

**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.

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## **KERRY PROPERTIES LIMITED**

*(Incorporated in Bermuda with limited liability)*

**嘉里建設有限公司\***

*website: www.kerryprops.com*

**(Stock Code: 00683)**

**DISCLOSEABLE AND CONNECTED TRANSACTIONS  
RELATING TO  
THE SUPPLEMENTAL AGREEMENT IN RESPECT OF  
THE JOINT ACQUISITION, OWNERSHIP AND DEVELOPMENT OF  
THE SITES IN JINGAN DISTRICT, SHANGHAI, THE PRC**

**Independent financial adviser to  
the Independent Board Committee and the Independent Shareholders**



**First Shanghai Capital Limited**

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A letter from the Board is set out on pages 5 to 14 of this circular. A letter from the Independent Board Committee is set out on pages 15 and 16 of this circular. A letter from First Shanghai containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 17 to 24 of this circular.

A resolution 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 Monday, 8 December 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 32 and 33 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*

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## DEFINITIONS

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*Unless otherwise defined below, terms used in this circular shall have the same meanings as those defined in the First Joint Announcement:*

“Additional Funding Commitment”	the additional funding commitment for the Project of RMB1,812,400,000 to be provided by the Company and SA to the Project based on their respective proportionate equity interest in Company 1 pursuant to the Supplemental Agreement;
“Associated Corporations”	has the meaning ascribed to it in Part XV of the SFO;
“Board”	the board of Directors;
“Bye-laws”	the bye-laws of the Company;
“circular”	this circular, including the appendix hereto;
“Company”	Kerry Properties Limited, an exempted company incorporated in Bermuda with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange;
“Consolidated Sites”	the Kerry Jingan North Site and the Kerry Jingan South Site;
“Consolidation”	the merger of the Joint Venture Companies by way of dissolving Company 3 and Company 4 and transferring all their assets and liabilities to Company 1 as referred to in the KPL Circular;
“controlling shareholder”	has the meaning ascribed to it in the Listing Rules;
“Directors”	the 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;

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## DEFINITIONS

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“Fifth Joint Announcement”	the joint announcement of the Company and SA dated 28 October 2008 in relation to the execution of the Supplemental Agreement;
“First Joint Announcement”	the joint announcement of the Company and SA dated 3 May 2004 in relation to the joint acquisition, ownership and development of the Sites in Jingan District, Shanghai, PRC;
“First Shanghai”	First Shanghai Capital Limited, a licensed corporation under the SFO to carry out type 6 (advising on corporate finance) regulated activity, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders on the terms of the Supplemental Agreement and the transactions contemplated thereunder;
“Fourth Joint Announcement”	the joint announcement of the Company and SA dated 7 November 2005 in relation to the amendments to Company 3 Contract;
“Group”	the Company and its subsidiaries;
“Independent Board Committee”	the independent committee of the Board consisting of all the independent non-executive Directors;
“Independent Shareholders”	Shareholders who are not required to abstain from voting on the KPL Resolution at the Special General Meeting;
“Jingan Land Bureau”	Shanghai Jingan Municipal Housing and Land Administration Bureau (上海市靜安區房屋土地管理局);
“Kerry Jingan North Site”	the consolidated site as a result of the consolidation of Site 3a, Site 3b and Site 4 pursuant to the Supplemental Land Contract;
“Kerry Jingan South Site”	the consolidated site as a result of the consolidation of Site 1 and Site 2 pursuant to the Supplemental Land Contract;
“KPL Circular”	the circular of the Company dated 31 May 2004 containing, among other things, further information in respect of the Master Agreement and the transactions contemplated therein;

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## DEFINITIONS

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“KPL Resolution”	the resolution to approve the Transactions by the Independent Shareholders at the Special General Meeting;
“Latest Practicable Date”	12 November 2008, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular;
“Maximum Total Commitment”	the maximum aggregate funding commitment in the Project;
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers, as set out in Appendix 10 to the Listing Rules;
“New Maximum Total Commitment”	the new Maximum Total Commitment as amended by the Supplemental Agreement, being RMB7,600,000,000;
“Old Maximum Total Commitment”	the original Maximum Total Commitment as set out in the Master Agreement, being US\$700,000,000;
“Second Joint Announcement”	the joint announcement of the Company and SA dated 30 September 2004 in relation to the extension of the deadline for the execution of all the contracts and agreements contemplated under the Underlying Contracts;
“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;
“Shareholder(s)”	holder(s) of Shares;
“Shares”	ordinary share(s) of HK\$1.00 each in the capital of the Company;

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## DEFINITIONS

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“Special General Meeting”	the special general meeting of the Company to be held at Atrium Room, Level 39, Island Shanghai-La Hotel, Pacific Place, Supreme Court Road, Central, Hong Kong on Monday, 8 December 2008 at 3:00 p.m. at which the KPL Resolution will be proposed, the notice of which is set out on pages 32 and 33 of this circular;
“Supplemental Agreement”	the supplemental agreement dated 28 October 2008 and entered into between the Company and SA to amend the Maximum Total Commitment set out in the Master Agreement;
“Supplemental Land Contract”	the supplemental land contract dated 7 April 2008 and entered into between Company 1 and Jingan Land Bureau in relation to the land use right of the Consolidated Sites;
“Third Joint Announcement”	the joint announcement of the Company and SA dated 13 April 2005 in relation to the further extension of the deadline for the execution of all the contracts and agreements contemplated under the Underlying Contracts;
“Transactions”	the entering into of the Supplemental Agreement by the Company and SA and the transactions contemplated thereunder, including but not limited to the provision of the Additional Funding Commitment; and
“US dollars” or “US\$”	United States dollars, the lawful currency of the United States of America.



# 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, 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

18 November 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 SUPPLEMENTAL AGREEMENT IN RESPECT OF  
THE JOINT ACQUISITION, OWNERSHIP AND DEVELOPMENT OF  
THE SITES IN JINGAN DISTRICT, SHANGHAI, THE PRC**

**1. INTRODUCTION**

Reference is made to the First Joint Announcement, the KPL Circular, the Second Joint Announcement, the Third Joint Announcement, the Fourth Joint Announcement and the Fifth Joint Announcement in relation to the Master Agreement relating to the joint acquisition, ownership and development of the Sites in Jingan District, Shanghai, PRC. Unless otherwise defined in this circular, terms used herein shall have the same meanings as those defined in the First Joint Announcement.

- + *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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On 28 October 2008, the Company and SA entered into the Supplemental Agreement pursuant to which, the Company and SA agreed that the Maximum Total Commitment shall be increased from US\$700,000,000 to RMB7,600,000,000.

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 (i) a letter of advice from First Shanghai to the Independent Board Committee and the Independent Shareholders in respect of the Transactions; (ii) a letter of advice containing the recommendation of the Independent Board Committee to the Independent Shareholders in relation to the Transactions; and (iii) a notice of the Special General Meeting.

### 2. DETAILS OF THE SUPPLEMENTAL AGREEMENT

The principal terms of the Supplemental Agreement are as follows:

- Date:** 28 October 2008
- Parties:** The Company and SA
- Increase in the Maximum Total Commitment:** Unless otherwise agreed by the Company and SA, the Maximum Total Commitment shall be increased from US\$700,000,000 to RMB7,600,000,000. Save as aforesaid, the Master Agreement remains in full force and effect.
- Conditions precedent:** The Supplemental Agreement is conditional upon:
- (a) approval by the Independent Shareholders and compliance by the Company with the Listing Rules; and
  - (b) approval by the SA Independent Shareholders and compliance by SA with the Listing Rules.
- None of the above conditions may be waived.
- Termination of the Supplemental Agreement:** If approval by the Independent Shareholders or the SA Independent Shareholders are not obtained on or before 31 January 2009 or such later date as the Company or SA shall agree in writing, either the Company or SA may terminate the Supplemental Agreement by notice in writing to the other party.

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## LETTER FROM THE BOARD

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### 3. REASONS FOR ENTERING INTO THE SUPPLEMENTAL AGREEMENT

At the special general meeting of the Company held on 25 June 2004, the then independent shareholders of the Company approved the Master Agreement and the relevant transactions contemplated thereunder. As set out in the Master Agreement and disclosed in the KPL Circular, the total costs of the Project (including the cost of the acquisition of the Sites and related costs) were then estimated to be not more than US\$600,000,000 and no party would be required to commit further funding if the cost of the Project were to exceed US\$700,000,000. On the basis of the Old Maximum Total Commitment of US\$700,000,000 and the then proportions of equity interest in the Joint Venture Companies (the Company/SA/Party A: 50.5%/48.5%/1%), the maximum commitment by each of the Company, SA and Party A in respect of the Project should be US\$353,500,000, US\$339,500,000 and US\$7,000,000, respectively. In the event that the Group and the SA Group should have acquired the 1% interest in the Project from Party A, the Old Maximum Total Commitment to be shared by each of the Company and SA (51%/49%) in respect of the Project would be US\$357,000,000 and US\$343,000,000 respectively.

As at the Latest Practicable Date, the Group and the SA Group have acquired from Party A the latter's then interest in the Project, as a result of which the Group and the SA Group became interested in the Joint Venture Companies as to 51% and 49%, respectively. In addition, the Consolidation has also been completed as at the Latest Practicable Date, as a result of which the Joint Venture Companies have been merged by way of dissolving Company 3 and Company 4 and transferring all their assets and liabilities to Company 1 as set out in the paragraph headed "Merger of the Sites" below. As a result, the Group and the SA Group currently hold 51% interest and 49% interest, respectively, in Company 1, the only company now responsible for the development of the Project. Company 1 has been treated as a 51%-owned subsidiary of the Company and its accounts have been consolidated into the financial statements of the Group.

As at the Latest Practicable Date, approximately 97% of the estimated land costs and approximately 3% of the estimated construction costs have been paid. However, as the development costs have risen since the date of the Master Agreement, it is currently anticipated that the total costs of the Project will exceed US\$700,000,000 and may reach RMB7,022,000,000. The rise in the development costs of the Project was attributable to the followings:

- (a) the change in the contents of the development plans (as more particularly described in the paragraph headed "Merger of the Sites" below);
- (b) increase in construction costs and inflation;
- (c) increase in land costs; and
- (d) increase in interest costs.

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## LETTER FROM THE BOARD

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The Directors therefore take the view that the Additional Funding Commitment will be needed in order to cater for the rising development costs of the Project and have agreed to fix the New Maximum Total commitment at RMB7,600,000,000. The New Maximum Total Commitment is agreed to be fixed in RMB because most of the actual costs of the Project will be paid in RMB and this arrangement will also avoid the effect of any further appreciation in the value of RMB.

#### 4. MERGER OF THE SITES

As disclosed in the paragraph headed “Information relating to the use of the Sites” in the KPL Circular, the aggregate site area of the Sites is approximately 46,000 sq.m. It was originally anticipated that the Sites would be developed into a mixed-use development consisting of an office tower, a hotel and service apartment tower, two residential towers, a three-storey retail podium and a three-level basement with an approximate total gross floor area of 332,300 sq.m., subject to further changes and revision.

It was also disclosed in the paragraph headed “Possible merger of the Sites” in the First Joint Announcement and the KPL Circular that, subject to completion of the transactions contemplated under the Master Agreement and the Underlying Contracts, the Joint Venture Companies would be merged by way of dissolving Company 3 and Company 4 and transferring all their assets and liabilities to Company 1.

As a result of the Consolidation, on 7 April 2008, Company 1 entered into the Supplemental Land Contract with Jingan Land Bureau pursuant to which:

- (a) Site 1 and Site 2 have been consolidated and have become the Kerry Jingan South Site with a site area of 28,891.6 sq.m.;
- (b) Site 3a, Site 3b and Site 4 have been consolidated and have become the Kerry Jingan North Site with a site area of 16,975 sq.m.;
- (c) changes have been made to the use of the Consolidated Sites so that the development of the Consolidated Sites will no longer have residential and service apartments. The Consolidated Sites will have a maximum gross floor area of approximately 360,000 sq.m. (including basement) for commercial, office and hotel use; and
- (d) the construction work on the Consolidated Sites shall commence on or before 6 April 2009 and be completed on or before 6 April 2012.

Following the Consolidation and the entering into of the Supplemental Land Contract, it is currently anticipated that the Consolidated Sites will be developed into a mixed-use development consisting of one office and hotel tower, one hotel tower, a convention centre, a retail podium and a five-level basement.

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## LETTER FROM THE BOARD

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### 5. FINANCIAL EFFECTS OF THE TRANSACTIONS

The Additional Funding Commitment will be RMB1,812,400,000. The Additional Funding Commitment represents the difference between the New Maximum Total Commitment of RMB7,600,000,000 and the Old Maximum Total Commitment of US\$700,000,000 (equivalent to RMB5,787,600,000 based on the exchange rate of approximately US\$1 = RMB8.268 as at the date of the Master Agreement) as expressed in RMB.

Based on the current proportions of equity interest in Company 1 (the Company/SA: 51%/49%), the proportionate Additional Funding Commitment of the Company and SA are approximately RMB924,324,000 and RMB888,076,000, respectively. Therefore, the maximum funding commitment by the Company and SA in respect of the Project (including the commitments which they have already made) will be increased to RMB3,876,000,000 and RMB3,724,000,000, respectively.

The Additional Funding Commitment has been arrived at by the Company and SA after taking into account:

- (a) the reasons described in items (a) to (d) in the paragraph headed “Reasons for entering into the Supplemental Agreement” above; and
- (b) a buffer of RMB578,000,000 (representing approximately 8.23% of the estimated total cost of the Project of RMB7,022,000,000) to cater for the possible increase in the estimated total cost of the Project.

## LETTER FROM THE BOARD

In case all contributions by the Company and SA have to be made in foreign currency, investors should note that based on the proportionate Additional Funding Commitment of the Company and SA as expressed in RMB and the effect of RMB appreciation against US dollars since the date of the Master Agreement (based on the exchange rate of approximately US\$1 = RMB8.268 as at the date of the Master Agreement and the exchange rate of approximately US\$1 = RMB6.864 as at the date of the Supplemental Agreement), the additional commitment of the Company and SA in US dollars are approximately US\$207,685,315 and US\$199,540,793 respectively as calculated below:

	<i>RMB</i>	<i>US\$</i>	<b>Proportionate funding commitment in US dollars</b>	
			<b>The Company (51%) <i>US\$</i></b>	<b>SA (49%) <i>US\$</i></b>
New Maximum Total Commitment:	7,600,000,000	1,107,226,107 <i>(Note 1)</i>	564,685,315	542,540,793
Old Maximum Total Commitment:	5,787,600,000 <i>(Note 2)</i>	700,000,000	357,000,000	343,000,000
Additional Funding Commitment:	1,812,400,000	407,226,107	207,685,315	199,540,793

*Notes:*

1. The amount of US\$1,107,226,107 is calculated based on the exchange rate of approximately US\$1 = RMB6.864 as at the date of the Supplemental Agreement.
2. The amount of RMB5,787,600,000 is calculated based on the exchange rate of approximately US\$1 = RMB8.268 as at the date of the Master Agreement.

It is currently expected that the funding required by the Company for making its proportionate Additional Funding Commitment 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 its proportionate Additional Funding Commitment is not expected to have any material impact on the earnings, assets and liabilities of the Group.

### 6. INFORMATION ABOUT THE COMPANY AND SA

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.

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## LETTER FROM THE BOARD

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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.

### **7. IMPLICATIONS UNDER THE LISTING RULES**

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. Accordingly, the Transactions constitute connected transactions for the Company under the Listing Rules. As the New Maximum Total Commitment exceeds the Old Maximum Total Commitment approved by the then independent shareholders of the Company at the special general meeting of the Company held on 25 June 2004 and the proportionate Additional Funding Commitment of the Company 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 proportionate Additional Funding Commitment of the Company exceeds 5% of the market capitalization of the Company. Accordingly, the Transactions also constitute discloseable transactions for the Company.

The Directors (other than the independent non-executive Directors) believe that the Transactions are in the ordinary and usual course of business of the Company, the terms of which are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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

### **8. RECOMMENDATIONS**

Having taken into account the recommendation and advice from First Shanghai in relation to the Supplemental Agreement and the Transactions (as contained in the letter from First Shanghai set out on pages 17 to 24 of this circular), the Independent Board Committee is of the view that the terms of the Supplemental Agreement are on normal commercial terms and are fair and reasonable, and that 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 Supplemental Agreement are on normal commercial terms and are fair and reasonable, and that the Transactions are in the interests of the Company and its Shareholders as a whole.

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## LETTER FROM THE BOARD

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Your attention is drawn to the letter from the Independent Board Committee set out on pages 15 and 16 of this circular, which contains its recommendation to the Independent Shareholders, and the letter from First Shanghai set out on pages 17 to 24 of this circular, which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the Transactions.

Both the Independent Board Committee and First Shanghai 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. 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,

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## LETTER FROM THE BOARD

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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.

### 10. GENERAL

The notice convening the Special General Meeting is set out on pages 32 and 33 of this circular. At the Special General Meeting, the KPL Resolution will be proposed to confirm, ratify and approve the Transactions.

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.

Pursuant to the Listing Rules, the following persons (the "**Abstaining Shareholders**") shall abstain from voting in respect of the KPL Resolution:

- (a) KHL, Shang Holdings and their respective associates, who are interested in 766,365,016 Shares (representing approximately 53.70% of all Shares in issue) as at the Latest Practicable Date;
- (b) 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 10,975,141 Shares (representing approximately 0.77% of all Shares in issue) as at the Latest Practicable Date; and
- (c) the associate of Mr. Wong Siu Kong (a common director of the Company and KHL), who are interested in 50,000 Shares (representing approximately 0.004% of all Shares in issue) as at the Latest Practicable Date.

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## LETTER FROM THE BOARD

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

(Stock Code: 00683)

***Independent Board Committee:***

Mr. LAU Ling Fai, Herald (*Chairman*)

Mr. KU Moon Lun

Ms. WONG Yu Pok, Marina, JP

***Registered Office:***

Canon's Court

22 Victoria Street

Hamilton HM12

Bermuda

18 November 2008

*To the Independent Shareholders*

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTIONS  
RELATING TO  
THE SUPPLEMENTAL AGREEMENT IN RESPECT OF  
THE JOINT ACQUISITION, OWNERSHIP AND DEVELOPMENT OF  
THE SITES IN JINGAN DISTRICT, SHANGHAI, THE 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 Supplemental 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. First Shanghai 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 purpose only

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Having considered the recommendation and advice of First Shanghai, in our opinion, the terms of the Supplemental 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 Supplemental 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. LAU Ling Fai, Herald** (*Chairman*)  
**Mr. KU Moon Lun**  
**Ms. WONG Yu Pok, Marina**

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# LETTER FROM FIRST SHANGHAI

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*The following is the text of a letter received from First Shanghai setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the Transactions for inclusion in this circular.*



## FIRST SHANGHAI CAPITAL LIMITED

19th Floor, Wing On House  
71 Des Voeux Road Central  
Hong Kong

18 November 2008

*To the Independent Board Committee  
and the Independent Shareholders*

Dear Sirs or Madams,

**DISCLOSEABLE AND CONNECTED TRANSACTIONS  
RELATING TO  
THE SUPPLEMENTAL AGREEMENT IN RESPECT OF  
THE JOINT ACQUISITION, OWNERSHIP AND DEVELOPMENT OF  
THE SITES IN JINGAN DISTRICT, SHANGHAI, PRC**

### INTRODUCTION

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the Transactions, details of which are set out in the circular of the Company dated 18 November 2008 (the “**Circular**”) to the Shareholders, of which this letter forms a part. Unless the context otherwise requires, terms used in this letter shall have the same meanings as those defined in the Circular and the First Joint Announcement.

On 28 October 2008, the Company and SA entered into the Supplemental Agreement to amend the Master Agreement entered into between the Company and SA on 13 April 2004 relating to the joint acquisition, ownership and development of the Sites in Jingan District, Shanghai, PRC. Details of the Master Agreement are further described in the First Joint Announcement and the KPL Circular. The entering into of the Supplemental Agreement is for the purpose of increasing the Maximum Total Commitment from US\$700 million (equivalent to approximately RMB5,787.6 million) to RMB7,600.0 million.

As at the Latest Practicable Date, KHL is the controlling shareholder of the Company and SA. Pursuant to the Listing Rules, SA is an associate of KHL and is regarded as a connected person of the Company. Accordingly, the Transactions constitute connected transactions for the Company under the Listing Rules and are subject to the approval of the Independent Shareholders by way of poll at the Special General Meeting.

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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 on the terms of the Supplemental Agreement and the transactions contemplated thereunder. We, First Shanghai Capital Limited, have been appointed as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in this regard.

In putting forth our opinion and recommendations, we have relied on the accuracy of the information and representations included in the Circular and provided to us by the Directors and the Group, and have assumed that all such information and representations made or referred to in the Circular and provided to us by the Directors and the Group were true at the time they were made and continued to be true up to the time of the holding of the Special General Meeting. We have also assumed that all statements of belief, opinion and intention made by the Directors in the Circular were reasonably made after due enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the Group and have been advised by the Directors that no material facts have been withheld or omitted from the information provided and referred to in the Circular. We consider that we have reviewed sufficient information to reach an informed view and to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our advice. We have sought confirmation from the Directors that no material facts or information have been omitted from the information supplied and/or opinions expressed. We have not, however, conducted any independent verification of the information included in the Circular and provided to us by the Directors and the Group nor have we conducted any form of investigation into the business, affairs or future prospects of the Group.

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

In formulating our opinion and recommendations as to the fairness and reasonableness of the terms of the Supplemental Agreement, we have taken into account the following principal factors and reasons:

#### **1. Background to and reasons for the Transactions**

##### *Information on the Group and the SA Group*

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.

As disclosed in the interim report of the Company for the six months ended 30 June 2008, the turnover of the Group for the six months ended 30 June 2008 of approximately HK\$7,227.9 million was principally contributed by the sales of properties and the revenue from its logistics and warehouse operations; while the Group's operating profit for the six months ended 30 June 2008 of approximately HK\$3,384.1 million was mainly contributed by the sales of properties and the rental income. As at 30 June 2008, the Group maintained an investment property portfolio of residential, commercial and office properties in PRC and Hong Kong with an aggregate gross floor area ("GFA") of approximately 4.65

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million square feet and 2.82 million square feet respectively. Currently, the Group also has properties under development in various cities of PRC including Shanghai, Shenzhen, Hangzhou, Tianjin, Beijing, etc.

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 Master Agreement*

On 13 April 2004, the Company and SA entered into the Master Agreement, pursuant to which, among others, (i) the Company and SA would jointly acquire, own and develop the Sites in Jingan District, Shanghai, PRC; and (ii) the total costs of the Project were then estimated to be not more than US\$600 million (equivalent to approximately RMB4,960.8 million) and no party would be required to commit further funding if the total costs of the Project exceeded US\$700 million (equivalent to approximately RMB5,787.6 million). Pursuant to the terms of the Master Agreement, the Maximum Total Commitment shall be calculated based on the exchange rate at the date of the Master Agreement of approximately US\$1 = RMB8.268. Details of the Master Agreement and the Project are set out in the First Joint Announcement and the KPL Circular. The Master Agreement and the relevant transactions contemplated thereunder were approved by the then independent shareholders of the Company and SA on 25 June 2004 and 29 June 2004 respectively.

As set out in the letter from the Board in the Circular, (i) the Group and the SA Group had acquired Party A's interest in the Project; and (ii) all the assets and liabilities of the Joint Venture Companies including the Sites acquired for the Project had been transferred to Company 1 as a result of the Consolidation. Accordingly, the Group and the SA Group are currently interested in 51% and 49% of the Project through their respective equity interests in Company 1.

Based on (i) the Old Maximum Total Commitment of US\$700 million (equivalent to approximately RMB5,787.6 million) under the Master Agreement approved by the then independent shareholders of the Company and SA; and (ii) the current interests of the Group and the SA Group in the Project, the maximum funding commitment on the Project by the Group and the SA Group would be US\$357 million (equivalent to approximately RMB2,951.7 million) and US\$343 million (equivalent to approximately RMB2,835.9 million) respectively.

As a result of (i) the change in the development plan of the Consolidated Sites, details of which are contained in the letter from the Board in the Circular and the section headed "Information on the Consolidated Sites and the Project" below; (ii) the increase in construction costs and inflation; (iii) the increase in land costs; and (iv) the increase in interest costs, it is expected that the total costs of the Project may reach RMB7,022.0 million which exceed the Old Maximum Total Commitment of US\$700 million (equivalent to approximately RMB5,787.6 million).

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Pursuant to the terms of the Master Agreement, in the event that the total costs required for the Project beyond US\$700 million, the parties will (i) consider alternative funding methods, including introduction of third party investors, or from banks, financial institutions or other third parties, depending on the prevailing circumstances and/or (ii) provide shareholders' loan on a pro-rata basis. Accordingly, the Directors and the SA Directors have agreed to fix the New Maximum Total Commitment at RMB7,600.0 million by the entering into of the Supplemental Agreement. Subject to the approval by the Independent Shareholders and the SA Independent Shareholders, the funding commitment on the Project by the Group and the SA Group will increase from US\$357 million (equivalent to approximately RMB2,951.7 million) and US\$343 million (equivalent to approximately RMB2,835.9 million) to RMB3,876.0 million and RMB3,724.0 million respectively. As set out in the letter from the Board in the Circular, the Directors are of the view that the Transactions are in the ordinary and usual course of business of the Company; and are in the interests of the Company and the Shareholders as a whole.

Having considered that (i) the Master Agreement had been approved by the then independent shareholders of the Company and SA; (ii) construction work of the Project had commenced since early 2008; (iii) the entering into of the Supplemental Agreement is to facilitate the continuous development of the Project which is one of the principal business activities of the Group, we are of the view that the Transactions are in the ordinary and usual course of business of the Company; and are in the interests of the Company and the Shareholders as a whole.

### **2. Information on Company 1**

Company 1 is a wholly foreign owned enterprise in PRC and owned as to 51% and 49% by the Group and the SA Group respectively. The operating period of Company 1 is 50 years for the period from 28 December 1994 to 27 December 2044. The principal assets of Company 1 are the Consolidated Sites under development which are currently expected to be completed in 2012. As at the Latest Practicable Date, the board of directors of Company 1 comprised seven members, of which four of them were appointed by the Group.

#### *Financial information on Company 1*

As the construction work on the Consolidated Sites has not yet completed, no income statement of Company 1 has been prepared since its incorporation.

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Set out below is an abridged version of the audited balance sheet of Company 1 as at 31 December 2007 prepared in accordance with PRC Generally Accepted Accounting Principles:

	<b>As at 31 December 2007</b> <i>RMB'000</i> (audited)
Non-current assets	
Fixed assets	379.3
Intangible assets	<u>11,870.5</u>
	12,249.8
Current assets	2,233,950.3
Current liabilities	<u>36,612.9</u>
<b>Net current assets</b>	<b>2,197,337.4</b>
Non-current liabilities	479,551.6
<b>Net assets</b>	<b><u>1,730,035.6</u></b>

Principal current asset of Company 1 as at 31 December 2007 was its property under development which principally comprised the land costs and construction costs incurred amounted to approximately RMB2,225.7 million. The land costs recorded represent the costs paid to the relevant government authorities and third parties for the acquisition of the Sites which included the land premium, the residents relocation costs and the public utilities costs, etc.. The remaining current assets of Company 1 were mainly cash and bank balance of approximately RMB5.7 million. The non-current assets of Company 1 as at 31 December 2007 were principally administrative cost and finance cost incurred for the development of the Project of approximately RMB11.9 million.

Current liabilities of Company 1 as at 31 December 2007 of approximately RMB36.6 million principally comprised payables of construction works. The non-current liabilities of Company 1 as at 31 December 2007 were the outstanding shareholders' loans granted by the Group and the SA Group in proportion to their respective equity interests in Company 1. The shareholders' loans denominated in US\$ are unsecured, interest free and non-revolving in nature; while the shareholders' loans denominated in HK\$ are also unsecured non-revolving loan which bear an annual interest rate of HIBOR (6 months) plus 2%. The shareholders' loans denominated in US\$ and HK\$ are repayable on 31 December 2010 and 31 December 2015 respectively, subject to any extension by the parties.

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### *Information on the Consolidated Sites and the Project*

As disclosed in the paragraph headed “Information relating to the use of the Sites” in the KPL Circular, the aggregate site area of the Sites was approximately 46,000 sq.m.. At the entering into of the Master Agreement, it was then expected that the Sites would be developed into a mixed-use development comprising an office tower, a hotel and service apartment tower, two residential towers, a three-storey retail podium and a three-level basement with total GFA of approximately 332,300 sq.m., details of which are set out in the KPL Circular. However, the original development plan of the Project has been changed as a result of the Consolidation and the entering into of the Supplemental Land Contract where (i) the Sites had been consolidated into the Consolidated Sites; (ii) the use of the Consolidated Sites had been changed and the development of the Consolidated Sites will not be expected to have residential and service apartments; and (iii) the Consolidated Sites will have a maximum GFA of approximately 360,000 sq.m.. A summary of the changes in the development plan of the Project is set out below:

	<b>Original development plan at the entering into of the Master Agreement Approximate GFA (sq.m.)</b>	<b>Development plan after the entering into of the Supplemental Land Contract Approximate GFA (sq.m.)</b>
<i>Type of use</i>		
Office	76,000	79,108
Hotel	75,200	115,471
Serviced apartments	18,100	–
Residential	29,800	–
Retail	40,900	41,021
Basement	92,300	123,979
<b>Total GFA</b>	<b>332,300</b>	<b>359,579</b>

As set out in the letter from the Board in the Circular, the Consolidated Sites will be developed into a mixed-use development consisting of one office and hotel tower, one hotel tower, a convention center, a retail podium and a five-level basement.

### **3. Development costs of the Project**

At the entering into of the Master Agreement, the total costs of the Project were then estimated at US\$700 million (equivalent to approximately RMB5,787.6 million). However, it is expected that the total costs of the Project may reach RMB7,600.0 million (including a buffer of RMB578.0 million) due to the reasons described in the section “Background to and reasons for the Transactions” above.

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In assessing the terms of the Supplemental Agreement, we have reviewed and discussed with the management of the Group the bases and assumptions in arriving at the New Maximum Total Commitment of RMB7,600.0 million which included a buffer of RMB578.0 million to cater for the possible increase in the estimated total costs of the Project.

The estimated total costs of the Project of approximately RMB7,022.0 million can be divided into three main categories including land costs, construction costs and interest costs. The Group advised that the estimated increase in the land costs was mainly attributable to (i) the projected increase in compensation to the residents of the Consolidated Sites; and (ii) the projected deed tax to be charged on the total land costs of the Project. As mentioned in the section “Information on the Consolidated Sites and the Project” above, the Consolidated Sites are expected to be developed into an office and hotel tower, a hotel tower, a convention center, a retail podium and a five-level basement. Accordingly, the construction costs of the Project are expected to increase so as to cater for the changes in the development plan of the Project which, in particular, will include one more hotel and a convention center. In addition, we understand from the management of the Group that about 50% of the total costs of the Project are expected to be financed by external bank borrowings. Since foreign currency loan which was then expected to finance the Project is currently not feasible for the Project, the projected increase in the interest costs of the Project is attributable to the higher interest cost of RMB loan in PRC.

Notwithstanding that there is an increase in the Maximum Total Commitment, pursuant to the terms of the Master Agreement, the Group and the SA Group shall continue to finance the development costs of the Project in proportion to their respective equity interests in Company 1.

#### **4. Financial effects to the Group**

##### *Earnings*

Since the accounts of Company 1 have been consolidated into the financial statements of the Group and the Consolidated Sites will take several years to develop, the Transactions are not expected to have any material effect on the earnings of the Group until completion of the Project.

##### *Net assets*

Based on the Group’s proportionate New Maximum Total Commitment of RMB3,876.0 million and proportionate Old Maximum Total Commitment of US\$357 million (equivalent to approximately RMB2,951.7 million), the proportionate Additional Funding Commitment of the Group will be approximately RMB924.3 million. As set out in the letter from the Board in the Circular, it is currently expected that the proportionate Additional Funding Commitment will be financed by the Company’s internal cash reserves and/or external bank borrowings and the Company is not able to ascertain the proportion between internal cash reserves and external bank borrowings at this stage. Since the accounts of Company 1 have been consolidated into the financial statements of the Group, in the event that the proportionate Additional Funding Commitment will be partly or entirely financed by external bank borrowings, it is not expected to have material effect on the consolidated net asset position of the Group, but will increase the gearing ratio of the Group.

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## DISCUSSION AND ANALYSIS

The Group's main businesses in PRC include, among others, property development, investment and management, and hotel ownership and operations. Its focus is to develop premium-quality mixed-use property project in PRC. The joint development of the Project with the SA Group had been approved by their then respective independent shareholders in 2004 and construction work of the Project has commenced since early 2008. In light of the changes in the development plan of the Project which require additional costs to complete the Project, the entering into of the Supplemental Agreement is to facilitate the continuous development of the Project which is one of the principal business activities of the Group.

The New Maximum Total Commitment represents the latest estimation of the total costs of the Project which has taken into account the projected increases in the land costs and interest costs of the Project; as well as the projected increase in the construction costs as a result of the changes in the development plan of the Project. The Group and the SA Group will continue to finance the Project in proportion to their respective equity interests in Company 1. The Group's proportionate new Maximum Total Commitment to the Project will not, in our opinion, present any material pressure on the financial position of the Group.

## RECOMMENDATION

Having considered the above principal factors and reasons, in particular, (i) the Group and the SA Group will continue to finance the development of the Project in proportion to their respective equity interests in Company 1; and (ii) the increase in the Maximum Total Commitment by the entering into of the Supplemental Agreement is to facilitate the continuous development of the Project, we are of the opinion that the Supplemental Agreement is on normal commercial terms and the terms of which are fair and reasonable. We consider the entering into of the Supplemental Agreement is in the interests of the Company and the Shareholders as a whole. Accordingly, we advise, and recommend the Independent Board Committee to advise, the Independent Shareholders to vote in favour of the KPL Resolution to approve the Supplemental Agreement and the transactions contemplated thereunder to be proposed at the Special General Meeting.

Yours faithfully,  
For and on behalf of  
**First Shanghai Capital Limited**

**Helen Zee**  
*Managing Director*

**Fanny Lee**  
*Executive Director*

## 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	10,974,137	–	10,975,141	0.77
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	–	–	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. 1,427,189,759 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. SUBSTANTIAL INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

As at the Latest Practicable Date, so far as is known to the Directors and chief executive of the Company, the following persons, other than a Director or the chief executive of the Company, had interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company pursuant the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group were as follows:

Name	Capacity in which ordinary shares were held	Number of ordinary shares	Long position/ Short position/ Lending pool	Approximate % of shareholding <sup>2</sup>
Kerry Group Limited	Interest of controlled corporations	757,398,587 <sup>1</sup>	Long position	53.07
Kerry Holdings Limited	Interest of controlled corporations	757,398,587 <sup>1</sup>	Long position	53.07
Caninco Investments Limited	Beneficial owner	310,718,565 <sup>1</sup>	Long position	21.77
Darmex Holdings Limited	Beneficial owner	255,640,776 <sup>1</sup>	Long position	17.91
Moslane Limited	Beneficial owner	88,085,647 <sup>1</sup>	Long position	6.17
JPMorgan Chase & Co.	Interest of controlled corporations	111,203,697	Long position	7.79
		2,224,130	Short position	0.16
		47,665,937	Lending pool	3.34
Morgan Stanley	Interest of controlled corporations	76,188,313	Long position	5.34
		11,267,646	Short position	0.79

*Notes:*

1. Caninco Investments Limited (“Caninco”), Darmex Holdings Limited (“Darmex”) and Moslane Limited (“Moslane”) are wholly-owned subsidiaries of KHL. KHL itself is a wholly-owned subsidiary of Kerry Group Limited (“KGL”) and, accordingly, the shares in which Caninco, Darmex and Moslane are shown to be interested are also included in the shares in which KHL and KGL are shown to be interested.
2. 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. 1,427,189,759 ordinary shares).

Save as disclosed above, as at the Latest Practicable Date, so far as is known to the Directors and chief executive of the Company, there is no other person (other than a Director or chief executive of the Company) who had interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company pursuant the provisions of Divisions 2 and 3 of Part XV of the SFO, or had a direct or indirect interest amounting to 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

#### 4. 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.

#### 5. 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.

#### 6. 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 primarily 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.

## 7. 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.

## 8. 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>
First Shanghai	A licensed corporation under the SFO to carry out type 6 (advising on corporate finance) regulated activity

First Shanghai 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.

First Shanghai 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.

## 9. 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.

## 10. 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.

## **11. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the Supplemental Agreement and the letter from First Shanghai (the text of which is set out in the section of this circular headed “Letter from First Shanghai”) 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 8 December 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*

**(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 Monday, 8 December 2008 at 3:00 p.m. for the following purposes:

To consider, and if thought fit, passing with or without modification the following resolution as an **ORDINARY RESOLUTION**:

“**THAT**

- (1) the Supplemental 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 are 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 Supplemental Agreement and the Transactions.

For the purposes of this resolution, the terms “Supplemental Agreement” and “Transactions” shall have the same definitions as defined in the circular to the shareholders of the Company dated 18 November 2008.”

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

Hong Kong, 18 November 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 the 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 Friday, 5 December 2008 to Monday, 8 December 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 Thursday, 4 December 2008.
- (5) Shareholders are advised to read the circular to the shareholders of the Company dated 18 November 2008 which contains information concerning the resolutions to be proposed in this notice.
- (6) The KPL Resolution to be proposed at the meeting shall be decided by way of a poll.