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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](http://www.kerryprops.com)*

**(Stock Code: 00683)**

### **CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE RENEWAL OF TENANCY AGREEMENTS AND LICENCE AGREEMENTS**

On 25 October 2013, KPLHK, an indirect 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 from 19 November 2013 and expiring on 18 November 2016 (both dates inclusive). In conjunction with the renewal of the tenancies in respect of the Premises, Ubagan and KPLHK have also entered into the New Licence Agreements on 25 October 2013, pursuant to which Ubagan agreed to renew the licences granted to KPLHK for the use of the Licensed Carparking Spaces (comprising 9 fixed carparking spaces and 4 floating carparking spaces) for a term from 19 November 2013 until the expiry of the term of the New Tenancy Agreement, subject to certain earlier termination conditions.

The Premises and the Licensed Carparking Spaces are situated at Kerry Centre. The Group has been using the Premises as its corporate offices on the terms of the Existing Tenancy Agreements, as well as currently using 9 fixed carparking spaces and 4 floating carparking spaces on the terms of the Existing Licence Agreements. The Existing Tenancy Agreements and the Existing Licence Agreements will expire on 18 November 2013. Accordingly, the Group has decided to renew the arrangements under the Existing Tenancy Agreements and the Existing Licence Agreements.

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.

As one or more of the Percentage Ratios in respect of the maximum aggregate annual amount payable by KPLHK under the New Tenancy Agreement and the New Licence Agreements are more than 0.1% but less than 5%, the acceptance of the Offer by KPLHK and the entering into of the New Tenancy Agreement and the New Licence Agreements will constitute continuing connected transactions for the Company under Rule 14A.34(1) of the Listing Rules, which are subject to the announcement, reporting and annual review requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules. Details of the Offer, the New Tenancy Agreement and the New Licence Agreements will be disclosed in the Company's published annual reports for the financial years during the term of the New Tenancy Agreement and the New Licence Agreements in accordance with Rule 14A.46 of the Listing Rules.

## INTRODUCTION

On 25 October 2013, KPLHK, an indirect 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 2013 and expiring on 18 November 2016 (both dates inclusive).

In conjunction with the renewal of the tenancies in respect of the Premises, Ubagan and KPLHK have also entered into the New Licence Agreements on 25 October 2013, pursuant to which Ubagan agreed to renew the licences granted to KPLHK for the use of the Licensed Carparking Spaces (comprising 9 fixed carparking spaces and 4 floating carparking spaces) for a term from 19 November 2013 until the expiry of the term of the New Tenancy Agreement, subject to certain earlier termination conditions.

## THE OFFER

The principal terms of the Offer are as follows:-

**Date of acceptance of the Offer by KPLHK:** 25 October 2013

**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 2013 and expiring on 18 November 2016 (both dates inclusive).

**Rental, management fees and air-conditioning charges:**

- (1) Rental of HK\$3,661,849.60 per month; and
- (2) Management fee and air-conditioning charges of HK\$520,832.00 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 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 Agreements with such variations as shall be necessary to reflect the tenancy renewal.

## **THE NEW LICENCE AGREEMENTS**

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|------------------------------------|---|
| <b>Date:</b>                       | 25 October 2013   |
| <b>Licensor:</b>                   | Ubagan  |
| <b>Licensee:</b>                   | KPLHK   |
| <b>Licensed Carparking Spaces:</b> | 9 fixed carparking spaces and 4 floating carparking spaces on Basement of Kerry Centre.   |
| <b>Licence term:</b>               | The New Licence Agreements shall become effective as from 19 November 2013 and shall continue until the expiry of the term of the New Tenancy Agreement, subject to certain earlier termination conditions.   |
| <b>Licence fees:</b>               | HK\$3,200 per month for each fixed carparking space and HK\$2,500 per month for each floating carparking space. The licence fee under each of the New Licence Agreements is inclusive of government rates and management fees and payable monthly in advance, and is subject to adjustment as required by Ubagan from time to time upon giving to KPLHK one month's prior written notice. |

## **INFORMATION ABOUT THE GROUP AND UBAGAN**

The Group is principally engaged in (i) property development, investment and management in Hong Kong, the PRC and the Asia Pacific region; (ii) logistics, freight and warehouse ownership and operations; and (iii) hotel ownership in Hong Kong, and hotel ownership and operations in the PRC.

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 NEW TENANCY AGREEMENT AND THE NEW LICENCE AGREEMENTS**

The Group has been using the Premises as its corporate offices on the terms of the Existing Tenancy Agreements. In conjunction with the Premises, the Group has also been currently using 9 fixed carparking spaces and 4 floating carparking spaces on the terms of the Existing Licence Agreements. Certain premises of Kerry Centre have also been leased by other members of the KHL Group as their corporate offices. The Company considers that the operational efficiency as a result of grouping the members of the KHL Group (including the Company) in one building is desirable. The Existing Tenancy Agreements and the Existing Licence Agreements will expire on 18 November 2013.

The terms of the Offer and the New Licence Agreements (including the rentals 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.

The Directors (including the independent non-executive Directors) consider that the Offer and the New Licence Agreements are on normal commercial terms, the terms of which are fair and reasonable and that the issue of the Offer and the entering into of the New Tenancy Agreement and the New Licence Agreements are in the usual and ordinary business of the Group and in the interest of the Company and its shareholders as a whole. The Board confirms that none of the Directors had any material interest in the transactions contemplated under the New Tenancy Agreement and the New Licence Agreements and accordingly, none of the Directors was required to abstain from voting on the relevant resolutions of the Board approving the acceptance of the Offer and the entering into of the New Tenancy Agreement and the New Licence Agreements.

## **ANNUAL CAP**

Based on the rental amount and the management fee and air-conditioning charges payable under the New Tenancy Agreement, the licence fees payable under the New Licence Agreements 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 as a result of inflation, the Directors believe that the maximum aggregate annual amount payable by KPLHK under the New Tenancy Agreement and the New Licence Agreements for each of the financial years ending 31 December 2016 will not exceed an annual cap of HK\$55 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.

As one or more of the Percentage Ratios in respect of the maximum aggregate annual amount payable by KPLHK under the New Tenancy Agreement and the New Licence Agreements are more than 0.1% but less than 5%, the acceptance of the Offer by Ubagan and the entering into of the New Tenancy Agreement and the New Licence Agreements will constitute continuing connected transactions for the Company under Rule 14A.34(1) of the Listing Rules, which are subject to the announcement, reporting and annual review requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules. Details of the Offer, the New Tenancy Agreement and the New Licence Agreements will be included in the Company's published annual reports for the financial years during the term of the New Tenancy Agreement and the New Licence Agreements in accordance with Rule 14A.46 of the Listing Rules.

## **DEFINITIONS**

- “Annual Cap”** the expected maximum aggregate annual amount payable by KPLHK to Ubagan under the New Tenancy Agreement and the New Licence Agreements for the relevant financial years of the Company as set out in the paragraph headed “ANNUAL CAP” in this announcement;
- “associates”** has the meaning ascribed to it in the Listing Rules;
- “Board”** the board of directors of the Company;

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| <b>“Company”</b>                     | 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;   |
| <b>“connected person”</b>            | has the meaning ascribed to it in the Listing Rules;  |
| <b>“controlling shareholder”</b>     | has the meaning ascribed to it in the Listing Rules;  |
| <b>“Directors”</b>                   | the directors of the Company;   |
| <b>“Existing Licence Agreements”</b> | collectively, the licence agreements entered into between Ubagan as licensor and KPLHK as licensee (i) dated 18 November 2010 (as superseded by a supplemental agreement dated 31 May 2011) in respect of the use of 9 fixed carparking spaces on Basement of Kerry Centre; (ii) dated 18 November 2010 (as varied by supplemental agreements dated 8 December 2010, 1 June 2011 and 1 May 2013) in respect of the use of 3 floating carparking spaces on Basement of Kerry Centre; and (iii) dated 1 December 2010 in respect of the use of 1 floating carparking space on Basement of Kerry Centre; |
| <b>“Existing Tenancy Agreements”</b> | collectively, the tenancy agreements entered into between Ubagan as landlord and KPLHK as tenant (i) dated 20 December 2010 in respect of the leasing of Unit 2 on Level 5, Level 22, Level 25 and Level 26 of Kerry Centre; (ii) dated 14 November 2012 in respect of the leasing of Unit 1 on Level 5 of Kerry Centre; and (iii) dated 2 January 2013 in respect of the leasing of Unit 1 on Level 3 of Kerry Centre;   |
| <b>“Group”</b>                       | the Company and its subsidiaries;   |
| <b>“Kerry Centre”</b>                | a property development situated at 683 King’s Road, Quarry Bay, Hong Kong;  |
| <b>“KHL”</b>                         | Kerry Holdings Limited, a company incorporated in Hong Kong, which as at the date of this announcement is the controlling shareholder of the Company;   |
| <b>“KHL Group”</b>                   | KHL and its subsidiaries;   |
| <b>“KPLHK”</b>                       | Kerry Properties (H.K.) Limited, a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company;  |
| <b>“Licensed Carparking Spaces”</b>  | the 9 fixed carparking spaces and the 4 floating carparking spaces on Basement of Kerry Centre;   |
| <b>“Listing Rules”</b>               | Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;   |
| <b>“New Licence Agreements”</b>      | the licence agreements dated 25 October 2013 entered into between Ubagan as licensor and KPLHK as licensee in respect of the use of the Licensed Carparking Spaces;   |

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| <b>“New Tenancy Agreement”</b> | 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;  |
| <b>“Offer”</b>                 | 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 Agreements in respect of the Premises in accordance with the terms and conditions set out therein; |
| <b>“Percentage Ratios”</b>     | the percentage ratios, other than the profits ratio and the equity capital ratio, as defined under Rule 14.07 of the Listing Rules;   |
| <b>“PRC”</b>                   | the People’s Republic of China;   |
| <b>“Premises”</b>              | Unit 1 on Level 3, Units 1 and 2 on Level 5, Level 22, Level 25 and Level 26 of Kerry Centre;   |
| <b>“Stock Exchange”</b>        | The Stock Exchange of Hong Kong Limited; and  |
| <b>“Ubagan”</b>                | Ubagan Limited, a company incorporated in Hong Kong which is indirectly owned by KHL and the Company as to 60% and 40%, respectively.   |

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

Hong Kong, 25 October 2013

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

*Executive Directors:*

*Messrs. Wong Siu Kong, Ho Shut Kan, Qian Shaohua, Ma Wing Kai, William, Chan Wai Ming, William and Bryan Pallop Gaw*

*Independent Non-executive Directors:*

*Mr. Lau Ling Fai, Herald, Mr. Ku Moon Lun, Ms. Wong Yu Pok, Marina, JP and Mr. Chang Tso Tung, Stephen.*

\* *For identification purpose only*