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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 AND
CONTINUING CONNECTED TRANSACTIONS FOR
DEVELOPMENT AND MANAGEMENT OF HOTEL AND
APARTMENTS IN KUNMING, THE PRC**

INTRODUCTION

On 29 April 2024, JREK (a non-wholly-owned subsidiary of the Company), as the owner of the Kunming Site, entered into the Agreements with SLIM and SLIM-SH (both wholly-owned subsidiaries of SA) respectively in relation to the development and management of the Hotel and Apartments on the Kunming Site. Pursuant to the Agreements, SLIM and SLIM-SH would provide to JREK, *inter alia*, pre-opening technical services, project management consultancy services, hotel management services, and sales and marketing and training services for the development and/or management of the Hotel and/or the Apartments on the Kunming Site.

LISTING RULES IMPLICATIONS

JREK is held indirectly as to 55% and 45% by the Company and SA respectively. Each of SLIM and SLIM-SH is a wholly-owned subsidiary of SA. KHL is the controlling shareholder of both the Company and SA. Therefore, each of SA, SLIM and SLIM-SH is an associate of KHL and a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Transactions constitute connected transactions of the Company, and the Continuing Transactions constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

* For identification purpose only

For the Continuing Transactions, as one or more of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the expected maximum annual aggregate amount of the fees payable by JREK to SLIM and/or SLIM-SH are more than 0.1% but all are less than 5%, the Continuing Transactions are subject to announcement and reporting requirements but are exempt from the circular (including independent financial advice) and shareholders' approval requirements under Rule 14A.76(2) of the Listing Rules.

For the Transactions other than the Continuing Transactions, as one or more of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the aggregate fees payable by JREK to SLIM and/or SLIM-SH are more than 0.1% but all are less than 5%, such transactions are subject to announcement and reporting requirements but are exempt from the circular and shareholders' approval requirements under Rule 14A.76(2) of the Listing Rules.

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CONNECTED TRANSACTIONS:

(1) TECHNICAL CONSULTANCY SERVICES AGREEMENT

(2) HOTEL PRE-OPENING TECHNICAL SERVICES AGREEMENT

The principal terms of the TCSA and POTSA are as follows:

	<u>TCSA</u>	<u>POTSA</u>
Date of agreement:	29 April 2024	29 April 2024
Parties:	(i) JREK (as the owner of the Kunming Site) (ii) SLIM (as the service provider)	(i) JREK (as the owner of the Kunming Site) (ii) SLIM (as the service provider)

Services:	SLIM will provide Pre-opening Technical Services (Apartments) to JREK.	SLIM will provide Pre-opening Technical Services (Hotel) to JREK.
Term:	From the date of the TCSA until the discharge of all duties and responsibilities of SLIM under the TCSA.	From the date of the POTSA to 3 months after the opening date of Shangri-La Kunming.
Fees:	Approximately RMB767,000 (Approximately HK\$828,000), payable in multiple tranches with reference to the work stages of the development of the Apartments.	Approximately RMB4,073,000 (Approximately HK\$4,399,000), payable in multiple tranches with reference to the work stages of the development of each of Jen Kunming and Shangri-La Kunming.

(3) PROJECT MANAGEMENT CONSULTANCY SERVICES AGREEMENT

The principal terms of the PMCSA are as follows:

Date of agreement:	29 April 2024
Parties:	(i) JREK (as the owner of the Kunming Site) (ii) SLIM-SH (as the service provider)
Services:	SLIM-SH will provide Project Management Consultancy Services to JREK.
Term:	From the date of the PMCSA until all Project Management Consultancy Services have been provided.
Fees:	Approximately RMB24,879,000 (Approximately HK\$26,869,000), payable in multiple tranches with reference to the work stages of the development of the Hotel and Apartments.

The TCSA, POTSA and PMCSA were entered into in respect of pre-opening services of the Hotel and the Apartments. They are one-off connected transactions under the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS:

(1) HOTEL MANAGEMENT AGREEMENT

The principal terms of the HMA are as follows:

- Date of agreement:** 29 April 2024
- Parties:** (i) JREK (as the owner of the Hotel)
(ii) SLIM (as the service provider)
- Services:** SLIM will provide Hotel Management Services to JREK.
- Term:** From the date of the HMA until its termination or expiry of the operating term (only during which the fees under the HMA will accrue and become payable).
- The operating term of the HMA is 3 years from the opening date of Jen Kunming, with an option to renew for 3-year terms, in each case exercisable by mutual agreement of SLIM and JREK, until the twentieth (20th) anniversary of the opening date of Jen Kunming.
- Fees:** The fees payable by JREK to SLIM mainly comprise:
- (i) Base management fee: a fixed percentage of the gross operating revenue of the Hotel per annum.
 - (ii) Incentive management fee: a variable percentage of the adjusted gross operating profit of the Hotel per annum.
 - (iii) Branding fund: a fixed amount per room of the Hotel per annum.
 - (iv) Direct channel fee: a fixed percentage of the materialised revenue of the Hotel in respect of those transactions conducted via the channels maintained or made available by SLIM and/or its affiliates.

(2) SALES AND MARKETING, TRAINING AND SHANGRI-LA CIRCLE SERVICES AGREEMENT

The principal terms of the SMTSA are as follows:

Date of agreement:	29 April 2024
Parties:	(i) JREK (as the owner of the Hotel) (ii) SLIM-SH (as the service provider)
Services:	SLIM-SH will provide Sales and Marketing, Training and Shangri-La Circle Services to JREK.
Term:	From the date of the SMTSA until the termination of the HMA (for the term of 3-year).
Fees:	The fees payable by JREK to SLIM-SH mainly comprise: (i) <u>Sales and marketing fee</u> : a fixed percentage of the gross operating revenue of the Hotel per annum. (ii) <u>Training fee</u> : a fixed percentage of the annual total base salary of all employees employed by JREK with respect to the Hotel. (iii) <u>Shangri-La Circle frequent guest program fund</u> : a fixed percentage of the qualifying spending at the Hotel, such fee being a contribution to the cost and expense of any frequent guest program.

(3) PROPRIETARY TECHNOLOGY SERVICES AGREEMENT

(4) CLOUD-BASED PROPERTY MANAGEMENT SYSTEM SERVICES AGREEMENT

The principal terms of the PTSA and Cloud-PMSA are as follows:

	<u>PTSA</u>	<u>Cloud-PMSA</u>
Date of agreement:	29 April 2024	29 April 2024
Parties:	(i) JREK (as the owner of the Hotel) (ii) The Beijing branch of SLIM-SH (as the service provider)	(i) JREK (as the owner of the Hotel) (ii) The Beijing branch of SLIM-SH (as the service provider)

Services:	The Beijing branch of SLIM-SH will provide Proprietary Technology Services to JREK.	The Beijing branch of SLIM-SH will provide Cloud-based PMS Services to JREK.
Term:	3 years from the opening date of Jen Kunming until the termination of the HMA.	3 years from the opening date of Jen Kunming until the termination of the HMA.
Fees:	A fixed percentage of the revenue derived from Hotel rooms per annum.	A fixed amount per Hotel room per annum.

EXPECTED MAXIMUM ANNUAL AGGREGATE AMOUNT OF THE FEES FOR CONTINUING CONNECTED TRANSACTIONS

Based on the terms of the HMA, SMTSA, PTSA and Cloud-PMSA, the expected occupancy level of the Hotel, and taking into account possible change in the macroeconomic environment such as inflation and exchange rate, the Board expects that the maximum annual aggregate amount of the fees payable by JREK to SLIM and/or SLIM-SH for the Continuing Transactions for each of the financial years will not exceed the following respective annual caps:

Financial year ending	Annual Caps (RMB)	Annual Caps (Approximately HK\$)
31 December 2024	12,000,000	12,960,000
31 December 2025	18,000,000	19,440,000
31 December 2026	23,000,000	24,840,000
31 December 2027 (for the entire year assuming the HMA will be renewed upon expiry of the initial three-year term)	27,000,000	29,160,000

If the expected maximum annual aggregate amount of the fees payable by JREK to SLIM and/or SLIM-SH for the Continuing Transactions for any financial year exceed the respective annual caps stated above, the Company will re-comply with the requirements under the Listing Rules.

REASONS FOR AND BENEFITS OF ENTERING INTO THE AGREEMENTS

The Company and SA would use their combined experience, standing and expertise in hotel, commercial and residential properties to develop the Kunming Site. The Company considered that SLIM's and SLIM-SH's expertise and principal business activities are the provision of hotel management and related services and JREK's principal business activities include the ownership and development of properties, including the development of the Hotel and the Apartments. Moreover, pursuant to the HMA, SLIM has agreed to grant JREK a sub-licence to use the brand names of "Shangri-La" and/or "香格里拉", "JEN BY SHANGRI-LA" and/or "JEN 香格里拉集团" and other related trade marks and logos, etc. for operating the Hotel as a first class international luxury hotel.

The terms of the Agreements were determined between the parties after arm's length negotiations.

Drawing on the Group's experience in the hotel operation business, the Directors (including the independent non-executive Directors) are of the view that the terms of the Agreements are fair and reasonable, and the Transactions are entered into on normal commercial terms or better and in the ordinary and usual course of business of the Group, and are in the interests of the Company and its shareholders as a whole. As Mr. Kuok Khoon Hua, the Chairman and Chief Executive Officer of the Company, has declared that he together with his associates hold more than 5% interest in SA, Mr. Kuok has abstained from voting on the relevant resolutions of the Board approving the Agreements and the Transactions.

INFORMATION OF THE GROUP AND THE PARTIES

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.

JREK is a company indirectly owned as to 55% by the Company and 45% by SA. The principal activities of JREK include the ownership and development of the properties located at Kunming Site, including the development of the Hotel and the Apartments.

Each of SLIM and SLIM-SH is a wholly-owned subsidiary of SA. The principal activities of each of them are provision of hotel management, marketing, communication, reservation, consultancy and other hotel related services. SLIM is also engaged in investment holding. The principal activities of SA Group are the development, ownership and operation of hotel properties, the provision of hotel management and related services, the development, ownership and operation of investment properties, and property development for sale. SA Group operates its business under various brand names including "Shangri-La", "Kerry Hotel", "JEN by Shangri-La", "Traders Hotel", "Rasa", "Summer Palace", "Shang Palace" and "CHI, The Spa at Shangri-La".

LISTING RULES IMPLICATIONS

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DEFINITIONS

In this announcement, unless the context requires otherwise, the following expressions have the following meanings:

“Agreements”	the Cloud-PMSA, HMA, PMCSA, POTSA, PTSA, SMTSA, and TCSA;
“Apartments”	the apartments in the apartment block being developed on the Kunming Site;
“associate(s)” , “connected person(s)” , “connected transactions” “continuing connected transactions” “controlling shareholder(s)” “percentage ratios” and “subsidiary(ies)”	each has the meaning ascribed to it under the Listing Rules;

“Board”	the board of Directors;
“Cloud-based PMS Services”	provision of cloud-based property management system by SLIM-SH to the Hotel pursuant to the Cloud-PMSA;
“Cloud-PMSA”	the cloud-based property management system services agreement dated 29 April 2024 entered into between JREK and SLIM-SH for the provision of Cloud-based PMS Services by SLIM-SH to JREK;
“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;
“Continuing Transactions”	the entering of the HMA, SMTSA, PTSA and Cloud-PMSA and the transactions contemplated thereunder;
“Director(s)”	the director(s) of the Company;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“HMA”	the hotel management agreement and the supplemental letter dated 29 April 2024 entered into between JREK and SLIM for the provision of the Hotel Management Services by SLIM to JREK;
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC;
“Hotel”	Jen Kunming and Shangri-La Kunming;
“Hotel Management Services”	hotel management services and reservation services to be provided by SLIM to JREK for the management and operation of the Hotel pursuant to the HMA;
“JREK”	Jian’an Real Estate (Kunming) Co., Ltd.* 建安置業（昆明）有限公司, a company established in the PRC and indirectly owned as to 55% by the Company and 45% by SA, being an indirect non-wholly-owned subsidiary of the Company;

“Jen Kunming”	phase 1 of the Hotel being developed on the Kunming Site which will be operated under the brand name of “JEN Kunming by Shangri-La” pursuant to the HMA;
“KHL”	Kerry Holdings Limited, a limited liability company incorporated in Hong Kong, which as at the date of this announcement is the controlling shareholder of the Company;
“Kunming Site”	the site located at Nos. 88-96 Dongfeng Dong Road, Pan Long District, Kunming, Yunnan Province, the PRC (中華人民共和國雲南省昆明市盤龍區東風東路88-96號);
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PMCSA”	the project management consultancy services agreement dated 29 April 2024 entered into between JREK and SLIM-SH for the provision of the Project Management Consultancy Services by SLIM-SH to JREK;
“PRC” or “Mainland”	the People’s Republic of China;
“Pre-opening Technical Services (Apartments)”	advisory and consultancy services to be provided by SLIM to the JREK with respect to the development of the Apartments pursuant to the TCSA;
“Pre-opening Technical Services (Hotel)”	advisory and consultancy services to be provided by SLIM to the JREK with respect to the development of the Hotel pursuant to the POTSA;
“Project Management Consultancy Services”	project management consultancy services to be provided by SLIM-SH to JREK with respect to the development, design and construction of the Hotel and Apartments pursuant to the PMCSA;
“Proprietary Technology Services”	provision of Shangri-La standard electronic system (including hotel reservation management system and customers service management system) by SLIM-SH to the Hotel pursuant to the PTSA;
“POTSA”	the hotel pre-opening technical services agreement dated 29 April 2024 entered into between JREK and SLIM for the provision of the Pre-opening Technical Services (Hotel) by SLIM to JREK;

“PTSA”	the proprietary technology services agreement dated 29 April 2024 entered into between JREK and SLIM-SH for the provision of Proprietary Technology Services by SLIM-SH to JREK;
“RMB”	Renminbi, the lawful currency of the PRC;
“SA”	Shangri-La Asia Limited, an exempted company incorporated in Bermuda with limited liability, the shares of which are primarily listed on the Main Board of the Stock Exchange with secondary listing on the Singapore Exchange Securities Trading Limited;
“SA Group”	SA and its subsidiaries;
“Sales and Marketing, Training and Shangri-La Circle Services”	sales and marketing services and training services (including provision and operation of Shangri-La Circle frequent guest program under the brand of “Shangri-La”) to be provided by SLIM-SH to JREK pursuant to the SMTSA;
“Shangri-La Kunming”	phase 2 of the Hotel being developed on the Kunming Site which will be operated under the brand name of “Shangri-La Kunming” pursuant to the HMA;
“SLIM”	Shangri-La International Hotel Management Limited 香格里拉國際飯店管理有限公司, a company incorporated in Hong Kong and is a wholly-owned subsidiary of SA;
“SLIM-SH”	Shangri-La Hotel Management (Shanghai) Co., Ltd.* 香格里拉飯店管理（上海）有限公司, a company established in the PRC and is a wholly-owned subsidiary of SA, and its Beijing branch;
“SMTSA”	the sales and marketing, training and Shangri-La Circle services agreement dated 29 April 2024 entered into between JREK and SLIM-SH for the provision of the Sales and Marketing, Training and Shangri-La Circle Services by SLIM-SH to JREK;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;

“TCSA” the technical consultancy services agreement dated 29 April 2024 entered into between JREK and SLIM for the provision of the Pre-opening Technical Services (Apartments) by SLIM to JREK;

“Transactions” the entering into of the Agreements by JREK with SLIM and SLIM-SH and the transactions contemplated thereunder, including the Continuing Transactions; and

“%” per cent.

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Amounts denominated in RMB in the announcement has been converted into HK\$ at the rate of RMB1 = HK\$1.08 for illustration purpose.

By order of the Board
Kerry Properties Limited
Cheng Wai Sin
Company Secretary

Hong Kong, 29 April 2024

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

Executive Directors: *Mr. Kuok Khoon Hua and Mr. Au Hing Lun, Dennis*

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

Non-executive Director: *Ms. Tong Shao Ming*