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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

(Stock Code: 683)

DISCLOSEABLE AND CONNECTED TRANSACTIONS: ACQUISITION OF TWO WAREHOUSES IN HONG KONG

Sale and Purchase Agreements

On 28 March 2019, the Parties entered into the Sale and Purchase Agreements relating to the acquisition by the Purchaser from the Vendor of the entire issued share capital in the Target Companies which hold the Warehouses.

Pursuant to the Chai Wan Warehouse SPA, the Purchaser, a wholly-owned subsidiary of the Company, agreed to purchase from the Vendor, a wholly-owned subsidiary of KLN, the entire issued share capital of the First Target Company, which holds the Chai Wan Warehouse. The consideration payable by the Purchaser for the acquisition is HK\$2,270 million.

Pursuant to the Sha Tin Warehouse SPA, the Purchaser agreed to purchase from the Vendor, the entire issued share capital of the Second Target Company, which holds the Sha Tin Warehouse. The consideration payable by the Purchaser for the acquisition is HK\$1,330 million.

Listing Rules Implications

KLN is a subsidiary of KHL which is the controlling shareholder of the Company and is therefore a connected person of the Company under the Listing Rules.

As the applicable percentage ratios for the Company in respect of the aggregate consideration in the amount of HK\$3,600 million payable by the Purchaser to the Vendor under the Sale and Purchase Agreements exceed 5% but less than 25%, the Transactions constitute discloseable and connected transactions for the Company and are subject to the reporting, announcement and approval of the Independent Shareholders requirements under Chapters 14 and 14A of the Listing Rules.

A circular containing, among others, further details of the Transactions, a valuation report, a letter of advice from its independent financial adviser to its independent board committee, a letter of advice containing the recommendation of its independent board committee to the Independent Shareholders, and a notice of its special general meeting, is expected to be despatched to the Shareholders on or before 6 May 2019 as additional time is required to prepare the information for inclusion in the circular.

* For identification purpose only

INTRODUCTION

On 28 March 2019, the Parties entered into the Sale and Purchase Agreements relating to the acquisition by the Purchaser from the Vendor of the entire issued share capital of the Target Companies which hold the Warehouses.

Pursuant to the Chai Wan Warehouse SPA, the Purchaser, a wholly-owned subsidiary of the Company, agreed to purchase from the Vendor, a wholly-owned subsidiary of KLN, the entire issued share capital of the First Target Company, which holds the Chai Wan Warehouse. The consideration payable by the Purchaser for the acquisition is HK\$2,270 million.

Pursuant to the Sha Tin Warehouse SPA, the Purchaser agreed to purchase from the Vendor, the entire issued share capital of the Second Target Company, which holds the Sha Tin Warehouse. The consideration payable by the Purchaser for the acquisition is HK\$1,330 million.

CHAI WAN WAREHOUSE SPA

Pursuant to the Chai Wan Warehouse SPA, the Purchaser agreed to purchase from the Vendor the entire issued share capital of the First Target Company, which holds the Chai Wan Warehouse.

The principal terms of the Chai Wan Warehouse SPA are set out below:-

- Date:** 28 March 2019
- Parties:**
- (a) the Purchaser
 - (b) the Vendor
 - (c) the Company (as the guarantor for the Purchaser)
 - (d) KLN (as the guarantor for the Vendor)
- Consideration:** The consideration payable is HK\$2,270 million
- Payment:**
- (a) on the date of the execution of the Chai Wan Warehouse SPA, the Purchaser has paid HK\$227 million as deposit to Purchaser's solicitors as stakeholder in accordance with the provisions of the Chai Wan Warehouse SPA; and
 - (b) upon completion, the Purchaser shall pay the remaining balance of the consideration of HK\$2,043 million to the Vendor.
- Conditions precedent:** Completion of the Chai Wan Warehouse SPA is conditional upon, *inter alia*,:-
- (a) the passing of the Company Resolution; and
 - (b) the passing of the KLN Resolution,
- in each case by not later than the long stop date.

Long stop date: The long stop date under the Chai Wan Warehouse SPA is 14 June 2019 or such later date as agreed by the Vendor and Purchaser in writing.

If the conditions relating to the passing of the relevant resolutions by the Company and KLN is not satisfied on or before the aforesaid long stop date, the Sale and Purchase Agreements shall be terminated and the full amount of the deposit (together with all interests, if any, accrued thereon) shall be returned to the Purchaser.

Performance guarantee: In consideration of the Vendor agreeing to enter into the Chai Wan Warehouse SPA with the Purchaser, the Company unconditionally and irrevocably guarantees to the Vendor the due and punctual performance and discharge by the Purchaser of all of its obligations and liabilities under the Chai Wan Warehouse SPA and any related transaction documents.

In consideration of the Purchaser agreeing to enter into the Chai Wan Warehouse SPA with the Vendor, KLN also unconditionally and irrevocably guarantees to the Purchaser the due and punctual performance and discharge by the Vendor of all of its obligations and liabilities under the Chai Wan Warehouse SPA and any related transaction documents.

Representations, warranties, undertaking and indemnities: The Chai Wan Warehouse SPA contains representations and warranties of the Vendor which are usual and customary for a transaction of this nature and scale.

SHA TIN WAREHOUSE SPA

Pursuant to the Sha Tin Warehouse SPA, the Purchaser agreed to purchase from the Vendor the entire issued share capital of the Second Target Company, which holds the Sha Tin Warehouse.

The principal terms of the Sha Tin Warehouse SPA are set out below:-

Date: 28 March 2019

Parties:

- (a) the Purchaser
- (b) the Vendor
- (c) the Company (as the guarantor for the Purchaser)
- (d) KLN (as the guarantor for the Vendor)

Consideration: The consideration payable is HK\$1,330 million

- Payment:**
- (a) on the date of the execution of the Sha Tin Warehouse SPA, the Purchaser has paid HK\$133 million as deposit to Purchaser's solicitors as stakeholder in accordance with the provisions of the Sha Tin Warehouse SPA; and
 - (b) upon completion, the Purchaser shall pay the remaining balance of the consideration of HK\$1,197 million to the Vendor.

Conditions precedent: Completion of the Sha Tin Warehouse SPA is conditional upon, *inter alia*,:-

- (a) the passing of the Company Resolution; and
- (b) the passing of the KLN Resolution,

in each case by not later than the long stop date.

Long stop date: The long stop date under the Sha Tin Warehouse SPA is 14 June 2019 or such later date as agreed by the Vendor and Purchaser in writing.

If the conditions relating to the passing of the relevant resolutions by the Company and KLN is not satisfied on or before the aforesaid long stop date, the Sale and Purchase Agreements shall be terminated and the full amount of the deposit (together with all interests, if any, accrued thereon) shall be returned to the Purchaser.

Performance guarantee: In consideration of the Vendor agreeing to enter into the Sha Tin Warehouse SPA with the Purchaser, the Company unconditionally and irrevocably guarantees to the Vendor the due and punctual performance and discharge by the Purchaser of all of its obligations and liabilities under the Sha Tin Warehouse SPA and any related transaction documents.

In consideration of the Purchaser agreeing to enter into the Sha Tin Warehouse SPA with the Vendor, KLN also unconditionally and irrevocably guarantees to the Purchaser the due and punctual performance and discharge by the Vendor of all of its obligations and liabilities under the Sha Tin Warehouse SPA and any related transaction documents.

Representations, warranties, undertakings and indemnities: The Sha Tin Warehouse SPA contains representations and warranties of the Vendor which are usual and customary for a transaction of this nature and scale.

ONGOING MANAGEMENT AND LEASE(S) OF THE WAREHOUSES

After completion of the Sale and Purchase Agreements, KLN Group may enter into (1) management agreements for the provision of services relating to management and operation of warehouse facilities, including building management, leasing and licensing management and warrant operations and other related services with the Group in relation to the Warehouses; and (2) lease(s), licence(s) or agreement(s) with the Group permitting KLN Group to occupy and/or use parts of the Warehouses. The terms and conditions of these agreements are to be discussed and agreed between the Parties. The Company will comply with the applicable requirements under the Listing Rules accordingly and make further announcements in this regard as and when appropriate.

DETAILS OF THE TARGET COMPANIES

The First Target Company beneficially owns the First Subsidiary which in turn owns the Chai Wan Warehouse. The Chai Wan Warehouse is situated at 50 Ka Yip Street, Chai Wan, Hong Kong and used as warehouse. The book value of the Chai Wan Warehouse as at 31 December 2018 is approximately HK\$880 million.

The Second Target Company beneficially owns the Second Subsidiary which in turn owns the Sha Tin Warehouse. The Sha Tin Warehouse is situated at 36-42 Shan Mei Street, Shatin, New Territories, Hong Kong and used as warehouse. The book value of the Sha Tin Warehouse as at 31 December 2018 is approximately HK\$747 million.

The summary of the unaudited consolidated financial information of the Target Companies for the years ended 31 December 2017 and 2018 is set out as follows:

The First Target Company

	For the year ended 31 December 2017 (unaudited) <i>HK\$ million</i>	For the year ended 31 December 2018 (unaudited) <i>HK\$ million</i>
Net profit before taxation	117	140
Net profit after taxation	112	135
		As at 31 December 2018 (unaudited) <i>HK\$ million</i>
Total assets		900
Net assets		881

The Second Target Company

	For the year ended 31 December 2017 (unaudited) <i>HK\$ million</i>	For the year ended 31 December 2018 (unaudited) <i>HK\$ million</i>
Net profit before taxation	98	152
Net profit after taxation	93	144

	As at 31 December 2018 (unaudited) <i>HK\$ million</i>
Total assets	776
Net assets	748

The net book value of the First Target Company and the Second Target Company was approximately HK\$881 million and approximately HK\$748 million respectively as at 31 December 2018.

Upon completion of the Sale and Purchase Agreements, each of the First Target Company and the Second Target Company will become a wholly-owned subsidiary of the Company.

FINANCIAL EFFECTS OF THE TRANSACTIONS

The consideration for the acquisition of the entire issued share capital of the Target Companies was arrived at based on arm's length negotiation between the Parties, taking into account of an independent valuation of the Warehouses as at 22 March 2019 by an independent valuer.

It is currently expected that the funding required by the Group for payment of the consideration of the Target Companies will be sourced from its internal cash reserves and/or external bank borrowings. The funding requirement is not expected to have any material financial impact on the Group.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

The Group is committed to strengthen and expand its property investment and real estate development to enhance the long-term return of the Shareholders. To this end, the Group has been actively exploring business development opportunities in Hong Kong. Due to redevelopment potentials of warehouse buildings coupled with revisiting of the revitalization policy by the government, warehouse properties in Hong Kong are supported by strong demand and relatively low availability. The Group will consider redevelopment of the Warehouses for long term investment so as to add value to the Group's portfolio. In view of the good location, accessibility and scale of the Warehouses which fits into the Company's investment strategy, the Board considered that the Transactions represent an excellent investment opportunity for the Group.

Having considered the Company's obligations under the Sale and Purchase Agreements, the Directors (other than the independent non-executive Directors) believe that the Transactions are in the ordinary and usual course of the business of the Group, the terms of the Sale and Purchase Agreements are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The independent non-executive Directors will form their view after they have had the opportunity to discuss with the independent financial adviser and review its letter of advice.

INFORMATION ABOUT THE PARTIES

The Purchaser is a limited company incorporated in the BVI and is an indirectly wholly-owned subsidiary of the Company. The principal activity of the Purchaser is investment holding.

The Vendor is a limited company incorporated in the BVI and is an indirectly wholly-owned subsidiary of KLN. The principal activity of the Vendor is investment holding.

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 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 KHL which is the controlling shareholder of the Company and is therefore a connected person of the Company under the Listing Rules.

As the applicable percentage ratios for the Company in respect of the aggregate consideration in the amount of HK\$3,600 million payable by the Purchaser to the Vendor under the Sale and Purchase Agreements exceed 5% but less than 25%, the Transactions constitute discloseable and connected transactions for the Company and are subject to the reporting, announcement and approval of the Independent Shareholders requirements under Chapters 14 and 14A of the Listing Rules.

Mr. Kuok Khoon Hua, the non-executive Director, has declared that he together with his associates hold more than 5% interest in KLN. He has abstained from voting on the relevant resolutions of the Board approving the Transactions.

KHL and its associates will abstain from voting on the Company Resolution at the special general meeting to be convened by the Company.

An independent board committee will be established by the Board to consider the Transactions and to advise the Independent Shareholders on the Transactions and as to how they should vote on the Company Resolution. An independent financial adviser will be appointed by the Company to make recommendations to the independent board committee and the Independent Shareholders in relation to the Transactions.

A circular containing, among others, further details of the Transactions, a valuation report, a letter of advice from its independent financial adviser to its independent board committee, a letter of advice containing the recommendation of its independent board committee to the Independent Shareholders, and a notice of its special general meeting, is expected to be despatched to the Shareholders on or before 6 May 2019 as additional time is required to prepare the information for inclusion in the circular.

DEFINITIONS

“associate(s)”	has the meaning ascribed to it in the Listing Rules;
“Board”	the board of Directors;
“BVI”	British Virgin Islands;
“Chai Wan Warehouse”	a warehouse situated at 50 Ka Yip Street, Chai Wan, Hong Kong with a total leasable area of 535,037 square feet;
“Chai Wan Warehouse SPA”	the sale and purchase agreement dated 28 March 2019 entered into between the Purchaser and the Vendor pursuant to which the Purchaser agreed to purchase from the Vendor the entire issued share capital of the First Target Company;
“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;
“Company Resolution”	the resolution to approve the Sale and Purchase Agreements and the transactions contemplated hereunder by the Independent Shareholders;
“connected person”	has the meaning ascribed to it in the Listing Rules;
“controlling shareholder”	has the meaning ascribed to it in the Listing Rules;
“Directors”	the directors of the Company;
“First Subsidiary”	Kerry Warehouse (Chai Wan) Limited, a company incorporated in Hong Kong and indirectly wholly-owned by KLN;
“First Target Company”	DEC Limited, a company incorporated in the BVI and indirectly wholly-owned by KLN;
“Group”	the Company and its subsidiaries;
“Independent Shareholders”	Shareholders who are not required to abstain from voting at the special general meeting of the Company to be convened to consider and, if thought fit, approve the Company Resolution;
“KHL”	Kerry Holdings Limited, a company incorporated in Hong Kong, which at the date of this announcement is the controlling shareholder of the Company;

"KLN"	Kerry Logistics Network Limited, incorporated in the BVI 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;
"KLN Group"	KLN and its subsidiaries;
"KLN Resolution"	the resolution to approve the Sale and Purchase Agreements and the transactions contemplated hereunder by the independent shareholders of KLN;
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange;
"Parties"	collectively, the Purchaser, the Vendor, the Company and KLN; and the expression "Party" shall mean any one of them;
"percentage ratios"	has the meaning ascribed to it in Chapter 14 of the Listing Rules;
"Purchaser"	Giant Assets Holdings Limited, a company incorporated in the BVI and indirectly wholly-owned by the Company;
"Sale and Purchase Agreements"	collectively, the Chai Wan Warehouse SPA and the Sha Tin Warehouse SPA;
"Second Subsidiary"	Kerry Warehouse (Shatin) Limited, a company incorporated in Hong Kong and indirectly wholly-owned by KLN;
"Second Target Company"	Belminton Inc., a company incorporated in the BVI and indirectly wholly-owned by KLN;
"Shareholders"	holders of the Shares;
"Shares"	ordinary shares of HK\$1.00 each in the capital of the Company;
"Sha Tin Warehouse"	a warehouse situated at 36-42 Shan Mei Street, Shatin, New Territories, Hong Kong with a total leasable area of 431,530 square feet;
"Sha Tin Warehouse SPA"	the sale and purchase agreement dated 28 March 2019 entered into between the Purchaser and the Vendor pursuant to which the Purchaser agreed to purchase from the Vendor the entire issued share capital of the Second Target Company;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Target Companies"	collectively, the First Target Company and the Second Target Company and the expression "Target Company" shall mean any one of them;

“Transactions”	the entering into of the Sale and Purchase Agreements by the Parties and the transactions contemplated thereunder;
“Vendor”	Kerry Warehouse (HK) Holdings Limited, a company incorporated in the BVI and indirectly wholly-owned by KLN; and
“Warehouses”	collectively, the Chai Wan Warehouse and the Sha Tin Warehouse.

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

Hong Kong, 28 March 2019

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

Executive Directors: *Messrs. Wong Siu Kong, Bryan Pallop Gaw and Wong Chi Kong, Louis*

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*