



KERRY PROPERTIES LIMITED

(Incorporated in Bermuda with limited liability)

嘉里建設有限公司*

website: www.kerryprops.com
(Stock Code: 00683)

CONNECTED TRANSACTION

Kerry China, a wholly-owned subsidiary of the Company, entered into the Agreement with China Everbright on 14 December 2004. Under the Agreement, China Everbright has agreed (a) to sell the Shares to Kerry China for a consideration of HK\$10 and (b) to assign the Assigned Loans to Kerry China for a consideration of HK\$180,249,990, subject to the terms and conditions of the Agreement.

Kerry China and China Everbright hold 55% and 25% respectively of the issued share capital of the Joint Venture Company. The Joint Venture Company is a non-wholly owned subsidiary of the Company. China Everbright, being a substantial shareholder of certain subsidiaries of the Company (including the Joint Venture Company), is a connected person of the Company. The entering into of the Agreement is therefore a connected transaction for the Company under the Listing Rules.

This announcement is made pursuant to Rule 14A.32 of the Listing Rules. The Agreement is not subject to the independent shareholders' approval requirement under Chapter 14A of the Listing Rules. Details of the Agreement will be included in the next published annual report and accounts of the Company in accordance with Rule 14A.45 of the Listing Rules.

BACKGROUND

The Joint Venture Company is principally engaged in the business of property development and investment holding in Shanghai, the PRC, through its sole subsidiary, Shanghai Gang Hu. Kerry China and China Everbright hold 55% and 25% respectively of the issued share capital of the Joint Venture Company.

THE AGREEMENT

Kerry China and China Everbright entered into the Agreement on 14 December 2004.

Under the Agreement, China Everbright has agreed (a) to sell the Shares, which represent 10% of the issued share capital of the Joint Venture Company, to Kerry China for a consideration of HK\$10 and (b) to assign the Assigned Loans to Kerry China for a consideration of HK\$180,249,990, subject to the terms and conditions of the Agreement. The consideration for the Stake will be satisfied by Kerry China's payment of the amount of HK\$180,250,000 by cheque at Completion.

Under the Agreement, Kerry China has agreed:

- to procure Shanghai Gang Hu to repay the sum of RMB25,870,937.50 (equivalent to approximately HK\$24,375,000) (representing the amount owed by the Joint Venture Company to China Everbright in respect of the loan made by China Everbright to the Joint Venture Company) to China Everbright within 5 PRC Business Days after the day of Completion; and
- to extend a shareholder loan of US\$1,250,000 (equivalent to approximately HK\$9,750,000) to the Joint Venture Company on the day of and immediately following Completion for the purpose of providing the funds to Shanghai Gang Hu in order to pay the sum of RMB10,348,375 (equivalent to approximately HK\$9,750,000) (being part of the sum of RMB25,870,937.50 (equivalent to approximately HK\$24,375,000) as referred to in paragraph (a) above).

Kerry China, however, is not obliged to procure Shanghai Gang Hu to repay the sum of RMB25,870,937.50 (equivalent to approximately HK\$24,375,000) unless a shareholder loan of US\$1,875,000 (equivalent to approximately HK\$14,625,000) is extended by Cheung Kong to the Joint Venture Company on the day of and immediately following Completion. In the event where Cheung Kong fails to extend the shareholder loan of US\$1,875,000 (equivalent to approximately HK\$14,625,000) on the day of and immediately following Completion, Kerry China has agreed to procure Shanghai Gang Hu to pay a sum of RMB10,348,375 (equivalent to approximately HK\$9,750,000) in repayment of the RMB Loan within 5 PRC Business Days after the day of Completion.

Without prejudice to China Everbright's rights accrued, or liabilities incurred, under the Guarantees, or arising out of circumstances existing, prior to the date of the transfer of the rights and obligations of China Everbright under the Guarantees, Kerry China and China Everbright have also agreed to use their reasonable endeavours to procure:

- the transfer to the Company or Kerry China of 40% of the rights and obligations of China Everbright under the Guarantees on such terms as Kerry China and the Lenders may agree; and
- the release of China Everbright entirely from the 40% of the rights and obligations of China Everbright under the Guarantees,

within 6 months after Completion. 40% of the maximum liability of China Everbright under the Guarantees amounts to US\$41,454.35 (equivalent to approximately HK\$323,344).

The rights accrued, or liabilities incurred, by the guarantors under the Guarantees are several.

The consideration for the Stake was determined after arm's length negotiations between Kerry China and China Everbright.

The obligations of Kerry China under the Agreement are conditional upon:

- the receipt by Kerry China of a certified true copy of (i) a resolution of the shareholders of China Everbright passed at a general meeting of China Everbright or (ii) the written approval by the majority shareholder of China Everbright whose written approval of China Everbright's execution and performance of the Agreement, the Cheung Kong Agreement and the transactions thereby contemplated is acceptable under the Listing Rules in lieu of a resolution passed at a general meeting of China Everbright approving its execution and performance of the Agreement, the Cheung Kong Agreement and the transactions thereby contemplated, in either case, approving China Everbright's execution and performance of the Agreement, the Cheung Kong Agreement and the transactions thereby contemplated in accordance with the relevant requirements of the Listing Rules; and
- the publication of an announcement of China Everbright of its execution of the Agreement, the Cheung Kong Agreement and the transactions thereby contemplated, in accordance with the relevant requirements of the Listing Rules, and if China Everbright's execution and performance of the Agreement, the Cheung Kong Agreement and the transactions thereby contemplated are approved by the majority shareholder of China Everbright in writing, such announcement disclosing that (i) no shareholder of China Everbright is required to abstain from voting; (ii) the majority shareholder of China Everbright has approved China Everbright's execution and performance of the Agreement and the Cheung Kong Agreement and the transactions thereby contemplated in writing; and (iii) the written approval of the majority shareholder of China Everbright is accepted under the Listing Rules in lieu of a majority vote at a general meeting.

According to the Agreement, Completion shall take place on the day falling 5 Business Days after the day on which the last of condition (a) and condition (b) above shall have been satisfied, waived or deferred or such other date as Kerry China and China Everbright may otherwise agree. Completion is expected to be on or before 28 February 2005. Further announcement will be made if condition (a) and/or condition (b) are waived or not fulfilled.

Neither Kerry China nor China Everbright is obliged to complete the sale and purchase of the Stake under the Agreement unless the sale and purchase of all of the Stake under the Agreement and the sale and purchase of all of the Cheung Kong Stake under the Cheung Kong Agreement are completed simultaneously.

INFORMATION ABOUT THE JOINT VENTURE COMPANY

The consolidated net liabilities of the Joint Venture Company were HK\$92,471,499 as at 31 December 2003. The consolidated total assets of the Joint Venture Company were HK\$2,097,228,553 as at 31 December 2003. The book value of the HK\$ portion of the Assigned Loans amounted to HK\$36,100,000 and the book value of the US\$ portion of the Assigned Loans amounted to US\$19,141,400 (equivalent to approximately HK\$149,302,920) both as at 30 November 2004.

The net profits before taxation and extraordinary items of the Joint Venture Company were HK\$34,878,917 and HK\$126,037 for the financial years ended 31 December 2002 and 31 December 2003, respectively. The net profit after taxation and extraordinary items of the Joint Venture Company was HK\$12,219,822 for the financial year ended 31 December 2002 and the net loss after taxation and extraordinary items of the Joint Venture Company was HK\$1,353,941 for the financial year ended 31 December 2003.

Before Completion, Kerry China, China Everbright, Cheung Kong and a company controlled by COFCO (Hong Kong) Limited beneficially own 55%, 25%, 10% and 10% interests respectively in the Joint Venture Company. Before Completion, the US\$ portion of the shareholder loans amounts to US\$200,789,000, the HK\$ portion of the shareholder loans amounts to HK\$361,000,000 and the RMB portion of the shareholder loans amounts to RMB25,870,937.50 (the RMB portion of the shareholder loans was provided by China Everbright in satisfaction of its payment of the shareholders loan of US\$3,125,000). The shareholder loans were provided by each of Kerry China, China Everbright, Cheung Kong and a company controlled by COFCO (Hong Kong) Limited on a pro rata basis and on the same terms (other than the currency as mentioned above).

After Completion, Kerry China, Cheung Kong and a company controlled by COFCO (Hong Kong) Limited will hold 65%, 25% and 10% interests respectively in the Joint Venture Company. Subject to the repayment of the sum of RMB25,870,937.50 by Shanghai Gang Hu to China Everbright within 5 PRC Business Days after the day of Completion and the extension of shareholder loans by Kerry China and Cheung Kong to the Joint Venture Company on the day of and immediately following Completion, the US\$ portion of the shareholder loans will amount to US\$203,914,000 and the HK\$ portion of the shareholder loans will amount to HK\$361,000,000.

REASONS FOR ENTERING INTO THE AGREEMENT

The Agreement enables the Company to increase its interests in an existing subsidiary. With the change in the mix of the shareholders of the Joint Venture Company after Completion, the shareholders of the Joint Venture Company can join forces to utilise their experience in the property sector to continue the development of the future phases of Kerry Everbright City, an existing real estate development project constructed and developed by Shanghai Gang Hu in Shanghai, the PRC.

The Directors (including the independent non-executive Directors) consider that (a) the entering into of the Agreement is on normal commercial terms and in the ordinary and usual course of the business of the Company; and (b) the terms of the Agreement are fair and reasonable and in the interests of the shareholders of the Company as a whole.

INFORMATION ABOUT THE COMPANY

The Company is an investment holding company and its subsidiaries are principally engaged in (1) property development and investment in Hong Kong, the PRC and the Asia Pacific region; (2) logistics, freight, warehouse ownership and operations; (3) infrastructure-related investment in Hong Kong and the PRC; and (4) hotel ownership in the PRC.

INFORMATION ABOUT KERRY CHINA

Kerry China is an investment holding vehicle of the Company holding various interests in property development and property investment in the PRC.

INFORMATION ABOUT CHINA EVERBRIGHT

China Everbright is an investment holding company and its subsidiaries are principally engaged in infrastructure investments and environmental protection businesses in the PRC and property investments in Hong Kong and the PRC.

GENERAL

As the Joint Venture Company is a non-wholly owned subsidiary of the Company and China Everbright is a substantial shareholder of certain subsidiaries of the Company (including the Joint Venture Company), China Everbright is a connected person of the Company. The entering into of the Agreement is therefore a connected transaction for the Company under the Listing Rules. Cheung Kong is also a connected person of the Company as it is a substantial shareholder of certain subsidiaries of the Company (including the Joint Venture Company).

This announcement is made pursuant to Rule 14A.32 of the Listing Rules. The Agreement is not subject to the independent shareholders' approval requirement under Chapter 14A of the Listing Rules. Details of the Agreement will be included in the next published annual report and accounts of the Company containing information set out under Rule 14A.45 of the Listing Rules.

As at the date of this announcement, the Directors are Messrs. Ang Keng Lam*, Wong Siu Kong*, Ho Shut Kan*, Ma Wing Kai, William*, William Winship Flanz#, Lau Ling Fai, Herald# and Christopher Roger Moss#, O.B.E.

DEFINITIONS

"Agreement"	means the agreement entered into between Kerry China and China Everbright dated 14 December 2004 in respect of the sale and purchase of the Stake;
"Assigned Loans"	means 40% of the amounts owed by the Joint Venture Company to China Everbright in respect of the loans made by China Everbright to the Joint Venture Company in HK\$ and US\$; the HK\$ portion of the Assigned Loans amounted to HK\$36,100,000 and the US\$ portion of the Assigned Loans amounted to US\$19,141,400 (equivalent to approximately HK\$149,302,920) both as at 30 November 2004;
"Business Day"	means a day (other than a Saturday or Sunday) on which banks are open for business in Hong Kong;
"Cheung Kong"	means Cheung Kong (China Property Development) Limited, a wholly owned subsidiary of Cheung Kong (Holdings) Limited incorporated in the British Virgin Islands (the shares of Cheung Kong (Holdings) Limited are listed on the Main Board of the Stock Exchange);
"Cheung Kong Agreement"	means the share purchase agreement entered into between China Everbright and Cheung Kong on the date of the Agreement relating to the sale by China Everbright to Cheung Kong of the Cheung Kong Stake;
"Cheung Kong Stake"	means (a) 1,200,000 shares of HK\$1.00 each in the capital of the Joint Venture Company representing 15% of the issued share capital of the Joint Venture Company and (b) 60% of the amounts owed by the Joint Venture Company to China Everbright in respect of loans made by China Everbright to the Joint Venture Company in HK\$ and US\$;
"China Everbright"	means China Everbright International Limited, a company incorporated in Hong Kong, the shares of which are listed on the Main Board of the Stock Exchange;
"Company"	means Kerry Properties Limited, an exempted company incorporated in Bermuda, the shares of which are listed on the Main Board of the Stock Exchange;
"Completion"	means completion of the sale and purchase of the Stake under the Agreement;
"Directors"	means the directors of the Company;
"Guarantees"	means (a) the guarantee dated 27 March 1998 given by the shareholders of the Joint Venture Company (or their respective holding companies) in favour of The Development Bank of Singapore Limited, Shanghai Branch and (b) the guarantee dated 11 November 2004 given by China Everbright in favour of The Hongkong and Shanghai Banking Corporation Limited, Shanghai Branch, in each case, in respect of the undertakings given by Shanghai Gang Hu relating to the financing of the acquisitions of units in Kerry Everbright City, a real estate development project constructed and developed by Shanghai Gang Hu in Shanghai, the PRC;
"HK\$"	means Hong Kong dollars, the lawful currency of Hong Kong;
"Hong Kong"	means the Hong Kong Special Administrative Region of the PRC;
"Joint Venture Company"	means Hong Kong Shanghai Development Co Ltd., a company incorporated in Samoa;
"Kerry China"	means Kerry Properties (China) Limited, a wholly owned subsidiary of the Company incorporated in the British Virgin Islands;
"Lenders"	means The Development Bank of Singapore Limited, Shanghai Branch and The Hongkong and Shanghai Banking Corporation Limited, Shanghai Branch;
"Listing Rules"	means the Rules Governing the Listing of Securities on the Stock Exchange;
"PRC"	means the People's Republic of China;
"PRC Business Day"	means a day (other than a Saturday or a Sunday) on which banks are open for business in the PRC;
"RMB"	means Renminbi, the lawful currency of the PRC;
"RMB Loan"	means 40% of the amount owed by the Joint Venture Company to China Everbright in respect of the loan made by China Everbright to the Joint Venture Company in RMB and amounted to RMB10,348,375 (equivalent to approximately HK\$9,750,000);
"Shanghai Gang Hu"	means 上海港滙房地產有限公司 Shanghai Gang Hu Properties Co., Ltd., a subsidiary of the Joint Venture Company incorporated in the PRC;
"Shares"	means 800,000 shares of HK\$1.00 each in the capital of the Joint Venture Company representing 10% of the issued share capital of the Joint Venture Company;
"Stake"	means the Shares and the Assigned Loans;
"Stock Exchange"	means The Stock Exchange of Hong Kong Limited;
"US\$"	means United States dollars, the lawful currency of the United States of America; and
"%"	means per cent.

For the purposes of this announcement, the exchange rates of US\$1.00 = HK\$7.80, US\$1.00 = RMB8.2787 and RMB1 = HK\$0.94218 have been used.

By Order of the Board
Kerry Properties Limited
Chow Yin Ping, Anita
Company Secretary

Hong Kong, 15 December 2004

* for identification purpose only

executive director

* independent non-executive director