



嘉里控股有限公司
KERRY HOLDINGS LIMITED
(Incorporated in Hong Kong with limited liability)



KERRY PROPERTIES LIMITED
(Incorporated in Bermuda with limited liability)
嘉里建設有限公司*

JOINT ANNOUNCEMENT
PROPOSED PRIVATISATION OF KERRY PROPERTIES LIMITED
BY
KERRY HOLDINGS LIMITED BY WAY OF A SCHEME OF ARRANGEMENT
DESPATCH OF SCHEME DOCUMENT

Financial Adviser to Kerry Holdings Limited



The Hongkong and Shanghai Banking Corporation Limited

The Scheme Document was despatched to Shareholders on Thursday, 26 June 2003.

The Scheme Document contains additional information in relation to KPL and KHL, some of which is set out in this announcement.

The respective notices of the Court Meeting and the Special General Meeting to be held on Friday, 18 July 2003 are set out in the Scheme Document.

Independent Shareholders and Optionholders should consider carefully the recommendations of the Independent Board Committee and the factors, reasons and recommendations in relation to the Proposal and the Option Offer as set out in the letter from Rothschild, the independent financial adviser to the Independent Board Committee, before making a decision on the Proposal and the Option Offer, respectively.

Shareholders, Optionholders and potential investors are reminded that the Proposal is subject to a number of conditions being fulfilled or waived, as applicable, and therefore may or may not become effective. Shareholders, Optionholders and potential investors are advised to exercise extreme caution when dealing in the Shares. Subject to all the Conditions being fulfilled or waived, as applicable, the Scheme is expected to become effective on Tuesday, 12 August 2003 (Hong Kong time). Details of the Conditions are set out in the Explanatory Statement contained in the Scheme Document. The Scheme will lapse if it does not become effective on or before Saturday, 30 August 2003 (or such later date as KHL and KPL may agree) and Shareholders will be notified accordingly by press announcement.

INTRODUCTION

Reference is made to (1) the joint announcement dated 23 April 2003 made by KHL and KPL in which it was announced that a proposal would be put forward to the Scheme Shareholders regarding a proposed privatisation of KPL by way of a scheme of arrangement under Section 99 of the Companies Act involving the cancellation of all the Scheme Shares; (2) the KPL announcement dated 28 April 2003 in which it was announced that Rothschild had been appointed as the independent financial adviser to the Independent Board Committee; (3) the joint announcement dated 30 April 2003 made by KHL and KPL in which it was announced that the Cancellation Price would be revised from HK\$8.50 to HK\$9.50 per Scheme Share; (4) the KPL announcement dated 13 June 2003 made pursuant to paragraph 2 of the listing agreement made between KPL and the Stock Exchange setting out the continuing obligations which KPL undertakes to comply with as a condition of listing; and (5) the KPL announcement dated 13 June 2003 in which the membership of the Independent Board Committee was announced.

Terms defined in the Scheme Document (as defined below) have the same meanings when used in this announcement unless otherwise defined herein.

DESPATCH OF THE SCHEME DOCUMENT

The document containing details of the scheme of arrangement of KPL under Section 99 of the Companies Act (the "Scheme Document") was despatched to Shareholders on Thursday, 26 June 2003.

The Scheme Document contains, among other things, further details about the Proposal, the Scheme and the Option Offer, the expected timetable, the Explanatory Statement required under the Companies Act, information relating to the KPL Group, summaries of property valuations prepared by Chesterton Petty, DTZ and Royal Asia Appraisal, summary of infrastructure project valuation prepared by Chesterton Petty and DTZ, the letters from the Independent Board Committee and the independent financial adviser to the Independent Board Committee referred to below, notice of Court Meeting and notice of Special General Meeting.

RECOMMENDATIONS OF THE INDEPENDENT BOARD COMMITTEE AND ROTHSCHILD

An independent committee of the KPL Board comprising of Mr. Christopher Roger Moss, Dr. Fung Kwok King, Victor and Mrs. Lee Pui Ling, Angelina, all independent non-executive KPL Directors, were appointed to advise the Independent Shareholders on the Proposal and the Scheme and the Optionholders on the Option Offer. Rothschild has been appointed as the independent financial adviser to advise the Independent Board Committee in connection with the Proposal, the Scheme and the Option Offer. The Scheme Document contains, among other things, a letter from Rothschild giving its advice and recommendations to the Independent Board Committee on the Proposal and the Option Offer.

Independent Shareholders and Optionholders should consider carefully the recommendations of the Independent Board Committee and the factors, reasons and recommendations in relation to the Proposal and the Option Offer as set out in the letter from Rothschild before making a decision on the Proposal and the Option Offer, respectively.

Action to be taken by the Independent Shareholders and the Shareholders are set out in the Explanatory Statement contained in the Scheme Document.

FINANCIAL INFORMATION RELATING TO THE KPL GROUP

Set out below is a statement of the Adjusted NTAV, which was arrived at based on the audited consolidated net asset value of the KPL Group as at 31 December 2002 and adjusted as follows:

	<i>HK\$'000</i>
Net asset value as at 31 December 2002	21,000,570
<i>Less:</i> Intangible assets per balance sheet as at 31 December 2002	(45,004)
<i>Add:</i> Negative goodwill included in associated companies as at 31 December 2002	23,924
Net tangible asset value as at 31 December 2002	20,979,490
<i>Less:</i> Net deficit arising from the revaluation of the KPL Group's interests in properties under development, stock of completed properties held for sale, associated companies and other investments as at 30 April 2003	(275,906)
Net deficit arising from the revaluation of the KPL Group's interests in investment properties and other leasehold and freehold land and buildings as at 30 April 2003	(952,230)
Net surplus arising from the revaluation of the KPL Group's interests in infrastructure-related investments as at 30 April 2003	61,045
Unrealised gain on investments in trading securities ¹	190 ¹
Final dividend of HK\$0.12 per Share paid on 30 May 2003	(23,909) ²
Adjusted NTAV before provision for deferred taxation	19,788,680
<i>Less:</i> Provision for deferred taxation	(1,112,843) ³
Adjusted NTAV	<u>18,675,837</u>
Total number of issued Shares as at the Latest Practicable Date	<u>1,184,539,725</u>
Adjusted NTAV per Share after provision for deferred taxation	<u>HK\$15.77</u>

Notes:

- This represents the difference between the total marked-to-market value of listed securities held by the KPL Group as at the Latest Practicable Date (other than those held as interests in associated companies) and the value of such listed securities as stated in KPL's annual report for the year ended 31 December 2002.
- This represents final dividend paid in cash. Shareholders holding 971,308,993 Shares elected to receive new Shares in lieu of cash, resulting in 13,925,576 Shares being issued to such Shareholders on 30 May 2003.
- This represents full provision for deferred tax liabilities as at 30 April 2003 in accordance with Revised SSAP 12 and contingent tax liability that will arise if the properties under development, stock of completed properties held for sale and infrastructure-related investments are sold at the revalued amount.

Additional financial information on KPL including analysis of its historical financial performance and future prospects, dividend payment, share price performance, price earnings multiple, share liquidity and net asset value is contained in the letter from Rothschild which is set out in the Scheme Document.

INDEBTEDNESS

Borrowings

At the close of business on 31 March 2003, being the latest practicable date for the purpose of the statement of indebtedness in the Scheme Document, the KPL Group had outstanding borrowings of approximately HK\$7,057.6 million comprising bank loans of approximately HK\$7,056.8 million and overdrafts of approximately HK\$0.8 million. In addition, certain of KPL's subsidiaries had proportionate unsecured advances from minority shareholders of approximately HK\$1,954.8 million. Bank loans amounting to HK\$6,893.3 million and the bank overdrafts of HK\$0.8 million were unsecured whilst bank loans amounting to HK\$163.5 million were secured by legal charges over certain properties, floating charges on all assets of a subsidiary of KPL and an assignment of insurance proceeds.

Contingent liabilities

Banking facilities

The KPL Group has provided proportionate guarantees for banking and other facilities granted to associated companies and investee companies. The KPL Group's financial exposure represented by the KPL Group's portion of the utilised amount of such facilities as at 31 March 2003 amounted to approximately HK\$746 million. The total amount of such facilities covered by the KPL Group's guarantees amounted to approximately HK\$1,507 million.

The KPL Group has also provided proportionate guarantees to certain banks for mortgage facilities granted to first buyers of certain properties in the PRC. The KPL Group's financial exposure represented by the KPL Group's portion of the utilised amount of such facilities as at 31 March 2003 amounted to approximately HK\$79 million. The total amount of such facilities covered by the KPL Group's guarantees amounted to approximately HK\$1,359 million.

Guarantees and undertakings

Details of guarantees and undertakings provided by KPL other than in relation to banking facilities are set out in Appendix I to the Explanatory Statement of the Scheme Document.

Save as aforesaid and/or as set out in the Scheme Document and apart from intra-group liabilities, the KPL Group did not have any other outstanding loan capital, bank overdrafts and liabilities under acceptances or other similar indebtedness, debentures, mortgages, charges, loans, acceptance credits, hire purchase commitments, guarantees or other material contingent liabilities at the close of business on 31 March 2003.

The KPL Directors have confirmed that there has not been any material adverse change in the indebtedness or contingent liabilities of the KPL Group since 31 March 2003.

For the purpose of the statement of indebtedness in the Scheme Document, certain details of which are set out above, foreign currency amounts have been translated into Hong Kong dollars at the rates of exchange prevailing at the close of business on 31 March 2003.

MEETINGS

The Court Meeting and the Special General Meeting will be held at 10:00 a.m. and 10:30 a.m. (or as soon thereafter as the Court Meeting shall have been concluded or adjourned) respectively on Friday, 18 July 2003 at Atrium I & II, Level 39, Island Shangri-La Hotel, Pacific Place, Supreme Court Road, Central, Hong Kong. Notices of the Meetings are set out in the Scheme Document.

Further press announcements will be made by KPL giving details of the voting results of the Meetings.

CLOSURE OF THE REGISTERS

For the purpose of determining the entitlements of the Independent Shareholders to attend and vote at the Court Meeting and the Shareholders to attend and vote at the Special General Meeting, the Registers will be closed from Tuesday, 15 July 2003 to Friday, 18 July 2003 (both dates inclusive). During such period no transfer of Shares will be effected. In order to be entitled to attend and vote at the Court Meeting and/or the Special General Meeting, all transfers accompanied by the relevant share certificates must be deposited with the Registrar, Abacus Share Registrars Limited, at G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong no later than 4:00 p.m. on Monday, 14 July 2003.

Provided that the Scheme is approved by the requisite majorities at the Meetings, the last day for dealing in Shares on the Stock Exchange will be Tuesday, 5 August 2003. In such an event, the Registers will be closed from 4:00 p.m. on Friday, 8 August 2003. To qualify for the Cancellation Price under the Scheme, all transfers accompanied by the relevant share certificates must be lodged with the Registrar no later than 4:00 p.m. on Friday, 8 August 2003.

CONDITIONS OF THE PROPOSAL

Shareholders, Optionholders and potential investors are reminded that the Proposal is subject to a number of conditions being fulfilled or waived, as applicable, and therefore may or may not become effective. Subject to all the Conditions being fulfilled or waived, as applicable, the Scheme is expected to become effective on Tuesday, 12 August 2003 (Hong Kong time). Details of the Conditions are set out in the Explanatory Statement contained in the Scheme Document. The Scheme will lapse if it does not become effective on or before Saturday, 30 August 2003 (or such later date as KHL and KPL may agree) and Shareholders will be notified accordingly by press announcement.

The KPL Directors intend that the Listing will be withdrawn if the Scheme is implemented and be maintained in the event that the Scheme is not approved or is withdrawn or lapses.

Shareholders, Optionholders and potential investors are advised to exercise extreme caution when dealing in the Shares.

EXPECTED TIMETABLE

	2003
Latest time for lodging transfers of the Shares in order to be entitled to attend and vote at the Court Meeting and the Special General Meeting	4:00 p.m. on Monday, 14 July
Closure of the Registers for the determination of entitlements of the Independent Shareholders to attend and vote at the Court Meeting and of the Shareholders to attend and vote at the Special General Meeting	Tuesday, 15 July to Friday, 18 July (both dates inclusive)
Latest time for lodging forms of proxy in respect of:	
Court Meeting ¹	10:00 a.m. on Wednesday, 16 July
Special General Meeting ¹	10:30 a.m. on Wednesday, 16 July
Suspension of dealings in the Shares	9:30 a.m. on Friday, 18 July
Court Meeting	10:00 a.m. on Friday, 18 July
Special General Meeting	10:30 a.m. on Friday, 18 July
Start of Option Offer Period	11:00 a.m. on Friday, 18 July
Press announcements of the results of the Meetings in South China Morning Post, Hong Kong Economic Journal and Hong Kong Economic Times	Monday, 21 July
Resumption of dealings in the Shares	9:30 a.m. on Monday, 21 July
Last day for dealings in the Shares	Tuesday, 5 August
Suspension of dealings in the Shares	9:30 a.m. on Wednesday, 6 August
Option Cut-Off Time and latest time for receipt of forms of acceptance in relation to the Option Offer	4:00 p.m. on Friday, 8 August
Supreme Court hearing of petition to sanction the Scheme ²	Friday, 8 August
Latest time for lodging transfers of the Shares in order to qualify for the Cancellation Price under the Scheme	4:00 p.m. on Friday, 8 August
Record Time	4:00 p.m. on Monday, 11 August
Effective Date ³	Tuesday, 12 August
Withdrawal of the Listing becomes effective ³	4:00 p.m. on Tuesday, 12 August
Press announcements of the Effective Date and the withdrawal of the Listing in South China Morning Post, Hong Kong Economic Journal and Hong Kong Economic Times	Wednesday, 13 August
Cheques for payment of the Cancellation Price and monies under the Option Offer to be despatched on or before	Friday, 22 August

Shareholders and Optionholders should note that the above timetable, which is mainly dependent on the availability of the dates for the Supreme Court to hear the proceedings relating to the Scheme, is subject to change. Further announcements will be made in the event that there are any changes.

Notes:

- Forms of proxy should be deposited with the Registrar at G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong as soon as possible and in any event by the times and dates stated above. In the case of the pink form of proxy in respect of the Court Meeting, it may be handed to the Chairman of the Court Meeting at the Court Meeting if it is not so deposited. In order to be valid, the white form of proxy for the Special General Meeting must be deposited not later than the time and date stated above. Completion and return of a form of proxy for either of the Meetings will not preclude an Independent Shareholder from attending the Court Meeting, or a Shareholder from attending the Special General Meeting, and voting in person if he so wishes. In such event, the returned form of proxy will be deemed to have been revoked.
- All references in the Scheme Document and this announcement to times and dates are references to Hong Kong times and dates, other than references to the expected date for the Supreme Court hearing of the petition to sanction the Scheme, which are to the relevant date in Bermuda. For the period from 6 April 2003 to 26 October 2003, Bermuda time is eleven hours behind Hong Kong time.
- The Scheme will become effective when it is sanctioned (with or without modification) by the Supreme Court and an office copy of the Supreme Court order is delivered to the Registrar of Companies in Bermuda for registration and is registered. Registration is expected to take place between 2:00 p.m. and 5:00 p.m. on 11 August 2003 (Bermuda time) (equivalent to between 1:00 a.m. and 4:00 a.m. on 12 August 2003 (Hong Kong time)). The Independent Shareholders should note the Conditions set out in the Explanatory Statement of the Scheme Document. If the Scheme becomes effective, it is expected that the Listing will be withdrawn on Tuesday, 12 August 2003 (Hong Kong time).

On behalf of the board of
Kerry Holdings Limited
Olivia Fan
Company Secretary

On behalf of the board of
Kerry Properties Limited
Chow Yin Ping, Anita
Company Secretary

Hong Kong, 26 June 2003

The KHL Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement (other than that relating to the KPL Group and the KPL Directors) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.

The KPL Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement (other than that relating to the Kuok Group but including information relating to the KPL Group and the KPL Directors) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.

* For identification only