
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Kerry Properties Limited, you should at once hand this circular and the enclosed form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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KERRY PROPERTIES LIMITED

(Incorporated in Bermuda with limited liability)

嘉里建設有限公司*

website: www.kerryprops.com

(Stock Code: 00683)

DISCLOSEABLE AND CONNECTED TRANSACTIONS RELATING TO THE JOINT DEVELOPMENT OF A SITE AT HEDONG DISTRICT, TIANJIN, PRC

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



**PLATINUM
Securities**

A letter from the Board is set out on pages 6 to 18 of this circular. A letter from the Independent Board Committee is set out on pages 19 and 20 of this Circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the KPL Independent Shareholders is set out on pages 21 to 40 of this circular.

An ordinary 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, 30 August 2006 at 10:00 a.m. to approve the matters referred to in this circular.

The notice convening the Special General Meeting is set out on pages 52 and 53 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 Abacus Share Registrars 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. Completion and return of the accompanying form of proxy will not preclude you from attending and voting at the Special General Meeting should you so wish.

* for identification purpose only

7 August 2006

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DEFINITIONS

In this circular, the following expressions have the following meanings unless the context requires otherwise:

“AG”	Allgreen Properties Limited, a company incorporated in Singapore with limited liability, the shares of which are listed on the SGX-ST;
“AG Group”	AG and its subsidiaries (as defined in Section 5 of the Companies Act, Chapter 50 of Singapore);
“Associated Corporations”	has the meaning ascribed to it in Part XV of the SFO;
“associates”	has the meaning ascribed to it in the Listing Rules;
“Board”	the board of directors of the Company;
“circular”	this circular, including the appendices hereto;
“Company” or “KPL”	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;
“connected persons”	has the meaning ascribed to it in the Listing Rules;
“connected transactions”	has the meaning ascribed to it in the Listing Rules;
“Contracts”	collectively, the Share Transfer Agreement and the Joint Venture Contract;
“controlling shareholder”	has the meaning ascribed to it in the Listing Rules;
“Directors”	directors of the Company;
“Excluded Businesses”	the businesses of the Directors which, as at the Latest Practicable Date, competed or were likely to compete, either directly or indirectly, with the businesses of the Group, other than those businesses in which (a) the Group was interested and (b) the Directors’ only interests were as directors appointed to represent the interests of the Group;
“Group”	the Company and its subsidiaries;

DEFINITIONS

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	Hong Kong Special Administrative Region of PRC;
“Independent Board Committee”	the independent committee of the Board consisting of all the independent non-executive Directors;
“Independent Financial Adviser” or “Platinum”	Platinum Securities Company Limited, a licensed corporation under the SFO to carry out types 1 and 6 regulated activities, and appointed as the independent financial adviser to the Independent Board Committee and the KPL Independent Shareholders in relation to the Contracts and the transactions contemplated thereunder;
“Joint Venture Contract”	the joint venture contract in respect of JVCO dated 1 June 2006 entered into by the JV Parties;
“JVCO”	天津嘉里房地產開發有限公司 (Tianjin Kerry Real Estate Development Co., Ltd.), a wholly foreign owned enterprise established in PRC;
“JV Parties”	collectively, Party A, Party B and Party C;
“Kerry EAS Logistics”	Kerry EAS Logistics Limited, a company in which the Group has a 70% interest;
“KHL”	Kerry Holdings Limited, a company incorporated in Hong Kong, being the controlling shareholder of the Company;
“KPL Independent Shareholders”	Shareholders who are not required to abstain from voting in respect of the KPL Resolution at the Special General Meeting;
“KPL Non-competition Agreement”	the non-competition agreement between the Company and Kerry Group Limited (on behalf of the Kuok Group) pursuant to which the Kuok Group shall not, except as provided in the KPL Non-competition Agreement, undertake, <i>inter alia</i> , property investment or development in Hong Kong or PRC within the period specified therein, as more particularly set out on pages 141 to 145 of the Company’s prospectus dated 23 July 1996;

DEFINITIONS

“KPL Resolution”	the resolution to confirm, ratify and approve the Contracts and the transactions contemplated thereunder by the KPL Independent Shareholders at the Special General Meeting;
“KSL”	Kuok (Singapore) Limited, a company incorporated in Singapore, holding approximately 34.27% of shares in AG as at the Latest Practicable Date;
“Kuok Group”	companies owned or controlled by Mr. Kuok Hock Nien and/or interests associated with him;
“Latest Practicable Date”	31 July 2006, 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;
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers, as set out in Appendix 10 to the Listing Rules;
“Party A”	Kerry (Tianjin) Ltd, a company established in Samoa and is indirectly wholly-owned by SA;
“Party B”	Kerry Properties (Tianjin) Ltd., a company established in Samoa and is indirectly wholly-owned by KPL;
“Party C”	Allgreen Properties (Tianjin) Pte. Ltd., a company established in Singapore and is wholly-owned by AG;
“PRC”	The People’s Republic of China;
“Project Site”	a plot of land located at Liuwei Road, Hedong District, Tianjin, PRC (Lot No. Jin Bei Hai 1994-016) with an area of approximately 86,164 sq.m.;
“RMB”	Renminbi, the lawful currency of 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 SGX-ST;

DEFINITIONS

“SA Group”	SA and its subsidiaries;
“SA Independent Shareholders”	shareholders of SA who are not required to abstain from voting in respect of the SA Resolution at a special general meeting of SA;
“SA Resolution”	the resolution to confirm, ratify and approve the Contracts and the transactions contemplated thereunder by the SA Independent Shareholders at a special general meeting of SA;
“SA Undertaking”	the understanding between SA and the Kuok Group (as set out in the Company’s prospectus dated 23 July 1996) pursuant to which SA would be offered, at the earliest practicable time, the opportunity to acquire at an arm’s length price all or part of any hotel or serviced apartment projects in Hong Kong or PRC that may be undertaken by the Kuok Group and are to be managed by SLIM;
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“SGX-ST”	Singapore Exchange Securities Trading Limited;
“Share(s)”	ordinary share(s) of HK\$1.00 each in the capital of the Company;
“Share Transfer Agreement”	the share transfer agreement dated 1 June 2006 entered into by the JV Parties whereby Party B and Party C agreed to acquire, respectively, 49% and 31% interests in the registered capital of JVCO (together with the proportionate shareholders’ loans) from Party A;
“Shareholder(s)”	holder(s) of Shares;
“SLIM”	a group of companies comprising (i) Shangri-La International Hotel Management Limited, a company incorporated in Hong Kong; (ii) Shangri-La International Hotel Management Limited, a company incorporated in British Virgin Islands and (iii) Shangri-La International – China Management Limited, a company incorporated in Hong Kong. All three companies are indirect wholly-owned subsidiaries of SA;

DEFINITIONS

“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, 30 August 2006 at 10:00 a.m. at which the KPL Resolution will be proposed, the notice of which is set out on pages 52 and 53 of this circular;
“sq.m.”	square metres;
“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);
“US\$”	United States Dollars, the lawful currency of the United States of America; and
“%”	per cent.

Note: In this circular, for illustration purposes, amounts denominated in RMB have been converted into HK\$ and US\$ at the rates of RMB1.03 = HK\$1.00 and RMB8.00 = US\$1.00, and amounts denominated in US\$ have been converted into HK\$ at the rate of US\$1.00 = HK\$7.75.

LETTER FROM THE BOARD



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. ANG Keng Lam (*Chairman*)

Mr. WONG Siu Kong

(Deputy Chairman and Managing Director)

Mr. HO Shut Kan

Mr. MA Wing Kai, William

Independent Non-Executive Directors:

Mr. William Winship FLANZ

Mr. LAU Ling Fai, Herald

Mr. Christopher Roger MOSS, O.B.E.

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:***

13-14/F, Citiplaza 3

14 Taikoo Wan Road

Taikoo Shing

Hong Kong

7 August 2006

*To the Shareholders and, for information only,
the optionholders of Kerry Properties Limited*

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTIONS
RELATING TO THE JOINT DEVELOPMENT OF A SITE AT
HEDONG DISTRICT, TIANJIN, PRC**

1. INTRODUCTION

On 1 June 2006, the Company announced that the JV Parties entered into the Share Transfer Agreement and the Joint Venture Contract for the undertaking of a property development project in Hedong District, Tianjin, PRC through JVCO.

* for identification purpose only

LETTER FROM THE BOARD

The Project Site is owned by JVCO whose registered capital was 100% owned by Party A immediately prior to the entering into of the Share Transfer Agreement. Pursuant to the Share Transfer Agreement, Party B and Party C agreed to acquire, respectively, 49% and 31% interests in the registered capital of JVCO (together with the proportionate shareholders' loans) from Party A. Following completion of the Share Transfer Agreement, JVCO will be owned by Party A, Party B and Party C in the proportions of 20%, 49% and 31%, respectively.

Party A, Party B and Party C are wholly-owned subsidiaries of SA, the Company and AG, respectively. Under the Listing Rules, SA and AG are regarded as connected persons of the Company. Accordingly, the entering into of the Contracts constitutes connected transactions for the Company under the Listing Rules. As the maximum commitment of the Group under the Contracts exceeds 2.5% of the total assets and the market capitalisation of the Company, the Contracts are subject to the approval of the KPL Independent Shareholders. In addition, as the maximum commitment of the Group under the Contracts exceeds 5% of the total assets and the market capitalisation of the Company, the entering into of the Contracts also constitutes a discloseable transaction for the Company under the Listing Rules.

The Independent Board Committee has been formed to advise the KPL Independent Shareholders in relation to the Contracts. Platinum has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the KPL Independent Shareholders in relation to the Contracts.

The purpose of this circular is to provide you with further information in respect of the Contracts and other information prescribed by the Listing Rules. This circular also contains a letter of advice from Platinum to the Independent Board Committee and the KPL Independent Shareholders in respect of the Contracts, a letter of advice containing the recommendation of the Independent Board Committee to the KPL Independent Shareholders in relation to the Contracts, an independent valuation of the Project Site and a notice of the Special General Meeting.

2. DETAILS OF THE SHARE TRANSFER AGREEMENT

Date:	1 June 2006
Parties:	Party A, Party B and Party C
Registered Capital and Total Investment Amount:	Immediately prior to the entering into of the Share Transfer Agreement, the registered capital of JVCO, which was in the amount of RMB486,502,250 (HK\$472,332,282), was 100% owned by Party A. Party A has also granted shareholders' loans in the amount of US\$12,683,990.80 (HK\$98,300,929) to JVCO.

LETTER FROM THE BOARD

Pursuant to the Share Transfer Agreement, the registered capital and total investment amount of JVCO will be increased to RMB1,507,500,000 (HK\$1,463,592,233) and RMB4,522,500,000 (HK\$4,390,776,699), respectively.

Consideration:

Pursuant to the Share Transfer Agreement:

- (a) Party A will transfer its 49% interest in the registered capital of JVCO to Party B at a consideration of RMB313,137,850 (HK\$304,017,330) together with the proportionate shareholders' loans at a consideration of US\$6,215,155.49 (HK\$48,167,455); and
- (b) Party A will transfer its 31% interest in the registered capital of JVCO to Party C at a consideration of RMB198,107,619 (HK\$192,337,494) together with the proportionate shareholders' loans at a consideration of US\$3,932,037.15 (HK\$30,473,288).

The consideration shall be paid by Party B and Party C within 7 working days after the conditions of the Share Transfer Agreement are satisfied and the Share Transfer Agreement becomes effective.

Conditions:

The transfer of shareholding interests and debts under the Share Transfer Agreement are conditional upon (a) the passing of the SA Resolution, the KPL Resolution and the approval of the independent shareholders of AG, and compliance of the rules of the relevant exchanges; and (b) all necessary approvals from the relevant PRC authorities having been obtained. If any of the above conditions could not be satisfied within 18 months after the signing of the Share Transfer Agreement, unless extended by the JV Parties, the Share Transfer Agreement shall be null and void.

LETTER FROM THE BOARD

3. DETAILS OF THE JOINT VENTURE CONTRACT

Date:	1 June 2006
Parties:	Party A, Party B and Party C
Scope of Business:	To undertake the development, construction, operation and management of the hotel and composite complex within the Project Site, including the development, construction, sale and lease of commercial properties, offices, residential apartments, shopping mall, serviced apartments and ancillary facilities inclusive of ancillary pay car parks, estate management service, and the operation and management of hotel and tourism related facilities such as guest rooms, entertainment, food and beverage and shopping facilities.
Registered Capital:	Immediately prior to the entering into of the Share Transfer Agreement, the registered capital of JVCO was in the amount of RMB486,502,250 (HK\$472,332,282). Pursuant to the Share Transfer Agreement, the registered capital of JVCO will be increased to RMB1,507,500,000 (HK\$1,463,592,233). The increase of the registered capital will be contributed by Party A, Party B and Party C in the proportions of 20%, 49% and 31%, respectively. Not less than 20% of the increase of the registered capital of JVCO (i.e. not less than a sum of RMB204,199,550 (HK\$198,251,990)) is required to be contributed by the JV Parties within 3 months from the date of issue of the business licence of JVCO. The timing and amount of the payment of the balance of the registered capital shall be decided by the board of directors of JVCO in accordance with the progress of the construction of the project.

LETTER FROM THE BOARD

Total Investment Amount:	Pursuant to the Joint Venture Contract, the total investment amount shall be RMB4,522,500,000 (HK\$4,390,776,699). Pursuant to the Joint Venture Contract, the JV Parties agree that if the total investment amount needs to be increased due to project implementation, the increased total investment amount of JVCO shall not exceed RMB5,000,000,000 (HK\$4,854,368,932). Apart from the contribution to the registered capital, the balance of the investment amount will be funded by loans obtained by JVCO from banks or other financial institutions which may be secured or guaranteed by the JV Parties and/or their parent companies (if required by the lenders) or by way of shareholders' loans from the JV Parties to JVCO. All loans or financial assistance provided by the JV Parties and/or their parent companies (as the case may be) to, or for the benefit of, JVCO will be provided on a several basis, pro-rata to the then respective capital contributions of the JV Parties to JVCO and on the same terms and conditions.
Duration:	50 years from the date of approval of the Joint Venture Contract by the relevant PRC authorities. However, as JVCO was established on 23 December 1994, the commencement date of such duration may, depending on the grant of approval from the relevant PRC authorities, relate back to the date of establishment of JVCO. The duration of JVCO may be extended by the JV Parties with the approval of the relevant PRC authorities.
Board of Directors:	The board of directors of JVCO will consist of six directors, of whom one shall be nominated by Party A, three shall be nominated by Party B and two shall be nominated by Party C. The chairman shall be nominated by Party B and will not have a casting vote in case of an equality of votes.
Profit Distribution:	Profits will be distributed to the JV Parties in proportion to their respective capital contributions to the registered capital of JVCO.

LETTER FROM THE BOARD

Conditions:

The performance of the Joint Venture Contract is conditional upon all necessary approvals from the relevant PRC authorities having been obtained. If such approval from the relevant PRC authorities could not be obtained after the endeavours of the JV Parties, subject to the JV Parties agreeing otherwise, the Joint Venture Contract shall terminate. The long-stop date for obtaining the above approval is 18 months after the signing of the Joint Venture Contract, unless extended by the JV Parties.

The JV Parties' performance of their respective obligations under the Joint Venture Contract is also conditional upon the passing of the SA Resolution, the KPL Resolution and the approval of the independent shareholders of AG, and compliance of the rules of the relevant exchanges.

4. FINANCIAL EFFECTS OF THE CONTRACTS

It is currently expected that the funding required by the Group under the Contracts will be sourced by the Group from its internal cash reserves and/or external bank borrowings.

Based on the maximum total investment amount under the Joint Venture Contract of RMB5,000,000,000 (HK\$4,854,368,932), the maximum contributions of Party A, Party B and Party C to JVCO are expected to be RMB1,000,000,000 (HK\$970,873,786), RMB2,450,000,000 (HK\$2,378,640,777) and RMB1,550,000,000 (HK\$1,504,854,369), respectively.

The maximum contribution of the Group to JVCO (i.e. RMB2,450,000,000 (HK\$2,378,640,777)) amounted to approximately 5.3% of the total assets of the Group as at 31 December 2005 as adjusted by the proposed final dividends for the year ended 31 December 2005 (being in the amount of HK\$44,622,410,000). The funding requirement for making the maximum contribution is not expected to have any material impact on the earnings of the Group.

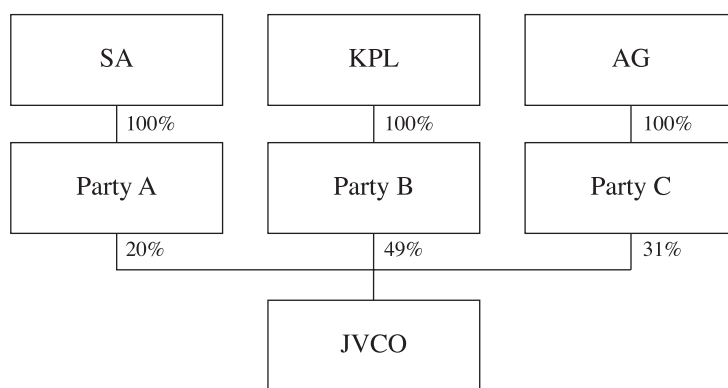
If the Group is required to commit further funding to JVCO in excess of its expected maximum contributions as set out above, such further funding shall be subject to compliance with the Listing Rules by the Company.

Following completion of the Share Transfer Agreement, JVCO will be owned by Party A, Party B and Party C in the proportions of 20%, 49% and 31%, respectively. The Company will treat its investment in JVCO as an investment in associated company, and will account for the results and financial position of JVCO under the equity method of accounting.

LETTER FROM THE BOARD

5. INFORMATION ON JVCO AND THE PROJECT SITE

The shareholding structure of JVCO, upon completion of the Share Transfer Agreement, is as set out below:



JVCO was established on 23 December 1994 in PRC as a limited company under the laws of PRC. The original cost to Party A in acquiring the entire equity interest in JVCO was approximately US\$60,407,000 (HK\$468,154,250).

JVCO did not record any profit or loss for the two years ended 31 December 2004 and 2005. Based on the unaudited management accounts of JVCO as at 31 May 2006, the net asset value of JVCO was approximately RMB487,300,000 (HK\$473,100,000).

The principal asset of JVCO is its interest in the Project Site. The Project Site has an area of approximately 86,164 sq.m., capable of being developed into a mixed-use development measuring approximately 499,000 sq.m. of gross floor area. The Project Site is located at Liuwei Road, Hedong District, Tianjin, PRC, east of Haihe East Road, west of Liuwei Road, south of Liujing Road and north of the extension of Baoding Bridge. The Project Site is located in Hedong District fronting onto Haihe to the east and is bounded by Hebei, Heping and Hexi Districts, with close proximity to the Tianjin Railway Station, Tianjin Binhai International Airport and port, and the city central commercial area.

The land use right of the Project Site was granted to JVCO on the following terms: (a) the Project Site shall be used for development of commercial and offices including hotels (comprising serviced suites) and apartments; and (b) the land use term for commercial and offices shall be 50 years and the land use term for the apartments shall be 70 years, commencing on the date of receipt of the State-owned Land Use Certificate of PRC.

LETTER FROM THE BOARD

The consideration for the transfer of Party A's 49% and 31% interest in JVCO and the proportionate shareholders' loans to Party B and Party C, respectively, under the Share Transfer Agreement were arrived at after arm's length negotiations between the JV Parties, taking into account the different independent valuations obtained by Party A, Party B and Party C and by reference to the registered capital of JVCO and the face value of the existing shareholders' loans owed by JVCO to Party A.

6. REASONS FOR THE CONTRACTS

The purpose of the Contracts is to enable the JV Parties to develop a piece of land in Tianjin into a mixed-use development which is currently intended to comprise (subject to market conditions) hotel, offices, residence, shopping mall, serviced apartments, basement and related ancillary facilities. The development mix and the proposed area for different components of the development are based on the preliminary conceptual design and will be subject to further changes and revision. With the combined experience, standing and expertise of the JV Parties in hotel-related, commercial and residential projects, the development of the Project Site is expected to enhance shareholders' value and provide recurrent income for the Group.

The project will be developed in phases and completion of the entire project is expected in seven years. The first phase of the construction of the Project Site is expected to commence in the fourth quarter of 2006 and to be completed in late 2009.

It is expected that, subject to compliance with the Listing Rules, the development would be project managed by a subsidiary of the Company while certain subsidiaries of SA would provide technical and marketing consultancy services for the construction of the hotel. Upon completion of the hotel, subject to compliance with the Listing Rules, it is expected that the hotel would be managed by a subsidiary of SA. In this connection, the Company will comply with the relevant requirements under the Listing Rules.

7. INFORMATION ABOUT THE COMPANY, SA, AG AND THE JV PARTIES

(a) Information about the Company and Party B

Party B is an indirect wholly-owned subsidiary of the Company.

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

LETTER FROM THE BOARD

(b) Information about SA and Party A

Party A is an indirect wholly-owned subsidiary of SA.

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 related devices and logos.

As at the Latest Practicable Date, KHL was interested in 752,972,645 shares of the Company and 1,263,073,372 shares of SA, respectively, as disclosed under the SFO, representing approximately 61.46% and 49.79% of the existing issued share capital of the Company and SA, respectively. KHL is the controlling shareholder of the Company. SA, as an associated company of KHL, is an associate of KHL under the Listing Rules and is therefore a connected person of the Company.

(c) Information about AG and Party C

Party C is a wholly-owned subsidiary of AG.

The AG Group is principally engaged in property development and investment, project and property management and trading in building materials.

As at the Latest Practicable Date, KSL was interested in approximately 34.27% of the existing issued share capital of AG. KSL's wholly-owned subsidiary is a substantial shareholder (i.e. interested in 33% of the issued shares) of a 67%-owned subsidiary of the Company. Therefore, AG is a connected person of the Company at the subsidiaries' level.

8. IMPLICATIONS UNDER THE LISTING RULES

Under the Listing Rules, SA and AG are regarded as connected persons of the Company. Accordingly, the entering into of the Contracts constitutes connected transactions for the Company under the Listing Rules. The total assets of the Group as at 31 December 2005 (being the date on which the audited financial statements of the Company were last published) as adjusted by the proposed final dividends for the year ended 31 December 2005 were HK\$44,622,410,000, and the market capitalisation of the Company (determined on the basis of the average closing price of the Company for the five trading days immediately preceding the date of the Contracts) is HK\$31,768,248,000. As the maximum commitment of the Group under the Contracts exceeds 2.5% of the total assets and the market capitalisation of the Company, the Contracts are subject to the approval of the KPL Independent Shareholders.

LETTER FROM THE BOARD

In addition, as the maximum commitment of the Group under the Contracts exceeds 5% of the total assets and the market capitalisation of the Company, the entering into of the Contracts also constitutes a discloseable transaction for the Company under the Listing Rules.

The Independent Board Committee has been formed to advise the KPL Independent Shareholders in relation to the Contracts. Platinum has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the KPL Independent Shareholders in relation to the Contracts.

9. RECOMMENDATIONS

Having taken into account the recommendation and advice from Platinum in relation to the Contracts and the transactions contemplated thereunder (as contained in the letter from Platinum set out on pages 21 to 40 of this circular), the Independent Board Committee is of the view that the terms of the Contracts are fair and reasonable and the entering into of the Contracts and the transactions contemplated thereunder, in accordance with the terms set out in the Contracts, are in the interests of the Company and its Shareholders as a whole and so far as the KPL Independent Shareholders are concerned. Accordingly, the Directors (including the independent non-executive Directors) consider that the terms of the Contracts are fair and reasonable and the entering into of the Contracts and the transactions contemplated thereunder, in accordance with the terms set out in the Contracts, are in the interests of the Company and its Shareholders as a whole.

Your attention is drawn to the letter from the Independent Board Committee set out on pages 19 and 20 of this circular, which contains its recommendation to the KPL Independent Shareholders, and the letter from Platinum set out on pages 21 to 40 of this circular, which contains its advice to the Independent Board Committee and the KPL Independent Shareholders in relation to the Contracts and the transactions contemplated thereunder.

Both the Independent Board Committee and Platinum recommend the KPL Independent Shareholders to vote in favour of the KPL Resolution to be proposed at the Special General Meeting.

10. PROCEDURES BY WHICH A POLL MAY BE DEMANDED

Pursuant to the bye-laws of the Company, a resolution put to the vote of a general meeting of the Company shall be decided on a show of hands, but a poll may be demanded (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll):

- (i) by the Chairman of the general meeting of the Company; or
- (ii) by at least three Shareholders present in person or by duly authorised corporate representative or by proxy for the time being entitled to vote at the general meeting of the Company; or

LETTER FROM THE BOARD

- (iii) by any Shareholder or Shareholders present in person or by duly authorised corporate representative or by proxy and representing not less than one-tenth of the total voting rights of all the Shareholders having the right to vote at the general meeting of the Company; or
- (iv) by any Shareholder or Shareholders present in person or by duly authorised corporate representative or by proxy and holding Shares conferring a right to vote at the general meeting, being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the Shares conferring that right.

In addition:

- (a) if the aggregate proxies held by (i) the Chairman of a particular meeting, and (ii) the Directors account for 5% or more of the total voting rights at that meeting, and
- (b) if on a show of hands in respect of any resolution, the Shareholders at the meeting vote in the opposite manner to that instructed in the proxies referred to in (a) above,

the Chairman of the meeting and/or any Director holding the proxies referred to above shall demand a poll. However, if it is apparent from the total proxies held by the persons referred to in (a) above that a vote taken on a poll will not reverse the vote taken on a show of hands, then no poll shall be required.

11. GENERAL

The notice convening the Special General Meeting is set out on pages 52 and 53 of this circular. At the Special General Meeting, the KPL Resolution will be proposed to confirm, ratify and approve the Contracts and the transactions contemplated thereunder.

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 Abacus Share Registrars 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. 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.

LETTER FROM THE BOARD

Under the Listing Rules, any connected person of the Company with a material interest in the Contracts and the transactions contemplated thereunder, and any other Shareholders and their respective associates with a material interest in the Contracts and the transactions contemplated thereunder, shall abstain from voting on the KPL Resolution.

The following persons (the “Abstaining Shareholders”) will abstain from voting in respect of the KPL Resolution:

- (i) KHL and its associates, which are interested in 765,662,289 Shares (representing approximately 62.49% of all Shares in issue) as at the Latest Practicable Date;
- (ii) Shang Holdings Limited, an indirect wholly owned subsidiary of SA, which is interested in 4,273,468 Shares (representing approximately 0.35% of all Shares in issue) as at the Latest Practicable Date;
- (iii) KSL and its associates, which are interested in 29,981,301 Shares (representing approximately 2.45% of all Shares in issue) as at the Latest Practicable Date; and
- (iv) Mr. Ang Keng Lam (a common director of the Company and KHL) who is interested in 81,000 Shares (representing approximately 0.01% of all Shares in issue) as at the Latest Practicable Date.

As far as the Directors are aware, having made all reasonable enquiries, as at the Latest Practicable Date:

- (i) the Abstaining Shareholders controlled or were entitled to exercise control over the voting rights in respect of their respective Shares;
- (ii) (a) there were no voting trusts or other agreements or arrangements or understandings (other than an outright sale) entered into by or binding upon the Abstaining Shareholders, and (b) there were no obligations or entitlements of the Abstaining Shareholders, whereby such persons have or might have temporarily or permanently passed control over the exercise of the voting right in respect of their Shares to third parties, either generally or on a case-by-case basis; and
- (iii) there were no discrepancies between the beneficial shareholding interests in the Company of the Abstaining Shareholders and the number of Shares in respect of which they would control or would be entitled to exercise control over the voting right at the Special General Meeting.

The KPL Resolution will be decided by way of a poll.

LETTER FROM THE BOARD

The Company will publish an announcement on the results of the Special General Meeting on the business day following the Special General Meeting with respect to whether or not the KPL Resolution has been passed by the KPL Independent Shareholders.

Your attention is drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
For and on behalf of
Kerry Properties Limited
Ang Keng Lam
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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. William Winship FLANZ

Mr. Christopher Roger MOSS, O.B.E.

Registered Office:

Canon's Court

22 Victoria Street

Hamilton HM12

Bermuda

7 August 2006

To the KPL Independent Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTIONS RELATING TO THE JOINT DEVELOPMENT OF A SITE AT HEDONG DISTRICT, TIANJIN, 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 KPL Independent Shareholders as to whether, in our opinion, the entering into of the Contracts and the transactions contemplated thereunder, in accordance with the terms set out in the Contracts, are 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 KPL Independent Shareholders are concerned. Platinum has been appointed as the Independent Financial Adviser to the Independent Board Committee and the KPL Independent Shareholders in relation to the Contracts.

In our opinion, the terms of the Contracts are fair and reasonable and the entering into of the Contracts and the transactions contemplated thereunder, in accordance with the terms set out in the Contracts, are in the interests of the Company and its Shareholders as a whole and so far as the KPL Independent Shareholders are concerned. In considering the Contracts, the independent non-executive Directors have also taken into consideration the parties' respective

* *for identification purpose only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

obligations under the KPL Non-competition Agreement and the SA Undertaking. Accordingly, we recommend the KPL Independent Shareholders to vote in favour of the KPL Resolution, which will be proposed as an ordinary resolution at the Special General Meeting, in respect of the Contracts and the transactions contemplated thereunder.

Yours faithfully,

The Independent Board Committee of Kerry Properties Limited

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

Mr. William Winship FLANZ

Mr. Christopher Roger MOSS, O.B.E.

LETTER FROM PLATINUM

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



PLATINUM Securities Company Limited

22/F, Standard Chartered Bank Building
4 Des Voeux Road Central
Hong Kong

Telephone (852) 2841 7000
Facsimile (852) 2522 2700

7 August 2006

*To the Independent Board Committee and
the KPL Independent Shareholders*

Dear Sirs,

DISCLOSEABLE AND CONNECTED TRANSACTIONS RELATING TO THE JOINT DEVELOPMENT OF A SITE AT HEDONG DISTRICT, TIANJIN, PRC

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the KPL Independent Shareholders in respect of the Transactions contemplated under the Share Transfer Agreement and the Joint Venture Contract (the “Transactions”). Details of the Transactions are set out in the letter from the Board as set out in this circular of the Company dated 7 August 2006, of which this letter forms part. Terms used in this letter shall have the same meanings as defined in this circular unless the context requires otherwise.

In our capacity as the Independent Financial Adviser to the Independent Board Committee and the KPL Independent Shareholders, our role is to give an independent opinion as to whether the Transactions are entered into in the ordinary and usual course of business of the Group, on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole and whether the KPL Independent Shareholders should vote in favour of the KPL Resolution, which will be proposed as an ordinary resolution at the Special General Meeting, in respect of the Contracts and the Transactions.

In formulating our opinion, we have relied on the information and facts supplied to us by the Company. We have reviewed, inter alia: (i) the Share Transfer Agreement; (ii) the Joint Venture Contract; (iii) the annual reports of the Group for the financial year ended 31 December 2005 (the “2005 Annual Report”); (iv) KPL Non-competition Agreement; (v) the Company’s prospectus dated 23 July 1996, which contains the terms of the SA Undertaking on page 153 thereof; and (vi) valuation report (the “Valuation Report”) of the Project Site by DTZ Debenham Tie Leung Limited (the “Valuer”). We have also discussed with the management of the Company regarding their plans and prospects for the proposed development of the Project Site.

LETTER FROM PLATINUM

We have assumed that all information, facts, opinions and representations contained in this circular are true, complete and accurate in all material respects and we have relied on the same. The Directors having collectively and individually accepted full responsibility for the accuracy of the information contained in this circular, and have confirmed, having made all reasonable enquiries, which to their best knowledge and belief, that no material facts have been omitted from the information supplied to us.

We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy or completeness of the information of all facts as set out in this circular and of the information and representations provided to us by the Company. Furthermore, we have no reasons to suspect that the reasonableness of the opinions and representations expressed by the Company and/or the Directors which have been provided to us. In line with normal practice, we have not, however, conducted a verification process of the information supplied to us, nor have we conducted any independent in-depth investigation into the business and affairs of the Group. We consider that we have been supplied and reviewed sufficient information to enable us to reach an informed view and to provide a reasonable basis for our opinion regarding the Transactions.

We are independent from, and are not associated with the Company or any other party to the Transactions, or their respective substantial shareholders or connected person(s), as defined under the Listing Rules and, accordingly, are considered eligible to give independent advice on the Transactions. We will receive a fee from the Company for our role as the Independent Financial Adviser to the Independent Board Committee and the KPL Independent Shareholders in relation to the Transactions. Apart from this normal professional fee payable to us in connection with this appointment, no arrangements exist whereby we will receive any fees or benefits from the Company and another party to the Transactions or their respective substantial shareholders or connected person(s), as defined under the Listing Rules.

As stated in the letter from the Board, the Independent Board Committee, comprising three independent non-executive Directors, namely, Mr. LAU Ling Fai, Herald, Mr. William Winship FLANZ, and Mr. Christopher Roger MOSS, O.B.E., has been established to advise the KPL Independent Shareholders in respect of the Transactions.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion in relation to the Transactions and giving our independent financial advice to the Independent Board Committee and the KPL Independent Shareholders, we have considered the following principal factors:

A. Reasons for and benefits of the Transactions

1. Background of the Transactions

On 1 June 2006, the Company announced that the JV Parties, on the same date, entered into the Share Transfer Agreement and the Joint Venture Contract for the undertaking of a property development project in Hedong District, Tianjin, PRC through JVCO.

LETTER FROM PLATINUM

The Project Site is owned by JVCO whose registered capital was 100% owned by Party A immediately prior to the entering into of the Share Transfer Agreement. Pursuant to the Share Transfer Agreement, Party B and Party C agreed to acquire, respectively, 49% and 31% interests in the registered capital of JVCO (together with the proportionate shareholders' loans) from Party A, respectively. Following completion of the Share Transfer Agreement, JVCO will be owned by Party A, Party B and Party C in the proportions of 20%, 49% and 31%, respectively.

The total assets of the Group as at 31 December 2005 (being the date on which the audited financial statements of the Company were last published) as adjusted by the proposed final dividends for the year ended 31 December 2005 were HK\$44,622,410,000, and the market capitalisation of the Company (determined on the basis of the average closing price of the Company for the five trading days immediately preceding the date of the Contracts) was HK\$31,768,248,000.

Under the Listing Rules, SA and AG are regarded as connected persons of the Company. Accordingly, the entering into of the Contracts constitutes connected transactions for the Company under the Listing Rules. In addition, as the maximum commitment (the "Maximum Commitment") of the Group under the Contracts of RMB2,450,000,000 (HK\$2,378,640,777) exceeds 5% of the total assets and the market capitalisation of the Company, the entering into of the Contracts also constitutes discloseable transactions for the Company under the Listing Rules. The Contracts and the Transactions are therefore subject to the reporting and announcement requirements set out in the relevant provisions of Chapters 14 and 14A of the Listing Rules and the KPL Resolution is subject to the approval of the KPL Independent Shareholders, voting by way of poll, at the Special General Meeting.

The following persons will abstain from voting in respect of the KPL Resolution:

- (i) KHL and its associates, which are interested in 765,662,289 Shares (representing approximately 62.49% of all Shares in issue) as at the Latest Practicable Date;
- (ii) Shang Holdings Limited, an indirect wholly-owned subsidiary of SA, which is interested in 4,273,468 Shares (representing approximately 0.35% of all Shares in issue) as at the Latest Practicable Date;
- (iii) KSL and its associates, which are interested in 29,981,301 Shares (representing approximately 2.45% of all Shares in issue) as at the Latest Practicable Date; and
- (iv) Mr. Ang Keng Lam (a common director of the Company and KHL) who is interested in 81,000 Shares (representing approximately 0.01% of all Shares in issue) as at the Latest Practicable Date.

2. *Description of the relevant parties to the Transactions*

- (i) The Company and Party B

Party B is an indirect wholly-owned subsidiary of the Company.

LETTER FROM PLATINUM

As stated in the letter from the Board, the Group is principally engaged in: (i) property development and investment in Hong Kong, PRC and the Asia Pacific region; (ii) logistics, freight, warehouse ownership and operations; (iii) infrastructure-related investment in Hong Kong and PRC; and (iv) hotel ownership and operations in PRC.

The particulars of the contribution of the Group's business segments to the Group's total turnover are set out in Table 1 below:

Table 1: Turnover of the Group by business segment

	For the year ended 31 December 2004		For the year ended 31 December 2005	
		% of total turnover of the Group		% of total turnover of the Group
	Turnover HK\$ million	%	Turnover HK\$ million	%
Properties	2,555.84	50.09	2,426.49	30.30
Logistics and Warehouse	2,502.05	49.04	5,541.21	69.19
Others	44.55	0.87	41.12	0.51
Total	5,102.44	100.00	8,008.82	100.00

Source: 2005 Annual Report

As illustrated in Table 1 above, the properties business segment of the Group accounted for approximately 50.09% and 30.30% of the turnover of the Group for the two financial years ended 31 December 2005 respectively.

Furthermore, as stated in the 2005 Annual Report, as at 31 December 2005, the aggregate book value of the Group's: (i) investment properties; (ii) leasehold land and land use rights; (iii) properties under development; (iv) stock of completed properties held for sale; and (v) properties under development for sale, amounted to approximately HK\$29,548.5 million, which already represents approximately 65.3% of the book value of the total assets of the Group of approximately HK\$45,230.7 million as at 31 December 2005.

Accordingly, we consider that the Group's properties business segment accounts for a significant portion of the business and operations of the Group.

LETTER FROM PLATINUM

In addition, we have also reviewed the Group's property portfolio composition measured by gross floor area ("GFA") and the particulars are set out in Table 2 below:

Table 2: Group's property portfolio composition measured by GFA

	For the year ended 31 December 2005	% of total GFA of the Group
	GFA sq.ft.	%
Mainland China	12,308,145	50.51
Hong Kong	5,128,970	21.05
Macau	2,800,000	11.49
Overseas	4,130,896	16.95
Total	<u>24,368,011</u>	<u>100.00</u>

Source: 2005 Annual Report

As demonstrated in Table 2 above, as at 31 December 2005, the mainland China property division of the Group contributed approximately 50.51% of the Group's total property portfolio. Accordingly, we consider that the mainland China property division of the Group is a key component of the Group's property portfolio.

(ii) SA and Party A

Party A is an indirectly wholly-owned subsidiary of SA.

In accordance with the letter from the Board, 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. The subsidiaries of the SA Group 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 related devices and logos.

(iii) AG and Party C

Party C is a wholly-owned subsidiary of AG.

As stated in the letter from the Board, the AG Group is principally engaged in property development and investment, project and property management and trading in building materials.

LETTER FROM PLATINUM

3. *The Group's long term strategy*

As stated in the 2005 Annual Report, the Group will maintain its strategy in the development of high-end mixed-use properties in the primary and major secondary cities in PRC in order to accommodate the demand from both domestic and foreign users.

According to the National Bureau of Statistics of China ("NBSC"), Tianjin covers a total area of approximately 11,919.7 square kilometers, with a total population of approximately 10 million at the end of 2005. In addition, Tianjin is one of the four municipalities directly under the administration of the PRC central government (直轄市) along with Beijing, Shanghai and Chongqing, and is an integral part of the Bohai Bay Economic Zone (環渤海經濟區), which by land area is one of the three biggest economic zones in PRC. Based on the statistics published by the Tianjin Municipal Bureau of Statistics, the GDP per capita of Tianjin amounted to approximately RMB35,457 in 2005, which is the third highest in PRC after Shanghai and Beijing. The above collectively suggest that Tianjin is one of the most important municipalities, both on the political and commercial front, in PRC today.

As stated in the letter from the Board, the Project Site has an area of approximately 86,164 sq.m., capable of being developed into a mixed-use development measuring approximately 499,000 sq.m. of GFA. The letter from the Board further states that the purpose of the Contracts is to enable the JV Parties to develop a piece of land in Tianjin into a mixed-use development which is currently intended to comprise (subject to market conditions) hotel, offices, residence, shopping mall, serviced apartments, basement and related ancillary facilities.

In view of:

- (i) the Group's properties business segment accounting for a significant portion of the business and operations of the Group and the mainland China property division of the Group being a key component of the Group's property portfolio;
- (ii) the Group's intention to maintain its business strategy in the development of high-end mixed-use properties in the primary and major secondary cities in PRC;
- (iii) Tianjin being one of the most important municipalities in PRC both on the political and commercial front; and
- (iv) the purpose of the Contracts is to enable the JV Parties to develop a piece of land in Tianjin into a mixed-use development,

we are of the opinion that the Transactions are in line with the long-term strategy of the Group.

LETTER FROM PLATINUM

4. *Overview of the property market in Tianjin, PRC*

According to the NBSC, the gross domestic product (the “GDP”), disposable income per capita of urban households of PRC and Tianjin have recorded consistent positive growth from 2003 to 2005, which are summarized in Table 3 below:

Table 3: Statistics for PRC and Tianjin

	2003	2004	2005
	%	%	%
PRC			
GDP growth rate	9.1	9.5	9.9
Growth rate of disposable income for urban household (per capita)	9.0	7.7	9.6
Tianjin			
GDP growth rate	14.5	15.7	14.5
Growth rate of disposable income for urban household (per capita)	10.5	11.2	10.2

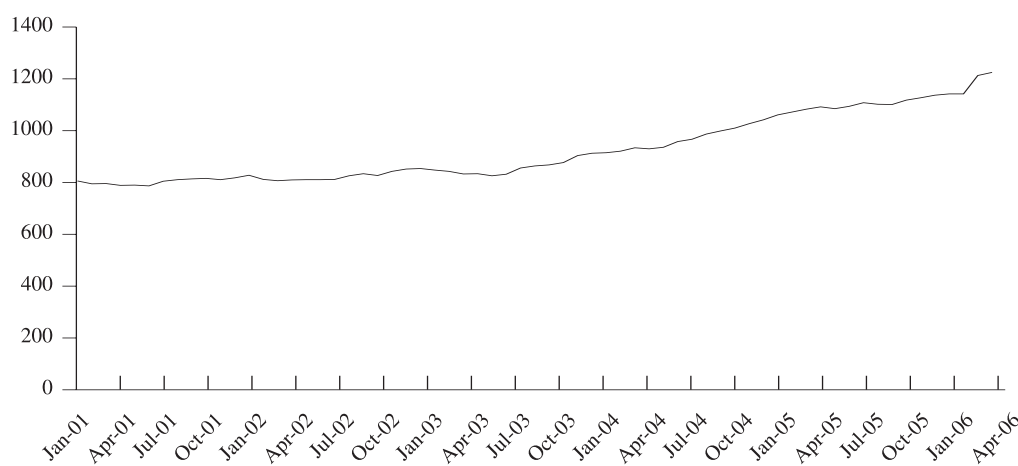
Source: NBSC

In view of the above, in particular the GDP growth rate and the growth rate of disposable income for urban household (per capita) of Tianjin have both consistently outperformed their national counterparts for the past three years, we are of the view that the underlying growth of Tianjin’s economy has been strong and also outperforming PRC as a whole.

LETTER FROM PLATINUM

Furthermore, according to the China Real Estate Index System, an independent institution founded by the China Real Estate Association and the Development Research Center of the State Council of PRC, specializing in the analysis of the development trend of the PRC property market through a series of property indices (the indices are determined by parameters, especially the market prices of the properties), the China Real Estate Tianjin Composite Index has recorded continuous growth from January 2001 to April 2006, which is shown in Chart 1 below:

Chart 1: China Real Estate Tianjin Composite Index



Source: China Real Estate Index System

The above index is summarized below:

	2003	2004	2005	2006 (up to April)
Annual growth rate of the China Real Estate Tianjin Composite Index (%)	6.93	14.07	9.13	7.74

As illustrated above, the China Real Estate Tianjin Composite Index has shown an upward trend and recorded growth rates, on an annual basis, of approximately 6.93%, 14.07% and 9.13% for 2003, 2004 and 2005 respectively. In addition, for the first four months of 2006, the China Real Estate Tianjin Composite Index has increased by approximately 7.74%.

In view of the above, we are of the view that the Tianjin property market has shown considerable growth in recent years.

LETTER FROM PLATINUM

5. *Recent development of the PRC property market*

On 29 May 2006, the Ministry of Land of PRC and eight other governmental authorities jointly issued an opinion regarding adjustment in the structure of housing supplies and stabilization of housing prices (the “Opinion”). The Opinion introduced a series of new measures to stabilize the PRC’s property market including, inter alia:

- (i) all municipal authorities must publish plans on the construction of affordable housing, including general housing stock, government-subsidized housing and government-owned rental housing for the low income group;
- (ii) mortgage lenders will be required to demand a down payment of at least 30%, however, for self-use apartments measuring 90 square meters or below, down payment stays unchanged at 20%;
- (iii) all developers will have to fund 35% of the investment for the development of any project from their own capital before they can seek loans from commercial banks;
- (iv) measures against property speculators, such as imposing: (1) business tax on sales proceeds on the sale of properties that have been owned for less than 5 years; and (2) business tax on sale profits on the sale of properties that have been owned for more than 5 years;
- (v) reducing demand, urging local authorities to exercise restraint in demolishing old homes, which is forcing tens of thousands of people on to the market every year; and
- (vi) regulating the real estate statistics and information disclosure mechanism.

In view of the above, we are of the view that the continued growth of the property market in PRC, including Tianjin, may be affected by governmental regulatory measures.

LETTER FROM PLATINUM

6. Recent property acquisitions in Tianjin

We noted from our research that several other sizable Hong Kong listed property development companies have recently participated in property development projects in Tianjin. For illustrative purpose, we have listed three of such property development projects in Table 4 below:

Table 4: Recent property development projects in Tianjin

	Developer	Year	Location	Purpose	Site area <i>sq.m.</i>
1	Hutchison Whampoa	2006	Yingkoudao, Tianjin	Composite Development	252,000
2	Hang Lung Properties	2005	Heping Road, Heping District, Tianjin	Shopping Mall	135,000
3	Guangzhou R&F Properties	2004	Nanhai District and Heping District, Tianjin	Residential	318,000

Source: annual reports of the respective companies

In view of:

- (i) the GDP and disposable income per capita of Tianjin have recorded consistent positive growth as set out in Table 3;
- (ii) the continuous growth of Chinese Real Estate Tianjin Composite Index up to April 2006 as set out in Chart 1; and
- (iii) the recent active participation of other Hong Kong listed companies in property development projects in Tianjin,

we are of the view that although the new governmental measures in PRC may affect the growth of the property market in PRC, including Tianjin, nevertheless the underlying growth rate of the PRC market, in particular, Tianjin, is still fundamentally strong. Therefore, we are of the view that the Transactions are in the interests of the Company and the Shareholders as a whole.

LETTER FROM PLATINUM

B. Basis of the considerations of the Transactions

Pursuant to the Share Transfer Agreement, Party A will transfer its 49% equity interest in the registered capital of JVCO to Party B at a consideration of RMB313,137,850 (HK\$304,017,330) together with the proportionate shareholders' loans at a consideration of US\$6,215,155.49 (HK\$48,167,455 or RMB49,721,244) (collectively the "Total Consideration").

As stated in the letter from the Board, the consideration payable by Party B under the Share Transfer Agreement was arrived at after arm's length negotiations between the JV Parties, taking into account the independent valuations obtained by Party A, Party B and Party C and by reference to the registered capital of JVCO and the face value of the existing shareholders' loans owed by JVCO to Party A.

We note that from the letter from the Board, JVCO did not record any profit or loss for the two years ended 31 December 2004 and 2005. Based on our discussion with the management of the Company, the Total Consideration represents a discount of approximately RMB10.91 million or approximately 2.92% to the 49% of the valuation of JVCO, details of the calculation (for illustrative purpose only) of which are illustrated as Table 5 below:

Table 5: Discount of the Total Consideration to the 49% of the valuation of JVCO

	<i>RMB million</i>	
The Group's valuation of the Project Site		
as at 31 May 2006	1,250.00	
Less: Unpaid land portion as at 31 May 2006	(522.00)	
Add: Book value of JVCO's other net assets		
as at 31 May 2006	<u>34.76</u>	
Valuation of JVCO	762.76	
The Company's interest in JVCO	49.00%	
Valuation of the Company's interest in JVCO	<u>373.75</u>	(A)
Consideration paid by the Company for:		
49% registered capital in JVCO	313.14	
49% shareholders' loan in JVCO	<u>49.72</u>	
Total Consideration	<u>362.86</u>	(B)
Discount of Total Consideration to valuation	<u>10.91</u>	(C)=(A) – (B)
% of discount of Total Consideration to valuation	<u>2.92%</u>	(C)/(A)

Source: the Company, Valuation Report

LETTER FROM PLATINUM

As illustrated in Table 5 above, the valuation of the Project Site is based on the Valuation Report prepared by the Valuer, which is an independent professional valuer. The book value of JVCO's other net assets as at 31 May 2006 and the face value of the shareholders' loan as at 31 May 2005 are based on the management accounts of JVCO as at 31 May 2005. Given that the Total Consideration represents a discount of approximately RMB10.91 million or approximately 2.92% to the Group's 49% share of the valuation of JVCO, we are of the view that the Total Consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

In view of the above, in particular:

- (i) the consideration payable by Party B under the Share Transfer Agreement was arrived at after arm's length negotiations between the JV Parties;
- (ii) the consideration payable by Party B under the Share Transfer Agreement was determined by taking into account the independent valuations obtained by Party A, Party B and Party C and by reference to the registered capital of JVCO and the face value of the existing shareholders' loans owed by JVCO to Party A; and
- (iii) the Total Consideration represents a discount of approximately RMB10.91 million or approximately 2.92% to the Group's 49% share of the valuation of JVCO,

we are of the view that the Total Consideration is fair and reasonable, and the Transactions are entered into on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

C. Other material terms of the Contracts

1. The Share Transfer Agreement

As discussed above, immediately prior to the entering into of the Share Transfer Agreement, the registered capital of JVCO was in the amount of RMB486,502,250 (HK\$472,332,282). Pursuant to the Share Transfer Agreement, the registered capital and total investment amount of JVCO will be increased to RMB1,507,500,000 (HK\$1,463,592,233) and RMB4,522,500,000 (HK\$4,390,776,699), respectively.

Based on our review of the Share Transfer Agreement, we understand that the increase of the registered capital of JVCO will be contributed by Party A, Party B and Party C, on a pro-rata basis in accordance with their respective percentage of equity interest in the JVCO after the completion of the Share Transfer Agreement.

LETTER FROM PLATINUM

2. *The Joint Venture Contract*

Pursuant to the Joint Venture Contract, the total investment amount of the JVCO shall be RMB4,522,500,000 (HK\$4,390,776,699). In addition, the JV Parties agree that if the total investment amount needs to be increased due to project implementation, the increased total investment amount of JVCO shall not exceed RMB5,000,000,000 (HK\$4,854,368,932).

Apart from the contribution to the registered capital, the balance of the investment amount will be funded by loans obtained by JVCO from banks or other financial institutions which may be secured or guaranteed by the JV Parties and/or their Group companies (if required by the lenders) or by way of shareholders' loans from the JV Parties to JVCO. All loans or financial assistance provided by the JV Parties and/or their Group companies (as the case may be) to, or for the benefit of, JVCO will be provided on a several basis, pro-rata to the then respective capital contributions of the JV Parties to JVCO and on the same terms and conditions.

We note that, in accordance with the Joint Venture Contract, the board of directors of JVCO will consist of six directors, of whom three shall be nominated by Party B, which is an indirect wholly-owned subsidiary of the Company. In addition, the chairman shall be nominated by Party B and will not have a casting vote in case of an equality of votes. Moreover, the Joint Venture Contract provides that profits will be distributed to the JV Parties in proportion to their respective capital contributions to the registered capital of JVCO.

In view of the above, in particular:

- (i) under the Share Transfer Agreement, the increase in the registered capital of JVCO will be contributed by Party A, Party B and Party C, on a pro-rata basis in accordance with their respective percentage of equity interest in the JVCO;
- (ii) under the Joint Venture Contract, all future loans or financial assistance provided by the JV Parties and/or their parent companies (as the case may be) to, or for the benefit of, JVCO will be provided on a several basis, pro-rata to the then respective capital contributions of the JV Parties to JVCO and on the same terms and conditions;
- (iii) under the Joint Venture Contract, although Party B has only 49% equity interest in JVCO, it has the right to appoint 50% of the members of the board of the directors of the JVCO including its chairman; and
- (iv) under the Joint Venture Contract, profits will be distributed to the JV Parties in proportion to their respective capital contributions to the registered capital of JVCO,

we are of the opinion that the abovementioned material terms of the Contracts are fair and reasonable and the Transactions are in the interests of the Company and its Shareholders as a whole.

LETTER FROM PLATINUM

D. The joint development of the Project Site by the Company, SA and AG

1. Background of the KPL Non-competition Agreement and the SA Undertaking

Based on our discussion with the management of the Company, pursuant to the KPL Non-competition Agreement entered into between the Company and Kerry Group Limited (on behalf of the Kuok Group) (as set out in the Company's prospectus dated 23 July 1996), Kerry Group Limited shall not, except as provided in the KPL Non-competition Agreement, undertake, inter alia, property investment or development in Hong Kong or PRC. In addition, as approximately 49.79% equity interest of SA was held by KHL as at the Latest Practicable Date, SA is deemed to be an associate of the Kuok Group.

Based on our discussion with the management of the Company, pursuant to the SA Undertaking entered into between SA and the Kuok Group (as set out in the Company's prospectus dated 23 July 1996), SA would be offered, at the earliest practicable time, the opportunity to acquire, at an arm's length price, all or part of any hotel or serviced apartment projects in Hong Kong or PRC that may be undertaken by the Kuok Group and are to be managed by SLIM.

2. The joint development of the Project Site

As stated in the letter from the Board, this joint development of Project Site is a property development project in PRC and the Project Site is expected to be developed into a mixed-use development which is currently intended to comprise (subject to market conditions): (i) hotel, which is expected to be managed by a subsidiary of SA subject to compliance with the Listing Rules; (ii) offices; (iii) residence; (iv) a shopping mall; (v) serviced apartments; and (vi) basement and related ancillary facilities. Therefore this project falls within the ambit of the KPL Non-competition Agreement and the SA Undertaking.

Based on our discussion with the management of the Company, SA had offered the Company the first right of refusal to participate in the development of the Project Site. In providing information on the project to the Company, SA had ensured that information about the principal terms of the project had always been disclosed to the Company in order for the Company to make an informed decision.

Pursuant to consideration by the management of the Company of, among other things: (i) diversification of skills and expertise; (ii) available financial resources of the Group; and (iii) the Group's potential capital commitments in this project and the Group's other existing projects and other factors, the management of the Company considers that it is commercially prudent to diversify its development risks by taking up only 49% interest in this project especially considering this project is the first property development project of the Group in Tianjin. Subsequently, the Company then invited AG to participate in the development of the Project Site by taking up 31% equity interest in JVCO, which was accepted by AG. The aggregate equity interest of the Company and AG in the JVCO is 80%.

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We also note that the Company, SA and AG are participating in the development of the Project Site on the same terms and pro-rata to their respective proportionate equity interest in JVCO. Although KPL's equity interest in JVCO is only 49%, it is the single largest shareholder of JVCO. In addition, we note that the board of directors of JVCO will consist of six directors, of whom, three, including the chairman, shall be nominated by the Company.

As stated in the letter from the Board, it is expected that, subject to compliance with the Listing Rules, the development would be project managed by a subsidiary of the Company while certain subsidiaries of SA would provide technical and marketing consultancy services for the construction of the hotel. Upon completion of the hotel, subject to compliance with the Listing Rules, it is expected that the hotel would be managed by a subsidiary of SA.

In view of the abovementioned procedures and steps taken by the Company, SA and AG, we are of the view that the joint development of the Project Site by the Company, SA and AG has fulfilled the relevant parties' respective obligations under the KPL Non-competition Agreement and the SA Undertaking.

3. *The joint development relationship with the SA Group*

Based on our discussion with the management of the Company, the Project Site represents the fifth joint development of mixed-use developments between the Group and the SA Group in PRC since 1996. Table 6 below illustrates the projects jointly developed by the Group and the SA Group including this project:

Table 6: Projects jointly developed and to be developed by the Group and the SA Group

Project location	Year	Project's total investment amount HK\$ million	% held by the Company %	% held by the SA Group %	% held by others %
Beijing Kerry Centre, Beijing, PRC & Beijing Kerry Centre Hotel, Beijing, PRC	1998*	2,558.4	71.25	23.75	5.00
Shanghai Kerry Centre, Shanghai, PRC	1998*	1,248.0	74.25	24.75	1.00
Jingan, Shanghai, PRC	2004	4,680.0	51.00	49.00	—
Pudong, Shanghai, PRC	2006	3,818.9	40.80	23.20	36.00
Hedong, Tianjin, PRC	2006	4,390.8	49.00	20.00	31.00

* Year of operation

Source: the Company

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In view of:

- (i) the experience, reputable standing and expertise of SA Group in the hotel industry in PRC; and
- (ii) the proven track records of successful joint development of mixed-use projects in PRC between the Group and the SA Group since 1996,

we are of the view that the joint development of the Project Site between the Group and the SA Group is in the interests of the Company and the Shareholders as a whole.

4. The joint development relationship with AG

As stated in the letter from the Board, AG is principally engaged in property development and investment, project and property management and trading in building materials and listed on the Singapore Stock Exchange in 1999. As at the Latest Practicable Date, the market capitalization of AG amounts to approximately S\$1,329.2 million (approximately HK\$6,540.9 million) and the net asset value of AG was approximately S\$1,637.2 million (approximately HK\$8,056.5 million) as at 31 December 2005. In addition, according to the circular of the Company dated 23 January 2006, AG took a 16% interest in a joint venture property development located in Pudong Shanghai, in which the Company has an interest of 40.8%.

We note that, pursuant to Clause 3.1(iv) of the KPL Non-competition Agreement, the undertakings of the Kerry Group Limited set forth in the KPL Non-competition Agreement, do not apply in the respect of participation by the Kuok Group in the Group's projects, investments and businesses at the invitation of the Company, where the Board decides that the Kuok Group's participation is appropriate in the circumstances and the independent non-executive Directors have reviewed and approved the decision.

Based on our discussion above, we note that subsequent to the Company's decision to participate only in 49% equity interest in JVCO, the Company then invited AG to participate in the development of the Project Site by taking up 31% equity interest in JVCO, which was accepted by AG. In addition, we note, as stated in the Circular, AG is a member of the Kuok Group. Moreover, based on our discussions with the management of the Company, the Board is of the view that the Company's invitation to AG for the participation in the development of the Project Site is appropriate in the circumstances given AG's expertise and experience in property development and prior cooperation between the parties and the independent non-executive Directors have reviewed and approved the decision. Accordingly, we are of the opinion that the participation of AG in the development of the Project Site is permitted under Clause 3.1(iv) of the KPL Non-competition Agreement.

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Given AG's expertise and experience in property development, its financial capability and historical property co-investment relationship with the Group, also taking into account that AG's participation in the development of the Project Site is permitted under Clause 3.1(iv) of the KPL Non-competition Agreement, we concur with the management of the Company that the participation of AG in the development of the Project Site is in the interests of the Company and the Shareholders as a whole.

Having considered the above, in particular,

- (i) the management of the Company considers that it is commercially prudent to diversify its development risks by taking up only 49% interest in this project;
- (ii) the fulfillment of the relevant parties' respective obligations under the KPL Non-competition Agreement and the SA Undertaking;
- (iii) the experience, reputable standing and expertise of SA Group in the hotel industry in PRC and the proven track records of successful joint development of mixed-use developments in PRC between the Group and the SA Group since 1996;
- (iv) AG's expertise and experience in property development, its financial capability and historical property co-investment relationship with the Group;
- (v) AG's participation in the development of the Project Site is permitted under Clause 3.1(iv) of the KPL Non-competition Agreement,

we are of the view that the participation of KPL, SA and AG in the development of the Project Site has fulfilled the relevant parties' respective obligations under the KPL Non-competition Agreement and the SA Undertaking and the Transactions are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

E. Financial impacts of the Transactions

1. Effect on net asset value

According to the 2005 Annual Report, as at 31 December 2005, the audited net asset value ("NAV") of the Group is approximately HK\$25,220.8 million.

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As illustrated in Table 5 above, the Group has agreed to pay the Total Consideration of RMB 362.86 million for the 49% equity interest and the 49% of shareholders' loan in JVCO, which represents a discount of approximately RMB10.91 million (approximately HK\$10.58 million) or approximately 2.92% to the Group's 49% share of the valuation of JVCO. As such, we are of the opinion that the Transactions may have a positive effect on the Group's NAV.

2. *Effect on earnings*

According to the 2005 Annual Report, the profit attributable to Shareholders of the Company amounted to approximately HK\$3,066.9 million.

As stated in the letter from the Board, the principal asset of JVCO is its interest in the Project Site and JVCO did not record any profit or loss for the two years ended 31 December 2004 and 2005. In view of the Project Site being about to commence development, the future effect on earnings of this property development on the Group cannot be determined at this stage, notwithstanding the Company's share of net profits from JVCO, which may be generated by pre-sales and sales upon completion of the development of the Project Site.

As stated above, the Total Consideration represents a discount of approximately 2.92% to the Group's 49% of the valuation of JVCO. As such, we are of the view that the Transactions may have a positive effect on the Group's earnings.

3. *Effect on current assets/current liabilities*

According to the 2005 Annual Report, as at 31 December 2005, the current assets and current liabilities of the Group were approximately HK\$6,290.5 million and approximately HK\$3,629.8 million respectively.

As stated in the letter from the Board, it is currently expected that the funding required by the Group under the Contracts will be sourced by the Group from its internal cash reserves and/or external bank borrowings. As such, we are of the view that this may reduce the current assets and/or increase the current liabilities of the Group, as the case may be.

In addition, as stated in the letter from the Board, the Maximum Commitment amounts to approximately 5.3% of the total assets of the Group as at 31 December 2005 as adjusted by the proposed final dividends for the year ended 31 December 2005 (being in the amount of HK\$44,622,410,000). Based on the available cash resources of the Company as at 31 December 2005 and taking into account: (i) our understanding from the discussion with the management of the Company that the capital commitment of the Group for this project development is payable in stages during the course of the construction of the project; (ii) the cash inflows arising from the Group's existing business operations; and (iii) the committed bank borrowing facilities of the Group, the management of the Company considers the Company has sufficient cash resources to satisfy the amount of funding that the Company may be required to contribute to JVCO.

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4. *Effect on gearing*

According to 2005 Annual Report, the gearing ratio of the Group amounted to approximately 0.36. As stated in the letter from the Board, it is currently expected that the funding required by the Group under the Contracts will be sourced by the Group from its internal cash reserves and/or external bank borrowings to finance or refinance all or part of its funding commitments. Therefore, the gearing ratio of the Group may be increased as a result of the investment in JVCO. As JVCO would be accounted for as an associated company of the Group, the gearing ratio of the Group would not be affected by JVCO if JVCO borrows bank loans for the development of the Project Site as the bank borrowings of JVCO would not be consolidated into the accounts of the Group.

Based on our views above, in particular:

- (i) the Transactions may have a positive effect on the NAV of the Group;
- (ii) the Transactions may have a positive effect on the earnings of the Group;
- (iii) although the Transactions may reduce the current assets and/or increase the current liabilities of the Group, nevertheless it has sufficient cash resources to satisfy its proportionate funding requirement of JVCO; and
- (iv) there might be a potential increase in the gearing ratio as a result of the investment in JVCO, nevertheless JVCO will be accounted for as an associated company of the Company, the bank borrowing of which will not be consolidated into the accounts of the Group,

we are of the opinion that, on balance, the financial effects of the Transactions are acceptable and the Transactions are in the interests of the Company and the Shareholders as a whole.

RECOMMENDATION

In summary, we have considered the principal factors and reasons, in particular:

- (i) the Transactions are in line with the long-term strategy of the Group, i.e. development of high-end mixed-use properties in the primary and major secondary cities in PRC;
- (ii) although the new government measures may affect the growth of the property market in PRC, including Tianjin, nevertheless the Tianjin property market has shown considerable growth in recent years and the underlying growth rate of the PRC market, in particular, Tianjin, is still fundamentally strong;
- (iii) the consideration of the Transactions are fair and reasonable and on normal commercial terms;

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- (iv) other material terms of the Contracts are fair and reasonable;
- (v) the fulfillment of the relevant parties' respective obligations under the KPL Non-competition Agreement and the SA Undertaking;
- (vi) the participation of SA and AG as joint venture partners to the Company in the development of the Project Site is in the interests of the Company and the Shareholders as a whole; and
- (vii) the financial effects of the Transactions are acceptable.

Having considered the above, we are of the view that: (i) the Transactions are in line with the long-term strategy of the Group and on normal commercial terms; and (ii) the Transactions are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend to the KPL Independent Shareholders to vote in favour of the KPL Resolution at the Special General Meeting. We also recommend the KPL Independent Shareholders to vote in favour of the KPL Resolution in approving the Contracts and the Transactions at the Special General Meeting.

Yours faithfully,
For and on behalf of

Platinum Securities Company Limited

Liu Chee Ming
Managing Director

Alvin Lai
Director

The following is the text of a letter with valuation certificate from DTZ Debenham Tie Leung Limited, an independent property valuer, in connection with its valuation as at 30 May 2006 for the purpose of incorporation into this circular.



10th Floor
Jardine House
1 Connaught Place
Central
Hong Kong

7 August 2006

The Directors
Kerry Properties Limited
13th Floor
Cityplaza 3
14 Taikoo Wan Road
Taikoo Shing
Hong Kong

Dear Sirs,

Re: A Site for Development Located at Liuwei Road in Hedong District, Tianjin City, South of Liujing Road, West of Liuwei Road, East of Haihe East Road and North of the Extension of Baoding Bridge in Tianjin (the “Site”)

We refer to your instructions for us to value the interest in the property to be held by Kerry Properties Limited (referred to as the “Company” or “KPL”) or its subsidiaries (together referred to as the “KPL Group”) in the People’s Republic of China (the “PRC”). We confirm that we have carried out site inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the property interest as at 30 May 2006 (the “Date of Valuation”).

Our valuation of the property interest is our opinion of the market value which we would define as intended to mean the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Unless otherwise stated, our valuation excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

We have relied on the information given by the KPL Group, regarding the title to the property interest in the PRC and the interest in the property held by the KPL Group in the PRC. The status of titles and grant of major approvals and licences, in accordance with the information provided by the KPL Group are set out in the notes in the valuation certificate.

In valuing the property interest, we have adopted the direct comparison approach by making reference to comparable sales evidence as available in the relevant market.

In valuing the property interest, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Valuation Standards (First Edition 2005) on Properties published by The Hong Kong Institute of Surveyors.

In respect of the property interest in the PRC, we have been provided with extracts of documents in relation to the title to the property interest. However, we have not inspected the original documents to ascertain any amendments which may not appear on the copies handed to us.

In the course of our valuation, we have relied to a very considerable extent on the information given by the KPL Group and its PRC legal adviser, Fangda Partners, on the PRC law. We have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, identification of property, development schemes, site and floor areas and all other relevant matters.

Dimensions, measurements and areas included in the valuation certificate are based on information provided to us and are therefore only approximations. We have no reason to doubt the truth and accuracy of the information provided to us by the KPL Group which is material to the valuation. We were also advised by the KPL Group that no material facts have been omitted from the information provided.

We have inspected the exterior and, wherever possible, the interior of the property interest which is currently a vacant site. However, we have not carried out investigations on site to determine the suitability of the soil conditions and the services etc. for any development. Our valuation is prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the construction period. Unless otherwise stated, we have not been able to carry out detailed on-site measurements to verify the site areas of the property and we have assumed that the areas shown on the documents handed to us are correct.

No allowance has been made in our valuation of the property interest for any charges, mortgages or amounts owing on the property interest nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of any onerous nature which could affect its value.

Unless otherwise stated, all sums stated in our valuation certificate are in Renminbi, the official currency of the PRC.

The valuation certificate is attached.

Yours faithfully,
for and on behalf of
DTZ Debenham Tie Leung Limited
Andrew KF Chan
Registered Professional Surveyor (GP)
Registered China Real Estate Appraiser
MSc., M.H.K.I.S., M.R.I.C.S.
Director

Note: Mr. Andrew KF Chan is a Registered Professional Surveyor who has over 14 years of experience in the valuation of properties in the PRC.

VALUATION CERTIFICATE

Property interest to be held for development by the KPL Group

Property interest	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 May 2006
A Site for Development Located at Liuwei Road in Hedong District, Tianjin City, South of Liujing Road, West of Liuwei Road, East of Haihe East Road and North of the Extension of Baoding Bridge in Tianjin	The property comprises a composite land with a total site area of approximately 86,164.30 sq.m. (927,473 sq.ft.), in which 7,540.50 sq.m. (81,166 sq.ft.) is for public green area. The property is planned with a total gross floor area of 499,000 sq.m. (5,371,236 sq.ft.) above ground. The land use right of the property is granted for respective terms of 50 years for commercial and office uses and 70 years for residential uses.	The property is currently a vacant site.	RMB1,250,000,000 (49% interest to be attributable to KPL Group: RMB612,500,000) (Please see note 1)

Notes:

- (1) The relevant Certificate for the Use of State-owned Land has not been issued. We have prepared the valuation of the property interest in existing state as at 30 May 2006 assuming all relevant title certificates have been obtained.
- (2) According to a Second Supplemental Contract dated 14 December 2005 to Contract of the Grant of the State-owned Land Use Right dated 27 February 1994 entered into between Tianjin Municipal Bureau of State Land Resources and Housing Management (“Tianjin Land Bureau”) and Tianjin Kerry Real Estate Development Co., Ltd. (the “LUR Contract”), the silent conditions, inter alia, are summarised as follows:

Existing land held by Tianjin Kerry Real Estate Development Co., Ltd. to be handed back to the Land Bureau:

Location	:	A site situated on the east side of Minzu Road, south side of Boai Road, west side of Minsheng Road, north side of Haihe East Road, Hebei District, Tianjin
Certificate for the Use of State-owned Land No.	:	(96)087
Site Area	:	18,001 sq.m.

Land acquired by Tianjin Kerry Real Estate Development Co., Ltd.:

Location	:	A plot of land located at Liuwei Road, Hedong District, Tianjin, PRC (Lot No. Jin Bei Hai 1994-016) with an area of approximately 86,164.30 sq.m
Site Area	:	86,164.30 sq.m.
Proposed Total Gross Floor Area	:	499,000 sq.m.
Land Use Term	:	Commercial and office: 50 years Residential: 70 years The term of the land use right will start from the date of the grant of the relevant Certificate for the Use of State-owned Land.
Use	:	Commercial, office. Including hotel (comprising service suite) and apartment
Supplemental Land Premium	:	RMB870,000,000. The amount of the supplemental land premium should be settled by stage payment within 730 days from the dated of signing of the LUR Contract.

Building Covenant	: The property will be developed by stages as per the planning scheme to be approved by the relevant planning authorities.
	The construction should commence within 1 year upon the land is handed over by stages. The overall construction of the project should be completed before 30 August 2013.
(3)	According to Business Licence No. 007537, Tianjin Kerry Real Estate Development Co., Ltd. was established with a registered capital of RMB486,502,250 for a valid period from 23 December 1994 to 22 December 2044.
(4)	The PRC legal opinion states that: (i) Tianjin Kerry Real Estate Development Co., Ltd. has been duly incorporated as a foreign invested enterprise with limited liability under the PRC laws by reason of having obtained all necessary approvals, consents and licences in connection with its valid existence and its business as required by the PRC laws, and such approvals, consents and licences remain in full force and effect as at the date of the PRC legal opinion. (ii) The Site, located at the Liuwei Road in Hedong District, Tianjin City, the PRC with an area of 86,164.30 sq.m. is owned by the State and there is no other owner of the Site of the land use right in respect of the Site in accordance with the PRC legal adviser’s title search on the Site at the Tianjin Land Bureau, and the Tianjin Land Bureau is entitled to grant the land use right to a land user in accordance with the PRC laws. The PRC legal adviser is not aware of any mortgage or other encumbrance in respect of the Site during their search on the Site at Tianjin Land Bureau. (iii) Tianjin Municipal Government has approved the grant of the Site to Tianjin Kerry Real Estate Development Co., Ltd. and the Tianjin Land Bureau, based on such approval, has entered into the LUR Contract on 14 December 2005. According to <i>Land Administration Law of the PRC</i> (《中華人民共和國土地管理法》) and <i>Tianjin Municipal Regulation of Land Administration</i> (《天津市土地管理條例》), Tianjin Municipal Government is the approval authority of the grant of the land use right to the Site. Further in accordance with the inquiry with the Tianjin Land Bureau, the entry into the LUR Contract by the Tianjin Land Bureau shall constitute a waiver of the requirements for the procedures of invitation of bidding, auction or listing by the Tianjin Municipal Government in accordance with the national rules and the local policies, and the LUR Contract shall be a valid contract and Tianjin Kerry Real Estate Development Co., Ltd. shall not be subject to the governmental sanctions due to the entry into the LUR Contract. In accordance with the practices and realities of the PRC land administration legal enforcement as the PRC legal adviser understand, the PRC legal adviser advises that no information has come to their attention that causes them to believe that the LUR Contract in the present case will be invalidated by a PRC authority merely for the reason of waiving the procedures on invitation of bidding, auction or listing for the grant of the Site. (iv) The LUR Contract constitutes a valid and enforceable contract between the parties thereto. Tianjin Kerry Real Estate Development Co., Ltd. shall be entitled to obtain and own the granted land use right of 50 years with land use for commerce and office buildings and land use right of 70 years with land use for apartment buildings in respect of the Site after it fulfills the obligations under the LUR Contract, inter alia, the timely and full payment of land premium. There are no other legal obstacles or impediments which prevent Tianjin Kerry Real Estate Development Co., Ltd. from obtaining the title certificate. Once Tianjin Kerry Real Estate Development Co., Ltd. obtains the title certificate in respect of the land use right on the Site in the name of the Tianjin Kerry Real Estate Development Co., Ltd., Tianjin Kerry Real Estate Development Co., Ltd. shall become the legal owner of the land use right on the Site.
(5)	The status of the title and grant of major approvals and licences in accordance with the information provided by the KPL Group and the PRC legal opinion is as follows: Certificate for the Use of State-owned Land No Contract of the Grant of the State-owned Land Use Right Yes Supplement Contract to the Contract of the Grant of the State-owned Land Use Right Yes Red-line Drawing Yes Business Licence Yes

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:

- (a) the information contained in this circular is accurate and complete in all material respects and not misleading in any material respect;
- (b) there are no other matters the omission of which would make any statement in this circular misleading in any material respect; and
- (c) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

2. DIRECTORS' DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the interests of each of the Directors 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

Name of Director	Number of ordinary shares				Number of underlying ordinary shares held under equity derivatives	Total	Percentage of aggregate interests to the total number of ordinary shares in issue* (%)
	Personal interests	Family interests	Corporate interests	Other interests			
Mr. ANG Keng Lam	81,000 ¹	–	–	–	4,801,877 ³	4,882,877	0.40
Mr. WONG Siu Kong	–	–	–	–	1,718,247 ³	1,718,247	0.14
Mr. HO Shut Kan	65,500 ¹	–	–	–	700,000 ³	765,500	0.06
Mr. MA Wing Kai, William	10,275 ¹	–	–	–	1,264,480 ³	1,274,755	0.10
Mr. William Winship FLANZ	–	–	–	–	–	–	–
Mr. LAU Ling Fai, Herald	–	–	–	–	–	–	–
Mr. Christopher Roger MOSS, O.B.E.	–	–	–	–	–	–	–
Mr. TSE Kai Chi	–	–	–	–	–	–	–

(ii) Associated Corporations

Name of Associated Corporation	Name of Director	Number of ordinary shares				Number of underlying ordinary shares held under equity derivatives	Total	Percentage of aggregate interests to the total number of ordinary shares in issue (%)
		Personal interests	Family Interests	Corporate interests	Other interests			
EDSA Properties Holdings Inc.	Mr. HO Shut Kan	1,570 ¹	–	–	–	–	1,570 [#]	0.00
Kerry Group Limited	Mr. ANG Keng Lam	–	7,050,000 ⁴	–	8,000,000 ²	5,540,716 ⁵	20,590,716	1.43 [@]
	Mr. WONG Siu Kong	–	–	6,254,300 ⁶	–	4,617,263 ⁵	10,871,563	0.75 [@]
	Mr. HO Shut Kan	1,688,452 ¹	–	–	–	–	1,688,452	0.12 [@]
	Mr. MA Wing Kai, William	1,010,620 ¹	–	–	–	–	1,010,620	0.07 [@]
	Mr. TSE Kai Chi	2,246,905 ¹	–	–	–	–	2,246,905	0.16 [@]
Kerry Siam Seaport Limited	Mr. ANG Keng Lam	1 ¹	–	–	–	–	1	0.00
	Mr. MA Wing Kai, William	1 ¹	–	–	–	–	1	0.00

Notes:

1. This represents interests held by the relevant director as beneficial owner.
2. This represents interests held by the relevant director through a discretionary trust of which the relevant director is a contingent beneficiary.
3. This represents interests in options held by the relevant director as a beneficial owner to subscribe for the relevant underlying ordinary shares in respect of the option shares granted by the Company.
4. This represents interests held by the relevant director and his spouse through a discretionary trust of which the relevant director and his spouse are contingent beneficiaries.
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. This represents interests held by the relevant director through his controlled corporation(s).

* The percentage has been adjusted based on the total number of ordinary shares of the Company in issue as at the Latest Practicable Date (i.e. 1,225,239,727 ordinary shares).

The relevant notification was filed under the repealed Securities (Disclosure of Interests) Ordinance.

@ The percentage has been adjusted based on the total number of ordinary shares of Kerry Group Limited in issue as at the Latest Practicable Date (i.e. 1,440,289,761 ordinary shares).

All the interests disclosed in sections (i) and (ii) above represent long positions in the shares of the Company or the Associated Corporations.

Saved as disclosed herein, as at the Latest Practicable Date, none of the Directors or chief executives of the Company had any other interests or short positions in the shares, underlying shares or debentures of the Company or any of its Associated Corporations which were (a) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

3. DIRECTORS' INTEREST IN CONTRACTS

- (a) As at the Latest Practicable Date, no Director was materially interested in any contract or arrangement subsisting which is significant in relation to the business of the Group taken as a whole.
- (b) Since the date to which the latest published audited financial statements of the Group were made up, none of the Directors has or has had any direct or indirect interest in any assets acquired or disposed of by or leased to or proposed to be acquired or disposed of by any member of the Group.

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) Mr. Ang Keng Lam was a director of and had interests in shares in AG, the businesses of which consisted of property investment and development, project and property management and operation of office premises, retail space and serviced apartments in Singapore. The Directors believe that as the size of these Excluded Businesses is not insignificant when compared with the property businesses of the Group, it is likely that these Excluded Businesses may compete with the property businesses of the Group in the Asia Pacific region. AG was listed on the SGX-ST as at the Latest Practicable Date;
- (b) Messrs. Ang Keng Lam and Wong Siu Kong were directors of and had interests in shares in the SA group of companies, the businesses of which consisted of hotel ownership and operation. The Directors believe that as the size of that part of these Excluded Businesses in Beijing, where the Group has hotel businesses, is not

insignificant when compared with the hotel business of the Group in Beijing, it is likely that these Excluded Businesses may compete with the hotel business of the Group in Beijing. SA was listed on the Stock Exchange as at the Latest Practicable Date;

- (c) Messrs. Ang Keng Lam and Wong Siu Kong were directors of (but did not have any interests in shares in) the China World Trade Center 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;
- (d) Mr. Wong Siu Kong was a director of and had interests in shares in Kuok (Singapore) Limited. One of the activities of the Kuok (Singapore) Limited group of companies consisted of ownership and operation of warehouses in Singapore and Malaysia. The Directors believe that as the size of these Excluded Businesses is not insignificant when compared with the warehouse businesses of the Group in the South East Asian market, it is likely that these Excluded Businesses may compete with the warehouse businesses of the Group in the South East Asian market; and
- (e) the Executive Directors were directors of and/or had interests in shares in the Kerry Group Limited group of companies, the businesses of which consisted of property investment and development, hotel ownership and operation, warehouse ownership and operation, port terminal ownership and operation and freight operations. The size of these Excluded Businesses is considered to be insignificant when compared with similar businesses of the Group. On this basis, the Directors do not consider any competition between these Excluded Businesses as specified under this paragraph and similar businesses of the Group to be significant.

The Excluded Businesses are operated and managed by companies (and in the case of AG and SA, 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. LITIGATION

Kerry EAS Logistics is involved in a legal case in which an airline operator, together with five other plaintiffs, including the insurers of the aircraft, are claiming for damages, costs and interest, against six defendants, including Kerry EAS Logistics, on a joint and several basis in relation to the alleged damages amounting to approximately US\$65.6 million (approximately HK\$511.7 million) caused to an aircraft in 2000 in respect of the transportation of certain chemical substance.

The alleged damages sought by the plaintiffs of approximately US\$65.6 million represent the market value of the aircraft at the time when the damage occurred less the resale value of the aircraft after repairs. According to the pleadings and the affidavits of the five other plaintiffs, the airline operator was compensated by these plaintiffs for 15% of the total loss. The remaining 85% of the total loss was compensated by other reinsurers. These reinsurers have not brought any legal action against the six defendants as at the Latest Practicable Date.

Based on the opinion dated 15 March 2006 of J&J Law Firm, the legal advisers to the Group, the allegation and the said amount claimed by the plaintiffs against Kerry EAS Logistics were not substantiated and it is unlikely that Kerry EAS Logistics will be found liable for the claimed damages and losses.

Save as disclosed above, as at the Latest Practicable Date, the Company was not aware of any further development of this legal action. Pursuant to the sale and purchase agreement for the acquisition of Kerry EAS Logistics, the vendor of Kerry EAS Logistics has undertaken to indemnify the Group in full in respect of all losses, costs, expenses and other responsibilities and liabilities arising in respect of various litigations against Kerry EAS Logistics, including the one referred to above.

As at the Latest Practicable Date, save as disclosed above, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration or claim of material importance and, so far as the Directors were aware, no litigation or arbitration or claim of material importance was pending or threatened by or against any member of the Group.

7. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have been named in this circular or have given opinions or advice which are contained in this circular:

Name	Qualification
Platinum Securities Company Limited	a licensed corporation under the SFO to carry out types 1 and 6 regulated activities
DTZ Debenham Tie Leung Limited	professional surveyors and valuers
J&J Law Firm	qualified PRC lawyers
Fangda Partners	qualified PRC lawyers

Each of the experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its opinion prepared for the purpose of incorporation in this circular, and the references to its name and opinion in the form and context in which they respectively appear.

Each of the experts has confirmed that as at the Latest Practicable Date, it did not have any beneficial shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group nor did it have any direct or indirect interests in any assets which have since 31 December 2005 (being the date to which the latest published audited accounts of the Group were made up) been acquired or disposed of by or leased to any members of the Group, or were proposed to be acquired or disposed of by or leased to any members of the Group.

8. NO MATERIAL ADVERSE CHANGE

Since the date to which the latest published audited accounts of the Company have been made up, there has been no material adverse change in the financial or trading position of the Group.

9. MISCELLANEOUS

- (a) The Qualified Accountant of the Company is Ms. Chang Yin Wa. Ms. Chang is a Fellow of the Hong Kong Institute of Certified Public Accountants and a Fellow of the Association of Chartered Certified Accountants.
- (b) The Secretary of the Company is Ms. Li Siu Ching, Liz. Ms. Li is a solicitor qualified in Hong Kong and holds a Master of Laws from the University of Northumbria at Newcastle, England. Ms. Li is also an associate member of both the Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Company Secretaries.
- (c) The ultimate controlling shareholder of KHL is Kerry Group Limited (a company incorporated in the Cook Islands and whose shareholders comprise Mr. Kuok Hock Nien and his relatives, other members of the Kuok family in Hong Kong and elsewhere, executives and employees (past and present) of the Kuok Group of companies, related trusts of some or all of the aforesaid and/or companies owned or controlled by any of them, and charitable foundations established by the Kuok family). Mr. Kuok Hock Nien, his relatives, related trusts and companies owned or controlled by any of them collectively control 30% or more of Kerry Group Limited. There are no other shareholders of Kerry Group Limited who hold 30% or more of the shares in Kerry Group Limited. The directors of Kerry Group Limited are Messrs. Kuok Hock Nien, Kuok Khoon Chen, Kuok Khoon Ean, Kuok Khoon Ho and Lee Yong Sun.
- (d) The Company's Hong Kong branch share registrar and transfer office is Abacus Share Registrars Limited of 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (e) This circular has been prepared in both English and Chinese. In the case of any discrepancy, the English text shall prevail.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at any weekday (public holidays excepted) at the office of the Company at 13/F, Cityplaza 3, 14 Taikoo Wan Road, Taikoo Shing, Hong Kong up to and including 30 August 2006:

- (a) the Share Transfer Agreement;
- (b) the Joint Venture Contract;
- (c) the KPL Non-competition Agreement; and
- (d) the Company's prospectus dated 23 July 1996, which contains the terms of the KPL Non-competition Agreement on pages 141 to 145 thereof and the SA Undertaking on page 153 thereof.

NOTICE OF SPECIAL GENERAL MEETING



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, 30 August 2006 at 10:00 a.m. for the following purposes:

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

“THAT

- (A) the Contracts (copies of which have been produced to this meeting marked “A” and signed by the Chairman hereof for the purpose of identification) and the transactions contemplated thereunder be and are hereby confirmed, ratified and approved; and
- (B) 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 Contracts and the transactions contemplated thereunder.

For the purposes of this resolution, the term “Contracts” shall have the same definition as defined in the circular to the shareholders of the Company dated 7 August 2006.”

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

Hong Kong, 7 August 2006

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

13-14/F, Citiplaza 3
14 Taikoo Wan Road
Taikoo Shing
Hong Kong

* for identification purpose only

NOTICE OF SPECIAL GENERAL MEETING

Notes:

- (1) Every member entitled to attend and vote at the above meeting (or at any adjournment thereof) is entitled to appoint up to two individuals as his proxies to attend and vote instead of him. A proxy need not be a member of the Company. The number of proxies appointed by a clearing house (or its nominee) is not subject to the aforesaid limitation.
- (2) The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised.
- (3) Where there are joint registered holders of any share, any one of such persons may vote at the above meeting (or at any adjournment thereof), either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at the meeting personally or by proxy, that one of the said persons so present whose name stands first on the registers of members of the Company in respect of such share shall alone be entitled to vote in respect thereof. Several executors or administrators of a deceased member, and several trustees in bankruptcy or liquidators of a member in whose name any share stands will for this purpose be deemed joint holders thereof.
- (4) In order to be valid, a form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power or authority must be deposited at the Company's branch share registrar and transfer office in Hong Kong, Abacus Share Registrars Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours before the time appointed for the holding the above meeting (or at any adjournment thereof). Completion and return of the form of proxy will not preclude a member from attending the meeting and voting in person if he so wishes. In the event that a member attends the meeting after having lodged his form of proxy, his form of proxy will be deemed to have been revoked.
- (5) The registers of members of the Company will be closed from Monday, 28 August 2006 to Wednesday, 30 August 2006, both days inclusive, during which period no transfer of shares will be effected. In order to be entitled to attend and vote at the meeting, all transfers accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong, Abacus Share Registrars Limited, at the above address not later than 4:00 p.m. on Friday, 25 August 2006.
- (6) Members are advised to read the circular to the shareholders of the Company dated 7 August 2006 which contains information concerning the resolution to be proposed in this notice.
- (7) The resolution to be proposed at the meeting shall be decided by way of a poll.