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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
RENEWAL OF TENANCIES OF KERRY CENTRE**

RENEWAL OF TENANCIES

On 17 November 2022, KPLHK, FCHL and AILL, the wholly-owned subsidiaries of the Company as tenants, have accepted the Offers made by Ubagan Limited as landlord to renew the existing tenancies in respect of the Premises in Kerry Centre.

LISTING RULES IMPLICATIONS

The Landlord, Ubagan Limited, is indirectly owned by Kerry Holdings Limited and the Company as to 60% and 40% respectively, whereas Kerry Holdings Limited is the controlling shareholder of the Company. Ubagan Limited is an associate of Kerry Holdings Limited and is therefore a connected person of the Company. As such, the Renewals will constitute a connected transaction for the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios in respect of the aggregate value of the right-of-use assets recognised based on the rent under the Renewals are more than 0.1% but less than 5%, the Renewals are subject to the reporting and announcement requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Apart from the rent, the Group would also need to pay the Variable Payments to Ubagan Limited, which constitutes continuing connected transactions for the Company under the Listing Rules. As the annual associated amount of the Variable Payments is less than 0.1% of the applicable percentage ratios, the Variable Payments constitute de minimis transactions pursuant to Rule 14A.76(1) of the Listing Rules and are fully exempt from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

** For identification purpose only*

INTRODUCTION

On 17 November 2022, KPLHK, FCHL and AILL, the wholly-owned subsidiaries of the Company as tenants, have accepted the Offers made by Ubagan as landlord to renew the existing tenancies in respect of the Premises in Kerry Centre for a term of three years commencing on 19 November 2022 and expiring on 18 November 2025 (both days inclusive).

THE OFFERS

I. The two tenancies in respect of KPLHK

Date of acceptance:	17 November 2022
Landlord:	Ubagan
Tenant:	KPLHK
Leased premises:	(1) Premises A: Unit 2 on Level 3, Units 1, 2 and 3 on Level 5, Level 22, Level 25 and Level 26 of Kerry Centre. (2) Premises B: Unit 1 on Level 3 of Kerry Centre.
Lease term:	Three (3) years commencing on 19 November 2022 and expiring on 18 November 2025 (both days inclusive).
Rent:	(1) HK\$3,241,829.50 per month for Premises A; and (2) HK\$564,324.00 per month for Premises B.
Management fee and air-conditioning charge:	(1) HK\$552,138.60 per month for Premises A; and (2) HK\$94,660.80 per month for Premises B, subject to revision from time to time by the building manager of Kerry Centre.
Special Condition:	KPLHK shall have the right to sub-let Premises B with the prior written approval of the landlord, provided that the sub-letting shall be subject to such terms and conditions as contained in the relevant Tenancy Agreement.
Signing of formal tenancy agreement:	Ubagan and KPLHK shall enter into the relevant formal Tenancy Agreements in respect of the renewed tenancies, which shall contain substantially the same terms and conditions as the relevant Existing Tenancy 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:	17 November 2022
Landlord:	Ubagan
Tenant:	FCHL
Leased premises:	Unit A: Unit 1 on Level 2 of Kerry Centre.
Lease term:	Three (3) years commencing on 19 November 2022 and expiring on 18 November 2025 (both days inclusive).
Rent:	(1) HK\$97,068.00 per month from 19 November 2022 to 18 November 2024; and (2) Prevailing market rent from 19 November 2024 to 18 November 2025.
Management fee and air-conditioning charge:	HK\$87,361.20 per month, subject to revision from time to time by the building manager of Kerry Centre.
Signing of formal tenancy agreement:	Ubagan and FCHL shall enter into the relevant formal Tenancy Agreement in respect of the renewed tenancy, which shall contain substantially the same terms and conditions as the relevant Existing Tenancy Agreement with such variations as shall be necessary to reflect the tenancy renewal and the terms as set out in the Offer.

III. The tenancy in respect of AILL

Date of acceptance:	17 November 2022
Landlord:	Ubagan
Tenant:	AILL
Leased premises:	Unit B: Units 2A and 2B on Level 2 of Kerry Centre,
Lease term:	Three (3) years commencing on 19 November 2022 and expiring on 18 November 2025 (both days inclusive).
Rent:	(1) HK\$16,408.00 per month from 19 November 2022 to 18 November 2024; and (2) Prevailing market rent from 19 November 2024 to 18 November 2025.
Management fee and air-conditioning charge:	HK\$22,150.80 per month, subject to revision from time to time by the building manager of Kerry Centre.
Licence area:	Ubagan shall licence AILL to use an area on Level 2 of Kerry Centre subject to such terms and conditions as contained in the relevant Tenancy Agreement.
Signing of formal tenancy agreement:	Ubagan and AILL shall enter into the relevant formal Tenancy Agreement in respect of the renewed tenancy, which shall contain substantially the same terms and conditions as the relevant Existing Tenancy Agreement with such variations as shall be necessary to reflect the tenancy renewal and the terms as set out in the Offer.

In accordance with HKFRS 16 “Leases”, the aggregate rental payment under the Tenancy Agreements will be recognised as right-of-use assets of the Group on 19 November 2022 for an amount of approximately HK\$131 million.

REASONS FOR AND BENEFITS OF ENTERING INTO OF THE RENEWALS

The Group has been using Premises A and Premises B as its corporate offices in Hong Kong and the Unit A and Unit B for restaurants operations in Kerry Centre, and has decided to renew the tenancies in respect of all the Premises. The Board considers that it is in the commercial interest of the Group to enter into the Renewals.

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 Renewals are entered into in the ordinary and usual course of the business of the Group and believe that the terms of the Offers are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Mr. Kuok Khoon Hua, the Chairman and Chief Executive Officer of the Company, and Mr. Bryan Pallop Gaw, the Executive Director of the Company, both 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 Renewals.

LISTING RULES IMPLICATIONS

The Landlord, Ubagan, is indirectly owned by KHL and the Company as to 60% and 40%, respectively, whereas KHL is the controlling shareholder of the Company. Ubagan is an associate of KHL and is therefore a connected person of the Company.

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 Tenancy Agreements. Accordingly, the Renewals will be regarded as an acquisition of asset by the Group and constitute a one-off connected transaction for the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios in respect of the aggregate value of the right-of-use assets recognised based on the rent under the Renewals are more than 0.1% but less than 5%, the Renewals are subject to the reporting and announcement requirements but are exempt from the independent shareholders’ approval requirement under Chapter 14A of the Listing Rules.

Apart from the rent, the Group would also need to pay the Variable Payments to Ubagan, which constitutes continuing connected transactions for the Company under the Listing Rules. As the annual associated amount of the Variable Payments is less than 0.1% of the applicable percentage ratios, the Variable Payments constitute de minimis transactions pursuant to Rule 14A.76(1) of the Listing Rules and are fully exempt from the reporting, announcement independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

INFORMATION ABOUT THE GROUP

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 AILL, 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 AILL are restaurant operation.

Ubagan 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 and is an associate of KHL. KHL is an investment holding company and the controlling shareholder of the Company. The principal activity of Ubagan is property investment.

DEFINITIONS

“AII L”	Asia Insight Investments Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company;
“associate(s)”	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”	the directors of the Company;
“Existing Tenancy Agreement(s)”	the tenancy agreements entered into between Ubagan as landlord and each of (1) KPLHK as tenant dated 8 January 2020 and 5 May 2020 in respect of the leasing of Premises A and Premises B; (2) FCHL as tenant dated 8 January 2020 in respect of the leasing of Unit A; and (3) AILL as tenant dated 8 January 2020 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”	the building situated 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;
“month”	calendar month;
“Offer(s)”	the letters of offer issued by the leasing agent of Ubagan, to (1) KPLHK for the renewal of existing tenancy in respect of Premises A and Premises B respectively; (2) FCHL for the renewal of existing tenancy in respect of Unit A; and (3) AILL 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”	Unit 2 on Level 3, Units 1, 2 and 3 on Level 5, Level 22, Level 25 and Level 26 of Kerry Centre;
“Premises B”	Unit 1 on Level 3 of Kerry Centre;
“Premises”	collectively, Premises A, Premises B, Unit A and Unit B;
“Renewals”	the renewals of the Existing Tenancy Agreements under the Offers;
“Shareholders”	shareholders of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Tenancy 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 A and Premises B respectively; (2) FCHL as tenant in respect of the leasing of Unit A; and (3) AILL as tenant in respect of the leasing of Unit B incorporating the principal terms of their respective Offers;
“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
- “Variable Payments”** the management fee and air-conditioning charge.

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

Hong Kong, 17 November 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 and Mr. Bryan Pallop Gaw

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