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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)



SHANGRI-LA ASIA LIMITED

(Incorporated in Bermuda with limited liability)

香格里拉(亞洲)有限公司*

website: www.ir.shangri-la.com

(Stock Code: 00069)

**DISCLOSEABLE AND
CONNECTED TRANSACTIONS**

CONNECTED TRANSACTIONS

**RELATING TO
THE ESTABLISHMENT OF JOINT VENTURE FOR
THE ACQUISITION, HOLDING AND DEVELOPMENT OF LAND
IN PUTIAN CITY, FUJIAN PROVINCE, PRC**

On 28 October 2011, the JV Parties jointly won the land bid at the public bidding to acquire the land use rights of the Project Site. Accordingly, on 28 October 2011, Putian City Land Resources Bureau (莆田市國土資源局) and the JV Parties have entered into the Confirmation Notices confirming the winning of the Land Bid.

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

KHL is the controlling shareholder of both KPL and SA. SA is an associate of KHL and therefore a connected person of KPL. KPL is an associate of KHL and therefore a connected person of SA. Accordingly, the Transactions constitute connected transactions for both KPL and SA under the Listing Rules.

As the applicable percentage ratios for KPL in respect of the maximum total investment amount to be contributed by the KPL Group to the JVCO(s) exceed 5%, the Transactions are subject to the approval of the KPL Independent Shareholders. In addition, the Transactions constitute discloseable transactions for KPL under Chapter 14 of the Listing Rules. KPL will despatch to the KPL Shareholders a circular on or around 18 November 2011 containing, among other things, further details of the Transactions, a letter of advice from its independent financial adviser to the KPL Independent Board Committee and the KPL Independent Shareholders, a letter of advice containing the recommendation of the KPL Independent Board Committee to the KPL Independent Shareholders, and a notice of its special general meeting.

As the applicable percentage ratios for SA in respect of the maximum total investment amount to be contributed by the SA Group to the JVCO(s) exceed 0.1% but are less than 5%, the Transactions are subject to the announcement and reporting requirements but are exempt from the independent shareholders' approval requirement under the Listing Rules.

INTRODUCTION

Reference is made to the First Announcement in respect of the payment of the Deposit for the Land Bid. The KPL Board and the SA Board are pleased to announce that on 28 October 2011, the JV Parties won the Land Bid. Accordingly, on 28 October 2011, Putian City Land Resources Bureau (莆田市國土資源局) and the JV Parties have entered into the Confirmation Notices confirming the winning of the Land Bid.

The Project Site is designated for residential, hotel and commercial uses. The terms for the grant of the land use rights of the Project Site are 70 years for residential use and 40 years for hotel and commercial uses.

The Consideration for the acquisition of the Project Site is RMB455.5 million (approximately HK\$560.3 million) and will be settled in cash. As disclosed in the First Announcement, the Deposit of RMB100 million (approximately HK\$123 million) has been paid and the balance of the Consideration shall be payable in accordance with the land contracts.

THE MASTER JOINT VENTURE AGREEMENT

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

Date:	28 October 2011
Parties:	KPCL and SACL
Shareholdings in the JVCO(s):	The shareholdings of KPCL and SACL in the JVCO(s) shall be in the proportions of 60% and 40%, respectively.
Registered capital:	The (aggregate) amount of the registered capital of the JVCO(s) will be no less than the Consideration or such other amount to be agreed among the JV Parties, which will be contributed by the JV Parties on a pro rata basis based on their respective shareholdings in the JVCO(s).
Maximum total investment amount:	The maximum total investment amount of the JVCO(s) shall be not more than RMB3,555 million (approximately HK\$4,373 million).
Scope of business of the JVCO:	Real estate development, operation, sale, leasing, property management and hotel development, operation and management.
Funding and provision of securities:	The sources and terms of future funding requirements of the JVCO(s) shall be determined by the board of directors of the JVCO(s) from time to time. If any funding by banks, financial institutions or other third parties is required, each JV Party shall provide or procure the provision of or make available by itself and/or its Affiliates such form of financial assistance on a pro rata and several basis based on its equity interest in the JVCO(s) as such lender(s) and the JV Parties may agree. If shareholders' funding is required, each JV Party shall provide or procure the provision of or make available by itself and/or its Affiliates such funding on a pro rata and several basis in accordance with its equity interest in the JVCO(s).

Conditions precedent: The Master Joint Venture Agreement and the establishment of the JVCO(s) are conditional upon (among other things) the passing of the KPL Resolutions and all necessary approvals, consents, authorization and licenses, whether corporate, regulatory, governmental or otherwise required under the relevant contracts and other documentation for the establishment of the JVCO(s) having been obtained.

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

KPL and SA, where appropriate, will comply with the requirements of the Listing Rules if the event as referred to above happens.

FINANCIAL EFFECTS OF THE TRANSACTIONS

Based on the maximum total investment amount in the JVCO(s) of not more than RMB3,555 million (approximately HK\$4,373 million), the maximum total investment amounts of the KPL Group and the SA Group to the JVCO(s) are expected to be RMB2,133 million (approximately HK\$2,624 million) and RMB1,422 million (approximately HK\$1,749 million), respectively.

The Consideration has been arrived at following the successful joint bid by the JV Parties at the Land Bid after taking into account the location and potential value of the Project Site.

It is currently expected that the funding required by the KPL Group for making the maximum total investment amount to the JVCO(s) will be sourced by the KPL Group from its internal cash reserves and/or external bank borrowings. KPL is not able to ascertain the proportion between internal cash reserves and external bank borrowings at this stage. The funding requirement for making the maximum total investment amount is not expected to have any material impact on the KPL Group.

It is currently expected that the funding required by the SA Group for making the maximum total investment amount to the JVCO(s) will be sourced by the SA Group from its internal cash reserves and/or external bank borrowings. SA is not able to ascertain the proportion between internal cash reserves and external bank borrowings at this stage. The funding requirement for making the maximum total investment amount is not expected to have any material impact on the SA Group.

As the JVCO(s) will be owned by KPCL and SACL as to 60% and 40%, respectively, the JVCO(s) will be treated as 60%-owned subsidiary(ies) of KPL and associated company(ies) of SA, and will be so treated in the consolidated financial statements of KPL and SA, respectively.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

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

INFORMATION ABOUT KPL AND SA

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

The SA Group is principally engaged in the ownership and operation of hotels and associated properties and the provision of hotel management and related services. SA's subsidiaries are also the registered proprietors of various trademarks and service marks in various countries, including the brand names "Shangri-La", "Traders", "Rasa", "Summer Palace" and "Shang Palace" and other related devices and logos.

IMPLICATIONS UNDER THE LISTING RULES

Compliance requirements for KPL

KPCL is an indirect wholly-owned subsidiary of KPL. SACL is an indirect wholly-owned subsidiary of SA. KHL is the controlling shareholder of both KPL and SA.

SA is an associate of KHL and therefore SA is a connected person of KPL. Accordingly, the Transactions constitute connected transactions for KPL under the Listing Rules. As the applicable percentage ratios for KPL in respect of the maximum total investment amount to be contributed by the KPL Group to the JVCO(s) exceed 5%, the Transactions are subject to the approval of the KPL Independent Shareholders. In addition, the Transactions constitute discloseable transactions for KPL under Chapter 14 of the Listing Rules. Details of the Transactions are required to be disclosed by way of this announcement and will be included in the next annual report and accounts of KPL in accordance with Rule 14A.45 of the Listing Rules. The following persons will abstain from voting on the KPL Resolutions:

- (a) KHL, Shang Holdings Limited (an indirect wholly-owned subsidiary of SA which is not involved in the Transactions) and their respective associates;
- (b) Mr. Kuok Khoo Chen (a common director of KPL and KHL) and his associates (who holds an interest in KPL); and
- (c) Mr. Wong Siu Kong (a common director of KPL and KHL) and his associates (who holds an interest in KPL).

The KPL Independent Board Committee will be established to consider the Transactions and to advise the KPL Independent Shareholders on the Transactions and as to how they should vote on the KPL Resolutions. An independent financial adviser will be appointed by KPL to make recommendations to the KPL Independent Board Committee and the KPL Independent Shareholders in relation to the Transactions.

KPL will despatch to the KPL Shareholders a circular on or around 18 November 2011 containing, among other things, further details of the Transactions, a letter of advice from its independent financial adviser to the KPL Independent Board Committee and the KPL Independent Shareholders, a letter of advice containing the recommendation of the KPL Independent Board Committee to the KPL Independent Shareholders, and a notice of the special general meeting.

The KPL Directors (other than the independent non-executive KPL Directors) take the view that the Transactions are in the ordinary and usual course of business of the KPL Group and believe that the terms of the Transactions are on normal commercial terms and fair and reasonable and in the interests of KPL and the KPL Shareholders as a whole. The independent non-executive KPL Directors would not be able to form the view whether the terms of the Transactions are fair and reasonable and in the interests of the KPL Shareholders as a whole unless and until they have discussed with the independent financial adviser to be appointed by KPL and reviewed its letter of advice.

Compliance requirements for SA

KPL is an associate of KHL and therefore KPL is a connected person of SA. Accordingly, the Transactions constitute connected transactions for SA under the Listing Rules. As the applicable percentage ratios for SA in respect of the maximum total investment amount to be contributed by the SA Group to the JVCO(s) exceed 0.1% but are less than 5%, the Transactions are subject to the announcement and reporting requirements but are exempt from the independent shareholders' approval requirement under the Listing Rules. Details of the Transactions are required to be disclosed by way of this announcement and will be included in the next annual report and accounts of SA in accordance with Rule 14A.45 of the Listing Rules.

The SA Directors (including the independent non-executive SA Directors) take the view that the Transactions are in the ordinary and usual course of business of the SA Group and believe that the terms of the Transactions are on normal commercial terms and fair and reasonable and in the interests of SA and the SA Shareholders as a whole. The SA Board confirms that none of the SA Directors had any material interest in the Transactions, and accordingly none of the SA Directors was required to abstain from resolving for the Transactions.

GENERAL

As at the date of this announcement, the KPL Directors are Messrs. Kuok Khoon Chen⁺, Wong Siu Kong⁺, Ho Shut Kan⁺, Ma Wing Kai, William⁺, Qian Shaohua⁺, Chan Wai Ming, William⁺, Ku Moon Lun[#], Lau Ling Fai, Herald[#], Ms. Wong Yu Pok, Marina, JP[#] and Mr. Tse Kai Chi[@] and the SA Directors are Messrs. Kuok Khoon Ean⁺, Lui Man Shing⁺, Madhu Rama Chandra Rao⁺, Gregory Allan Dogan⁺, Ho Kian Guan[@], Kuok Khoon Loong, Edward[@], Roberto V. Ongpin[@], Alexander Reid Hamilton[#], Timothy David Dattels[#], Wong Kai Man[#], Michael Wing-Nin Chiu[#], Li Kwok Cheung, Arthur[#] and Ho Kian Hock[@] (alternate to Mr. Ho Kian Guan).

⁺ *Executive Director*

[@] *Non-executive Director*

[#] *Independent non-executive Director*

DEFINITIONS

"Affiliate(s)"	in relation to any JV Party, any subsidiary or holding company of that JV Party or subsidiary of any such holding company, in each case from time to time;
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"associate"	has the meaning ascribed to it in the Listing Rules;
"Confirmation Notices"	confirmation notices (成交確認書) dated 28 October 2011 entered into by Putian City Land Resources Bureau (莆田市國土資源局) and the JV Parties confirming the winning of the Land Bid by the JV Parties;
"connected person"	has the meaning ascribed to it in the Listing Rules;
"connected transactions"	has the meaning ascribed to it in the Listing Rules;
"Consideration"	the total consideration for the acquisition of the Project Site (in the proportions of 60% and 40% by KPCL and SACL, respectively), being RMB455.5 million (approximately HK\$560.3 million);
"controlling shareholder"	has the meaning ascribed to it in the Listing Rules;
"Deposit"	an amount of RMB100 million (approximately HK\$123 million) having been paid by the JV Parties (in the proportions of 60% and 40% by KPCL and SACL, respectively) in order to participate in the Land Bid;
"First Announcement"	the joint announcement of KPL and SA of 24 October 2011 in relation to the payment of the Deposit;
"HK\$"	Hong Kong dollars, the lawful currency of Hong Kong;
"Hong Kong"	Hong Kong Special Administrative Region of PRC;
"JV Parties"	collectively, KPCL and SACL, and a "JV Party" shall mean any of them;
"JVCO(s)"	one or more wholly foreign-owned enterprise(s) to be established by the JV Parties in Putian City, Fujian Province, PRC and to be owned by KPCL and SACL as to 60% and 40%, respectively, for the purpose of acquiring, holding and developing the Project Site;
"KHL"	Kerry Holdings Limited, a company incorporated in Hong Kong, which as at the date of this announcement is the controlling shareholder of each of KPL and SA;
"KPCL"	Kerry Properties (China) Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of KPL;
"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;
"KPL Board"	the board of KPL Directors;
"KPL Directors"	directors of KPL;
"KPL Group"	KPL and its subsidiaries;

"KPL Independent Board Committee"	the board committee to be established by the KPL Board comprising all the independent non-executive KPL Directors to advise the KPL Independent Shareholders on the Transactions and as to how they should vote on the KPL Resolutions;
"KPL Independent Shareholders"	KPL Shareholders who are not required to abstain from voting at the special general meeting to be convened by KPL on the KPL Resolutions;
"KPL Resolutions"	the resolutions to approve the Transactions by the KPL Independent Shareholders at a special general meeting of KPL, in such form as KPL may require;
"KPL Shareholders"	shareholders of KPL;
"Land Bid"	the public bidding in respect of the Project Site held on 28 October 2011 in Putian City, Fujian Province, PRC;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"Master Joint Venture Agreement"	the master joint venture agreement dated 28 October 2011 and entered into between the JV Parties with respect to the establishment of the JVCO(s) for the acquisition, holding and development of the Project Site;
"percentage ratios"	has the meaning ascribed to it in Chapter 14 of the Listing Rules;
"PRC"	the People's Republic of China;
"Project Site"	the project site no. PS Gua-2011-24 located at Yanshou Village, Longqiao Street Office, Chengxiang District and Xibai Village, Xitianwei Town, Licheng District, Putian City, Fujian Province, PRC (中國福建省莆田市城廂區龍橋街道辦事處延壽村和荔城區西天尾鎮溪白村地塊(地塊編號: PS 掛-2011-24 號)), with a gross area of 147,576.97 square metres;
"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 Singapore Exchange Securities Trading Limited;
"SA Board"	the board of SA Directors;
"SA Directors"	directors of SA;
"SA Group"	SA and its subsidiaries;
"SA Shareholders"	shareholders of SA;
"SACL"	Shangri-La China Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of SA;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;

"Transactions" the entering into of the Master Joint Venture Agreement by the JV Parties and the transactions contemplated thereunder, including but not limited to the establishment of the JVCO(s) by the JV Parties and the transactions contemplated thereunder; and

"%" per cent.

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

By order of the board
Kerry Properties Limited
Kuok Khoon Chen
Chairman

By order of the board
Shangri-La Asia Limited
Kuok Khoon Ean
Chairman

Hong Kong, 28 October 2011

** For identification purpose only*