



KERRY PROPERTIES LIMITED

(Incorporated in Bermuda with limited liability)

嘉里建設有限公司

CONNECTED TRANSACTION - FORMATION OF A JOINT VENTURE COMPANY

The Directors announce that on 14 August 1999, Denver Rose Investments Limited (an indirect wholly-owned subsidiary of the Company) and Track City Management Limited (a wholly-owned subsidiary of SHK) have entered into an arrangement to establish a joint venture company, namely, Twin Luck, each of them holding a 50% interest therein.

The Directors further announce that on 14 August 1999, the Company has entered into an Agreement, pursuant to which, inter alia, Twin Luck has agreed to acquire a 70% interest in the entire issued share capital of Point Perfect, which in turn beneficially owns the entire issued share capital of Cheerjoy, the registered and beneficial owner of the Property.

The transaction involving the formation of Twin Luck with SHK constitutes a connected transaction for the Company under the Listing Rules.

THE JOINT VENTURE COMPANY FORMED BY THE COMPANY AND SHK

- Reason for the Formation:**

Twin Luck has been established by the Company and SHK for the purpose of acquiring a 70% interest in the entire issued share capital of Point Perfect which holds a 100% interest in Cheerjoy, the registered and beneficial owner of the Property described below.

- Board Representation:**

The board of Twin Luck has 4 directors, 2 of each have been nominated by the Company and SHK.

- Issued and Paid-Up Share Capital:**

The total issued and paid-up share capital of Twin Luck is US\$2 divided into 2 shares of US\$1 each. The Company and SHK have each subscribed for one share in Twin Luck.

AGREEMENT

- Parties:**

PDBVI, Infinite Gain, Paliburg, Twin Luck, the Company, SHK and Point Perfect.

- Shares and Shareholder's Loans to be Acquired:**

Upon completion pursuant to the Agreement ("Completion"), Twin Luck will acquire a 70% interest in Point Perfect ("Twin Luck Interest") and Infinite Gain will acquire a 30% interest in Point Perfect ("Infinite Gain Interest"), representing respectively 70% and 30% of the issued share capital of Point Perfect.

- Consideration:**

Upon Completion, all shareholder's loans owing by Point Perfect to PDF ("Shareholder's Loans") will be assigned to related companies of Twin Luck and Infinite Gain in the proportion of 70% and 30% respectively.

- Consideration:**

The aggregate consideration for the acquisition of the Twin Luck Interest and the Infinite Gain Interest ("Share Consideration") shall be an amount equal to the consolidated net tangible asset value of the Point Perfect Group on the date which completion occurs ("Completion Date") (namely, the date falling one month after the date of the Agreement) as shown in the proforma consolidated management accounts of the Point Perfect Group as at Completion determined on the basis that the Point Perfect Group has no assets except the Property with an agreed value of HK\$570,000,000 and cash or deposits at bank and all liabilities will be deducted. The consideration payable for the sale and purchase of the Shareholder's Loans ("Loan Consideration") to PDF shall be an amount equal to the face value of the Shareholder's Loans. The Share Consideration and the Loan Consideration shall be payable by Twin Luck and Infinite Gain in the proportion of 70% and 30% respectively.

- Consideration:**

Out of the consideration payable by Twin Luck in this transaction, a sum of HK\$99,000,000 would only be payable by Twin Luck if the first publication by the Town Planning Board in the Government Gazette of an amendment to the relevant Outline Zoning Plan in respect of or relating to a re-zoning of the Property such that residential development thereon may be permitted will be made within 48 months from the Completion Date, failing which Twin Luck would not be obliged to pay the aforesaid sum of HK\$99,000,000.

- Consideration:**

One half of the portion of the Share Consideration and of the Loan Consideration payable by Twin Luck upon signing of the Agreement and on Completion shall be financed by the Company by internal resources and banking facilities of the Company, as the case may be. The remaining 50% balance of the Share Consideration and the Loan Consideration shall be financed by SHK as the 50% joint venture partner of Twin Luck. The Share Consideration and the Loan Consideration were determined on the basis of arm's length negotiation with reference to the prevailing market conditions.

- The Property:**

Cheerjoy is the registered and beneficial owner of All THAT piece or parcel of ground comprising an area of approximately 16,770 square meters registered in the Land Registry as Ap Lei Chau Inland Lot No. 129 ("Property") which has been approved for residential use.

- Shareholders' Agreement:**

Upon Completion, Twin Luck and Infinite Gain as shareholders of Point Perfect as to 70% and 30% therein respectively will, together with Point Perfect, enter into a shareholders' agreement relating to Point Perfect ("Shareholders' Agreement"), with the Company and SHK as several guarantors to guarantee the due and punctual performance by Twin Luck of its obligations under the Shareholders' Agreement ("Several Guarantee"), and Paliburg as guarantor to guarantee the due and punctual performance by Infinite Gain of its obligations under the Shareholders' Agreement.

- Shareholders' Agreement:**

All liabilities and obligations of the Company and SHK under the Several Guarantee or otherwise under the Shareholders' Agreement shall be borne by them severally in equal shares.

- Further Finance to the Point Perfect Group for the Development and Construction of the Property ("Project"):**

Under the Shareholders' Agreement, it is agreed that if sale proceeds arising from the Project are not available or sufficient to cover the finance requirements of the Point Perfect Group and if external borrowings ("External Finance") are not available on terms acceptable to the Point Perfect Group, Twin Luck will procure, and each of the Company and SHK will severally in equal shares procure, the provision of loans and advances to the Point Perfect Group ("Further Finance") with a view to meeting the finance requirements from time to time of the Point Perfect Group. Interest will accrue on such Further Finance at the same rate (if any) as the External Finance, or at 1.5% per annum over 3 months HIBOR, whichever is higher.

- Further Finance to the Point Perfect Group for the Development and Construction of the Property ("Project"):**

It is not possible for the Company to estimate the amount of the Further Finance, which the Company may or become severally (with SHK) liable to provide to the Point Perfect Group at this stage.

- Reasons for the Investment:**

One of the main areas of business of the Group is property development and investment in Hong Kong. The Investment is consistent with the Group's principal activities in Hong Kong and will further expand the Group's Hong Kong property portfolio.

- Connection between the Parties of the Agreement:**

SHK is a substantial shareholder (as defined under the Listing Rule) of an indirect subsidiary of the Company and therefore is a connected person (as defined under the Listing Rules) of the Company.

- Connection between the Parties of the Agreement:**

Paliburg is independent of and not connected with the Directors or substantial shareholders (as defined under the Listing Rules) of the Company or any of its subsidiaries, or their respective associates (as defined under the Listing Rules).

- General Information:**

The Directors, including the independent non-executive directors of the Company, were of the opinion that the terms for the transaction involving the formation of Twin Luck are fair and reasonable and that the Investment is in the best interests of the Group.

- General Information:**

The transaction involving the formation of Twin Luck with SHK constitutes a connected transaction for the Company under the Listing Rules. The total capital commitment to be borne by the Company pursuant to the Agreement represents less than 3% of the book value of the net tangible assets of the Company as disclosed in its latest published audited consolidated accounts.

- General Information:**

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

- Definitions:**

"Agreement" agreement relating to shares in Point Perfect dated 14 August 1999;
"Cheerjoy" Cheerjoy Development Limited;
"Company" Kerry Properties Limited;
"Directors" directors of the Company;
"Group" Company and its subsidiaries;
"Infinite Gain" Infinite Gain Investments Limited, an indirect wholly-owned subsidiary of Paliburg;
"Investment" acquisition by the Company of a 35% effective interest in Cheerjoy through Twin Luck;
"Listing Rules" Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
"PDBVI" Paliburg Development BVI Holdings Limited, a wholly-owned subsidiary of Paliburg, being the existing registered and beneficial owner of Point Perfect;
"PDF" Paliburg Development Finance Ltd., a wholly-owned subsidiary of Paliburg;
"Paliburg" Paliburg Holdings Limited;
"Point Perfect" Point Perfect Investments Limited;
"Point Perfect Group" Point Perfect and Cheerjoy;
"SHK" Sun Hung Kai Properties Limited; and
"Twin Luck" Twin Luck Worldwide Ltd.

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