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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.

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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 PUTIAN CITY, FUJIAN PROVINCE, THE PRC AND NOTICE OF SPECIAL GENERAL MEETING

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



**VC CAPITAL LIMITED**

滙盈融資有限公司

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A letter from the Board is set out on pages 5 to 11 of this circular. A letter from the Independent Board Committee is set out on pages 12 and 13 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 14 to 22 of this circular.

A resolution will be proposed at the Special General Meeting of Kerry Properties Limited to be held at Island Ballroom, Level 5, Island Shangri-La Hotel, Pacific Place, Supreme Court Road, Central, Hong Kong on Wednesday, 14 December 2011 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 28 and 29 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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*In this circular, the following expressions have the following meanings unless the context requires otherwise:*

“Affiliate(s)”	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;
“associate”	has the meaning ascribed to it in the Listing Rules;
“Associated Corporation”	has the meaning ascribed to it in Part XV of the SFO;
“Board”	the board of Directors;
“Business Day”	a day (excluding Saturday and Sunday) on which banks in Hong Kong are open for business;
“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 28 October 2011 entered into by Putian City Land Resources Bureau (莆田市國土資源局) and the JV Parties confirming the winning of the Land Bid by the JV Parties;
“connected person”	has the meaning ascribed to it in the Listing Rules;
“connected transactions”	has the meaning ascribed to it in the Listing Rules;
“Consideration”	the total consideration for the acquisition of the Project Site, being approximately RMB455.5 million (approximately HK\$560.3 million);
“controlling shareholder”	has the meaning ascribed to it in the Listing Rules;
“Deposit”	an aggregate amount of RMB100 million (approximately HK\$123 million) paid by the JV Parties in order to participate in the Land Bid;
“Directors”	the directors of the Company for the time being;

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## DEFINITIONS

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“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 the PRC;
“Independent Board Committee”	the independent committee of the Board consisting of all the independent non-executive Directors;
“Independent Financial Adviser” or “VC Capital”	VC Capital Limited, a corporation licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and 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 at the Special General Meeting to consider and, if thought fit, approve the Transactions;
“JV Parties”	collectively, KPCL and SACL, and a “ <b>JV Party</b> ” shall mean any of them;
“JVCO(s)”	one or more wholly foreign-owned enterprise(s) to be established by the JV Parties in Putian City, Fujian Province, the PRC and to be owned by KPCL and SACL as to 60% and 40%, respectively, for the purpose of acquiring, holding and developing the Project Site;
“KHL”	Kerry Holdings Limited, a company incorporated in Hong Kong with limited liability, which as at the Latest Practicable Date was the controlling shareholder of both the Company and SA;
“KPCL”	Kerry Properties (China) Limited, a company incorporated in Hong Kong with limited liability and indirectly wholly-owned by the Company;

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## DEFINITIONS

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“Land Bid”	the public bidding in respect of the Project Site held on 28 October 2011 in Putian City, Fujian Province, the PRC;
“Latest Practicable Date”	15 November 2011, 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 28 October 2011 and entered into between the JV Parties with respect to the establishment of the JVCO(s) for the acquisition, holding and development of the Project Site;
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers, as set out in Appendix 10 to the Listing Rules;
“percentage ratios”	has the meaning ascribed to it in Chapter 14 of the Listing Rules;
“Project Site”	the project site no. PS Gua-2011-24 located at Yanshou Village, Longqiao Street Office, Chengxiang District and Xibai Village, Xitianwei Town, Licheng District, Putian City, Fujian Province, the PRC (中國福建省莆田市城廂區龍橋街道辦事處延壽村和荔城區西天尾鎮溪白村地塊(地塊編號: PS 掛-2011-24號)), with a gross area of 147,576.97 square metres;
“Resolution”	the resolution to approve the Transactions by the Independent Shareholders at the Special General Meeting;
“RMB”	Renminbi, the lawful currency of the 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 Singapore Exchange Securities Trading Limited;

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## DEFINITIONS

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“SACL”	Shangri-La China Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of SA;
“SA Group”	SA and its subsidiaries;
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Shareholders”	holders of the Shares;
“Shares”	ordinary shares of HK\$1.00 each in the capital of the Company;
“Special General Meeting”	the special general meeting of the Company to be held at Island Ballroom, Level 5, Island Shangri-La Hotel, Pacific Place, Supreme Court Road, Central, Hong Kong on Wednesday, 14 December 2011 at 3:00 p.m. at which the Resolution will be proposed, the notice of which is set out on pages 28 and 29 of this circular;
“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);
“the PRC”	The People’s Republic of China;
“Transactions”	the entering into of the Master Joint Venture Agreement by the JV Parties and the transactions contemplated thereunder, including but not limited to the establishment of the JVCO(s) by the JV Parties and the transactions contemplated thereunder; and
“%”	per cent.

*Amounts denominated in RMB in this circular have been converted into HK\$ at the rate of RMB1 = HK\$1.23 for illustration purposes.*

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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*

**(Stock Code: 00683)**

***Executive Directors:***

Mr. KUOK Khoon Chen (*Chairman*)  
Mr. WONG Siu Kong  
*(President & Chief Executive Officer)*  
Mr. HO Shut Kan  
Mr. MA Wing Kai, William  
Mr. QIAN Shaohua  
Mr. CHAN Wai Ming, William

***Independent Non-executive Directors:***

Mr. KU Moon Lun  
Mr. LAU Ling Fai, Herald  
Ms. WONG Yu Pok, Marina, JP

***Non-executive Director:***

Mr. TSE Kai Chi

***Registered Office:***

Canon's Court  
22 Victoria Street  
Hamilton HM12  
Bermuda

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

25/F, Kerry Centre  
683 King's Road  
Quarry Bay  
Hong Kong

18 November 2011

*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  
PUTIAN CITY, FUJIAN PROVINCE, THE PRC  
AND  
NOTICE OF SPECIAL GENERAL MEETING**

**1. INTRODUCTION**

On 28 October 2011, the Board announced that a consortium formed between the JV Parties jointly won the Land Bid at the public bidding to acquire the land use rights of the Project Site in Putian City, Fujian Province, the PRC. Accordingly, on 28 October 2011, Putian City Land Resources Bureau (莆田市國土資源局) and the JV Parties entered into the Confirmation Notices confirming the winning of the Land Bid.

\* *for identification purpose only*

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## LETTER FROM THE BOARD

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Following the successful bidding of the Project Site, the JV Parties have entered into the Master Joint Venture Agreement on 28 October 2011 to establish the JVCO(s) for the acquisition, holding and development of the Project Site.

The Project Site is designated for residential, hotel and commercial uses. The term for the grant of the land use rights of the Project Site are 70 years for residential use and 40 years for hotel and commercial use. The Consideration for the acquisition of the Project Site is RMB455.5 million (approximately HK\$560.3 million) and will be settled in cash. The Deposit of RMB100 million (approximately HK\$123 million) has been paid and the balance of the Consideration shall be payable in accordance with the land contracts.

As the applicable percentage ratios for the Company in respect of the maximum total investment amount of the Group to the JVCO(s) exceed 5%, the Transactions constitute discloseable and connected transactions for the Company under the Listing Rules and are subject to the approval of the Independent Shareholders.

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 the Independent Financial Adviser 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

The principal terms of the Master Joint Venture Agreement are as follows:

<b>Date:</b>	28 October 2011
<b>Parties:</b>	KPCL and SACL
<b>Shareholdings in the JVCO(s):</b>	The shareholdings of KPCL and SACL in the JVCO(s) shall be in the proportions of 60% and 40%, respectively.
<b>Registered capital:</b>	The aggregate amount of the registered capital of the JVCO(s) will be no less than the Consideration or such other amount to be agreed among the JV Parties, which will be contributed by the JV Parties on a pro rata basis based on their respective shareholdings in the JVCO(s).

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## LETTER FROM THE BOARD

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<b>Maximum total investment amount:</b>	The maximum total investment amount of the JVCO(s) (including the Consideration of RMB455.5 million (approximately HK\$560.3 million)), shall be RMB3,555 million (approximately HK\$4,373 million).
<b>Scope of business of the JVCO(s):</b>	Real estate development, operation, sale, leasing, property management and hotel development, operation and management.
<b>Funding and provision of securities:</b>	The sources and terms of future funding requirements of the JVCO(s) shall be determined by the board 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 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).
<b>Conditions precedent:</b>	The Master Joint Venture Agreement and the establishment of the JVCO(s) are conditional upon (among other things) the passing of the Resolution and all necessary approvals, consents, authorization and licenses, whether corporate, regulatory, governmental or otherwise required under the relevant contracts and other documentation for the establishment of the JVCO(s) having been obtained.

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## LETTER FROM THE BOARD

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**Termination:**

In the event that the Resolution is not passed on or before 31 March 2012 or such later date as the JV Parties shall agree, SACL shall be deemed to have withdrawn from the Master Joint Venture Agreement and the JVCO(s) and the Master Joint Venture Agreement shall be deemed being terminated automatically. Upon termination of the Master Joint Venture Agreement, KPCL (or through its Affiliates or third party(ies) designated by it) shall acquire the interests held by SACL in the Deposit, the Project Site and (if applicable) the JVCO(s) and KPCL shall then hold the entire interest in the JVCO(s). SACL shall be obliged to transfer such interests to KPCL. In connection with this, KPCL shall reimburse SACL or any of its Affiliates for any deposit paid in connection with the acquisition of the Project Site or the establishment of the JVCO(s) and any other expenses/further funds paid by SACL for the JVCO(s) in connection therewith within 7 Business Days from the date of such acquisition.

The Company will comply with the requirements of the Listing Rules if the event as referred to above happens.

**Supporting transactions:**

The JV Parties agree that each of the JVCO(s) will enter into an agreement with the Group to the effect that the Group will provide certain on-going project development, construction management and project consultancy services during the period of the construction of the Project Site at an aggregate fee of not more than 2% of the total construction costs. It is currently contemplated by the JV Parties that a hotel will be built on the Project Site. In connection with the operation and management of such hotel, the JV Parties have agreed that the JVCO(s) will enter into an agreement with the SA Group to the effect that the SA Group will provide certain on-going hotel management services during the period of operation of such hotel. However, as at the Latest Practicable Date, no agreements have been entered into in respect of the aforesaid transactions and the terms of such transactions have yet to be agreed among the Group and the SA Group. In the event that any agreement has been entered into between the Group and the SA Group for such transactions, the Company will comply with the relevant Listing Rules requirements where applicable.

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## LETTER FROM THE BOARD

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### 3. FINANCIAL EFFECTS OF THE TRANSACTIONS

Based on the maximum total investment amount in the JVCO(s) of RMB3,555 million (approximately HK\$4,373 million), the maximum total investment amount of the Group to the JVCO(s) is expected to be RMB2,133 million (approximately HK\$2,624 million).

The Consideration has been arrived at following the successful joint bid by the JV Parties at the Land Bid after taking into account the location and potential value of the Project Site. It is currently expected that the funding required by the Group for making the maximum total investment amount to the JVCO(s) will be sourced by the Group 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 total investment amount is not expected to have any material impact on the Group.

As the JVCO(s) will be owned by KPCL as to 60%, the JVCO(s) will be treated as 60%-owned subsidiary(ies) of the Company, and will be so treated in the consolidated financial statements of the Company.

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

The Company and SA will use their combined experience, standing and expertise in hotel, commercial and residential properties to develop the Project Site. The Board believes that the joint acquisition and development of the Project Site will increase the value for the Shareholders and provide recurrent income for the Group.

The Project Site is located at a very convenient place near to the heart of Putian City, with tourism being a major industry in its service sector. The Directors believe that it is in the best interests of the Group to establish a presence in this market of tremendous potential.

### 5. INFORMATION ABOUT THE COMPANY AND SA

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

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.

### 6. IMPLICATIONS UNDER THE LISTING RULES

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

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## LETTER FROM THE BOARD

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As the applicable percentage ratios for the Company in respect of the maximum total investment amount of the Group to the JVCO(s) exceed 5%, the Transactions constitute discloseable and connected transactions for the Company under the Listing Rules and are subject to the approval of the Independent Shareholders.

The Independent Board Committee has been established by the Board to consider the Transactions and to advise the Independent Shareholders on the Transactions and as to how they should vote on the Resolution. The Independent Financial Adviser has been appointed by the Company to make recommendations to the Independent Board Committee and the Independent Shareholders in relation to the Transactions.

### **7. RECOMMENDATIONS**

Having taken into account the recommendation and advice from the Independent Financial Adviser in relation to the Master Joint Venture Agreement and the Transactions (as contained in the letter from the Independent Financial Adviser set out on pages 14 to 22 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, the Transactions are in the ordinary and usual course of business of the Company and the entering into of the Transactions is 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. None of the Directors has a material interest in the Transactions, therefore none of the Directors was required to abstain from voting on the board resolutions approving the Transactions.

Your attention is drawn to the letter from the Independent Board Committee set out on pages 12 and 13 of this circular, which contains its recommendation to the Independent Shareholders, and the letter from the Independent Financial Adviser set out on pages 14 to 22 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 the Independent Financial Adviser recommend the Independent Shareholders to vote in favour of the Resolution. Accordingly, the Directors (including the independent non-executive Directors) recommend the Independent Shareholders to vote in favour of the Resolution.

### **8. GENERAL**

The notice convening the Special General Meeting is set out on pages 28 and 29 of this circular. At the Special General Meeting, the 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

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## LETTER FROM THE BOARD

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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 Resolution.

The following persons (the "**Abstaining Shareholders**") will abstain from voting on the Resolution to approve the Transactions at the Special General Meeting:

- (a) KHL, Shang Holdings Limited (an indirect wholly-owned subsidiary of SA which is not involved in the Transactions) and their respective associates, which were interested in 785,135,841 Shares (representing approximately 54.59% of all Shares in issue) as at the Latest Practicable Date;
- (b) Mr. Kuok Khoon Chen (a common director of the Company and KHL) and his associates, who were interested in 7,705,711 Shares (representing approximately 0.54% of all Shares in issue) as at the Latest Practicable Date; and
- (c) Mr. Wong Siu Kong (a common director of the Company and KHL) and his associates, who were interested in 800,000 Shares (representing approximately 0.06% of all Shares in issue) as at the Latest Practicable Date.

In compliance with the Listing Rules, the Resolution will be voted on by way of poll at the Special General Meeting. The Company will announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules.

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. 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 2011

*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  
PUTIAN CITY, FUJIAN PROVINCE, 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 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. The Independent Financial Adviser has been appointed 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 the Independent Financial Adviser, in our opinion, the terms of the Master Joint Venture Agreement are on normal commercial terms and are fair and reasonable, the Transactions are in the ordinary and usual course of business of the Company and the entering into of the Transactions 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 Resolution to be proposed at the Special General Meeting to approve the Transactions.

Yours faithfully,

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

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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



18 November 2011

*To the Independent Board Committee and  
the Independent Shareholders 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  
PUTIAN CITY, FUJIAN PROVINCE, THE PRC**

### **INTRODUCTION**

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the transactions contemplated under the Master Joint Venture Agreement entered into between KPCL (an indirect wholly-owned subsidiary of the Company) and SACL, details of which are set out in the letter from the Board in the circular of the Company dated 18 November 2011 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

On 24 October 2011, the Board announced that the JV Parties, namely, KPCL and SACL, jointly submitted a bid at the public bidding to acquire the land use rights of the Project Site in Putian City, Fujian Province, the PRC. The JV Parties successfully won the Land Bid on 28 October 2011. Following the successful bidding of the Project Site, the JV Parties have entered into the Master Joint Venture Agreement on 28 October 2011 to establish the JVCO(s) for the acquisition, holding and development of the Project Site. The JV Parties will enter into the JVCO shareholders’ agreement and the JVCO articles of association for each of the JVCO(s).

SACL is indirectly wholly-owned by SA; and KHL is the controlling shareholder of both the Company and SA. SA is an associate of KHL and therefore a connected person of the Company for the purpose of the Listing Rules. The Transactions constitute connected transactions for the Company under Chapter 14A the Listing Rules and are subject to reporting, announcement and approval by the Independent Shareholders by way of poll at the Special General Meeting. At the Special General Meeting, (i) KHL, Shang Holdings Limited (an indirect wholly-owned subsidiary of SA which is not involved in the Transactions) and their respective associates, which were interested in 785,135,841 Shares (representing

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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approximately 54.59% of all Shares in issue) as at the Latest Practicable Date, (ii) Mr. Kuok Khoon Chen (a common director of the Company and KHL) and his associates, who were interested in 7,705,711 Shares (representing approximately 0.54% of all Shares in issue) as at the Latest Practicable Date; and (iii) Mr. Wong Siu Kong (a common director of the Company and KHL) and his associates, who were interested in 800,000 Shares (representing approximately 0.06% of all Shares in issue) as at the Latest Practicable Date will abstain from voting on the Resolution to approve the Transactions.

The Independent Board Committee, comprising all the independent non-executive Directors who do not have any material interest in the Transactions, namely, Mr. Lau Ling Fai, Herald, Mr. Ku Moon Lun and Ms. Wong Yu Pok, Marina, JP, has been established to advise the Independent Shareholders on the terms of the Transactions and the action(s) they should take.

In our capacity as the independent financial adviser to the Independent Board Committee and the Independent Shareholders, our role is to give an independent opinion as to whether the Transactions are on normal commercial terms, whether the Transactions are conducted in the ordinary and usual course of business of the Group, whether the terms of the Master Joint Venture Agreement and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned, and whether the terms of the Master Joint Venture Agreement and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

VC Capital Limited (“**VC Capital**”) is not associated with the Company and its substantial Shareholders or any party acting, or presumed to be acting, in concert with any of them and, accordingly, is considered eligible to give independent advice on the Transactions. Apart from normal professional fees payable to us in connection with this engagement, no arrangement exists whereby VC Capital will receive any fees or benefits from the Company or its substantial Shareholders or any party acting, or presumed to be acting, in concert with any of them.

In formulating our opinion, we have relied on the information and facts supplied and opinions expressed by the Directors and management of the Group. We have assumed that all information and representations provided by the Directors and management of the Group were true and accurate at the time they were prepared or made and will continue to be so up to the date of the Special General Meeting. We have no reason to doubt the truth, accuracy or completeness of the information and representations made to us by the Directors and management of the Group. We have been advised by the Directors that no material facts have been omitted from the information supplied and opinions expressed. As such, we have no reason to suspect that any relevant information has been withheld or omitted from the information provided and referred to in the Circular or the reasonableness of the opinions and representations provided by the Directors and management of the Group to us, nor are we aware of any facts or circumstances which would render the information provided and representations made to us untrue, inaccurate or misleading.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our opinion. We have not, however, conducted any independent investigation into the business and affairs or the future prospects of the Group, nor have we carried out any independent verification of the information provided by the Directors and management of the Group.

The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or the Circular misleading.

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In considering whether the Transactions are on normal commercial terms, whether the Transactions are in the ordinary and usual course of business of the Group, whether the terms of the Master Joint Venture Agreement and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and whether the Transactions are in the interests of the Company and the Shareholders as a whole, we have taken into account the following principal factors and reasons:–

#### 1. Background

The Master Joint Venture Agreement was entered into between KPCL and SACL. As stated in the letter from the Board, the JVCO(s) will be owned as to 60% and 40% by KPCL and SACL respectively for the purpose of acquiring, holding and developing the Project Site. The Project Site is designated for residential, hotel and commercial uses.

#### *Information on the Group*

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

As disclosed in unaudited interim report of the Group for the six months ended 30 June 2011 (the “**2011 Interim Report**”), the Group’s turnover decreased by approximately 20% from approximately HK\$11,698 million of the corresponding period in 2010 to approximately HK\$9,318 million. The decrease in turnover during the period was mainly due to the decrease in property sales in Hong Kong. The property sales, logistics operations, property rental and hotel operations contributed approximately 13.7%, 76.6%, 7.9% and 1.1% of the total turnover of the Group respectively for the six months ended 30 June 2011. The Group’s operating profit (before taking into account the increase in fair value of investment properties) decreased by approximately HK\$792 million to approximately HK\$1,674 million mainly because of the decrease in operating profit generated from property sales from approximately HK\$1,533 million to approximately HK\$635 million.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Fair value of investment properties of the Group increased by approximately HK\$324 million during the six months ended 30 June 2011. As at 30 June 2011, the Group maintained an investment property portfolio of residential, commercial and office properties/assets in the PRC and Hong Kong with an aggregate attributable gross floor area (“GFA”) of approximately 3.71 million square feet and 2.77 million square feet respectively. We are advised that the Group also had equity interest in properties under development in various cities of the PRC including Shanghai, Shenzhen, Tianjin, Hangzhou, Nanjing, Chengdu, Nanchang, Changsha, Shenyang, Qinhuangdao, Manzhouli, Tangshan, Ningbo, Yingkou and Jinan, with a total attributable GFA of approximately 44.7 million square feet as at 30 June 2011.

### *Information on the SA Group*

SA is a company which shares are primarily listed on the main board of the Stock Exchange with secondary listing on the Singapore Exchange Securities Trading Limited and 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.

According to the unaudited interim report of SA for the six months ended 30 June 2011, the SA Group’s sales increased by approximately 23.8% from approximately US\$723 million of the corresponding period in 2010 to approximately US\$895 million. Hotel operation accounted for approximately 94.6% of the total sales of the SA Group for the six months ended 30 June 2011 (approximately 94.7% of the total sales for the six months ended 30 June 2010). The SA Group recorded profit attributable to its equity holders of approximately US\$108 million, representing an increase of approximately 45.0% as compared to the corresponding period in 2010. During the period, the performance of most of the SA Group’s hotels benefited from the recovering corporate travel market and emerging leisure travel trends together with the general appreciation of Asian currencies against US dollar. As at 30 June 2011, the SA Group had equity interest in 56 operating hotels with 26,356 available guest rooms. The 200-room Shangri-La Hotel, Tokyo was operating under a medium term operating lease. The SA Group also had hotel management agreements in respect of 16 operating hotels owned by third parties as at 30 June 2011.

Having considered that: (i) the SA Group is an experienced market player in hotel operation in various countries; (ii) property development in the PRC is one of the principal businesses of the Group; (iii) the JVCO(s), once established, will be engaged in development of properties for residential, hotel and commercial uses on the Project Site, which is in line with the existing principal businesses of the Group; and (iv) the Transactions between KPCL and SACL is also conforming with the Group’s business objectives, which is to source high-quality land with long-term growth value in cities with development potential as mentioned in its 2011 Interim Report, we consider that the Transactions under the Master Joint Venture Agreement are reasonable and in the ordinary and usual course of business of the Group.

## **2. Reasons for entering into the Master Joint Venture Agreement**

As set out in the letter from the Board in the Circular, the Directors expected that with the combined experience, standing and expertise in hotel, commercial and residential properties of the Company and SA, the joint acquisition and development of the Project Site will increase the value for the Shareholders and provide recurrent income for the Group. It was stated in the 2011 Interim Report that looking ahead to the second half of year 2011, the Central Government is expected to maintain its tight macro-control policy stance. Nevertheless, any ease of the property market is expected to lead to corresponding adjustment in land prices. The Group will take advantage of any timely opportunity to secure new sites offering excellent development potential so as to increase its land bank in Mainland China.

### *Information on the Project Site*

The Project Site comprises three lots of land located adjacent to each others at Putian City, Fujian Province, the PRC with site area of 50,258.45 square metres (“**Lot One**”), 53,058.77 square metres (“**Lot Two**”) and 44,259.75 square metres (“**Lot Three**”) respectively. The Project Site is designated for residential, hotel and commercial uses. The terms for the grant of the land use rights of the Project Site are 70 years for residential uses and are 40 years for hotel and commercial uses. Lot One can be developed for hotel and ancillary facilities uses. Both Lot Two and Lot Three can be developed for commercial, residential and ancillary facilities uses.

Putian City is located in the southeast of Fujian Province, in the middle of the province’s coastline, facing Taiwan across the strait; and has a land area measured approximately 4,119 square kilometres. According to the website of Hong Kong Trade Development Council, Putian City had a population of 2.86 million and gross domestic product of RMB81.69 billion in 2010. According to the city’s 11th five-year plan, the pillar industries of Putian City are shoe-making, textile and garment, food processing, electronics, forest products processing, pharmaceuticals and medical devices manufacturing. Tourism is a major industry in Putian City’s service sector. In 2010, the number of tourists to Putian City grew by 22.5% to 7.93 million, while the revenue in tourism reached RMB6.36 billion, up 28.6%. In the same year, number of foreign visitors increased by 18.9% to 184,700; and Putian City’s foreign trade also grew by 45.8% to US\$3.42 billion. Taiwan and the U.S. are the two largest trade partners for imports and exports.

According to the official website of the municipal government of Putian City, investments in property development in Putian City increased by approximately 38.8% to approximately RMB8.8 billion in the year 2010. In the same year, total saleable area for commodities properties reached approximately 1.6 million square metres and turnover generated from the sales of commodities properties increased by approximately 37.1% to approximately RMB8.0 billion.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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In light of (i) the Group's past experience in co-developing mixed-use property interests in the PRC with other affiliate companies; (ii) the Group's past experience in cooperating with the SA Group to co-invest in various projects in the PRC; (iii) the development of the Project Site will expand the Group's portfolio of properties under development in the new site in the PRC that have development potential as considered by the management of the Group; and (iv) property development in the PRC is one of the principal businesses of the Group, we concur with the Directors' view that the Transactions are in the interests of the Company and the Shareholders as a whole.

### 3. Principal terms of the Master Joint Venture Agreement

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

Pursuant to the terms of the Master Joint Venture Agreement, the aggregate amount of the registered capital of the JVCO(s) will be no less than the Consideration or such other amount to be agreed among the JV Parties; and the maximum total investment amount of the JVCO(s) shall be RMB3,555 million (approximately HK\$4,373 million). As stated in the letter from the Board in the Circular, the Consideration has been arrived at following the successful joint bid by the JV Parties at the Land Bid after taking into account the location and potential value of the Project Site. We have reviewed the budget plan for development of the Project Site provided by the Group and noted that such maximum total investment amount was determined based on the current estimation of the costs for constructing the residential and commercial properties and a hotel on the Project Site (as calculated by the expected constructing area of properties on the Project Site, the expected construction cost per GFA for each of residential, commercial and hotel uses; and a buffer after taking into the possibility of increase in construction material costs, contractors fee, consultancy fee and other costs. The expected cost per GFA was derived with reference to the recent cost per GFA for constructing similar properties in the PRC based on the Group's experience in property development in the PRC), the relevant finance charges and land cost. Based on the above, we consider that the basis in determining the maximum total investment amount is fair and reasonable. The JV Parties shall contribute the registered capital of the JVCO(s) on a pro rata basis based on their respective shareholdings in the JVCO(s), which means KPCL and SACL will contribute 60% and 40% of the registered capital of the JVCO(s) respectively. Accordingly, the maximum total investments of the Group to the JVCO(s) is expected to be RMB2,133 million (approximately HK\$2,624 million). The minimum commitment of each of the JV Parties to the JVCO(s) shall be no less than its share of the Consideration. Prior to the establishment of the relevant JVCO(s), the JV Parties shall agree on the development plan and funding of the Project Site.

#### *Funding and provision of securities of the JVCO(s)*

Pursuant to the terms of the Master Joint Venture Agreement, the source and terms of future funding requirements of the JVCO(s) shall be determined by the board 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

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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or make available by itself and/or its Affiliates such form of financial assistance 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).

### *Profit distribution*

Pursuant to the terms of the Master Joint Venture Agreement, profit will be distributed to the JV Parties in proportion to their respective capital contributions to the registered capital of the JVCO(s).

### *Composition of the board of the JVCO(s)*

Pursuant to the terms of the Master Joint Venture Agreement, the board of directors of each of the JVCO(s) will consist of 5 directors; of whom, 3 shall be nominated by KPCL and 2 shall be nominated by SACL. The chairman shall be nominated by KPCL.

### *Supporting transactions*

Pursuant to the terms of the Master Joint Venture Agreement, the JV Parties agree that each of the JVCO(s) will enter into an agreement with the Group to the effect that the Group will provide certain on-going project development, construction management and project consultancy services during the period of the construction of the Project Site at an aggregate fee of not more than 2% of the total construction costs. It is currently contemplated by the JV Parties that a hotel will be built on the Project Site. In connection with the operation and management of such hotel, the JV Parties have agreed that the JVCO(s) will enter into an agreement with the SA Group to the effect that the SA Group will provide certain on-going hotel management services during the period of operation of such hotel. In view of the experience and expertise of the respective JV Parties in property development and hotel management, we consider that the on-going project development, management and project consultancy services to be provided by the Group and the hotel management services to be provided by the SA Group will benefit the JVCO(s) in the development of the Project Site and the management of the hotel that will be situated on the Project Site. The Group will be given the opportunity to generate additional revenue by providing services to the JVCO(s). We have reviewed the payment terms as stated in sample agreements and circulars of the Company in relation to the provision of on-going project development, construction management and project consultancy services provided/to be provided by the Group to its affiliate companies, and noted that the payment term offered by the Group to the JVCO(s) is comparable to the terms offered by the Group to such other affiliate companies. Based on the above, we consider that the term under the Master Joint Venture Agreement in relation to the Group's provision of certain on-going project development, construction management and project consultancy services to the JVCO(s), if any, is fair and reasonable and in the interests of the Company and the Shareholders as a whole. We are advised that as at the Latest

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Practicable Date, no agreement has been entered into in respect of the aforesaid transactions and the terms of such transactions have yet to be agreed among the Group and the SA Group. In the event any agreement has been entered into between the Group and the SA Group for such transactions, the Company will comply with the relevant Listing Rules requirements where applicable.

Having considered the above, in particular, the contribution to the registered capital, the total investment amount, the funding and provision of securities of the JVCO(s), the profit distribution and the composition of the board of the JVCO(s) are proportionate to the shareholders' respective equity interest in the JVCO(s), we consider that the terms of the Master Joint Venture Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

#### **4. Financial effects of the Transactions**

##### *Earnings*

Following the establishment of the JVCO(s), the JVCO(s) will become indirect non-wholly owned subsidiary(ies) of the Company and its/their financial results will be consolidated into the Group's consolidated financial statements. The Project Site has yet to be developed and it is expected that no significant contribution will be recorded from the JVCO(s) in near term.

##### *Net asset value*

The results as well as the financial position of the JVCO(s) will be consolidated into the accounts of the Group upon the establishment of the JVCO(s). As the JVCO(s) will be newly established, it is expected that there will be no material immediate effect on the net asset value of the Group.

##### *Working Capital and gearing*

As mentioned in the announcement of the Company dated 28 October 2011, it is currently expected that the funding required by the Group for making the maximum total investment amount to the JVCO(s) will be sourced 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.

As stated in 2011 Interim Report, the Group had current assets of approximately HK\$36,939 million, current liabilities of approximately HK\$16,094 million and capital commitments in respect of the Group's interests in leasehold land, property under development, property, plant and equipment and investment in associates of approximately HK\$7,361 million as at 30 June 2011. On 31 January 2011, the Group entered into a loan agreement for an unsecured HK\$8.45 billion term and revolving loan facilities with banks and financial institutions for general corporate funding requirement

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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of the Group including refinancing of a previous HK\$6 billion syndicated loan facility obtained in February 2006. On 6 April 2011, a wholly-owned subsidiary of the Company issued US\$300 million fixed rate bonds, which are listed on the Singapore Exchange Securities Trading Limited and have a maturity term of 10 years. As at 30 June 2011, the Group's cash and bank balances (excluding restricted and pledged bank deposits) amounted to approximately HK\$18,488 million. In terms of the Group's available financial resources as at 30 June 2011, the Group had total undrawn bank loan and overdraft facilities of approximately HK\$10,944 million. We have reviewed the preliminary schedule prepared by the Group for the yearly allocations of the development cost based on its share of maximum total investment amount.

Having considered the above, in particular, the cash position, available bank facilities and capital commitment of the Group as at 30 June 2011, we concurred that the Group's share of maximum total investment amount of RMB2,133 million (approximately HK\$2,624 million) in the JVCO(s) will not have a material adverse effect on the working capital of the Group.

As stated in 2011 Interim Report, the Group had gearing ratio of 12.7% as at 30 June 2011, calculated based on net debt of approximately HK\$7,805 million and shareholders' equity of approximately HK\$61,563 million. Given the funding required by the Group for making the maximum total investment amount to the JVCO(s) will be financed by its internal cash reserves and/or external bank borrowings as mentioned above, the gearing ratio of the Group may increase upon payment of land and construction costs for the Project Site.

### RECOMMENDATION

Having considered the above-mentioned principal factors and reasons, we consider that the terms of Master Joint Venture Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned. We also consider the Transactions are in the ordinary and usual course of business of the Company and the entering into the Transactions is in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the Resolution to approve the Transactions to be proposed at the Special General Meeting.

Yours faithfully,  
For and on behalf of  
**VC Capital Limited**  
**Philip Chau**  
*Managing Director*

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular 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) The Company

Directors	Number of Shares		Number of underlying Shares held under equity derivatives <sup>2</sup>	Total	Approximate % of shareholding <sup>6</sup>
	Personal interests <sup>1</sup>	Other interests <sup>4</sup>			
KUOK Khoon Chen	501,004	7,204,707	–	7,705,711	0.54
WONG Siu Kong	750,000	50,000	4,000,000	4,800,000	0.33
HO Shut Kan	–	50,000	1,700,000	1,750,000	0.12
MA Wing Kai, William	181,020	50,000	1,200,000	1,431,020	0.10
QIAN Shaohua	350,000	50,000	800,000	1,200,000	0.08
CHAN Wai Ming, William	–	50,000	1,100,000	1,150,000	0.08

## (ii) Associated Corporations

Associated Corporations	Directors	Number of ordinary shares			Number of underlying ordinary shares held under equity derivatives <sup>5</sup>	Total	Approximate % of shareholding
		Personal interests <sup>1</sup>	Corporate interests <sup>3</sup>	Other interests <sup>4</sup>			
Kerry Group Limited	KUOK Khoon Chen	1,651,791	6,500,000	192,943,625	8,000,000	209,095,416	13.62 <sup>7</sup>
	WONG Siu Kong	4,617,263	8,504,300	–	3,000,000	16,121,563	1.05 <sup>7</sup>
	HO Shut Kan	1,888,452	–	–	1,000,000	2,888,452	0.19 <sup>7</sup>
	MA Wing Kai, William	1,310,620	–	–	500,000	1,810,620	0.12 <sup>7</sup>
	QIAN Shaohua	1,000,000	500,000	–	1,000,000	2,500,000	0.16 <sup>7</sup>
	CHAN Wai Ming, William	600,000	–	–	300,000	900,000	0.06 <sup>7</sup>
	TSE Kai Chi	1,100,000	–	–	1,500,000	2,600,000	0.17 <sup>7</sup>
Kerry Siam Seaport Limited	MA Wing Kai, William	1	–	–	–	1	0.00
SCMP Group Limited	KUOK Khoon Chen	8,000	–	20,000	–	28,000	0.00 <sup>8</sup>
Shang Properties, Inc.	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 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) 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 Kerry Group Limited.
- (6) The percentage has been compiled based on the total number of Shares in issue as at the Latest Practicable Date (i.e. 1,438,355,676 Shares).
- (7) The percentage has been compiled based on the total number of ordinary shares of Kerry Group Limited in issue as at the Latest Practicable Date (i.e. 1,534,879,913 ordinary shares).
- (8) The percentage has been compiled 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 or the shares of 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.

As at the Latest Practicable Date, (1) Mr. Kuok Khoon Chen, the Chairman of the Company, was a director of Kerry Group Limited, a company which was interested as to 55.03% of the entire issued share capital of the Company (as disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and the percentage has been compiled based on the total number of Shares in issue of 1,438,355,676 as at the Latest Practicable Date); and (2) Mr. Kuok Khoon Chen and Mr. Wong Siu Kong, President & Chief Executive Officer of the Company, were directors of KHL, a company which was interested as to 52.18% of the entire issued share capital of the Company (as disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and the percentage has been compiled based on the total number of Shares in issue of 1,438,355,676 as at the Latest Practicable Date).

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or any proposed director of the Company was a director or employee of a company which had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

### **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 31 December 2010 (being 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 or leased to 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; 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 the PRC. The Directors believe that as the size of these Excluded Businesses is not insignificant when compared with the property and hotel businesses of the Group in the PRC, it is likely that these Excluded Businesses may compete with the property and hotel businesses of the Group in the PRC.

The Excluded Businesses are operated and managed by companies (and in the case of 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. EXPERT AND CONSENT

VC Capital is a corporation licensed under the SFO to carry on Type 6 (advising on corporate finance) regulated activity.

VC Capital has given and has not withdrawn its written consent to the issue of this circular with the reference to its name and its letter to the form and context in which it appears.

As at the Latest Practicable Date, VC Capital did not have any shareholding, directly or indirectly, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for shares in any member of the Group.

VC Capital did not have any interest, direct or indirect, in any asset which since 31 December 2010, the date to which the latest published audited financial statements of the Group were made up, have been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

**7. NO MATERIAL ADVERSE CHANGE**

Since 31 December 2010 (being the date to which the latest published audited financial statements of the Company have been made up), there has been no material adverse change in the financial or trading position of the Group.

**8. MISCELLANEOUS**

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

**9. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the Master Joint Venture Agreement and the letter from the Independent Financial Adviser (the text of which is set out in the section of this circular headed “Letter from the Independent Financial Adviser”) are available for inspection during normal business hours at any weekday (public holidays excepted) at the office of the Company at 25/F, Kerry Centre, 683 King’s Road, Quarry Bay, Hong Kong up to and including 14 December 2011.

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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 Island Ballroom, Level 5, Island Shangri-La Hotel, Pacific Place, Supreme Court Road, Central, Hong Kong on Wednesday, 14 December 2011 at 3:00 p.m. for the following purpose:

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 of the special general meeting for the purpose of identification) and the Transactions be and are hereby confirmed, ratified and approved; and
- (2) the board of directors of the Company be and is hereby authorised to take all such actions as it considers necessary or desirable to implement and give effect to 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 18 November 2011.”

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

Hong Kong, 18 November 2011

*Head Office and Principal Place  
of Business in Hong Kong:*  
25/F, Kerry Centre  
683 King’s Road  
Quarry Bay  
Hong Kong

\* *for identification purpose only*

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## NOTICE OF SPECIAL GENERAL MEETING

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*Notes:*

- (1) Every member entitled to attend and vote at the above meeting (or at any adjournment thereof) (“SGM”) is entitled to appoint up to two individuals as his proxies. 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 holders of any share, any one of such persons may vote at the SGM, 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 SGM 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.
- (3) 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 SGM. Completion and return of the form of proxy will not preclude a member from attending the SGM and voting in person if he so wishes.
- (4) The registers of members of the Company will be closed on Tuesday, 13 December 2011 and Wednesday, 14 December 2011, during which period no transfer of shares will be effected. In order to be entitled to attend and vote at the SGM, 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 Monday, 12 December 2011.
- (5) Shareholders are advised to read the circular to the shareholders of the Company dated 18 November 2011 which contains information concerning the resolution to be proposed in this notice.
- (6) The resolution to be proposed at the SGM shall be decided by way of a poll.