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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Kerry Logistics Network Limited, you should at once hand this circular and the enclosed form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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Kerry Logistics
Network Limited

嘉里物流聯網有限公司

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

Stock Code 636

CONTINUING CONNECTED TRANSACTIONS

SUPPLEMENTAL AGREEMENT TO THE SF LOGISTICS SERVICES FRAMEWORK AGREEMENT, SUPPLEMENTAL AGREEMENT TO THE KLN LOGISTICS SERVICES FRAMEWORK AGREEMENT, REVISION OF ANNUAL CAPS AND NOTICE OF SPECIAL GENERAL MEETING

Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders



Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" of this circular.

A letter from the Board is set out on pages 8 to 19 of this circular. A letter from the IBC to the Independent Shareholders is set out on pages 20 and 21 of this circular. A letter from the IFA containing its advice and recommendation to the IBC and the Independent Shareholders is set out on pages 22 to 43 of this circular.

A notice convening the SGM via the e-Meeting System on Thursday, 8 December 2022 at 2:30 p.m. is set out on pages 50 to 52 of this circular.

A form of proxy for use at the SGM is enclosed with this circular and such form of proxy is also published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.kln.com).

Whether or not you are able to attend the meeting via the e-Meeting System, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not less than 48 hours before the time appointed for holding the SGM, i.e. by no later than 2:30 p.m. on Tuesday, 6 December 2022. Completion and return of the form of proxy shall not preclude you from attending and voting via the e-Meeting System at the SGM or any adjourned meeting thereof should you so desire.

18 November 2022

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DEFINITIONS

In this circular, the following expressions have the following meanings unless the context otherwise requires:

“Announcements”	the First Announcement and the Second Announcement
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“CCTs”	the KLN Transactions and the SF Transactions
“Company”	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 (stock code: 636)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“e-Meeting System”	electronic platform for the registered Shareholders, proxies and corporate representatives attending the SGM via internet
“First Announcement”	the Company’s announcement dated 28 June 2022 in relation to the SF Logistics Services Framework Agreement
“Flourish Harmony”	Flourish Harmony Holdings Company Limited, a wholly-owned subsidiary of SF Holding
“Framework Agreements”	the KLN Logistics Services Framework Agreement (as amended by the KLN Supplemental Agreement) and the SF Logistics Services Framework Agreement (as amended by the SF Supplemental Agreement)
“FY2022”	the year ending 31 December 2022
“FY2023”	the year ending 31 December 2023
“FY2024”	the year ending 31 December 2024
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

DEFINITIONS

"Hong Kong"	Hong Kong Special Administrative Region of the PRC
"IBC" or "Independent Board Committee"	an independent committee of the Board comprising all independent non-executive Directors (namely, Dr CHEUNG Wai Man, Mr LAI Sau Cheong Simon, Mr TAN Chuen Yan Paul and Ms WONG Yu Pok Marina), established for the purpose of advising the Independent Shareholders in relation to the terms of the Framework Agreements and the transactions contemplated under such agreements (including the Proposed Annual Caps)
"IFA" or "Opus Capital"	Opus Capital Limited, a corporation licensed to carry out Types 1 (dealing in securities) and 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser to the IBC and the Independent Shareholders in relation to the Framework Agreements and the transactions contemplated under such agreements (including the Proposed Annual Caps)
"Independent Shareholders"	Shareholders other than those who are required to abstain from voting on the resolutions at the SGM approving the Framework Agreements and the transactions contemplated under such agreements (including the Proposed Annual Caps)
"independent third party(ies)"	any entity or person who, to the best knowledge of our Directors, is independent of the Company and its connected persons
"Kerry Express Thailand"	Kerry Express (Thailand) Public Company Limited, a public company with limited liability registered in Thailand and listed on The Stock Exchange of Thailand (stock code: KEX), is a subsidiary of the Company
"Kerry TJ"	Kerry TJ Logistics Company Limited, incorporated under the laws of Taiwan and listed on Taiwan Stock Exchange (stock code: 2608)
"KGL"	Kerry Group Limited, one of the controlling shareholders of the Company
"KHL"	Kerry Holdings Limited, a wholly-owned subsidiary of KGL
"KLN Logistics Services Framework Agreement"	the framework agreement dated 29 July 2022 entered into between the Company and SFTS

DEFINITIONS

"KLN Logistics Services"	(a) international freight forwarding services, including cross-border international cargo carriage services for SFTS Group's cargo and parcels and various ancillary services; (b) express services of collecting and obtaining customs clearance of cargoes and parcels at designated international arrival ports; sorting, distribution and delivery of such cargoes and parcels to customers of SFTS Group and/or their designated consignees outside of the Mainland, Hong Kong, Macau and Taiwan; (c) overseas pick-up services, including express services of picking-up cargoes and parcels from customers of SFTS Group outside of the Mainland, Hong Kong, Macau and Taiwan and delivering the same to designated international origin ports for export to the Mainland; and (d) integrated logistics services, including storage, inventory management and other value-added services, trucking and distribution, returns management and various ancillary services
"KLN Supplemental Agreement"	the supplemental agreement dated 28 October 2022 entered into between the Company and SFTS to amend the KLN Logistics Services Framework Agreement
"KLN Transaction(s)"	transaction(s) entered into and to be entered into between the Group and SFTS Group with respect to the KLN Logistics Services
"KPL"	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 (stock code: 683), and is a substantial shareholder of the Company
"Latest Practicable Date"	15 November 2022, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
"Macau"	the Macao Special Administrative Region of the PRC
"Mainland"	the PRC and, for the purpose of this circular only, excludes Hong Kong, Macau and Taiwan

DEFINITIONS

“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“PRC”	the People’s Republic of China
“Proposed Annual Cap(s)”	the Proposed KLN Annual Caps and the Proposed SF Annual Caps
“Proposed KLN Annual Cap(s)”	the proposed annual cap(s) on the maximum aggregate amounts paid or payable by SFTS Group to the Group for the Relevant Period with respect to the KLN Transactions, as stated in this circular
“Proposed SF Annual Cap(s)”	the proposed annual cap(s) on the maximum aggregate amounts paid or payable by the Group to SFTS Group for the Relevant Period with respect to the SF Transactions, as stated in this circular
“Relevant Period”	the three years ending 31 December 2024
“RMB”	Renminbi, the lawful currency of the PRC
“Second Announcement”	the Company’s announcement dated 29 July 2022 in relation to, among other things, the KLN Logistics Services Framework Agreement
“SF Holding”	S.F. Holding Co., Ltd., a joint stock company incorporated in the PRC with limited liability, the shares of which are listed on the Shenzhen Stock Exchange (stock code: 002352.SZ), is a subsidiary of Shenzhen Mingde
“SF Logistics Services Framework Agreement”	the framework agreement dated 28 June 2022 entered into between the Company and SFTS

DEFINITIONS

"SF Logistics Services"	(a) the carriage of cargoes by air flight operations (comprising scheduled flights and charter flights) and various ancillary services; (b) freight forwarding services, including co-loading of cargoes; (c) express services of (i) collecting and obtaining customs clearance of cargoes and parcels at designated international arrival ports for, and (ii) sorting, distribution and delivery of such cargoes and parcels to, customers of the Group and/or their designated consignees, within the Mainland, Hong Kong and Macau; and (d) integrated logistics services, including storage, inventory management and other value-added services, trucking and distribution, returns management and various ancillary services, within the Mainland, Hong Kong and Macau
"SF Supplemental Agreement"	the supplemental agreement dated 28 October 2022 entered into between the Company and SFTS to amend the SF Logistics Services Framework Agreement
"SF Transaction(s)"	transaction(s) entered into and to be entered into between the Group and SFTS Group with respect to the SF Logistics Services
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SFTS"	Shenzhen S.F. Taisen Holding (Group) Co., Ltd.* (深圳順豐泰森控股(集團)有限公司), a company incorporated in the PRC with limited liability and a connected person of the Company
"SFTS Group"	SFTS and its subsidiaries
"SGM"	the special general meeting of the Company to be held via the e-Meeting System on Thursday, 8 December 2022 at 2:30 p.m., or where the context so admits, any adjournment thereof
"Share(s)"	share(s) of nominal value of HK\$0.50 each of the Company, or, if there has been a subdivision, consolidation, reclassification or reconstruction of the share capital of the Company, shares forming part of the ordinary share capital of the Company
"Share Award Scheme"	share award scheme of the Company
"Shareholder(s)"	holder(s) of Share(s)

DEFINITIONS

"Shenzhen Mingde"	Shenzhen Mingde Holding Development Co., Ltd., one of the controlling shareholders of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary"	has the meaning ascribed to it under the Listing Rules
"substantial shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Supplemental Agreements"	the KLN Supplemental Agreement and the SF Supplemental Agreement
"Third Announcement"	the Company's announcement dated 28 October 2022 in relation to the Supplemental Agreements and revision of annual caps on the CCTs
"United States" or "US"	the United States of America, its territories and possessions, any State of the United States, and the District of Columbia
"%"	per cent
"8M2022"	the eight months ended 31 August 2022
"9M2022"	the nine months ended 30 September 2022

* *For identification purpose only*

SPECIAL ARRANGEMENTS FOR THE SGM

All registered Shareholders will be able to join the SGM via the e-Meeting System. The e-Meeting System can be accessed from any location with access to the internet via smartphone, tablet device or computer.

Through the e-Meeting System, registered Shareholders will be able to view the live video broadcast and participate in voting and submit questions online. Login details and information will be included in our letters to registered Shareholders regarding the e-Meeting System which will be despatched on 18 November 2022.

HOW TO ATTEND AND VOTE

Shareholders who wish to attend the SGM and exercise their voting rights can do one of the following:

- (1) attend the SGM via the e-Meeting System which enables live streaming and interactive platform for submitting questions and voting online; or
- (2) appoint the chairman of the SGM or other person(s) as your proxy(ies) by providing their email address(es) for receiving the designated log-in username and password to attend and vote on your behalf via the e-Meeting System.

Your proxy's authority and instruction will be revoked if you attend and vote via the e-Meeting System at the SGM.

If you are a non-registered Shareholder, you may consult directly with your banks, brokers, custodians or Hong Kong Securities Clearing Company Limited (as the case may be) for necessary arrangement to attend and vote via the e-Meeting System at the SGM if you wish.

If you have any questions relating to the SGM, please contact the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, as follows:

Address:	17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong
Email:	is-enquiries@hk.tricorglobal.com
Telephone:	(852) 2980 1333 during business hours from 9:00 a.m. to 5:00 p.m., Monday to Friday, excluding Hong Kong public holidays

Due to the constantly evolving COVID-19 pandemic situation in Hong Kong, the Company may be required to adopt further changes to the SGM arrangements at short notice. Shareholders are advised to check the Company's website at www.kln.com and the Stock Exchange's website at www.hkexnews.hk for the latest announcement and information relating to the SGM.

LETTER FROM THE BOARD



Kerry Logistics
Network Limited
嘉里物流聯網有限公司

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

Stock Code 636

Chairman, Non-executive Director:

Mr WANG Wei

Vice Chairman, Non-executive Director:

Mr KUOK Khoon Hua

Executive Directors:

Mr MA Wing Kai William (*Group Managing Director*)

Mr CHEUNG Ping Chuen Vicky (*Managing Director*)

Non-executive Directors:

Mr CHAN Fei

Mr HO Chit

Ms CHEN Keren

Independent Non-executive Directors:

Dr CHEUNG Wai Man

Mr LAI Sau Cheong Simon

Mr TAN Chuen Yan Paul

Ms WONG Yu Pok Marina

Registered Office:

Victoria Place, 5th Floor

31 Victoria Street

Hamilton HM 10

Bermuda

*Corporate Headquarters and
Principal Place of Business*

in Hong Kong:

16/F, Kerry Cargo Centre

55 Wing Kei Road

Kwai Chung

New Territories

Hong Kong

18 November 2022

To the Shareholders

Dear Sir or Madam

CONTINUING CONNECTED TRANSACTIONS

SUPPLEMENTAL AGREEMENT TO THE SF LOGISTICS SERVICES FRAMEWORK AGREEMENT, SUPPLEMENTAL AGREEMENT TO THE KLN LOGISTICS SERVICES FRAMEWORK AGREEMENT, REVISION OF ANNUAL CAPS AND NOTICE OF SPECIAL GENERAL MEETING

1. INTRODUCTION

Reference is made to the First Announcement. On 28 June 2022, the Company entered into the SF Logistics Services Framework Agreement with SFTS, pursuant to which SFTS Group agreed to provide certain logistics services to the Group.

LETTER FROM THE BOARD

Reference is further made to the Second Announcement. On 29 July 2022, the Company entered into the KLN Logistics Services Framework Agreement with SFTS, pursuant to which the Group agreed to provide certain logistics services to SFTS Group.

Reference is also made to the Third Announcement. On 28 October 2022, the Company entered into the SF Supplemental Agreement with SFTS, pursuant to which the parties have agreed to expand the scope of the SF Logistics Services Framework Agreement to include express delivery services and integrated logistics services. On the same date, the Company entered into the KLN Supplemental Agreement with SFTS, pursuant to which the parties have agreed to expand the scope of the KLN Logistics Services Framework Agreement to include integrated logistics services.

The purpose of this circular is to provide you with, *inter alia*, (i) further details of the Framework Agreements and the transactions contemplated under such agreements (including the Proposed Annual Caps); (ii) a letter of advice from the IBC to the Independent Shareholders advising on the terms of the Framework Agreements and the transactions contemplated under such agreements (including the Proposed Annual Caps); and (iii) a letter from the IFA to the IBC and the Independent Shareholders advising on the terms of the Framework Agreements and the transactions contemplated under such agreements (including the Proposed Annual Caps), and to give you the notice of the SGM.

2. SUPPLEMENTAL AGREEMENTS

SF Supplemental Agreement

On 28 October 2022, the Company entered into the SF Supplemental Agreement with SFTS, pursuant to which the parties have agreed to expand the scope of the SF Logistics Services Framework Agreement to include express delivery services and integrated logistics services. Specifically, SFTS Group has agreed to provide the following SF Logistics Services to the Group on normal commercial terms or better and on an arm's length basis, or on terms no less favourable than those made available by SFTS Group or to the Group to or from their respective independent third parties:

- (a) the carriage of cargoes by air flight operations (comprising scheduled flights and charter flights) and various ancillary services;
- (b) freight forwarding services, including co-loading of cargoes;
- (c) express services of (i) collecting and obtaining customs clearance of cargoes and parcels at designated international arrival ports for, and (ii) sorting, distribution and delivery of such cargoes and parcels to, customers of the Group and/or their designated consignees, within the Mainland, Hong Kong and Macau; and
- (d) integrated logistics services, including storage, inventory management and other value-added services, trucking and distribution, returns management and various ancillary services, within the Mainland, Hong Kong and Macau.

LETTER FROM THE BOARD

For each SF Transaction, the Group shall pay a service fee to SFTS Group determined with reference to various factors (as applicable), including but not limited to:

- (a) the carriage of cargoes by air flight operations and various ancillary services: (i) the cargo freight tariff applicable to the relevant flight route as pre-determined by the parties on a quarterly basis with reference to prevailing freight rates charged by independent third party carriers for similar services, based on at least two quotations obtained by the Group; (ii) weight, volume, value and type of cargo/parcel; (iii) type and availability of cargo/parcel space required; (iv) prevailing fees charged by independent third party local handling agents for similar services; and (v) (in relation to charter flight service) billable flight time;
- (b) freight forwarding services: (i) weight, volume, value and type of cargo/parcel; (ii) type and availability of cargo/parcel space required; and (iii) prevailing fees charged by independent third party service providers for similar services, based on at least two quotations obtained by the Group;
- (c) express services: (i) weight, volume, value and type of cargo/parcel, and (ii) prevailing fees charged by independent third party local handling agents for similar services, based on at least two quotations obtained by the Group; and
- (d) integrated logistics services: (i) weight, volume, value and type of cargo/parcel; (ii) type and availability of storage space required; and (iii) prevailing fees charged by independent third party service providers for similar services, based on at least two quotations obtained by the Group.

Save as disclosed above, all material terms of the SF Logistics Services Framework Agreement remain unchanged. Please refer to the First Announcement for details.

KLN Supplemental Agreement

On 28 October 2022, the Company entered into the KLN Supplemental Agreement with SFTS, pursuant to which the parties have agreed to expand the scope of the KLN Logistics Services Framework Agreement to include integrated logistics services. Specifically, the Group has agreed to provide the following KLN Logistics Services to SFTS Group on normal commercial terms or better and on an arm's length basis, or on terms no less favourable than those made available by the Group or to SFTS Group to or from their respective independent third parties:

- (a) international freight forwarding services, including cross-border international cargo carriage services for SFTS Group's cargo and parcels and various ancillary services;
- (b) express services of collecting and obtaining customs clearance of cargoes and parcels at designated international arrival ports; sorting, distribution and delivery of such cargoes and parcels to customers of SFTS Group and/or their designated consignees outside of the Mainland, Hong Kong, Macau and Taiwan;
- (c) overseas pick-up services, including express services of picking-up cargoes and parcels from customers of SFTS Group outside of the Mainland, Hong Kong, Macau and Taiwan and delivering the same to designated international origin ports for export to the Mainland; and
- (d) integrated logistics services, including storage, inventory management and other value-added services, trucking and distribution, returns management and various ancillary services.

LETTER FROM THE BOARD

For each KLN Transaction, the Group shall be entitled to a service fee determined with reference to various factors (as applicable), including but not limited to:

- (a) international freight forwarding services: (i) weight, volume, value and type of cargo/parcel; (ii) type and availability of cargo/parcel space required; (iii) prevailing cargo tariff charged by independent third party carriers, local handling agents and/or service providers for similar services; (iv) cost of providing the KLN Logistics Services; and (v) quotations provided by the Group to at least two other independent third parties for similar services;
- (b) express services: (i) weight, volume, value and type of cargo/parcel; (ii) prevailing fees charged by independent third party local handling agents for similar services; (iii) cost of providing the KLN Logistics Services; and (iv) quotations provided by the Group to at least two other independent third parties for similar services;
- (c) overseas pick-up services: (i) weight, volume, value and type of cargo/parcel; (ii) prevailing fees charged by independent third party local handling agents for similar services; (iii) cost of providing the KLN Logistics Services; and (iv) quotations provided by the Group to at least two other independent third parties for similar services; and
- (d) integrated logistics services: (i) weight, volume, value and type of cargo/parcel; (ii) type and availability of storage space required; (iii) cost of providing the KLN Logistics Services; and (iv) quotations provided by the Group to at least two other independent third parties for similar services.

Save as disclosed above, all material terms of the KLN Logistics Services Framework Agreement remain unchanged. Please refer to the Second Announcement for details.

To enable it to assess the fairness and reasonableness of the pricing policies for the SF Logistics Services and the KLN Logistics Services, the Board obtained from the Group's management and considered (A) quotations (i) provided to the Group by independent third parties with respect to each type of SF Logistics Services, and (ii) provided by the Group to independent third parties and SFTS Group with respect to international freight forwarding services under the KLN Transactions, as well as (B) the agreed fees table in respect of local delivery or pick-up services provided by the Group. The terms (including as to pricing) of each such type of services are no less favourable to the Group than those offered to it by independent third parties, and no more favourable to SFTS Group than those offered by the Group to independent third parties, as applicable.

Based on the above, and coupled with the internal control measures adopted by the Company with respect to the CCTs as set forth in the section headed "Internal Control Measures" below, the Board is of the review that the pricing policies for each type of the SF Logistics Services and the KLN Logistics Services are fair and reasonable.

LETTER FROM THE BOARD

3. REVISION OF ANNUAL CAPS AND HISTORICAL TRANSACTION AMOUNTS

The Group's competitive position in the market has been and will continue to be enhanced by the integration of its business with that of SFTS Group, following the strategic alliance made between the two corporate groups in 2021. Going forward, the Group will be positioned as SF Holding's international business arm and act as its international freight forwarding agent, to jointly propel the development of SF Holding's international express service. The two parties began collaborating on their Mainland operations to serve the overseas needs of SF Holding's customers in May 2022, when SF Holding appointed the Group as its exclusive cargo general sales agent. In July 2022, the Group became the principal service provider to SF Holding for its international express business outside of the Mainland.

SF Logistics Services

The aggregate amount paid or payable by the Group to SFTS Group for 9M2022 with respect to the SF Logistics Services was approximately HK\$525 million, based on unaudited management accounts.

The Board foresees a significant increment in transaction value for the remainder of the year and the two years ending 31 December 2024 as compared to that for 9M2022, and expects that the actual transaction amounts with respect to the SF Logistics Services for the Relevant Period will be substantially higher than those initially forecasted, due to (i) a rapid acceleration in the integration of the Group's international freight forwarding business with those of SFTS Group which only commenced in May 2022, and, in particular, the gradual diversion of all of the Group's demand for charter flight services to flights operated by SFTS Group which is expected to commence only in November 2022; (ii) success thus far in the integration process, which has brought about enhanced operational efficiency and in turn, capacity, to both parties; (iii) the expanded scope of the SF Logistics Services; and (iv) as the Group and SFTS Group continue to navigate the process of integrating their logistics operations, reconfigure resources and streamline services, a significant increase in freight volume is expected over time. The aggregate fees to be incurred or made in FY2022 with respect to the SF Logistics Services are projected to be approximately HK\$971 million, which are in excess of the existing annual cap.

In light of the foregoing, the expected growth in demand from the Group of the SF Logistics Services and the actual amounts incurred or made to date under the SF Transactions, the Board proposes to increase the annual caps disclosed in the First Announcement to the following Proposed SF Annual Caps:

	Year ending 31 December		
	2022	2023	2024
	(HK\$ million)		
Existing annual caps	800	1,300	1,430
New annual caps	1,068	4,189	5,844

LETTER FROM THE BOARD

The Proposed SF Annual Caps have been determined with reference to (a) the historical transaction amounts incurred by the parties; (b) prevailing market rate and forecasted rate that may be charged by independent third parties for similar services; (c) maximum available cargo/parcel/storage capacity; (d) (in relation to sale of cargo space) existing flight routes and schedules; and (e) inflation and expected growth of the Group's demand for the SF Logistics Services.

Set out below is a breakdown of the cost components which comprise the Proposed SF Annual Caps:

	Year ending 31 December		
	2022	2023	2024
	(HK\$ million)		
Amounts payable by the Group to SFTS Group			
Scheduled flight services cost – the Mainland outbound ⁽¹⁾	620	1,070	1,322
Scheduled flight services cost – the Mainland inbound ⁽²⁾	138	453	621
Charter flight services cost ⁽³⁾	179	1,888	2,928
Express delivery services cost ⁽⁴⁾	93	734	923
Miscellaneous logistics services cost ⁽⁵⁾	38	44	50
Total	1,068	4,189	5,844

Notes:

- The new annual cap for FY2022 is based on (i) a historical aggregate transaction amount of approximately HK\$407 million for 9M2022; (ii) the estimated aggregate transaction amount for the remaining three months in FY2022 with reference to recent monthly transaction amounts; and (iii) a contingency buffer rate of 10%. The new annual cap for FY2023 is based on the annualised annual cap for FY2022, as integration of SFTS Group's and the Group's relevant businesses only commenced in May 2022. In addition, cost is expected to grow at 16% per annum during the Relevant Period, having considered a historical growth rate ranging from 2% to 30% per annum in respect of the Group's Mainland outbound air freight volume in the past eight years. An average approximate inflation rate of 2.3% in the Mainland and Hong Kong, and a contingency buffer rate of 20% and 25% for FY2023 and FY2024 respectively, are also added to the calculation.
- The new annual cap for FY2022 is based on (i) a historical aggregate transaction amount of approximately HK\$44 million for 9M2022; (ii) the estimated aggregate transaction amount for the remaining three months in FY2022 with reference to recent monthly transaction amounts; and (iii) a contingency buffer rate of 10%. The new annual cap for FY2023 is based on the annualised annual cap for FY2022, as integration of SFTS Group's and the Group's relevant businesses only commenced in May 2022. In addition, cost is expected to grow at 22% per annum during the Relevant Period, having considered a historical growth rate ranging from 5% to 45% per annum in respect of the Group's Mainland inbound air freight volume in the past eight years. An approximate inflation rate of 8% in the US (being the Group's second largest market in terms of revenue), and a contingency buffer rate of 20% and 25% for FY2023 and FY2024 respectively, are also added to the calculation.
- Charter flight services comprise existing charter flights with SFTS Group and charter flights to be procured from SFTS Group. The new annual cap for FY2022 is based on (A) with respect to existing charter flight services, (i) a historical aggregate transaction amount of approximately HK\$49 million for 9M2022, and (ii) the estimated aggregate transaction amount for the remaining three months in FY2022 with reference to recent monthly transaction amounts, and (B) with respect to charter flight services to be procured, (i) actual charter flight costs incurred (other than those incurred with SFTS Group) of approximately HK\$1,103.8 million for 8M2022; (ii) integration of SFTS Group's and the Group's relevant businesses, which is expected to commence in November 2022; and (iii) the fact that approximately 30% of the Group's demand for charter flight services in November and December 2022 is expected to be fulfilled by SFTS Group. The Company expects SFTS Group to fulfil 80% and 100% of its demand for charter flight services in FY2023 and FY2024 respectively. Further, cost is expected to grow at 18% per annum during the Relevant Period, having considered a historical growth rate ranging from 3% to 34% per annum in respect of the Group's air freight volume in the past eight years. An average approximate inflation rate of 2.3% in the Mainland and Hong Kong, and a contingency buffer rate of 10%, 20% and 25% for FY2022, FY2023 and FY2024 respectively, are also added to the calculation.

LETTER FROM THE BOARD

4. The new annual cap for FY2022 is based on (i) the historical aggregate transaction amount for 8M2022 (in annualised term); (ii) the agreed price for handling custom clearance during 8M2022; (iii) the agreed price for last-mile delivery services during 8M2022; and (iv) the fact that integration of SFTS Group's and the Group's relevant businesses is expected to commence in November 2022. In addition, cost is expected to grow at 18% per annum during the Relevant Period, having considered a historical growth rate ranging from 3% to 34% per annum in respect of the Group's air freight volume in the past eight years. An average approximate inflation rate of 2.3% in the Mainland and Hong Kong, and a contingency buffer rate of 20% and 25% for FY2023 and FY2024 respectively, are also added to the calculation.
5. The new annual caps are based on (i) the historical aggregate transaction amount for 9M2022; (ii) a growth rate of 5% with reference to the historical average growth rate of the Group's integrated logistics business segment within the Mainland in the past six years; and (iii) a contingency buffer rate of 10% to 25%.

Based on the above, the Board is of the view that the Proposed SF Annual Caps are fair and reasonable in the circumstances.

KLN Logistics Services

The aggregate amount paid or payable by SFTS Group to the Group for 9M2022 with respect to the KLN Logistics Services was approximately HK\$198 million, based on unaudited management accounts.

Despite a relatively low utilisation rate of approximately 39.6% of the existing annual cap for FY2022, the Board foresees a significant increment in transaction value for the remainder of the year and the two years ending 31 December 2024 as compared to that for 9M2022, and expects that the actual transaction amounts with respect to the KLN Logistics Services for the Relevant Period will be substantially higher than those initially forecasted, due to (i) a rapid acceleration in the integration of SFTS Group's last-mile and local handling services with those of the Group, which only commenced in May 2022; (ii) success thus far in the integration process, which has brought about enhanced operational efficiency and in turn, capacity, to both parties; (iii) the expanded scope of the KLN Logistics Services and, in particular, the addition of ground handling management services at overseas airports which had previously been handled in-house by SFTS Group; (iv) the fact that integration of the ground handling management services and express delivery services is expected to commence only in November 2022; and (v) as the Group and SFTS Group continue to navigate the process of integrating their logistics operations, reconfigure resources and streamline services, a significant increase in freight volume is expected over time. The aggregate fees to be incurred or made in FY2022 with respect to the KLN Logistics Services are projected to be approximately HK\$483 million, which represent approximately 97% of the existing annual cap.

In light of the foregoing, the expected growth in demand from SFTS Group of the KLN Logistics Services and the actual amounts incurred or made to date under the KLN Transactions, the Board proposes to increase the annual caps disclosed in the Second Announcement to the following Proposed KLN Annual Caps:

	Year ending 31 December		
	2022	2023	2024
	(HK\$ million)		
Existing annual caps	500	1,268	1,330
New annual caps	531	2,340	2,931

The Proposed KLN Annual Caps have been determined with reference to (a) the historical transaction amounts incurred by the parties; (b) prevailing market rate charged by independent third parties for similar services; and (c) inflation and expected growth of SFTS Group's demand for the KLN Logistics Services.

LETTER FROM THE BOARD

Set out below is a breakdown of the cost components which comprise the Proposed KLN Annual Caps:

	Year ending 31 December		
	2022	2023	2024
	(HK\$ million)		
Amounts payable by SFTS Group to the Group			
International freight forwarding services income – the			
Mainland outbound ⁽¹⁾	112	217	268
International freight forwarding services income – the			
Mainland inbound ⁽²⁾	151	228	156
Ground handling management services income ⁽³⁾	31	258	343
Express delivery services income ⁽⁴⁾	189	1,580	2,098
Miscellaneous logistics services income ⁽⁵⁾	48	57	66
Total	531	2,340	2,931

Notes:

1. The new annual cap for FY2022 is based on (i) a historical aggregate transaction amount of approximately HK\$71 million for 9M2022; (ii) the estimated aggregate transaction amount for the remaining three months in FY2022 with reference to recent monthly transaction amounts; and (iii) a contingency buffer rate of 10%. The new annual cap for FY2023 is based on the annualised annual cap for FY2022, as integration of SFTS Group's and the Group's relevant businesses only commenced in May 2022. In addition, cost is expected to grow at 16% per annum during the Relevant Period, having considered a historical growth rate ranging from 2% to 30% per annum in respect of the Group's Mainland outbound air freight volume in the past eight years. An average approximate inflation rate of 2.3% in the Mainland and Hong Kong, and a contingency buffer rate of 20% and 25% for FY2023 and FY2024 respectively, are also added to the calculation.
2. The new annual cap for FY2022 is based on (i) a historical aggregate transaction amount of approximately HK\$100 million for 9M2022; (ii) the estimated aggregate transaction amount for the remaining three months in FY2022 with reference to recent monthly transaction amounts; and (iii) a contingency buffer rate of 10%. The new annual cap for FY2023 is based on the annualised annual cap for FY2022, as integration of SFTS Group's and the Group's relevant businesses only commenced in May 2022. In addition, cost is expected to grow at 22% per annum during the Relevant Period, having considered a historical growth rate ranging from 5% to 45% per annum in respect of the Group's Mainland inbound air freight volume in the past eight years. However, a reduction of 30% and 50% from the new annual cap for FY2022 has been applied to the new annual caps for FY2023 and FY2024 respectively to reflect the gradual integration of SFTS Group's and the Group's express cargo delivery services. An approximate inflation rate of 8% in the US (being the Group's second largest market in terms of revenue), and a contingency buffer rate of 20% and 25% for FY2023 and FY2024 respectively, are also added to the calculation.
3. The new annual caps are based on (i) a historical aggregate transaction amount of approximately HK\$125 million for the year ended 31 December 2021; (ii) integration of SFTS Group's and the Group's relevant businesses, which is expected to commence in November 2022; (iii) an expected growth rate at 18% per annum during the Relevant Period, having considered a historical growth rate ranging from 3% to 34% per annum in respect of the Group's air freight volume in the past eight years; (iv) a cost-plus 6% on top of the estimated ground handling management services cost, taking into account additional staff cost to be incurred by the Group so as to take up the services; (v) an approximate inflation rate of 8% in the US, being the Group's second largest market in terms of revenue; and (vi) a contingency buffer rate of 10% to 25%.
4. The new annual cap for FY2022 is based on (i) the historical aggregate transaction amount for 8M2022 (in annualised term); (ii) the agreed prices for handling custom clearance in US, Korea, Singapore and Japan (which, collectively, accounted for approximately 90% of the Group's total cargo volume outbound of the Mainland) during 8M2022; (iii) the agreed prices for last-mile delivery services in US, Korea, Singapore and Japan during 8M2022; and (iv) integration of SFTS Group's and the Group's relevant businesses, which is expected to commence in November 2022. In addition, cost is expected to grow at 18% per annum during the Relevant Period, having considered a historical growth rate ranging from 3% to 34% per annum in respect of the Group's air freight volume in the past eight years. An approximate inflation rate of 8% in the US (being the Group's second largest market in terms of revenue), and a contingency buffer rate of 20% and 25% for FY2023 and FY2024 respectively, are also added into the calculation.

LETTER FROM THE BOARD

5. The new annual caps are based on (i) the historical aggregate transaction amount for 9M2022; (ii) a growth rate of 8% with reference to the historical average growth rate of the Group's integrated logistics business segment in the past six years; (iii) an average approximate inflation rate of 2.3% in the Mainland and Hong Kong; and (iv) a contingency buffer rate of 10% to 25%.

Based on the above, the Board is of the view that the Proposed KLN Annual Caps are fair and reasonable in the circumstances.

4. INFORMATION ON THE GROUP

The Group is a leading Asia-based logistics service provider with a highly diversified business portfolio and global presence in 59 countries and territories. Headquartered in Hong Kong, the Group offers a broad range of supply chain solutions from integrated logistics, international freight forwarding (air, ocean, road, rail and multimodal), industrial project logistics, to cross-border e-commerce, last-mile fulfilment and infrastructure investment.

5. INFORMATION ON SFTS AND SF HOLDING

SFTS is a company incorporated in the PRC with limited liability, and is principally engaged in investments in industrial businesses, investment consulting and other information consulting, supply chain management, asset management, capital management and investment management. SFTS is a wholly-owned subsidiary of SF Holding, which is a leading integrated express logistic services provider in the Mainland. Among other businesses, SFTS Group operates a fleet of freight aircrafts and carries on the business of carriage of cargoes by air flight operations, and provides international courier services to carry cargoes, parcels and goods into and out of the Mainland.

6. REASONS FOR AND BENEFITS OF THE SUPPLEMENTAL AGREEMENTS AND REVISION OF ANNUAL CAPS

The Group is principally engaged in the integrated logistics, international freight forwarding and last-mile delivery businesses. Following the strategic alliance made between the Company and SF Holding in 2021, the two corporate groups are desirous of integrating their respective logistics businesses in order to bring efficiencies of scale to their operations.

As disclosed in the Announcements, the entering into of the Framework Agreements is expected to facilitate the Group in growing and expanding the scale and geographical coverage of its international freight forwarding and international cargos and parcels delivery businesses by allowing it to leverage on SFTS Group's strong and competitive position in the Mainland as well as its relevant experience and network. By further engaging integrated logistics and last-mile fulfilment services of SFTS Group within the Mainland, Hong Kong and Macau and, in tandem, taking up SFTS Group's integrated logistics business outside of such regions, the Group is able to fully take advantage of SFTS Group's extensive network, infrastructure and resources in the Mainland, reduce administrative costs and continue to strengthen its operations.

The Group's management, with the assistance of its finance team, has been regularly monitoring the actual amounts incurred or made under the CCTs. In view of the widened scope of the KLN Logistics Services and the SF Logistics Services, the actual amounts incurred or made to date under the CCTs and the foreseeable growth in demand from the Group and SFTS Group (as applicable) of the relevant services, the aggregate fees to be incurred or paid with respect to such services are expected to exceed the original annual caps set out in the Announcements. As such, the Board proposes to increase such caps to the Proposed Annual Caps.

LETTER FROM THE BOARD

The Board considers it beneficial for the Company to enter into the Supplemental Agreements and revise the existing annual caps on the CCTs, as these transactions have facilitated and will continue to facilitate the expansion of the Group's operations. The Board (including the independent non-executive Directors whose views are set forth in "Letter from the IBC" in this circular, after considering the advice of the IFA, and excluding Mr WANG Wei) is of the view that the entering into of the Framework Agreements and the CCTs are in the ordinary and usual course of business of the Group, on normal commercial terms which are fair and reasonable, and in the interests of the Company and its shareholders as a whole, and that the Proposed Annual Caps are fair and reasonable.

Mr WANG Wei, the chairman of the Board and non-executive Director, is the controlling shareholder of SF Holding (which, in turn, wholly owns SFTS) and therefore abstained from voting on the relevant resolutions of the Board approving the Framework Agreements, the CCTs and the Proposed Annual Caps. Save as disclosed above, none of the Directors has a material interest in the Framework Agreements, the CCTs or the Proposed Annual Caps, or was required to abstain from voting on the relevant resolutions of the Board.

7. INTERNAL CONTROL MEASURES

The Company has implemented procedures for ensuring that the Group conducts the CCTs in accordance with the pricing policies and guidelines stated above, and for monitoring all such transactions.

Prior to agreeing with SFTS Group on:

- (a) the service fees payable in relation to the KLN Logistics Services, the Group will compare contemporaneous quotations that it provides to at least two independent third party customers in respect of similar services, or quotations from independent third party providers when the Group updates its fees table on a monthly or quarterly basis in respect of local delivery or pick up services (which usually involve smaller transactional amounts); and
- (b) in relation to the SF Logistics Services,
 - (i) the cargo freight tariffs applicable to relevant flight routes at the beginning of each financial quarter, the Group will obtain contemporaneous quotations from at least two independent third party carriers for similar services;
 - (ii) the rates chargeable for express delivery services at the beginning of each financial quarter, the Group will obtain contemporaneous quotations from at least two independent third party service providers for similar services; and
 - (iii) the rates chargeable for integrated logistics services, the Group will obtain contemporaneous quotations from at least two independent third party service providers for similar services.

The Company's finance team will review the actual transaction amounts incurred under the CCTs on a regular basis to ensure that these are conducted in accordance with established procedures and internal controls, to assess the effectiveness of such measures and to report to management where the transaction amount reaches 70% of an annual cap to avoid the risk of it being exceeded. If, based on monthly management accounts and management updates, adjustment(s) to the Proposed Annual Cap(s) becomes necessary, or a material change to the terms of any of the Framework Agreements is required, the Company will re-comply with the relevant Listing Rules requirements.

LETTER FROM THE BOARD

The independent non-executive Directors will conduct an annual review of the CCTs, and confirm the matters required under Rule 14A.55 of the Listing Rules in the Company's subsequent annual reports. Further, the Company will engage external auditors to conduct an annual review of its continuing connected transactions, and to report to the Board on matters required under Rule 14A.56 of the Listing Rules.

8. LISTING RULES IMPLICATIONS

SFTS is a wholly-owned subsidiary of SF Holding, which indirectly held 931,209,117 Shares (representing approximately 51.52% interest in the Company) as at the Latest Practicable Date. As such, SFTS is a connected person of the Company and the CCTs 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 SF Annual Caps exceeds 5%, the SF Transactions are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the Proposed KLN Annual Caps exceeds 5%, the KLN Transactions are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

9. VOTING BY POLL

All the resolutions set out in the notice of the SGM would be decided by poll in accordance with the Listing Rules and the Company's bye-laws. The chairman of the SGM would explain the detailed procedures for conducting a poll at the commencement of the SGM.

The poll results will be published on the Company's website at www.kln.com and the Stock Exchange's website at www.hkexnews.hk after the conclusion of the SGM.

10. SGM

Notice of the SGM is set out on pages 50 to 52 of this circular. A form of proxy for use at the SGM is enclosed with this circular. Whether or not you are able to attend the meeting via the e-Meeting System, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not less than 48 hours before the time appointed for holding the SGM, i.e. by no later than 2:30 p.m. on Tuesday, 6 December 2022. Completion and return of the form of proxy will not prevent you from attending and voting via the e-Meeting System at the SGM if you so wish.

Save for SF Holding and its associate(s), to the best knowledge of the Company having made all reasonable enquiries, no Shareholder is materially interested in the Framework Agreements and the transactions contemplated thereunder (including the Proposed Annual Caps) and was required to abstain from voting at the SGM.

LETTER FROM THE BOARD

11. IBC AND IFA

The IBC comprising all the independent non-executive Directors (namely, Dr CHEUNG Wai Man, Mr LAI Sau Cheong Simon, Mr TAN Chuen Yan Paul and Ms WONG Yu Pok Marina) has been formed to advise the Independent Shareholders, and Opus Capital has been appointed by the Company as the IFA to advise the IBC and the Independent Shareholders, in relation to the terms of the Framework Agreements, the transactions contemplated under such agreements and the Proposed Annual Caps.

12. RECOMMENDATION

Your attention is drawn to (i) the letter of advice from the IBC to the Independent Shareholders advising on the terms of the Framework Agreements and the transactions contemplated under such agreements (including the Proposed Annual Caps) and (ii) the letter from the IFA to the IBC and the Independent Shareholders advising on the terms of the Framework Agreements and the transactions contemplated under such agreements (including the Proposed Annual Caps).

The Board (including the independent non-executive Directors whose views are set forth in the "Letter from the IBC" in this circular, after considering the advice of the IFA, and excluding Mr WANG Wei) is of the view that the entering into of the Framework Agreements and the CCTs are in the ordinary and usual course of business of the Group, on normal commercial terms which are fair and reasonable, and in the interests of the Company and its shareholders as a whole, and that the Proposed Annual Caps are fair and reasonable. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of all resolutions to be proposed at the SGM.

13. ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendix to this circular.

Yours faithfully,
For and on behalf of
Kerry Logistics Network Limited
WANG Wei
Chairman

LETTER FROM THE IBC

The following is the text of the letter from the IBC to the Independent Shareholders in respect of the Framework Agreements and the transactions contemplated under such agreements (including the Proposed Annual Caps) for inclusion in this circular.



Kerry Logistics
Network Limited
嘉里物流聯網有限公司

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

Stock Code 636

18 November 2022

To the Independent Shareholders

Dear Sir or Madam

CONTINUING CONNECTED TRANSACTIONS

SUPPLEMENTAL AGREEMENT TO THE SF LOGISTICS SERVICES FRAMEWORK AGREEMENT, SUPPLEMENTAL AGREEMENT TO THE KLN LOGISTICS SERVICES FRAMEWORK AGREEMENT AND REVISION OF ANNUAL CAPS

We refer to the circular issued by the Company to its Shareholders dated 18 November 2022 (the “Circular”) of which this letter forms part. Terms defined in the Circular shall have the same meanings in this letter unless the context otherwise requires.

We have been appointed by the Board to form an independent board committee to consider and advise you as to whether (i) the terms of the Framework Agreements and the transactions contemplated under such agreements (including the Proposed Annual Caps) are fair and reasonable, and on normal commercial terms, and (ii) the entering into of the Framework Agreements and the transactions contemplated under such agreements are in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole, and as to voting. Opus Capital has been appointed to act as the IFA to advise the IBC and the Independent Shareholders in this regard.

We wish to draw your attention to the letter from the Board as set out on pages 8 to 19 of the Circular, and a letter of advice from the IFA as set out on pages 22 to 43 of the Circular.

Having considered the terms of the Framework Agreements and the transactions contemplated under such agreements (including the Proposed Annual Caps), the advice and recommendation from the IFA and the relevant information contained in the letter from the Board, we are of the opinion that (i) the terms of the Framework

LETTER FROM THE IBC

Agreements and the transactions contemplated under such agreements (including the Proposed Annual Caps) are fair and reasonable, and on normal commercial terms, and (ii) the entering into of the Framework Agreements and the transactions contemplated under such agreements are in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend you to vote in favour of all the resolutions to be proposed at the SGM.

Yours faithfully,

For and on behalf of the Independent Board Committee

CHEUNG Wai Man

LAI Sau Cheong Simon

TAN Chuen Yan Paul

WONG Yu Pok Marina

Independent non-executive Directors

LETTER FROM THE IFA

The following is the text of the letter from the IFA, Opus Capital Limited, to the IBC and the Independent Shareholders in respect of the Framework Agreements and the transactions contemplated under such agreements (including the Proposed Annual Caps) for inclusion in this circular.



18th Floor, Fung House
19-20 Connaught Road Central
Central, Hong Kong

18 November 2022

To: *The Independent Board Committee and the Independent Shareholders of Kerry Logistics Network Limited*

Dear Sirs or Madams,

CONTINUING CONNECTED TRANSACTIONS

SUPPLEMENTAL AGREEMENT TO THE SF LOGISTICS SERVICES FRAMEWORK AGREEMENT, SUPPLEMENTAL AGREEMENT TO THE KLN LOGISTICS SERVICES FRAMEWORK AGREEMENT AND REVISION OF ANNUAL CAPS

INTRODUCTION

We refer to our appointment by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the Framework Agreements (as amended by the Supplemental Agreements) and the transactions contemplated thereunder (including the Proposed Annual Caps), details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular of the Company to the Shareholders dated 18 November 2022 (the "**Circular**"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless otherwise defined or the context requires otherwise.

As stated in the Letter from the Board, references are made to the announcements of the Company dated 28 June 2022 and 29 July 2022 in relation to, among others, the CCTs. On 28 June 2022, the Company and SFTS entered into the SF Logistics Services Framework Agreement and on 29 July 2022, the Company and SFTS entered into the KLN Logistics Services Framework Agreement. In view of the widened scope of the KLN Logistics Services and the SF Logistics Services, the actual amounts incurred to date under the CCTs and the foreseeable growth in demand from the Group and SFTS Group (as applicable) of the services under the CCTs, the aggregated fees to be incurred with respect to such services are expected to exceed the original annual caps. Therefore, on 28 October 2022, the Company and SFTS entered into the Supplemental Agreements to expand the scope of the Framework Agreements and the Board proposed to increase the proposed annual caps with respect to the Framework Agreements.

LETTER FROM THE IFA

As at the Latest Practicable Date, SFTS is a wholly-owned subsidiary of SF Holding, which is holding approximately 51.52% interest in the Company indirectly. As such, SFTS is a connected person of the Company and the transactions contemplated under the Framework Agreements (as amended by the Supplemental Agreements) constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Mr. Wang Wei, the chairman of the Board and non-executive Director, is the controlling shareholder of SF Holding (which in turn wholly owns SFTS) and therefore abstained from voting on the relevant resolutions of the Board approving the Framework Agreements, CCTs and the Proposed Annual Caps. Save as disclosed above and to the best of the Directors' knowledge having made all reasonable enquiries, none of the Directors has a material interest in the Framework Agreements, CCTs or the Proposed Annual Caps, or was required to abstain from voting on the relevant resolutions of the Board.

As the applicable percentage ratio(s) in respect of (i) the Proposed SF Annual Caps exceeds 5%; and (ii) the Proposed KLN Annual Caps exceeds 5%, the transactions contemplated under the SF Logistics Services Framework Agreement (as amended by the SF Supplemental Agreement) and the KLN Logistics Services Framework Agreement (as amended by the KLN Supplemental Agreement) are subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. SF Holding and its associate(s) will abstain from voting on the relevant resolutions to be proposed at the SGM. To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, as at the Latest Practicable Date, except SF Holding and its associates, none of the other Shareholders will be required to abstain from voting on the resolution(s) to be proposed at the SGM.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee of the Company comprising Dr. Cheung Wai Man, Mr. Lai Sau Cheong Simon, Mr. Tan Chuen Yan Paul and Ms. Wong Yu Pok Marina, all being independent non-executive Directors, has been established to consider and make a recommendation to the Independent Shareholders on: (i) whether the terms of the Framework Agreements and the transactions contemplated under such agreements (including the Proposed Annual Caps) are fair and reasonable, and on normal commercial terms; (ii) whether the entering into of the Framework Agreements and the transactions contemplated under such agreements are in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as whole; and (iii) how the Independent Shareholders should vote in respect to the relevant resolutions to be proposed at the SGM to approve the Framework Agreements and the transactions contemplated under such agreements (including the Proposed Annual Caps). Our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in the same respect has been approved by the Independent Board Committee pursuant to the Rule 13.84 of the Listing Rules.

OUR INDEPENDENCE

We do not have any relationship with, or interest in, the Group, SF Holding, the SFTS Group or other parties that could reasonably be regarded as relevant to our independence. During the two years immediately prior to this letter, we have not acted in the capacity as financial adviser or as an independent financial adviser or in any other capacity to the Company. Apart from normal independent financial advisory fee paid or payable to us in connection with this appointment as the Independent Financial Adviser, no arrangements exist whereby we had received or will receive any fees or benefits from the Group, SF Holding, the SFTS Group or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider ourselves independent pursuant to Rule 13.84 of the Listing Rules.

BASIS OF OUR OPINION

In formulating our advice and recommendation to the Independent Board Committee and the Independent Shareholders, we have reviewed, amongst other things:

- (i) the Company's annual report for the year ended 31 December ("FY") 2021 (the "**2021 Annual Report**");
- (ii) the Company's interim report for the six months ended 30 June ("HY") 2022 (the "**2022 Interim Report**");
- (iii) the SF Logistics Services Framework Agreement;
- (iv) the SF Supplemental Agreement;
- (v) the KLN Logistics Services Framework Agreement;
- (vi) the KLN Supplemental Agreement; and
- (vii) other information as set out in the Circular.

We have relied on the truth, accuracy and completeness of the statements, information, opinions and representations contained or referred to in the Circular and the information and representations made to us by the Company, the Directors and the management of the Group (collectively, the "**Management**"). We have assumed that all information and representations contained or referred to in the Circular and provided to us by the Management, for which they are solely and wholly responsible, are true, accurate and complete in all respects and not misleading or deceptive at the time when they were provided or made and will continue to be so up to the Latest Practicable Date. Shareholders will be notified of material changes as soon as possible, if any, to the information and representations provided and made to us after the Latest Practicable Date and up to and including the date of the SGM.

We have also assumed that all statements of belief, opinion, expectation and intention made by the Management in the Circular were reasonably made after due enquiries and careful consideration and there are no other facts not contained in the Circular, the omission of which make any such statement contained in the Circular misleading. We have no reason to suspect that any relevant information has been withheld, or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Management, which have been provided to us.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. However, we have not carried out any independent verification of the information provided by the Management, nor have we conducted any independent investigation into the business, financial conditions and affairs of the Group or its future prospects.

The Directors jointly and severally accept full responsibility for the accuracy of the information disclosed and confirm, having made all reasonable enquiries that to the best of their knowledge and belief, there are no other facts not contained in this letter, the omission of which would make any statement herein misleading.

LETTER FROM THE IFA

This letter is issued to the Independent Board Committee and the Independent Shareholders solely in connection for their consideration of the terms of the Framework Agreements and the transactions contemplated under such agreements (including the Proposed Annual Caps), and except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purpose without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the CCTs, we have taken into consideration the following principal factors and reasons:

1. Information of the Group

The Group's core business encompasses integrated logistics, international freight forwarding and e-commerce & express. 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 the Mainland and the ASEAN region. In particular, the Group provides (i) integrated logistics services, including storage, inventory and other value-added services, trucking and distribution, returns management and various ancillary services, primarily in Asia; (ii) international freight forwarding services intra-Asia, between Asia and Europe and between Asia and the Americas to transport cargo using air freight, ocean freight and cross-border road freight forwarding services; and (iii) e-commerce & express related logistics services.

The following is a summary of the financial results of the Group for each of FY2020 and FY2021, HY2021 and HY2022 as extracted from the 2021 Annual Report and the 2022 Interim Report:

Table 1: Highlights of the financial results of the Group

	HY2022 (Unaudited) (HK\$'000)	HY2021 (Unaudited) (HK\$'000)	FY2021 (Audited) (HK\$'000)	FY2020 (Audited) (HK\$'000)
Continuing operations				
Revenue	48,034,324	34,653,907	78,954,724	49,617,150
– Integrated logistics	6,522,267	6,305,086	19,795,941	17,820,911
– E-commerce & express (Note 1)	3,057,128	3,355,744	N/A	N/A
– International freight forwarding	38,454,929	24,993,077	59,158,783	31,796,239
Gross profit	5,288,031	3,493,210	9,003,943	4,629,602
Profit attributable to the Shareholders	2,376,815	3,380,348	7,938,653	2,895,757
– Continuing operations	2,376,815	1,092,406	3,308,813	1,160,059
– Discontinued operations (Note 2)	–	2,287,942	4,629,840	1,735,698

Source: 2022 Interim Report and 2021 Annual Report

Note 1: During HY2022, the Group has re-determined a new operating segment namely e-commerce & express, which was originally included in the integrated logistics segment in previous years.

Note 2: During FY2021, the Group had sold the entire interest of warehouse companies in Hong Kong and the business companies in Taiwan.

HY2022 vs HY2021

During HY2022, the Group recorded revenue of approximately HK\$48,034 million, representing an increase of approximately 38.6% from approximately HK\$34,654 million for HY2021. Such increment was mainly attributable to the substantial growth in international freight forwarding services as a result of the Group's resilience and capabilities in handling crises while capturing opportunities in a highly complex and volatile global supply chain despite limitless challenges during the COVID-19 pandemic (the "Pandemic"). Moreover, following the Group's strategic partnership with SF Holding in late 2021, the Group started to serve as the international business arm of SF Holding and has added new customer base in the Mainland which also benefit the Group's business in terms of scale, coverage and capabilities. Gross profit increased by approximately 51.4% to approximately HK\$5,288 million for HY2022 from approximately HK\$3,493 million for HY2021 which is in line with the growth of revenue during the period. The gross profit margins for HY2022 and HY2021 are approximately 11.0% and 10.1% respectively, which remain stable over the years.

The Group recorded profit attributable to the Shareholders from continuing operations of approximately HK\$2,377 million for HY2022, representing a rapid growth by approximately 117.7% from approximately HK\$1,092 million for HY2021, which was mainly driven by the continuing strong performance in international freight forwarding business with an 140% increase in segment profit compared to HY2021.

FY2021 vs FY2020

During FY2021, the Group recorded revenue of approximately HK\$78,955 million, representing a substantial increase of approximately 59.1% from approximately HK\$49,617 million for FY2020. Such increase in revenue was primarily due to the substantial growth in international freight forwarding services as a result of increase in urgent fulfilment orders and more complex demands from customers to overcome the multifaceted hurdles in the supply chain. Gross profit increased by approximately 94.5% to approximately HK\$9,004 million for FY2021 from approximately HK\$4,630 million for FY2020 which is in line with the growth of revenue during the period.

The Group recorded profit attributable to the Shareholders from continuing operation of approximately HK\$3,309 million for FY2021, representing a significant increase of approximately 185.2% from approximately HK\$1,160 million for FY2020. The significant increase in profit attributable to the Shareholders was mainly attributable to surge in demand of its international freight forwarding business globally which recorded a 389% increase in segment profit compared to FY2020.

LETTER FROM THE IFA

The following is a summary of the financial positions of the Group as at 31 December 2021 and 30 June 2022, as extracted from the 2022 Interim Report:

Table 2: Highlights of the financial positions of the Group

	As at 30 June 2022 (Unaudited) (HK\$'000)	As at 31 December 2021 (Audited) (HK\$'000)
Non-current assets	23,508,395	21,147,602
Current assets	28,186,046	27,014,774
Non-current liabilities	10,890,774	5,484,960
Current liabilities	19,351,957	17,840,700
Net asset value (" NAV ") attributable to the Shareholders	18,240,642	21,048,480

Source: 2022 Interim Report

As at 30 June 2022, the total assets of the Group amounted to approximately HK\$51,694 million, registering an increase of approximately 7.3% from approximately HK\$48,162 million as at 31 December 2021. Such increase was mainly attributable to (i) the goodwill arising from the acquisition of controlling equity interests in several international freight forwarding and trading companies during HY2022; and (ii) the increase in accounts receivable, prepayments and deposits as a result of the business expansion. On the other hand, the total liabilities of the Group recorded a moderate increase of approximately 29.7% as compared the balances as at 30 June 2022 and 31 December 2021. Such movement was mainly attributable to (i) the increase in bank borrowings to fund certain acquisitions and operating activities; and (ii) the increase in accounts payable, deposits received and accrued charges which is in line with the expansion of business scale of the Group during HY2022.

Given the movements of the total assets and total liabilities of the Group highlighted above, the NAV attributable to the Shareholders decreased from approximately HK\$21,048 million as at 31 December 2021 to approximately HK\$18,241 million as at 30 June 2022, representing a moderate decrease of approximately 13.3%.

2. Background information of SFTS

SFTS is a company incorporated in The PRC with limited liability, and is principally engaged in investments in industrial businesses, investment consulting and other information consulting, supply chain management, asset management, capital management and investment management. SFTS is a wholly-owned subsidiary of SF Holding, which is a leading integrated express logistic services provider in the Mainland. Among other businesses, SFTS Group operates a fleet of freight aircrafts and carries on the business of carriage of cargoes by air flight operations, and provides international courier services to carry cargoes, parcels and goods into and out of the Mainland.

3. Industry outlook and prospects of the Group

In 2021, despite the negative economic effect of the war between Russia and Ukraine, soaring commodity prices and supply-demand imbalances, the global economy was still on a recovery path from the outbreak of the Pandemic. According to the report titled “World Economic Outlook” published by the International Monetary Fund in April 2022, the annual percentage growth of the world’s total gross domestic product (“GDP”) in 2021 was estimated to be approximately 6.1% (2020: approximately -3.1%) and, in particular, growth of GDP of advanced economies and emerging and developing Asia reached 5.2% (2020: approximately -4.5%) and 7.3% (2020: approximately -1.0%) respectively in 2021. In contrast, the Mainland recorded a GDP growth of approximately 8.1% in 2021. Despite the world’s economy is not yet fully recovered from the Pandemic since the outbreak in 2019, the further path of global economy development is expected to be optimistic with the effort from the governments around the globe on the monetary and fiscal sides.

According to the report titled “Global Trade Update” published by United Nations Conference on Trade and Development (“UNCTAD”) in July 2022 (the “UNCTAD Report”). As stated in the UNCTAD Report, the value of global trade increased during the first quarter of 2022, although its growth continued to decelerate. Overall, the value of global trade reached a record level of approximately US\$7.7 trillion in the first quarter of 2022, an increase of approximately US\$1 trillion relative to the first quarter of 2021, and of approximately US\$250 million relative to the fourth quarter of 2021. In the first quarter of 2022 the value of trade was approximately 30% higher than the pre-pandemic levels of 2019. By contrast, trade volumes increased to a much lower extent (approximately 6%). The divergence between values and volumes is due to rising commodity prices, especially for energy products, and general inflation. The UNCTAD Report further pointed out that, the world trading outlook for 2022 is expected to remain the positive trend but such rapid growth rate would slow down for the rest of 2022, considering that the rising interest rates and the winding down of economic stimulus packages will likely have a negative impact on trade volumes for the rest of 2022, volatility in commodity prices and geopolitical factors will also continue to make trade developments uncertain. Such evolution of world trade for the remainder of 2022 is likely to be mainly affected by the factors such as (i) slower than expected economic growth; (ii) effect of the conflict in Ukraine; (iii) continuing challenges for global supply chains; (iv) trade agreements and regionalization trends; (v) transition towards a greener global economy; and (vi) rising concerns for debt sustainability.

According to the 2021 Annual Report, the Company stated that the ongoing Pandemic and recurrent outbreaks are presenting more uncertainties and fresh challenges for the logistics industry, the supply and demand mismatch, freight capacity chokeholds, port congestions, labour shortages as well as shutdown of borders and lockdowns, which all contribute to the ongoing global supply chain disruptions and impact businesses and trades across the globe. While the chaos in the markets and unforeseeable events have severely disrupted the freight and aviation sectors, unprecedented opportunities for the industry have also arisen. Under such circumstance, the flexible and innovative supply chain solutions were in high demand, which played exactly to the Group’s strengths. The Group’s overall competitiveness will be further enhanced through the integration of the businesses of SFTS Group and the Group following the establishment of the strategic cooperation between the two parties in 2021. The Company will be positioned as SF Holding’s platform for international business, while acting as SF Holding’s international freight forwarding agent to jointly propel the development of SF Holding’s international express service. It is expected that the Group’s strategic partnership with SF Holding will give it an unparalleled advantage to be Asia’s largest third party logistics provider to tackle the uncertain market challenges ahead. The two parties are already collaborating in the Mainland to serve SF Holding’s clients’ overseas business needs. Starting from the second quarter of 2022, the

Group began serving as the exclusive cargo General Sales Agent (GSA) for S.F. Airlines, and has been gradually taking up the businesses acting as the principal service provider outside the Mainland for SF Holding's international express business, firmly establishing the Group's position as SF Holding's international arm. The Management expected that this partnership will further strengthen the Group's unique position in Asia, which will not only allow it to support its business and operation, but also to be agile and adaptive to sudden and severe disruptions and uncertainties, and deliver efficient and effective services to its customers and shareholders.

Overall, despite the Pandemic induced supply chain disruptions will continue during 2022, the extent of the disruption and the affected factors will be decreased and the global economy development has demonstrated recoveries from the recession caused by the Pandemic and recovery trend has been forecasted to continue. Therefore, we are of the view that the global trade prospects will remain the positive development trend in the near future.

4. Reasons for and benefits for the Framework Agreements (as amended by the Supplemental Agreements) and revision of annual caps

As disclosed in the Letter from the Board, following the strategic alliance made between the Company and SF Holding in 2021, the two corporate groups are desirous of integrating their respective logistics businesses in order to bring efficiencies of scale to their operations. The Group has become the international business arm of SF Holding and leveraged on SFTS Group's extensive network, infrastructure and resources in the Mainland to grow the scale and geographical coverage of its operations. On 28 June 2022 and 29 July 2022, the Company and SFTS entered into the SF Logistics Services Framework Agreement and the KLN Logistics Services Framework Agreement to strengthen their strategic alliance and delineate the service scope between parties.

As set out in the Letter from the Board, the Management has been regularly monitoring the transaction amounts under the CCTs. In view of the widened scope of the KLN Logistics Services and the SF Logistics Services, the actual amounts incurred or made to date under the CCTs and the foreseeable growth in demand from the Group and SFTS Group of the relevant services, the aggregate fees to be incurred or to be paid with respect to such services are expected to exceed the original annual caps set out in the announcement of the Company dated 28 June 2022 and 29 July 2022. As advised by the Management, the revision of the SF Annual Caps is mainly attributable to (i) the business integration between SFTS Group and the Group in respect of international freight forwarding, in particular the diversion of the Group's demand for charter flight services to flights operated by SFTS Group has been ahead of schedule since May 2022; (ii) the Group will gradually take up the overseas express cargo business of SFTS while procuring last-mile delivery and local handling services for the Mainland inbound cargo from SFTS Group; (iii) the demand of integrated logistics services within the Mainland, Hong Kong and Macau in response to the Group's daily operational need; and (iv) the increase in transaction volume. With respect to the revision of the KLN Annual Caps, it is mainly attributable to (i) the business integration of SFTS's last-mile and local handling services for the Mainland outbound cargo into the Group are ahead of schedule since May 2022; (ii) the demand of integrated logistics services in response to the SFTS Group's daily operational need; and (iii) the increase in transaction volume. As such, the Company and SFTS have entered into the Supplemental Agreements to expand the service scope of the Framework Agreements and revise the annual caps with respect to the SF Transactions and KLN Transactions for the three years ending 31 December 2024.

As disclosed in the 2022 Interim Report, the world continued to face unprecedented volatility and uncertainty in global economy in HY2022. The supply-demand mismatches and chokeholds persisted with limited improvements. Disruptions to the global supply chains remained, driven by labour shortages, port congestion, geopolitical tensions and divergence in governments' Pandemic and fiscal policies. In respond to the unsettled market condition and global supply chain reshuffling, the Group has continuously provided innovation and customised solutions to meet customer needs under the unsettled market conditions. Thus, the Group continued to deliver strong results and the international freight forwarding business remained as the growth driver of the Group. Such performance demonstrated the Group's resilience and capabilities in handling crises while capturing opportunities in a highly complex and volatile global supply chain despite limitless challenges.

Having considered that (i) as stated in the section headed "3. Industry outlook and prospect of the Group", the global trade prospects is expected to remain positive in the next few years; (ii) the competitive position of SF Holding in the Mainland which the Group can leverage to expand its business scale; (iii) the promising financial results delivered by the Group in the challenging environment; and (iv) the continuing business integration with respect to the international freight forwarding businesses and international express delivery services between the Group and SFTS Group, the former of which will remain as the growth driver of the Group in the next few years, we are of the view that the entering into of the Framework Agreement and the revision of annual caps under the SF Transactions and KLN Transactions are in the interests of the Company and the Shareholders as a whole.

5. Principal terms of the Framework Agreements (as amended by the Supplemental Agreements)

SF Logistics Services Framework Agreement (as amended by the SF Supplemental Agreement)

Pursuant to the SF Logistics Services Framework Agreement, SFTS Group has agreed to provide the carriage of cargoes by air flight operations, including scheduled flights and charter flights to the Group on normal commercial terms or better and on an arm's length basis, or on terms no less favourable than those made available by SFTS Group or to the Group to or from their respective independent third parties. The SF Logistics Services Framework Agreement has a term commencing on 1 January 2022 and will expire on 31 December 2024.

On 28 October 2022, the Company entered into the SF Supplemental Agreement with SFTS, pursuant to which the parties agreed to expand the scope of SF Logistics Services Framework Agreement to include express delivery services and integrated logistics services. Specifically, the revised service scopes comprised:

- (i) the carriage of cargoes by air flight operations (comprising scheduled flights and charter flights) and various ancillary services;
- (ii) freight forwarding services, including co-loading of cargoes;
- (iii) express services of (a) collecting and obtaining customs clearance of cargoes and parcels at designated international arrival ports for, and (b) sorting, distribution and delivery of such cargoes and parcels to, customers of the Group and/or their designated consignees, within the Mainland, Hong Kong and Macau; and
- (iv) integrated logistics services, including storage, inventory management and other value-added services, trucking and distribution, returns management and various ancillary services, within the Mainland, Hong Kong and Macau.

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The fee payable for each SF Transaction will be determined with reference to various factors, including but not limited to:

- (a) the carriage of cargoes by air flight operations and various ancillary services: (i) cargo freight tariff applicable to the relevant flight route as pre-determined by the parties on a quarterly basis with reference to prevailing freight rates charged by independent third party carriers for similar services, based on at least two quotations obtained by the Group; (ii) weight, volume, value and type of cargo/parcel; (iii) type and availability of cargo/parcel space required; (iv) prevailing fees charged by independent third party local handling agents for similar services; and (v) (in relation to charter flight service) billable flight time;
- (b) freight forwarding services: (i) weight, volume, value and type of cargo/parcel; (ii) type and availability of cargo/parcel space required; and (iii) prevailing fees charged by independent third party service providers for similar services, based on at least two quotations obtained by the Group;
- (c) express services: (i) weight, volume, value and type of cargo/parcel; and (ii) prevailing fees charged by independent third party local handling agents for similar services, based on at least two quotations obtained by the Group; and
- (d) integrated logistics services: (i) weight, volume, value and type of cargo/parcel; (ii) type and availability of storage space required; and (iii) prevailing fees charged by independent third party service providers for similar services, based on at least two quotations obtained by the Group.

KLN Logistics Services Framework Agreement (as amended by the KLN Supplemental Agreement)

Pursuant to the KLN Logistics Services Framework Agreement, the Group has agreed to provide the international freight forwarding services, overseas delivery services and overseas pick-up services to SFTS Group on normal commercial terms or better and on an arm's length basis, or on terms no less favourable than those made available by the Group or to SFTS Group to or from their respective independent third parties. The KLN Logistics Services Framework Agreement has a term commencing on 1 January 2022 and will expire on 31 December 2024.

On 28 October 2022, the Company entered into the KLN Supplement Agreement with SFTS, pursuant to which the parties agreed to expand the scope of KLN Logistics Services Framework Agreement to include integrated logistics services. Specifically, the revised scopes comprised:

- (i) international freight forwarding services, including cross-border international cargo carriage services for SFTS Group's cargo and parcels and various ancillary services;
- (ii) express services of collecting and obtaining customs clearance of cargoes and parcels at designated international arrival ports; sorting, distribution and delivery of such cargoes and parcels to customers of SFTS Group and/or their designated consignees outside of the Mainland, Hong Kong, Macau and Taiwan;
- (iii) overseas pick-up services, including express services of picking-up cargoes and parcels from customers of SFTS Group outside of the Mainland, Hong Kong, Macau and Taiwan and delivering the same to designated international origin ports for export to the Mainland; and
- (iv) integrated logistics services, including storage, inventory management and other value-added services, trucking and distribution, returns management and various ancillary services.

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The fee receivable for each KLN Transaction will be determined with reference to various factors, including but not limited to:

- (a) international freight forwarding services: (i) weight, volume, value and type of cargo/parcel; (ii) type and availability of cargo/parcel space required; (iii) prevailing cargo tariff charged by independent third party carriers, local handling agents and/or service providers for similar services; (iv) cost of providing the KLN Logistics Services; and (v) quotations provided by the Group to at least two other independent third parties for similar services;
- (b) express services: (i) weight, volume, value and type of cargo/parcel; (ii) prevailing fees charged by independent third party local handling agents for similar services; (iii) cost of providing the KLN Logistics Services; and (iv) quotations provided by the Group to at least two other independent third parties for similar services;
- (c) overseas pick-up services: (i) weight, volume, value and type of cargo/parcel; (ii) prevailing fees charged by independent third party local handling agents for similar services; (iii) cost of providing the KLN Logistics Services; and (iv) quotations provided by the Group to at least two other independent third parties for similar services; and
- (d) integrated logistics services: (i) weight, volume, value and type of cargo/parcel; (ii) type and availability of storage space required; (iii) cost of providing the KLN Logistics Services; and (iv) quotations provided by the Group to at least two other independent third parties for similar services.

Save for the Supplemental Agreements, all material terms of the Framework Agreements remain unchanged and valid until 31 December 2024.

Analysis on the principal terms of the Supplemental Agreements

We noted that the Framework Agreements were amended by the Supplemental Agreements in two main aspects, namely (1) service scope; and (2) pricing basis. Following the strategic alliance with the SF Holding in 2021, it is the intention of the two corporate groups to have more collaboration in respect of SF Logistics Services and KLN Logistics Services and to bring efficiencies of scale to their operations. Since the integrated logistics business has long been one of the principal businesses of the Group, we are of the view by expanding the service scope under each of the Framework Agreements will be beneficial to the Company and facilitate the expansion of the Group's operations.

In respect of the pricing policies, in order to assess the fairness and reasonableness, we have performed the relevant review as set out in the section headed "8. Internal control procedures and review of the CCTs" below that the pricing of (i) the service fees paid by the Group under the SF Transactions; and (ii) the service fees received by the Group under the KLN Transactions have followed such abovementioned pricing principle.

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According to the internal control procedures as set out in the subsection headed “7. Internal control measures” in the Letter from the Board, prior agreeing with the SFTS Group on the service fees receivable in respect of KLN Logistics Services, the Group will compare at least two independent third party customers in respect of similar services, or quotations from independent third party providers when the Group updates its fees table on a monthly or quarterly basis in respect of local delivery or pick up services. In respect of the SF Logistics Services, the Group will obtain contemporaneous quotations from at least two independent third party service providers in relation to the cargo freight tariffs, the express delivery service rates and integrated logistics service rates. The Company’s finance team will review the actual transaction amounts incurred under the CCTs on a regular basis to ensure that these are conducted in accordance with established procedures and internal controls, to assess the effectiveness of such measures and to ensure the pricing policies and annual caps are complied with. For our independent review working of the Group’s internal control procedures carried out under the term of the Framework Agreements, please refer to section headed “8. Internal control procedures and review of the CCTs”.

Based on the above, we concur with the Management that the entering into of the Framework Agreements are in the ordinary and usual course of business of the Group, on normal commercial terms which are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

6. Proposed revised annual caps under the SF Logistics Services Framework Agreement

Historical actual transaction amount and existing annual caps

As stated in the Letter from the Board, the table below sets out: (i) the historical transaction amount and the utilisation rate of the SF Logistics Services for 9M2022; and (ii) the existing annual caps for each of FY2022, FY2023 and FY2024 in respect of the SF Logistics Services Framework Agreement.

Table 3: The existing annual caps and historical actual transaction amount of the SF Logistics Services for FY2022, FY2023 and FY2024

	FY2022 HK\$' million	FY2023 HK\$' million	FY2024 HK\$' million
Actual transaction amount (Note)	525	–	–
Existing annual caps	800	1,300	1,430
Utilisation rate	66%	–	–

Note: It represents the historical transaction amount for the 9M2022.

As illustrated above, the historical actual transactions of the SF Logistics Services amounted to approximately HK\$525 million for 9M2022, representing 66% utilisation rate for FY2022. As advised by the Management, it is estimated that the actual transaction amount with respect to the SF Logistics Services will be higher than that estimated at the time of determining the existing annual caps due to (i) a rapid acceleration in the integration of the Group’s international freight forwarding business with those of SFTS Group which only commenced in May 2022, and, in particular, the gradual diversion of all of the Group’s demand for charter flight services to flights operated by SFTS Group which is expected to commence only in November 2022; (ii) success

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thus far in the integration process, which has brought about enhanced operational efficiency and in turn, capacity, to both parties; (iii) the expanded scope of the SF Logistics Services; and (iv) a significant increase in freight volume is expected over time as the Group and SFTS Group continue to navigate the process of integrating their logistics operations, reconfigure resources and streamline services. The aggregate fees to be incurred with respect to the SF Logistics Services are projected to be approximately HK\$971 million in FY2022, which exceed the existing annual caps. Therefore, the Company considers that it would be in the interest of the Company and the Shareholders as a whole to adjust the existing annual caps under the SF Transactions.

Proposed SF Annual Caps

Table 4: The Proposed SF Annual Caps for FY2022, FY2023 and FY2024

	FY2022 <i>HK\$' million</i>	FY2023 <i>HK\$' million</i>	FY2024 <i>HK\$' million</i>
New annual caps	1,068	4,189	5,844

As stated in the Letter from the Board, the proposed annual caps in respect of SF Logistics Services were determined with reference to (a) the historical transaction amount incurred by the parties; (b) prevailing market rate and forecasted rate that may be charged by independent third parties for similar services; (c) maximum available cargo/parcel/storage capacity; (d) (in relation to sale of cargo space) existing flight routes and schedules; and (e) inflation and expected growth of the Group's demand for SF Logistics Services.

In assessing the reasonableness of the Proposed SF Annual Caps, we have discussed with the Management on the basis and underlying assumptions for the purpose of setting the Proposed SF Annual Caps. We have also obtained a breakdown from the Management regarding the components of the Proposed SF Annual Caps as set out in the table below.

	FY2022 <i>HK\$' million</i>	FY2023 <i>HK\$' million</i>	FY2024 <i>HK\$' million</i>
Amounts payable by the Group to SFTS Group			
Scheduled flight services cost – the Mainland			
outbound	620	1,070	1,322
Scheduled flight services cost – the Mainland			
inbound	138	453	621
Charter flight services cost	179	1,888	2,928
Express delivery services cost	93	734	923
Miscellaneous logistics services cost	38	44	50
Total	1,068	4,189	5,844

(i) Scheduled flight services cost (the Mainland outbound and inbound)

As advised by the Management, the amounts payable by the Group to SFTS Group for the scheduled flight services are mainly related to the carriage of cargoes by air flight operations for both the Mainland outbound and inbound to be provided to the Group. In respect to the air flight operations for the Mainland outbound, the new annual cap for FY2022 was calculated based on (i) the scheduled flight services provided by SFTS Group to the Group of approximately HK\$407 million for 9M2022; (ii) the estimated transaction amounts for the remaining 3 months in FY2022 with reference to the recent monthly transaction amounts; and (iii) a contingency buffer rate of 10%. The new annual cap for FY2023 was calculated based on the annualised annual cap for FY2022 due to the integration began in May 2022. In addition, the scheduled flight services cost for the Mainland outbound was expected to grow by 16% per annum during the period of the Proposed SF Annual Caps after considering the historical growth rate ranged from 2% to 30% per annum in respect of the Mainland outbound air freight volume of the Group in the past 8 years. Moreover, an average inflation rate of the Mainland and Hong Kong of approximately 2.3% was added into the calculation. Lastly, a contingency of 20% to 25% was added into the annual caps for unanticipated growth in such services between the Group and SFTS Group for FY2023 and FY2024, respectively.

In respect to the services of the Mainland inbound, the new annual cap for FY2022 was calculated based on (i) the scheduled flight services provided by SFTS Group to the Group of approximately HK\$44 million for 9M2022; (ii) the estimated transaction amounts for the remaining 3 months in FY2022 with reference to the recent monthly transaction amounts; and (iii) a contingency buffer rate of 10%. The new annual cap for FY2023 was calculated based on the annualised annual cap for FY2022 due to the integration began in May 2022. In addition, the scheduled flight services cost for the Mainland inbound were expected to grow by 22% per annum during the period of the Proposed SF Annual Caps after considering the historical growth rate ranged from 5% to 45% per annum in respect of the Mainland inbound air freight volume of the Group in the past 8 years. Moreover, an inflation rate of the US of approximately 8% was added into the calculation since the US market is the second largest contributor to the Group in terms of the revenue. Lastly, a contingency of 20% to 25% was added into the annual caps for unanticipated growth in such services between the Group and SFTS Group for FY2023 and FY2024, respectively.

We noted that inflation rate for calculating the annual caps in respect of the Mainland inbound scheduled flight services was specifically made reference to the US. With reference to the 2021 Annual Report and the 2022 Interim Report, the US market contributed approximately 23% and 38% of the Group's turnover in respect of the international freight forwarding services for FY2021 and HY2022, respectively. In addition, the US market was the top contributor to the Group outside the Mainland in both FY2021 and HY2022, based on the turnover by geographical area. We also noted that the inflation rate of the US adopted in the calculation is 8% after considering the recent consumer price index of the US (the "US CPI") in 2022 ranged from 7.5% to 9.1%. With reference to a research dated 14 September 2022 published by J.P. Morgan (the "US CPI Research"), the inflation rate of the US will remain high until at least the HY2023 due to the ongoing supply chain crisis and increasing energy prices. Therefore, we considered such assumption is justifiable.

(ii) Charter flight services cost

As advised by the Management, the accelerating demand of charter flight services is one of also the major reasons to adjust the annual caps under the SF Transactions. Following the strategic alliance made with SFTS Group in late 2021, the Group has planned to gradually divert its demand and use of charter flights originally procured from other independent third parties to SFTS in order to bring efficiencies of scale to both parties. The new annual caps for the charter flight services comprised of two part, namely the (1) existing charter flights with SFTS Group; and (2) the charter flights to be procured from SFTS Group.

With respect to the existing charter flights with SFTS Group, the transaction amount for FY2022 is projected based on (i) actual transaction amount of approximately HK\$49 million for 9M2022; and (ii) the estimated transaction amounts for the remaining 3 months in FY2022 with reference to the recent monthly transaction amounts. The existing charter flight cost were expected to grow by 18% per annum during the period of the Proposed SF Annual Caps after considering the historical growth rate ranged from 3% to 34% per annum in respect of the Group's air freight volume in the past 8 years. In addition, an average inflation rate of the Mainland and Hong Kong of approximately 2.3% was added into the calculation.

With respect to the charter flights to be procured from SFTS Group, the transaction amount for FY2022 is projected based on (i) the actual charter flight costs incurred (other than those cost incurred with SFTS Group) for 8M2022 of approximately HK\$1,103.8 million; (ii) the integration of international express delivery services is expected to commence in November 2022; and (iii) approximately 30% of the charter flights in November and December 2022 is expected to be procured from SFTS Group. For FY2023 and FY2024, it is expected that 80% and 100% of the charter flight will be procured from SFTS Group. In addition, the expected growth rate and inflation rate adopted in the annual cap calculation of the existing charter flight with SFTS Group mentioned in the above paragraph were added into the calculation as well.

Combining the projected transaction amounts of (i) existing charter flights with SFTS Group; and (ii) the charter flight to be transferred to SFTS Group, a contingency of 10%, 20% and 25% was added into the annual caps for each of FY2022, FY2023 and FY2024 for unanticipated growth in such services between the Group and SFTS Group.

(iii) Express delivery services cost

As advised by the Management, the express delivery services refer to the last mile delivery and local handling services which is the newly added service scope pursuant to the SF Supplemental Agreement. Upon the SF Supplemental Agreement becoming effective, the Company will take up the overseas express cargo business while procuring the last-mile delivery and local handling services for the Mainland inbound cargo from SFTS Group according to the pricing terms pursuant to the SF Logistics Services Framework Agreement (as amended by the SF Supplemental Agreement).

The new annual cap for FY2022 was calculated based on (i) the actual express cargo volume of the Mainland inbound from SFTS's oversea business for 8M2022 (in annualised term); (ii) the agreed price for handling custom clearance during 8M2022; (iii) the agreed price for the last-mile delivery services during 8M2022; and (iv) the integration is expected to commence in November 2022. In addition, the express delivery

service costs were expected to grow by 18% per annum during the period of the Proposed SF Annual Caps after considering the historical growth rate ranged from 3% to 34% per annum in respect of the Group's air freight volume in the past 8 years. An average inflation rate of the Mainland and Hong Kong of approximately 2.3% was added into the calculation. Lastly, a buffer rate of 20% to 25% was added into the annual caps for unanticipated growth in such services between the Group and SFTS Group for FY2023 and FY2024, respectively.

(iv) Miscellaneous logistics services cost

The miscellaneous logistics services refer to the integrated logistics services provided by SFTS Group to meet its daily operation and administrative purpose within the Mainland, including storage and inventory management. The annual cap of miscellaneous logistics services for FY2022, FY2023 and FY2024 are based on (i) the actual transaction amount for 9M2022; (ii) a growth rate of 5% with reference to the historical average growth rate of the Group's integrated logistics business segment within the Mainland in the past 6 years; (iii) the average inflation rate of the Mainland and Hong Kong of approximately 2.3%; and (iv) buffer rate of 10% to 25%.

Lastly, we noted buffer rate of 20% and 25% was added into the annual caps for each type of the SF Logistics Services for FY2023 and FY2024, respectively. As advised by the Management, such buffer rates have factored in (i) the synergy effect arise from the strategic alliance with SF Holding in Q42021 which will lead to a potential growth in demand for each type of SF Logistics Services; (ii) the gradual business integration between the Group and SFTS Group which has brought about enhanced operational efficiency to both parties; (iii) allowing flexibility for the Group to procure additional services from SFTS Group; and (iv) the situation whereby the proposed annual caps may become insufficient and lead to the possibility of a cessation of the SF Transactions in a short period of time and cause undue disruption of the business cooperation between both parties.

To assess its fairness and reasonableness in determining the buffer rates, we have conducted desktop research on the potential synergy effect arising from the strategic alliance with SF Holding. With reference to the annual reports of SF Holding for FY2019, FY2020 and FY2021, the air freight volumes of SF Holding has increased from 1.35 million tonnes in FY2019 to 1.92 million tonnes in FY2021, representing an compound annual growth rate of approximately 19%. As disclosed above, the air freight volumes of the Group have been steadily grown for the past 8 years with an average growth rate of 18% per annum. We believe that both companies will benefit from a positive synergy effect resulting from the strategic alliance entered into between the Company and SFTS. As such, we considered the buffer rates of 20% and 25% are commercially justifiable.

Having considered the bases on which the Proposed SF Annual Caps were determined as described above and the industry outlook as described under section headed "3. Industry outlook and prospects of the Group", we are of the view that the Proposed SF Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned.

7. Proposed revised annual caps under the KLN Logistics Services Framework Agreement

Historical actual transaction amount and existing annual caps

As stated in the Letter from the Board, the table below sets out: (i) the historical transaction amount and the utilisation rate of the KLN Logistics Services for the 9M2022; and (ii) the existing annual caps for each of FY2022, FY2023 and FY2024 in respect of the KLN Logistics Services Framework Agreement.

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Table 5: The existing annual caps and historical actual transaction amount of the KLN Logistics Services for FY2022, FY2023 and FY2024

	FY2022 HK\$' million	FY2023 HK\$' million	FY2024 HK\$' million
Actual transaction amount (Note)	198	–	–
Existing annual caps	500	1,268	1,330
Utilisation rate	40%	–	–

Note: It represents the historical transaction amount for the 9M2022.

As illustrated above, the historical actual transactions of the KLN Logistics Services amounted to approximately HK\$198 million for 9M2022, representing 40% utilisation rate for FY2022. As advised by the Management, it is estimated that the actual transaction amount with respect to the KLN Logistics Services will be higher than that estimated at the time of determining the existing annual caps due to (i) a rapid acceleration in the integration of SFTS Group's last-mile and local handling services with those of the Group, which only commenced in May 2022; (ii) success thus far in the integration process, which has brought about enhanced operational efficiency and in turn, capacity, to both parties; (iii) the expanded scope of the KLN Logistics Services and, in particular, the addition of ground handling management services at overseas airports which had previously been handled in-house by SFTS Group; (iv) the fact that integration of the ground handling management services and express delivery service is expected to commence only in November 2022; and (v) a significant increase in freight volume is expected over time as the Group and SFTS Group continue to navigate the process of integrating their logistics operations, reconfigure resources and streamline services. The aggregate fees to be incurred with respect to the KLN Logistics Services are projected to be approximately HK\$483 million in FY2022, which represent 97% of the existing annual caps. Therefore, the Company considers that it would be in the interest of the Company and the Shareholders as a whole to adjust the existing annual caps under the KLN Transactions.

We have obtained and reviewed the breakdown of the actual transaction amount for 9M2022 and the business integration plan of FY2022 in respect of the KLN Logistics Services, they are consistent with our understanding mentioned above. Further, based on our combined assessment below, we consider the Proposed KLN Annual Caps are fair and reasonable after taking into account the relatively low utilisation rate based on the actual transaction amount for 9M2022 and the existing annual caps of the KLN Logistics Services for FY2022.

Proposed KLN Annual Caps

Table 6: The Proposed KLN Annual Caps for FY2022, FY2023 and FY2024

	FY2022 HK\$' million	FY2023 HK\$' million	FY2024 HK\$' million
New annual caps	531	2,340	2,931

As stated in the Letter from the Board, the proposed annual caps in respect of the KLN Logistics Services was determined with reference to (a) the historical transaction amounts incurred by the parties; (b) prevailing market rate charged by independent third parties for similar services; and (c) inflation and expected growth of the SFTS Group's demand for the KLN Logistics Services.

LETTER FROM THE IFA

In assessing the reasonableness of the Proposed KLN Annual Caps, we have discussed with the Management on the basis and underlying assumptions for the purpose of setting the Proposed KLN Annual Caps. We have also obtained a breakdown from the Management regarding the components of the Proposed KLN Annual Caps as set out in the table below.

	FY2022 <i>HK\$' million</i>	FY2023 <i>HK\$' million</i>	FY2024 <i>HK\$' million</i>
Amounts receivable by the Group from SFTS Group			
International freight forwarding services income – the Mainland outbound	112	217	268
International freight forwarding services income – the Mainland inbound	151	228	156
Ground handling management services income	31	258	343
Express delivery services income	189	1,580	2,098
Miscellaneous logistics services income	48	57	66
Total	<u>531</u>	<u>2,340</u>	<u>2,931</u>

(i) International freight forwarding services income (the Mainland outbound and inbound)

As advised by the Management, the amounts receivable by the Group to SFTS Group for the international freight forwarding services are mainly related to the carriage of cargoes by air flight operations for both the Mainland outbound and inbound to be provided to SFTS Group. In respect to the air flight operations for the Mainland outbound, the new annual cap for FY2022 was calculated based on (i) the cargo flight services provided by the Group to SFTS Group of approximately HK\$71 million for 9M2022; (ii) the estimated transaction amounts for the remaining 3 months in FY2022 with reference to the recent monthly transaction amounts; and (iii) a contingency buffer rate of 10%. The new annual cap for FY2023 was calculated based on the annualised annual cap for FY2022 due to the integration began in May 2022. In addition, the cargo flight services cost for the Mainland outbound were expected to grow by 16% per annum during the period of the Proposed KLN Annual Caps after considering the historical growth rate ranged from 2% to 30% per annum in respect of the Mainland outbound air freight volume of the Group in the past 8 years. Moreover, an average inflation rate of the Mainland and Hong Kong of approximately 2.3% was added into the calculation. Lastly, a contingency of 20% to 25% was added into the annual caps for unanticipated growth in such services between the Group and SFTS Group for FY2023 and FY2024, respectively.

In respect to the services of the Mainland inbound, the new annual cap for FY2022 was calculated based on (i) the international freight forwarding services provided by the Group to SFTS Group of approximately HK\$100 million for 9M2022; (ii) the estimated transaction amounts for the remaining 3 months in FY2022 with reference to the recent monthly transaction amounts; and (iii) a contingency buffer rate of 10%. The new annual cap for FY2023 was calculated based on the annualised annual cap for FY2022 due to the integration began in May 2022. In addition, the international freight forwarding services cost for the Mainland inbound were expected to grow by 22% per annum during the period of the Proposed KLN Annual Caps after

considering the historical growth rate ranged from 5% to 45% per annum in respect of the Mainland inbound air freight volume of the Group in the past 8 years. Moreover, an inflation rate of the US of approximately 8% was added into the calculation since the US market is the largest contributor to the Group outside the Mainland in terms of the revenue of the international freight forwarding services in FY2021 and HY2022. The US inflation rate of 8% was used for the calculation based on recent US CPI in 2022 ranged from 7.5% to 9.1% and the research results. With reference to the US CPI Research, the US CPI is expected to remain high until at least the HY2023. Therefore, we considered such assumption is justifiable.

Nevertheless, as discussed under paragraph headed "4. Reasons for and benefits for the Framework Agreements (as amended by the Supplemental Agreements) and revision of annual caps", the Company will gradually take up the overseas express cargo business of SFTS Group. Therefore, the transactions under international freight forwarding services for the Mainland inbound provided by the Group to SFTS Group will gradually decrease. Thus, the Management has applied a reduction of 30% and 50% from the annual caps for FY2022 to the annual caps for FY2023 and FY2024 to reflect such business integration process.

Lastly, a contingency of 20% to 25% was added into the annual caps for unanticipated growth in demand of express cargo flight services from SFTS Group for FY2023 and FY2024, respectively.

(ii) Ground handling management services income

As advised by the Management, prior to the business integration, SFTS Group has procured the overseas airport ground handling services from third party service providers via its own overseas offices. As discussed above, the Company shall gradually take up the overseas operation of SFTS. In particular, the Group will be acting as the agent for SFTS at overseas airports to engage, manage and oversee ground handling agents and charge SFTS on a cost-plus basis.

The annual caps under the ground handling income for FY2022 to FY2024 is projected base on (i) the actual ground handling cost paid by SFTS in FY2021 of approximately HK\$125 million; (ii) the integration is expected to commence in November 2022; (iii) the expected growth rate of 18% per annum during the period of the Proposed KLN Annual Caps after considering the historical growth rate ranged from 3% to 34% per annum in respect of the Group's air freight volume in the past 8 years; (iv) a cost-plus 6% on top of the estimated ground handling cost which has been taking into account additional staff cost incurred by the Group to take up the services; (v) an average inflation rate of the US of approximately 8%; and (vi) a contingency buffer rate of 10% to 25%.

We noted that inflation rate for calculating the annual caps in respect of the ground handling income was specifically made reference to the US. With reference to the 2021 Annual Report and the 2022 Interim Report, the US market contributed approximately 23% and 38% of the Group's turnover in respect of the international freight forwarding services for FY2021 and HY2022, respectively, which is the top market contributors to the Group outside the Mainland in both periods. Moreover, the inflation rate of the US adopted in the calculation is 8% after considering the recent US CPI in 2022 ranged from 7.5% to 9.1%. With reference to the US CPI Research, the US CPI is expected to remain high until at least the HY2023. Therefore, we considered such assumption is justifiable.

(iii) Express delivery services income

As advised by the Management, the express delivery services refer to the last mile delivery and local handling services. As discussed under paragraph headed “4. Reasons for and benefits of the Supplement Agreements and revision of annual caps”, the last-mile and local handling services for the Mainland outbound cargo currently handled by SFTS will be gradually taken up by the Group of which the magnitude was underestimated when the original annual caps under KLN Transactions were calculated. SFTS Group shall procure the last-mile delivery and local handling services for the Mainland outbound cargo from the Group according to the pricing terms pursuant to the KLN Logistics Services Framework Agreement (as amended by the KLN Supplemental Agreement).

The new annual cap for FY2022 was calculated based on (i) the actual express cargo volume for the Mainland outbound from SFTS for 8M2022 (in annualised term); (ii) the agreed prices for handling custom clearance in US, Korea, Singapore and Japan during 8M2022; (iii) the agreed prices for the last-mile delivery services in US, Korea, Singapore and Japan during 8M2022; and (iv) the integration is expected to commence in November 2022. In addition, the express delivery service costs were expected to grow by 18% per annum during the period of the Proposed KLN Annual Caps after considering the historical growth rate ranged from 3% to 34% per annum in respect of the Group’s air freight volume in the past 8 years. An average inflation rate of the US of approximately 8% was added into the calculation. Lastly, a contingency of 20% to 25% was added into the annual caps for unanticipated growth in such services between the Group and SFTS Group for FY2023 and FY2024, respectively.

We noted that inflation rate for calculating the annual caps in respect of the express delivery service income was specifically made reference to the US. As mentioned above, the US market was the top market contributor to the Group outside the Mainland in FY2021 and HY2022. Moreover, the inflation rate of the US adopted in the calculation is 8% after considering the recent US CPI in 2022 ranged from 7.5% to 9.1%. With reference to the US CPI Research, the US CPI is expected to remain high until at least the HY2023. Therefore, we considered such assumption is justifiable.

We noted that historical average price for handling customer clearance and last-mile delivery services were specifically made reference to 4 countries. We have reviewed breakdown of the actual express cargo volume for the Mainland outbound from SFTS for 8M2022 and noted that the cargo volume to these 4 countries accounted for approximately 90% of the total. Therefore, we considered such assumption is justifiable.

(iv) Miscellaneous logistics services income

The miscellaneous logistics services refer to the integrated logistics services provided by Group to meet its daily operation and administrative purpose, including storage and inventory management. The annual cap of miscellaneous logistics services for FY2022, FY2023 and FY2024 are based on (i) the actual transaction amount for 9M2022; (ii) a growth rate of 8% with reference to the historical average growth rate of the Group’s integrated logistics business segment in the past 6 years; (iii) the average inflation rate of the Mainland and Hong Kong of approximately 2.3%; and (iv) buffer rate of 10% to 25%.

Lastly, we noted buffer rate of 20% and 25% was added into the annual caps for each type of the KLN Logistics Services for FY2023 and FY2024, respectively. As advised by the Management, such buffer rates have factored in (i) the synergy effect arise from the strategic alliance with SF Holding in Q42021 which will lead to a potential growth in demand for each type of SF Logistics Services; (ii) the gradual business integration between the Group and SFTS Group which has brought about enhanced operational efficiency to both parties; (iii) allowing flexibility for the SFTS Group to procure additional services from the Group; and (iv) the situation whereby the proposed annual caps may become insufficient and lead to the possibility of a cessation of the KLN Transactions in a short period of time and cause undue disruption of the business cooperation between both parties.

As stated under section headed “6. Proposed revised annual caps under the SF Logistics Services Framework Agreement”, we are of the view that both companies will benefit from a positive synergy effect resulting from the strategic alliance entered into between the Company and SFTS. As such, we considered the buffer rates of 20% and 25% are commercially justifiable.

Having considered the bases on which the Proposed KLN Annual Caps were determined as described above and the industry outlook as described under section headed “3. Industry outlook and prospects of the Group”, we are of the view that the Proposed KLN Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned.

8. Internal control procedures and review of the CCTs

As stated in the Letter from the Board, the Company has implemented procedures for ensuring that the Group conducts the KLN Transactions and the SF Transactions in accordance with the pricing policies and guidelines stated in the Letter from the Board, and for monitoring such transactions as follows:

Prior to agreeing with SFTS Group on the service fees in relation to the KLN Logistics Services and SF Logistics Services, the Group will obtain contemporaneous quotations from at least two independent third party providers or quotations provided by the Group to independent third party customers in respect of international freight forwarding services, and quotations from independent third party providers when the Group updates its fees table on a monthly or quarterly basis in respect of local delivery or pick up services (which usually involve smaller transaction amounts).

The Company’s finance team will review the actual transaction amounts incurred under the KLN Transactions and the SF Transactions on a regular basis to ensure that these are conducted in accordance with established procedures and internal controls, to assess the effectiveness of such measures and to report to management where the transaction amount reaches 70% of an annual caps to avoid the risk of it being exceeded. If, based on monthly management accounts and management updates, adjustment(s) to the relevant annual cap(s) becomes necessary, or a material change to the terms of the KLN Logistics Services Framework Agreement or the SF Logistics Services Framework Agreement is required, the Company will re-comply with the relevant Listing Rules requirements.

The independent non-executive Directors will conduct an annual review of the KLN Transactions and the SF Transactions and confirm the matters required under Rule 14A.55 of the Listing Rules in the Company’s subsequent annual reports. Further, the Company will engage external auditors to conduct an annual review of its continuing connected transactions, and to report to the Board on matters required under Rule 14A.56 of the Listing Rules.

LETTER FROM THE IFA

Regarding the effectiveness of the aforementioned internal control procedures to safeguard the CCTs, we noted that before entering into of the KLN Transactions, the Group will obtain the quotations from at least two independent third party providers/customers in respect of similar services, we have obtained and reviewed two sets of the correspondence email record dated 13 July 2022 and 23 September 2022 regarding the quotations provided to the independent third party customers and SFTS Group in respect of the international freight forwarding services under KLN Transactions, as well as the service fees table in respect of the local delivery or pick up services of the international express delivery and customs clearance services which was updated on a monthly or quarterly basis by the Company. We noted that the terms offered by the Group to SFTS Group are no less favourable than those made available by the Group to the independent third party customers. With respect of the SF Transactions, we noted that before entering into of the SF Transactions, the Group will obtain the quotations from at least two independent third party carriers in respect of the cargo freight tariffs, express delivery service rates charged and the integrated logistics rates charged for similar services, we have obtained and reviewed two sets of the correspondence email record dated 19 August 2022 and 23 September 2022 regarding the quotations provided by the independent third party carriers in respect of the SF Logistics Services. We noted that the terms for SFTS Group to provide SF Logistics Services to the Group are no less favourable than those made available by independent third party carriers or service providers to the Group.

As such, we consider that the Company has effective internal control procedures in place to monitor the pricing policies and ensure such pricing policies are fair, reasonable and on normal commercial terms.

OPINION AND RECOMMENDATION

Having considered the abovementioned principal factors and reasons, we are of the view that (i) the terms of the Framework Agreements and the transactions contemplated under such agreements (including the Proposed Annual Caps) are fair and reasonable, and on normal commercial terms, and (ii) the entering into of the Framework Agreements and the transactions contemplated under such agreements are in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the relevant resolutions approving the Framework Agreements and the transactions contemplated under such agreements (including the Proposed Annual Caps) at the SGM.

Yours faithfully,
For and on behalf of
Opus Capital Limited
Li Lan
Executive Director

Mr. Li Lan is an Executive Director of Opus Capital Limited and is licensed under the SFO as a Responsible Officer to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. Mr. Li has over 16 years of corporate finance experience in Hong Kong and has participated in and completed various financial advisory and independent financial advisory transactions.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors' and chief executive's interests and short positions in the Shares, underlying Shares and debentures of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

(I) *The Company*⁽¹⁾

	Shares in the Company					Approximate percentage of issued share capital
	Personal interests (held as beneficial owner)	Family interests (interests of spouse and child under 18)	Corporate interests (interests of controlled corporations)	Other interests	Total interests	
Directors						
WANG Wei ⁽²⁾	–	–	931,209,117	–	931,209,117	51.52%
KUOK Khoon Hua ⁽³⁾	600,428	–	–	1,132,479	1,732,907	0.10%
MA Wing Kai William ⁽⁴⁾	1,680,745	–	–	717,588	2,398,333	0.13%
CHEUNG Ping Chuen Vicky ⁽⁵⁾	3,387,144	–	–	–	3,387,144	0.19%
WONG Yu Pok Marina ⁽⁶⁾	20,796	–	–	–	20,796	< 0.01%

Notes:

(1) Based on 1,807,424,842 Shares in issue as at the Latest Practicable Date.

(2) Mr Wang is interested in 931,209,117 Shares held through his controlled corporations.

(3) Mr Kuok is interested in (i) 600,428 Shares as beneficial owner; and (ii) 1,132,479 Shares held through discretionary trusts of which Mr Kuok is a discretionary beneficiary.

- (4) Mr Ma is interested in (i) 1,169,525 Shares as beneficial owner; (ii) award granted under the Share Award Scheme conferring the conditional right upon vesting in the form of 511,220 Shares; and (iii) 717,588 Shares held through a discretionary trust of which Mr Ma is a discretionary beneficiary.
- (5) Mr Cheung is interested in (i) 3,332,068 Shares as beneficial owner; and (ii) award granted under the Share Award Scheme conferring the conditional right upon vesting in the form of 55,076 Shares.
- (6) Ms Wong is interested in 20,796 Shares as beneficial owner.

(II) Associated Corporations

Shenzhen Mingde Holding Development Co., Ltd.⁽¹⁾

Director	Registered capital of Shenzhen Mingde				Total interests	Approximate percentage of registered capital
	Personal interests (held as beneficial owner)	Family interests (interests of spouse and child under 18)	Corporate interests (interests of controlled corporations)	Other interests		
WANG Wei ⁽²⁾	RMB113,286,600	–	–	–	RMB113,286,600	99.90%

Notes:

- (1) Based on a total registered capital of Shenzhen Mingde of RMB113,400,000 as at the Latest Practicable Date.
- (2) Mr Wang is interested in registered capital of Shenzhen Mingde in the amount of RMB113,286,600 as beneficial owner.

S.F. Holding Co., Ltd.⁽¹⁾

Directors	Ordinary shares in SF Holding				Total interests	Approximate percentage of issued share capital
	Personal interests (held as beneficial owner)	Family interests (interests of spouse and child under 18)	Corporate interests (interests of controlled corporations)	Other interests		
CHAN Fei ⁽²⁾	488,000	–	–	–	488,000	0.01%
HO Chit ⁽³⁾	488,000	–	–	–	488,000	0.01%

Notes:

- (1) Based on 4,895,202,373 ordinary shares in SF Holding in issue as at the Latest Practicable Date.
- (2) Mr Chan is interested in options granted under the 2022 stock option incentive plan of SF Holding to subscribe for 488,000 ordinary shares in SF Holding.
- (3) Mr Ho is interested in options granted under the 2022 stock option incentive plan of SF Holding to subscribe for 488,000 ordinary shares in SF Holding.

Kerry Express (Thailand) Public Company Limited⁽¹⁾

Director	Ordinary shares in Kerry Express Thailand					Approximate percentage of issued share capital
	Personal interests (held as beneficial owner)	Family interests (interests of spouse and child under 18)	Corporate interests (interest of controlled corporations)	Other interests	Total interests	
MA Wing Kai William ⁽²⁾	14,211,700	–	–	–	14,211,700	0.82%

Notes:

(1) Based on 1,742,577,000 ordinary shares in Kerry Express Thailand in issue as at the Latest Practicable Date.

(2) Mr Ma is interested in 14,211,700 ordinary shares in Kerry Express Thailand as beneficial owner.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the chief executive of the Company had registered an interest or a short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code.

(b) Substantial shareholders who have an interest and/or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO

So far as it is known to the Directors and the chief executive of the Company, as at the Latest Practicable Date, the following persons (other than a Director or the chief executive of the Company) had, or were deemed or taken to have, an interest or a short position in the Shares and underlying Shares, which were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of Shareholder	Capacity/nature of interest	Number of Shares	Approximate percentage of shareholding in the total issued share capital ⁽¹⁾
WANG Wei	Interest of controlled corporations	931,209,117 ⁽⁷⁾	51.52%
Shenzhen Mingde Holding Development Co., Ltd. ⁽²⁾	Interest of controlled corporations	931,209,117 ⁽⁷⁾	51.52%
S.F. Holding Co., Ltd. ⁽³⁾	Interest of controlled corporations	931,209,117 ⁽⁷⁾	51.52%
Kerry Group Limited ⁽⁴⁾	Interest of controlled corporations	595,928,608 ⁽⁸⁾	32.97%
Kerry Holdings Limited ⁽⁵⁾	Interest of controlled corporations	572,100,979 ⁽⁸⁾	31.65%
Kerry Properties Limited ⁽⁶⁾	Beneficial owner	376,702,721 ⁽⁸⁾	20.84%

Notes:

- (1) Based on 1,807,424,842 Shares in issue as at the Latest Practicable Date.
- (2) Mr WANG Wei is the executive director of Shenzhen Mingde.
- (3) Mr WANG Wei is the chairman of the board of directors and general manager of SF Holding. Mr CHAN Fei is director, deputy general manager and assistant chief executive officer of SF Holding. Mr HO Chit is director, deputy general manager and chief financial officer of SF Holding.
- (4) Mr KUOK Khoon Hua is a director of KGL. Ms CHEN Keren is the group co-general counsel, the company secretary, the head of company secretarial and compliance and the director of corporate services of KGL.
- (5) Mr KUOK Khoon Hua is the chairman and a director of KHL.
- (6) Mr KUOK Khoon Hua is the chairman, the chief executive officer and an executive director of KPL. Ms WONG Yu Pok Marina is an independent non-executive director of KPL.
- (7) Flourish Harmony is interested in 931,209,117 Shares as beneficial owner. It is wholly owned by SF Holding. SF Holding is a subsidiary of Shenzhen Mingde which is, in turn, controlled by Mr WANG Wei. Accordingly, SF Holding, Shenzhen Mingde and Mr Wang are deemed to be interested in the interest held by Flourish Harmony in the Company pursuant to the disclosure requirements under the SFO.
- (8) KPL is a subsidiary of KHL. KHL is a wholly-owned subsidiary of KGL. Accordingly, KHL is deemed to be interested in the interest held by KPL in the Company, and KGL is deemed to be interested in the interest held by each of KHL and KPL in the Company pursuant to the disclosure requirements under the SFO.

Save as disclosed above, as at the Latest Practicable Date, the Directors and the chief executive of the Company were not aware of any person who had an interest or a short position in the Shares and underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors was a director or an employee of a company which had an interest or a short position in the Shares and underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into or proposed to enter into any service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

4. COMPETING INTERESTS

Mr WANG Wei, the chairman of the Board and non-executive Director, is the chairman of the board of directors, general manager and controlling shareholder of SF Holding. Mr CHAN Fei, non-executive Director, is director, deputy general manager and assistant chief executive officer of SF Holding. Mr HO Chit, non-executive Director, is director, deputy general manager and chief financial officer of SF Holding. SF Holding is primarily engaged in the provision of integrated express logistic services in the Mainland.

Mr KUOK Khoon Hua, the vice chairman of the Board and non-executive Director, is the chairman and a director of KHL as well as a director of KGL. Ms CHEN Keren, non-executive Director, is the group co-general counsel, the company secretary, the head of company secretarial and compliance and the director of corporate services of KGL. KGL wholly owns KHL which, in turn, is the controlling shareholder of Kerry TJ. Kerry TJ is primarily engaged in the provision of less-than-truck-load transport and supply chain integration logistics services in Taiwan.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or their respective close associates was interested in any business, apart from the Group's business, that competes or is likely to compete, either directly or indirectly, with the Group's business.

5. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, save as disclosed in the sections headed "Significant Acquisition/Disposal and Discloseable and Connected Transactions" and "Continuing Connected Transactions" in the Company's annual report for the year ended 31 December 2021 on pages 74 to 80, the Announcements, the Third Announcement and this circular, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date and which is significant in relation to the Group's business.

As at the Latest Practicable Date, save as disclosed in the Second Announcement and the Company's announcement dated 25 March 2021 in relation to, among other things, the framework services agreement dated the same date between the Company and KHL, none of the Directors had any interest, directly or indirectly, in any assets which had been, since 31 December 2021 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

6. LITIGATION

So far as the Company is aware, as at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and there is no litigation or claim of material importance known to the Directors pending or threatened by or against any member of the Group.

7. EXPERT AND CONSENT

The following is the qualification of the expert who has given opinions contained in and referred to in this circular:

Name	Qualification
Opus Capital Limited	A corporation licensed to carry out Types 1 (dealing in securities) and 6 (advising on corporate finance) regulated activities under the SFO

The IFA has given and has not withdrawn its consent to the issue of this circular with the inclusion of its letter and reference to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, the IFA had no shareholding in any member of the Group or the right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, the IFA had no interest, directly or indirectly, in any assets which had been, since 31 December 2021 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

The letter from the IFA is set out on pages 22 to 43 of this circular and is given for incorporation in this circular.

8. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2021, being the date to which the latest published audited consolidated financial statements of the Group were made up.

9. MISCELLANEOUS

- (a) The Company's registered office is at Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, Bermuda. The Company's principal place of business in Hong Kong is at 16/F, Kerry Cargo Centre, 55 Wing Kei Road, Kwai Chung, New Territories, Hong Kong.
- (b) The Company's company secretary is Ms LEE Pui Nee. Ms Lee is a Chartered Secretary, a Chartered Governance Professional, an Associate of The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries & Administrators) and an Associate of The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries).
- (c) The Company's Hong Kong branch share registrar and transfer office is Tricor Investor Services Limited, whose business address is at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.
- (d) The English texts of this circular and the accompanying proxy form shall prevail over the Chinese texts.

10. DOCUMENTS ON DISPLAY

A copy of each of the Framework Agreements will be published on the Company's website at www.kln.com and the Stock Exchange's website at www.hkexnews.hk from the date of this circular and up to and including the date which is 14 days from the date of this circular.

NOTICE OF SGM



Kerry Logistics
Network Limited
嘉里物流聯網有限公司

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

Stock Code 636

NOTICE IS HEREBY GIVEN THAT the special general meeting (the “SGM”) of Kerry Logistics Network Limited (the “Company”) will be held via the e-Meeting System on Thursday, 8 December 2022 at 2:30 p.m. for the purpose of considering and, if thought fit, passing the following resolutions as ordinary resolutions with or without amendments. Unless otherwise defined, capitalised terms used in this notice shall have the same meanings as defined in the circular of the Company dated 18 November 2022 of which this notice forms part.

ORDINARY RESOLUTIONS

1. “THAT:

- (a) the SF Logistics Services Framework Agreement (as amended by the SF Supplemental Agreement, a copy of each of which respectively marked “A” and “B” and initialled by the chairman of the SGM for the purpose of identification is produced to the SGM) and the transactions contemplated under such agreement be and are hereby confirmed, approved and ratified;
- (b) the Proposed SF Annual Caps be and are hereby approved; and
- (c) any one Director (or one Director and the Company’s company secretary or any two Directors, in the case of execution of documents under seal) be and is/are hereby authorised for and on behalf of the Company to execute all such documents, instruments and agreements and to do all such acts or things which he/she/they consider necessary, desirable or expedient for the purpose of, or in connection with the implementation of and giving effect to, the SF Logistics Services Framework Agreement (as amended by the SF Supplemental Agreement) and the transactions contemplated under such agreement.”

2. “THAT:

- (a) the KLN Logistics Services Framework Agreement (as amended by the KLN Supplemental Agreement, a copy of each of which respectively marked “C” and “D” and initialled by the chairman of the SGM for the purpose of identification is produced to the SGM) and the transactions contemplated under such agreement be and are hereby confirmed, approved and ratified;
- (b) the Proposed KLN Annual Caps be and are hereby approved; and

NOTICE OF SGM

- (c) any one Director (or one Director and the Company's company secretary or any two Directors, in the case of execution of documents under seal) be and is/are hereby authorised for and on behalf of the Company to execute all such documents, instruments and agreements and to do all such acts or things which he/she/they consider necessary, desirable or expedient for the purpose of, or in connection with the implementation of and giving effect to, the KLN Logistics Services Framework Agreement (as amended by the KLN Supplemental Agreement) and the transactions contemplated under such agreement."

By Order of the Board
LEE Pui Nee
Company Secretary

Hong Kong, 18 November 2022

*Corporate Headquarters and
Principal Place of Business in Hong Kong:*
16/F, Kerry Cargo Centre
55 Wing Kei Road
Kwai Chung
New Territories
Hong Kong

NOTICE OF SGM

Notes:

1. Registered Shareholders are requested to provide a valid email address of himself/herself or his/her proxy (except for the appointment of the chairman of the SGM) for the proxy to receive the log-in username and password to participate online in the e-Meeting System.
2. All registered Shareholders will be able to join the SGM via the e-Meeting System. The e-Meeting System can be accessed from any location with access to the internet via smartphone, tablet device or computer. All non-registered Shareholders may consult directly with their banks, brokers, custodians or Hong Kong Securities Clearing Company Limited (as the case may be) for necessary arrangement to attend and vote via the e-Meeting System at the SGM if they wish.
3. Every member entitled to attend and vote via the e-Meeting System at the SGM (or at any adjournment thereof) is entitled to appoint up to two individuals as his proxies. A proxy need not be a member of the Company. The number of proxies appointed by a clearing house (or its nominee) is not subject to the aforesaid limitation.
4. Where there are joint holders of any share, only ONE PAIR of log-in username and password for the e-Meeting System will be provided to the joint holders. Any one of such joint holders may attend or vote in respect of such share(s) as if he/she was solely entitled thereto.
5. To be valid, a form of proxy, together with the power of attorney or other authority (if any) under which it is signed (or a notarially certified copy of that power or authority), must be deposited at the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not less than 48 hours before the time appointed for the holding of the SGM, i.e. by no later than 2:30 p.m. on Tuesday, 6 December 2022. Completion and return of the form of proxy will not preclude a member from attending the SGM and voting via the e-Meeting System if he so wishes.
6. The registers of members of the Company (the "**Registers of Members**") will be closed from Monday, 5 December 2022 to Thursday, 8 December 2022, during which period no transfer of shares will be effected. In order to be entitled to attend and vote via the e-Meeting System at the SGM, all transfers accompanied by the relevant share certificates must be lodged for registration with Tricor Investor Services Limited at the above address before 4:30 p.m. on Friday, 2 December 2022.
7. All the resolutions set out in this notice shall be decided by poll.
8. If Typhoon Signal No. 8 or above is expected to be hoisted or a Black Rainstorm Warning Signal is expected to be in force any time after 6:00 a.m. on the date of the SGM, then the SGM will be postponed and the Shareholders will be informed of the date, time and venue of the rescheduled meeting by a supplementary notice posted on the Company's website at www.kln.com and The Stock Exchange of Hong Kong Limited's website at www.hkexnews.hk.
9. The SGM will be held as scheduled when an Amber or Red Rainstorm Warning Signal is in force.