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(Incorporated in the British Virgin Islands and continued into Bermuda as an exempted company with limited liability)

Stock Code 636

ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTIONS

Reference is made to the announcement of the Company dated 28 July 2014 in relation to the continuing connected transactions under the Framework Agreement entered into between KPL and the Company, pursuant to which, (i) the Group agreed to provide services including delivery, local courier, freight, freight agency, insurance brokerage and related services, and services relating to management and operation of warehouse facilities to the KPL Group, (ii) the KPL Group agreed to lease the Leased Premises to the Group, and (iii) the aggregate total amount payable per annum by the Group to the KPL Group for the Leased Premises and by the KPL Group to the Group for the services under the KPL Transactions shall not exceed the aggregate annual caps as provided in the Framework Agreement.

The Framework Agreement and the annual caps of the transactions under the Framework Agreement will expire on 31 December 2016. On 9 December 2016, the Company renewed the Framework Agreement by entering into the New Framework Agreement with KPL for a fixed term of three years. The Company proposes to set the New Annual Caps for the KPL Transactions for the years ending 31 December 2017, 2018 and 2019.

KPL is a substantial shareholder and a controlling shareholder of the Company, and is therefore a connected person of the Company under the Listing Rules. As such, the transactions contemplated under the KPL Transactions constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the proposed annual caps of the transactions under the KPL Transactions are, on an annual basis, more than 0.1%, but all the applicable percentage ratios are less than 5% in accordance with the Listing Rules, the transactions contemplated under the KPL Transactions are subject to the reporting, annual review and announcement requirements and are exempt from the independent shareholders' approval requirements of the Listing Rules.

THE KPL TRANSACTIONS

Reference is made to the announcement of the Company dated 28 July 2014 in relation to the continuing connected transactions under the Framework Agreement entered into between KPL and the Company, pursuant to which, (i) the Group agreed to provide services including delivery, local courier, freight, freight agency, insurance brokerage and related services, and 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) to the KPL Group, and (ii) the KPL Group agreed to lease the Leased Premises to the Group. The amounts paid by the Group to the KPL Group, and vice versa, were determined after arm's length negotiations between the parties with reference to prevailing market rates for similar types of premises, goods and services, taking into account considerations such as length of contract, package of services and overall customer relationship.

The Framework Agreement and the annual caps of the transactions under the Framework Agreement will expire on 31 December 2016. On 9 December 2016, the Company renewed the Framework Agreement by entering into the New Framework Agreement with KPL for a fixed term of three years. The Company proposes to set the New Annual Caps for the KPL Transactions for the years ending 31 December 2017, 2018 and 2019.

THE NEW FRAMEWORK AGREEMENT

Pursuant to the New Framework Agreement:

- (i) the Group agreed to provide services including delivery, local courier, freight, freight agency, insurance brokerage and related services, and 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) to the KPL Group on normal commercial terms and on an arm's length basis, or on terms no less favourable than those available to the Group from independent third parties, under the KPL Transactions;
- (ii) the KPL Group agreed to lease the Leased Premises to the Group on normal commercial terms and on an arm's length basis, or on terms no less favourable than those available to the Group from independent third parties, under the KPL Transactions;
- (iii) the pricing of each KPL Transaction shall be determined by the parties at the time of the relevant agreement based on applicable market practice and value, with reference to any relevant rules and regulations being effective at the time;
- (iv) 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 agreement with reference to the weight and type of cargo, mode of shipment, freight rate of the carrier, type of storage space required and the service fee charged by independent third party logistics and freight services providers;
- (v) 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 agreement with reference to the insurance brokerage fee charged by independent third party insurance companies from time to time for comparable type of insurance;

- (vi) 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 agreement with reference to the type, size and location of the premises, the relevant party/customers' specific requirements and the service fees charged by independent third party warehouse services providers;
- (vii) in relation to the Leased Premises and such further premises (if any) that KPL Group will lease to the Group during the subsistence of the New Framework Agreement, the rental shall be determined by the parties at the time of entry into the relevant agreements based on the prevailing market rent for comparable properties in the nearby area; and
- (viii) the aggregate total amount payable per annum by the Group to the KPL Group and by the KPL Group to the Group for the services provided under the KPL Transactions shall not exceed the New Annual Caps during the term of the New Framework Agreement.

The New Framework Agreement will commence on 1 January 2017 and expire on 31 December 2019. The New Framework Agreement can be extended for a further term of three years with the mutual written agreement of the Company and KPL.

It is envisaged that from time to time and as required, individual agreements will be entered into between the Group and KPL Group with respect to specific services covered by the New Framework Agreement. Each agreement will set out the specific services requested by the relevant party. These agreements shall only contain provisions which are in all material respects consistent with the guidelines and terms and conditions set out above.

HISTORICAL TRANSACTION AMOUNTS AND ANNUAL CAPS

- (i) The aggregate amounts paid by the Group under the KPL Transactions, together with the relevant annual caps, are as follows:

For the year ending 31 December	Total amount paid / to be paid by the Group to the KPL Group at year end (HK\$)	Historical Annual Caps (HK\$)
2014	12.5 million	17.7 million
2015	10.6 million	19.7 million
2016	10.0 million ¹	21.7 million

- (ii) the aggregate amounts received by the Group under the KPL Transactions, together with the relevant annual caps, are as follows:

For the year ending 31 December	Total amount received / to be received by the Group from the KPL Group at year end (HK\$)	Historical Annual Caps (HK\$)
2014	6.1 million	9.3 million
2015	6.8 million	12.0 million
2016	8.2 million ¹	15.3 million

¹ This amount is unaudited.

NEW ANNUAL CAPS

The Directors have been closely monitoring the continuing connected transactions under the Framework Agreement, and proposes to set the New Annual Caps, details of which are set out below:

	Year ending 31 December		
	2017	2018	2019
	(HK\$)		
Annual cap payable by the Group under the KPL Transactions	11.6 million	12.0 million	12.4 million

	Year ending 31 December		
	2017	2018	2019
	(HK\$)		
Annual cap receivable by the Group under the KPL Transactions	9.9 million	10.5 million	11.5 million

The New Annual Caps for the years ending 31 December 2017, 2018 and 2019 are determined by reference to previous transactions conducted and the historical transaction amounts under the KPL Transactions, fees charged by independent third party providers, as well as factors including: (a) historical, current and projected rental for the Leased Premises and such further premises (if any) that KPL Group will lease to the Group during the subsistence of the New 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 KPL 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 KPL Group's businesses.

REASON FOR AND BENEFITS OF THE KPL TRANSACTIONS

The Group operates as a leading logistics service provider in Asia principally engaged in the integrated logistics and international freight forwarding businesses. As a logistics service provider, the Group has been providing logistics related services including insurance brokerage and related services to the KPL Group historically and will continue to do so in order to enhance the operational scale of the Group. In relation to the provision of services relating to management and operation of warehouse facilities, the Group can leverage on its existing set-up and resources to generate revenue. In addition, due to the continuing growth in the Group's operations in Hong Kong and the Mainland China, the Group requires to lease additional premises for its business operations.

The Board considers that due to the long-term relationship between the Group and KPL Group, it is beneficial to the Company to continue to enter into the KPL Transactions as these transactions have facilitated and will continue to facilitate the operation and growth of the Company's business.

The Board (including the independent non-executive Directors) also considers that the New Framework Agreement and the KPL Transactions are entered into in the ordinary and usual course of business of the Group and are on normal commercial terms, or on terms no less favourable than those available to the Group from independent third parties, which are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and that the New Annual Caps for the transactions under the KPL Transactions are fair and reasonable. None of the Directors has a material interest in the KPL Transactions nor was required to abstain from voting on the board

resolution approving the New Framework Agreement, the KPL Transactions and the New Annual Caps under the Bye-laws.

LISTING RULES IMPLICATIONS

KPL is a substantial shareholder and a controlling shareholder of the Company, and is therefore a connected person of the Company under the Listing Rules. As such, the transactions contemplated under the KPL Transactions constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the proposed annual caps of the transactions under the KPL Transactions are, on an annual basis, more than 0.1%, but all the applicable percentage ratios are less than 5% in accordance with the Listing Rules, the transactions contemplated under the KPL Transactions are subject to the reporting, annual review and announcement requirements and are exempt from the independent shareholders' approval requirements of the Listing Rules.

INFORMATION ON THE GROUP AND THE KPL GROUP

The Group's core business encompasses integrated logistics, international freight forwarding and supply chain solutions. With headquarters in Hong Kong, the 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.

The principal activity of KPL is investment holding and the principal activities of KPL'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.

DEFINITIONS

"ASEAN"	the Association of Southeast Asia Nations
"Board"	the board of Directors
"Bye-laws"	the bye-laws of the Company, as amended from time to time
"Company"	Kerry Logistics Network Limited, 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 (stock code: 636)
"connected person"	has the meaning ascribed thereto under the Listing Rules
"controlling shareholder"	has the meaning ascribed thereto under the Listing Rules
"Directors"	directors of the Company

“Framework Agreement”	the framework agreement entered into between KPL and the Company dated 28 July 2014
“Greater China”	PRC, Hong Kong, Macau and Taiwan
“Group”	the Company and its subsidiaries
“Historical Annual Caps”	the annual caps under the Framework Agreement for the years ending 31 December 2014, 2015 and 2016
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“KPL”	Kerry Properties Limited, incorporated under the laws of Bermuda as an exempted company with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 683)
“KPL Group”	KPL and its subsidiaries
“KPL Transactions”	transactions entered into between the Group and the KPL Group on normal commercial terms, or on terms no less favourable than those available to the Group from independent third parties, under which (i) the Group provides services including delivery, local courier, freight, freight agency, insurance brokerage and related services, and services relating to management and operation of warehouse facilities to the KPL Group, and (ii) the KPL Group leases the Leased Premises to the Group
“Leased Premises”	the premises owned by the KPL Group and leased to the Group, which include (i) units at Phase I, Kerry Everbright City, 218 Tianmu Road West, Shanghai, China for office use, (ii) units at Kerry D.G. Warehouse (Kowloon Bay), 7 Kai Hing Road, Kowloon Bay, Hong Kong for logistics related services, and (iii) unit at Tavistock, 10 Tregunter Path, Hong Kong for staff quarter
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“Macau”	the Macau Special Administrative Region of the PRC
“New Annual Caps”	the proposed aggregate annual caps for the KPL Transactions
“New Framework Agreement”	the new framework agreement entered into between KPL and the Company dated 9 December 2016

“PRC” or “Mainland China”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, Macau and Taiwan
“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed thereto under the Listing Rules
“%”	per cent

By Order of the Board
Kerry Logistics Network Limited
LEE Pui Nee
Company Secretary

Hong Kong, 9 December 2016

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

Executive Directors:

Mr YEO George Yong-boon, Mr MA Wing Kai William, Mr ERNI Edwardo and Mr KUOK Khoon Hua

Non-executive Director:

Mr CHIN Siu Wa Alfred

Independent Non-executive Directors:

Ms WONG Yu Pok Marina, Mr WAN Kam To and Mr YEO Philip Liat Kok

This announcement is published on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company (www.kerrylogistics.com).