KERRY PROPERTIES LIMITED

(Incorporated in Bermuda with limited liability)

嘉里建設有限公司

CONNECTED TRANSACTIONS - PROVISION OF DISTRIBUTION AND TRANSPORTATION SERVICES

The Directors announce that on 19 August 2002, Kerry Distribution entered into a Newspaper Pre-Delivery Service Agreement and a Local Transportation Service Agreement with SCMP Publishers.

Kerry Distribution is an indirect wholly-owned subsidiary of the Company. SCMP Publishers is a connected person (as defined under the Listing Rules) of the Company.

The terms and conditions of the Newspaper Pre-Delivery Service Agreement and the Local Transportation Service Agreement were reached on an arm's length basis. The Directors, including the independent non-executive directors of the Company, are of the opinion that the terms and conditions of the two agreements entered into between Kerry Distribution and SCMP Publishers are fair and reasonable and the two agreements were entered into in the ordinary and usual course of business of Kerry Distribution on normal commercial terms and the provision of services by Kerry Distribution to SCMP Publishers is in the interests of the Group so far as the shareholders of the Company are concerned.

The provision of services by Kerry Distribution to SCMP Publishers constitutes a connected transaction for the Company. The annual consideration for the Newspaper Pre-Delivery Service Agreement and the Local Transportation Service Agreement for a term of one year is HK$720,000 and HK$6,588,000, respectively. The aggregate value of the two agreements for a term of one year of HK$7,308,000 amounts to more than 0.03% but less than 3% of the Company's Net Tangible Assets. Details of the two agreements will be included in the next published annual report and accounts of the Company according to Rule 14.25(1)(A) to (D) of the Listing Rules.

Kerry Distribution is principally engaged in the provision of distribution and transportation services. In addition, the Newspaper Pre-Delivery Service Agreement and the Local Transportation Service Agreement are subject to renewal upon such terms as mutually agreed between Kerry Distribution and SCMP Publishers. Kerry Distribution expects that Future Transactions will continue in its normal course of business on terms and conditions to be reached on an arm's length basis and will occur on a recurrent basis and/or as and when SCMP Publishers requires Kerry Distribution to provide additional services to it. The Company will make an application to the Stock Exchange for a waiver from the announcement requirement as required under Rule 14.25(1) of the Listing Rules.

PARTICULARS OF THE TWO AGREEMENTS

	Newspaper Pre-Delivery Service Agreement	Local Transportation Service Agreement
Date:	19 August 2002	19 August 2002
Parties:	(1) Kerry Distribution (2) SCMP Publishers	(1) Kerry Distribution (2) SCMP Publishers
Purpose:	Provision of daily newspaper pre-delivery services by Kerry Distribution to SCMP Publishers at the Tai Po Morning Post Centre, Tai Po, Hong Kong	Provision of services by Kerry Distribution to SCMP Publishers involving transportation and distribution of newspapers and magazines
Term:	2 years commencing from 31 May 2002 and ending on 30 May 2004, terminable by either party by giving the other party not less than 30 days' written notice or such shorter notice as the parties may mutually agree	1 year commencing from 15 August 2002 and ending on 14 August 2003, terminable by either party by giving the other party not less than 30 days' written notice or such shorter notice as the parties may mutually agree
Service Charge:	HK$60,000 per month	HK$549,000 per month

The Newspaper Pre-Delivery Service Agreement was entered into to formalize the arrangements in respect of services provided by Kerry Distribution to SCMP Publishers since 31 May 2002.

REASONS FOR ENTERING INTO THE TWO AGREEMENTS

Kerry Distribution is principally engaged in the provision of transportation and distribution services. It is in the ordinary and usual course of business of Kerry Distribution to provide services to SCMP Publishers.

INFORMATION ON THE GROUP

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

CONNECTION BETWEEN THE PARTIES

Kerry Distribution is an indirect wholly-owned subsidiary of the Company. SCMP Publishers is a wholly-owned subsidiary of SCMP Group Limited, which is an associate (as defined under the Listing Rules) of KGL, a substantial shareholder (as defined under the Listing Rules) of the Company. KGL is directly or indirectly interested in approximately 63.29% of the voting rights attaching to the issued share capital of the Company as disclosed under the Securities (Disclosure of Interests) Ordinance. Accordingly, SCMP Publishers is a connected person (as defined under the Listing Rules) of the Company.

GENERAL INFORMATION

The terms and conditions of the Newspaper Pre-Delivery Service Agreement and the Local Transportation Service Agreement were reached on an arm's length basis. The Directors, including the independent non-executive directors of the Company, are of the opinion that the terms and conditions of the two agreements entered into between Kerry Distribution and SCMP Publishers are fair and reasonable and the two agreements were entered into in the ordinary and usual course of business of Kerry Distribution on normal commercial terms and the provision of services by Kerry Distribution to SCMP Publishers is in the interests of the Group so far as the shareholders of the Company are concerned.

The provision of services by Kerry Distribution to SCMP Publishers constitutes a connected transaction for the Company. The annual consideration for the Newspaper Pre-Delivery Service Agreement and the Local Transportation Service Agreement for a term of one year is HK$720,000 and HK$6,588,000, respectively. The aggregate value of the two agreements for a term of one year of HK$7,308,000 amounts to more than 0.03% but less than 3% of the Company's Net Tangible Assets. Details of the two agreements will be included in the next published annual report and accounts of the Company according to Rule 14.25(1)(A) to (D) of the Listing Rules.

APPLICATION FOR A WAIVER IN RESPECT OF FUTURE TRANSACTIONS

As mentioned above, Kerry Distribution is principally engaged in the provision of distribution and transportation services. In addition, the Newspaper Pre-Delivery Service Agreement and the Local Transportation Service Agreement are subject to renewal upon such terms as mutually agreed between Kerry Distribution and SCMP Publishers. Kerry Distribution expects that Future Transactions will continue in its normal course of business on terms and conditions to be reached on an arm's length basis and will occur on a recurrent basis and/or as and when SCMP Publishers requires Kerry Distribution to provide additional services to it. In such circumstances, the Company would normally be required to disclose the Future Transactions by way of a press notice followed by disclosure of all the relevant transactions in the next published annual report and accounts of the Company. The Company considers that such disclosure would be impracticable and burdensome. In view of this, the Company will make an application to the Stock Exchange for a waiver from the announcement requirement as required under Rule 14.25(1) of the Listing Rules for such Future Transactions on each occasion when they arise subject to the following conditions:

1. The Future Transactions shall be:

   (a) entered into by Kerry Distribution in the ordinary and usual course of its business;

   (b) conducted either (i) on normal commercial terms (which expression will be applied by reference to transactions of similar nature and to be made by similar entities); or (ii) (where there is no available comparison) on terms that are fair and reasonable so far as the shareholders of the Company are concerned; and

   (c) entered into either (i) in accordance with the terms of the agreements governing such Future Transactions; or (ii) (where there are no such agreements) on terms no less favourable than those available to an independent third party.

2. The annual aggregate consideration of the Future Transactions shall not exceed 3% of the net tangible assets of Company as disclosed in its latest published consolidated accounts of that financial year (the "Cap Amount").

3. The independent non-executive directors of the Company shall review the Future Transactions annually and confirm in the Company's next annual report and accounts that such Future Transactions have been conducted in the manner as stated in paragraphs 1 and 2 above.

4. The Company's auditors shall review the Future Transactions annually and shall provide a letter (the "Letter") to the Directors (a copy of which will be provided to the Stock Exchange) confirming that the Future Transactions:

   (a) have received the approval of the Directors;

   (b) have been entered into in accordance with the terms of the agreements governing such Future Transactions or, if there are no such agreements, on terms no less favourable than those available to an independent third party; and

   (c) have not exceeded the Cap Amount.

   Where, for whatever reason, the auditors of the Company decline to accept the engagement or are unable to provide the Letter, the Directors shall contact the Stock Exchange as soon as practicable.

5. Details of the Future Transactions in each financial year shall be disclosed as required under Rule 14.25(1)(A) to (D) of the Listing Rules in the annual report and accounts of the Company for that financial year.

Where the Cap Amount in any financial year of the Company exceeds 3% of the net tangible assets of Company as disclosed in its latest published consolidated accounts, the Company will comply with the provisions of Chapter 14 of the Listing Rules governing connected transactions, unless the Company obtains a separate waiver from the Stock Exchange.

DEFINITIONS:

"Company"	Kerry Properties Limited, a company incorporated under the laws of Bermuda with limited liability and the shares of which are listed on the Stock Exchange
"Company's Net Tangible Assets"	the book value of the consolidated net tangible assets of the Company as at 30 June 2002 as published in the Company's preliminary announcement of interim results made on 12 August 2002 which included unaudited consolidated accounts for the six months ended 30 June 2002
"Directors"	the directors of the Company
"Future Transactions"	the future transactions involving the provision of distribution and transportation services by Kerry Distribution in its ordinary and usual course of business to SCMP Publishers
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollar
"Hong Kong"	the Hong Kong Special Administrative Region
"Kerry Distribution"	Kerry Distribution (Hong Kong) Limited, a company incorporated in Hong Kong
"KGL"	Kerry Group Limited, a company incorporated in the Cook Islands
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange

"Local Transportation Service Agreement"	an agreement made between Kerry Distribution and SCMP Publishers on 19 August 2002 for the provision of services by Kerry Distribution to SCMP Publishers involving transportation and distribution of newspapers and magazines
"Newspaper Pre-Delivery Service Agreement"	an agreement made between Kerry Distribution and SCMP Publishers on 19 August 2002 for the provision of daily newspaper pre-delivery services by Kerry Distribution to SCMP Publishers at the Tai Po Morning Post Centre, Tai Po, Hong Kong
"PRC"	the People's Republic of China excluding Hong Kong
"SCMP Publishers"	South China Morning Post Publishers Limited, a company incorporated in Hong Kong
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

By Order of the Board
Chow Yin Ping, Anita
Company Secretary

Hong Kong, 19 August 2002

"Please also refer to the published version of this announcement in the South China Morning Post"