

**KERRY PROPERTIES LTD:  
THE COMPANY EMBARKS ON A SALES DRIVE**

With interest rates, internationally, almost certain to rise as the year progresses, many companies are looking at their borrowings and are considering what defensive action to take.

One such company, whose shares are listed on The Stock Exchange of Hongkong Ltd, is Kerry Properties Ltd (Code: 683, Main Board).

Kerry Properties, on June 25, 2004, obtained a 5-year, unsecured \$HK7-billion loan facility and fixed the interest rate at the **Hongkong Interbank Offered Rate (HIBOR)** plus 35 basis points.

The company admits, openly, that it was taking advantage of the low interest-rate environment of the day.

Most of the borrowings of Kerry Properties is on an unsecured basis, that having been the policy of this publicly listed company for some years.

In fact, unsecured debt accounted for about 93 percent of total borrowings, as at December 31, 2004, with total borrowings, being about \$HK6.16 billion, as at that date.

It appears, however, that the company is, also, quietly trying to reduce its exposure to its bankers by putting some of its properties on the market.

One such property, which is about to be sold, is Horizon Lodge, a luxury residential complex, located at the south side of Hongkong Island, at Chung Hom Kok.

According to the records of **TOLFIN** (The Computerised Online Financial Intelligence Service and Web-Based, Credit-Checking Provider), Horizon Lodge (Number 33, Horizon Drive) comprises 5 flats and 2, semi-detached houses.

There is a communal swimming pool at the complex and there are adequate parking facilities for tenants.

The site area of the complex is about 19,800 square feet and it is classified as Type C Residential, according to the Town Planning Ordinance of the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC).

The property was built in March 1979 so that one may rightly state that it is getting a little old and, perhaps, a little tired.

However, this complex is, still, grossing Kerry Properties (via the holding company of the property, a wholly owned subsidiary of Kerry Property: Mid-Levels Portfolio (Horizon Lodge) Ltd) about \$HK4.47 million per annum.

In terms of the gross rental income of this company, annually, the revenue from Horizon Lodge is, only, about 1.48 percent.

Which is, really, chicken feed for this very substantial, diversified company.

Kerry Properties is, today, desirous of selling this property, complete with tenancy agreements, on the basis that the Saleable Area is 13,903 square feet (The Rating and Valuation Department's calculations).

The desire of Kerry Properties to unload this ageing property is, probably, nothing more than capitalising on the existing situation in the HKSAR, where property prices are, relative to a few short years ago, running at very high levels.

According to **TARGET**'s information, as at December 31, 2004, the company had unutilised, available financial resources – bank loans and overdraft facilities – of not less than \$HK7.86 billion.

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