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KERRY PROPERTIES LIMITED

(Incorporated in Bermuda with limited liability)

嘉里建設有限公司*

website: www.kerryprops.com

(Stock Code: 00683)



SHANGRI-LA ASIA LIMITED

香格里拉(亞洲)有限公司

(Incorporated in Bermuda with limited liability)

website: www.ir.shangri-la.com

(Stock code: 00069)

**CONNECTED TRANSACTIONS
IN RELATION TO THE ACQUISITION OF
FURTHER INTERESTS IN
SHANGRI-LA INTERNATIONAL HOTELS
(KUNMING) LIMITED**

AND

**THE ENTERING INTO OF A NEW
SHAREHOLDERS' AGREEMENT**

**CONNECTED TRANSACTION
IN RELATION TO
THE ENTERING INTO OF
A NEW SHAREHOLDERS' AGREEMENT**

THE ACQUISITION AND THE NEW SHAREHOLDERS' AGREEMENT

On 8 October 2014, KPCL, a wholly-owned subsidiary of KPL, entered into the Sale and Purchase Agreement with MHL, pursuant to which MHL as seller agreed to sell, and KPCL as purchaser agreed to purchase, the Sale Shares and the Sale Loans for an aggregate amount of approximately US\$8.4 million (approximately HK\$65.1 million). Completion of the Sale and Purchase Agreement took place on the same date.

Immediately prior to the signing of the Sale and Purchase Agreement, HK JVCO was owned by SACL, KPCL and MHL as to 45%, 35% and 20%, respectively. The Sale Shares represent the entire 20% interests owned by MHL in HK JVCO. After Completion, HK JVCO will be owned by KPCL and SACL as to 55% and 45%, respectively.

As MHL will cease to be a shareholder of HK JVCO after Completion, on 8 October 2014, the JV Parties, Seanoble and KPHL entered into the New Shareholders' Agreement to terminate the Old Shareholders' Agreement and to govern their relationship in HK JVCO. In accordance with the terms of the New Shareholders' Agreement, the maximum funding commitment to be contributed by the JV Parties to HK JVCO will be increased from RMB1,070 million (approximately HK\$1,348 million) to RMB1,400 million (approximately HK\$1,764 million).

Based on the maximum funding commitment in HK JVCO of RMB1,400 million (approximately HK\$1,764 million) and the percentage shareholding of KPCL in HK JVCO after Completion, the maximum funding commitment to be contributed by the KPL Group to HK JVCO will be increased from RMB375 million (approximately HK\$472 million) to RMB770 million (approximately HK\$970 million). Although the percentage shareholding of SACL in HK JVCO remains unchanged after Completion, as a result of the increase in the maximum funding commitment to be contributed by the JV Parties to HK JVCO under the New Shareholders'

Agreement, the maximum funding commitment to be contributed by the SA Group to HK JVCO will be increased from RMB482 million (approximately HK\$607 million) to RMB630 million (approximately HK\$794 million).

IMPLICATIONS UNDER THE LISTING RULES

SACL is a wholly-owned subsidiary of SA. KHL is the controlling shareholder of both KPL and SA. SACL is an associate of KHL and hence a connected person of KPL.

HK JVCO was owned by SACL, KPCL and MHL as to 45%, 35% and 20%, respectively, immediately prior to the entering into of the Sale and Purchase Agreement. Accordingly, the Acquisition constitutes a connected transaction for KPL under Rule 14A.28 of the Listing Rules as KPCL acquires the Sale Shares and the Sale Loans from MHL (which is not a connected person of KPL) and SACL, being an associate of KHL (being a controller of KPL), is a substantial shareholder of HK JVCO. As one or more of the applicable percentage ratios for KPL in respect of the Acquisition is more than 0.1% but all the applicable percentage ratios are less than 5%, the Acquisition is subject to announcement and reporting requirements but is exempt from the independent shareholders' approval requirement.

In addition, the entering into of the New Shareholders' Agreement constitutes a connected transaction for KPL. As one or more of the applicable percentage ratios for KPL in respect of the maximum funding commitment to be contributed by the KPL Group to HK JVCO is more than 0.1% but all the applicable percentage ratios are less than 5%, the New Shareholders' Agreement is subject to announcement and reporting requirements but is exempt from the independent shareholders' approval requirement.

KPCL is a wholly-owned subsidiary of KPL. KHL is the controlling shareholder of both KPL and SA. KPL is an associate of KHL and therefore KPCL is a connected person of SA. The entering into of the New Shareholders' Agreement constitutes a connected transaction for SA. As one or more of the applicable percentage ratios for SA in respect of the maximum funding commitment to be contributed by the SA Group to HK JVCO is more than 0.1% but all the applicable percentage ratios are less than 5%, the New Shareholders' Agreement is subject to announcement and reporting requirements but is exempt from the independent shareholders' approval requirement.

INTRODUCTION

Reference is made to the Joint Announcement of KPL and SA dated 14 June 2012 regarding the establishment of HK JVCO as the joint venture between KPL, SA and MHL in relation to the Project in Kunming City, Yunnan Province, the PRC.

On 8 October 2014, KPCL, a wholly-owned subsidiary of KPL, entered into the Sale and Purchase Agreement with MHL, pursuant to which MHL as seller agreed to sell, and KPCL as purchaser agreed to purchase, the Sale Shares and the Sale Loans for an aggregate amount of approximately US\$8.4 million (approximately HK\$65.1 million).

Immediately prior to the signing of the Sale and Purchase Agreement, HK JVCO was owned by SACL, KPCL and MHL as to 45%, 35% and 20%, respectively. The Sale Shares represent the entire 20% interests owned by MHL in HK JVCO. After Completion, HK JVCO will be owned by KPCL and SACL as to 55% and 45%, respectively.

In connection with the Acquisition, on 8 October 2014, the JV Parties, Seanoble and KPHL entered into the New Shareholders' Agreement to terminate the Old Shareholders' Agreement and to govern their relationship in HK JVCO.

THE SALE AND PURCHASE AGREEMENT

The principal terms of the Sale and Purchase Agreement are set out below:-

Date: 8 October 2014

Parties: MHL as seller
KPCL as purchaser

Assets to be acquired: (a) the Sale Shares, representing 20% interests in HK JVCO; and (b) the Sale Loans of US\$7.8 million (approximately HK\$60.4 million), representing the amount of the outstanding shareholders' loans advanced by MHL to HK JVCO.

Consideration: The Consideration for the sale of the Sale Shares and the Sale Loans is approximately US\$8.4 million (approximately HK\$65.1 million), of which:

- (a) US\$7.8 million (approximately HK\$60.4 million) shall be the consideration for the sale of the Sale Loans; and
- (b) the remaining amount of approximately US\$0.6 million (approximately HK\$4.7 million) shall be the consideration for the sale of the Sale Shares.

The Consideration shall be payable in cash on Completion. The Consideration was arrived at based on arms' length negotiation between KPCL and MHL with reference to the consolidated net asset value of HK JVCO, the market value of the Project Sites and property under development held by the PRC Project Company, and the amount of the Sale Loans. KPL funded the Consideration from its internal cash reserves.

Completion: Completion took place on the date of signing of the Sale and Purchase Agreement.

THE NEW SHAREHOLDERS' AGREEMENT

As disclosed in the Joint Announcement, on 4 June 2012, the JV Parties, MHL and their respective related entities entered into the Old Shareholders' Agreement setting out the terms of the joint venture and the establishment of HK JVCO. As MHL will cease to be a shareholder of HK JVCO after Completion, the JV Parties, Seanoble and KPHL have entered into the New Shareholders' Agreement to terminate the Old Shareholders' Agreement and to govern their relationship in HK JVCO, the principal terms of which are set out below:-

Date: 8 October 2014

Parties: KPCL, SACL, Seanoble and KPHL

Shareholding in HK JVCO: HK JVCO shall be owned by KPCL and SACL as to 55% and 45%, respectively.

Business of HK JVCO and the PRC Project Company: The business of HK JVCO is to invest in the PRC Project Company and all ancillary business relating thereto. The business of the PRC Project Company shall be the ownership of the Project Sites and the construction, development, operation and management of the Project and all other activities incidental or ancillary thereto.

Maximum funding commitment: The maximum funding commitment (whether equity, loan or otherwise) in respect of HK JVCO shall be RMB 1,400 million (approximately HK\$1,764 million) and shall be shared between KPCL and SACL in proportion to their respective shareholdings in HK JVCO as follows:-

KPCL: RMB770 million (approximately HK\$970 million)

SACL: RMB630 million (approximately HK\$794 million)

As disclosed in the Joint Announcement, the original maximum funding commitment as set out in the Old Shareholders' Agreement was RMB1,070 million (approximately HK\$1,348 million). The revised maximum funding commitment of RMB1,400 million (approximately HK\$1,764 million) as set out in the New Shareholders' Agreement was arrived at with reference to the latest estimated development costs of the Project.

Funding and provision of securities: The sources and terms of future funding requirements of HK JVCO shall be determined by the board of directors of HK JVCO from time to time. If shareholders' funding is required, each JV Party shall provide or procure the provision of or make available by itself and/or its Affiliates such funding on a pro rata and several basis in accordance with its shareholding in HK JVCO. If any funding by banks, financial institutions or other third parties is required, each JV Party shall provide or procure the provision of or make available by itself and/or its Affiliates such form of guarantee/security on a pro rata and several basis based on its equity interest in HK JVCO as such lender(s) and the JV Parties may agree.

INFORMATION ON HK JVCO

HK JVCO is a limited liability company incorporated in Hong Kong and was, prior to the entering into of the Sale and Purchase Agreement, owned by SACL, KPCL and MHL as to 45%, 35% and 20%, respectively. The principal business of HK JVCO and its subsidiary are the holding and development of the Project Sites situated at Kunming City, Yunnan Province, the PRC.

Based on the audited consolidated financial statements of HK JVCO for the two years ended 31 December 2012 and 2013:

- (a) both the net loss before and after taxation attributable to the Sale Shares for the year ended 31 December 2012 is US\$964 (approximately HK\$7,471);
- (b) both the net loss before and after taxation attributable to the Sale Shares for the year ended 31 December 2013 is US\$78,304 (approximately HK\$606,856); and
- (c) the net asset value of the Sale Shares as at 31 December 2013 is US\$133,378 (approximately HK\$1,033,680).

Upon Completion, the percentage interest of KPCL in HK JVCO will be increased from 35% to 55% and HK JVCO will become a 55%-owned subsidiary of KPL, while HK JVCO remains to be a 45%-owned associated company of SA.

FINANCIAL EFFECTS OF THE TRANSACTIONS

In accordance with the terms of the New Shareholders' Agreement, the maximum funding commitment to be contributed by the JV Parties to HK JVCO will be increased from RMB1,070 million (approximately HK\$1,348 million) to RMB1,400 million (approximately HK\$1,764 million).

Based on the maximum funding commitment in HK JVCO of RMB1,400 million (approximately HK\$1,764 million) and the percentage shareholding of KPCL in HK JVCO after Completion, the maximum funding commitment to be contributed by the KPL Group to HK JVCO will be increased from RMB375 million (approximately HK\$472 million) to RMB770 million (approximately HK\$970 million). Although the percentage shareholding of SACL in HK JVCO remains unchanged after Completion, as a result of the increase in the maximum funding commitment to be contributed by the JV Parties to HK JVCO under the New Shareholders' Agreement, the maximum funding commitment to be contributed by the SA Group to HK JVCO will be increased from RMB482 million (approximately HK\$607 million) to RMB630 million (approximately HK\$794 million).

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

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

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

In view of the fact that the Project Sites are currently expected to be developed into hotel, retail facilities and serviced apartments, the KPL Group has reviewed and decided that it has sufficient capability, expertise and financial resources to develop the Project with the SA Group. The Transactions have provided a good opportunity for the KPL Group to increase its interest in the Project at a reasonable consideration.

As a result of KPCL's entering into of the Sale and Purchase Agreement, SACL is also required to enter into the New Shareholders' Agreement while the percentage shareholding of SACL in HK JVCO remains unchanged.

INFORMATION ABOUT THE KPL GROUP, THE SA GROUP AND MHL

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

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

MHL is an investment holding company incorporated in the British Virgin Islands with limited liability. To the best of the knowledge, information and belief of the KPL Directors having made all reasonable enquiries, save that MHL owned 20% interests in HK JVCO immediately prior to the entering into of the Sale and Purchase Agreement, MHL and its ultimate beneficial owner are independent of KPL and its connected persons.

IMPLICATIONS UNDER THE LISTING RULES

In respect of KPL

SACL is a wholly-owned subsidiary of SA. KHL is the controlling shareholder of both KPL and SA. SA is an associate of KHL and hence a connected person of KPL.

HK JVCO was owned by SA, KPCL and MHL as to 45%, 35% and 20%, respectively, immediately prior to the entering into of the Sale and Purchase Agreement. Accordingly, the Acquisition constitutes a connected transaction for KPL under Rule 14A.28 of the Listing Rules as KPCL acquires the Sale Shares and the Sale Loans from MHL (which is not a connected person of KPL) and SA, being an associate of KHL (being a controller of KPL), is a substantial shareholder of HK JVCO.

As one or more of the applicable percentage ratios for KPL in respect of the Acquisition is more than 0.1% but all the applicable percentage ratios are less than 5%, the Acquisition is subject to announcement and reporting requirements but is exempt from the independent shareholders' approval requirement. The KPL Directors (including the independent non-executive directors of KPL) take the view that the Acquisition is on normal commercial terms, the terms of which are fair and reasonable and that the Acquisition is in the interests of KPL and the KPL Shareholders as a whole.

In addition, the entering into of the New Shareholders' Agreement constitutes a connected transaction for KPL. As one or more of the applicable percentage ratios for KPL in respect of the maximum funding commitment to be contributed by the KPL Group to HK JVCO is more than 0.1% but all the applicable percentage ratios are less than 5%, the New Shareholders' Agreement is subject to announcement and reporting requirements but is exempt from the independent shareholders' approval requirement. The KPL Directors (including the independent non-executive directors of KPL) take the view that the New Shareholders' Agreement is on normal commercial terms and in the ordinary and usual course of business of the KPL Group, the terms of which are fair and reasonable and that the entering into of the New Shareholders' Agreement is in the interests of KPL and the KPL Shareholders as a whole.

The KPL Board confirms that none of the KPL Directors had any material interest in the Transactions and accordingly none of the KPL Directors was required to abstain from voting on the resolutions in relation to the Transactions.

In respect of SA

KPCL is a wholly-owned subsidiary of KPL. KHL is the controlling shareholder of both KPL and SA. KPL is an associate of KHL and therefore KPCL is a connected person of SA. The entering into of the New Shareholders' Agreement constitutes a connected transaction for SA.

As one or more of the applicable percentage ratios for SA in respect of the maximum funding commitment to be contributed by the SA Group to HK JVCO is more than 0.1% but all the applicable percentage ratios are less than 5%, the New Shareholders' Agreement is subject to announcement and reporting requirements but is exempt from the independent shareholders' approval requirement.

Mr KUOK Khoon Chen, an executive director of SA, has abstained from voting on the SA Board resolutions in relation to the transactions contemplated under the New Shareholders' Agreement as required by SA's bye-laws. Save for Mr KUOK Khoon Chen, the SA Board confirms that none of the other SA Directors had any material interest in the transactions contemplated under the New Shareholders' Agreement.

Save for Mr KUOK Khoon Chen, all other SA Directors (including the independent non-executive directors of SA) take the view that the New Shareholders' Agreement is on normal commercial terms and in the ordinary and usual course of business of the SA Group, the terms of which are fair and reasonable and that the entering into of the New Shareholders' Agreement is in the interests of SA and the SA Shareholders as a whole.

DEFINITIONS

In this joint announcement, the following expression shall have the following meanings:

"Acquisition"	the acquisition of the Sale Shares and the Sale Loans by KPCL from MHL on the terms and conditions of the Sale and Purchase Agreement
"Affiliate(s)"	in relation to any of the JV Party, any subsidiary or holding company of that JV Party or subsidiary of any such holding company, in each case from time to time
"associate"	has the meaning ascribed to it in the Listing Rules
"Completion"	completion of the Sale and Purchase Agreement
"connected person(s)"	has the meaning ascribed to it in the Listing Rules
"Consideration"	the aggregate amount of consideration payable by KPCL for the acquisition of the Sale Shares and the Sale Loans under the terms of the Sale and Purchase Agreement, being approximately US\$8.4 million (approximately HK\$65.1 million)
"controller"	has the meaning ascribed to it in Rule 14A.28(1) of the Listing Rules
"controlling shareholder"	has the meaning ascribed to it in the Listing Rules
"HK JVCO"	Shangri-La International Hotels (Kunming) Limited, a limited liability company incorporated in Hong Kong
"HK\$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	Hong Kong Special Administrative Region of the PRC

"Joint Announcement"	the joint announcement of KPL and SA dated 14 June 2012 regarding the establishment of HK JVCO
"JV Parties"	collectively, KPCL and SACL, and the expression "JV Party" shall mean any one of them
"KHL"	Kerry Holdings Limited, a company incorporated in Hong Kong which as at the date of this joint announcement is the controlling shareholder of each of KPL and SA
"KPCL"	Kerry Properties (China) Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of KPL
"KPHL"	Kerry Properties (China) Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of KPL
"KPL"	Kerry Properties Limited, an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
"KPL Board"	the board of KPL Directors
"KPL Directors"	directors of KPL
"KPL Group"	KPL and its subsidiaries
"KPL Shareholders"	shareholders of KPL
"Listing Rules"	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"MHL"	Moneyeasy Holdings Limited, a company incorporated in the British Virgin Islands with limited liability
"New Shareholders' Agreement"	the shareholders' agreement dated 8 October 2014 and entered into by the JV Parties, Seanoble and KPHL terminating the Old Shareholders' Agreement and governing their relationship in HK JVCO
"Old Shareholders' Agreement"	the shareholders' agreement entered into by the JV Parties, MHL, Seanoble, KPHL and Mr Chau Chi Keung on 4 June 2012 setting out the terms of the joint venture and the establishment of HK JVCO (as varied)
"percentage ratios"	has the meaning ascribed to it in Chapter 14 of the Listing Rules
"PRC"	The People's Republic of China

"PRC Project Company"	建安置業(昆明)有限公司 (Jian'an Real Estate (Kunming) Co., Ltd.*), a wholly foreign-owned enterprise established by HK JVCO in Kunming City, Yunnan Province, the PRC for the purpose of holding and developing the Project Sites
"Project"	the development of the Project Sites which may include hotel, retail facilities and serviced apartments
"Project Sites"	the two adjoining sites with land plot numbers KCPL2012-16-A1 and KCPL2012-16-A2 located at 88-96 Dong Feng Dong Road, Panlong District, Kunming City, Yunnan Province, the PRC (中國雲南省昆明市盤龍區東風東路 88-96 號)
"RMB"	Renminbi, the lawful currency of the PRC
"SA"	Shangri-La Asia Limited, an exempted company incorporated in Bermuda with limited liability, the shares of which are primarily listed on the Main Board of the Stock Exchange with secondary listing on the Singapore Exchange Securities Trading Limited
"SA Board"	the board of SA Directors
"SA Directors"	directors of SA
"SA Group"	SA and its subsidiaries
"SA Shareholders"	shareholders of SA
"SACL"	Shangri-La China Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of SA
"Sale and Purchase Agreement"	the sale and purchase agreement dated 8 October 2014 and entered into between MHL as seller and KPCL as purchaser in relation to the Acquisition
"Sale Loans"	the outstanding shareholder's loans advanced by MHL to HK JVCO as at the date of the Sale and Purchase Agreement, being US\$7.8 million (approximately HK\$60.4 million)
"Sale Shares"	20 ordinary shares in the share capital of HK JVCO legally and beneficially owned by MHL, representing 20% of the issued share capital of HK JVCO as at the date of the Sale and Purchase Agreement
"Seanoble"	Seanoble Assets Limited, a limited liability company incorporated in the British Virgin Islands and a wholly-owned subsidiary of SA
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"substantial shareholder"	has the meaning ascribed to it in the Listing Rules

"Transactions"	collectively, the Acquisition and the transactions contemplated under the New Shareholders' Agreement
"US\$"	United States dollars, the lawful currency of the United States
"%"	per cent.

Amounts denominated in RMB and US\$ in this joint announcement have been converted into HK\$ at the rate of RMB1 = HK\$1.26 and US\$1 = HK\$7.75 for illustration purpose only.

By order of the board
Kerry Properties Limited
WONG Siu Kong
Chairman

By order of the board
Shangri-La Asia Limited
LUI Man Shing
Deputy Chairman

Hong Kong, 8 October 2014

As at the date of this joint announcement, the directors of KPL and SA are:

KPL

Executive directors

Mr WONG Siu Kong
Mr HO Shut Kan
Mr QIAN Shaohua
Mr Bryan Pallop GAW

Independent non-executive directors

Mr LAU Ling Fai, Herald
Mr KU Moon Lun
Ms WONG Yu Pok, Marina, JP
Mr CHANG Tso Tung, Stephen

SA

Executive directors

Mr KUOK Khoon Chen
Mr LUI Man Shing
Mr Madhu Rama Chandra RAO
Mr Gregory Allan DOGAN

Non-executive directors

Mr HO Kian Guan
Mr HO Kian Hock
(alternate to Mr HO Kian Guan)

Independent non-executive directors

Mr Alexander Reid HAMILTON
Mr Timothy David DATTELS
Mr WONG Kai Man
Professor LI Kwok Cheung Arthur

** For identification purpose only*