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KERRY PROPERTIES LIMITED

(Incorporated in Bermuda with limited liability)

嘉里建設有限公司*

(Stock Code: 683)

CONNECTED TRANSACTIONS –

ACQUISITION OF AN APPROXIMATE 54.98% INTEREST IN SIAM SEAPORT TERMINAL & WAREHOUSES CO., LTD.

AND

PROVISION OF DISTRIBUTION SERVICES

Acquisition of an approximate 54.98% interest in Siam Seaport

The Directors announce that on 9 March 2004, KLN Siam Holdings entered into a Sale and Purchase Agreement with each of (i) Rednor and Siam Rimnam; and (ii) Kerry-Glory pursuant to which each of Rednor, Siam Rimnam and Kerry-Glory agreed to sell and KLN Siam Holdings agreed to purchase their respective Sale Shares, being in aggregate approximately 54.98% of the issued share capital of Siam Seaport, at a total consideration of Baht 554,091,907.20 (approximately HK\$110,264,290) and subject to the terms and conditions as set out therein.

KLN Siam Holdings has been accounted for by the Company as a 100% indirectly owned subsidiary of the Company. Rednor, Siam Rimnam and Kerry-Glory all are connected persons of the Company. Furthermore, Mr. Pakdeetaveevivat, who holds approximately 16.97% interest in Siam Seaport, is a director of certain subsidiaries of the Company, including KLN Siam Holdings. Therefore, the entering into by KLN Siam Holdings of the two Sale and Purchase Agreements to acquire the Sale Shares constitutes connected transactions of the Company under the Listing Rules.

As the total consideration payable under the Sale and Purchase Agreements for the Sale Shares represents more than 0.03% but less than 3% of the Company's Net Tangible Assets, the Acquisition falls under Rule 14.25(1) of the Listing Rules. Details of the Sale and Purchase Agreements will be included in the next published annual report and accounts of the Company in accordance with Rule 14.25(1)(A) to (D) of the Listing Rules.

Provision of Distribution Services

Kerry Distribution (Thailand) is a service provider of distribution services in Thailand to its customers and has commenced its business since September 2002. Since October 2002, Kerry Distribution (Thailand) has provided from time to time on a “on request” basis Distribution Services to Siam Seaport.

Kerry Distribution (Thailand) is a 60% indirectly owned subsidiary of the Company with the remaining 20% interest indirectly held by Siam Seaport and another 20% interest indirectly held by Mr. Lim. Siam Seaport is a connected person of the Company. Accordingly, the provision of Distribution Services by Kerry Distribution (Thailand) to Siam Seaport before the Acquisition constituted a continuing connected transaction for the Company under the Listing Rules.

For the period from 1 January 2003 up to early December 2003, the aggregate distribution fees involved in respect of the provision of Distribution Services by Kerry Distribution (Thailand) to Siam Seaport were more than the higher of HK\$1,000,000 or 0.03% but less than 3% of the Company’s Net Tangible Assets. Details of the provision of Distribution Services by Kerry Distribution (Thailand) to Siam Seaport in respect of the year ended 31 December 2003 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.

The Directors, including the independent non-executive directors of the Company, are of the opinion that the entering into by KLN Siam Holdings of the Sale and Purchase Agreements to acquire the Sale Shares and the provision of Distribution Services by Kerry Distribution (Thailand) to Siam Seaport have been and are on normal commercial terms and are fair and reasonable and in the interests of the Group so far as the shareholders of the Company are concerned.

ACQUISITION OF AN APPROXIMATE 54.98% INTEREST IN SIAM SEAPORT

Two Sale and Purchase Agreements

- A. Date: 9 March 2004
- B. Parties:
 - (a) Vendors:
 - (i) Rednor and Siam Rimnam
 - (ii) Kerry-Glory
 - (b) Purchaser: KLN Siam Holdings

- C. Assets acquired: 26,639,034 issued shares of par value Baht 10 each, representing approximately 54.98% of the total issued share capital of Siam Seaport, legally and beneficially owned by Rednor, Siam Rimnam and Kerry-Glory as follows:

Vendor	No. of shares	Approximate %	Consideration (Baht)
Rednor	9,791,745	20.21	203,668,296.00
Siam Rimnam	10,950,372	22.60	227,767,737.60
Kerry-Glory	5,896,917	12.17	122,655,873.60
	<u>26,639,034</u>	<u>54.98</u>	<u>554,091,907.20</u>

- D. Consideration: Baht 554,091,907.20 (approximately HK\$110,264,290) payable in cash to the vendors on the date of completion as set out below

- E. Conditions:

The obligations of KLN Siam Holdings under the respective Sale and Purchase Agreements are subject to the fulfillment or waiver, on or before the date of completion, of each of the following conditions:

- (a) all government and other approvals and third party consents, if necessary, for the transactions contemplated under the respective Sale and Purchase Agreements have been obtained; and have not been withdrawn or amended, and if any approvals or third party consents are given subject to conditions, then provided such conditions are acceptable to KLN Siam Holdings; and
- (b) all warranties as set out in the respective Sale and Purchase Agreements are complied with and are true and complete in all material respects.

- F. Date of completion: on 12 March 2004

Reasons for the Acquisition

One of the main business areas of the Group is logistics, freight, warehouse ownership and operations. The Group, through its logistics network division, carries on logistics, distribution and freight forwarding business in Thailand. Siam Seaport is an operator of terminals and warehouses in Thailand and provides services of loading and unloading, storing, transportation of various types of products, including sugar, cement, steel and wood chips, in its port and warehouse facilities. The Acquisition enables the Group to further expand its business and to strengthen its network in Thailand.

Connection between the parties to the Sale and Purchase Agreements

KLN Siam Holdings has been accounted for by the Company as a 100% indirectly owned subsidiary of the Company.

Rednor is an indirect wholly-owned subsidiary of KGL which is indirectly interested in approximately 62.87% of the voting rights attaching to the issued share capital of the Company as disclosed under the Securities and Futures Ordinance. Kerry-Glory is indirectly owned as to 51% by KGL and 49% by China National Cereals, Oils & Foodstuffs Import & Export Corporation which in turn indirectly holds a 10% interest in a 55% indirectly owned subsidiary of the Company. Accordingly, both Rednor and Kerry-Glory are connected persons of the Company. Siam Rimnam is a member of the Kuok Group and accordingly, is also a connected person of the Company. Furthermore, Mr. Pakdeetaveevivat, who holds approximately 16.97% interest in Siam Seaport, is a director of certain subsidiaries of the Company, including KLN Siam Holdings.

Therefore, the entering into by KLN Siam Holdings of the two Sale and Purchase Agreements to acquire the Sale Shares constitutes connected transactions of the Company under the Listing Rules.

Information on Siam Seaport

Siam Seaport is a company incorporated in Thailand on 13 February 1990. The authorized and issued share capital of Siam Seaport is Baht 484,500,000 divided into 48,450,000 shares of par value Baht 10 each.

The following table sets out the shareholding structure of Siam Seaport before and immediately after the completion of the Acquisition:

Registered Shareholder	Before completion of the Acquisition <i>Shareholding (%)</i>	Immediately after completion of the Acquisition <i>Shareholding (%)</i>
KLN Siam Holdings	–	54.98
Rednor	20.21	–
Siam Rimnam	22.60	–
Kerry-Glory	12.17	–
Siam Seaport directors:		
(a) Mr. Pakdeetaveevivat	16.97	16.97
(b) Mrs. Chanida Asdathorn <i>(note 1)</i>	7.68 <i>(note 2)</i>	7.68 <i>(note 2)</i>
(c) Other directors <i>(note 3)</i>	0.45	0.45
Independent third parties <i>(note 4)</i>	19.92	19.92
	<u>100.0</u>	<u>100.0</u>

Notes:

1. Mrs. Chanida Asdathorn is also a director of certain subsidiaries of the Company
2. including the interests held by Mrs. Chanida Asdathorn's relatives
3. comprising of 7 individuals, out of which 4 are directors of the Company and/or its various subsidiaries and the remaining 3 are not connected with the directors or substantial shareholders or chief executives of the Company or its subsidiaries or their respective associates
4. comprising of 15 parties not connected with the directors or substantial shareholders or chief executives of the Company or its subsidiaries or their respective associates

Siam Seaport is mainly engaged in the provision of loading and unloading services for ocean vessels, port services, warehouse storage and goods transportation in Thailand. According to the financial statements of Siam Seaport which were prepared in accordance with accounting standards pronounced by the Institute of Certified Accountants and Auditors of Thailand, the audited net profits before and after tax of Siam Seaport for the year ended 31 December 2002 were approximately Baht 154,469,000 (approximately HK\$30,739,331) (2001: approximately Baht 103,762,000 (approximately HK\$20,648,638)). The audited net asset value of Siam Seaport as at 31 December 2002 was Baht 573,068,000 (approximately HK\$114,040,532) and the unaudited net asset value of Siam Seaport as at 30 November 2003 was approximately Baht 722,981,000 (approximately HK\$143,873,219). Major assets of Siam Seaport comprise mainly of land and buildings, berth, machinery and equipment whilst major liabilities represent bank loans which are secured by fixed assets of Siam Seaport. It had outstanding bank loans of Baht 805 million (approximately HK\$160,195,000) as at 31 December 2003.

The Company regards that it has 4 representatives, who are also directors of the Company and/or its various subsidiaries, to represent its interests, upon the completion of the Acquisition, in the existing board of directors of Siam Seaport which comprises 9 directors in total. Although KLN Siam Holdings does not have a majority control over the board of directors of Siam Seaport, there is no intention to change the board of directors of Siam Seaport immediately after the Acquisition in order to continue the smooth management of Siam Seaport. However, by virtue of becoming the majority shareholder of Siam Seaport holding approximately 54.98% interest therein upon the completion of the Acquisition, KLN Siam Holdings may in appropriate time appoint additional directors to Siam Seaport to exercise a majority control over its board of directors.

Basis of the consideration

The total consideration for the Acquisition has been determined after arm's length negotiations between KLN Siam Holdings, Rednor, Siam Rimnam and Kerry-Glory with reference to the audited accounts of Siam Seaport for the years ended 31 December 2001 and 31 December 2002 and the management accounts of Siam Seaport for the period from 1 January 2003 up to 30 November 2003. The consideration represents approximately 7.3 times of the three years' average profit after tax of Siam Seaport which is based on its audited accounts for the years ended 31 December 2001 and 31 December 2002 and its projected results for the year ended 31 December 2003. The consideration also represents an acquisition premium of approximately Baht 156,597,000 (approximately HK\$31,162,803) over Baht 397,495,000 (approximately HK\$79,101,505), being 54.98% share of the net asset value as at 30 November 2003.

The Directors, including the independent non-executive directors of the Company, have reviewed the basis of consideration regarding the Acquisition. As the future prospects of Siam Seaport lie in its ability to generate earnings, the Company considers that a 7.3 price earnings multiple is a reasonable yardstick in valuing the Acquisition. Besides, given that Siam Seaport has a portfolio of fixed assets which is of high quality with potential of further appreciation based on its future earning ability, the Directors, including the independent non-executive directors of the Company, also consider that the abovesaid acquisition premium is fair.

General information

The total consideration payable under the two Sale and Purchase Agreements will be financed by internal resources of the Group.

As the total consideration payable under the Sale and Purchase Agreements for the Sale Shares represents more than 0.03% but less than 3% of the Company's Net Tangible Assets, the Acquisition falls under Rule 14.25(1) of the Listing Rules. Details of the Sale and Purchase Agreements will be included in the next published annual report and accounts of the Company in accordance with Rule 14.25(1)(A) to (D) of the Listing Rules.

The Directors, including the independent non-executive directors of the Company, are of the opinion that the entering into by KLN Siam Holdings of the Sale and Purchase Agreements to acquire the Sale Shares has been and is on normal commercial terms and is fair and reasonable and in the interests of the Group so far as the shareholders of the Company are concerned.

PROVISION OF DISTRIBUTION SERVICES

Kerry Distribution (Thailand) is a service provider of distribution services in Thailand to its customers and has commenced its business since September 2002. Since October 2002, Kerry Distribution (Thailand) has provided from time to time on a "on request" basis Distribution Services to Siam Seaport. Distribution fees have been paid by Siam Seaport to Kerry Distribution (Thailand) based on metric tons or trip, depending on the volume of transactions. The distribution fees have been arrived at arm's length basis, on normal commercial terms and on terms no less favourable than those available to Kerry Distribution (Thailand) to independent third party customers. The Directors, including the independent non-executive directors of the Company, are of the opinion that the provision of Distribution Services by Kerry Distribution (Thailand) to Siam Seaport has been and is on normal commercial terms and is fair and reasonable and in the interests of the Group so far as the shareholders of the Company are concerned.

The aggregate distribution fees paid by Siam Seaport to Kerry Distribution (Thailand) were approximately Baht 5,575,000 (approximately HK\$1,004,782 based on the average exchange rate of Baht 1 = HK\$0.18023 for the period from October 2002 to December 2002) for the period from October 2002 to December 2002 and approximately Baht 34,594,000 (approximately HK\$6,481,186 based on the average exchange rate of Baht 1 = HK\$0.18735 during the year ended 31 December 2003) for the year ended 31 December 2003. According to the latest available management accounts of Kerry Distribution (Thailand), the distribution fees paid by Siam Seaport to Kerry Distribution (Thailand) for January 2004 were approximately Baht 4,125,000 (approximately HK\$817,575 based on the exchange rate of Baht 1 = HK\$0.1982 in January 2004). Since the Distribution Services have been provided by Kerry Distribution (Thailand) on a "on

request” basis and the distribution fees paid by Siam Seaport to Kerry Distribution (Thailand) depend on the volume of transactions, the amounts in respect of the distribution fees to be received by Kerry Distribution (Thailand) from Siam Seaport for the year ending 31 December 2004 are not yet available.

Reasons for the provision of Distribution Services by Kerry Distribution (Thailand) to Siam Seaport

Kerry Distribution (Thailand) is principally engaged in the provision of distribution services. It is in the ordinary and usual course of business of Kerry Distribution (Thailand) to provide Distribution Services to Siam Seaport.

Connection between the parties

Kerry Distribution (Thailand) is a 60% indirectly owned subsidiary of the Company with the remaining 20% interest indirectly held by Siam Seaport and another 20% interest indirectly held by Mr. Lim. Siam Seaport holds a 16% interest in Kerry Freight (Thailand) Limited which has been accounted for by the Company as an indirectly owned subsidiary of the Company, and hence, Siam Seaport is a connected person of the Company. Accordingly, the provision of Distribution Services by Kerry Distribution (Thailand) to Siam Seaport before the Acquisition constituted a continuing connected transaction for the Company under the Listing Rules.

Upon completion of the Acquisition, the Company will indirectly own approximately 54.98% interest in Siam Seaport and hence, Siam Seaport will be accounted for by the Company as an indirectly owned subsidiary of the Company. Accordingly, the provision of Distribution Services by Kerry Distribution (Thailand) to Siam Seaport will become a continuing transaction between non-wholly owned subsidiaries of the Company. Mr. Lim, a connected person of the Company by virtue of his present and past directorship in certain subsidiaries of the Company, indirectly holds a 20% interest in Kerry Distribution (Thailand). Mr. Pakdeetaveevivat, a connected person of the Company by virtue of his directorship in certain subsidiaries of the Company, including KLN Siam Holdings, holds approximately 16.97% interest in Siam Seaport. Since there is a connected person of the Company being a substantial shareholder in each of Kerry Distribution (Thailand) and Siam Seaport, the provision of Distribution Services by Kerry Distribution (Thailand) to Siam Seaport will continue to constitute a continuing connected transaction for the Company under the Listing Rules upon the completion of the Acquisition.

General information

The provision of Distribution Services by Kerry Distribution (Thailand) to Siam Seaport constitutes a continuing connected transaction for the Company under the Listing Rules. For the period from 1 January 2003 up to early December 2003, the aggregate distribution fees involved in respect of the provision of Distribution Services by Kerry Distribution (Thailand) to Siam Seaport were more than the higher of HK\$1,000,000 or 0.03% but less than 3% of the Company’s Net Tangible Assets. In early December 2003, the Company’s obligation under Rule 14.25(1) of the Listing Rules to disclose the relevant information regarding the provision of Distribution Services by Kerry Distribution (Thailand) to Siam Seaport by way of a press announcement had arisen but the Company did not make the said press announcement. The Company’s failure to disclose the provision of Distribution Services by Kerry Distribution (Thailand) to Siam Seaport in respect of the year ended 31 December 2003 in a timely manner constituted a breach of Rule 14.25(1) of the Listing Rules. The Stock Exchange reserves the right to take appropriate action against the Company and/or its directors regarding the breach.

The Company will ensure that the continuing provision of Distribution Services by Kerry Distribution (Thailand) to Siam Seaport is in compliance with the provisions of Chapter 14 of the Listing Rules and, after the implementation of the revised Listing Rules to be effective on 31 March 2004, Chapter 14A of the revised Listing Rules governing connected transactions, respectively.

Details of the provision of Distribution Services by Kerry Distribution (Thailand) to Siam Seaport in respect of the year ended 31 December 2003 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.

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.

DEFINITIONS

“Acquisition”	the acquisition of the relevant Sale Shares by KLN Siam Holdings from Rednor, Siam Rimnam and Kerry-Glory, respectively
“Baht”	the lawful currency of Thailand
“Company”	Kerry Properties Limited, a company incorporated in 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 2003 as published in the Company’s preliminary announcement of interim results made on 8 September 2003, which included unaudited consolidated accounts for the six months ended 30 June 2003
“connected person”	has the meaning ascribed to it in the Listing Rules
“Directors”	the directors of the Company
“Distribution Services”	services of transportation and distribution of steel coils and general cargoes and services of similar nature
“Group”	the Company and its subsidiaries
“HK\$”	the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Kerry-Glory”	Kerry-Glory Holdings Inc., a company incorporated in Liberia, is a connected person of the Company

“Kerry Distribution (Thailand)”	Kerry Distribution (Thailand) Limited, a company incorporated in Thailand and having been accounted for by the Company as a 60% indirectly owned subsidiary of the Company
“KGL”	Kerry Group Limited, a company incorporated in the Cook Islands, is the ultimate holding company of the Company and therefore is a connected person of the Company
“KLN Siam Holdings”	KLN Siam Holdings Limited, a company incorporated in Thailand and having been accounted for by the Company as a 100% indirectly owned subsidiary of the Company
“Kuok Group”	companies owned or controlled by Mr. Kuok Hock Nien and/or interests associated with him
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Lim”	Mr. Lim Soon Huat, a connected person of the Company
“Mr. Pakdeetaveevivat”	Mr. Maris Pakdeetaveevivat, a connected person of the Company
“PRC”	The People’s Republic of China
“Rednor”	Rednor Limited, a company incorporated in the British Virgin Islands, is a connected person of the Company
“Sale and Purchase Agreement(s)”	any one or both of the following agreements relating to the Acquisition: (i) the sale and purchase agreement dated 9 March 2004 made between KLN Siam Holdings, Rednor and Siam Rimnam; and (ii) the sale and purchase agreement dated 9 March 2004 made between KLN Siam Holdings and Kerry-Glory
“Sale Shares”	26,639,034 issued shares of par value Baht 10 each, representing approximately 54.98% of the total issued share capital of Siam Seaport, legally and beneficially owned by Rednor, Siam Rimnam and Kerry-Glory as to 9,791,745 shares, 10,950,372 shares and 5,896,917 shares, respectively
“Siam Rimnam”	Siam Rimnam Holdings Limited, a company incorporated in Thailand, is a connected person of the Company
“Siam Seaport”	Siam Seaport Terminal & Warehouses Co., Ltd., a company incorporated in Thailand, is a connected person of the Company

“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)

“%”

per cent.

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

Hong Kong, 25 March 2004

In this announcement, unless stated otherwise herein, certain amounts quoted in Baht have been translated into Hong Kong dollars at the reference rate of Baht 1 = HK\$0.199 for information purpose only. Such translation should not be construed as a representation that the relevant amounts have been, could have been, or could be, converted at that or any other rate or at all.

** for identification only*

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