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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)**

### **CONNECTED TRANSACTIONS: ESTABLISHMENT OF JOINT VENTURE FOR ACQUISITION, HOLDING AND DEVELOPMENT OF LAND IN QIANHAI**

On 7 December 2016, the Company, KHL and BEA jointly won the Land Bid to acquire the land use rights of the Project Site through the public bidding. Following the successful bidding of the Project Site, the Company, KHL and BEA have entered into the Master Agreement on 7 December 2016 to set out their agreement together with their respective rights and obligations in connection with the establishment and operation of the JVCO to acquire, hold and develop the Project Site.

KHL is the controlling shareholder of the Company and therefore a connected person of the Company. Accordingly, the Transactions constitute connected transactions for the Company under the Listing Rules. As the applicable percentage ratios in respect of the maximum funding commitment to be contributed by the Group to the JVCO exceed 0.1% but are less than 5%, the Transactions are only subject to the announcement and reporting requirements but are exempt from the independent shareholders' approval requirement under the Listing Rules.

### **INTRODUCTION**

On 7 December 2016, the Company, KHL and BEA jointly won the Land Bid to acquire the land use rights of the Project Site through the public bidding. The land use type of the Project Site is for commercial use, and the term of the land use rights of the Project Site is 40 years.

The Consideration for the acquisition of the Project Site is RMB3,020 million (approximately HK\$3,412.6 million) and will be settled in cash. As disclosed in the announcement of the Company dated 2 December 2016, the Deposit of RMB604.0 million (approximately HK\$682.52 million) has been paid and will be refunded to each of the JV Parties subject to payment of the Consideration in accordance with the land contract.

The JVCO, which will be established by the Group, the KHL Group and the BEA Group, is required to enter into the land use right transfer agreement with the Granting Authority within 3 months from the date of this announcement for the acquisition of the Project Site and shall pay the Consideration within 5 working days from the date of signing of the land use right transfer agreement.

## THE MASTER AGREEMENT

Following the successful bidding of the Project Site, the Company, KHL and BEA have entered into the Master Agreement on 7 December 2016 to set out their agreement on their respective rights and obligations in connection with the establishment and operation of the JVCO to acquire, hold and develop the Project Site.

The principal terms of the Master Agreement are as follows:-

<b>Date:</b>	7 December 2016
<b>Parties:</b>	The Company, KHL and BEA.  To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, BEA and its ultimate beneficial owners are third parties independent of the Company.
<b>Shareholdings of the JVCO:</b>	The shareholdings of the Group, the KHL Group and the BEA Group in the JVCO shall be in the proportion of 25%, 50% and 25%, respectively.
<b>Scope of business of the JVCO:</b>	Unless otherwise unanimously agreed between the JV Parties, the sole business of the JVCO shall be the acquisition, construction, development, operation, leasing and property management of the Project Site.
<b>Management of the projects:</b>	Notwithstanding that the Project Site is an asset of the JVCO, the Kerry Party and BEA shall only develop, manage and operate the Kerry Project and the BEA Project respectively and only be entitled to participate in the profits and losses of the Kerry Project and the BEA Project respectively as if each Project is a separate and stand-alone business.
<b>Board composition:</b>	The board of directors of the JVCO shall consist of no more than 4 directors, of which the Company shall be entitled to nominate 1 director, KHL shall be entitled to nominate 2 directors and BEA shall be entitled to nominate 1 director.
<b>Restriction on transfer:</b>	Except as otherwise provided in the Master Agreement, no party may directly or indirectly dispose of any of its Equity Interest or any office property developed on the Project Site until the expiry or early termination of the Lock-up Period.  The JV Parties will further agree on the exit mechanism which would allow the JV Parties to achieve separate ownership of their projects and may include, where deemed appropriate by BEA, a right for BEA to dispose of its interests to Kerry Party after the Lock-up Period.
<b>Termination:</b>	The Master Agreement may be terminated by mutual agreement of the parties or upon the occurrence of certain events as set out in the Master Agreement.

## **FINANCIAL EFFECTS OF THE TRANSACTIONS**

Based on the current estimation, the maximum funding commitment in the JVCO by the JV Parties will be RMB5,220 million (approximately HK\$5,898.6 million) and the maximum funding commitment to be contributed by the Group to the JVCO is expected to be RMB1,305 million (approximately HK\$1,474.65 million).

It is currently expected that the funding required by the Group for contributing to the maximum funding commitment to the JVCO will be sourced by the Group from its internal cash reserves and/or external bank borrowings. The Group is not able to ascertain the proportion between internal cash reserves and external bank borrowings at this stage. The funding requirement for making the maximum funding commitment is not expected to have any material impact on the Group.

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

Since the Group is now holding an approximately 350,000 square-foot site for development in Qianhai, the Board believes that the joint acquisition and development of the Project Site are expected to create synergistic effect to the Group and also enhance the value for the Shareholders by providing additional revenue for the Company.

The Directors (including the independent non-executive Directors) take the view that the Transactions are entered into in the ordinary and usual course of business of the Group and believe that the terms of the Transactions are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Both Mr. Bryan Pallop Gaw, the executive Director, and Mr. Kuok Khoon Hua, the non-executive Director, have declared that each of them together with their respective associates are indirectly interested in 5% or more of the issued shares of KHL and they have abstained from voting on the relevant resolutions of the Board approving the Transactions.

## **INFORMATION OF THE GROUP, KHL AND BEA**

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 PRC and the Asia Pacific region; hotel ownership in Hong Kong, and hotel ownership and operations in the PRC; and integrated logistics and international freight forwarding.

KHL is principally engaged in investment holding.

Incorporated in 1918, BEA is Hong Kong's largest independent local bank, with total consolidated assets of HK\$756.6 billion as of 30 June 2016. Listed on the Stock Exchange, BEA is a constituent stock of the Hang Seng Index. BEA offers customers a comprehensive range of corporate banking, personal banking, wealth management, and investment services through an extensive network of more than 220 outlets covering Hong Kong and the rest of Greater China, Southeast Asia, the United Kingdom, and the United States. For more information, please refer to BEA's website at [www.hkbea.com](http://www.hkbea.com).

## **IMPLICATIONS UNDER THE LISTING RULES**

KHL is the controlling shareholder of the Company and therefore a connected person of the Company. Accordingly, the Transactions constitute connected transactions for the Company under the Listing Rules. As the applicable percentage ratios in respect of the maximum funding commitment to be contributed by the Group to the JVCO exceed 0.1% but are less than 5%, the Transactions are only subject to the announcement and reporting requirements but are exempt from the independent shareholders' approval requirement under the Listing Rules.

## DEFINITIONS

<b>“associates”</b>	has the meaning ascribed to it in the Listing Rules;
<b>“BEA”</b>	The Bank of East Asia, Limited, a limited liability company incorporated in Hong Kong, the shares of which are listed on the Main Board of the Stock Exchange;
<b>“BEA Group”</b>	BEA and its subsidiaries;
<b>“BEA Project”</b>	the development, construction, operation and management of a building for office and commercial use by the BEA Group;
<b>“Board”</b>	the board of Directors;
<b>“connected person”</b>	has the meaning ascribed to it in the Listing Rules;
<b>“connected Transactions”</b>	has the meaning ascribed to it in the Listing Rules;
<b>“Consideration”</b>	the total consideration for the acquisition of the Project Site, being RMB3,020 million (approximately HK\$3,412.6 million);
<b>“controlling shareholder”</b>	has the meaning ascribed to it in the Listing Rules;
<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>“Deposit”</b>	an amount of RMB604.0 million (approximately HK\$682.52 million) paid by the JV Parties (in the proportions of 25%, 50% and 25% by the Company, KHL and BEA, respectively) in order to participate in the Land Bid;
<b>“Directors”</b>	directors of the Company;
<b>“Equity Interest”</b>	portion of the registered capital of the JVCO subscribed for, contributed and/or paid up by the JV Parties together with any rights and interests arising from, incidental to and in connection with such portion of registered capital;
<b>“Granting Authority”</b>	the Authority of Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone of Shenzhen Municipality;
<b>“Group”</b>	the Company and its subsidiaries;
<b>“JV Parties”</b>	collectively, the Group, the KHL Group and the BEA Group and a “JV Party” shall mean any of them;

<b>“JVCO”</b>	a joint venture company to be established by the JV Parties in Qianhai, Shenzhen, the PRC and to be owned by the Group, the KHL Group and the BEA Group as to 25%, 50% and 25%, respectively, for the purpose of acquiring, holding and developing the Project Site;
<b>“Kerry Party”</b>	the Company and KHL;
<b>“Kerry Project”</b>	the development, construction, operation and management of a building for office and commercial use and a hotel by the Kerry Party;
<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>“Land Bid”</b>	the public bidding in respect of the Project Site held on 7 December 2016 in Qianhai, Shenzhen, the PRC;
<b>“Listing Rules”</b>	the Rules Governing the Listing of Securities on the Stock Exchange;
<b>“Lock-up Period”</b>	a ten-year period from the date of filing of the completion certificate or from the date of passing of planning inspection, whichever is the earlier, which is imposed by the Granting Authority whereby none of the Equity Interest or the office properties developed on the Project Site can be disposed of directly or indirectly by any of the Company, KHL and BEA;
<b>“Master Agreement”</b>	the Master Agreement dated 7 December 2016 and entered into between the JV Parties with respect to the establishment and operation of the JVCO for the acquisition, holding and development of the Project Site;
<b>“percentage ratios”</b>	has the meaning ascribed to it in the Listing Rules;
<b>“PRC”</b>	the People’s Republic of China;
<b>“Project Site”</b>	the project site located at Land Parcel 02 & 04, Unit 7, Qianwan Area, Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone, Shenzhen, the PRC (中國深圳市前海深港現代服務業合作區前灣片區七單元02、04街坊) (Land Parcel No.: T102-0260), with a site area of approximately 19,262.18 square meters for commercial use and a gross floor area of approximately 111,000 square meters;
<b>“RMB”</b>	Renminbi, the lawful currency of the PRC;
<b>“Shareholders”</b>	shareholders of the Company;
<b>“Stock Exchange”</b>	The Stock Exchange of Hong Kong Limited; and

**“Transactions”**

the entering into of the Master Agreement by the JV Parties and the transactions contemplated thereunder, including but not limited to the establishment and operation of the JVCO by the JV Parties and the transactions contemplated thereunder.

*Amounts denominated in RMB in this announcement have been converted into HK\$ at the rate of RMB1=HK\$1.13 for illustration purposes.*

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

Hong Kong, 7 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*