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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: 683)**

### **RENEWAL OF CONTINUING CONNECTED TRANSACTIONS FRAMEWORK AGREEMENT**

Reference is made to the announcement of the Company dated 28 July 2014 in relation to the continuing connected transactions under the Existing Framework Agreement entered into between the Company and KLN. As the Existing Framework Agreement will expire on 31 December 2016, the Company has renewed it by entering into the Framework Agreement with KLN on substantially the same terms as the Existing Framework Agreement on 9 December 2016 in relation to the lease of the Leased Premises by the Group to the KLN Group and the provision of the KLN Services by KLN Group to the Group.

KLN is a subsidiary of the controlling shareholder of the Company and is therefore a connected person of the Company under the Listing Rules. Accordingly, the Transactions constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more applicable percentage ratios in respect of the largest Annual Cap are more than 0.1% but less than 5%, the Transactions are only subject to the announcement, reporting and annual review requirements but are exempt from the independent shareholders' approval requirement under the Listing Rules. Details of the Transactions will be disclosed in the annual reports of the Company during the term of the Framework Agreement in accordance with the Listing Rules.

#### **INTRODUCTION**

Reference is made to the announcement of the Company dated 28 July 2014 in relation to the continuing connected transactions under the Existing Framework Agreement entered into between the Company and KLN. As the Existing Framework Agreement will expire on 31 December 2016, the Company has renewed it by entering into the Framework Agreement with KLN on substantially the same terms as the Existing Framework Agreement on 9 December 2016 in relation to the lease of the Leased Premises by the Group to the KLN Group and the provision of the KLN Services by KLN Group to the Group.

## **FRAMEWORK AGREEMENT**

**Date** : 9 December 2016

**Parties** : The Company and KLN

**Duration** : The term will commence on 1 January 2017 and expire on 31 December 2019. The Parties may extend the term for a further term of three years, subject to compliance by each Party with the applicable requirements under the Listing Rules.

**Transactions** : In its ordinary and usual course of business, the Group has entered into, and will continue to enter into, Transactions with the KLN Group on normal commercial terms and on an arm's length basis, or on terms no less favourable than those available to each of them to or from independent third parties, (a) for the Group to lease the Leased Premises to the KLN Group; and (b) for the KLN Group to provide the KLN Services to the Group.

**Subsequent Agreements** : The Parties will enter into the Subsequent Agreements for specific transactions covered by the Framework Agreement. The terms of the Subsequent Agreements will only contain provisions which are in all material respects consistent with the terms of the Framework Agreement.

**Pricing** : The pricing of each of the Transactions will be determined by the Parties at the time of entry into the relevant Subsequent Agreement for such Transaction based on the applicable market practice and value, with reference to any relevant rules and regulations being effective at the time. In particular:

For the lease of the Leased Premises, the rental shall be determined by the Parties at the time of entry into the relevant Subsequent Agreement based on the prevailing market rent for comparable properties in the nearby area;

For the provision of the KLN Services:

- (a) in relation to logistics and freight services (that is, delivery, local courier, freight and freight agency services), the service fee shall be determined by the Parties at the time of entry into the relevant Subsequent Agreement with reference to the weight and type of cargo, mode of shipment, freight rate of the carrier and type of storage space required and the service fees charged by independent third party logistics and freight services providers;
- (b) in relation to insurance brokerage and related services, the service fee shall be determined by the Parties at the time of entry into the relevant Subsequent Agreement with reference to the insurance brokerage fee charged by independent third party insurance companies from time to time for comparable type of insurance; and

- (c) in relation to services relating to management and operation of warehouse facilities (that is, building management, leasing and licensing management, warrant operations, IT support, human resources, administration and related services), the service fee shall be determined by the Parties at the time of entry into the relevant Subsequent Agreement with reference to the type, size and location of the premises and the relevant party/customers' specific requirements as well as the service fees charged by independent third party warehouse services providers.

**Annual Caps** : The aggregate amounts payable by (a) the Group to the KLN Group for the KLN Services; and (b) the KLN Group to the Group for the lease of the Leased Premises under the Transactions for the relevant financial years shall not exceed the Annual Caps during the term of the Framework Agreement.

### TRANSACTION AMOUNTS AND THE ANNUAL CAPS

The transaction amounts under the Existing Framework Agreement for the years ended/ending 31 December 2014, 2015 and 2016 are set out below for reference:

<b>Transaction amounts</b>	<b>Financial years ended/ending 31 December</b>		
	<b>2014 HK\$ million</b>	<b>2015 HK\$ million</b>	<b>2016 HK\$ million</b>
Rental income received by the Group for the lease of the Leased Premises	<u>12.5</u>	<u>10.6</u>	<u>10.0<sup>#</sup></u>
Service fees paid by the Group for the KLN Service	<u>6.1</u>	<u>6.8</u>	<u>8.2<sup>#</sup></u>

<sup>#</sup> *Being estimated figures*

The Parties agreed to set the Annual Caps as follows:

<b>Annual Caps</b>	<b>Financial years ending 31 December</b>		
	<b>2017 HK\$ million</b>	<b>2018 HK\$ million</b>	<b>2019 HK\$ million</b>
Rental income received by the Group for the lease of the Leased Premises	<u>11.6</u>	<u>12.0</u>	<u>12.4</u>
Service fees paid by the Group for the KLN Service	<u>9.9</u>	<u>10.5</u>	<u>11.5</u>

The Annual Caps are determined by reference to previous transactions conducted and the historical transaction amounts under the Transactions, fees charged by independent third party service providers as well as other factors including:

- (a) historical, current and projected rental for the Leased Premises and such further premises (if any) that the Group will lease to the KLN Group during the subsistence of the Framework Agreement;
- (b) the prevailing and projected market rates for rental and building management fees for comparable properties in the nearby area;
- (c) historical, current and projected management fees and fees for operation of warehouse facilities provided under the Transactions;
- (d) historical, current and projected market rates for insurance brokerages for comparable insurance products;
- (e) historical, current and projected rates on delivery, local courier and freight services; and
- (f) inflation and expected expansion and development of the Group's and the KLN Group's businesses.

#### **REASONS FOR AND BENEFIT OF THE TRANSACTIONS**

The lease of the Leased Premises is in the ordinary course of business of the Group. On the other hand, the acceptance of the KLN Services has facilitated, and will continue to facilitate, the operation of the Group's business.

The Directors (including the independent non-executive Directors) consider that the Framework Agreement and the Transactions are entered into in the ordinary and usual course of business of the Group and believe that the terms of the Framework Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and its shareholders as a whole. The Board confirms that none of the Directors has any material interest in the Transactions and accordingly none of the Directors was required to abstain from voting on the relevant resolutions of the Board to approve the Framework Agreement, the Transactions and the Annual Caps.

#### **INFORMATION OF THE GROUP AND THE KLN GROUP**

The principal activity of the Company is investment holding and the principal activities of the Company's subsidiaries and associates comprise property development, investment and management in Hong Kong, the People's Republic of China and the Asia Pacific region; hotel ownership in Hong Kong, and hotel ownership and operations in the People's Republic of China; and integrated logistics and international freight forwarding.

The KLN Group's core business encompasses integrated logistics, international freight forwarding, and supply chain solutions. With headquarters in Hong Kong, the KLN Group has a far-reaching global network that stretches across six continents, and includes one of the largest distribution network and hub operations in Greater China and the ASEAN region.

## **IMPLICATIONS UNDER THE LISTING RULES**

KLN is a subsidiary of the controlling shareholder of the Company and is therefore a connected person of the Company under the Listing Rules. Accordingly, the Transactions constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more applicable percentage ratios in respect of the largest Annual Cap for the Transactions are more than 0.1% but less than 5%, the Transactions are only subject to the announcement, reporting and annual review requirements but are exempt from the independent shareholders' approval requirement under the Listing Rules. Details of the Transactions will be disclosed in the annual reports of the Company during the term of the Framework Agreement in accordance with the Listing Rules.

## **DEFINITIONS**

<b>“Annual Caps”</b>	the maximum values of the Transactions for each of the financial years ending 31 December 2017, 2018 and 2019 as provided in the Framework Agreement;
<b>“ASEAN”</b>	the Association of Southeast Asia Nations;
<b>“Board”</b>	the board of Directors;
<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>	directors of the Company;
<b>“Existing Framework Agreement”</b>	the framework agreement dated 28 July 2014 entered into between the Company and KLN in relation to the Transactions;
<b>“Framework Agreement”</b>	the framework agreement dated 9 December 2016 entered into between the Company and KLN in relation to the Transactions;
<b>“Greater China”</b>	the People's Republic of China, Hong Kong, Macau and Taiwan;
<b>“Group”</b>	the Company and its subsidiaries;
<b>“KLN”</b>	Kerry Logistics Network Limited, a company incorporated in the British Virgin Islands and continued into Bermuda to become an exempted company with limited liability, the shares of which are listed on the Main Board of the Stock Exchange;

<b>“KLN Group”</b>	KLN and its subsidiaries;
<b>“KLN Services”</b>	such services to be provided by the KLN Group to the Group pursuant to the Framework Agreement, comprising delivery services, local courier services, freight services, freight agency services, insurance brokerage and related services, and services relating to management and operation of warehouse facilities, including building management, leasing and licensing management, warrant operations, IT support, human resources, administration and related services;
<b>“Leased Premises”</b>	such premises owned by the Group and leased to the KLN Group pursuant to the Framework Agreement, include: <ul style="list-style-type: none"> <li>(i) Units at Phase I Kerry Everbright City, 218 Tianmu Road West, Shanghai, China for office use;</li> <li>(ii) Units at Kerry D.G. Warehouse (Kowloon Bay), 7 Kai Hing Road, Kowloon Bay, Hong Kong for logistics related services;</li> <li>(iii) Unit at Tavistock, 10 Tregunter Path, Hong Kong for staff quarter; and</li> </ul> pursuant to the Existing Framework Agreement, such premises include (i), (ii), (iii) above and also include: <ul style="list-style-type: none"> <li>(iv) Unit at Tower III, Enterprise Square, 9 Sheung Yuet Road, Kowloon Bay, Hong Kong for logistics related services;</li> </ul>
<b>“Listing Rules”</b>	The Rules Governing the Listing of Securities on the Stock Exchange;
<b>“Parties”</b>	collectively, KLN and the Company, and a “Party” means any of them;
<b>“percentage ratios”</b>	has the meaning ascribed to it in Rule 14.07 of the Listing Rules;
<b>“Stock Exchange”</b>	The Stock Exchange of Hong Kong Limited;
<b>“Subsequent Agreements”</b>	the individual agreements to be entered into between the Group and the KLN Group for the Transactions from time to time; and

**“Transactions”**

the transactions between the Group and the KLN Group from time to time in relation to the lease of the Leased Premises by the Group to KLN Group and the provision of the KLN Services by the KLN Group to the Group.

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

Hong Kong, 9 December 2016

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

*Executive Directors:*

*Messrs. Wong Siu Kong, Ho Shut Kan, Chin Siu Wa, Alfred and Bryan Pallop Gaw*

*Non-executive Director:*

*Mr. Kuok Khoon Hua*

*Independent Non-Executive Directors:*

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

\* *For identification purpose only*