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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)

CONNECTED TRANSACTION RELATING TO FORMATION OF A JOINT VENTURE COMPANY

The Board announces that, on 26 April 2008, the JV Parties entered into the Sale and Purchase Agreement in respect of the formation of a joint venture company by way of acquisition of 71% of the entire issued share capital of JVCO and the proportionate Shareholder's Loans at the Consideration of HK\$696,725,019. Through its subsidiaries, JVCO has acquired the Properties.

Immediately prior to the entering into of the Sale and Purchase Agreement, GSL was the legal and beneficial owner of the entire issued share capital of JVCO. As at 31 March 2008, PHCL granted to the JVCO Group the Shareholder's Loans in the amount of HK\$231,557,022. Pursuant to the Sale and Purchase Agreement, PPL agreed to acquire from GSL the Sale Shares and WTFSL agreed to acquire from PHCL 71% of the Shareholder's Loans. Following completion of the Sale and Purchase Agreement, JVCO will be owned by GSL and PPL in the proportions of 29% and 71% respectively. Pursuant to the Sale and Purchase Agreement, the JV Parties agreed that they will enter into the Shareholders' Agreement with JVCO to hold the Properties for re-development purposes.

PHCL holds a 29% beneficial interest in, and therefore is a substantial shareholder of, Champrich Investments Limited, which is an indirect 71%-owned subsidiary of the Company. Both PHCL and PP(H)CL are beneficially owned by Mr. Yeung and PP(H)CL is the holding company of GSL. PHCL, PP(H)CL, GSL and Mr. Yeung are each therefore a connected person of the Company under the Listing Rules. Accordingly, the entering into of the Agreements constitutes a connected transaction for the Company under the Listing Rules.

As the JVCO's maximum investment amount of approximately HK\$1,277 million is more than 0.1% but less than 2.5% of the total assets and the market capitalisation of the Company, the entering into of the Agreements is only subject to announcement and reporting requirements but is exempt from independent shareholders' approval requirement under the Listing Rules.

INTRODUCTION

The Board announces that, on 26 April 2008, the JV Parties entered into the Sale and Purchase Agreement in respect of the formation of the JVCO by way of acquisition of the Sale Shares (being 71% of the entire issued share capital of JVCO) and the proportionate Shareholder's Loans at the Consideration of HK\$696,725,019. Through its subsidiaries, JVCO has acquired the Properties as set out below:-

Properties

- (1) 2, 4, 6, 8, 10 and 12 Li Sing Street, Hong Kong;
- (2) 1, 3, 3A, 5 and 5A Wilmer Street, Hong Kong; and
- (3) 185, 187, 189 and 189A Queen's Road West, Hong Kong.

Immediately prior to the entering into of the Sale and Purchase Agreement, GSL was the legal and beneficial owner of the entire issued share capital of JVCO. As at 31 March 2008, PHCL granted to the JVCO Group the Shareholder's Loans in the amount of HK\$231,557,022. Pursuant to the Sale and Purchase Agreement, PPL agreed to acquire from GSL the Sale Shares and WTFSL agreed to acquire from PHCL 71% of the Shareholder's Loans. Following completion of the Sale and Purchase Agreement, JVCO will be owned by GSL and PPL in the proportions of 29% and 71%, respectively.

The assets of JVCO are its interest in the entire issued share capital of each of the subsidiaries of the JVCO Group. As at 31 March 2008, the total asset value of JVCO was HK\$338,689,036, which also represents costs incurred on the acquisition of the Properties. The Properties were acquired over a period of time commencing from November 2004, which comprise both residential and commercial units. The assets of the JVCO Group comprise the Properties and the total site area of the Properties is approximately 13,263 square feet.

THE SALE AND PURCHASE AGREEMENT

Details of the Sale and Purchase Agreement are as follows:

Date: 26 April 2008

Parties:

- (a) GSL as share vendor of the Sale Shares;
- (b) PHCL as loan vendor of the Shareholder's Loans;
- (c) PP(H)CL as warrantor of GSL and PHCL;
- (d) Mr. Yeung as guarantor of GSL and PHCL;
- (e) PPL as share purchaser of the Sale Shares; and
- (f) WTFSL as loan purchaser of the 71% Shareholder's Loans.

Consideration: Pursuant to the Sale and Purchase Agreement:

- (a) GSL agreed to transfer the Sale Shares (being 71% of the entire issued share capital of JVCO) to PPL at the consideration of HK\$457,031,133; and
- (b) PHCL agreed to assign 71% of the entire Shareholder's Loans (including a Shareholder's Loans to be advanced by PHCL to the JVCO Group, which will be used to discharge all the bank indebtedness of the JVCO Group) to WTFSL at the consideration of HK\$239,693,886.

Conditions:

- (a) all the bank indebtedness of the JVCO Group having been fully discharged (as at 31 March 2008, the bank indebtedness of the JVCO Group was HK\$106,040,000);
- (b) all the existing encumbrances in respect of the Properties having been fully released and discharged; and
- (c) all buildings, structures and erections on certain Properties having been demolished and cleared.

THE SHAREHOLDERS' AGREEMENT

Pursuant to the Sale and Purchase Agreement, the JV Parties agreed that they will enter into the Shareholders' Agreement with JVCO upon completion of the Sale and Purchase Agreement. The Shareholders' Agreement will set out the rights and obligations of the JV Parties in relation to the management of JVCO.

The principal terms of the Shareholders' Agreement will be as follows:

- Parties:**
- (a) PPL;
 - (b) WTFSL;
 - (c) Mr. Yeung;
 - (d) PP(H)CL;
 - (e) GSL;
 - (f) PHCL; and
 - (g) JVCO.

Additional Shareholder's Loans: The amount and manner of funding by the JVCO Shareholders to JVCO shall be determined by the board of directors of JVCO from time to time provided that each JVCO Shareholder (or its associate) shall provide or procure the provision of such funding on a pro-rata basis in accordance with its equity interest in JVCO. In the event that any guarantees and/or securities required to be given by the JVCO Shareholders, such guarantees and/or securities shall be given by the JVCO Shareholders (or their respective associates) on a pro-rata and several basis in accordance with their respective equity interests in JVCO.

Maximum investment amount: The JVCO's maximum investment amount shall be approximately HK\$1,277 million.

FINANCIAL EFFECTS OF THE AGREEMENTS

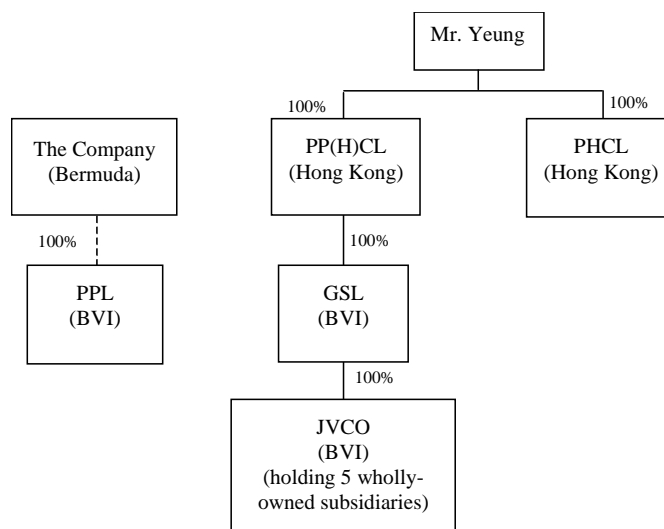
The Consideration was arrived at after arm's length negotiations between the JV Parties, taking into account the acquisition cost of the Properties, prevailing market values of similar properties in nearby area at the time of negotiation and the face value of the Shareholder's Loans advanced and to be advanced by PHCL to the JVCO Group. A deposit of HK\$139,345,004 was paid upon execution of the Sale and Purchase Agreement. The balance of the Consideration (of HK\$557,380,015) will be payable upon completion of the Sale and Purchase Agreement (which is on or before 30 May 2008).

Based on the JVCO's maximum investment amount in the JVCO, i.e. approximately HK\$1,277 million, the maximum contribution of the Group to JVCO is expected to be approximately HK\$907 million which will be sourced by the Group from its internal resources and/or external bank borrowings. The funding requirement for making the maximum contribution is not expected to have any material impact on the Group.

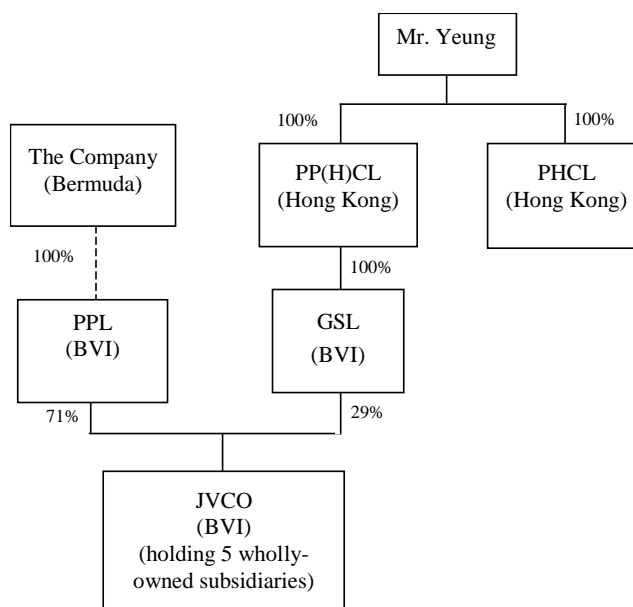
INFORMATION ON JVCO, GSL, PHCL AND PP(H)CL

Following completion of the Sale and Purchase Agreement, JVCO will become an indirect 71%-owned subsidiary of the Company. The shareholding structures of JVCO, immediately before and after completion of the Sale and Purchase Agreement, are as set out below:-

Before completion of the Sale and Purchase Agreement:



After completion of the Sale and Purchase Agreement:



Based on the unaudited consolidated management accounts of the JVCO Group as at 31 March 2008, the loss of the JVCO Group for the period from 2 January 2008, which is the date of incorporation of JVCO, to 31 March 2008 amounted to HK\$443,172, and the net liability of the JVCO Group as at 31 March 2008 amounted to HK\$443,164.

Each of GSL, and PP(H)CL is an investment holding company.

PHCL is a company whose principal businesses are investment holding, properties investments and provision of management services and finance.

INFORMATION ABOUT THE GROUP

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

REASONS FOR AND BENEFITS OF THE ENTERING INTO OF THE AGREEMENTS

The purpose of entering into of the Agreements is to enable the JV Parties to form a joint venture company for the re-development of the Properties into a high class residential and retail development. Such transaction is expected to enhance shareholders' value for the shareholders of the Company by providing additional revenue for the Company.

IMPLICATIONS UNDER THE LISTING RULES

PHCL holds a 29% beneficial interest in, and therefore is a substantial shareholder of, Champrich Investments Limited, which is an indirect 71%-owned subsidiary of the Company. Both PHCL and PP(H)CL are beneficially owned by Mr. Yeung and PP(H)CL is the holding company of GSL. Accordingly, PP(H)CL, Mr. Yeung and GSL are associates of PHCL. PHCL, PP(H)CL, GSL and Mr. Yeung are each therefore a connected person of the Company under the Listing Rules. Accordingly, the entering into of the Agreements constitutes a connected transaction for the Company under the Listing Rules.

As the JVCO's maximum investment amount of approximately HK\$1,277 million is more than 0.1% but less than 2.5% of the total assets and the market capitalisation of the Company, the entering into of the Agreements is only subject to announcement and reporting requirements but is exempt from independent shareholders' approval requirement under the Listing Rules.

The terms of the Agreements were arrived at after arm's length negotiations between the JV Parties. The Directors (including the independent non-executive Directors) believe that the terms of the Agreements are on normal commercial terms, fair and reasonable and in the interests of the Company and its shareholders as a whole, and the transactions contemplated under the Agreements would be in the ordinary and usual course of business of the Group.

GENERAL

As at the date of this announcement, the Directors are Messrs. Ang Keng Lam⁺, Wong Siu Kong⁺, Ho Shut Kan⁺, Ma Wing Kai, William⁺, So Hing Woh, Victor, MBE, JP⁺, Chan Wai Ming, William, Qian Shaohua, Tse Kai Chi[@], William Winship Flanz[#], Ku Moon Lun[#] and Lau Ling Fai, Herald[#].

⁺ *Executive director*

[@] *Non-executive director*

[#] *Independent non-executive director*

DEFINITIONS

"Agreements"	collectively, the Sale and Purchase Agreement and the Shareholders' Agreement;
"associate(s)"	has the meaning ascribed to it in the Listing Rules;
"Board"	the board of directors of the Company;
"BVI"	the British Virgin Islands;

"Company"	Kerry Properties Limited, an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of HKSE;
"connected person"	has the meaning ascribed to it in the Listing Rules;
"Consideration"	the total consideration of the Sale Shares Consideration and the Shareholder's Loans Consideration;
"Directors"	directors of the Company;
"Group"	the Company and its subsidiaries;
"GSL"	Golden Snow Limited, a company incorporated in the BVI and the vendor of the 71% of the entire issued share capital of JVCO to be assigned to PPL pursuant to the Sale and Purchase Agreement;
"HK\$"	Hong Kong dollars, the lawful currency of Hong Kong;
"HKSE"	The Stock Exchange of Hong Kong Limited;
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC;
"JVCO"	Fancy Win Limited, a company incorporated in the BVI;
"JVCO Group"	JVCO and its subsidiaries from time to time;
"JVCO Shareholders"	GSL and PPL and "JVCO Shareholder" shall mean any one of them;
"JV Parties"	collectively, GSL, PHCL, PP(H)CL, Mr. Yeung, PPL and WTFSL;
"Listing Rules"	the Rules Governing the Listing of Securities on HKSE;
"Mr. Yeung"	Mr. Yeung Sai Hong, GSL and PHCL's guarantor under the Sale and Purchase Agreement;
"PHCL"	Peterson Holdings Company Limited, a company incorporated in Hong Kong with limited liability whose entire issued share capital is owned by Mr. Yeung and the vendor of 71% of the entire Shareholder's Loans to be assigned to WTFSL pursuant to the Sale and Purchase Agreement;
"PP(H)CL"	Peterson Property (Holdings) Company Limited, a company incorporated in Hong Kong with limited liability whose entire issued share capital is owned by Mr. Yeung, the holding company of GSL and PHCL and PHCL's warrantor under the Sale and Purchase Agreement;
"PPL"	Precious Path Limited, a company incorporated in the BVI and an indirect wholly-owned subsidiary of the Company;
"PRC"	the People's Republic of China;

"Properties"	the properties of the JVCO, as described in the introduction of this announcement;
"Sale Shares Consideration"	the consideration of HK\$457,031,133 for the transfer of Sale Shares from GSL to PPL under the Sale and Purchase Agreement;
"Sale and Purchase Agreement"	the sale and purchase agreement dated 26 April 2008 entered into among the JV Parties in connection with the sale by GSL to PPL of the Sale Shares and the assignment of the proportionate Shareholder's Loans from PHCL to WTFSL;
"Sale Shares"	71% of the entire issued share capital of JVCO to be acquired from GSL by PPL under the Sale and Purchase Agreement;
"Shareholders' Agreement"	the shareholders' agreement to be entered into among the JV Parties and JVCO setting out the rights and obligations of the JV Parties in relation to the management of the JVCO;
"Shareholder's Loans"	the shareholder's loans advanced and to be advanced by PHCL to the JVCO Group up to the date of, and immediately prior to, completion of the Sale and Purchase Agreement;
"Shareholder's Loans Consideration"	the consideration of HK\$239,693,886 for the assignment of the proportionate Shareholder's Loans from PHCL to WTFSL under the Sale and Purchase Agreement;
"substantial shareholder"	has the meaning ascribed to it in the Listing Rules;
"WTFSL"	Wing Tsing Financial Services Limited, a company incorporated in the BVI and an indirect wholly-owned subsidiary of the Company; and
"%"	per cent.

By Order of the Board
Kerry Properties Limited
Li Siu Ching, Liz
Company Secretary

Hong Kong, 30 April 2008

* *For identification purpose only*