
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Kerry Properties Limited, you should at once hand this circular to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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KERRY PROPERTIES LIMITED

(Incorporated in Bermuda with limited liability)

嘉里建設有限公司*

website: www.kerryprops.com

(Stock Code: 00683)

DISCLOSEABLE TRANSACTION RELATING TO ACQUISITION OF LAND IN SHENYANG

A letter from the Board is set out on pages 3 to 6 of this circular.

* *for identification purpose only*

20 July 2007

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DEFINITIONS

In this circular, the following expressions have the following meanings unless the context requires otherwise:

“associate”	has the meaning ascribed to it in the Listing Rules
“Associated Corporations”	has the meaning ascribed to it in Part XV of the SFO
“Board”	the board of Directors
“Circular”	this circular, including the appendix hereto
“Company”	Kerry Properties Limited, an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“Confirmation Agreement”	the agreement dated 28 June 2007 between KSRE and SLRTC confirming KSRE’s winning bid for the Site
“connected persons”	has the meaning ascribed to it in the Listing Rules
“Directors”	directors of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“KSRE”	嘉里(瀋陽)房地產開發有限公司 Kerry (Shenyang) Real Estate Development Co., Ltd., a wholly foreign-owned enterprise established in the PRC and a wholly-owned subsidiary of the Company
“Latest Practicable Date”	16 July 2007, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

DEFINITIONS

“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers, as set out in Appendix 10 to the Listing Rules
“PRC”	The People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shenhe Government”	the People’s Government of Shenhe District, Shenyang, the PRC
“Site”	a plot of land situated at the east side of Qingnian Street, Shenhe District, Shenyang, the PRC with a developable site area of approximately 172,800 sq.m.
“SLRTC”	Shenyang Land Reserve Trading Centre (瀋陽市土地儲備交易中心), an agent of the People’s Government of Shenyang, the PRC under SPLRB
“SPLRB”	Shenyang Planning & Land Resources Bureau (瀋陽市規劃和國土資源局), a department of the People’s Government of Shenyang, the PRC
“sq.m.”	square metres
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed to it in section 2(4) of the Companies Ordinance of Hong Kong (Chapter 32 of the Laws of Hong Kong)

Note: In this circular, amounts quoted in RMB have been translated into HK\$ at the reference rate of HK\$1.00 = RMB0.975 for illustration purpose only. Such translation should not be construed as a representation that the relevant amounts have been, could have been, or could be, converted at that or any other rate or at all.

LETTER FROM THE BOARD



KERRY PROPERTIES LIMITED

(Incorporated in Bermuda with limited liability)

嘉里建設有限公司*

website: www.kerryprops.com

(Stock Code: 00683)

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

Independent Non-executive Directors:

Mr. William Winship FLANZ

Mr. KU Moon Lun

Mr. LAU Ling Fai, Herald

Non-executive Director:

Mr. TSE Kai Chi

Registered Office:

Canon's Court

22 Victoria Street

Hamilton HM12

Bermuda

***Head Office and Principal Place of
Business in Hong Kong:***

13th-14th Floors, Cityplaza 3

14 Taikoo Wan Road

Taikoo Shing

Hong Kong

20 July 2007

*To the Shareholders and, for information only,
the Option-holders of Kerry Properties Limited*

Dear Sir or Madam,

DISCLOSEABLE TRANSACTION RELATING TO ACQUISITION OF LAND IN SHENYANG

1. INTRODUCTION

On 29 June 2007, the Company announced that on 28 June 2007, KSRE, a wholly-owned subsidiary of the Company, won a bid at an open bidding to acquire the Site which is situated at Shenhe District, Shenyang, the PRC at the consideration of RMB2,765 million (equivalent to approximately HK\$2,836 million). Accordingly, on 28 June 2007, KSRE entered into the Confirmation Agreement with SLRTC confirming KSRE's winning bid for the Site.

* for identification purpose only

LETTER FROM THE BOARD

The consideration for the acquisition of the Site exceeds 5% but is less than 25% of the total assets of the Group. Accordingly, the acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

The purpose of this circular is to give you (i) further details of the Confirmation Agreement; and (ii) other information prescribed by the Listing Rules.

2. DETAILS OF THE CONFIRMATION AGREEMENT

Date: 28 June 2007

Vendor: SLRTC

Purchaser: KSRE

Site: The Site is situated at the east side of Qingnian Street, Shenhe District, Shenyang, the PRC. The developable site area is approximately 172,800 sq.m., of which 30% is designated for residential use and 70% for commercial use. The plot ratio of the Site shall not exceed 12. The terms for the grant of the land use right of the Site are 40 years for the commercial portion, and 50 years for the residential portion.

Demolition: Shenhe Government shall be responsible for the demolition of the existing buildings on the Site, and the relocation of and compensation to the existing occupants. Shenhe Government shall deliver vacant possession of the levelled land to KSRE in two phases, the first phase within 12 months and the second phase within 31 months.

Consideration: The cash consideration for the acquisition of the Site is RMB2,765 million (equivalent to approximately HK\$2,836 million).

An initial payment of RMB500 million (equivalent to approximately HK\$513 million) was paid upon winning of the bid and 30% of the consideration (including the initial payment) was paid on 6 July 2007. The balance of the consideration shall be payable by four instalments, each of which being payable within 10 days after the specified milestones of the relocation and demolition work is attained. It is currently expected that the balance of the consideration shall be payable within 31 months.

Land Contract: The land contract for the Site will be signed as soon as practicable after signing of the Confirmation Agreement.

LETTER FROM THE BOARD

3. INFORMATION ON SPLRB, SLRTC AND THE COMPANY

Information on SPLRB

SPLRB is the government agent of the People's Government of Shenyang, the PRC, responsible for, *inter alia*, the planning and surveying, administration and management of land resources in Shenyang, the PRC.

Information on SLRTC

SLRTC is the government agent of the People's Government of Shenyang, the PRC, under SPLRB, responsible for, *inter alia*, the acquisition and management of land resources in Shenyang, the PRC, the building up of land reserves for SPLRB and handling of land sales by SPLRB through public transactions.

Information on the Company

The Group is principally engaged in (1) property development, investment and management in Hong Kong, the PRC and the Asia Pacific region; (2) logistics, freight, warehouse ownership and operations; (3) infrastructure-related investments in Hong Kong and the PRC; and (4) hotel ownership in Hong Kong, and hotel ownership and operations in the PRC.

4. REASONS FOR THE ACQUISITION

The acquisition provides an opportunity for the Group to increase the land bank for development. The Directors believe that it is in the best interests of the Company and its shareholders as a whole to acquire the Site.

Shenyang is the capital city of Liaoning Province, the PRC. It is the centre of economy, culture, transportation and trade in Northeast China. The economy of the city witnessed strong and rapid growth in recent years, thanks to Central Government's "Revitalize Northeast China" policy. Gross domestic products of Shenyang grew at an annual average rate of over 14% during the period from 2001 to 2006. With the sustained and solid economic growth as backing, demand for high-end apartment, upscale office, shopping mall and five-star hotel is expected to rise increasingly in Shenyang.

The Site is located in the central business district of Shenyang opposite to Qingnian Park (青年公園), a famous natural park in the city. It is also adjacent to the busiest streets in the city, namely (a) Qingnian Street (青年大街) which runs from south to north; and (b) Wen Hua Road (文化路) which runs from east to west. Qingnian Street, also reputed as the "Golden Corridor (金廊)", is identified by the Shenyang Government as a new focus of development and set to be transformed into a bustling center of business and retail activities.

LETTER FROM THE BOARD

The Site occupies approximately 172,800 sq.m. and will be developed as a mixed-use property development comprising, *inter alia*, an upscale shopping mall, office, hotel, exhibition centre, serviced apartment and luxury residential units. The development is planned to be linked to a new metro station, which will be the interchange of Shenyang Metro Line Two and Line Five.

The Company may invite other investor(s) to participate in the development project for the Site. Where the Company invites other investor(s) to participate in the development project for the Site, the Company will ensure compliance with all the applicable rules under the Listing Rules.

5. FINANCIAL EFFECTS OF THE ACQUISITION ON THE GROUP

The consideration for the acquisition of the Site has been arrived at following a successful bid by KSRE at an open bidding after taking into account the location and potential value of the Site. It is currently expected that the consideration will be funded from the Group's internal resources and/or external bank borrowings. The funding requirement is not expected to have any material impact on the Group's earnings, assets and liabilities.

6. IMPLICATIONS UNDER THE LISTING RULES

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, SLRTC and SPLRB are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

The consideration for the acquisition of the Site exceeds 5% but is less than 25% of the total assets of the Group. Accordingly, the acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

7. GENERAL

Your attention is drawn to the additional information set out in the appendix to this circular.

Yours faithfully,
For and on behalf of the Board of
Kerry Properties Limited
Ang Keng Lam
Chairman

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

2. DIRECTORS' DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the interests of the Directors in the shares, underlying shares and debentures of the Company or any of its Associated Corporations which were (a) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange 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	180,000 ¹	3,185,238 ³	3,365,238	0.25
Mr. WONG Siu Kong	–	1,000,000 ³	1,000,000	0.08
Mr. HO Shut Kan	50,000 ¹	200,000 ³	250,000	0.02
Mr. MA Wing Kai, William	60,639 ¹	864,378 ³	925,017	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 ⁴	–	8,000,000 ²	20,840,716	1.36 ⁷
	Mr. WONG Siu Kong	4,617,263 ¹	–	6,504,300 ⁵	–	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

Notes:

1. This represents interests held by the relevant Director as beneficial owner.
2. This represents interests held by the relevant Director through a discretionary trust of which the relevant Director is a contingent beneficiary.
3. 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.
4. 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.
5. This represents interests held by the relevant Director through his controlled corporation(s).
6. The percentage has been adjusted based on the total number of ordinary shares of the Company in issue as at the Latest Practicable Date (i.e. 1,332,306,152 ordinary shares).
7. The percentage has been adjusted based on the total number of ordinary shares of Kerry Group Limited in issue as at the Latest Practicable Date (i.e. 1,530,440,775 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.

Saved as disclosed herein, as at the Latest Practicable Date, none of the Directors or chief executives of the Company had any other interests or short positions in the shares, underlying shares or debentures of the Company or any of its Associated Corporations which were (a) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

3. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into, or proposed to enter into, a service contract with any member of the Group which does not expire or is not terminable by such member of the Group within one year without payment of compensation, other than statutory compensation.

4. COMPETING INTERESTS

As at the Latest Practicable Date, the following Directors were considered to have interests in the following businesses (“**Excluded Businesses**”), being businesses which competed or were likely to compete, either directly or indirectly, with the businesses of the Group, other than those businesses in which (a) the Group was interested and (b) the Directors’ only interests were as directors appointed to represent the interests of the Group.

- (a) Mr Ang Keng Lam was a director of and had interests in shares in Allgreen Properties Limited (“**Allgreen**”), the businesses of which consisted of property investment and development, project and property management and leasing of office premises, retail space and serviced apartments in Singapore. The Directors believe that as the size of these Excluded Businesses is not insignificant when compared with the property businesses of the Group, it is likely that these Excluded Businesses may compete with the property businesses of the Group in the Asia Pacific region. Allgreen was listed on the Singapore Exchange Securities Trading Limited as at the Latest Practicable Date.
- (b) Messrs Ang Keng Lam and Wong Siu Kong were directors of and had interests in shares or underlying shares in the Shangri-La Asia Limited (“**SA**”) group of companies, the businesses of which consisted of hotel ownership and operation. The Directors believe that as the size of that part of these Excluded Businesses in Beijing, where the Group has hotel businesses, is not insignificant when compared with the hotel business of the Group in Beijing, it is likely that these Excluded Businesses may compete with the hotel business of the Group in Beijing. SA was listed on the Stock Exchange as at the Latest Practicable Date.

- (c) Messrs Ang Keng Lam and Wong Siu Kong were directors of (but did not have any interests in shares in) the China World Trade Center Ltd. group of companies, the businesses of which consisted of property investment and development and hotel ownership and operation in the PRC. The Directors believe that as the size of these Excluded Businesses is not insignificant when compared with the property and hotel businesses of the Group in the PRC, it is likely that these Excluded Businesses may compete with the property and hotel businesses of the Group in the PRC.

The Excluded Businesses are operated and managed by companies (and in the case of Allgreen, and SA, by publicly listed companies) with independent management and administration. On this basis, the Directors believe that the Group is capable of carrying on its businesses independently of the Excluded Businesses and at arm's length from the Excluded Businesses.

The Directors, including those interested in the Excluded Businesses, will, as and when required under the Bye-laws of the Company, abstain from voting on any resolution of the Board in respect of any contract, arrangement or proposal in which he or any of his associates has a material interest.

5. LITIGATION

Kerry EAS Logistics Limited, a company in which the Group has a 70% interest, is involved in a legal case in which an airline operator, together with five other plaintiffs, including the insurers of the aircraft, are claiming damages, costs and interests, against six defendants, including Kerry EAS Logistics Limited, on a joint and several basis in relation to alleged damages amounting to approximately US\$65.6 million (approximately HK\$511.7 million at the exchange rate of US\$1.00 = HK\$7.75) caused to an aircraft in 2000 in respect of the transportation of certain chemical substances.

The alleged damages (of approximately US\$65.6 million) sought by the plaintiffs represent the market value of the aircraft at the time when the damage occurred less the resale value of the aircraft following repairs. According to the pleadings and the affidavits of the five other plaintiffs, the airline operator was compensated by these plaintiffs for 15% of the total loss. The remaining 85% of the total loss was compensated by other reinsurers. These reinsurers have not brought any legal action against the six defendants as at the Latest Practicable Date.

The hearing of the above legal case took place on 26 September 2006 at the Beijing High Level People's Court pending delivery of judgment.

Based on the opinion dated 11 May 2007 of J&J Law Firm, the legal advisers to the Group, neither the allegation nor the said amount claimed by the plaintiffs against Kerry EAS Logistics Limited was substantiated and it is unlikely that Kerry EAS Logistics Limited will be found liable for the claimed damages and losses. Accordingly, the Directors considered the above legal case has no significant impact on the Group.

Save as disclosed above, as at the Latest Practicable Date, the Company was not aware of any further development of this legal action. Pursuant to the sale and purchase agreement for the acquisition of Kerry EAS Logistics Limited, the vendor of Kerry EAS Logistics Limited has undertaken to indemnify the Group in full in respect of all losses, costs, expenses and other responsibilities and liabilities arising in respect of various pieces of litigation against Kerry EAS Logistics Limited, including the one referred to above.

As at the Latest Practicable Date, save as disclosed above, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration or claim of material importance and, so far as the Directors were aware, no litigation or arbitration or claim of material importance was pending or threatened by or against any member of the Group.

6. EXPERT

The following is the qualification of the expert who has been named in this circular or has given opinion or advice which are contained in this circular:

Name	Qualification
J&J Law Firm	qualified PRC lawyers

J&J Law Firm has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its opinion prepared for the purpose of incorporation in this circular, and the references to its name and opinion in the form and context in which they respectively appear.

As at the Latest Practicable Date, J&J Law Firm did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group nor did it have any direct or indirect interests in any assets which have since 31 December 2006 (being the date to which the latest published audited accounts of the Group were made up) been acquired or disposed of by or leased to any members of the Group, or were proposed to be acquired or disposed of by or leased to any members of the Group.

7. MISCELLANEOUS

- (a) The Qualified Accountant of the Company is Mr. Yu Kam Wah. Mr. Yu is a Fellow of the Hong Kong Institute of Certified Public Accountants, a Fellow of the Association of Chartered Certified Accountants, a member of The American Institute of Certified Public Accountants, and holds a Master of Professional Accounting degree from The Hong Kong Polytechnic University. Mr. Yu is also an associate member of both the Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries.

- (b) The Secretary of the Company is Ms. Li Siu Ching, Liz. Ms. Li is a solicitor qualified in Hong Kong and holds a Master of Laws from the University of Northumbria at Newcastle, England. Ms. Li is also an associate member of both the Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries.

- (c) The Company's Hong Kong branch share registrar and transfer office is Abacus Share Registrars Limited of 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

- (d) This circular has been prepared in both English and Chinese. In the case of any discrepancy, the English text shall prevail.