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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 TRANSACTION
ACCEPTANCE OF OFFER REGARDING
THE DISPOSAL OF TWO WAREHOUSES
IN HONG KONG**

THE DISPOSAL

The Board announces that the Vendor, a wholly-owned subsidiary of Kerry Properties Limited, accepted, on 20 May 2022, a written binding offer from China Resources Logistics (Group) Limited (“CRL”) pursuant to which the Vendor has agreed to sell and CRL has agreed to purchase the entire issued share capitals of and all related shareholders’ loans (if applicable) to BELMINTON INC. and DEC LIMITED (“**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). Such transaction is subject to the definitive sale and purchase agreement (“SPA”) to be entered into between, *inter alia*, the Vendor and the Purchaser. The Vendor and the Purchaser will proceed with the negotiation to enter into the definitive SPA for the Disposal on the SPA Date. Upon completion of the Disposal, the Group will no longer have any interest in the Target Companies.

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

The Board announces that the Vendor, a wholly-owned subsidiary of Kerry Properties Limited, accepted, on 20 May 2022, a written binding offer from CRL pursuant to which the Vendor has agreed to sell and CRL has agreed to purchase the entire issued share capitals of and all related shareholders' loans (if applicable) to 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). Such transaction is subject to the definitive SPA to be entered into between, *inter alia*, the Vendor and the Purchaser.

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

Date of acceptance of the binding offer

20 May 2022

Parties

- (1) Purchaser: CRL or its nominee(s) (i.e. the Purchaser); and
- (2) Vendor: the Vendor, a wholly-owned subsidiary of the Company.

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

Subject matter

The entire issued share capitals of and all related shareholders' loans (if applicable) to 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 the Shatin Target Company, but adjusted by the amount of consolidated net assets or liabilities of the Target Companies (other than the Warehouses) as at the completion of the Disposal subject to the terms of the definitive SPA.

Initial Deposit

Within five business days immediately following the date of the Vendor's due acceptance of the written binding offer from CRL, the Purchaser shall make a payment of HK\$138.6 million, being 3% of the aggregate consideration, as initial deposit to the Purchaser's legal advisers in its capacity as stakeholders. Such initial deposit shall be applied towards part payment of any cash deposit to be payable under the definitive SPA for the Disposal (as mentioned below).

Cash Deposit

Upon execution of the definitive SPA for the Disposal, the Purchaser shall make a payment of cash deposit in the amount of 10% of the aggregate consideration (i.e. a cash deposit of HK\$462 million) subject to the terms of SPA.

The definitive SPA shall be finalised by the parties with the view to incorporating terms which are consistent with the prevailing market practice for comparable transactions in Hong Kong. The Company will make a further announcement upon entering into of the SPA between the Vendor and the Purchaser.

If the Purchaser refuses or fails to execute such definitive SPA after the same has been mutually agreed and executed by all other parties to such definitive SPA by the SPA Date, the above initial deposit shall be released to the Vendor whereupon the parties' obligations concerning the Disposal shall be released. If the Vendor refuses or fails to execute such definitive SPA after the same has been mutually agreed and executed by the Purchaser by the SPA Date, the above initial deposit shall be released to the Purchaser and the Vendor is liable to pay a further sum in the same amount to the Purchaser whereupon the parties' obligations concerning the Disposal shall be released.

Completion

The completion date shall be on or before 30 June 2022 whereupon payment of the balance of the aggregate consideration will be made by the Purchaser, subject to the terms of the definitive SPA. Upon completion of the Disposal, the Target Companies will cease to be subsidiaries of the Company.

The terms of the Disposal (including the 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.

INFORMATION ABOUT THE PARTIES

The Vendor and the Company

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 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.

CRL

CRL 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 CRL. The principal activity of CRL 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

The Chai Wan Target Company holds the Chai Wan Warehouse indirectly via an intermediate holding company. The Chai Wan Warehouse is situated at No. 50 Ka Yip Street, Chai Wan, Hong Kong and used as warehouse. The book value of the Chai Wan Warehouse as at 31 December 2021 is approximately HK\$2,280 million.

The Shatin Target Company holds the Shatin Warehouse indirectly via an intermediate holding company. The Shatin Warehouse is situated at Nos. 36-42 Shan Mei Street, Shatin, New Territories, Hong Kong and used as warehouse. The book value of the Shatin Warehouse as at 31 December 2021 is approximately HK\$1,460 million.

The summary of the unaudited consolidated financial information of the Target Companies for the two financial years ended 31 December 2020 and 2021 is set out as follows:

The Chai Wan Target Company

	For the year ended 31 December 2020 (unaudited) <i>HK\$ million</i>	For the year ended 31 December 2021 (unaudited) <i>HK\$ million</i>
Net profit before taxation	55	53
Net profit after taxation	47	45

The Shatin Target Company

	For the year ended 31 December 2020 (unaudited) <i>HK\$ million</i>	For the year ended 31 December 2021 (unaudited) <i>HK\$ million</i>
Net profit before taxation	114	122
Net profit after taxation	105	113

The net book value of the Chai Wan Target Company and the Shatin Target Company was approximately HK\$2,274 million and approximately HK\$1,458 million respectively as at 31 December 2021.

Upon completion of the Disposal, the Group will no longer have any interest in the Target Companies.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Directors undertake strategic reviews of the Group's assets from time to time with a view of maximising returns to the Shareholders. Having regard to the prevailing market conditions under the Covid-19 situation, financial position of the Group and the performance of the Warehouses, the Directors consider that the Disposal presents an excellent opportunity for the Company to unlock the value of the Warehouses and enable the Company to recycle capital to strengthen its balance sheets and operations.

Based on (i) the consideration of the Disposal of approximately HK\$4,620 million; (ii) the unaudited net asset value of Target Companies as at 31 December 2021 of approximately HK\$2,274 million and HK\$1,458 million, respectively; and (iii) the related transaction costs of approximately HK\$5 million, it is estimated that a gain of approximately HK\$883 million will be recorded upon completion. The actual amount of the gain or loss on the Disposal to be recognised in the consolidated financial statements of the Group depends on the consolidated net assets/liabilities of the Target Companies at the date of completion of the Disposal and therefore may be different from the amount mentioned above.

The estimated net proceeds from the Disposal in the amount of approximately HK\$4,615 million will be used for general working capital of the Group. Considering the expected proceeds from the Disposal, the Board is of the view that the Group's financial position will be greatly strengthened and the proceeds will provide the Group with additional working capital for its future business development. Given that the Group has a diverse and robust property portfolio, the Company is of the view that the Disposal will have no material effect on the Group's business and operations.

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 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

“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”	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 and an indirect wholly-owned subsidiary of China Resources;
“Directors”	the directors of the Company;
“Disposal”	the potential disposal of the entire issued share capital of and all related shareholders’ loans (if applicable) to each of the Target Companies by the Vendor to the Purchaser pursuant to the written binding offer made by CRL as accepted by the Vendor, as described in this announcement, subject to the terms of definitive 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;
“percentage ratios”	has the meaning ascribed to it in the Listing Rules;
“PRC”	the People’s Republic of China;
“Purchaser”	CRL or its nominee(s) which will enter into the definitive SPA for the sale and purchase of the Target Companies;
“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 definitive sale and purchase agreement to be entered into between, <i>inter alia</i> , the Vendor and the Purchaser subject to further negotiation;
“SPA Date”	8 June 2022 (being the date of the definitive SPA to be entered into between the Vendor and the Purchaser or such other date as mutually agreed in writing between the Vendor and the Purchaser);
“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 Sha Tin Target Company and the expression “ Target Company ” shall mean any one of them;
“Vendor”	Giant Assets Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and indirect wholly-owned by the Company;
“Warehouses”	collectively, the Chai Wan Warehouse and the Sha Tin Warehouse; and
“%”	per cent.

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

Hong Kong, 22 May 2022

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

Executive Directors: *Mr. Kuok Khoon Hua, 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*