enterprise Square Three. An operating profit of HK$845 million (2006: HK$100 million which excludes the profit of HK$1,160 million arising from the Group's disposal of its 10.16% minority interest in Citibank Plaza) was recorded from property sales during the first half of 2007.

The launch of 15 Homantin Hill during the period met with excellent market response owing to its strong appeal to buyers looking for luxury residences in exclusive locations. The success of 15 Homantin Hill further validates the Group's ongoing commitment to delivering high quality properties in upmarket neighbourhoods.

(C) Hong Kong Property Division (continued)

(iii) Properties under Development

Enterprise Square Five, Kowloon Bay

The office portion of Enterprise Square Five project, comprising two grade-A office towers with an aggregate GFA of approximately 500,000 square feet, was completed in the third quarter of 2007. The completion of Enterprise Square Five project will further enhance the Group's existing portfolio of high-quality office and commercial properties and is well-positioned to benefit from the potential re-development of the old Kai Tak site.

With the continued upturn of the local economy driving demand for high quality office space, the office portion of Enterprise Square Five was 75% pre-leased as at 30 June 2007 with Hang Seng Bank Limited taking the entire 15-storey Tower 2 and DHL Hong Kong taking up 7 floors of Tower 1.

Shelley Street, Central Mid-Levels

Construction of the fashionable residential development at No. 38 Shelley Street in Central Mid-Levels progressed further during the period under review and is expected to be completed in the fourth quarter of 2007. This project consists of a residential tower with commercial facilities over a developable GFA of approximately 50,000 square feet. Sale of the 79 residential units is scheduled in the first quarter of 2008.

First Street/Second Street, Mid-Levels West

Superstructure construction works have commenced on the site at First Street/Second Street in Mid-Levels West. This joint development project with the Urban Renewal Authority will deliver 496 residential units and commercial accommodation with a total GFA of approximately 400,000 square feet. This project is currently scheduled for completion by the second quarter of 2009.

Tsuen Wan

Foundation work progressed as scheduled for a total GFA of approximately 400,000 square feet residential and commercial development at Kwok Shui Road, Tsuen Wan. This development is expected to be completed in the third quarter of 2009. The project is planned to deliver 548 residential units.

Ap Lei Chau

Site formation and foundation works for this 35%-held joint venture residential project have commenced and the project is scheduled for completion in 2010. The Group has an attributable share of GFA measuring approximately 320,000 square feet in this project. A total of approximately 700 residential units are planned for this development.

Yuk Yat Street, To Kwa Wan

Demolition work has been completed. With a developable GFA of approximately 163,000 square feet, the site is designated for re-development into residential and commercial properties.

Shan Kwong Road/Village Terrace, Happy Valley

Demolition work of the site at No. 20 Shan Kwong Road has been completed while that of the adjacent site at No. 1-5 Village Terrace in Happy Valley is targeted to be completed by October 2007. The existing sites offer a developable GFA of approximately 220,000 square feet and are intended for re-development into luxury residential properties. Completion is currently scheduled for the fourth quarter of 2010.

863-865 King's Road, North Point

Demolition work has just been completed with foundation works commencing soon. This joint-venture development, in which the Group holds a 40% stake, consists of a grade-A office tower with a developable GFA of approximately 511,000 square feet. This project is currently expected to be completed in the second quarter of 2011.

(iv) Major Acquisitions and Developments

Hong Kong

The Group won the bid for a site at Chun Yan Street, Wong Tai Sin, at a public land auction held in July 2007. The approximately 102,000 square feet site has excellent public transport connectivity and well-developed infrastructure in a quiet neighbourhood, making it an ideal location for the development of premier residential and commercial properties. With a plot ratio of 9, this site is expected to yield buildable GFA of approximately 767,000 square feet of residential properties and approximately 153,000 square feet for commercial use. The Group is confident of the success of this development, which will benefit from the keen demand for urban core properties in prime locations, and plans to extend its premium brand to the district through this development.

Macau

In July 2007, the Group secured an approximately 40,000 square feet site in Nam Van Lake namely Lot C12, where it plans to develop a luxury residential apartment building with approximately 170 units. The site is situated in a prime location enjoying full unobstructed view of the Nam Van Lake and Macau Peninsula. The project offers a developable GFA of approximately 400,000 square feet. Pre-sale launch is currently planned for the second quarter of 2008 and completion of the project is currently scheduled for the fourth quarter of 2009.

(D) Overseas Property Division

In the first six months of 2007, the Group's Overseas Property Division derived a net profit after tax of HK$22 million (2006: HK$14 million) from its portfolio of properties in Australia and the Philippines.

(i) Australia

As at 30 June 2007, 944 units of the Group's 25%-owned Jacksons Landing project were sold (as at 31 December 2006: 922 units), representing 99% of the total of 957 units available for sale. The Group recorded an attributable share of net profit after tax of approximately HK$0.6 million (2006: HK$0.4 million) for the six months to 30 June 2007 from this mixed-use residential and commercial development. This property project is situated on a 12-hectare site on the Pyrmont Peninsula in Sydney.

(ii) The Philippines

In the Philippines, the Group invests in property interests through a 73.88% aggregate direct and indirect interest in EDSA Properties Holdings, Inc. ("EPHI"), whose property investments include (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 30 June 2007, the occupancy rates of Shangri-La Mall Plaza and The Enterprise Centre were 99% and 98%, respectively (as at 31 December 2006: 99% and 97%, respectively).

Also under EPHI's development blueprint are (i) The Shang Grand Tower, a residential property project in Makati, Manila and (ii) St. Francis Shangri-La Place, another residential development project in Mandaluyong City, Manila. As at 30 June 2007, 100% (as at 31 December 2006: 98%) of the GFA of The Shang Grand Tower had been sold, while 684 units (as at 31 December 2006: 501) out of the total of 1,096 residential units of St. Francis Shangri-La Place were sold ahead of its current scheduled completion in the first quarter of 2009 for Tower 1 and fourth quarter of 2008 for Tower 2.

Subsequent to a merger of EPHI with its listed affiliate Kuok Philippine Properties, Inc., as approved by Securities and Exchange Commission on 25 July 2007, the corporate name of EPHI has been changed to Shang Properties, Inc. ("SPI"). As a result of the merger, the Group's aggregate direct and indirect interests in the new entity SPI have been lowered to 65.36%. The merger between the two companies is expected to be mutually advantageous to both parties, because it will provide stronger financial strength, a more diversified and stable capital base, increased competitiveness and improved profitability through enhancing operating efficiencies.

(E) Logistics Network Division

During the six months ended 30 June 2007, the Logistics Network Division recorded a 28% increase in turnover to HK$3,401 million (2006: HK$2,648 million). Net profit attributable to the Group from the Division during the first six months of 2007 amounted to HK$241 million (2006: HK$262 million), which represents a drop of 8%.

(i) Logistics Operations

Turnover and net profit generated from the logistics operations of the Division for the first half of 2007 amounted to HK$3,188 million and HK$50 million, respectively (2006: HK$2,435 million and HK$64 million, respectively). The drop in profit was mainly attributable to the cost incurred in the setting up of various freight forwarding offices in Europe and Australia since late 2006, as well as the loss of business resulting from the termination of the previous agency operations in these countries. New offices were set up in the Czech Republic, Poland and Hungary in 2007.

During the six months ended 30 June 2007, a total of 68,406 tons (2006: 51,728 tons) of cargo was handled by air and 168,408 TEUs (2006: 127,939 TEUs) by sea, representing an increase of 32% and 32% respectively over those of the corresponding first six months of 2006.

Hong Kong

In January 2007, the Division completed the acquisition of a 51% interest in Multiple Gain Enterprises Limited (the "JV"), which owns the business of Far East Multi-Trans Shipping Limited ("FEM"). FEM is a Hong Kong company, which has been engaged in the business of international freight forwarding for about 20 years, mainly to and from Hong Kong, the Philippines, Bangladesh and Cambodia. The acquisition has further strengthened the Division's freight forwarding capabilities in Asia, especially in intra-Asia trade. The JV was subsequently renamed as Kerry Far East Logistics (Hong Kong) Limited.

The first half of 2007 also saw the continued growth of the Division's logistics operations in Hong Kong. Profit generated from the Division's logistics and freight forwarding businesses in Hong Kong during the period amounted to HK$29 million, which represents a strong growth of 49% when compared with 2006. The increase was mainly brought about by a number of large, integrated third-party logistics contracts secured since last year. As of the present date, the Division is providing a complete supply chain service to a large group of customers.

China Focus

As a result of the continuing business restructuring of KEAS, the Division's business arm in China, the Division has successfully refocused its Mainland China operations on the niche international freight market and pan-China distribution. This strengthened operational platform is now more prepared to serve and support the demand for modern logistics services by existing and potential customers. KEAS reported a more than 50% growth in profit attributable to the Division for the first half of 2007 when compared with the same period in 2006, which was mainly the result of the portfolio enhancement of this business.

During the period, the Division continued to generate stable, recurrent income from its hardware investments in the PRC. The Division is now operating a logistics centre portfolio of approximately 3.5 million square feet in Mainland China, of which 1.4 million square feet are self-owned facilities located at Shenzhen Yantian, Shenzhen Futian, Tianjin, Shanghai Waigaoqiao and Beijing.

(E) Logistics Network Division (continued)

(i) Logistics Operations (continued)

China Focus (continued)

In view of the rapid growing cargo traffic between Mainland China and the rest of the world, the Division will continue to reinforce its logistics competitiveness in order to serve multinational corporate customers looking for pan-China or pan-Asia solutions. This will be achieved by extending its service scope, exploring new import and export markets, strengthening infrastructure, developing information system and operational expertise, and consolidating the Division's overseas agency network.

Asia Based

The first half of 2007 witnessed the continued expansion of the Division's logistics operations across Southeast Asia.

In Thailand, the berth expansion project at Siam Seaport has been completed and the operating equipment is now being installed. These new facilities will spearhead the Division's efforts to enter the container handling business, thereby adding value to its existing conventional and bulk cargo services.

In October 2006, the Division successfully established its first logistics foothold in India with the acquisition of a 51% stake in an India-based freight forwarding company, Reliable Freight Forwarders Private Limited (subsequently renamed as Kerry Reliable Logistics Private Limited ("KRL")). KRL has been engaged in the business of international freight forwarding for about 10 years and has seven offices in India located at Chennai (the Headquarters), Tirupur, Bangalore, Tuticorin, Mumbai and Delhi. Around 200 staff are employed by the company. The acquisition has strengthened the Division's freight forwarding capability in the South Asian region, and the Division is currently consolidating KRL with the overseas agency network of Kerry Logistics Network Limited. It will also enhance KRL's logistics competitiveness by extending its service scope and developing its information system and operations expertise.

In Southern Asia, the recent development of the pan-Asia highway and railway that links Southwest China and Southeast Asia is expected to open up new opportunities for trade in this region. In response to this development, since late 2006 the Division has been developing road transport routes in ASEAN countries, including China, Vietnam, Laos, Malaysia and Thailand. In doing so, the Division plans to create a competitive edge for itself in the ASEAN logistics market and become the leading ASEAN road transport service provider in the region within a period of two years.

Global Network

In 2007, the Division further strengthened its presence in Central and in Western Europe. During the period, new offices were set up in the Czech Republic, Poland and Hungary. The Division now has operations in 23 cities in Europe, covering Germany, Switzerland, Austria, Poland, the Czech Republic, Belgium, Hungary, the Netherlands, the United Kingdom and Spain. Further expansion into France is scheduled for the third quarter of 2007.

By setting up its own offices and thereby establishing its own direct representation in Europe, the Division has successfully strengthened its global network in terms of its sales and marketing capabilities. The Division's trade development focus in Europe is mainly on import and export of cargoes between European countries and Asia, in particular Mainland China. It is expected that the new offices will achieve break-even by the year 2008.

Looking ahead, the Division will also pursue new development opportunities in other regions, including the Middle East.

(ii) Hong Kong Warehouses and Distribution Centres

With a portfolio of 11 warehouses occupying an aggregate GFA of 6.28 million square feet, the Division continues to be the single largest warehouse owner and operator in Hong Kong. As at 30 June 2007, the Division's warehouse portfolio in Hong Kong maintained an occupancy rate of 97% (as at 31 December 2006: 96%).

During the six months ended 30 June 2007, the Division's Hong Kong warehouse portfolio generated turnover of HK$213 million (2006: HK$213 million) and a profit attributable to the Division of HK$103 million (2006: HK$94 million). The increase in profit is mainly attributable to the disposal of the two non-core warehouses in November 2006, which has successfully reduced the Division's interest burden, as well as the renewal of major leasing contracts during 2006 with improved rental rates.

(iii) Information Technology

With the expansion of the Division's European network, the flagship supply chain visibility suite "KerrierVISION" was officially launched in April this year. Not only does this suite link all traditionally discrete logistics processes, it also provides the ability to view the supply chain from multiple perspectives, such as shipments, orders and items. "KerrierVISION" is already serving a number of key multinational customers. In one of its most significant implementation, the suite is providing visibility for over 30 origin countries. Supply chain visibility will continuously be positioned as an edge of the Division in the international logistics market. More functions, such as Business Intelligence, will be injected to enrich the product suite while global integration of our worldwide application systems will remain a main emphasis for strengthening its backbone.

(E) Logistics Network Division (continued)

(iv) Awards and Achievements

The Division received "The Best Brand Enterprise Award and Corporate Innovation Excellence 2007" award from the Hong Kong Productivity Council on 8 June 2007. This award recognises the Division's outstanding performance in corporate brand building and strategic corporate development and innovation in Hong Kong.

In recognition of excellence in corporate brand building and service quality in Mainland China, the Division received "The 2nd CAPITAL Outstanding China Enterprise Awards – Outstanding Logistics Corporation" award from *Capital Magazine*, a leading monthly finance and business publication in Hong Kong and Greater China on 21 May 2007.

(F) Infrastructure Division

The Infrastructure Division provides the Group with a steady stream of recurrent income through its investments in a range of infrastructure, environmental protection and utilities-related businesses in Hong Kong and Mainland China. During the six months ended 30 June 2007, net profit attributable to the Group from this Division amounted to HK$20 million (2006: HK$19 million).

(i) Hong Kong

The Division holds a 15% stake in the Western Harbour Crossing and a 15% interest in the management contract for the Cross Harbour Tunnel. The Group's share of aggregate net profits from these investments amounted to HK$18 million during the first six months of 2007 (2006: HK$21 million).

(ii) Mainland China

The Group holds a 13% effective interest in a water treatment project in Hohhot Municipality, Inner Mongolia Autonomous Region and its share of net profit from this investment during the six months ended 30 June 2007 amounted to HK$3 million.

The reporting period witnessed further business rollouts of the Group's 25%-owned REDtone Telecommunications (China) Limited ("REDtone"), which focuses on the provision of discounted international call packages to mobile phone and fixed line subscribers in Shanghai. In addition to its existing long distance domestic and international discount calls service that caters to the mass market, REDtone has extended its service offerings to upmarket customers. A number of premium service initiatives have been launched based on REDtone's new exclusive "17991" short-code platform.

(G) 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 30 June 2007, total foreign currency borrowings (excluding Renminbi ("RMB") borrowings) amounted to the equivalence of HK$4,144 million and RMB loans amounted to the equivalence of HK$86 million. Therefore, non-RMB total foreign currency borrowings and RMB loans represented approximately 33% and 1% respectively, of the Group's total borrowings of HK$12,515 million as at 30 June 2007. The Directors consider that the Group's property investments in the PRC would benefit from the recent upward appreciation of the RMB. Furthermore, the upward revaluation of the RMB has a negligible impact on the Group's RMB loans, which only represent a small proportion relative to the Group's total borrowings.

The non-RMB total foreign currency borrowings of HK$4,144 million mainly include the Fixed Rate Bonds amounting to US$420 million (approximately HK$3,262 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 30 June 2007, HK$656 million (representing approximately 5%) was repayable within one year, HK$425 million (representing approximately 4%) was repayable in the second year, HK$7,667 million (representing approximately 61%) was repayable in the third to fifth years and HK$3,767 million (representing approximately 30%) was repayable over five years. The Group continued to maintain most of its borrowings on an unsecured basis, with unsecured debt accounting for approximately 97% of total borrowings as at 30 June 2007. 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 30 June 2007, the gearing ratio for the Group was 25.8% (as at 31 December 2006: 34.8%), calculated based on net debt of HK$8,824 million and shareholders' equity of HK$34,173 million.

As at 30 June 2007, the Group had outstanding interest rate swap contracts which amounted to HK$5.8 billion 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 30 June 2007, the Group had total undrawn bank loan and overdraft facilities of HK$10,725 million and net cash on hand of HK$3,691 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 22 February 2007, Gainlead International Limited, a wholly-owned subsidiary of the Company, issued convertible bonds in the aggregate amount of HK$2,350,000,000 (the "Convertible Bonds"). The Convertible Bonds are zero coupon-based, have a maturity term of five years until 22 February 2012 and are convertible into the Company's ordinary shares at a conversion price of HK$52.65 per share (subject to adjustments). The issuance of the Convertible Bonds provides a flexible and cost-efficient funding opportunity which is in the best interest of the Group. Standard & Poor's awarded the Convertible Bonds with a "BBB-" credit rating.

During the six months ended 30 June 2007, an aggregate principal amount of HK$1,738,000,000 of the convertible bonds issued in 2005 has been converted into an aggregate of 66,962,017 ordinary shares of HK$1 each in the Company. Subsequent to 30 June 2007 and up to 14 September 2007, a further aggregate principal amount of HK$467,000,000 of the convertible bonds has been converted into an aggregate of 17,992,670 ordinary shares of HK$1 each in the Company. The total conversion represents 88.2% of the entire issued principal of HK$2,500,000,000.

(H) Investor Relations

The Group actively participates in meetings and conferences to maintain regular communications with financial analysts, fund managers and the investor community. Set out below are the investors' conferences in which the Group had participated during the six months ended 30 June 2007:

Date	Event	Organiser	Venue
April 2007	Citigroup Asia Pacific Property Conference	Citigroup	Singapore
May 2007	JP Morgan Non-Deal Roadshow	JP Morgan	Hong Kong
June 2007	Asia Pacific Regional Real Estate Conference	JP Morgan	Bangkok
June 2007	Asian Investor Conference Products	KBC Financial	Hong Kong

(I) Directors and Staff

As at 30 June 2007, the Executive Directors of the Company were Messrs Ang Keng Lam (Chairman), Wong Siu Kong (Deputy Chairman and Managing Director), Ho Shut Kan and Ma Wing Kai, William, the Non-executive Director of the Company was Mr Tse Kai Chi and the Independent Non-executive Directors of the Company were Messrs William Winship Flanz, Ku Moon Lun and Lau Ling Fai, Herald. Messrs Chan Wai Ming, William and Qian Shaohua have been appointed as Directors of the Company with effect from 13 September 2007.

As at 30 June 2007, the Company and its subsidiaries had 8,594 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 programs 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.

As at 30 June 2007, a total of 8,409,037 option shares were outstanding which comprised 2,671,537 and 5,737,500 option shares granted under the 1997 Share Option Scheme and the 2002 Share Option Scheme respectively.

(J) Outlook

(i) Mainland China Property Division

Since 2004, Mainland China's central government has intermittently issued macro-control policies designed to rein in rapid increases in property prices in metropolitan areas. This year, the government continued its effort to moderate price surges through further tightening measures. Among others, these included issuing directives to strictly enforce the land appreciation tax on property developers and urging commercial banks to limit loan growth. More recently, restrictions have been placed by the Shenzhen Municipal Government authorities on buyers from Hong Kong and Macau limiting their purchases to only one residential unit for personal use in order to ensure the healthy development of Mainland China's property market.

The Group maintains its view that these measures, which are targeted primarily at the residential sector, are unlikely to have a significant impact on the Group, as it does not hold a substantial proportion of residential sales properties within its portfolio in Mainland China. The Group's ongoing policy is to develop mixed-use property projects, which has resulted in a diversified mix of leased properties across the office, commercial and hotel sectors.

Despite short-term industry corrections, there is little doubt of the Mainland China Government's resolution to steer the economy towards a soft landing. Going forward, the Mainland property market is expected to record healthy growth, which is both demand and investment driven. Furthermore, industry analysts have predicted that while Mainland China is entering a negative interest environment, a migration of savings to higher-yield investments such as the property market will be triggered, giving a further boost to the real estate sector. There have been no clear signs of foreign investor interest being dampened by the macro control measures, but it is expected that the focus of foreign investment may shift to longer-term projects that are not speculative in nature, which supports the positive outlook for the Mainland property market. Also supporting the inflow of foreign capital into the Mainland property market is the appreciation trend of the Renminbi, giving Mainland properties greater upside potential in value.

The Group has the benefit of decades of experience, expertise and brand equity in the development of prime office, commercial and apartment complexes in Mainland China. It will continue to derive a stable source of recurrent income from its investment property portfolio and to bring attractive returns to shareholders from sustained property sales.

To maintain positive momentum, the Group will continue to increase its landbank in Mainland China. The Group made its first forays into Qinhuangdao, Shenyang and Chengdu during the period under review, and will leverage its successful development model in Beijing, Shanghai and Shenzhen in order to expand its presence in other locations of strategic value.

(J) Outlook (continued)

(ii) Hong Kong Property Division

Overall, the Hong Kong property market has landed on relatively solid ground in tandem with the sustained economic recovery. Robust fundamentals such as strong market liquidity, low mortgage rates, low land supply and real interest rates turning negative will continue to underpin the value of Hong Kong properties.

The recent proposed plan set out by a Hong Kong SAR Government think-tank to promote the joint development of Hong Kong and Shenzhen is expected to generate further demand across the office, residential and retail sectors. The proposed plan calls for fostering cross-border business co-operation; creating a multiple-entry electronic smart card for Shenzhen permanent residents entering Hong Kong; building a rail line between the two cities' airports; and establishing a programme aimed at nurturing talent.

The broad-based recovery bodes well for the overall residential sector, which continues to be a beneficiary of the genuine revitalised demand and improved investment sentiment. The luxury sector will continue to outperform, underpinned by tight supply. The mass market sector will also receive encouragement from a number of positive factors, such as the stamp duty reduction for residential properties under HK$2 million, the strength of the job market, improved domestic household incomes and strengthened financial security. The Group aspires to build and manage premium quality residences and to contribute to the creation of comfortable and environmentally-conscious neighbourhoods.

The continuing upward trend of office rentals, fuelled by strong demand from corporate tenants and investment activities, has underpinned the further strengthening of the office sector. The Group is of the view that prime office space will continue to be in demand, particularly in light of institutional capital inflows for acquiring quality office and commercial properties, as well as the positive momentum driven by the Qualified Foreign Institutional Investor (QFII) Scheme, which further affirms Hong Kong's unique position as the commercial gateway to Mainland China.

Lifted by sustained domestic consumption and a healthy tourist sector, the commercial property sector is well supported by strong fundamentals and sentiments. Retail space rentals have been on a continuing upward trend, with occupancies rising to new levels. The Group's optimistic outlook is validated by the encouraging business volume and visitor traffic recorded since the opening in June 2007 of its major retail property, "MegaBox", in Kowloon Bay.

The momentum in the property market is expected to continue through the second half of the year. The Group remains confident of the long-term growth of the Hong Kong property market and is committed to offering its tenants and residents the most desirable environments, facilities and services.

(iii) Logistics Network Division

Through its industry expertise, infrastructure investments and extensive network, the Division will continue to thrive on the growing demand of supply chain management services towards globalization. The Division will expand its business initiatives across Asia Pacific, Europe and North America, and empower its customers worldwide by raising the visibility and efficiency of their supply chains.

In the second half of the year, the Division will continue to expand in strategic markets in Asia and Europe. Growth in Asia will be underpinned by its enhanced business portfolio and the performance of KEAS in Mainland China, as well as strengthened logistics capabilities that fulfil new China-ASEAN demands. Direct and self-owned operations will also be added to the Division's expanding European presence, which already covers Germany, Switzerland, Austria, Poland, the Czech Republic, Belgium, Hungary, the Netherlands, the United Kingdom and Spain.

The Division looks forward to taking its core strengths and operations to a global scale. By furthering horizontal collaboration with suppliers, distributors, retailers and customers, it will continue to create value for all participants along the supply chain on a flattening global platform.

(iv) Infrastructure Division

The Division will remain the Group's vehicle for sustaining a steady recurrent source of income. It will continue to evaluate and pursue viable investment opportunities in infrastructure projects that are capable of generating good financial returns and stable recurrent income for the Group.

(v) Overall

The Group maintains a healthy portfolio of property, logistics and infrastructure businesses. These businesses constitute a well-balanced assets and earnings base, which generates a strong recurrent income stream that helps stabilise the Group's performance in the face of today's difficult-to-predict macro environment. The Group will remain proactive in identifying and pursuing new investment opportunities in order to sustain growth momentum and maximise shareholder return.

CORPORATE GOVERNANCE

Compliance with Code Provisions under Appendix 14 of the Listing Rules

During the six months ended 30 June 2007, the Company has complied with the provisions of the Code on Corporate Governance Practices (the "Code Provision(s)") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), except for the deviation that there is no separation between the roles of Chairman and Chief Executive Officer. After due consideration, the Board proposed not to comply with this Code Provision for reason that each Executive Director of the Company is delegated individual responsibility to oversee and monitor the operations of a specific business unit, and to implement the strategies and policies set by the Board. The Company's Chairman also ensures that the Board works effectively and discharges its responsibilities, and that all key and appropriate issues are discussed by the Board in a timely manner. In addition, the Company's Independent Non-executive Directors bring along strong independence element to the Board's deliberation.

Accordingly, the Board operates in a functional manner with clearly defined objectives, strategies and responsibilities. Therefore, the Board is of the view that the separate appointment of Chairman and Chief Executive Officer is not necessary.

Audit Committee

The Audit Committee of the Board has met to review the results and the financial statements of the Group for the six months ended 30 June 2007 with no disagreement prior to recommending them to the Board for approval. In reviewing these financial statements, the Audit Committee has discussed with the external auditor regarding the accounting policies adopted and, in particular, the impact of the new HKASs and HKFRSs on the financial statements of the Group for the six months ended 30 June 2007.

Remuneration Committee

During the six months ended 30 June 2007, the Remuneration Committee of the Board has reviewed the remuneration package of the Executive Directors for the year ending 31 December 2007 prior to recommending them to the Board for approval. The Remuneration Committee has recommended to the Board to approve the salaries, housing allowances and pension contributions of the Executive Directors of the Company for the year ending 31 December 2007 and the payment of bonuses to the Executive Directors of the Company for the year ended 31 December 2006.

SHARE OPTIONS

Movements of the option shares, which were granted under the 1997 Share Option Scheme, during the six months ended 30 June 2007 are listed below in accordance with rule 17.07 of the Listing Rules:

Category	Date of grant	Tranche	Number of option shares held as at 01/01/2007	Number of option shares exercised during the period *(Note 1)*	Number of option shares held as at 30/06/2007	Exercise price *HK$*	Exercise period
1. Directors							
Mr ANG Keng Lam	01/06/2000	I	350,000	(350,000)	–	6.70	01/06/2001-31/05/2010
	01/06/2000	II	350,000	(50,000)	300,000	6.70	01/06/2002-31/05/2010
	01/06/2000	III	348,743	–	348,743	6.70	01/06/2003-31/05/2010
	16/04/2002	I	518,248	–	518,248	6.85	16/04/2003-15/04/2012
	16/04/2002	II	518,247	–	518,247	6.85	16/04/2004-15/04/2012
Mr MA Wing Kai, William	11/04/1997	N/A	69,582	(69,582)	–	14.92	11/04/1999-26/03/2007
	02/03/2001	I	36,000	(36,000)	–	11.59	02/03/2002-01/03/2011
	02/03/2001	II	36,000	(36,000)	–	11.59	02/03/2003-01/03/2011
	02/03/2001	III	33,520	(33,520)	–	11.59	02/03/2004-01/03/2011
	16/04/2002	I	62,189	–	62,189	6.85	16/04/2003-15/04/2012
	16/04/2002	II	62,189	–	62,189	6.85	16/04/2004-15/04/2012
2. Continuous Contract Employees	11/04/1997	N/A	403,746	(403,746)	–	14.92	11/04/1999-26/03/2007
	27/11/1999	I	7,812	(7,812)	–	9.64	27/05/2000-26/03/2007
	27/11/1999	II	56,480	(56,480)	–	9.64	27/05/2001-26/03/2007
	01/06/2000	I	79,000	(49,000)	30,000	6.70	01/06/2001-31/05/2010
	01/06/2000	II	121,564	(49,000)	72,564	6.70	01/06/2002-31/05/2010
	01/06/2000	III	158,309	(61,693)	96,616	6.70	01/06/2003-31/05/2010
	02/03/2001	I	133,000	(59,000)	74,000	11.59	02/03/2002-01/03/2011
	02/03/2001	II	141,000	(59,000)	82,000	11.59	02/03/2003-01/03/2011
	02/03/2001	III	126,076	(50,519)	75,557	11.59	02/03/2004-01/03/2011
	16/04/2002	I	206,255	(89,362)	116,893	6.85	16/04/2003-15/04/2012
	16/04/2002	II	236,254	(119,362)	116,892	6.85	16/04/2004-15/04/2012
3. Others	11/04/1997	N/A	732,303	(732,303)	–	14.92	11/04/1999-26/03/2007
	01/06/2000	I	45,000	–	45,000	6.70	01/06/2001-31/05/2010
	01/06/2000	II	45,000	–	45,000	6.70	01/06/2002-31/05/2010
	01/06/2000	III	44,088	–	44,088	6.70	01/06/2003-31/05/2010
	02/03/2001	I	22,000	–	22,000	11.59	02/03/2002-01/03/2011
	02/03/2001	II	22,000	–	22,000	11.59	02/03/2003-01/03/2011
	02/03/2001	III	19,311	–	19,311	11.59	02/03/2004-01/03/2011
Total:			**4,983,916**	**(2,312,379)**	**2,671,537**		

Notes:

1. The weighted average closing price of the shares of the Company immediately before the dates on which the options were exercised was HK$40.85.

2. During the period, no option shares were granted/granted for adjustment, transferred to/from other category, cancelled or lapsed under the 1997 Share Option Scheme.

SHARE OPTIONS (continued)

Movements of the option shares, which were granted under the 2002 Share Option Scheme, during the six months ended 30 June 2007 are listed below in accordance with rule 17.07 of the Listing Rules:

Category	Date of grant	Tranche	Number of option shares held as at 01/01/2007	Number of option shares exercised during the period *(Note 1)*	Number of option shares lapsed during the period	Number of option shares held as at 30/06/2007	Exercise price *HK$*	Exercise period
1. Directors								
Mr ANG Keng Lam	17/03/2005	I	750,000	–	–	750,000	18.74	17/03/2006-16/03/2015
	17/03/2005	II	750,000	–	–	750,000	18.74	17/03/2007-16/03/2015
Mr WONG Siu Kong	17/03/2005	I	250,000	–	–	250,000	18.74	17/03/2006-16/03/2015
	17/03/2005	II	750,000	–	–	750,000	18.74	17/03/2007-16/03/2015
Mr HO Shut Kan	17/03/2005	I	90,000	(90,000)	–	–	18.74	17/03/2006-16/03/2015
	17/03/2005	II	400,000	(200,000)	–	200,000	18.74	17/03/2007-16/03/2015
Mr MA Wing Kai, William	17/03/2005	I	400,000	–	–	400,000	18.74	17/03/2006-16/03/2015
	17/03/2005	II	400,000	–	–	400,000	18.74	17/03/2007-16/03/2015
2. Continuous Contract Employees	17/03/2005	I	1,160,000	(397,500)	–	762,500	18.74	17/03/2006-16/03/2015
	17/03/2005	II	1,862,500	(350,000)	(37,500)	1,475,000	18.74	17/03/2007-16/03/2015
Total:			**6,812,500**	**(1,037,500)**	**(37,500)**	**5,737,500**		

Notes:

1. The weighted average closing price of the shares of the Company immediately before the dates on which the options were exercised was HK$40.85.

2. During the period, no option shares were granted/granted for adjustment, transferred to/from other category, or cancelled under the 2002 Share Option Scheme.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2007, the interests of the Directors in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) (the "Associated Corporations") as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

(i) The Company

Name of Director	Number of ordinary shares (Personal interests)	Number of underlying ordinary shares held under equity derivatives	Total	Approximate % of shareholding(6)
Mr ANG Keng Lam	200,000(1)	3,185,238(2)	3,385,238	0.26
Mr WONG Siu Kong	–	1,000,000(2)	1,000,000	0.08
Mr HO Shut Kan	200,000(1)	200,000(2)	400,000	0.03
Mr MA Wing Kai, William	30,639(1)	924,378(2)	955,017	0.07

(ii) Associated Corporations

Name of Associated Corporation	Name of Director	Number of ordinary shares				Total	Approximate % of shareholding
		Personal interests	Family interests	Corporate interests	Other interests		
EDSA Properties Holdings, Inc.	Mr HO Shut Kan	1,570(1)	–	–	–	1,570	0.00
Kerry Group Limited	Mr ANG Keng Lam	5,540,716(1)	7,300,000(3)	–	8,000,000(5)	20,840,716	1.36(7)
	Mr WONG Siu Kong	4,617,263(1)	–	6,504,300(4)	–	11,121,563	0.73(7)
	Mr HO Shut Kan	1,688,452(1)	–	–	–	1,688,452	0.11(7)
	Mr MA Wing Kai, William	1,010,620(1)	–	–	–	1,010,620	0.07(7)
	Mr TSE Kai Chi	400,000(1)	–	–	–	400,000	0.03(7)
Kerry Siam Seaport Limited	Mr ANG Keng Lam	1(1)	–	–	–	1	0.00
	Mr MA Wing Kai, William	1(1)	–	–	–	1	0.00

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)

(ii) Associated Corporations (continued)

Notes:

(1) This represents interests held by the relevant Director as beneficial owner.

(2) This represents interests in options held by the relevant Director as a beneficial owner to subscribe for the relevant underlying ordinary shares in respect of the option shares granted by the Company under the 1997 and 2002 Share Option Schemes, details of which are set out in the section headed "Share Options" of this report.

(3) This represents interests held by the relevant Director and his spouse through a discretionary trust of which the relevant Director and his spouse are contingent beneficiaries.

(4) This represents interests held by the relevant Director through his controlled corporation(s).

(5) This represents interests held by the relevant Director through a discretionary trust of which the relevant Director is a contingent beneficiary.

(6) The percentage has been adjusted based on the total number of ordinary shares of the Company in issue as at 30 June 2007 (i.e. 1,322,938,871 ordinary shares).

(7) The percentage has been adjusted based on the total number of ordinary shares of Kerry Group Limited in issue as at 30 June 2007 (i.e. 1,530,540,775 ordinary shares).

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

Save as aforesaid, as at 30 June 2007, none of the Directors had any other interests or short positions in the shares, underlying shares or debentures of the Company or any of its Associated Corporations which had been entered in the register kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

As at 30 June 2007, the interests of those persons (other than the Directors) in the shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name	Capacity in which ordinary shares were held	Number of ordinary shares *(Note 1)*	Approximate % of shareholding *(Note 2)*
Kerry Group Limited	Interest of controlled corporations	708,019,885	53.52
Kerry Holdings Limited	Interest of controlled corporations	708,019,885	53.52
Caninco Investments Limited	Beneficial owner	306,147,106	23.14
Darmex Holdings Limited	Beneficial owner	251,879,653	19.04
Moslane Limited	Beneficial owner	86,789,684	6.56

Notes:

1. Caninco Investments Limited ("Caninco"), Darmex Holdings Limited ("Darmex") and Moslane Limited ("Moslane") are wholly-owned subsidiaries of Kerry Holdings Limited ("KHL"). KHL itself is a wholly-owned subsidiary of Kerry Group Limited ("KGL") and, accordingly, the shares in which Caninco, Darmex and Moslane are shown to be interested are also included in the shares in which KHL and KGL are shown to be interested.

2. The percentage has been adjusted based on the total number of ordinary shares of the Company in issue as at 30 June 2007 (i.e. 1,322,938,871 ordinary shares).

All the interests disclosed under this section represent long positions in the shares of the Company.

Apart from the aforesaid, as at 30 June 2007, the Company had not been notified of any interests and short positions in the shares and underlying shares of the Company which had been recorded in the register required to be kept under Section 336 of the SFO.

CONTINUING DISCLOSURE REQUIREMENTS UNDER RULE 13.22 OF THE LISTING RULES

Financial Assistance and Guarantees to Affiliated Companies

As at 30 June 2007, the financial assistance given to, and guarantees given for facilities granted to, affiliated companies (as defined in the Listing Rules) together in aggregate continue to exceed 8% under the assets ratio test as defined under the Listing Rules. In accordance with Rule 13.22 of the Listing Rules, the combined balance sheet of and the Group's attributable interest in these affiliated companies as at the latest practicable dates (being the dates to which the latest accounts of these affiliated companies were prepared) are set out as follows:

	Combined *HK$ million*	**The Group's attributable interest** *HK$ million*
Non-current assets	30,708	9,879
Current assets	2,936	984
Current liabilities	(3,268)	(924)
Net current (liabilities)/assets	(332)	60
Total assets less current liabilities	30,376	9,939
Non-current liabilities	(21,508)	(7,097)
Net assets	8,868	2,842

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Board has adopted the Model Code as the Code for Securities Transactions by Directors of the Company (the "Securities Dealing Code"). The Directors have confirmed their compliance with the required standards set out in the Securities Dealing Code during the six months ended 30 June 2007.

CLOSURE OF REGISTERS OF MEMBERS

The Registers of Members of the Company will be closed from Wednesday, 3 October 2007 to Friday, 5 October 2007, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend for the six months ended 30 June 2007, 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 (formerly known as Abacus Share Registrars Limited) at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:00 pm on Tuesday, 2 October 2007. The dividend warrants and share certificates for the new shares to be issued pursuant to the 2007 Interim Scrip Dividend Scheme will be distributed on or about Wednesday, 14 November 2007.

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 six months ended 30 June 2007.

By Order of the Board
Ang Keng Lam
Chairman

Hong Kong, 14 September 2007