KERRY PROPERTIES LIMITED
(Incorporated in Bermuda with limited liability)
嘉里建設有限公司*
website: www.kerryprops.com
(Stock Code: 00683)

CONNECTED TRANSACTION RELATING TO THE ESTABLISHMENT OF A JOINT VENTURE

The Board announces that, on 25 October 2004, KEL, CQOL and KCQ entered into the JV Agreement relating to KCQ. KCQ is owned by KEL and CQOL in the proportions of 50% and 50%, respectively. The scope of business of KCQ is to engage in the investment in a project in relation to the ownership, operation and maintenance of certain water treatment facilities in the Hohhot Municipality, Inner Mongolia Autonomous Region, the PRC.

KEL is an indirect wholly-owned subsidiary of the Company. CQOL is a substantial shareholder of a subsidiary of the Company and a direct wholly-owned subsidiary of CQ. CQ is owned by PPB and KB in the proportions of 55% and 45%, respectively. The Company, PPB and KB are all companies within the Kuok Group.

The total maximum commitment of the JV Parties to KCQ is RMB143 million (equivalent to approximately HK$135 million). On the basis of the current proportion of equity interest in KCQ, the maximum commitment by KEL in respect of KCQ shall be approximately RMB71.5 million (equivalent to approximately HK$67.5 million).

The entering into of the JV Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Based on the total maximum commitment of KEL to KCQ, each of the percentage ratios for the JV Agreement is less than 2.5% and is within the exemption in respect of connected transactions under Rule 14A.32 of the Listing Rules. Accordingly, the entering into of the JV Agreement is only subject to the reporting and announcement requirements but is exempt from independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Details of the JV Agreement will be included in the next published annual report and accounts of the Company.

INTRODUCTION

The Board announces that, on 25 October 2004, KEL, CQOL and KCQ entered into the JV Agreement relating to KCQ. KCQ is owned by KEL and CQOL in the proportions of 50% and 50%, respectively. The scope of business of KCQ is to engage in the investment in a project in relation to the ownership, operation and maintenance of certain water treatment facilities in the Hohhot Municipality, Inner Mongolia Autonomous Region, the PRC.

THE JV AGREEMENT

Date of the JV Agreement:	25 October 2004
Parties:	KEL, CQOL and KCQ
Shareholding structure of KCQ:	KEL (50%) and CQOL (50%)
Scope of business:	The scope of business of KCQ is solely to engage in the investment in the Hohhot Project.
Total commitment:	Contributions from the JV Parties shall be as agreed between the JV Parties and KCQ from time to time up to a maximum of RMB143 million (equivalent to approximately HK$135 million).

Contribution from the JV Parties shall be on a pro-rata basis based on their then respective equity interest in KCQ and shall be made in such forms (including equity injection, shareholders' loans and the provisions of collateral or security for the benefit of KCQ) as the JV Parties shall agree from time to time.

As at the date of this announcement, the JV Parties have not advanced any shareholders' loans to KCQ. If contributions are advanced by the JV Parties to KCQ by way of shareholders' loans pursuant to the JV Parties' commitment under the JV Agreement, the terms of the loans will be agreed by the parties upon such advances, and both JV Parties will advance its respective contribution of the loans on the same terms. In addition, such shareholders' loans will be provided upon the following terms:

(a) interest will be charged on such shareholders' loans at such prevailing rate(s) as the parties shall agree but in any event not exceeding HIBOR or LIBOR or the PBOC Rate (as the case may be) plus 2% per annum;

(b) the shareholders' loans will not be revolving loans and will not be secured; and

(c) the shareholders' loans will be repaid by KCQ to the JV Parties, pro-rata to their shareholdings. Repayment is made by reference to KCQ's cash flow position. If KCQ obtains other third party loans or facilities in future, repayment of the shareholders' loans may also be subject to any restrictions imposed by banks or financial institutions which have extended loans or facilities to KCQ.

If contributions are made by the JV Parties to KCQ in the form of collateral or security for the benefit of KCQ, such collateral or security will be in any one or more of the following forms:

(a) pledge over the JV Parties' respective interests in KCQ;

(b) assignment and/or subordination of the JV Parties' shareholders' loans to KCQ; and/or

(c) several corporate guarantee(s) and/or indemnities by the JV Parties.

If such collateral or security is provided for securing revolving loans or facilities, the Company will ensure compliance with the Listing Rules.

On the basis of a maximum commitment of RMB143 million (equivalent to approximately HK$135 million) and the current proportion of equity interest in KCQ, the maximum commitment by each of KEL and CQOL in respect of KCQ shall be approximately RMB71.5 million (equivalent to approximately HK$67.5 million).

In the event that KCQ requires funding from KEL in excess of its maximum commitment of RMB71.5 million, the Company will ensure compliance with the Listing Rules in respect of any further commitment. In such circumstances, HKSE may aggregate the total capital commitment of the Company in accordance with Rule 14.15(2) of the Listing Rules.

Board composition: The board of directors of KCQ initially consists of four directors, two nominated by KEL and two nominated by CQOL. If the proportion of KEL's and CQOL's voting rights changes, KEL and CQOL shall have the right to nominate directors to the board of KCQ so as to reflect, materially, their proportional voting rights in KCQ. The chairman of the board of KCQ does not have a casting vote.

Other material terms:

1. The JV Agreement contains restrictions and pre-emption rights on transfers of KCQ shares by the JV Parties.

2. The JV Agreement contains dispute resolution provisions to resolve any deadlock situations arising from the 50:50 shareholding proportions of the JV Parties. In a deadlock situation, the JV Parties shall use all reasonable endeavours in good faith to resolve the dispute, failing which any JV Party may serve a notice to the other JV Parties to offer to either sell all shares to the other JV Parties, or to buy out the shares of the other JV Parties, at the same price.

INFORMATION ABOUT KCQ, THE COMPANY AND CQ

KCQ is a company incorporated in the British Virgin Islands on 24 September 2004. The authorized share capital of KCQ is HK$300,000 divided into 300,000 shares of HK$1 each. As at the date of this announcement, two shares in KCQ are issued and fully paid up, of which one share is held by each of KEL and CQOL. As at the date of this announcement, KCQ has entered into various contracts with third parties independent of the Company and connected persons of the Company to regulate the operation and maintenance of the water treatment facilities. The Hohhot Project has not been implemented yet, and the implementation of the Hohhot Project is still subject to the PRC regulatory approvals.

The Company is an investment holding company. 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 in the PRC. KEL is an investment holding company wholly-owned by the Company.

CQ is an investment holding company 55% owned by PPB. PPB and its subsidiaries are principally engaged in sugar refining; grains trading, flour and animal feed milling; edible oils refining and trading; livestock farming; packaging; oil palm cultivation; environmental engineering, waste management and utilities; film exhibition and distribution; property development; and shipping. CQOL is an investment holding company wholly-owned by CQ.

REASONS FOR AND BENEFITS OF THE ESTABLISHMENT OF THE JOINT VENTURE

CQ has extensive experience in the investment and management of environmental engineering projects in Asia.

The Directors are of the view that the KCQ joint venture represents a good opportunity for the Group to strengthen its business in the infrastructure-related investment in the PRC.

The terms of the JV Agreement were arrived at after arm's length negotiations between the JV Parties. The Directors (including the independent non-executive Directors) consider that (a) the entering into of the JV Agreement is on normal commercial terms and in the ordinary and usual course of business of the Company; and (b) the terms of the JV Agreement are fair and reasonable and in the interests of the Shareholders as a whole.

FUNDING

It is currently expected that the Company's funding for KCQ will be sourced from the Group's internal resources and/or bank borrowings. No decision has yet been made in respect of the split.

The establishment of the KCQ joint venture is not expected to have any immediate material effect on the earnings, assets and liabilities of the Group.

KCQ will be accounted for as an associated company in the consolidated accounts of the Company.

LISTING RULES EFFECTS OF THE JOINT VENTURE

KEL is an indirect wholly-owned subsidiary of the Company. As at the date of this announcement, Kerry Holdings Limited is interested in 758,094,146 shares of the Company as disclosed under the Securities and Futures Ordinance, representing approximately 62.60% of 1,211,014,026 issued shares of the Company. Both the Company and Kerry Holdings Limited are companies within the Kuok Group.

CQOL is a substantial shareholder of a subsidiary of the Company and a direct wholly-owned subsidiary of CQ. CQ is owned by PPB and KB in the proportions of 55% and 45%, respectively. As at the date of this announcement, KB has approximately 39.73% direct and indirect interest in PPB. Both PPB and KB are companies within the Kuok Group.

The entering into of the JV Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Based on the total maximum commitment of KEL to KCQ, each of the percentage ratios for the JV Agreement is less than 2.5% and is within the exemption in respect of connected transactions under Rule 14A.32 of the Listing Rules. Accordingly, the entering into of the JV Agreement is only subject to the reporting and announcement requirements but is exempt from independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Details of the JV Agreement will be included in the next published annual report and accounts of the Company.

GENERAL

As at the date of this announcement, the Directors are Messrs Ang Keng Lam+, Wong Siu Kong+, Ho Shut Kan+, Ma Wing Kai, William+, William Winship Flanz#, Lau Ling Fai, Herald# and Christopher Roger Moss#, O.B.E.

DEFINITIONS

"Board"	the board of directors of the Company;
"Company" or "KPL"	Kerry Properties Limited, an exempt company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of HKSE;
"CQ"	Chemquest Sdn. Bhd., a company incorporated in Malaysia with limited liability and owned by PPB and KB in the proportions of 55% and 45%, respectively;
"CQOL"	Chemquest (Overseas) Limited, a company incorporated in the British Virgin Islands with limited liability and a direct wholly-owned subsidiary of CQ;
"Directors"	the directors of the Company;
"Group"	the Company and its subsidiaries;
"HIBOR"	Hong Kong Interbank Offered Rate;
"HKSE"	The Stock Exchange of Hong Kong Limited;
"HK$"	Hong Kong Dollars, the lawful currency of Hong Kong;

"Hohhot Project"	the ownership, operation and maintenance of certain water treatment facilities in the Hohhot Municipality, Inner Mongolia Autonomous Region, the PRC;
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC;
"JV Agreement"	the joint venture agreement dated 25 October 2004 among the JV Parties and KCQ for the establishment of the KCQ joint venture;
"JV Parties"	KEL and CQOL;
"KB"	Kuok Brothers Sdn. Bhd., a company incorporated in Malaysia with limited liability and a company within the Kuok Group;
"KCQ"	Kerry CQ JV Environmental Engineering Limited, a company incorporated in the British Virgin Islands with limited liability on 24 September 2004 and owned by KEL and CQOL in the proportions of 50% and 50%, respectively;
"KEL"	Kerry Environmental Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company;
"Kuok Group"	companies owned or controlled by Mr. Kuok Hock Nien and/or interests associated with him;
"LIBOR"	London Interbank Offered Rate;
"Listing Rules"	the Rules Governing the Listing of Securities on HKSE;
"PBOC Rate"	the People's Bank of China's lending rates for RMB;
"PPB"	PPB Group Berhad, a company incorporated in Malaysia with limited liability whose shares are listed on the Main Board of Bursa Malaysia Securities Berhad. As at the date of this announcement, KB has approximately 39.73% direct and indirect interest in PPB;
"PRC"	the People's Republic of China, which for the purpose of this announcement excludes Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan;

"RMB"	Renminbi, the lawful currency of the PRC;
"Shareholders"	the shareholders of the Company; and
"%"	per cent.

By Order of the Board
Kerry Properties Limited
Ang Keng Lam
Chairman

Hong Kong, 26 November 2004

For the purposes of this announcement, unless stated otherwise, the exchange rate of HK$1.00 = RMB1.06 has been used.

* *For identification purpose only*

\+ *executive director*

\# *independent non-executive director*

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