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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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嘉里建設有限公司*

KERRY PROPERTIES LIMITED

(Incorporated in Bermuda with limited liability)

website: www.kerryprops.com

(Stock Code: 683)

**DISCLOSEABLE AND CONNECTED TRANSACTIONS:
ACQUISITION OF TWO WAREHOUSES IN HONG KONG
AND
NOTICE OF SPECIAL GENERAL MEETING**

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



A letter from the Board is set out on pages 5 to 13 of this circular. A letter from the Independent Board Committee is set out on page 14 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 15 to 27 of this circular.

A 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 Friday, 31 May 2019 at 11:00 a.m. to approve the matters referred to in this circular.

The notice convening the Special General Meeting is set out on pages 41 and 42 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 Tricor Abacus Limited, the Company's branch share registrar and transfer office in Hong Kong, of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the Special General Meeting.

* for identification purpose only

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DEFINITIONS

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

“associate(s)”	has the same meaning ascribed to it in the Listing Rules;
“Board”	the board of Directors;
“BVI”	British Virgin Islands;
“Chai Wan Warehouse”	a warehouse situated at 50 Ka Yip Street, Chai Wan, Hong Kong with a total leasable area of 535,037 square feet;
“Chai Wan Warehouse SPA”	the sale and purchase agreement dated 28 March 2019 entered into between the Purchaser and the Vendor pursuant to which the Purchaser agreed to purchase from the Vendor the entire issued share capital of the First Target Company;
“Company”	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;
“Company Resolution”	the resolution to approve the Sale and Purchase Agreements and the transactions contemplated hereunder by the Independent Shareholders;
“connected person(s)”	has the meaning ascribed to it in the Listing Rules;
“controlling shareholder(s)”	has the meaning ascribed to it in the Listing Rules;
“Director(s)”	the 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 business 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;

DEFINITIONS

“First Subsidiary”	Kerry Warehouse (Chai Wan) Limited, a company incorporated in Hong Kong and indirectly wholly-owned by KLN;
“First Target Company”	DEC Limited, a company incorporated in the BVI and indirectly wholly-owned by KLN;
“Group”	the Company and its subsidiaries;
“Independent Board Committee”	the independent committee of the Board consisting of all the independent non-executive Directors (except Ms. Wong Yu Pok, Marina), established to advise the Independent Shareholders in respect of the Transactions;
“Independent Financial Adviser”	Lego Corporate Finance Limited, a licensed corporation under the SFO to carry out Type 6 (advising on corporate finance) regulated activity, and appointed as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Transactions;
“Independent Shareholders”	Shareholders other than KHL and its associates who are not required to abstain from voting at the Special General Meeting to consider and, if thought fit, approve the Company Resolution;
“Independent Valuation”	the valuation of the Warehouses as at 22 March 2019 as valued by the Independent Valuer;
“Independent Valuer”	Savills Valuation and Professional Services Limited, an independent valuer appointed by the Company to provide a valuation on the Warehouses;
“KHL”	Kerry Holdings Limited, a company incorporated in Hong Kong, which is the controlling shareholder of the Company;
“KLN”	Kerry Logistics Network Limited, incorporated in the BVI and continued into Bermuda to become an exempted company with limited liability, the shares of which are listed on the Main Board of the Stock Exchange;
“KLN Group”	KLN and its subsidiaries;

DEFINITIONS

“KLN Resolution”	the resolution to approve the Sale and Purchase Agreements and the transactions contemplated hereunder by the independent shareholders of KLN;
“Kuok Khoon Hua”	a non-executive Director;
“Latest Practicable Date”	24 April 2019, 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;
“Parties”	collectively, the Purchaser, the Vendor, the Company and KLN; and the expression “Party” shall mean any one of them;
“percentage ratios”	has the meaning ascribed to it in Chapter 14 of the Listing Rules;
“Purchaser”	Giant Assets Holdings Limited, a company incorporated in the BVI and indirectly wholly-owned by the Company;
“Sale and Purchase Agreements”	collectively, the Chai Wan Warehouse SPA and the Sha Tin Warehouse SPA;
“Second Subsidiary”	Kerry Warehouse (Shatin) Limited, a company incorporated in Hong Kong and indirectly wholly-owned by KLN;
“Second Target Company”	Belminton Inc., a company incorporated in the BVI and indirectly wholly-owned by KLN;
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Shareholders”	holders of the Shares;
“Shares”	ordinary shares of HK\$1.00 each in the capital of the Company;

DEFINITIONS

“Sha Tin Warehouse”	a warehouse situated at 36-42 Shan Mei Street, Shatin, New Territories, Hong Kong with a total leasable area of 431,530 square feet;
“Sha Tin Warehouse SPA”	the sale and purchase agreement dated 28 March 2019 entered into between the Purchaser and the Vendor pursuant to which the Purchaser agreed to purchase from the Vendor the entire issued share capital of the Second Target Company;
“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 Friday, 31 May 2019 at 11:00 a.m. at which the Company Resolution will be proposed, the notice of which is set out on pages 41 and 42 of this circular;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary(ies)”	has the same meaning ascribed to it under the Listing Rules;
“Target Companies”	collectively, the First Target Company and the Second Target Company and the expression “Target Company” shall mean any one of them;
“Transactions”	the entering into of the Sale and Purchase Agreements by the Parties and the transactions contemplated thereunder;
“Vendor”	Kerry Warehouse (HK) Holdings Limited, a company incorporated in the BVI and indirectly wholly-owned by KLN; and
“Warehouses”	collectively, the Chai Wan Warehouse and the Sha Tin Warehouse.

LETTER FROM THE BOARD



嘉里建設有限公司*

KERRY PROPERTIES LIMITED

(Incorporated in Bermuda with limited liability)

website: www.kerryprops.com

(Stock Code: 683)

Executive Directors:

Mr. Wong Siu Kong

(Chairman and Chief Executive Officer)

Mr. Bryan Pallop Gaw

Mr. Wong Chi Kong, Louis

Non-executive Director:

Mr. Kuok Khoon Hua

Independent Non-executive Directors:

Mr. Ku Moon Lun

Ms. Wong Yu Pok, Marina, JP

Mr. Chang Tso Tung, Stephen

Registered Office:

Canon's Court

22 Victoria Street

Hamilton HM12

Bermuda

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

25/F, Kerry Centre

683 King's Road

Quarry Bay

Hong Kong

3 May 2019

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

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTIONS:
ACQUISITION OF TWO WAREHOUSES IN HONG KONG
AND
NOTICE OF SPECIAL GENERAL MEETING**

1. INTRODUCTION

Reference is made to the announcement dated 28 March 2019 made by the Company in relation to, *inter alia*, the acquisition of two Warehouses.

* *for identification purpose only*

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, *inter alia*, (i) information in respect of the Transactions; (ii) a valuation report; (iii) a letter from the Independent Financial Adviser containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders in respect of the Transactions; (iv) a letter from the Independent Board Committee containing its recommendation to the Independent Shareholders in relation to the Transactions; and (v) a notice of the Special General Meeting.

2. DETAILS OF CHAI WAN WAREHOUSE SPA

Pursuant to the Chai Wan Warehouse SPA, the Purchaser agreed to purchase from the Vendor the entire issued share capital of the First Target Company, which holds the Chai Wan Warehouse.

The principal terms of the Chai Wan Warehouse SPA are set out below:–

- Date:** 28 March 2019
- Parties:**
- (a) the Purchaser
 - (b) the Vendor
 - (c) the Company (as the guarantor for the Purchaser)
 - (d) KLN (as the guarantor for the Vendor)
- Consideration:** The consideration payable is HK\$2,270 million
- Payment:**
- (a) on the date of the execution of the Chai Wan Warehouse SPA, the Purchaser has paid HK\$227 million as deposit to Purchaser's solicitors as stakeholder in accordance with the provisions of the Chai Wan Warehouse SPA; and
 - (b) upon completion, the Purchaser shall pay the remaining balance of the consideration of HK\$2,043 million to the Vendor.
- Conditions precedent:** Completion of the Chai Wan Warehouse SPA is conditional upon, *inter alia*,:–
- (a) the passing of the Company Resolution; and
 - (b) the passing of the KLN Resolution,
- in each case by not later than the long stop date.

LETTER FROM THE BOARD

Long stop date: The long stop date under the Chai Wan Warehouse SPA is 14 June 2019 or such later date as agreed by the Vendor and the Purchaser in writing.

If the conditions relating to the passing of the relevant resolutions by the Company and KLN is not satisfied on or before the aforesaid long stop date, the Sale and Purchase Agreements shall be terminated and the full amount of the deposit (together with all interests, if any, accrued thereon) shall be returned to the Purchaser.

Performance guarantee: In consideration of the Vendor agreeing to enter into the Chai Wan Warehouse SPA with the Purchaser, the Company unconditionally and irrevocably guarantees to the Vendor the due and punctual performance and discharge by the Purchaser of all of its obligations and liabilities under the Chai Wan Warehouse SPA and any related transaction documents.

In consideration of the Purchaser agreeing to enter into the Chai Wan Warehouse SPA with the Vendor, KLN also unconditionally and irrevocably guarantees to the Purchaser the due and punctual performance and discharge by the Vendor of all of its obligations and liabilities under the Chai Wan Warehouse SPA and any related transaction documents.

Representations, warranties, undertakings and indemnities: The Chai Wan Warehouse SPA contains representations and warranties of the Vendor which are usual and customary for a transaction of this nature and scale.

3. DETAILS OF SHA TIN WAREHOUSE SPA

Pursuant to the Sha Tin Warehouse SPA, the Purchaser agreed to purchase from the Vendor the entire issued share capital of the Second Target Company, which holds the Sha Tin Warehouse.

The principal terms of the Sha Tin Warehouse SPA are set out below:–

Date: 28 March 2019

Parties:

- (a) the Purchaser
- (b) the Vendor
- (c) the Company (as the guarantor for the Purchaser)
- (d) KLN (as the guarantor for the Vendor)

LETTER FROM THE BOARD

- Consideration:** The consideration payable is HK\$1,330 million
- Payment:**
- (a) on the date of the execution of the Sha Tin Warehouse SPA, the Purchaser has paid HK\$133 million as deposit to Purchaser's solicitors as stakeholder in accordance with the provisions of the Sha Tin Warehouse SPA; and
 - (b) upon completion, the Purchaser shall pay the remaining balance of the consideration of HK\$1,197 million to the Vendor.
- Conditions precedent:** Completion of the Sha Tin Warehouse is conditional upon, *inter alia*,:-
- (a) the passing of the Company Resolution; and
 - (b) the passing of the KLN Resolution,
- in each case by not later than the long stop date.
- Long stop date:** The long stop date under the Sha Tin Warehouse SPA is 14 June 2019 or such later date as agreed by the Vendor and the Purchaser in writing.
- If the conditions relating to the passing of the relevant resolutions by the Company and KLN is not satisfied on or before the aforesaid long stop date, the Sale and Purchase Agreements shall be terminated and the full amount of the deposit (together with all interests, if any, accrued thereon) shall be returned to the Purchaser.
- Performance guarantee:** In consideration of the Vendor agreeing to enter into the Sha Tin Warehouse SPA with the Purchaser, the Company unconditionally and irrevocably guarantees to the Vendor the due and punctual performance and discharge by the Purchaser of all of its obligations and liabilities under the Sha Tin Warehouse SPA and any related transaction documents.
- In consideration of the Purchaser agreeing to enter into the Sha Tin Warehouse SPA with the Vendor, KLN also unconditionally and irrevocably guarantees to the Purchaser the due and punctual performance and discharge by the Vendor of all of its obligations and liabilities under the Sha Tin Warehouse SPA and any related transaction documents.
- Representations, warranties, undertakings and indemnities:** The Sha Tin Warehouse SPA contains representations and warranties of the Vendor which are usual and customary for a transaction of this nature and scale.

LETTER FROM THE BOARD

4. ONGOING MANAGEMENT AND LEASE(S) OF THE WAREHOUSES

After completion of the Sale and Purchase Agreements, KLN Group may enter into (1) management agreements for the provision of services relating to management and operation of warehouse facilities, including building management, leasing and licensing management and warrant operations and other related services with the Group in relation to the Warehouses; and (2) lease(s), licence(s) or agreement(s) with the Group permitting KLN Group to occupy and/or use parts of the Warehouses. The terms and conditions of these agreements are to be discussed and agreed between the Parties. The Company will comply with the applicable requirements under the Listing Rules accordingly and make further announcements in this regard as and when appropriate.

5. DETAILS OF THE TARGET COMPANIES

The First Target Company beneficially owns the First Subsidiary which in turn owns the Chai Wan Warehouse. The Chai Wan Warehouse is situated at 50 Ka Yip Street, Chai Wan, Hong Kong and used as warehouse. The book value of the Chai Wan Warehouse as at 31 December 2018 is approximately HK\$880 million.

The Second Target Company beneficially owns the Second Subsidiary which in turn owns the Sha Tin Warehouse. The Sha Tin Warehouse is situated at 36-42 Shan Mei Street, Shatin, New Territories, Hong Kong and used as warehouse. The book value of the Sha Tin Warehouse as at 31 December 2018 is approximately HK\$747 million.

The summary of the unaudited consolidated financial information of the Target Companies for the years ended 31 December 2017 and 2018 is set out as follows:-

The First Target Company

	For the year ended 31 December 2017 (unaudited) <i>HK\$ million</i>	For the year ended 31 December 2018 (unaudited) <i>HK\$ million</i>
Net profit before taxation	117	140
Net profit after taxation	112	135
		As at 31 December 2018 (unaudited) <i>HK\$ million</i>
Total assets		900
Net assets		881

LETTER FROM THE BOARD

The Second Target Company

	For the year ended 31 December 2017 (unaudited) <i>HK\$ million</i>	For the year ended 31 December 2018 (unaudited) <i>HK\$ million</i>
Net profit before taxation	98	152
Net profit after taxation	93	144
		As at 31 December 2018 (unaudited) <i>HK\$ million</i>
Total assets		776
Net assets		748

The net book value of the First Target Company and the Second Target Company was approximately HK\$881 million and approximately HK\$748 million respectively as at 31 December 2018.

Upon completion of the Sale and Purchase Agreements, each of the First Target Company and Second Target Company will become a wholly-owned subsidiary of the Company.

6. BASIS OF THE CONSIDERATION

The consideration for the acquisition of the entire issued share capital of the Target Companies was arrived at based on arm's length negotiation between the Parties, taking into account of the Independent Valuation as at 22 March 2019 by the Independent Valuer.

7. FINANCIAL EFFECTS OF THE TRANSACTIONS

It is currently expected that the funding required by the Group for payment of the consideration of the Target Companies will be sourced from its internal cash reserves and/or external bank borrowings. The funding requirement is not expected to have any material financial impact on the Group.

LETTER FROM THE BOARD

8. REASONS FOR AND BENEFITS OF THE TRANSACTIONS

The Group is committed to strengthen and expand its property investment and real estate development to enhance the long-term return of the Shareholders. To this end, the Group has been actively exploring business development opportunities in Hong Kong. Due to redevelopment potentials of warehouse buildings coupled with revisiting of the revitalization policy by the government, warehouse properties in Hong Kong are supported by strong demand and relatively low availability. The Group will consider redevelopment of the Warehouses for long term investment so as to add value to the Group's portfolio. In view of the good location, accessibility and scale of the Warehouses which fits into the Company's investment strategy, the Board considered that the Transactions represent an excellent investment opportunity for the Group.

Having considered the Company's obligations under the Sale and Purchase Agreements, the Directors (including the independent non-executive Directors but excluding Mr. Kuok Khoon Hua) believe that the Transactions are in the ordinary and usual course of the business of the Group, and the terms of the Sale and Purchase Agreements are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

9. INFORMATION ABOUT THE PARTIES

The Purchaser is a limited company incorporated in the BVI and is an indirectly wholly-owned subsidiary of the Company. The principal activity of the Purchaser is investment holding.

The Vendor is a limited company incorporated in the BVI and is an indirectly wholly-owned subsidiary of KLN. The principal activity of the Vendor is investment holding.

The principal activity of the Company is investment holding and the principal activities of the Company's subsidiaries, associates and joint ventures comprise property development, investment and management in Hong Kong, the People's Republic of China and the Asia Pacific region; hotel ownership in Hong Kong, and hotel ownership and operations in the People's Republic of China; and integrated logistics and international freight forwarding.

The KLN Group's core business encompasses integrated logistics, international freight forwarding and supply chain solutions. With headquarters in Hong Kong, the KLN Group has a far-reaching global network that stretches across six continents, and includes one of the largest distribution network and hub operations in Greater China and the ASEAN region.

LETTER FROM THE BOARD

10. IMPLICATIONS UNDER THE LISTING RULES

KLN is a subsidiary of KHL which is the controlling shareholder of the Company and is therefore a connected person of the Company under the Listing Rules.

As the applicable percentage ratios for the Company in respect of the aggregate consideration in the amount of HK\$3,600 million payable by the Purchaser to the Vendor under the Sale and Purchase Agreements exceed 5% but less than 25%, the Transactions constitute discloseable and connected transactions for the Company and are subject to the reporting, announcement and approval of the Independent Shareholders requirements under Chapters 14 and 14A of the Listing Rules.

KHL and its associates will abstain from voting on the Company Resolution at the Special General Meeting to be convened by the Company.

The Independent Board Committee has been formed to advise the Independent Shareholders in relation to the Transactions. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Transactions.

11. RECOMMENDATIONS

The Directors (including the Independent Board Committee but excluding Mr. Kuok Khoon Hua after taking into account of the advice of the Independent Financial Advisor) are of the opinion that the terms of the Sale and Purchase Agreements and the transactions contemplated thereunder are fair and reasonable and are in the interest of the Company and the Shareholders as a whole. Accordingly, the Directors (including the Independent Board Committee but excluding Mr. Kuok Khoon Hua after taking into account of the advice of the Independent Financial Advisor) recommend the Independent Shareholders to vote in favour of the Company Resolution to be proposed at the Special General Meeting.

Your attention is drawn to the “Letter from the Independent Board Committee” set out on page 14 of this circular, which contains its recommendation to the Independent Shareholders, and the letter from the Independent Financial Adviser set out on pages 15 to 27 of this circular, which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the Transactions.

Mr. Kuok Khoon Hua, the non-executive Director, has declared that he together with his associates hold more than 5% interests in KLN. He has abstained from voting on the relevant resolutions of the Board approving the Transactions, and no other Director has a material interest in the Sale and Purchase Agreements and the transactions contemplated thereunder. No other Director was required to abstain from voting on the Board approving the Transactions.

LETTER FROM THE BOARD

As Ms. Wong Yu Pok, Marina, an independent non-executive Director, is also an independent non-executive director of KLN, she has decided not to join the Independent Board Committee in relation to the Transactions. Accordingly, the Independent Board Committee, comprising Mr. Ku Moon Lun and Mr. Chang Tso Tung, Stephen, being the remaining independent non-executive Directors, has been formed to advise and make recommendations to the Independent Shareholders in respect of the Transactions.

12. SPECIAL GENERAL MEETING

The notice convening the Special General Meeting is set out on pages 41 and 42 of this circular. At the Special General Meeting, the Company Resolution will be proposed to confirm, ratify and approve the Transactions.

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 Tricor Abacus Limited, the Company's branch share registrar and transfer office in Hong Kong, of Level 22, Hopewell Centre, 183 Queen's Road East, 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.

Under the Listing Rules, any connected person of the Company with a material interest in the Transactions, and any other Shareholders and their respective associates with a material interest in the Transactions, shall abstain from voting on the Company Resolution. KHL and its associates will abstain from voting on the Company Resolution to approve the Transactions at the Special General Meeting.

13. VOTING BY POLL

In compliance with the Listing Rules and pursuant to the Bye-laws of the Company, the Company Resolution will be voted on by way of poll at the Special General Meeting. The Company will announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules.

14. FURTHER INFORMATION

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
Wong Siu Kong
Chairman and Chief Executive Officer



嘉里建設有限公司*

KERRY PROPERTIES LIMITED

(Incorporated in Bermuda with limited liability)

website: www.kerryprops.com

(Stock Code: 683)

3 May 2019

To the Independent Shareholders

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTIONS:
ACQUISITION OF TWO WAREHOUSES IN HONG KONG**

We refer to the circular of the Company dated 3 May 2019 despatched to the Shareholders of which this letter forms part. Terms defined in the circular shall have the same meanings when used herein unless the context otherwise requires.

We have been appointed by the Board to advise the Independent Shareholders as to whether the Sale and Purchase Agreements were entered into on normal commercial terms and in the ordinary and usual course of business of the Group, and whether its terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Independent Board Committee appointed Lego Corporate Finance Limited as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Transactions.

We wish to draw your attention to the section headed “Letter from the Board” as set out on pages 5 to 13 of the circular and the section headed “Letter from the Independent Financial Adviser” as set out on pages 15 to 27 of the circular.

Having considered the Company’s obligations under the Sale and Purchase Agreements and the advice and recommendation of the Independent Financial Adviser, in our opinion, the terms of the Sale and Purchase Agreements are on normal commercial terms and are fair and reasonable, the entering into of the Transactions is in the interests of the Company and its Shareholders as a whole and so far as the Independent Shareholders are concerned and the Transactions are in the ordinary and usual course of the business of the Group. Accordingly, we recommend the Independent Shareholders to vote in favour of the Company Resolution to be proposed at the Special General Meeting to approve the Transactions.

Yours faithfully,
Independent Board Committee
Kerry Properties Limited

Ku Moon Lun

Chang Tso Tung, Stephen

Independent Non-executive Directors

* *for identification purpose only*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter of advice from Lego Corporate Finance Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, in respect of the Transactions, which has been prepared for the purpose of inclusion in this circular.



3 May 2019

To the Independent Shareholders and the Independent Board Committee

Dear Sirs or Madams,

DISCLOSEABLE AND CONNECTED TRANSACTIONS: ACQUISITION OF TWO WAREHOUSES IN HONG KONG

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Transactions, details of which are set out in the Letter from the Board (the “**Letter from the Board**”) contained in the circular issued by the Company to the Shareholders dated 3 May 2019 (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

On 28 March 2019, the Parties entered into the Sale and Purchase Agreements relating to the acquisition by the Purchaser from the Vendor of the entire issued share capital in the Target Companies which hold the Warehouses.

Pursuant to the Chai Wan Warehouse SPA, the Purchaser, a wholly-owned subsidiary of the Company, agreed to purchase from the Vendor, a wholly-owned subsidiary of KLN, the entire issued share capital of the First Target Company which holds the Chai Wan Warehouse. The consideration payable by the Purchaser for the acquisition is HK\$2,270 million.

Pursuant to the Sha Tin Warehouse SPA, the Purchaser agreed to purchase from the Vendor the entire issued share capital of the Second Target Company which holds the Sha Tin Warehouse. The consideration payable by the Purchaser for the acquisition is HK\$1,330 million.

KLN is a subsidiary of KHL which is the controlling shareholder of the Company and is therefore a connected person of the Company under the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As the applicable percentage ratios for the Company in respect of the aggregate consideration in the amount of HK\$3,600 million payable by the Purchaser to the Vendor under the Sale and Purchase Agreements exceed 5% but less than 25%, the Transactions constitute discloseable and connected transactions for the Company and are subject to the reporting, announcement and approval of the Independent Shareholders requirements under Chapters 14 and 14A of the Listing Rules.

KHL and its associates will abstain from voting on the Company Resolution at the Special General Meeting to be convened by the Company.

As Ms. Wong Yu Pok, Marina, an independent non-executive Director, is also an independent non-executive director of KLN, she has decided not to join the Independent Board Committee in relation to the Transactions. Accordingly, the Independent Board Committee, comprising Mr. Ku Moon Lun and Mr. Chang Tso Tung, Stephen, being the remaining independent non-executive Directors, has been formed to advise the Independent Shareholders as to whether the terms of the Sale and Purchase Agreements are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and whether the Transactions are in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote in respect of the Company Resolution to be proposed at the Special General Meeting to approve the Sale and Purchase Agreements and the transactions contemplated thereunder. As the Independent Financial Adviser, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders in such regard.

As at the Latest Practicable Date, Lego Corporate Finance Limited did not have any relationships or interests with the Company that could reasonably be regarded as relevant to the independence of Lego Corporate Finance Limited. In the last two years, there was no engagement between the Group and Lego Corporate Finance Limited. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no arrangements exist whereby we have received or will receive any fees or benefits from the Company. Accordingly, we are qualified to give independent advice in respect of the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder.

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the information supplied by the Group and its advisers; (iii) the opinions expressed by and the representations of the management of the Company; and (iv) our review of the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us by the Directors and/or the management of the Company, or contained or referred to in the Circular were true, accurate and complete in all respects as at the date thereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in the Circular are true at the time they were made and continue to be true as at the date of the Special General

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Meeting and the Shareholders will be notified of any material changes to such information and representations as soon as possible in accordance with Rule 13.80 of the Listing Rules until the Special General Meeting. We have also assumed that all such statements of belief, opinions and intentions of the management of the Company and those as set out or referred to in the Circular were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the management of the Company and/or the advisers of the Company. The Company advised that no material facts have been withheld or omitted from the information provided and referred to in the Circular and that all information or representations provided to us by the management of the Company are true, accurate, complete and not misleading in all respects at the time they were made and continued to be so until the date of the Special General Meeting.

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made or opinion expressed by the management of the Company, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Company or the Target Companies or any of their respective subsidiaries and associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation in respect of the Transactions, we have considered the following principal factors and reasons:–

1. Background of the Group, the Purchaser and the Vendor

The Company and the Group

As disclosed in the Letter from the Board, the principal activity of the Company is investment holding and the principal activities of the Company's subsidiaries, associates and joint ventures comprise property development, investment and management in Hong Kong, the People's Republic of China and the Asia Pacific region; hotel ownership in Hong Kong, and hotel ownership and operations in the People's Republic of China; and integrated logistics and international freight forwarding.

The Purchaser

As also disclosed in the Letter from the Board, the Purchaser is a limited company incorporated in the BVI and is an indirectly wholly-owned subsidiary of the Company. The principal activity of the Purchaser is investment holding.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Vendor

As further disclosed in the Letter from the Board, the Vendor is a limited company incorporated in the BVI and is an indirectly wholly-owned subsidiary of KLN. The principal activity of the Vendor is investment holding.

The KLN Group's core business encompasses integrated logistics, international freight forwarding and supply chain solutions. With headquarters in Hong Kong, the KLN Group has a far-reaching global network that stretches across six continents, and includes one of the largest distribution network and hub operations in Greater China and the ASEAN region.

2. Financial information of the Group

As disclosed in the annual report of the Company for the year ended 31 December 2018 (the "**2018 Annual Report**"), revenue of the Group decreased from approximately HK\$35,548 million for the year ended 31 December 2017 to approximately HK\$21,433 million for the year ended 31 December 2018, representing a decrease of approximately 40% as compared to the prior year. Such decrease was mainly attributable to the decrease in revenue in property sales segment from approximately HK\$29,089 million for the year ended 31 December 2017 to approximately HK\$14,475 million for the year ended 31 December 2018.

As stated in the 2018 Annual Report, as at 31 December 2018, the Group held a portfolio comprising properties under development with a gross floor area of approximately 25.36 million square feet (approximately 18.96 million square feet as at 31 December 2017), completed investment properties of approximately 13.10 million square feet (approximately 12.04 million square feet as at 31 December 2017), hotel properties of approximately 4.67 million square feet (approximately 4.59 million square feet as at 31 December 2017), and properties held for sale of approximately 2.32 million square feet (approximately 3.51 million square feet as at 31 December 2017). This prime asset base continues to affirm the Group's position for long-term growth.

We note from the 2018 Annual Report that sales of completed properties in the PRC generated a turnover of approximately HK\$7,516 million (approximately HK\$8,463 million for the year ended 31 December 2017), mainly from recognised sales of Castalia Court in Hangzhou, Jinling Arcadia Court in Nanjing, Shenyang Arcadia Height, The Metropolis-Arcadia Court Phase II in Chengdu, Habitat in Qinhuangdao and Lake Grandeur in Hangzhou. A gross profit of approximately HK\$2,381 million (approximately HK\$2,659 million for the year ended 31 December 2017) was derived therefrom. During the year ended 31 December 2018, recognised sales of completed properties in Hong Kong contributed a turnover of approximately HK\$6,959 million (approximately HK\$20,626 million for the year ended 31 December 2017) to the Group. A gross profit of approximately HK\$2,399 million (approximately HK\$3,090 million for the year ended 31 December 2017) was generated.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Group's profit attributable to Shareholders for the year ended 31 December 2018 was approximately HK\$7,499 million, representing a decrease of approximately 19% compared with approximately HK\$9,242 million reported for 2017. As disclosed in the 2018 Annual Report, such decrease was mainly due to the adoption of new accounting standards starting from 1 January 2018, the provision for impairment loss for property under development in Macau amounting to approximately HK\$1,175 million (nil for the year ended 31 December 2017) and the recording of net decrease in fair value on financial assets at fair value through profit or loss amounting to approximately HK\$1,461 million (increase of approximately HK\$2 million for the year ended 31 December 2017).

As at 31 December 2018, total assets of the Group amounted to approximately HK\$170,185 million, of which property interests (including property, plant and equipment, investment properties, leasehold land and land use rights, properties under development, land deposits and completed properties held for sale) in aggregate amounted to approximately HK\$123,149 million, representing approximately 72% of the total assets of the Group. As at 31 December 2018, total liabilities of the Group amounted to approximately HK\$59,243 million, of which bank loans and fixed rate bonds in aggregate amounted to approximately HK\$33,111 million and represented approximately 56% of the total liabilities of the Group.

3. Information on the Target Companies

As disclosed in the Letter from the Board, the First Target Company beneficially owns the First Subsidiary which in turn owns the Chai Wan Warehouse. The Chai Wan Warehouse is situated at 50 Ka Yip Street, Chai Wan, Hong Kong and used as warehouse. The book value of the Chai Wan Warehouse as at 31 December 2018 is approximately HK\$880 million.

As also disclosed in the Letter from the Board, the Second Target Company beneficially owns the Second Subsidiary which in turn owns the Sha Tin Warehouse. The Sha Tin Warehouse is situated at 36-42 Shan Mei Street, Shatin, New Territories, Hong Kong and used as warehouse. The book value of the Sha Tin Warehouse as at 31 December 2018 is approximately HK\$747 million.

3.1 The Warehouses

As advised by the management of the Company, as at the Latest Practicable Date, the Warehouses were used as investment properties of the Vendor and leased or licensed to various independent third parties as well as affiliate companies of KLN to generate income for the Vendor. A small portion of the Warehouses was also occupied for temporary storage of cargos being handled by the operator of the Warehouses. The existing lease agreements and licence agreements will expire between July 2019 and July 2021. As advised by the management of the Company, after completion of the Sale and Purchase Agreements, the Purchaser, as the new landlord and licensor, shall continue to honour the terms of the existing lease agreements and license agreements.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As disclosed in the Letter from the Board, after completion of the Sale and Purchase Agreements, KLN Group may enter into (1) management agreements for the provision of services relating to management and operation of warehouse facilities, including building management, leasing and licensing management and warrant operations and other related services with the Group in relation to the Warehouses; and (2) lease(s), licence(s) or agreement(s) with the Group permitting KLN Group to occupy and/or use parts of the Warehouses. The terms and conditions of these agreements are to be discussed and agreed between the Parties. The Company will comply with the applicable requirements under the Listing Rules accordingly and make further announcements in this regard as and when appropriate.

Set out below is the detailed information of the Chai Wan Warehouse and Sha Tin Warehouse, respectively, as advised by the management of the Company:–

	Chai Wan Warehouse	Sha Tin Warehouse	Total/Overall
Location	50 Ka Yip Street, Chai Wan, Hong Kong	36-42 Shan Mei Street, Shatin, New Territories, Hong Kong	
Site area of the warehouse (in square feet)	52,744	42,582	95,326
Leasable area of the warehouse (in square feet)	535,037	431,530	966,567
Area under lease agreements (in square feet)	361,482	431,530	793,012
Occupancy rate under the lease agreements	68%	100%	82%
Area occupied for temporary storage of cargos (in square feet)	72,000	0	72,000
Vacant areas (in square feet)	101,555	0	101,555

3.2 Financial information of the Target Companies

The summary of the unaudited consolidated financial information of the Target Companies for the years ended 31 December 2017 and 2018 is set out in the Letter from the Board.

According to unaudited consolidated financial information of the Target Companies provided by the management of the Company, the net profit after taxation of the First Target Company increased from approximately HK\$112 million for the year ended 31 December 2017 to HK\$135 million for the year ended 31 December 2018, representing an increase of approximately 21%. The First Target Company has a total asset value and net asset value of approximately HK\$900 million and HK\$881 million, respectively, as at 31 December 2018, among which approximately HK\$880 million was attributable to the book value of investment property, i.e. the Chai Wan Warehouse.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

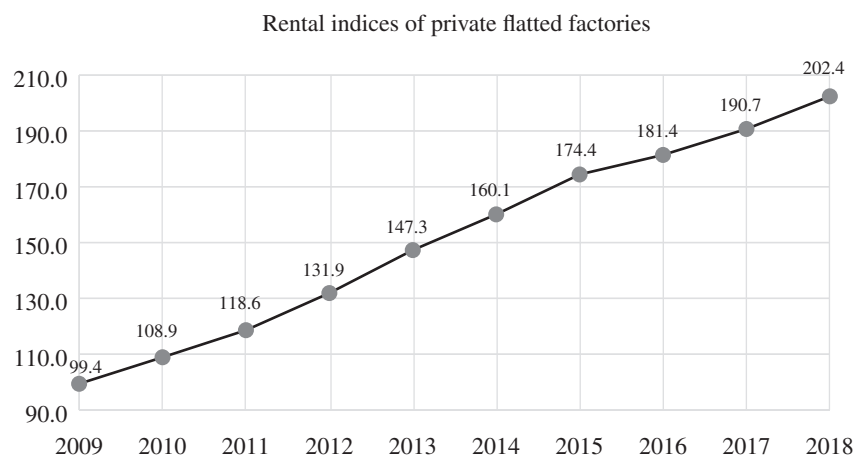
The net profit after taxation of the Second Target Company increased from approximately HK\$93 million for the year ended 31 December 2017 to HK\$144 million for the year ended 31 December 2018, representing an increase of approximately 55%. The Second Target Company has a total asset value and net asset value of approximately HK\$776 million and HK\$748 million, respectively, as at 31 December 2018, among which approximately HK\$747 million was attributable to the book value of investment property, i.e. the Sha Tin Warehouse.

As disclosed in the Letter from the Board, upon completion of the Sale and Purchase Agreements, each of the First Target Company and the Second Target Company will become a wholly-owned subsidiary of the Company.

4. Private factories market in Hong Kong

Private properties in Hong Kong are divided into four categories, namely private domestic, private offices, private retail and private flatted factories when deriving the statistics by the Rating and Valuation Department of the Government of Hong Kong (the “**Rating and Valuation Department**”). According to the rental indices of private flatted factories published by the Rating and Valuation Department, the rental of private flatted factories has risen since 2009. The rental indices for 2018 is estimated to be approximately 202, representing an increase of approximately 6% as compared to the previous year of approximately 191. According to the price indices of private flatted factories which is published by the Rating and Valuation Department, the price of private flatted factories has also risen since 2009. The price indices for 2018 is estimated to be approximately 888, representing an increase of approximately 14% as compared to the previous year of approximately 778.

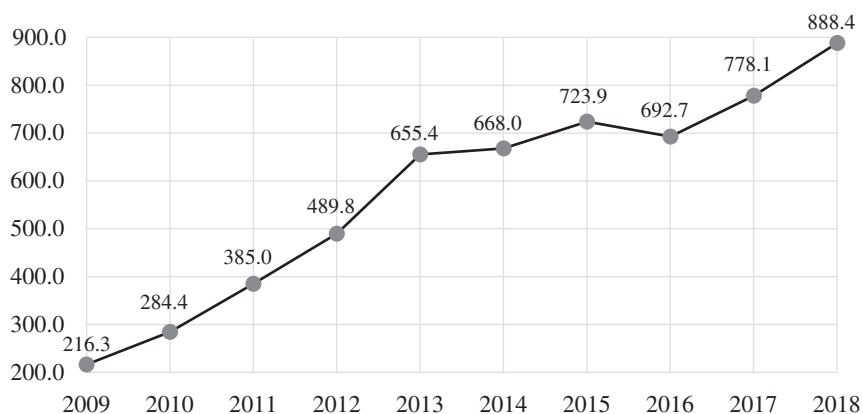
The tables below set out the rental indices and price indices, respectively, of private flatted factories since 2009 to 2018 as extracted from the Rating and Valuation Department:–



Note: the rental indices for 2018 is provisional figure.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Price indices of private flatted factories



Note: the price indices for 2018 is provisional figure.

As also published by the Rating and Valuation Department, the unit rental price for private flatted factories in Hong Kong Island is estimated to be approximately HK\$193 per square meter for 2018, while it was approximately HK\$185 per square meter for 2017. Meanwhile, the unit rental price for private flatted factories in New Territories is estimated to be approximately HK\$145 per square meter for 2018, while it was approximately HK\$134 per square meter for 2017.

Furthermore, according to The Chief Executive's 2018 Policy Address of Hong Kong, it intends to reactivate the revitalisation scheme for industrial buildings to provide incentives to owners to convert old industrial buildings.

Based on the foregoing, we consider that the growth in the rental and price of private flatted factories in Hong Kong is expected to present favourable business opportunities for the Warehouses.

5. Reasons for and benefits of the Transactions

As disclosed in the Letter from the Board, the Group is committed to strengthen and expand its property investment and real estate development to enhance the long-term return of the Shareholders. To this end, the Group has been actively exploring business development opportunities in Hong Kong. Due to redevelopment potentials of warehouse buildings coupled with revisiting of the revitalization policy by the government, warehouse properties in Hong Kong are supported by strong demand and relatively low availability. The Group will consider redevelopment of the Warehouses for long term investment so as to add value to the Group's portfolio. In view of the good location, accessibility and scale of the Warehouses which fits into the Company's investment strategy, the Board considered that the Transactions represent an excellent investment opportunity for the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Transactions are considered to be in the interests of the Company and the Shareholders as a whole due to the following reasons:–

(i) Warehouse properties in Hong Kong are supported by strong demand and relatively low availability

As demonstrated in the section headed “4. Private factories market in Hong Kong” in this letter, it is noted that the rental of private flatted factories has risen since 2009, so as the price of private flatted factories. In addition, the Hong Kong government intends to reactivate the revitalisation scheme for industrial buildings to provide incentives to owners to convert old industrial buildings. Therefore, the demand for warehouse properties in Hong Kong has a potential to be strong while the availability may get relatively low.

(ii) The location, accessibility and scale of the Warehouses fits into the Company’s investment strategy

As advised by the management of the Company, we note that the Warehouses are located in established location near traffic hub and well connected with other business areas. The Directors believe that areas where the Warehouses located have potential to transform into commercial districts in a longer-term perspective. Moreover, the Warehouses are located in the vicinity of MTR stations and connected with roads, highways and other major transport networks, and hence, convenient to access to. In addition, the Chai Wan Warehouse and Sha Tin Warehouse occupied a site area of approximately 52,744 square feet and 42,582 square feet, respectively, with a leasable area of approximately 535,037 square feet and 431,530 square feet. In view of the location, accessibility and scale of the Warehouses, the Directors would consider to redevelop the Warehouses coupled with possible revitalisation policy by the government for long term investment so as to add value to the Group’s investment portfolio.

(iii) The Target Companies are already generating revenue and profit

According to the unaudited consolidated financial information provided by the management of the Company, the First Target Company and Second Target Company generated net profit after taxation of approximately HK\$135 million and HK\$144 million, respectively, for the year ended 31 December 2018. As at the Latest Practicable Date, the total leasable area of the Warehouses was approximately 966,567 square feet with an overall occupancy rate of approximately 82%. Based on the abovementioned financial performance of the Target Companies, it is expected that the Transactions would help bring in additional source of income to the Group and improve its profitability.

6. Valuation of the Warehouses

6.1 Background information

The Warehouses were valued by Savills Valuation and Professional Services Limited, the Independent Valuer appointed by the Company to provide a valuation on the Warehouses. The property valuation report is contained in Appendix I to the Circular (the “**Property Valuation Report**”). We have conducted an interview with the Independent Valuer regarding its experience in valuing similar real property interests in Hong Kong and its independence. Based on our interview with the Independent Valuer, we understand that the Independent Valuer is an established independent property valuer with a large number of completed assignments acting for listed companies with property interests in, among others, Hong Kong. We also understand that the valuers-in-charge of the Independent Valuer’s valuation team have over 34 years’ and 33 years’ experience, respectively, in the valuation of properties in Hong Kong.

We have also reviewed the terms of engagement letter of the Independent Valuer and noted that the purpose of which is to prepare a property valuation report and provide the Company with the market values of the Warehouses. The engagement letter also contains standard valuation scopes that are typical of property valuation carried out by independent property valuers. There is no limitation of the scope of work which might have an adverse impact on the degree of assurance given by the Independent Valuer in the Property Valuation Report. We also understand from the Independent Valuer that it has carried out on-site inspections and made relevant enquiries and obtained further information for the purpose of the valuation of the Warehouses as at 22 March 2019 (the “**Valuation Date**”).

6.2 Valuation methodology

We noted from the Property Valuation Report that in performing the independent valuation, the Independent Valuer has adopted the sales comparison approach whereby reference is made to sales of comparable properties as available in the market. We have discussed with the Independent Valuer on the rationale of adopting the sales comparison approach for valuing the Warehouses. According to the Independent Valuer, such approach is an appropriate valuation method for assessing the market values of the Warehouses with readily available market price information.

After considering the reasons for the Independent Valuer’s choice of adopting this valuation approach for valuing the Warehouses, we are of the opinion that the valuation approach used is reasonable and acceptable in establishing the market values of the Warehouses as at the Valuation Date.

6.3 Valuation consideration and assumptions

In arriving at the market values for the Warehouses using the sales comparison approach, the Independent Valuer have relied to a very considerable extent on information given by the Company and have accepted information given to them on such matters as planning approvals or statutory notices, easements, tenures, lettings, occupancies, incomes, floor areas, floor plans, building plans and all other relevant matters.

We noted that the Independent Valuer has made various assumptions for the Independent Valuation, including (i) the interior of the Warehouses are finished and maintained in reasonable conditions commensurate with their ages and uses and the Warehouses are in their original/approved layouts without any unauthorized structures, extensions and alterations; (ii) in the Independent Valuation that the Warehouses are provided with normal and satisfactory building services for their existing uses as at the Valuation Date; (iii) no allowance has been made in the Independent Valuation for any charges, mortgages or amounts owing on the Warehouses nor for any expenses or taxation which may be incurred in effecting a sale; and (iv) the Warehouses are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values. Details of the assumptions made by the Independent Valuer for the Independent Valuation are set out in the Appendix I to the Circular. We have discussed with the management of the Company and the Independent Valuer, and reviewed the key assumptions made and nothing has come to our attention that would lead us to doubt the fairness and reasonableness of the principal bases and assumptions adopted in the Property Valuation Report.

After taken into account the above, we consider that the considerations and assumptions adopted by the Independent Valuer for the valuation methodologies as discussed above are reasonable and in line with market practice.

7. Principal terms of the Sale and Purchase Agreements

7.1 The Sale and Purchase Agreements

On 28 March 2019, the Parties entered into the Sale and Purchase Agreements relating to the acquisition by the Purchaser from the Vendor of the entire issued share capital of the Target Companies which hold the Warehouses.

Pursuant to the Chai Wan Warehouse SPA, the Purchaser, a wholly-owned subsidiary of the Company, agreed to purchase from the Vendor, a wholly-owned subsidiary of KLN, the entire issued share capital of the First Target Company which holds the Chai Wan Warehouse. The consideration payable by the Purchaser for the acquisition is HK\$2,270 million.

Pursuant to the Sha Tin Warehouse SPA, the Purchaser agreed to purchase from the Vendor the entire issued share capital of the Second Target Company which holds the Sha Tin Warehouse. The consideration payable by the Purchaser for the acquisition is HK\$1,330 million.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The principal terms of the Chai Wan Warehouse SPA and Sha Tin Warehouse SPA are set out in the Letter from the Board.

We have reviewed the principal terms of the Sale and Purchase Agreements. We are of the view that the Sale and Purchase Agreements are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and are in the interest of the Company and the Shareholders as a whole.

7.2 Consideration

As set out in the Letter from the Board, the consideration for the acquisition of the entire issued share capital of the Target Companies was arrived at based on arm's length negotiation between the Parties, taking into account of the Independent Valuation as at 22 March 2019 by the Independent Valuer. Based on the Property Valuation Report, the market value of the Chai Wan Warehouse and Sha Tin Warehouse as at 22 March 2019 was HK\$2,340 million and HK\$1,380 million, respectively.

Total consideration for the acquisition of the entire issued share capital of the Target Companies is HK\$3,600 million (HK\$2,270 million for the First Target Company and HK\$1,330 million for the Second Target Company). As advised by the management of the Company, pursuant to the Sales and Purchase Agreements, the Vendor and KLN shall procure the consolidated carrying values of all liabilities and other assets (all assets other than the Warehouses) of the Target Companies to be entirely offset as at Completion, to the effect that the remaining consolidated net asset values of the Target Companies shall be equal to the total consideration of HK\$3,600 million.

In view of (i) the total consideration of HK\$3,600 million represents a discount to the aggregate market value of the Warehouses under the Independent Valuation; and (ii) valuation methodologies and the bases and assumptions adopted by the Independent Valuer in establishing the market values of the Warehouses are reasonable and acceptable as discussed above, we consider that the basis of determining the consideration is fair and reasonable.

8. Possible financial effects of the Acquisition

Upon Completion, the Target Companies will become wholly owned subsidiaries of the Company and as such, the financial results and financial positions of the Target Companies will be consolidated into the consolidated financial statements of the Company.

As disclosed in the Letter from the Board, it is currently expected that the funding required by the Group for payment of the consideration of the Target Companies will be sourced from its internal cash reserves and/or external bank borrowings. The funding requirement is not expected to have any material financial impact on the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

8.1 Earnings

Based on the unaudited consolidated financial information of the Target Companies, the First Target Company and Second Target Company recorded net profits after taxation of approximately HK\$135 million and HK\$144 million for the year ended 31 December 2018, respectively. Upon Completion, the financial results of the Target Companies will be consolidated into the consolidated income statement of the Company.

8.2 Cash position

As at 31 December 2018, the Group had consolidated total assets of approximately HK\$170,185 million, among which approximately HK\$13,861 million was cash and bank balances. As disclosed in the Letter from the Board, it is currently expected that the funding required by the Group for payment of the consideration of HK\$3,600 million for the Target Companies will be sourced from its internal cash reserves and/or external bank borrowings. The funding requirement is not expected to have any material financial impact on the Group.

In view of the possible financial effects of the Transactions to the Group as mentioned above, the Transactions are expected to strengthen the Group's income stream.

RECOMMENDATION

Having considered the principal factors and reasons described above, we are of the opinion that the terms of the Sale and Purchase Agreements are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and the Transactions are in the ordinary and usual course of the business of the Group and are in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Shareholders, as well as the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the Company Resolution to be proposed at the Special General Meeting to approve the Sale and Purchase Agreements and the Transactions.

Yours faithfully,
For and on behalf of
Lego Corporate Finance Limited
Gary Mui
Chief Executive Officer

Mr. Gary Mui is a licensed person registered with the Securities and Futures Commission and a responsible officer of Lego Corporate Finance Limited to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong). He has over 20 years of experience in the finance and investment banking industries.

The following is the text of a letter and valuation report prepared for the purpose of incorporation in this circular received from the Independent Valuer, in connection with its opinion of market value of the Warehouses as at 22 March 2019.



The Directors
Kerry Properties Limited
25th Floor
Kerry Centre
683 King's Road
Quarry Bay
Hong Kong

Savills Valuation and
Professional Services Limited
1208, Cityplaza One
1111 King's Road, Taikoo Shing
Hong Kong

T : (852) 2801 6100
F : (852) 2530 0756

EA Licence: C-023750
savills.com

3 May 2019

Dear Sirs,

**RE: (1) KERRY WAREHOUSE (CHAI WAN), 50 KA YIP STREET, CHAI WAN,
HONG KONG
(2) KERRY WAREHOUSE (SHATIN), 36-42 SHAN MEI STREET, SHATIN,
NEW TERRITORIES
(THE "PROPERTIES")**

In accordance with the instructions from Kerry Properties Limited (the "Company") for us to value the Properties to be acquired by the Company from Kerry Logistics Network Limited for investment purposes, we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the respective Market Values of the Properties as at 22 March 2019 ("the Date of Valuation") for the purposes of inclusion in a circular to be issued by the Company on 3 May 2019 in relation to a discloseable and connected transaction for the Company.

Basis of Valuation

Our valuation is our opinion of the respective Market Values of the Properties which we would define as intended to mean "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Market Value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

Our valuation has been undertaken in accordance with the HKIS Valuation Standards 2017 published by The Hong Kong Institute of Surveyors (“HKIS”), which incorporates the International Valuation Standards, and (where applicable) the relevant HKIS or jurisdictional supplement. Our valuation has also complied with Chapter 5 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Identification and Status of the Valuer

The subject valuation exercise is handled by Mr. Charles Chan and Mr. Freddie Ling. Mr. Charles Chan is the Managing Director of Savills Valuation and Professional Services Limited (“SVPSL”) and a Fellow of HKIS with over 34 years’ experience in valuation of properties in Hong Kong. Mr. Freddie Ling is the Senior Director of SVPSL and a Member of HKIS with over 33 years’ experience in valuation of properties in Hong Kong. Both of them have sufficient knowledge of the relevant market, skills and understanding to handle the subject valuation exercise competently.

Prior to your instructions for us to provide this valuation services in respect of the Properties, SVPSL, Mr. Charles Chan and Mr. Freddie Ling had not been involved in valuation of the Properties in the past 12 months.

We are independent of the Company. The proportion of the total fee payable by the Company during the preceding year relative to the total fee income of SVPSL during the preceding year is minimal. We are not aware of any instances, which would give rise to potential conflict of interest from SVPSL or Mr. Charles Chan or Mr. Freddie Ling in the subject exercise. We confirm SVPSL, Mr. Charles Chan and Mr. Freddie Ling are in the position to provide objective and unbiased valuation for the Properties.

Valuation Methodology

In preparing our valuation of the Properties, we have adopted the sales comparison approach and made reference to sales of comparable properties as available in the market.

Title Investigations

We have not been provided with copies of title documents relating to the Properties but we have caused searches of the Properties at the Land Registry. We have not, however, searched the original documents to verify ownership or to ascertain the existence of any amendment which does not appear on the copies handed to us. As advised by the Company and to the best of their knowledge, there are no significant investigations, notices, environmental issues, pending litigation, breaches of law or title defects against the Properties. In the course of our valuation, we have assumed that the Properties have good legal titles and are freely transferable in the market. We do not accept a liability for any interpretation which we have placed on such information which is more properly the sphere of your legal advisers.

Valuation Consideration and Assumptions

We have relied to a very considerable extent on information given by the Company and have accepted information given to us on such matters as planning approvals or statutory notices, easements, tenures, lettings, occupancies, incomes, floor areas, floor plans, building plans and all other relevant matters. We have no reason to doubt the truth and accuracy of the information provided to us by the Company, and have been advised by the Company that no material facts have been omitted from the information provided.

We have not carried out on-site measurements to verify the correctness of the floor areas in respect of the Properties. Dimensions, measurements and areas included in this report are based on information contained in the documents provided to us and are therefore only approximations.

We have inspected the exterior and where available, the interior of the Properties. Our inspection was carried out by Mr. Martin Wong, MRICS, MHKIS, in March 2019. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report that the Properties are free of rot, infestation or any other structural defect. No tests were carried out to any of the services. In undertaking our valuation, we have assumed that the interior of the Properties are finished and maintained in reasonable conditions commensurate with their ages and uses and the Properties are in their original/approved layouts without any unauthorized structures, extensions and alterations. We have also assumed in our valuation that the Properties are provided with normal and satisfactory building services for their existing uses as at the Date of Valuation.

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

Except for the purpose of disclosure in the above-mentioned circular to be issued by the Company, neither the whole nor any part of the valuation report nor any reference thereto may be included in any document, circular or statement without our written approval of the form and context in which it may appear.

We enclose herewith our summary of values and valuation report.

Yours faithfully

For and on behalf of

Savills Valuation and Professional Services Limited

Charles C K Chan
MSc FRICS FHKIS MCI Arb RPS(GP)
Managing Director

Freddie Ling
MRICS MHKIS RPS(GP)
Senior Director

Note: Mr. Charles C K Chan is a professional surveyor who has over 34 years' experience in valuation of properties in Hong Kong.

Mr. Freddie Ling is a professional surveyor who has over 33 years' experience in valuation of properties in Hong Kong.

SUMMARY OF VALUES

Property	Market Value in existing state as at 22 March 2019
1. Kerry Warehouse (Chai Wan), 50 Ka Yip Street, Chai Wan, Hong Kong	HK\$2,340,000,000
2. Kerry Warehouse (Shatin), 36-42 Shan Mei Street, Shatin, New Territories	HK\$1,380,000,000
	<hr/>
	Total: <u><u>HK\$3,720,000,000</u></u>

VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 22 March 2019
1. Kerry Warehouse (Chai Wan), 50 Ka Yip Street, Chai Wan, Hong Kong. Chai Wan Inland Lot No. 113.	<p>The property comprises a 15-storey godown building completed in two phases in 1986 and 1988.</p> <p>The property is situated on the northeastern side of Ka Yip Street and a cargo handling basin in Chai Wan. This locality is an established industrial area accommodating various industrial and godown buildings.</p> <p>Pursuant to a set of building plans and addition & alteration works plans approved by the Building Authority (“Approved Building Plans”), the property mainly consists of a dangerous goods godown, an office unit, loading platforms, a covered car park and a driveway on the Ground Floor; dangerous goods godowns and a unit for store/filing on the 1st Floor; dangerous goods godowns on the 2nd to 8th Floors; and godowns on the 9th to 14th Floors.</p> <p>The covered car park on the Ground Floor provides 1 container parking space, 26 lorry parking spaces and 26 van parking spaces.</p> <p>According to the information provided by the Company, the total leasable area of the property is 535,037 sq ft (49,706.15 sq m).</p> <p>Chai Wan Inland Lot No. 113 is held under Conditions of Sale No. 11485 for a term of 75 years from 27 February 1981 at an annual Government rent of HK\$1,000 renewable for a further term of 75 years.</p>	<p>Except about 100,000 sq ft of the godown which are vacant, the godown is mostly let under various tenancies or licences with the latest expiring in July 2021. The total monthly rent and licence fee in March 2019 is about HK\$3,290,000 mostly exclusive of rates and management fees.</p> <p>A portion of the godown is used as warrant area at an average monthly income in 2018 of about HK\$520,000.</p> <p>5 van parking spaces and 8 lorry parking spaces are let under various monthly licences at a total monthly licence fee of about HK\$37,000.</p> <p>The remaining parking spaces are mostly used as loading/unloading spaces.</p>	<p>HK\$2,340,000,000</p> <p>(Hong Kong Dollars Two Billion Three Hundred and Forty Million)</p>

Notes:

- (1) Pursuant to the land register record obtained from the Land Registry, the current registered owner of the property is Kerry Warehouse (Chai Wan) Limited by a Certificate of Incorporation on Change of Name dated 23 July 1999 and registered vide memorial no. UB8989883.
- (2) Pursuant to the land register records obtained from the Land Registry, the property is subject to a Modification Letter dated 8 April 1982, and registered vide memorial no. UB2271106.
- (3) The property lies within an area zoned “Industrial” under Chai Wan Outline Zoning Plan No. S/H20/23 approved on 5 September 2017.
- (4) Development and uses of the Property are governed by the conditions set out in Conditions of Sale No. 11485 which had been further modified by a Modification Letter dated 8 April 1982. The salient points of the relevant conditions are summarized below:–
 - i. The property shall not be used for any use other than dangerous goods godowns or godowns together with ancillary car parking and loading/unloading facilities and other ancillary accommodations such as ancillary office, etc.; and
 - ii. No part of any structure of the property shall exceed a height of 51.5 metres above the Hong Kong Principal Datum.

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 22 March 2019
2. Kerry Warehouse (Shatin), 36-42 Shan Mei Street, Shatin, New Territories. Sha Tin Town Lot No. 179.	<p>The property comprises a 17-storey godown building completed in 1988.</p> <p>The property is situated on the northeastern side of Shan Mei Street at its junction with Kwei Tei Street in Shatin. This locality is an established industrial area accommodating various industrial and godown buildings.</p> <p>Pursuant to a set of building plans and addition & alteration works plans approved by the Building Authority (“Approved Building Plans”), the property mainly consists of a public lorry car park on the Ground Floor; a car park, loading platforms, a dock room and a first aid room on the Upper Ground Floor; a godown and a canteen on the 1st Floor; and godowns on the 2nd to 15th Floors.</p> <p>The public lorry car park on the Ground Floor provides 21 lorry parking spaces whilst the car park on the Upper Ground Floor provides 1 container parking space, 21 lorry parking spaces and 20 van parking spaces.</p> <p>According to the information provided by the Company, the total leasable area of the property is 431,530 sq ft (40,090.12 sq m).</p> <p>Sha Tin Town Lot No. 179 is held under New Grant No. 11783 for a term of 99 years (less the last three days thereof) from 1 July 1898 and has been statutorily extended until 30 June 2047 at a revised annual Government rent at 3% of the rateable value for the time being of the lot.</p>	<p>The godown is let under various tenancies or licence with the latest expiring in March 2021. The total monthly rent and licence fee in March 2019 is about HK\$5,300,000 exclusive of rates and management fees.</p> <p>8 van parking spaces and 7 lorry parking spaces are let under various monthly licences at a total monthly licence fee of about HK\$35,000.</p> <p>The remaining parking spaces are mostly used as loading/unloading spaces.</p>	<p>HK\$1,380,000,000 (Hong Kong Dollars One Billion Three Hundred and Eighty Million)</p>

Notes:

- (1) Pursuant to the land register record obtained from the Land Registry, the current registered owner of the property is Kerry Warehouse (Shatin) Limited by a Certificate of Incorporation on Change of Name dated 23 July 1999 and registered vide memorial no. ST1334178.
- (2) Pursuant to the land register record obtained from the Land Registry, there is no material encumbrances registered against the property.
- (3) The property lies within an area zoned “Industrial” under Sha Tin Outline Zoning Plan No. S/ST/34 approved on 29 May 2018.
- (4) Development and uses of the Property are governed by the conditions set out in New Grant No. 11783 dated 1 July 1898. The salient points of the relevant conditions are summarized below:–
 - i. The property shall not be used for any use other than godowns together with a public lorry park, ancillary car parking and loading/unloading facilities and other ancillary accommodations such as canteen, first aid room, etc.; and
 - ii. The total maximum plot ratio of the property excluding the public lorry park shall not exceed 9.5.

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 the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Interests of Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations

As at the Latest Practicable Date, the interests of each of the Directors and the chief executives 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

Directors	Number of Shares				Total	Approximate % of shareholding ⁷
	Personal interests ¹	Family interests ²	Other interests ⁴	Underlying Shares ⁵		
Wong Siu Kong	–	–	50,000	4,634,000	4,684,000	0.32
Bryan Pallop Gaw	–	3,324,763	1,202,048	350,000	4,876,811	0.34
Wong Chi Kong, Louis	–	–	50,000	1,300,000	1,350,000	0.09
Kuok Khoon Hua	1,179,413	–	3,297,763	–	4,477,176	0.31

(ii) Associated Corporations

Associated Corporations	Directors	Number of Shares/Amount of debentures				Number of underlying Shares held under equity derivatives ⁶	Total	Approximate % of shareholding
		Personal interests ¹	Family interests ²	Corporate interests ³	Other interests ⁴			
Kerry Group Limited	Wong Siu Kong	4,617,263	–	8,504,300	–	3,000,000	16,121,563	1.06 ⁸
	Bryan Pallop Gaw	1,500,000	177,695,046	–	46,399,988	2,000,000	227,595,034	15.00 ⁸
	Wong Chi Kong, Louis	1,271,725	–	–	–	500,000	1,771,725	0.12 ⁸
	Kuok Khoon Hua	5,000	–	–	224,475,033	1,995,000	226,475,033	14.92 ⁸
Kerry Logistics Network Limited	Wong Siu Kong	–	–	–	1,300,000	–	1,300,000	0.08 ⁹
	Bryan Pallop Gaw	–	1,493,382	–	1,891,024	–	3,384,406	0.20 ⁹
	Wong Chi Kong, Louis	–	–	–	1,300,000	–	1,300,000	0.08 ⁹
	Kuok Khoon Hua	101,000	–	–	3,018,492	1,000,000	4,119,492	0.24 ⁹
	Wong Yu Pok, Marina	–	–	–	–	200,000	200,000	0.01 ⁹
Hopemore Ventures Limited	Kuok Khoon Hua	50	–	–	–	–	50	3.57 ¹⁰
Majestic Tulip Limited	Kuok Khoon Hua	10	–	–	–	–	10	3.33 ¹¹
Medallion Corporate Limited	Bryan Pallop Gaw	26	26	–	–	–	52	5.20 ¹²
	Kuok Khoon Hua	48	–	–	–	–	48	4.80 ¹²
Rubyhill Global Limited	Kuok Khoon Hua	1	–	–	–	–	1	10.00 ¹³
Shang Properties, Inc.	Bryan Pallop Gaw	–	582,532	–	248,482	–	831,014	0.02 ¹⁴
Vencedor Investments Limited	Bryan Pallop Gaw	5	5	–	–	–	10	10.00 ¹⁵
	Kuok Khoon Hua	5	–	–	–	–	5	5.00 ¹⁵

Notes:

1. This represents interests held by the relevant Director as beneficial owner.
2. This represents interests held and/or deemed to be held by the spouse of the relevant Director.
3. This represents interests deemed to be held by the relevant Director through his controlled corporation(s).

4. This represents interests deemed to be held by the relevant Director through discretionary trust(s) of which the relevant Director is a discretionary beneficiary.
5. This represents interests in options held by the relevant Director as a beneficial owner to subscribe for the relevant underlying Shares in respect of share options granted by the Company.
6. This represents interests in options held by the relevant Director and/or his spouse as a beneficial owner to subscribe for the relevant underlying ordinary shares in respect of the option shares granted by Kerry Group Limited (“KGL”) and KLN.
7. The percentage has been compiled based on the total number of Shares of the Company in issue as at the Latest Practicable Date (i.e. 1,455,461,228 ordinary shares).
8. The percentage has been compiled based on the total number of ordinary shares of KGL in issue as at the Latest Practicable Date (i.e. 1,517,739,802 ordinary shares).
9. The percentage has been compiled based on the total number of ordinary shares of KLN in issue as at the Latest Practicable Date (i.e. 1,711,718,112 ordinary shares).
10. The percentage has been compiled based on the total number of ordinary shares of Hopemore Ventures Limited in issue as at the Latest Practicable Date (i.e. 1,400 ordinary shares).
11. The percentage has been compiled based on the total number of ordinary shares of Majestic Tulip Limited in issue as at the Latest Practicable Date (i.e. 300 ordinary shares).
12. The percentage has been compiled based on the total number of ordinary shares of Medallion Corporate Limited in issue as at the Latest Practicable Date (i.e. 1,000 ordinary shares).
13. The percentage has been compiled based on the total number of ordinary shares of Rubyhill Global Limited in issue as at the Latest Practicable Date (i.e. 10 ordinary shares).
14. The percentage has been compiled based on the total number of common shares of Shang Properties, Inc. in issue as at the Latest Practicable Date (i.e. 4,764,056,287 common shares).
15. The percentage has been compiled based on the total number of ordinary shares of Vencedor Investments Limited in issue as at the Latest Practicable Date (i.e. 100 ordinary shares).

All the interests disclosed in sections (i) and (ii) above represent long positions in the Shares or the shares of associated corporations.

Save as disclosed above, none of the Directors and chief executives of the Company had, as at the Latest Practicable Date, any other interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have 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 the Directors and chief executives of the Company were taken or deemed to have pursuant to Divisions 7 and 8 of Part XV of the SFO), or which were entered in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

(b) Substantial Shareholders' and Other Persons' Interests

As at the Latest Practicable Date, so far as it is known by or otherwise notified by any Director or the chief executive of the Company, the particulars of the corporations or individuals (are being a Director) who had 5% or more interests in the following long positions in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, as recorded in the register required to be kept under section 336 of the SFO (“**Register of Shareholders**”) or were entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of the Company (“**Voting Entitlements**”) (i.e. within the meaning of substantial shareholders of the Listing Rules) were as follows:–

Name	Capacity in which Shares were held	Number of Shares	Long position/ Short position/ Lending pool	Approximate % of shareholdings ⁱⁱ
Kerry Group Limited	Interest of controlled corporations	859,531,055 ⁱ	Long position	59.06
Kerry Holdings Limited	Interest of controlled corporations	746,090,656 ⁱ	Long position	51.26
Caninco Investments Limited	Beneficial owner	312,248,193 ⁱ	Long position	21.45
Darmex Holdings Limited	Beneficial owner	256,899,261 ⁱ	Long position	17.65
Moslane Limited	Beneficial owner	73,821,498 ⁱ	Long position	5.07

Notes:

- i. Caninco Investments Limited (“**Caninco**”), Darmex Holdings Limited (“**Darmex**”) and Moslane Limited (“**Moslane**”) are wholly-owned subsidiaries of KHL. KHL itself is a wholly-owned subsidiary of KGL and, accordingly, the shares in which Caninco, Darmex and Moslane are shown to be interested are also included in the shares in which KHL and KGL are shown to be interested.
- ii. The percentage has been compiled based on the total number of Shares in issue as at Latest Practicable Date (i.e. 1,455,461,228 ordinary shares).

Saved as disclosed above, as at the Latest Practicable Date, the Company had not been notified by any person (other than directors and chief executives of the Company) who had interests or short positions in the Shares and underlying Shares under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were entered in the register required to be kept under Section 336 of the SFO. As at the Latest Practicable Date, no Director or proposed Director is a director or employee of a company which has an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. DIRECTORS' INTEREST IN THE CONTRACT AND ASSETS OF THE GROUP

- (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 31 December 2018 (being 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 or leased to 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) Messrs. Wong Siu Kong, Wong Chi Kong, Louis and Kuok Khoon Hua were directors of subsidiaries of Shangri-La Asia Limited and Mr. Wong Siu Kong, Mr. Bryan Pallop Gaw and Mr. Kuok Khoon Hua had interests in shares of Shangri-La Asia Limited, the businesses of which consisted of hotel ownership and operation. The Directors believed that as the size of that part of these Excluded Businesses in the PRC, where the Group has hotel businesses, is not insignificant when compared with the hotel business of the Group in the PRC, it is likely that these Excluded Businesses may compete with the hotel business of the Group in the PRC; and
- (b) Mr. Wong Siu Kong was a director of China World Trade Center Co., Ltd. but did not have any interests in shares in the China World Trade Center Co., Ltd. group of companies, the businesses of which consisted of property and hotel business 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.

The Excluded Businesses are operated and managed by companies (and in the case of Shangri-La Asia Limited and China World Trade Co., Ltd., by 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. EXPERTS AND CONSENTS

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

<u>Name</u>	<u>Qualification</u>
Lego Corporate Finance Limited	a licensed corporation under the SFO to carry out Type 6 (advising on corporate finance) regulated activity
Savills Valuation and Professional Services Limited	an independent valuer

Each of the above mentioned 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 above mentioned 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 2018 (being the date to which the latest published audited financial statements 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.

7. NO MATERIAL ADVERSE CHANGE

Since 31 December 2018 (being the date to which the latest published audited financial statements of the Company have been made up), there has been no material adverse change in the financial or trading position of the Group.

8. GENERAL

This circular has been prepared in both English and Chinese. In the case of any discrepancy, the English text shall prevail.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of (a) the Sale and Purchase Agreements, together with (b) the letter from the Independent Board Committee (the text of which is set out on page 14 of this circular); (c) the letter from the Independent Financial Adviser (the text of which is set out on pages 15 to 27 of this circular); (d) the Valuation Report from the Independent Valuer (the text of which is set out in Appendix I of this circular); (e) the letters of consent referred to in the paragraph headed “Experts and Consents” in this appendix; (f) the Bye-laws of the Company; and (g) this circular will be available for inspection at the office of the Company at 25/F, Kerry Centre, 683 King’s Road, Quarry Bay, Hong Kong during normal business hours (i.e. from 9:30 a.m. to 12:30 p.m. and from 2:30 p.m. to 5:30 p.m.) on any weekday (Saturdays, Sundays and public holidays excepted) unless (i) a tropical cyclone warning signal number 8 or above is hoisted; or (ii) a black rainstorm warning signal is issued, from the date of this circular up to and including the date of the Special General Meeting and at the Special General Meeting.

NOTICE OF SPECIAL GENERAL MEETING



嘉里建設有限公司*

KERRY PROPERTIES LIMITED

(Incorporated in Bermuda with limited liability)

website: www.kerryprops.com

(Stock Code: 683)

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 Friday, 31 May 2019 at 11:00 a.m. for the following purpose:–

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

“THAT

- (1) the Sale and Purchase Agreements (copies of the Sale and Purchase Agreements have been produced to this meeting marked “A” and signed by the Chairman of the special general meeting for the purpose of identification) and the Transactions be and are hereby confirmed, ratified and approved; and
- (2) 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 Sale and Purchase Agreements and the Transactions.

For the purposes of this resolution, the terms “**Sale and Purchase Agreements**” and “**Transactions**” shall have the same definition as defined in the circular to the shareholders of the Company dated 3 May 2019.”

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

Hong Kong, 3 May 2019

*Head Office and Principal Place
of Business in Hong Kong:*
25/F, Kerry Centre
683 King’s Road
Quarry Bay
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) (the “SGM”) is entitled to appoint up to two individuals as his proxies. 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. Where there are joint holders of any share, any one of such persons may vote at the SGM, 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 SGM 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.
3. 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, Tricor Abacus Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, not less than 48 hours before the time appointed for the holding of the SGM. Completion and return of the form of proxy will not preclude a member from attending the SGM and voting in person if he so wishes.
4. The registers of members of the Company will be closed from Tuesday, 28 May 2019 to Friday, 31 May 2019, both days inclusive, during which period no transfer of shares will be effected. In order to be entitled to attend and vote at the SGM, all transfers accompanied by the relevant share certificates must be lodged for registration with Tricor Abacus Limited at the above address not later than 4:30 p.m. on Monday, 27 May 2019.
5. Shareholders are advised to read the circular to the shareholders of the Company dated 3 May 2019 which contains information concerning the resolution to be proposed in this notice.
6. The resolution to be proposed at the SGM shall be decided by poll.