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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: 683)

CONTINUING CONNECTED TRANSACTIONS TENANCY AGREEMENT AND LICENCE AGREEMENTS

On 20 October 2016, KPLHK, a wholly-owned subsidiary of the Company, as tenant has accepted the Offer made by Ubagan as landlord to renew the tenancies in respect of the Premises for a term of 3 years commencing on 19 November 2016 and expiring on 18 November 2019 (both days inclusive). Ubagan and KPLHK have also entered into the Licence Agreements on various dates between 1 March 2011 and 5 January 2016 for the Group to use the Carparking Spaces on monthly basis. The Group has been using the Premises as its head office and principal place of business in Hong Kong and has decided to renew the tenancies in respect of the Premises under the Existing Tenancy Agreement which will expire on 18 November 2016.

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 therefore a connected person of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios in respect of the Annual Cap are more than 0.1% but less than 5% and the Transactions constitute continuing connected transactions for the Company under the Listing Rules, the Transactions are therefore subject to the announcement, reporting and annual review requirements but are exempt from the independent shareholders' approval requirement under the Listing Rules. Details of the Transactions will be disclosed in the Company's annual reports for the financial years during the term of the Agreements in accordance with the Listing Rules.

INTRODUCTION

On 20 October 2016, KPLHK, a wholly-owned subsidiary of the Company, as tenant has accepted the Offer made by Ubagan as landlord to renew the tenancies in respect of the Premises for a term of 3 years commencing on 19 November 2016 and expiring on 18 November 2019 (both days inclusive). Ubagan and KPLHK have also entered into the Licence Agreements on various dates between 1 March 2011 and 5 January 2016, pursuant to which Ubagan agreed to grant the licences to KPLHK for the use of the Carparking Spaces on monthly basis.

THE OFFER

Date of acceptance:	20 October 2016
Landlord:	Ubagan
Tenant:	KPLHK
Premises:	Unit 1 on Level 3, Units 1 and 2 on Level 5, Level 22, Level 25 and Level 26 of Kerry Centre
Lease term:	A fixed term of 3 years commencing on 19 November 2016 and expiring on 18 November 2019 (both days inclusive).
Rental, management fees and air-conditioning charges:	(1) Rental of HK\$3,846,144.00 per month; and (2) Management fee and air-conditioning charges of HK\$552,883.20 per month, subject to revision from time to time by the building manager of the Premises.

The rentals, management fees and air-conditioning charges shall be payable monthly in advance on the first day of each and every calendar month, the first of which shall be paid on or before the commencement date of the term of the New Tenancy Agreement.

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

Dates:	On various dates between 1 March 2011 to and 5 January 2016
Licensor:	Ubagan
Licensee:	KPLHK
Carparking Spaces:	12 fixed carparking spaces and 6 floating carparking spaces on the basement of Kerry Centre.
Licence term:	On monthly basis commencing on the respective dates of the Licence Agreements until termination by either party upon giving to the other party one month's prior written notice.
Licence fees:	A licence fee not exceeding HK\$3,500 per month for each fixed carparking space and a licence fee not exceeding HK\$2,700 per month for each floating carparking space. The licence fee under each of the Licence Agreements is inclusive of government rates and management fees and payable monthly in advance, and is subject to adjustment by Ubagan from time to time upon giving one month's prior written notice to KPLHK.

INFORMATION ABOUT THE GROUP AND UBAGAN

The principal activity of the Company is investment holding and the principal activities of the Company's subsidiaries and associates 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.

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 the Premises as its head office and principal place of business in Hong Kong and has decided to renew the tenancies in respect of the Premises under the Existing Tenancy Agreement which will expire on 18 November 2016.

The terms of the Offer and the Licence Agreements (including the rent and the licence fees) have been arrived at after arm's length negotiation between KPLHK and Ubagan with reference to the prevailing market rentals of the office premises and the prevailing licence fees of the carparking spaces located in the vicinity of Kerry Centre, Hong Kong.

The Directors (including the independent non-executive Directors) consider that the entering into of the Transactions is 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. Bryan Pallop Gaw, the Executive Director of the Company, and Mr. Kuok Khoon Hua, the Non-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.

ANNUAL CAP

Based on the rent, the management fee, air-conditioning charges and the licence fees payable under the Transactions and taking into account of the additional cost for extra air-conditioning supply after normal office hours and any possible adjustment to the management fee and/or the licence fees, the Directors believe that the maximum aggregate annual amount payable by KPLHK under the Transactions for each of the financial years ending 31 December 2019 will not exceed an annual cap of HK\$58 million.

The Directors (including the independent non-executive Directors) are of the view that the Annual Cap is fair and reasonable.

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 therefore a connected person of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios in respect of the Annual Cap are more than 0.1% but less than 5% and the Transactions constitute continuing connected transactions for the Company under the Listing Rules, the Transactions are therefore subject to the announcement, reporting and annual review requirements but are exempt from the independent shareholders' approval requirement under the Listing Rules. Details of the Transactions will be disclosed in the Company's annual reports for the financial years during the term of the Agreements in accordance with the Listing Rules.

DEFINITIONS

“Agreements”	the New Tenancy Agreement and the Licence Agreements;
“Annual Cap”	the expected maximum aggregate annual amount payable by KPLHK to Ubagan under the Agreements for the relevant financial years of the Company;
“associates”	has the meaning ascribed to it in the Listing Rules;
“Board”	the board of directors of the Company;
“Carparking Spaces”	the 12 fixed carparking spaces and the 6 floating carparking spaces on the basement of Kerry Centre;
“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”	the directors of the Company;
“Existing Tenancy Agreement”	the tenancy agreement entered into between Ubagan as landlord and KPLHK as tenant dated 25 November 2013 in respect of the leasing of the Premises;
“Group”	the Company and its subsidiaries;
“KHL”	Kerry Holdings Limited, a company incorporated in Hong Kong, 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 and a wholly-owned subsidiary of the Company;
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange;
“Licence Agreements”	the licence agreements entered into between Ubagan as licensor and KPLHK as licensee on various dates between 1 March 2011 and 5 January 2016 in respect of the use of the Carparking Spaces;

“New Tenancy Agreement”	the formal tenancy agreement to be entered into between Ubagan as landlord and KPLHK as tenant in respect of the leasing of the Premises incorporating the principal terms of the Offer;
“Offer”	the letter of offer issued by the leasing agent of the landlord, Ubagan to the tenant, KPLHK in respect of the renewal of the tenancies under the Existing Tenancy Agreement in respect of the Premises in accordance with the terms and conditions set out therein;
“percentage ratios”	has the meaning ascribed to it in Chapter 14 of the Listing Rules;
“Premises”	Unit 1 on Level 3, Units 1 and 2 on Level 5, Level 22, Level 25 and Level 26 of Kerry Centre, 683 King’s Road, Quarry Bay, Hong Kong;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Transactions”	the acceptance of the Offer by KPLHK and the entering into of the Agreements; and
“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.

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

Hong Kong, 20 October 2016

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

Executive Directors:

Messrs. Wong Siu Kong, Ho Shut Kan, Chin Siu Wa, Alfred and Bryan Pallop Gaw

Non-executive Director:

Mr. Kuok Khoon Hua

Independent Non-executive Directors:

Mr. Ku Moon Lun, Ms. Wong Yu Pok, Marina, JP and Mr. Chang Tso Tung, Stephen

** For identification purpose only*