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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)

**UPDATE ON DISCLOSEABLE TRANSACTION
IN RELATION TO
THE DISPOSAL OF TWO WAREHOUSES
IN HONG KONG**

THE SALE AND PURCHASE AGREEMENT

Reference is made to the Announcement in relation to the acceptance of the offer for the disposal of two Warehouses.

The Board is pleased to announce that the Vendor, a wholly-owned subsidiary of Kerry Properties Limited (the “**Company**”), the Purchaser (as nominated by China Resources Logistics (Group) Limited (“**CRL**”), the Company and the Purchaser’s Guarantor have entered into the definitive sale and purchase agreement (i.e. the SPA) on 8 June 2022 to finalise the terms and conditions of the disposal of two Warehouses. Pursuant to the SPA, the Vendor has agreed to sell and the Purchaser has agreed to purchase the entire issued share capital of the Target Companies which in turn hold the Warehouses via two intermediate holding companies, for an aggregate consideration of HK\$4,620 million (subject to customary adjustment). The Group will no longer have any interest in the Target Companies upon completion of the Disposal.

LISTING RULES IMPLICATIONS

As the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules in respect of the Disposal exceed 5% but less than 25%, the Disposal constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

** For identification purpose only*

INTRODUCTION

Reference is made to the Announcement in relation to the acceptance of the offer for the disposal of two Warehouses.

The Board is pleased to announce that the Vendor, a wholly-owned subsidiary of the Company, the Purchaser (as nominated by CRL), the Company and the Purchaser's Guarantor have entered into the SPA on 8 June 2022 to finalise the terms and conditions of the disposal of two Warehouses. Pursuant to the SPA, the Vendor has agreed to sell and the Purchaser has agreed to purchase the entire issued share capital of the Target Companies which in turn hold the Warehouses via two intermediate holding companies, for an aggregate consideration of HK\$4,620 million (subject to customary adjustment). The Group will no longer have any interest in the Target Companies upon completion of the Disposal. The completion of the Disposal is conditional on the fulfillment (or waiver) of the conditions precedent as set out in the SPA.

PRINCIPAL TERMS OF THE SPA

The principal terms of the SPA are set out below:-

Date

8 June 2022

Parties

- (1) Purchaser: DELAWARE INDUSTRIAL LIMITED (as nominated by CRL);
- (2) Vendor: GIANT ASSETS HOLDINGS LIMITED, a wholly-owned subsidiary of the Company;
- (3) Purchaser's Guarantor: CHINA RESOURCES ENTERPRISE, LIMITED; and
- (4) Vendor's Guarantor: KERRY PROPERTIES LIMITED.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, the Purchaser, the Purchaser's Guarantor and their ultimate beneficial owner(s) are independent third parties of the Company and its connected persons.

Subject Matter

The entire issued share capital of the Target Companies which are the respective holding companies of:-

- (a) the Chai Wan Warehouse; and
- (b) the Shatin Warehouse.

Consideration, Payment Terms and Completion

The aggregate consideration of HK\$4,620 million shall be allocated as to HK\$2,290 million for the disposal concerning the Chai Wan Target Company, and HK\$2,330 million for the disposal concerning the Shatin Target Company, but shall be adjusted by the amount of aggregate net assets or liabilities (other than the Warehouses) of the Target Group Companies as at the completion of the Disposal subject to the terms of the SPA.

Initial Deposit

An initial deposit of HK\$138.6 million, being 3% of the aggregate consideration, has been released to the Vendor (or the Vendor's designated nominee) upon execution of the SPA.

Further Deposit

The Purchaser has made a payment of further deposit in the amount of 7% of the aggregate consideration to the Vendor (or the Vendor's designated nominee) directly (i.e. a further deposit of HK\$323.4 million) upon execution of the SPA.

Balance

The balance of the aggregate consideration shall be paid in full by the Purchaser to the Vendor (or the Vendor's designated nominee) directly upon completion of the Disposal (subject to customary adjustment).

Completion

The completion shall take place at or before 3:00 p.m. on 30 June 2022 or such other date as may be mutually agreed between the Vendor and the Purchaser whereupon payment of the balance of the aggregate consideration will be made by the Purchaser, subject to the terms of the SPA. Upon completion of the Disposal, the Target Companies will cease to be subsidiaries of the Company.

The terms of the Disposal (including the aggregate consideration) were offered by CRL in writing as a result of a tender and sale process and were accepted by the Vendor, as the best negotiated offer received from a willing third-party buyer.

Conditions Precedent

The Purchaser's obligation to complete the Disposal is conditional on the fulfilment (or waiver by the Purchaser at its sole discretion) of, among other things, the major conditions as summarised below:-

- (a) the Vendor having shown and proved a good title to the Warehouses, and there being no breach of the key warranties in respect of the title and share;
- (b) the Warehouses are not substantially damaged or resumed or rendered substantially inaccessible and the reinstatement costs therefor exceeds the amount which is covered under the insurance policies and that vacant possession having been delivered (save and except those subject to tenancies); and
- (c) the Purchaser not having exercised its right to terminate the SPA pursuant to the anti-bribery provisions as set out in the SPA.

If the conditions are not fulfilled (or waived by the Purchaser) by the completion date:-

- (i) due to the Vendor's fault, the Purchaser may (A) proceed to completion and claim against the Vendor for loss suffered, and the Vendor shall continue to rectify the breach after completion; or (B) terminate the SPA, in which case the Vendor shall return the deposit and pay a sum equal to the deposit and thereafter the Parties shall have no claim against any other Party;
- (ii) due to the Purchaser's fault, the Vendor may (A) proceed to completion and claim against the Purchaser for loss suffered; or (B) terminate the SPA, in which case the deposit shall be forfeited and thereafter the Parties shall have no claim against any other Party; and
- (iii) due to neither the Vendor's nor the Purchaser's fault, the Purchaser has the right to either (A) terminate the SPA whereupon the deposit shall be returned to the Purchaser and the Parties shall have no claim against any other Party; or (B) proceed to completion with no claims against the other Party for the non-fulfilment of the relevant conditions.

Guarantee

The Company and the Purchaser's Guarantor guarantee the performance of the SPA obligations by the Vendor and the Purchaser respectively.

INFORMATION ABOUT THE PARTIES

The Vendor

The Vendor is a company incorporated in the British Virgin Islands with limited liability and is an indirect wholly-owned subsidiary of the Company. The principal activity of the Vendor is investment holding.

The Vendor's Guarantor

The Vendor's Guarantor is an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange. 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.

The Purchaser

The Purchaser is a company incorporated in the British Virgin Islands with limited liability and is an indirect wholly-owned subsidiary of China Resources, the ultimate beneficial owner of the Purchaser. The principal activity of the Purchaser is investment holding.

The Purchaser's Guarantor

The Purchaser's Guarantor is a company incorporated in Hong Kong with limited liability and is ultimately owned by China Resources. The principal activity of the Purchaser's Guarantor is investment holding.

China Resources is a Chinese state-owned entity supervised by the State-owned Assets Supervision and Administration Commission of the State Council. It holds businesses in a variety of sectors including consumer products, integrated energy, urban construction and operation, healthcare, industrial finance, as well as technology and emerging sectors.

DETAILS OF THE TARGET COMPANIES

Please refer to the section headed “Details of the Target Companies” in the Announcement for the general and financial information of the Target Companies.

REASONS FOR AND BENEFITS OF THE DISPOSAL

Please refer to the section headed “Reasons for and Benefits of the Disposal” in the Announcement for the reasons for and benefits of the Disposal.

Having considered the terms of the Disposal, the Directors (including the independent non-executive Directors) believe that the Disposal is made in the ordinary and usual course of the business of the Group, the terms of the Disposal are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules in respect of the Disposal exceed 5% but less than 25%, the Disposal constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

“ Announcement ”	the announcement of the Company dated 22 May 2022 in relation to the acceptance of the offer for the disposal of two Warehouses;
“ Board ”	the board of Directors;
“ Chai Wan Target Company ”	DEC LIMITED, a company incorporated in the British Virgin Islands with limited liability, which is a wholly-owned subsidiary of the Company and the holding company of an intermediate holding company which is the registered and beneficial owner of the Chai Wan Warehouse;
“ Chai Wan Warehouse ”	a warehouse situated at No. 50 Ka Yip Street, Chai Wan, Hong Kong with a total gross floor area of 521,253 square feet;
“ China Resources ”	China Resources Company Limited, incorporated in the PRC;
“ Company ” or “ Vendor’s Guarantor ”	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;

“CRL”	China Resources Logistics (Group) Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of China Resources;
“Directors”	the directors of the Company;
“Disposal”	the disposal of the entire issued share capital of the Target Companies by the Vendor to the Purchaser pursuant to the terms of the SPA;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	Hong Kong Special Administrative Region of the PRC;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Parties”	all parties to the SPA and the expression “Party” shall mean any one of them;
“percentage ratios”	has the meaning ascribed to it in the Listing Rules;
“PRC”	the People’s Republic of China;
“Purchaser”	DELAWARE INDUSTRIAL LIMITED, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of China Resources;
“Purchaser’s Guarantor”	CHINA RESOURCES ENTERPRISE, LIMITED, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of China Resources;
“Shareholders”	shareholders of the Company;
“Shatin Target Company”	BELMINTON INC., a company incorporated in the British Virgin Islands with limited liability, which is a wholly-owned subsidiary of the Company and the holding company of an intermediate holding company which is the registered and beneficial owner of the Shatin Warehouse;
“Shatin Warehouse”	a warehouse situated at Nos. 36-42 Shan Mei Street, Shatin, New Territories, Hong Kong with a total gross floor area of 404,374 square feet;
“SPA”	being the sale and purchase agreement dated 8 June 2022 entered into between the Vendor, the Purchaser, the Company and the Purchaser’s Guarantor in relation to the Disposal;

“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules;
“Target Companies”	collectively, the Chai Wan Target Company and the Shatin Target Company and the expression “Target Company” shall mean any one of them;
“Target Group Companies”	collectively, the Target Companies and their two property holding subsidiaries;
“Vendor”	GIANT ASSETS HOLDINGS LIMITED, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company;
“Warehouses”	collectively, the Chai Wan Warehouse and the Shatin Warehouse; and
“%”	per cent.

By Order of the Board
Kerry Properties Limited
Cheung Ka Ki
Company Secretary

Hong Kong, 8 June 2022

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

Executive Directors: *Mr. Kuok Khoon Hua, Mr. Au Hing Lun, Dennis, Mr. Bryan Pallop Gaw and Ms. Serene Siew Noi Nah*

Independent Non-executive Directors: *Ms. Wong Yu Pok, Marina, JP, Mr. Hui Chun Yue, David, Mr. Cheung Leong and Mr. Chum Kwan Lock, Grant*