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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)

CONNECTED TRANSACTIONS TENANCIES OF KERRY CENTRE

Reference is made to the announcement of the Company dated 20 October 2016 in relation to the tenancies in respect of Premises A, Premises B and the Units. The Existing Agreements will expire on 18 November 2019. On 13 November 2019, KPLHK, FCHL and AILL as tenants, being the wholly-owned subsidiaries of the Company, have accepted the Offers made by Ubagan as landlord to renew the tenancies in respect of Premises A, Premises B and the Units and to take up a new tenancy in respect of Premises C for a term of three years commencing on 19 November 2019 and expiring on 18 November 2022 (both days inclusive).

Ubagan is indirectly owned by KHL and the Company as to 60% and 40%, respectively. KHL is the controlling shareholder of the Company. Ubagan is an associate of KHL and is therefore a connected person of the Company. As such, the rental payment under the Agreements will constitute a one-off connected transaction for the Company under the Listing Rules.

The HKFRS 16 “Leases” has become effective on 1 January 2019. In accordance with HKFRS 16 “Leases”, the Group is expected to recognise the value of right-of-use assets on its balance sheet in connection with the rental payment under the Agreements, the Transactions will be regarded as an acquisition of asset by the Group.

As the applicable percentage ratios in respect of the value of the right-of-use assets under the Agreements are more than 0.1% but less than 5%, the transactions under the Agreements are subject to the announcement and reporting requirements but are exempt from the independent shareholders’ approval requirement under the Listing Rules.

* For identification purpose only

INTRODUCTION

On 13 November 2019, KPLHK, FCHL and AILL as tenants, being the wholly-owned subsidiaries of the Company, have accepted the Offers made by Ubagan as landlord to renew the tenancies in respect of Premises A, Premises B and the Units and to take up a new tenancy in respect of Premises C for a term of three years commencing on 19 November 2019 and expiring on 18 November 2022 (both days inclusive).

THE OFFERS

I. The two tenancies in respect of KPLHK

Date of acceptance:	13 November 2019
Landlord:	Ubagan
Tenant:	KPLHK
Leased premises:	(1) Premises A and Premises C (2) Premises B
Lease term:	A fixed term of three years commencing on 19 November 2019 and expiring on 18 November 2022 (both days inclusive).
Rental:	(1) Rental of HK\$3,790,255.30 per month for both Premises A and Premises C (2) Rental of HK\$667,480.00 per month for Premises B
Right to sub-let:	(1) KPLHK does not have any right to sub-let Premises A and Premises C. (2) KPLHK is granted a right to sub-let Premises B to such company(ies) with the prior written approval of Ubagan provided that such sub-letting shall be subject to such terms and conditions as contained in the relevant Agreement.
Signing of formal tenancy agreement:	Ubagan and KPLHK shall enter into the relevant Agreements in respect of the tenancies of the Premises. The relevant Agreements shall contain substantially the same terms and conditions as the relevant Existing Agreements with such variations as shall be necessary to reflect the tenancy renewals and the terms as set out in the Offers.

II. The tenancy in respect of FCHL

Date of acceptance:	13 November 2019
Landlord:	Ubagan
Tenant:	FCHL
Leased premises:	Unit A
Lease term:	A fixed term of three years commencing on 19 November 2019 and expiring on 18 November 2022 (both days inclusive).
Rental:	From 19 November 2019 to 18 November 2021: Rental of HK\$97,068.00 per month From 19 November 2021 to 18 November 2022: Prevailing market rent
Signing of formal tenancy agreement:	Ubagan and FCHL shall enter into the relevant Agreement in respect of the renewed tenancy. The relevant Agreement shall contain substantially the same terms and conditions as the relevant Existing Agreement with such variations as shall be necessary to reflect the tenancy renewal.

III. The tenancy in respect of AILL

Date of acceptance:	13 November 2019
Landlord:	Ubagan
Tenant:	AILL
Leased premises:	Unit B
Lease term:	A fixed term of three years commencing on 19 November 2019 and expiring on 18 November 2022 (both days inclusive).
Rental:	From 19 November 2019 to 18 November 2021: Rental of HK\$16,408.00 per month From 19 November 2021 to 18 November 2022: Prevailing market rent
Licence for an area on Level 2 of Kerry Centre:	Ubagan has continued granting AILL a licence under the Offers to use an area on Level 2 of Kerry Centre subject to such terms and conditions as contained in the relevant Agreement.

Signing of formal tenancy agreement: Ubagan and AIL shall enter into the relevant Agreement in respect of the renewed tenancy. The relevant Agreement shall contain substantially the same terms and conditions as the relevant Existing Agreement with such variations as shall be necessary to reflect the tenancy renewal.

In accordance with HKFRS 16 “Leases”, the rental payment under the Agreements will be recognised as right-of-use assets of the Group on 19 November 2019 for an amount of approximately HK\$157 million.

INFORMATION ABOUT THE GROUP, KPLHK, FCHL, AIL AND UBAGAN

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 Mainland and the Asia Pacific region; hotel ownership in Hong Kong, and hotel ownership and operations in the Mainland; and integrated logistics and international freight forwarding.

KPLHK, FCHL and AIL are companies incorporated in Hong Kong with limited liability and the wholly-owned subsidiaries of the Company. The principal activity of KPLHK is investment holding and provision of administrative support services and the principal activities of FCHL and AIL are restaurant operation.

Ubagan carries on the business of property investment and is a company incorporated in Hong Kong with limited liability which is indirectly owned by KHL and the Company as to 60% and 40%, respectively. KHL is an investment holding company and the controlling shareholder of the Company.

REASONS FOR AND BENEFITS OF ENTERING INTO OF THE AGREEMENTS

The Group has been using Premises A and Premises B as its corporate offices in Hong Kong and the Units for restaurants operations in Kerry Centre, and has decided to renew the tenancies in respect of Premises A, Premises B and the Units under the Existing Agreements which will expire on 18 November 2019 and to take up a new tenancy in respect of Premises C as the Group will expand its corporate offices.

The terms of the Offers (including the rent) have been arrived at after arm’s length negotiation between KPLHK, FCHL and AIL as tenants and Ubagan as landlord with reference to the prevailing market rentals of the office and food and beverage premises located in the vicinity of Kerry Centre.

The Directors (including the independent non-executive Directors) consider that the Transactions are entered into in the ordinary and usual course of business of the Group and believe that the terms of the Agreements are on normal commercial terms and are fair and reasonable and in the interest of the Company and its shareholders as a whole.

Both Mr. Kuok Khoo Hua, the Vice Chairman and Chief Executive Officer of the Company, and Mr. Bryan Pallop Gaw, the Executive Director of the Company, have declared that each of them together with their respective associates are directly or indirectly interested in 5% or more of the issued shares of KHL. Pursuant to the requirements of the Listing Rules, they have abstained from voting on the relevant resolutions of the Board approving the Transactions.

IMPLICATIONS UNDER THE LISTING RULES

Ubagan is indirectly owned by KHL and the Company as to 60% and 40%, respectively. KHL is the controlling shareholder of the Company. Ubagan is an associate of KHL and is therefore a connected person of the Company. As such, the rental payment under the Agreements will constitute a one-off connected transaction for the Company under the Listing Rules.

The HKFRS 16 “Leases” has become effective on 1 January 2019. In accordance with HKFRS 16 “Leases”, the Group is expected to recognise the value of right-of-use assets on its balance sheet in connection with the rental payment under the Agreements, the Transactions will be regarded as an acquisition of asset by the Group.

As the applicable percentage ratios in respect of the value of the right-of-use assets under the Agreements are more than 0.1% but less than 5%, the transactions under the Agreements are subject to the announcement and reporting requirements but are exempt from the independent shareholders’ approval requirement under the Listing Rules.

DEFINITIONS

“ A I L ”	Asia Insight Investments Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company;
“ Agreements ”	the formal tenancy agreements to be entered into between Ubagan as landlord and each of (1) KPLHK as tenant in respect of the leasing of the Premises; (2) FCHL as tenant in respect of the leasing of Unit A; and (3) A I L as tenant in respect of the leasing of Unit B incorporating the principal terms of their respective Offers;
“ associates ”	has the meaning ascribed to it in the Listing Rules;
“ Board ”	the board of Directors;
“ 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;
“ connected person ”	has the meaning ascribed to it in the Listing Rules;
“ controlling shareholder ”	has the meaning ascribed to it in the Listing Rules;
“ Directors ”	directors of the Company;
“ Existing Agreement(s) ”	the tenancy agreements entered into between Ubagan as landlord and each of (1) KPLHK as tenant dated 14 December 2016 in respect of the leasing of Premises A and Premises B; and (2) FCHL as tenant dated 13 March 2017 in respect of the leasing of Unit A; and (3) A I L as tenant dated 13 March 2017 in respect of the leasing of Unit B;

“FCHL”	Fine Century Holdings Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company;
“Group”	the Company and its subsidiaries;
“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants from time to time;
“Kerry Centre”	located at No. 683, King’s Road, Quarry Bay, Hong Kong, being wholly-owned by Ubagan;
“KHL”	Kerry Holdings Limited, a company incorporated in Hong Kong with limited liability, which as at the date of this announcement is the controlling shareholder of the Company;
“KPLHK”	Kerry Properties (H.K.) Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company;
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange;
“Offers”	the letters of offers issued by the leasing agent of the landlord, Ubagan, to (1) KPLHK for the renewal of existing tenancy in respect of Premises A and Premises B and the new tenancy in respect of Premises C; (2) FCHL for the renewal of existing tenancy in respect of Unit A; and (3) AIL for the renewal of existing tenancy in respect of Unit B, in accordance with the terms and conditions set out therein;
“percentage ratios”	has the meaning ascribed to it in the Listing Rules;
“Premises A”	Units 1 and 2 on Level 5, Level 22, Level 25 and Level 26 of Kerry Centre;
“Premises B”	Unit 1 on Level 3 of Kerry Centre;
“Premises C”	Unit 2 on Level 3 of Kerry Centre;
“Premises”	collectively, Premises A, Premises B and Premises C;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Transactions”	the acceptance of the Offers by KPLHK, FCHL and AIL and the entering into of the Agreements;
“Ubagan”	Ubagan Limited, a company incorporated in Hong Kong with limited liability in which KHL and the Company have an indirect interest of 60% and 40%, respectively;

“Unit A” Unit 1 on Level 2 of Kerry Centre;
“Unit B” Units 2A and 2B on Level 2 of Kerry Centre; and
“Units” collectively, Unit A and Unit B.

By Order of the Board
Kerry Properties Limited
Li Siu Ching, Liz
Company Secretary

Hong Kong, 13 November 2019

As at the date of this announcement, the Directors of the Company are:

Executive Directors: *Messrs. Wong Siu Kong, Kuok Khoon Hua, Bryan Pallop Gaw and Wong Chi Kong, Louis*

Independent Non-executive Directors: *Mr. Ku Moon Lun, Ms. Wong Yu Pok, Marina, JP and Mr. Chang Tso Tung, Stephen*