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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer, a 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 and the enclosed form of proxy 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 transferee.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

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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](http://www.kerryprops.com)*

**(Stock Code: 00683)**

**DISCLOSEABLE AND CONNECTED TRANSACTIONS  
RELATING TO  
THE ESTABLISHMENT OF JOINT VENTURE FOR  
THE ACQUISITION, HOLDING AND DEVELOPMENT  
OF LAND IN TANGSHAN CITY, HEBEI PROVINCE, PRC  
AND  
RE-ELECTION OF THE RETIRING DIRECTORS**

**Independent Financial Adviser to  
the Independent Board Committee and the Independent Shareholders**

**COMMERZBANK** 

**Commerzbank AG Hong Kong Branch**

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A letter from the Board is set out on pages 7 to 19 of this circular. A letter from the Independent Board Committee is set out on pages 20 and 21 of this circular. A letter from Commerzbank containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 22 to 34 of this circular.

Resolutions will be proposed at the Special General Meeting of Kerry Properties Limited to be held at Atrium Room, Level 39, Island Shangri-La Hotel, Pacific Place, Supreme Court Road, Central, Hong Kong on Thursday, 4 September 2008 at 3:00 p.m. to approve the matters referred to in this circular.

The notice convening the Special General Meeting is set out on pages 43 and 44 of this circular. A form of proxy for use at the Special General Meeting is enclosed with this circular. Whether or not you are able to attend the meeting, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to Tricor Abacus Limited, the Company's branch share registrar and transfer office in Hong Kong, of 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the Special General Meeting.

\* for identification purpose only

12 August 2008

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## DEFINITIONS

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

“Affiliates”	in relation to any JV Party, any subsidiary or holding company of that JV Party or subsidiary of any such holding company, in each case from time to time;
“APL”	Allgreen Properties Limited, a company incorporated in Singapore with limited liability, the shares of which are listed on SGX;
“APL Group”	APL and its subsidiaries;
“Articles of Association”	the articles of association of the JVCO(s);
“Associated Corporations”	has the meaning ascribed to it in Part XV of the SFO;
“associates”	has the meaning ascribed to it in the Listing Rules;
“Board”	the board of Directors;
“Business Day”	a day (excluding Saturday and Sunday) on which banks in Hong Kong are open for business;
“Bye-laws”	the bye-laws of the Company;
“circular”	this circular, including the appendices 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 Notices”	confirmation notices (成交確認書) dated 21 July 2008 issued by Tangshan City Land Resources Bureau (唐山市國土資源局) to KPCL, JIPL, SACL and WTIL confirming the winning of the bids for the Project Sites;
“connected person”	has the meaning ascribed to it in the Listing Rules;
“connected transactions”	has the meaning ascribed to it in the Listing Rules;

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## DEFINITIONS

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“Consideration”	the total consideration for the acquisition of the Project Sites, being approximately RMB1,705 million (approximately HK\$1,960 million);
“controlling shareholder(s)”	has the meaning ascribed to it in the Listing Rules;
“Directors”	directors of the Company;
“Excluded Businesses”	the businesses of the Directors which, as at the Latest Practicable Date, 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;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	Hong Kong Special Administrative Region of PRC;
“Independent Board Committee”	the independent committee of the Board consisting of all the independent non-executive Directors;
“Independent Financial Adviser” or “Commerzbank”	Commerzbank AG, acting through its Hong Kong branch, a licensed bank under the Banking Ordinance and an authorised financial institution under the SFO to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities as set out in Schedule 5 to the SFO, and appointed as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Transactions;
“Independent Shareholders”	Shareholders who are not required to abstain from voting in respect of the KPL Resolution at the Special General Meeting;
“JIPL”	Jeston Investments Pte Ltd, a company incorporated in Singapore with limited liability and a direct wholly-owned subsidiary of APL;

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## DEFINITIONS

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“JVCO(s)”	one or more wholly foreign-owned enterprise(s) to be established by KPCL, JIPL, SACL and WTIL in Tangshan City, Hebei Province, PRC for the purpose of acquiring, holding and developing the Project Sites;
“JV Parties”	collectively, the Company, APL, SA and KB;
“KB”	Kuok Brothers Sdn. Bhd., a company incorporated in Malaysia with limited liability;
“KB Group”	KB and its subsidiaries;
“KHL”	Kerry Holdings Limited, a company incorporated in Hong Kong, which as at the Latest Practicable Date is the controlling shareholder of each of the Company and SA;
“KPCL”	Kerry Properties (China) Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company;
“KPL Resolution”	the resolution(s) to ratify, confirm and approve the Master Joint Venture Agreement and the Transactions by the Independent Shareholders at the Special General Meeting;
“KSL”	Kuok (Singapore) Limited, a company incorporated in Singapore, being the controlling shareholder of APL;
“Latest Practicable Date”	7 August 2008, 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;
“Master Joint Venture Agreement”	the master joint venture agreement dated 21 July 2008 and entered into between the Company, APL, SA and KB with respect to the establishment of the JVCO(s) for the acquisition and development of the Project Sites;
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers, as set out in Appendix 10 to the Listing Rules;

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## DEFINITIONS

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“PRC”	the People’s Republic of China;
“Project Sites”	the following sites with a gross site area of 295,013.83 sq.m.:  (i) Land no. 1 located at the west of Da Li Road, the north of Chang Hong Street, Phoenix New City District, Tangshan City, Hebei Province, PRC (中國河北省唐山市鳳凰新城區大理路西側、長虹道北側地塊(地塊編號: 1)), with a gross area of 18,912.19 sq.m.;
	(ii) Land no. 2 located at the east of Da Li Road, the south of Chaoyang Street, Phoenix New City District, Tangshan City, Hebei Province, PRC (中國河北省唐山市鳳凰新城區大理路東側、朝陽道南側地塊(地塊編號: 2)), with a gross area of 200,245.70 sq.m.; and
	(iii) Land no. 3 located at the west of Da Li Road, the south of Chaoyang Street, Phoenix New City District, Tangshan City, Hebei Province, PRC (中國河北省唐山市鳳凰新城區大理路西側、朝陽道南側地塊(地塊編號: 3)), with a gross area of 75,855.94 sq.m.;
“Re-election Resolutions”	the resolutions to re-elect the retiring Directors by all the Shareholders at the Special General Meeting;
“RMB”	Renminbi, the lawful currency of PRC;
“SA”	Shangri-La Asia Limited, an exempted company incorporated in Bermuda with limited liability, the shares of which are primarily listed on the Main Board of the Stock Exchange with secondary listing on the SGX;
“SA Board”	the board of directors of SA;
“SA Group”	SA and its subsidiaries;
“SA Independent Shareholders”	SA Shareholders who are not required to abstain from voting at the special general meeting of SA to be convened to consider and, if thought fit, approve the Transactions;

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## DEFINITIONS

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“SA Shareholders”	holders of SA Shares;
“SA Shares”	ordinary shares of HK\$1.00 each in the capital of SA;
“SACL”	Shangri-La China Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of SA;
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“SGX”	Singapore Exchange Securities Trading Limited;
“Shang Holdings”	Shang Holdings Limited, a company incorporated in Samoa, which is an indirect wholly-owned subsidiary of SA;
“Share(s)”	ordinary share(s) of HK\$1.00 each in the capital of the Company;
“Shareholder(s)”	holder(s) of Shares;
“Shareholders’ Agreements”	the shareholders’ agreements to be entered into by KPCL, JIPL, SACL and WTIL in relation to the establishment of the JVCO(s);
“Special General Meeting”	the special general meeting of the Company to be held at Atrium Room, Level 39, Island Shangri-La Hotel, Pacific Place, Supreme Court Road, Central, Hong Kong on Thursday, 4 September 2008 at 3:00 p.m. at which the KPL Resolution and the Re-election Resolutions will be proposed, the notice of which is set out on pages 43 and 44 of this circular;
“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);

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## DEFINITIONS

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“Transactions”	the entering into of the Master Joint Venture Agreement by the Company, APL, SA and KB and the transactions contemplated thereunder, including but not limited to the establishment of the JVCO(s) and the entering into of the Shareholders’ Agreements and the Articles of Association by KPCL, JIPL, SACL and WTIL and the transactions contemplated thereunder;
“WTIL”	Winson Terrace International Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of KB; and
“%”	per cent.

*Note: In this circular, amounts denominated in RMB have been converted into HK\$ at the rate of RMB0.87 = HK\$1.00 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.*

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## LETTER FROM THE BOARD

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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](http://www.kerryprops.com)

(Stock Code: 00683)

### **Directors:**

Mr. KUOK Khoon Chen<sup>+</sup> (*Chairman*)  
Mr. WONG Siu Kong<sup>+</sup>  
(*President & Chief Executive Officer*)  
Mr. HO Shut Kan<sup>+</sup>  
Mr. MA Wing Kai, William<sup>+</sup>  
Mr. SO Hing Woh, Victor, MBE, JP<sup>+</sup>  
Mr. CHAN Wai Ming, William  
Mr. QIAN Shaohua  
Mr. KU Moon Lun<sup>#</sup>  
Mr. LAU Ling Fai, Herald<sup>#</sup>  
Ms. WONG Yu Pok, Marina, JP<sup>#</sup>  
Mr. TSE Kai Chi<sup>@</sup>

### **Registered Office:**

Canon's Court  
22 Victoria Street  
Hamilton HM12  
Bermuda

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

13-14/F, Cityplaza 3  
14 Taikoo Wan Road  
Taikoo Shing  
Hong Kong

12 August 2008

*To the Shareholders and for information only,  
the optionholders of Kerry Properties Limited*

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTIONS  
RELATING TO  
THE ESTABLISHMENT OF JOINT VENTURE FOR  
THE ACQUISITION, HOLDING AND DEVELOPMENT  
OF LAND IN TANGSHAN CITY, HEBEI PROVINCE, PRC  
AND  
RE-ELECTION OF THE RETIRING DIRECTORS**

### **1. INTRODUCTION**

On 22 July 2008, the Board and the SA Board jointly announced that on 21 July 2008, KPCL, JIPL, SACL and WTIL jointly won the bids at the open biddings to acquire the land use

+ *Executive Director*

# *Independent Non-executive Director*

@ *Non-executive Director*

\* *for identification purpose only*

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## LETTER FROM THE BOARD

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rights of the Project Sites in Tangshan City, Hebei Province, PRC. Accordingly, on 21 July 2008, Tangshan City Land Resources Bureau (唐山市國土資源局) has issued Confirmation Notices to KPCL, JIPL, SACL and WTIL confirming the winning of the bids for the Project Sites.

Following the successful biddings of the Project Sites, the JV Parties have entered into the Master Joint Venture Agreement on 21 July 2008 pursuant to which the JV Parties will procure KPCL, JIPL, SACL and WTIL (as the case may be) to establish one or more JVCO(s) for the acquisition, holding and development of the Project Sites and to enter into the Shareholders' Agreements and the Articles of Association in connection with the establishment of the JVCO(s) and the development of the Project Sites.

KSL is interested in approximately 34.1% of the existing issued share capital of APL. KSL indirectly owns 33% of the issued shares of a 67%-owned subsidiary of the Company and therefore APL is a connected person of the Company. KHL is the controlling shareholder of both the Company and SA. SA is an associate of KHL and therefore SA is a connected person of the Company. KB is entitled to indirectly exercise 49% of the voting power at general meetings of a 51%-owned subsidiary of the Company and is therefore a connected person of the Company. WTIL is an indirect wholly-owned subsidiary of KB. Accordingly, the entering into of the Transactions constitutes connected transactions for the Company under the Listing Rules. As the maximum contribution of the Group to the JVCO(s) exceeds 2.5% of the total assets and market capitalization of the Company, the Transactions are subject to the approval of the Independent Shareholders.

In addition, the maximum contribution of the Group to the JVCO(s) will result in one of the percentage ratios as defined in Chapter 14 of the Listing Rules exceeding 5%. Accordingly, the Transactions will also constitute discloseable transactions for the Company.

The purpose of this circular is to provide you with, *inter alia*, further information in respect of the Transactions and other information prescribed by the Listing Rules. This circular also contains a letter of advice from Commerzbank to the Independent Board Committee and the Independent Shareholders in respect of the Transactions, a letter of advice containing the recommendation of the Independent Board Committee to the Independent Shareholders in relation to the Transactions and a notice of the Special General Meeting.

## 2. DETAILS OF THE MASTER JOINT VENTURE AGREEMENT

Following the successful biddings of the Project Sites, the JV Parties have entered into the Master Joint Venture Agreement on 21 July 2008 pursuant to which the JV Parties will procure KPCL, JIPL, SACL and WTIL (as the case may be) to establish one or more JVCO(s) for the acquisition, holding and development of the Project Sites and to enter into the

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## LETTER FROM THE BOARD

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Shareholders' Agreements and the Articles of Association in connection with the establishment of the JVCO(s) and the development of the Project Sites. The principal terms of the Master Joint Venture Agreement are as follows:

<b>Date:</b>	21 July 2008
<b>Parties:</b>	The Company, APL, SA and KB
<b>Formation of Joint Venture:</b>	The JV Parties shall procure KPCL, JIPL, SACL and WTIL to establish one or more JVCO(s) to acquire the Project Sites. The JV Parties shall agree on the number of JVCO(s) to be established and it is currently expected that no more than three JVCOs will be established.
<b>Shareholdings in the JVCO(s):</b>	The shareholdings of KPCL, JIPL, SACL and WTIL in the JVCO(s) shall be in the proportions of 40%, 25%, 20% and 15%, respectively.
<b>Names of the JVCO(s):</b>	To be determined by the JV Parties
<b>Parties to the JVCO(s):</b>	KPCL, JIPL, SACL and WTIL
<b>Registered Capital:</b>	The total amount of the registered capital of the JVCO(s) will be equal to the Consideration or such other amount to be agreed among KPCL, JIPL, SACL and WTIL, which will be contributed by KPCL, JIPL, SACL and WTIL on a pro rata basis based on their respective shareholdings in the JVCO(s). The JV Parties shall agree on the amount of the registered capital for each JVCO but the aggregate amount of registered capital of the JVCO(s) shall not exceed the maximum total investment amount stated below.
<b>Maximum Total Investment Amount:</b>	The maximum total investment amount of the JVCO(s) shall be approximately RMB7,300 million (approximately HK\$8,391 million). The JV Parties shall agree on the total investment amount for each JVCO but the aggregate amount shall not exceed the maximum total investment of RMB7,300 million.
<b>Scope of Business of the JVCO(s):</b>	Real estate development, operation, sale, leasing, property management and hotel development, operation and management.

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## LETTER FROM THE BOARD

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### **Funding and Provision of Securities:**

The sources and terms of future funding requirements of the JVCO(s) shall be determined by the boards of directors of the JVCO(s) from time to time. If any funding by banks, financial institutions or other third parties is required, each JV Party shall provide or procure the provision of or make available by itself and/or its Affiliates such form of financial assistance (including, without limitation, the provision of collateral or security for the benefit of the JVCO(s) and/or the provision of several corporate guarantees and indemnities by the JV Parties) on a pro rata and several basis based on its equity interest in the JVCO(s) as such lender(s) and the JV Parties may agree. If shareholders' funding is required, each JV Party shall provide or procure the provision of or make available by itself and/or its Affiliates such funding on a pro-rata and several basis in accordance with its equity interest in the JVCO(s).

In the event that any respective funding to be provided by KPCL, JIPL, SACL and WTIL to JVCO(s) is in the form of shareholders' loans, such shareholders' loans:

- (a) shall be non-revolving (unless the shareholders of the JVCO(s) agree otherwise);
- (b) shall only be repaid subject to, *inter alia*, any restrictions imposed by banks or financial institutions which have extended loans or facilities to the JVCO(s);
- (c) shall only be repaid to the shareholders of the JVCO(s) on a pro rata basis in accordance with their then respective equity interest in the JVCO(s) (as the case may be); and
- (d) where such shareholders' loans are interest-bearing, interest may be charged at such prevailing rate(s) as the shareholders of the JVCO(s) shall agree.

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## LETTER FROM THE BOARD

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**Reimbursement of Initial Deposit:**

60% of the initial payment of HK\$780 million (comprised in the Consideration) had been reimbursed to KPCL by JIPL, SACL and WTIL in proportion to their respective shareholdings in the JVCO(s).

**Board Composition:**

The board of directors of the JVCO(s) will consist of five directors, of which two directors will be nominated by KPCL while each of JIPL, SACL and WTIL will be entitled to nominate one director.

**Conditions Precedent:**

The Master Joint Venture Agreement, the establishment of the JVCO(s) and the performance of the Shareholders' Agreements and the Articles of Association are conditional upon:

- (a) approval by the Independent Shareholders in respect of the Transactions and compliance by the Company with the Listing Rules;
- (b) approval by the SA Independent Shareholders in respect of the Transactions and compliance by SA with the Listing Rules; and
- (c) all necessary approvals from the relevant PRC authorities for the establishment of the JVCO(s) having been obtained.

None of the above conditions may be waived by the JV Parties.

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## LETTER FROM THE BOARD

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- Termination of Joint Venture:**
- (a) In the event that the Company is not able to obtain approval from the Independent Shareholders in respect of the Transactions or the Special General Meeting to be convened by the Company approving the same is not held on or before 31 December 2008 or such later date as the JV Parties shall agree, the Company may terminate the arrangement in relation to the JVCO(s) by notice in writing to the other JV Parties and upon such termination, the Company may either (i) itself (or through KPCL or any of its Affiliates) acquire the entire interest in the JVCO(s); or (ii) introduce third party(ies) to acquire the respective interests held by APL, SA, KB or any of their respective Affiliates in the JVCO(s), and reimburse APL, SA and/or KB (as the case may be) any payment made or expenses incurred in connection with, *inter alia*, the acquisition of the Project Sites or the establishment of the JVCO(s) to acquire the Project Sites within 7 Business Days from the date of termination.
  
  - (b) In the event that SA is not able to obtain approval from the SA Independent Shareholders in respect of the Transactions or the special general meeting to be convened by SA approving the same is not held on or before 31 December 2008 or such later date as the JV Parties shall agreed, SA shall be deemed to have withdrawn from the Master Joint Venture Agreement and the Company, APL and KB shall themselves (or through their respective Affiliates) acquire the interest held by the SA Group in the JVCO(s) in the same proportion, i.e. the final shareholdings will be the Company/APL/KB: 50%/31.25%/18.75%, and reimburse SA any payment made or expenses incurred in connection with, *inter alia*, the acquisition of the Project Sites or the establishment of the JVCO(s) to acquire the Project Sites within 7 Business Days from the date of such acquisition.

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## LETTER FROM THE BOARD

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- (c) If all necessary approvals, consents, authorisation and licences required under the Shareholders' Agreement and the Articles of Association are not obtained within 18 months from the signing thereof or such later date as the JV Parties shall agree, any JV Party may terminate the arrangement in relation to the JVCO(s) by notice in writing to the other JV Parties. Upon termination, the Company may either (i) itself (or through KPCL or any of its Affiliates) acquire the entire interest in the JVCO(s); or (ii) introduce third party(ies) to acquire the respective interests held by APL, SA, KB or any of their respective Affiliates in the JVCO(s), and reimburse APL, SA and/or KB (as the case may be) any payment made or expenses incurred in connection with, *inter alia*, the acquisition of the Project Sites or the establishment of the JVCO(s) to acquire the Project Sites within 7 Business Days from the date of termination.

The Company and SA, where appropriate, will comply with the requirements of the Listing Rules if the event as referred to in (a), (b) or (c) above happens.

### 3. FINANCIAL EFFECTS OF THE TRANSACTIONS

Based on the maximum total investment amount in the JVCO(s) of approximately RMB7,300 million (approximately HK\$8,391 million), the maximum contributions of the Group, the APL Group, the SA Group and the KB Group to the JVCO(s) are expected to be approximately RMB2,920 million (approximately HK\$3,356 million), approximately RMB1,825 million (approximately HK\$2,098 million), approximately RMB1,460 million (approximately HK\$1,678 million) and approximately RMB1,095 million (approximately HK\$1,259 million) respectively.

The Consideration has been arrived at following the successful joint bids by KPCL, JIPL, SACL and WTIL at the open biddings after taking into account the location and potential value of the Project Sites. It is currently expected that the funding required by the Company for making the maximum contribution to the JVCO(s) will be sourced by the Company from its internal cash reserves and/or external bank borrowings. The Company is not able to ascertain the proportion between internal cash reserves and external bank borrowings at this stage. The funding requirement for making the maximum contribution is not expected to have any material impact on the Group.

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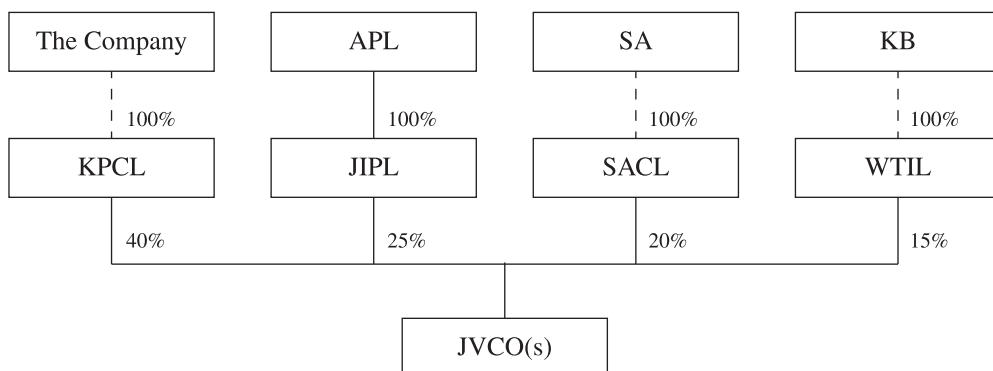
## LETTER FROM THE BOARD

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Following completion of the Transactions, the JVCO(s) will become a 40% owned associated company(ies) of the Group and will be so treated in the consolidated financial statements of the Company.

#### 4. INFORMATION ON THE JVCO(S)

Following completion of the Transactions, each of the JVCO(s) will be owned by KPCL, JIPL, SACL and WTIL in the proportions of 40%, 25%, 20% and 15%, respectively. The JV Parties shall agree on the number of the JVCO(s) to be established and it is currently expected that no more than three JVCOs will be established. The shareholding structure of the JVCO(s), immediately after completion of the Transactions, will be set out as below:



#### 5. REASONS FOR AND BENEFITS OF THE TRANSACTIONS

The Directors believe that the joint acquisition and development of the Project Sites on the terms of the Master Joint Venture Agreement will enable the Group to participate in the development of the pieces of prime land in Tangshan City, Hebei Province, PRC. The Project Sites are designated for hotel and residential uses with ancillary commercial use. With the combined experience, standing and expertise of the JV Parties in hotel, commercial and residential projects, the development of the Project Sites is expected to enhance the Shareholders' value and provide recurrent income for the Group.

In connection with the development and project management of the Project Sites, it is expected that the Group will provide certain on-going project development, construction management and project consultancy services to the JVCO(s) during the period of construction of the Project Sites at an aggregate fee of not more than 2% of the total construction costs. Besides, it is currently contemplated by the JV Parties that a hotel will be built on one of the Project Sites. In connection with the operation and management of such hotel, it is expected that the SA Group will provide certain on-going hotel management services during the period of operation of such hotel. In this connection, the Company and SA will comply with the relevant requirements under the Listing Rules.

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## LETTER FROM THE BOARD

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### 6. INFORMATION ABOUT THE COMPANY, APL, SA AND KB

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

APL is listed on SGX. The APL Group is principally engaged in property development and investment and project management.

The SA Group is principally engaged in the ownership and operation of hotels and associated properties and the provision of hotel management and related services. SA's subsidiaries are also the registered proprietors of various trademarks and service marks in various countries, including the brand names "Shangri-La", "Traders", "Rasa", "Summer Palace" and "Shang Palace" and other related devices and logos.

The KB Group's principal activities consist of investment holding with interests in companies which are involved in cane cultivation, sugar milling and sugar refining, flour milling, animal feed manufacturing, edible oil refining and trading, hotel operations, shipping, property investment and development, oil palm cultivation, film distribution and exhibition, environmental engineering, waste management and utilities, insurance, reinsurance and insurance broking as well as general trading.

### 7. IMPLICATIONS UNDER THE LISTING RULES

KPCL is an indirect wholly-owned subsidiary of the Company.

KSL is interested in approximately 34.1% of the existing issued share capital of APL. KSL indirectly owns 33% of the issued share capital of a 67%-owned subsidiary of the Company and therefore APL is a connected person of the Company. JIPL is a direct wholly-owned subsidiary of APL.

KHL is the controlling shareholder of both the Company and SA. SA is an associate of KHL and therefore SA is a connected person of the Company. SACL is an indirect wholly-owned subsidiary of SA.

KB is entitled to indirectly exercise 49% of the voting power at general meetings of a 51%-owned subsidiary of the Company and is therefore a connected person of the Company. WTIL is an indirect wholly-owned subsidiary of KB.

Accordingly, the entering into of the Transactions constitutes connected transactions for the Company under the Listing Rules. As the maximum contribution of the Group to the JVCO(s) exceeds 2.5% of the total assets and market capitalization of the Company, the Transactions are subject to the approval of the Independent Shareholders.

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## LETTER FROM THE BOARD

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The Independent Board Committee has been established by the Board to consider the Transactions and to advise the Independent Shareholders. Commerzbank has been appointed by the Company to make recommendations to the Independent Board Committee and the Independent Shareholders in relation to the Transactions.

In addition, the maximum contribution of the Group to the JVCO(s) will result in one of the percentage ratios as defined in Chapter 14 of the Listing Rules exceeding 5%. Accordingly, the Transactions will also constitute discloseable transactions for the Company.

### **8. RECOMMENDATIONS**

Having taken into account the recommendation and advice from Commerzbank in relation to the Master Joint Venture Agreement and the Transactions (as contained in the letter from Commerzbank set out on pages 22 to 34 of this circular), the Independent Board Committee is of the view that the terms of the Master Joint Venture Agreement are on normal commercial terms and are fair and reasonable and the Transactions are in the interests of the Company and its Shareholders as a whole and so far as the Independent Shareholders are concerned. Accordingly, the Directors (including the independent non-executive Directors) consider that the terms of the Master Joint Venture Agreement are on normal commercial terms and are fair and reasonable and the Transactions are in the interests of the Company and its Shareholders as a whole.

Your attention is drawn to the letter from the Independent Board Committee set out on pages 20 and 21 of this circular, which contains its recommendation to the Independent Shareholders, and the letter from Commerzbank set out on pages 22 to 34 of this circular, which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the Master Joint Venture Agreement and the transactions contemplated thereunder.

Both the Independent Board Committee and Commerzbank recommend the Independent Shareholders to vote in favour of the KPL Resolution to be proposed at the Special General Meeting. Accordingly, the Directors (including the independent non-executive Directors) recommend the Independent Shareholders to vote in favour of the KPL Resolution to be proposed at the Special General Meeting.

### **9. RE-ELECTION OF RETIRING DIRECTORS**

In relation to the proposed resolution no. 1 as set out in the notice convening the Special General Meeting on pages 43 and 44 of this circular regarding re-election of the retiring Directors, Mr. Kuok Khoon Chen and Ms. Wong Yu Pok, Marina, JP, are due to retire from the Board in accordance with the provision of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules at the Special General Meeting. Both the retiring Directors, being eligible, offer themselves for re-election.

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## LETTER FROM THE BOARD

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Details of the retiring Directors who stand for re-election at the Special General Meeting are set out in Appendix I on pages 35 and 36 of this circular. Save for the information set out in Appendix I to this circular, there is no information to be disclosed pursuant to any of the requirements of the provisions under paragraphs 13.51(2)(h) to 13.51(2)(v) of the Listing Rules nor are there other matters that need to be brought to the attention of the Shareholders in respect of the Directors who stand for re-election at the Special General Meeting.

Having considered the background of the retiring Directors, the Directors consider that the re-election of the retiring Directors is in the best interest of the Company and the Shareholders. Accordingly, the Directors recommend all Shareholders to vote in favour of the Re-election Resolutions.

### **10. PROCEDURES BY WHICH A POLL MAY BE DEMANDED**

Pursuant to the Bye-laws, a resolution put to the vote of a general meeting of the Company shall be decided on a show of hands, but a poll may be demanded (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll):

- (i) by the Chairman of the general meeting of the Company; or
- (ii) by at least three Shareholders present in person or by duly authorised corporate representative or by proxy for the time being entitled to vote at the general meeting of the Company; or
- (iii) by any Shareholder or Shareholders present in person or by duly authorised corporate representative or by proxy and representing not less than one-tenth of the total voting rights of all the Shareholders having the right to vote at the general meeting of the Company; or
- (iv) by any Shareholder or Shareholders present in person or by duly authorised corporate representative or by proxy and holding Shares conferring a right to vote at the general meeting, being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the Shares conferring that right.

In addition:

- (a) if the aggregate proxies held by (i) the Chairman of a particular meeting, and (ii) the Directors account for 5% or more of the total voting rights at that meeting, and
- (b) if on a show of hands in respect of any resolution, the Shareholders at the meeting vote in the opposite manner to that instructed in the proxies referred to in (a) above,

the Chairman of the meeting and/or any Director holding the proxies referred to above shall demand a poll. However, if it is apparent from the total proxies held by the persons referred to in (a) above that a vote taken on a poll will not reverse the vote taken on a show of hands, then no poll shall be required.

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## LETTER FROM THE BOARD

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### 11. GENERAL

The notice convening the Special General Meeting is set out on pages 43 and 44 of this circular. At the Special General Meeting, the KPL Resolution will be proposed to confirm, ratify and approve the Transactions, and the Re-election Resolutions will be proposed for re-election of the retiring Directors.

A form of proxy for use at the Special General Meeting is enclosed with this circular. Whether or not you are able to attend the meeting, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to Tricor Abacus Limited, the Company's branch share registrar and transfer office in Hong Kong, of 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the Special General Meeting. Completion and return of the accompanying form of proxy will not prevent you from attending and voting at the Special General Meeting should you so wish.

Under the Listing Rules, any connected person of the Company with a material interest in the Transactions, and any other Shareholders and their respective associates with a material interest in the Transactions, shall abstain from voting on the KPL Resolution.

The following persons (the "**Abstaining Shareholders**") will abstain from voting in respect of the KPL Resolution:

- (i) KB, KHL, KSL, Shang Holdings and their respective associates, which are interested in 805,490,140 Shares (representing approximately 56.45% of all Shares in issue) as at the Latest Practicable Date;
- (ii) Mr. Kuok Khoon Chen (a common director of the Company and KHL who holds an interest in the Company) and his associates, who are interested in 6,091,766 Shares (representing approximately 0.43% of all Shares in issue) as at the Latest Practicable Date; and
- (iii) Mr. Wong Siu Kong's (a common director of the Company and KHL) associate which is interested in 50,000 Shares (representing approximately 0.004% of all the Shares in issue) as at the Latest Practicable Date.

As far as the Directors are aware, having made all reasonable enquiries, as at the Latest Practicable Date:

- (i) the Abstaining Shareholders controlled or were entitled to exercise control over the voting rights in respect of their respective Shares;

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## LETTER FROM THE BOARD

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- (ii) there were no voting trusts or other agreements or arrangements or understandings (other than an outright sale) entered into by or binding upon the Abstaining Shareholders; and there were no obligations or entitlements of the Abstaining Shareholders, whereby such persons have or might have temporarily or permanently passed control over the exercise of the voting right in respect of their Shares to third parties, either generally or on a case-by-case basis; and
  
- (iii) there were no discrepancies between the beneficial shareholding interests in the Company of the Abstaining Shareholders and the number of Shares in respect of which they would control or would be entitled to exercise control over the voting right at the Special General Meeting.

The KPL Resolution will be decided by way of a poll.

The Company will publish an announcement on the results of the Special General Meeting on the business day following the Special General Meeting with respect to whether or not the KPL Resolution has been passed by the Independent Shareholders.

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

Yours faithfully,  
For and on behalf of  
**Kerry Properties Limited**  
**Kuok Khoon Chen**  
*Chairman*



**KERRY PROPERTIES LIMITED**

*(Incorporated in Bermuda with limited liability)*

**嘉里建設有限公司\***

*website: www.kerryprops.com*

**(Stock Code: 00683)**

***Independent Board Committee:***

Mr. KU Moon Lun (*Chairman*)

Mr. LAU Ling Fai, Herald

Ms. WONG Yu Pok, Marina, JP

***Registered Office:***

Canon's Court

22 Victoria Street

Hamilton HM12

Bermuda

12 August 2008

*To the Independent Shareholders*

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTIONS  
RELATING TO  
THE ESTABLISHMENT OF JOINT VENTURE FOR  
THE ACQUISITION, HOLDING AND DEVELOPMENT  
OF LAND IN TANGSHAN CITY, HEBEI PROVINCE, PRC**

We refer to the circular of which this letter forms part. Terms defined in the circular shall have the same meanings when used herein unless the context otherwise requires.

The Independent Board Committee has been formed to advise the Independent Shareholders as to whether, in our opinion, the entering into of the Transactions, in accordance with the terms set out in the Master Joint Venture Agreement, is in the interests of the Company and its Shareholders as a whole and the terms of which are fair and reasonable so far as the Company and the Independent Shareholders are concerned. Commerzbank has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Transactions.

\* *for identification purposes only*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Having considered the recommendation and advice of Commerzbank, in our opinion, the terms of the Master Joint Venture Agreement are on normal commercial terms and are fair and reasonable and the entering into of the Transactions, in accordance with the terms set out in the Master Joint Venture Agreement, is in the interests of the Company and its Shareholders as a whole and so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the KPL Resolution, which will be proposed as an ordinary resolution at the Special General Meeting, in respect of the Transactions.

Yours faithfully,

**The Independent Board Committee  
of Kerry Properties Limited  
Mr. KU Moon Lun (*Chairman*)  
Mr. LAU Ling Fai, Herald  
Ms. WONG Yu Pok, Marina**

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## LETTER FROM COMMERZBANK

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*The following is the text of the letter of advice from Commerzbank to the Independent Board Committee and the Independent Shareholders for the purpose of incorporation into this circular.*

### **COMMERZBANK**

#### **Hong Kong Branch**

21st Floor, Hong Kong Club Building  
3A Chater Road, Central  
Hong Kong

12 August 2008

*To the Independent Board Committee  
and the Independent Shareholders*

Dear Sirs,

**DISCLOSEABLE AND CONNECTED TRANSACTIONS  
RELATING TO  
THE ESTABLISHMENT OF JOINT VENTURE FOR  
THE ACQUISITION, HOLDING AND DEVELOPMENT  
OF LAND IN TANGSHAN CITY, HEBEI PROVINCE, PRC**

#### **INTRODUCTION**

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Transactions, including, the entering into of the Master Joint Venture Agreement by the Company, APL, SA and KB for the purposes of, among other things, the establishment of JVCO(s). Details of the Transactions are set out in the circular to the Shareholders dated 12 August 2008 (the “Circular”), of which this letter forms part. Terms defined in the Circular shall have the same meanings when used in this letter unless the context requires otherwise.

On 21 July 2008, Tangshan City Land Resources Bureau issued the Confirmation Notices to KPCL, JIPL, SACL and WTIL which confirmed the winning of the bids at an open bidding to acquire the land use rights of the Project Sites. Subsequently, the JV Parties, including the Company, APL, SA and KB, have entered into the Master Joint Venture Agreement to procure KPCL, JIPL, SACL and WTIL (as the case may be) to establish one or more JVCO(s) for the acquisition, holding and development of the Project Sites and enter into the Shareholders’ Agreement and the Articles of Association in connection with the establishment of JVCO(s) and the development of the Project Sites.

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## LETTER FROM COMMERZBANK

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By virtue of KSL being interested in approximately 34.1% of the issued share capital of APL and owning 33% of the issued share capital of a 67%-owned subsidiary of the Company, APL is a connected person of the Company under the Listing Rules. As KHL is the controlling shareholder of the Company and SA, SA is an associate of KHL and therefore a connected person of the Company under the Listing Rules. In addition, as KB is entitled to indirectly exercise 49% of the voting power at the general meetings of a 51%-owned subsidiary of the Company, KB is also a connected person of the Company under the Listing Rules. Accordingly, the Transactions constitute connected transactions for the Company under the Listing Rules. As the maximum contribution of the Group to the JVCO(s) exceeds 2.5% of the total assets and market capitalization of the Company, the Transactions are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. In addition, as the maximum contribution of the Group to the JVCO(s) will also result in one of the percentage ratios (as defined in the Listing Rules) exceeding 5% but below 25%, the Transactions also constitute discloseable transactions of the Company under the Listing Rules. Accordingly, KHL, KSL, KB, Shang Holdings, Mr. Kuok Khoon Chen (a common director of the Company and KHL who holds an interest in the Company) and their respective associates, together with the associate of Mr. Wong Siu Kong (a common director of the Company and KHL) are required to abstain from voting in the KPL Resolution in connection with the Transactions at the Special General Meeting.

The Independent Board Committee, comprising all the independent non-executive Directors, namely, Mr. Ku Moon Lun, Mr. Lau Ling Fai, Herald and Ms. Wong Yu Pok, Marina, has been established to advise the Independent Shareholders in respect of the Transactions. We, Commerzbank AG Hong Kong Branch, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Master Joint Venture Agreement and Transactions are (i) on normal commercial terms and in the Group's ordinary course of business; and (ii) fair and reasonable and in the interest of the Company and the Shareholders as a whole.

In formulating our recommendation, we have relied on the information and facts supplied to us by the Company. We have reviewed, among other things, (i) the Confirmation Notices; (ii) the Master Joint Venture Agreement; and (iii) the annual reports of the Company covering the three years ended 31 December 2007 (the "2006 Annual Report" and the "2007 Annual Report", respectively). We have assumed that all information, opinions and representations contained or referred to in the Circular are true, complete and accurate in all material respects and we have relied on the same. Also, we have relied on the representations made by the Directors that having made all reasonable enquiries and careful decisions, and to the best of their information, knowledge and belief, there is no other fact or representation or the omission of which would make any statement contained in the Circular, including this letter, misleading. We have also assumed that all information, statements and representations made or referred to in the Circular, which have been provided to us by the Company, and for which it is wholly responsible, are true, complete and accurate in all material respects at the time they were made and continue to be up to the despatch of the Circular.

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## LETTER FROM COMMERZBANK

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We consider that we have (i) taken reasonable steps as required under Rule 13.80 of the Listing Rules in obtaining all necessary information from the Company and (ii) reviewed sufficient information to enable us to reach an informed view regarding the Master Joint Venture Agreement and the Transactions and to provide us with a reasonable basis for our recommendation. We have no reason to suspect that any material facts have been omitted or withheld, nor are we aware of any facts or circumstances, which would render the information and the representations made to us untrue, inaccurate or misleading. We have not, however, carried out any independent verification of the information provided by the Company; nor have we conducted any independent in-depth investigation into the business and affairs of the Group and their respective associates.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In formulating our opinion in relation to the Transactions and giving our independent financial advice to the Independent Board Committee and the Independent Shareholders, we have taken into account the following principal factors:

#### **1. Business and development strategy of the Group**

The Group is principally engaged in property development, investment and management in Hong Kong, PRC and Asia Pacific. Over the years, the Group has been successfully developed a number of large scale and quality integrated property projects comprising hotels, residential, commercial and mixed-used properties in PRC. In addition to property development, the Group is also engaged in (i) logistics, freight and warehouse ownership and operations; (ii) infrastructure-related investments in Hong Kong and PRC; and (iii) hotel ownership in Hong Kong and hotel ownership and operations in PRC.

## LETTER FROM COMMERZBANK

Set out below is the summary of the Group's financial results for the three years ended 31 December 2007:

	For the year ended 31 December					
	2005		2006		2007	
	<i>(HK\$' Million)</i>	%	<i>(HK\$' Million)</i>	%	<i>(HK\$' Million)</i>	%
<b>REVENUE</b>						
PRC Property	1,011	12.7%	1,006	9.9%	1,187	9.5%
– Property Rental	541	6.8%	578	5.7%	614	4.9%
– Property Sales	149	1.9%	73	0.7%	173	1.4%
– Hotel Operations	321	4.0%	355	3.5%	400	3.2%
Hong Kong Property	1,415	17.7%	2,827	27.7%	3,503	28.0%
– Property Rental	352	4.4%	384	3.8%	492	3.9%
– Property Sales	1,063	13.3%	2,443	23.9%	3,011	24.1%
	2,426	30.4%	3,833	37.6%	4,690	37.5%
Logistics and Warehouse Operations	5,541	69.1%	6,316	62.0%	7,683	61.5%
Others	41	0.5%	44	0.4%	123	1.0%
	8,008	100.0%	10,193	100.0%	12,496	100.0%
<b>PROFIT ATTRIBUTABLE TO THE SHAREHOLDERS</b>						
PRC Property	372	12.1%	807	17.2%	885	13.5%
Hong Kong Property	1,429	46.6%	2,676	57.1%	4,717	71.9%
Logistics and Warehouse Operations	1,085	35.4%	1,173	25.0%	812	12.4%
Others	181	5.9%	33	0.7%	149	2.2%
	3,067	100.0%	4,689	100.0%	6,563	100.0%

Source: The 2006 Annual Report and the 2007 Annual Report

For the three years ended 31 December 2007, the Group's property business in PRC (namely, hotel operations and property development and the related business) has grown rapidly as evidenced by the fact that the revenue and profit attributable to the Shareholders derived from its PRC property segment increased from approximately HK\$1,011 million and HK\$372 million, respectively, for the year ended 31 December 2005 to HK\$1,187 million and HK\$885 million, respectively, for the year ended 31 December 2007, representing an increase of approximately 17.4% and 137.9%, respectively or compound annual growth rate ("CAGR") of approximately 8.4% and 54.2%, respectively.

## LETTER FROM COMMERZBANK

According to the 2007 Annual Report, as at 31 December 2007, the Group's attributable gross floor area ("GFA") for property under development in PRC amounted to approximately 39.48 million square feet ("sq.ft") which covered the major cities in PRC and are primarily developed for residential, apartment/services apartment, office, commercial, hotel and ancillary facilities purposes:

	<u>Residential</u>	<u>Apartment/ serviced apartment</u>	<u>Office</u>	<u>Commercial</u>	<u>Hotel</u>	<u>Ancillary facilities</u>	<u>Total GFA upon Completion</u>
	('000 sq.ft)	('000 sq.ft)	('000 sq.ft)	('000 sq.ft)	('000 sq.ft)	('000 sq.ft)	('000 sq.ft)
Beijing	–	226	–	11	–	–	237
Shanghai	729	154	1,542	528	1,216	18	4,187
Shenzhen	–	–	1,550	108	–	–	1,658
Tianjin	949	116	707	606	417	–	2,795
Hangzhou	2,565	431	215	1,238	431	38	4,918
Yangzhou	–	430	–	–	731	–	1,161
Manzhouli	–	845	–	82	–	–	927
Shenyang	3,904	2,153	4,306	1,466	1,507	215	13,551
Qinhuangdao	4,749	–	–	11	–	–	4,760
Chengdu	4,775	–	–	512	–	–	5,287
	<u>17,671</u>	<u>4,355</u>	<u>8,320</u>	<u>4,562</u>	<u>4,302</u>	<u>271</u>	<u>39,481</u>

(Note)

*Note: As disclosed in the 2007 Annual Report, pursuant to a framework agreement dated 6 December 2007 and the relevant amended agreement dated 20 December 2007 entered into between the Company, APL and KHL, the Group's attributable interest in certain projects sites located in Chengdu, Qinhuangdao and Shenyang will be reduced and the Group's attributable GFA in these project sites will be lowered by approximately 9.05 million sq.ft.*

The Project Sites are designated for hotel and residential purposes with ancillary commercial use and have an aggregate gross site area of approximately 295,014 sq.m. (equivalent to approximately 3,175,530 sq.ft.). The future development of the Project Sites will allow the Group to further expand its geographic coverage to Hebei Province, which is consistent with the business expansion plan of the Group to actively pursue land acquisitions in major secondary cities with a view to establishing and maintaining a balanced portfolio across selected property markets in PRC as disclosed in the 2007 Annual Report. Accordingly, we are of the view that the entering into of the Master Joint Venture Agreement for the development of the Project Sites amongst the JV Parties is in the Group's ordinary and usual course of business.

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## LETTER FROM COMMERZBANK

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### 2. The Group's relationship with other JV Parties

#### *Relationship with SA Group*

SA Group has a long operating history in the hotel and hotel management business with a number of renowned trademarks and service marks in various countries, including the brand names “*Shangri-La*”, “*Traders*”, “*Rasa*”, “*Summer Palace*” and “*Shang Palace*” and their respective devices and logos. Based on the annual report of SA for the year ended 31 December 2007, as at 31 December 2007, SA Group had ownership in and managed a total of 42 hotels with 21,749 guest rooms located in various key cities, including Hong Kong, Beijing, Changchun, Chengdu, Dalian, Fuzhou, Guangzhou, Hangzhou, Qingdao, Shanghai, Shenyang, Shenzhen, Wuhan and Xian, Bangkok, Kuala Lumpur and Jakarta. For those hotels located in Hong Kong and PRC, which are owned and managed by SA Group, their occupancy rates have been maintained at a high level of over 75% and 65% respectively for each of the three years ended 31 December 2007.

In addition, we also note that the Project Sites will be the seventh co-investment arrangement between the Group and SA Group in PRC since 1996. The table below summarised the various projects co-invested by the Group and SA Group (including the Project Sites):

Details of the co-investment project	Year	% held by the Group %	% held by the SA Group %
1. Beijing Kerry Centre, Beijing, PRC & Beijing Kerry Centre Hotel, Beijing, PRC	1998*	71.25	23.75
2. Shanghai Kerry Centre, Shanghai, PRC	1998*	74.25	24.75
3. Mixed-use development project in Jingan, Shanghai, PRC	2004	51.00	49.00
4. Mixed-use development project in Pudong District, Shanghai, PRC	2006	40.80	23.20
5. Mixed-use development project in Hedong District, Tianjin, PRC	2006	49.00	20.00
6. Mixed-use development project in Nanchang City, Jiangxi Province, PRC	2008	80.00	20.00
7. Hotel and residential uses with ancillary commercial use, Tangshan City, Hebei Province (the Project Sites)	2008	40.00	20.00

Source: *the Company*

\* Year of operation

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## LETTER FROM COMMERZBANK

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In addition to co-investment in property projects, the Group has also engaged SA Group to provide hotel management and other related services to its Beijing Kerry Centre Hotel in PRC. Furthermore, in November 2007, the Group entered into agreements with relevant members of SA Group for provision of project management services and project consultancy services by the Group in respect of SA Group's hotel development projects in PRC.

### *Relationship with APL Group*

APL, a company listed on SGX with a market capitalisation of approximately Singapore dollars ("S\$") 1,431.3 million (equivalent to approximately HK\$8,158.4 million at the exchange rate of S\$1 to HK\$5.7 for the purpose of this letter) as at Latest Practicable Date and net asset value of approximately S\$2,234.4 (equivalent to approximately HK\$12,736.1 million) as at 31 December 2007, is principally engaged in property development and investment and project management. Whilst APL's primary focus is on residential property development in Singapore, APL Group has, prior to the entering into of the Master Joint Venture Agreement, established a number of joint ventures with, *inter alia*, the Group for the development of mixed-use property development projects in Shanghai, Tianjin, Qinhuangdao, Shenyang and Chengdu, PRC.

According to the Company's circular dated 23 January 2006, the APL Group had a 16 % equity interest in Shanghai Pudong Kerry City Properties Co., Ltd., a sino-foreign equity joint venture company established for the development of a mixed-use property development project comprising hotel, offices, serviced apartments, commercial and the related ancillary facilities in Pudong District, Shanghai. In addition, as disclosed in the Company's circular dated 7 August 2006, the Group also invited APL Group to take up 31% equity interest in Tianjin Kerry Real Estate Development Co., Ltd., a wholly foreign-owned enterprise for the development of a large scale mixed-use property development project comprising hotel, offices, residence, shopping mall, serviced apartments, basement and related ancillary facilities in Hedong District, Tianjin. During October and December 2007, the Group and the APL Group respectively (i) formed a consortium to establish a wholly foreign-owned enterprise for purpose of developing a mixed-use residential and commercial property development project in Chengdu and (ii) entered into a framework agreement to dispose some of the Group's equity interest in certain property development projects in Chengdu, Qinhuangdao and Shenyang, PRC to the APL Group.

### *Relationship with KB Group*

KB Group is principally engaged in investment holding with interests in companies which are involved in cane cultivation, sugar milling and sugar refining, flour milling, animal feed manufacturing, edible oil refining and trading, hotel operations, shipping, property investment and development, oil palm cultivation, film distribution and exhibition, environmental engineering, waste management and utilities, insurance, reinsurance and insurance booking as well as general trading. In addition, KB is the single

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## LETTER FROM COMMERZBANK

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largest shareholder holding about 42% interest in PPB Group Berhad, which is a listed company in Malaysia with a market capitalisation of approximately Ringgit (“RM”) 10.6 billion (equivalent to approximately HK\$25.4 billion at the exchange rate of RM1 to HK\$2.4 for the purpose of this letter) as at the Latest Practicable Date and net asset value of approximately RM11,567.1 million (equivalent to approximately HK\$27,761.0 million at the exchange rate of RM1 to HK\$2.4) as at 31 December 2007. PPB Group Berhad is a market leader in the sugar refinery, flour milling and film exhibition business in Malaysia.

Similar to other members of the JV Parties, the Group also had prior co-investment arrangement with KB Group and has entered into a joint venture agreement with KB Group in 2004 for investment in certain water treatment facilities in the Hohhot Municipality, Inner Mongolia Autonomous Region, PRC and the maximum capital commitment of such co-investment amounted to RMB143.0 million (equivalent to approximately HK\$164.4 million) based on the Company’s announcement dated 26 November 2004.

Having considered the background of each of the JV Parties, particularly their areas of expertise, reputation and financial backing and the designated development plans of the Project Sites, we concur with the executive Directors that the participation of the JV Parties in the development of the Project Sites would benefit the acquisition and development of the Project Sites and thus the JV Parties (including the Group) themselves.

### **3. The Project Sites**

The Project Sites comprise three plots of land in Tangshan City, Hebei Province, PRC with an aggregate gross site area of approximately 295,013.8 sq.m., which are respectively located at (i) the west of Da Li Road, the north of Chang Hong Street, Phoenix New City District with a gross area of 18,912.2 sq.m. (“Project Site One”); (ii) the east of Da Li Road, the south of Chaoyang Street, Phoenix New City District with a gross area of 200,245.7 sq.m. (“Project Site Two”); and (iii) the west of Da Li Road, the south of Chaoyang Street, Phoenix New City District with a gross area of 75,855.9 sq.m. (“Project Site Three”). The term of the land use rights for Project Site One is 40 years for hotel use, and the terms for Project Site Two and Project Site Three are 70 years for residential use and 40 years for commercial use. We understand from the management of the Company that the Project Sites are located in prime area of Tangshan City.

Hebei is one of the key economic cities in the northern region of PRC. Owing to the rapid economic development in PRC during the recent decade, the disposable income per urban household and net income per rural household in Tangshan City, as according to the People’s Government of Tangshan City, have recorded significant growth from RMB10,488 (equivalent to approximately HK\$12,055) and RMB4,582 (equivalent to approximately HK\$5,267) in 2005, respectively, to RMB14,235 (equivalent to approximately HK\$12,055) and RMB5,825 (equivalent to approximately HK\$6,695), respectively, in 2007, representing an increase of

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## LETTER FROM COMMERZBANK

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approximately 35.7% and 27.1% (or CAGRs of approximately 16.5% and 12.8%, respectively). The gross domestic product of Tangshan City also increased from RMB202.8 billion (equivalent to approximately HK\$233.1 billion) to RMB277.9 billion (equivalent to approximately HK\$319.4 billion) in 2005 and 2007, respectively, representing an increase of approximately 37.1% (or a CAGR of approximately 17.1%). In addition, the tourist industry in Tangshan City has also recorded significant growth and the income derived from tourist industry increased from approximately RMB2.4 billion (equivalent to approximately HK\$2.7 billion) in 2005 to approximately RMB3.6 billion (equivalent to approximately HK\$4.1 billion) in 2007 and the number of tourist also increased from approximately 5.7 million to approximately 7.7 million during the corresponding period.

### *Austerity measures*

The PRC government has imposed various measures since May 2007 on foreign invested enterprises engaged in the property development and trading so as to monitor and regulate PRC's property market, including, (i) a foreign invested enterprise must obtain the relevant land use rights or property rights before establishment of that enterprise; (ii) no profit guarantee or any form of fixed return guarantee is allowed to be offered to any of the joint venture partners (either PRC party or foreign partner) in any form of arrangements for the sino-foreign joint venture; (iii) a foreign invested enterprise which is ultimately controlled by PRC citizens is strictly prohibited from investing in the PRC property market; (iv) a duly established foreign invested enterprise which is engaged in property development and trading must register with the Ministry of Commerce in due course, failing which would result in that foreign invested enterprise not being allowed to register with the State Administration of Foreign Exchange. We have discussed with the management of the Company regarding the impact of these austerity measures and understand that such measures substantially raise the entry barrier for new foreign investments in the PRC property market and have much more impact on the smaller players. Leveraging on its strong capital base and a reputable brand, the management of the Company considers that the Group will be one of the ultimate beneficiaries in the consolidation process of the PRC property market as a result of these austerity measures.

It is uncertain whether PRC government will introduce more austerity measures for the property sector and the likely impact on the property market as a whole. Nevertheless, we concur with the management of the Company's view that taking into consideration the expected investment amount and development size of JVCO(s), co-investment with the JV Parties is a commercially prudent approach to diversify the development risks.

#### 4. Major terms of the Shareholders' Agreement and the Articles of Association

##### *Consideration for the Project Sites*

The right to acquire the Project Sites, which are zoned for hotel and residential and ancillary commercial uses was jointly won by KPCL, JIPL, SACL and WTIL through an open bidding. We are advised by the management of the Company that the bidding is a public auction and such process complies with the relevant regulations for property development in PRC.

The Consideration of approximately RMB1,705 million (equivalent to approximately HK\$1,960 million) was arrived at through the open bidding process and such bidding price is made in accordance with the relevant regulations of PRC, including 土地管理法 (Land Management Law), 城市房地產管理法 (Urban Real Estate Management Law), 城鎮國有土地使用權出讓和轉讓暫行條例 (Provisional Regulations on the Sale and Transfer of State-owned Urban Land Use Rights), 招標拍賣掛牌出讓國有建設用地使用權規定 (Regulations on the Transfer of State-owned Building Land-use Rights by Auction) and 招標拍賣掛牌出讓國有土地使用權規範 (Standards on the Transfer of State-owned Land Use Rights by Auction) and the overall land bidding process has been approved by the Tangshan Municipal Government. As the Consideration was arrived at through open bidding process, we are of the view that the Consideration represents the fair market value of the Project Sites.

##### *Registered capital of the JVCO(s) and maximum total investment amount*

Pursuant to the Master Joint Venture Agreement, the amount of the registered capital of JVCO(s) will be equal to the Consideration or such amount to be agreed among KPCL, JIPL, SACL and WTIL and will be contributed in accordance with their respective shareholdings in the JVCO(s).

In addition, the total investment amount of JVCO(s) shall be approximately RMB7,300 million (approximately HK\$8,391 million) and was determined with reference to, among other things, the land costs (namely the Consideration) and the expected development costs of the Project Sites. As the funding obligation of the JV Parties is up to a maximum total investment amount of RMB7,300 million (approximately HK\$8,391 million) for JVCO(s) based on their respective shareholdings, the maximum obligation of the Group to JVCO(s) will be 40% of the said maximum total investment.

##### *Funding requirements*

Pursuant to the Master Joint Venture Agreement, the sources and terms of future funding requirements of JVCO(s) shall be determined by the board of directors of JVCO(s) (comprising five directors, two of which will be nominated by KPCL and each of JIPL, SACL and WTIL will be entitled to nominate one director) from time to time. If a third party provides funding and requests for provision of security or several corporate

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## LETTER FROM COMMERZBANK

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guarantee, each of the JV Parties is expected to provide (on a pro-rata and several basis in accordance with each JV Party's equity interest in JVCO(s)) such form of financial assistance. On the other hand, if there is any funding to be provided by the JV Parties in the form of shareholders' loans, the JV Parties shall provide such funding on a pro-rata basis in accordance with their respective equity interests in JVCO(s) and interest may be charged at prevailing rates as agreed by the JV Parties.

Given that (i) all funding contributions and payment schedules will be decided by the board of directors of JVCO(s); (ii) all loans and/or guarantees and/or financial contribution will be provided by the JV Parties on a several basis, pro-rata to their then respective capital contributions of the JV Parties and on the same terms and conditions; (iii) profits will be distributed to the JV Parties in proportion to their respective capital contributions to the registered capital of JVCO(s); and (iv) the maximum obligation of KPCL to JVCO(s) will be its 40% equity interest in JVCO, we are of the opinion that the terms of the Master Joint Venture Agreement are on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

### **5. Financial impacts of the Transactions**

#### *Net asset value*

As at 31 December 2007, the audited net asset value of the Group was approximately HK\$44,010.8 million. Pursuant to the Master Joint Venture Agreement, the Group will be required to make a commitment (whether equity, loan or otherwise) of up to RMB2,920 million (equivalent to approximately HK\$3,356 million) to the JVCO(s), being 40% of the maximum total investment for JVCO(s) of RMB7,300 million (the "Maximum Investment Amount"), which is presently intended to be funded by internal cash resources and/or external borrowings. Based on the development plan of the Project Sites, the management of the Company believes that the Group has the financial capabilities to fund the Maximum Investment Amount.

Upon establishment of JVCO(s), the Group will account for the results and financial positions of JVCO(s) as an associate company(ies) under the equity method of accounting. As such, upon establishment of JVCO(s), the non-current assets of the Group will be increased by the investment amount contributed by the Group up to the Maximum Investment Amount, while the cash and bank balance of the Group will be decreased by the same amount. In this connection, there will be no change in the Group's total asset value. However, the management of the Company expects that upon completion of the Project Sites development, income from, for example, sales and rental of the residential properties as well as the hotel operations will make positive contribution to the financial performance of the Group.

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## LETTER FROM COMMERZBANK

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### *Gearing*

The Group had net debt of approximately HK\$8,933.5 million (being the aggregate of the Company's interest-bearing borrowings of approximately HK\$13,234.4 million, including secured and unsecured bank overdrafts, bank loans, convertible bonds, fixed rate bonds of approximately HK\$4.6 million, HK\$26.2 million, HK\$7,602.8 million, HK\$2,346.4 million and HK\$3,254.4 million, less the cash and bank balances (including the pledged bank deposits) of approximately HK\$4,300.9 million) and equity attributable to the Shareholders of approximately HK\$44,010.8 million as at 31 December 2007. As such, the gearing ratio of the Group (expressed as a percentage of the Group's net debt over equity attributable to the Shareholders) was approximately 20.3%. Given that the funding required by the Group for the establishment of JVCO(s) will be financed by internal cash resources and/or external bank borrowings as described above, in the event that a portion of the investment amount is financed by external bank borrowings, the gearing ratio of the Group may be increased.

### *Working capital*

The current assets and current liabilities of the Group as at 31 December 2007 were approximately HK\$13,369 million and HK\$5,631 million, respectively. Since the funding required by the Group for the establishment of JVCO(s) will be financed by internal cash resources and/or external bank borrowings, the current assets of the Group may be decreased and/or the total liabilities of the Group may be increased, depending on the Group's funding composition.

Given that the Group had total cash and bank balances amounted to approximately HK\$4,236.7 million as at 31 December 2007, the Group's Maximum Investment Amount will account for approximately 79.2% of the Group's cash and bank balances. As at 31 December 2007, the Group also had total undrawn bank loan and overdraft facilities of approximately HK\$9,949 million. Based on the available cash and undrawn bank loan and overdraft facilities of the Group as at 31 December 2007 and taking into account: (i) the management of the Company's confirmation that the Group's capital commitment for the Project Sites are payable in stages during the course of development; (ii) the cash inflows arising from the Group's existing business operations; and (iii) the committed bank borrowing facilities of the Group, we are of the view that the Group has sufficient funding sources to cover its Maximum Investment Amount as and when required.

## **DISCUSSION AND ANALYSIS**

As disclosed in the 2007 Annual Report, the Group has been actively pursuing land acquisitions in major secondary cities in the past years with a view to building and maintaining a balanced portfolio across selected markets in PRC and will continue to take forward plans to develop large-scale, mixed-use property projects in prime locations. The Transactions will not only provide the Group with an opportunity to co-invest with other reputable companies which have prior working relationship with the Group with substantial experience in the property and

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## LETTER FROM COMMERZBANK

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hotel development projects in PRC and various regions of Asia Pacific, but will also enable the Group to further expand the geographic coverage of its property development business into the northern region of PRC. Having taken into account the background of the JV Parties and the structure of the Master Joint Venture Agreement (particularly the future establishment of the JVCO(s) and the funding arrangement in respect of the development of the Project Sites), the entering into of the Master Joint Venture Agreement will allow the Group to leverage on the respective expertise from the JV Parties and make positive contribution to the future development of the Project Sites, and at the same time, minimises the exposure of the Group's capital commitment to the development of the Project Sites and provide financial flexibility for the Group to retain sufficient working capital in case that the Group encounters other investment opportunities. All of these, together with the fact that the Project Sites are located in the prime area of Tangshan City, Hebei Province where its economy has recorded considerable growth in the past years with significant growth potential in the foreseeable future, we are of the view that the entering into of the Master Joint Venture Agreement is in the interest of the Company and the Shareholders as a whole.

### OUR RECOMMENDATION

Based on the above principal factors and reasons, we considered that the Transactions are in the ordinary and usual course of business of the Group and terms of the Master Joint Venture Agreement are on normal commercial terms and are fair and reasonable in so far as the Independent Shareholders are concerned and the Transactions are in the interest of the Company and the Shareholders as a whole. Accordingly, we would recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the KPL Resolution in relation to the Master Joint Venture Agreement and the transactions contemplated thereunder at the Special General Meeting.

Yours faithfully,

For and on behalf of

**Commerzbank AG Hong Kong Branch**

**Kenneth Chan**

*Head of Corporate Finance – Asia Pacific*

**Gaston Lam**

*Corporate Finance – Asia Pacific*

Set out below is the biographical information of the Directors who stand for re-election at the Special General Meeting:

**Mr. Kuok Khoon Chen**, aged 54, has been an Executive Director of the Company and the Chairman of the Board since June 2008. He has been a senior executive of the Kuok Group since 1978. He is currently the deputy chairman and managing director of Kerry Group Limited, the chairman and managing director of Kerry Holdings Limited and a director of a number of Kuok Group companies. Both Kerry Group Limited and Kerry Holdings Limited are the controlling shareholders of the Company. Mr. Kuok is an executive director of China World Trade Center Co., Ltd. which is listed on the Shanghai Stock Exchange. Mr. Kuok holds a Bachelor's degree in Economics from Monash University in Australia. Save as disclosed above, Mr. Kuok does not have any relationship with any other directors, senior management or substantial or controlling shareholders of the Company.

Mr. Kuok is entitled to an annual remuneration of approximately HK\$4.2 million. His emolument is determined by reference to his performance, contribution, responsibilities as well as market/sector trends. In addition, Mr. Kuok is eligible to receive a discretionary annual bonus taking into consideration factors such as market conditions as well as corporate and individual performances. Pursuant to the Bye-laws, Mr. Kuok shall retire from office no later than the third annual general meeting of the Company after he was last elected, or re-elected. Therefore, the term of appointment of Mr. Kuok is effectively three years.

As at the Latest Practicable Date, Mr. Kuok has a personal interest in 1,004 shares and a deemed interest in 6,090,762 shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

**Ms. Wong Yu Pok, Marina**, JP, aged 59, has been an Independent Non-executive Director, and a member of the audit committee and the remuneration committee of the Company since May 2008. She had been with PricewaterhouseCoopers for over 30 years specializing in China tax and business advisory services, and has extensive experience in advising both Hong Kong and foreign investors in the structuring of their businesses and investments in PRC. Ms. Wong joined Tricor Services Limited as a director from September 2004 to February 2006 after her retirement as a partner from PricewaterhouseCoopers in July 2004. Ms. Wong is now an independent non-executive director of Hong Kong Ferry (Holdings) Company Limited, a listed company in Hong Kong. She is a Fellow Member of the Hong Kong Institute of Certified Public Accountants and Association of Chartered Certified Accountants.

Ms. Wong is an active participant in public service and serves on a number of government advisory committees and community organisations. She is a member of the Broadcasting Authority and the Advisory Committee on Post-service Employment of Civil Servants, vice-chairman of Hong Kong Federation of Women, a special appointed representative from the Hong Kong Special Administrative Region to the All China Women's Federation by PRC Government and an executive committee member of the All China Federation of Industries and Commerce. She is a current member of the Executive Committee of CityU Professional Services Limited. Ms. Wong was appointed Justice of the Peace in July 2004.

There is no service contract signed between the Company and Ms. Wong. Pursuant to the Bye-laws, Ms. Wong shall retire from office no later than the third annual general meeting of the Company after she was last elected or re-elected. Therefore, the term of appointment of Ms. Wong is effectively three years. Ms. Wong does not have any relationship with any directors, senior management or substantial or controlling shareholders of the Company. She has no interest in the securities of the Company within the meaning of Part XV of the Securities and Futures Ordinance. Ms. Wong will receive from the Company a director's fee at the rate of HK\$240,000 per annum, an audit committee member's fee at the rate of HK\$30,000 per annum, a remuneration committee member's fee at the rate of HK\$10,000 per annum and a fee of HK\$5,000 for attendance at each board meeting, audit committee meeting and remuneration committee meeting of the Company. Such fees are subject to review by the Company from time to time pursuant to the Company's Bye-laws.

## 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 each of the Directors and the chief executive of the Company 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) Company

Name of Director	Number of ordinary shares		Number of underlying ordinary shares held under equity derivatives <sup>2</sup>	Total	Approximate % of shareholding <sup>5</sup>
	Personal interests <sup>1</sup>	Other interests <sup>4</sup>			
Mr. KUOK Khoon Chen	1,004	6,090,762	–	6,091,766	0.43
Mr. WONG Siu Kong	–	50,000	3,912,000	3,962,000	0.28
Mr. HO Shut Kan	–	50,000	1,200,000	1,250,000	0.09
Mr. MA Wing Kai, William	81,020	50,000	1,280,000	1,411,020	0.10
Mr. SO Hing Woh, MBE, JP	–	50,000	–	50,000	0.00
Mr. CHAN Wai Ming, William	4,000	50,000	800,000	854,000	0.06
Mr. QIAN Shaohua	–	50,000	800,000	850,000	0.06

## (ii) Associated Corporations

Name of Associated Corporation	Name of Director	Number of ordinary shares			Total	Approximate % of shareholding
		Personal interests <sup>1</sup>	Corporate interests <sup>3</sup>	Other interests <sup>4</sup>		
Kerry Group Limited	Mr. KUOK Khoon Chen	7,651,791	6,500,000	280,286,813	294,438,604	19.27 <sup>6</sup>
	Mr. WONG Siu Kong	4,617,263	8,504,300	–	13,121,563	0.86 <sup>6</sup>
	Mr. HO Shut Kan	1,388,452	–	–	1,388,452	0.09 <sup>6</sup>
	Mr. MA Wing Kai, William	1,010,620	–	–	1,010,620	0.07 <sup>6</sup>
	Mr. CHAN Wai Ming, William	100,000	–	–	100,000	0.01 <sup>6</sup>
	Mr. QIAN Shaohua	500,000	–	–	500,000	0.03 <sup>6</sup>
	Mr. TSE Kai Chi	600,000	–	–	600,000	0.04 <sup>6</sup>
Kerry Siam Seaport Limited	Mr. MA Wing Kai, William	1	–	–	–	0.00
SCMP Group Limited	Mr. KUOK Khoon Chen	8,000	–	20,000	28,000	0.00 <sup>7</sup>
Shang Properties, Inc.	Mr. HO Shut Kan	1,570	–	–	1,570	0.00

*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.
3. This represents interests held by the relevant director through his controlled corporation(s).
4. This represents interests held by the relevant director through discretionary trust(s) of which the relevant director is a contingent beneficiary.
5. 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. 1,426,954,765 ordinary shares).
6. 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. 1,527,684,428 ordinary shares).
7. The percentage has been adjusted based on the total number of ordinary shares of SCMP Group Limited in issue as at the Latest Practicable Date (i.e. 1,560,945,596 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 disclosed herein, as at the Latest Practicable Date, none of the Directors and the chief executive 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. DIRECTORS' INTEREST IN THE CONTRACT

- (a) As at the Latest Practicable Date, no Director was materially interested in any contract or arrangement subsisting which is significant in relation to the business of the Group taken as a whole.
- (b) Since the date to which the latest published audited financial statements of the Group were made up, none of the Directors has or has had any direct or indirect interest in any assets acquired or disposed of by or leased to or proposed to be acquired or disposed of by any member of the Group.

### 4. 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.

### 5. COMPETING INTERESTS

As at the Latest Practicable Date, the following Directors were considered to have interests in the following Excluded Businesses:

- (a) Messrs. Kuok Khoon Chen and Wong Siu Kong were directors of subsidiaries of SA and both of them had interests in shares of SA, 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 main board of the Stock Exchange with secondary listing on SGX as at the Latest Practicable Date; and
- (b) Messrs. Kuok Khoon Chen and Wong Siu Kong were directors of (but both of them did not have any interests in shares in) the China World Trade Center Co., Ltd. group of companies, the businesses of which consisted of property investment and development and hotel ownership and operation in 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 PRC, it is likely that these Excluded Businesses may compete with the property and hotel businesses of the Group in PRC.

The Excluded Businesses are operated and managed by companies (and in the case of SA and China World Trade Co. Ltd., 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.

## 6. LITIGATION

Kerry EAS Logistics Limited (“**KEAS**”), 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 interest, against six defendants, including KEAS, on a joint and several basis in relation to the alleged damages amounting to approximately US\$65.6 million (approximately HK\$511.7 million at the exchange rate of US\$1.00 = HK\$7.8) caused to an aircraft in 2000 in respect of the transportation of certain chemical substance.

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 after 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.

In the court judgment given by Beijing High Level People’s Court (the “**Court**”) on 5 December 2007, it was stated that KEAS had fulfilled all its obligations in this case and it had no liability to any of the plaintiffs. All claims brought by the airline operator together with the other five plaintiffs against KEAS, and the other three defendants were all dismissed by the Court. Judgment was entered by the Court in favour of all plaintiffs against the other two defendants for the amount of US\$65.1 million. All the six plaintiffs and one of the defendants had lodged their appeal.

Based on the opinion of the legal advisers to the Group, neither the allegation nor the said amount claimed by the plaintiffs against KEAS was substantiated and the legal advisers to the Group also advised that it is unlikely that KEAS will be found liable for the claimed damages and losses. Accordingly, no provision has been made in the financial statements.

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 KEAS, the vendor of KEAS 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 KEAS, including the one referred to above. For the aforesaid, the Directors believe the litigation against KEAS will not impose any adverse effect on the Transactions.

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.

**7. EXPERT AND CONSENT**

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:

<b>Name</b>	<b>Qualification</b>
Commerzbank	a licensed bank under the Banking Ordinance and an authorised financial institution under the SFO to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities as set out in Schedule 5 to the SFO, and appointed as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Transactions.

Commerzbank 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.

Commerzbank has confirmed that as at the Latest Practicable Date, it did not have any beneficial 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 2007 (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.

**8. NO MATERIAL ADVERSE CHANGE**

Since the date to which the latest published audited accounts of the Company have been made up, there has been no material adverse change in the financial or trading position of the Group.

**9. 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 Tricor Abacus 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.

**10. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the Master Joint Venture Agreement and the letter from Commerzbank (the text of which is set out in the section of this circular headed "Letter from Commerzbank") are available for inspection during normal business hours at any weekday (public holidays excepted) at the office of the Company at 13/F., Cityplaza 3, 14 Taikoo Wan Road, Taikoo Shing, Hong Kong up to and including Thursday, 4 September 2008.

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## NOTICE OF SPECIAL GENERAL MEETING

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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](http://www.kerryprops.com)

(Stock Code: 00683)

**NOTICE IS HEREBY GIVEN** that a special general meeting of Kerry Properties Limited (the “**Company**”) will be held at Atrium Room, Level 39, Island Shangri-La Hotel, Pacific Place, Supreme Court Road, Central, Hong Kong on Thursday, 4 September 2008 at 3:00 p.m. for the following purposes:

1. To re-elect the retiring Directors.
2. To consider, and if thought fit, passing with or without modification the following resolution as an **ORDINARY RESOLUTION**:

**“THAT**

- (1) the Master Joint Venture Agreement (a copy of which has been produced to this meeting marked “A” and signed by the Chairman hereof for the purpose of identification) and the Transactions be and is hereby confirmed, ratified and approved; and
- (2) the Board be and is hereby authorised to take all such actions as it considers necessary or desirable to implement the Master Joint Venture Agreement and the Transactions.

For the purposes of this resolution, the terms “Master Joint Venture Agreement” and “Transactions” shall have the same definition as defined in the circular to the shareholders of the Company dated 12 August 2008.”

By order of the Board  
**Li Siu Ching, Liz**  
*Company Secretary*

Hong Kong, 12 August 2008

\* for identification purpose only

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## NOTICE OF SPECIAL GENERAL MEETING

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*Head Office and Principal Place*

*of Business in Hong Kong:*

13-14/F, Cityplaza 3

14 Taikoo Wan Road

Taikoo Shing

Hong Kong

*Notes:*

- (1) Every member entitled to attend and vote at the above meeting (or at any adjournment thereof) is entitled to appoint up to two individuals as his proxies to attend and vote instead of him. A proxy need not be a member of the Company. The number of proxies appointed by a clearing house (or its nominee) is not subject to the aforesaid limitation.
- (2) Where there are joint registered holders of any share, any one of such persons may vote at the above meeting (or at any adjournment thereof), either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at the meeting personally or by proxy, that one of the said persons so present whose name stands first on the registers of members of the Company in respect of such share shall alone be entitled to vote in respect thereof. Several executors or administrators of a deceased member, and several trustees in bankruptcy or liquidators of a member in whose name any share stands will for this purpose be deemed joint holders thereof.
- (3) In order to be valid, a form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power or authority must be deposited at the Company's branch share registrar and transfer office in Hong Kong, Tricor Abacus Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours before the time appointed for holding the above meeting (or at any adjournment thereof). Completion and return of the form of proxy will not preclude a member from attending the meeting and voting in person if he so wishes. In the event that a member attends the meeting after having lodged his form of proxy, his form of proxy will be deemed to have been revoked.
- (4) The registers of members of the Company will be closed from Wednesday, 3 September 2008 to Thursday, 4 September 2008, both days inclusive, during which period no transfer of shares will be effected. In order to be entitled to attend and vote at the meeting, all transfers accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong, Tricor Abacus Limited, at the above address not later than 4:00 p.m. on Tuesday, 2 September 2008.
- (5) Shareholders are advised to read the circular to the shareholders of the Company dated 12 August 2008 which contains information concerning the resolutions to be proposed in this notice.
- (6) Resolution No. 2 to be proposed at the meeting shall be decided by way of a poll.