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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

嘉里物流網絡有限公司

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

Stock Code 636

CONNECTED TRANSACTION PROPOSED REPURCHASE OF PERPETUAL CONVERTIBLE SECURITIES AND NOTICE OF SPECIAL GENERAL MEETING

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

UOBKayHian

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 6 to 12 of this circular. A letter from the Independent Board Committee to the Independent Shareholders is set out on pages 13 and 14 of this circular. A letter from the Independent Financial Adviser containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 15 to 26 of this circular.

A notice convening the SGM via the e-Meeting System on Thursday, 23 January 2025 at 2:30 p.m. is set out on pages 43 and 44 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, or submit it via the designated URL (<https://spot-emeeting.tricor.hk/#/636>) by using the log-in username and password provided on the notification letter sent by the Company, 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, 21 January 2025. 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.

7 January 2025

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DEFINITIONS

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

“Announcement”	the announcement of the Company dated 10 December 2024 in relation to, among other things, the Purchase Contract
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“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
“Convertible Securities”	the 3.30% unlisted perpetual convertible securities in the aggregate principal amount of HK\$780,000,000 issued by the Company
“Director(s)”	director(s) of the Company
“e-Meeting System”	electronic platform for the registered Shareholders, proxies and corporate representatives attending the SGM via internet
“Executive”	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong or any delegate of the Executive Director
“Flourish Harmony”	Flourish Harmony Holdings Company Limited, an indirect wholly-owned subsidiary of SF Holding
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

DEFINITIONS

"Independent Board Committee"	the independent committee of the Board comprising Dr CHEUNG Wai Man, Mr LAI Sau Cheong Simon, Mr TAN Chuen Yan Paul and Ms WONG Yu Pok Marina, being all the independent non-executive Directors, established for the purpose of advising the Independent Shareholders in respect of the terms of the Purchase Contract and the transactions contemplated thereunder
"Independent Financial Adviser"	UOB Kay Hian (Hong Kong) Limited, a licensed corporation to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Purchase Contract and the transactions contemplated thereunder
"Independent Shareholders"	the Shareholders who are not interested in the proposed repurchase of Convertible Securities and other than those who are required to abstain from voting on the resolutions at the SGM approving the Purchase Contract and the transactions contemplated thereunder
"Kerry TJ"	Kerry TJ Logistics Company Limited, incorporated under the laws of Taiwan and listed on Taiwan Stock Exchange (stock code: 2608)
"KEX Thailand"	KEX Express (Thailand) Public Company Limited (formerly 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), and a subsidiary of the Seller
"KGL"	Kerry Group Limited, one of the controlling shareholders of the Company
"KHL"	Kerry Holdings Limited, a wholly-owned subsidiary of KGL and one of the controlling shareholders of the Company
"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 a substantial shareholder of the Company
"Latest Practicable Date"	2 January 2025, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular

DEFINITIONS

"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
"Loans"	two unsecured and interest-bearing intragroup loans from the Company to KEX Thailand, a former indirect subsidiary of the Company
"Loan Agreements"	the (i) loan agreement dated 17 July 2023 (as amended and supplemented by the amendment agreement dated 7 November 2023) relating to an unsecured and interest-bearing loan in the sum of THB1,500,000,000; and (ii) loan agreement dated 15 January 2024 relating to an unsecured and interest-bearing loan in the sum of THB1,700,000,000, entered into between KLN Logistics (Thailand) Limited, an indirect subsidiary of the Company, and KEX Thailand
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules
"PRC"	the People's Republic of China
"Purchase Contract"	the purchase contract dated 10 December 2024 between the Company and the Seller relating to the sale and purchase of the Convertible Securities
"Seller" or "SF Holding HK"	SF Holding (HK) Limited (formerly SF Holding Limited), a company incorporated in Hong Kong, and an indirect wholly-owned subsidiary of SF Holding
"SF Holding"	S.F. Holding Co., Ltd., a joint stock company established in the PRC with limited liability, the domestic ordinary shares of which are listed on the Shenzhen Stock Exchange (stock code: 002352.SZ) and the overseas listed foreign ordinary shares of which are listed on the Main Board of the Stock Exchange (stock code: 06936), and one of the controlling shareholders of the Company
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
"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
"SGM"	the special general meeting of the Company to be held via the e-Meeting System on Thursday, 23 January 2025, at 2:30 p.m., or where the context so admits, any adjournment thereof

DEFINITIONS

"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 aware scheme of the Company
"Share Buy-backs Code"	the Code on Share Buy-backs issued by the Securities and Futures Commission of Hong Kong, as amended from time to time
"Shareholder(s)"	holder(s) of any Share(s)
"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
"Subscription and Placing Agency Agreement"	the subscription and placing agency agreement dated 29 March 2023 between the Company, Natixis (as the placing agent) and the Seller relating to the issue of Convertible Securities
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules
"substantial shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"THB"	Thai Baht, the lawful currency of Thailand
"%"	per cent

* *For identification purpose only*

For the purpose of this circular, the illustrative exchange rate between THB and HK\$ is THB1 = HK\$0.23

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 7 January 2025.

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 6:00 p.m., Monday to Friday, excluding Hong Kong public holidays

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 CHEUNG Ping Chuen Vicky (*Chief Executive Officer*)

Mr CHENG Chi Wai

Mr HO Chit

Non-executive Directors:

Ms CHEN Keren

Ms OOI Bee Ti

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

7 January 2025

To the Shareholders

Dear Sir or Madam

CONNECTED TRANSACTION PROPOSED REPURCHASE OF PERPETUAL CONVERTIBLE SECURITIES AND NOTICE OF SPECIAL GENERAL MEETING

1. INTRODUCTION

Reference is made to the Announcement dated 10 December 2024, in relation to, among others, the Purchase Contract.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, *inter alia*, (i) further details of the Purchase Contract and the transactions contemplated thereunder; (ii) a letter of advice from the Independent Board Committee to the Independent Shareholders advising on the terms of the Purchase Contract and the transactions contemplated thereunder; and (iii) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders advising on the terms of the Purchase Contract and the transactions contemplated thereunder, and to give you the notice of the SGM.

2. PROPOSED REPURCHASE OF CONVERTIBLE SECURITIES

On 10 December 2024 (after trading hours), the Company and the Seller entered into the Purchase Contract pursuant to which the Company has conditionally agreed to purchase, and the Seller has conditionally agreed to sell, the Convertible Securities in accordance with the terms and conditions of the Purchase Contract at the consideration of HK\$744,500,000 in cash.

The principal terms of the Purchase Contract are set out below:

Date

10 December 2024

Parties

(1) the Company, as issuer; and

(2) the Seller, as seller.

Subject matter and consideration

Pursuant to the Purchase Contract, the Company has conditionally agreed to purchase, and the Seller has conditionally agreed to sell, the Convertible Securities in accordance with the terms and conditions of the Purchase Contract at the consideration of HK\$744,500,000 in cash.

The consideration for the Convertible Securities was determined following arm's length commercial negotiations between the Company and the Seller, with reference to the valuation of the Convertible Securities on the basis of fair value as at 30 September 2024 (the "**Valuation Date**") conducted by Acclime Consulting (Hong Kong) Limited, the independent valuer engaged by the Company.

The appraised fair value of the Convertible Securities as at the Valuation Date was approximately HK\$744,500,000. As set out in the valuation report in Appendix I to this circular (the "**Valuation Report**"), the valuation of the Convertible Securities on the basis of fair value was determined using the binomial option pricing model, which derives the fair value by discounting the future cash flows expected to be received under the Convertible Securities with a fixed coupon rate of 3.30% per annum payable semi-annually based on the principal amount of HK\$780,000,000 to the Valuation Date. The valuation model incorporates various parameters including (i) the closing share price of the Company as at the Valuation Date of HK\$8.66; (ii) time to maturity of 3.63 years, being the number of years between the Valuation Date and the assumed maturity date as at 18 May 2028 (that is, 5 years from the issue date of the Convertible Securities); (iii) expected volatility of 34.83%, determined based on the changes of share prices of the Company over a historical period of 3.63 years; (iv) expected dividend yield of the Company of 2.54%, derived from the historical dividend yield of the Shares; (v) market risk-free rate of 2.58%; (vi) credit spread of 2.03%; and (vii) liquidity risk spread of 1.50%. When assessing the fair value of the Convertible Securities, the independent valuer also evaluates various future share price scenarios to determine the probability of converting or retaining the Convertible Securities for interest payments, based on future market conditions and maximisation of bondholder's payoff. For further details, please refer to the Valuation Report as set out in Appendix I to this circular.

LETTER FROM THE BOARD

The valuation of the Convertible Securities was also subject to the following major assumptions:

- (a) there will be no major changes in the existing political, legal, fiscal and economic conditions in which the Company carries on its business;
- (b) there will be no major changes in the current taxation law in the countries that Company operates, that the rates of tax payable remain unchanged and that all applicable laws and regulations will be complied with;
- (c) the exchange rates and interest rates will not differ materially from those presently prevailing;
- (d) the Company will retain and have competent management, key personnel and technical staff to support its ongoing operations; and
- (e) industry trends and market conditions for related industries will not deviate materially from economic forecasts.

The Company will pay such consideration at completion in cash out of funds which were already repaid and to be repaid by KEX Thailand under the Loans.

Conditions precedent

Completion of the Purchase Contract shall be conditional upon the satisfaction of the following conditions on or before 31 March 2025 (or such later date as the parties may agree) (the “End Date”):

- (a) the passing by the Independent Shareholders of an ordinary resolution to approve the Purchase Contract and the transactions contemplated thereunder at the SGM; and
- (b) the repayment in full by KEX Thailand to the Company of all outstanding amounts due under the Loans, in the amount of approximately THB1,900,000,000 (equivalent to approximately HK\$437,000,000) as at the Latest Practicable Date, with accrued interest.

As at the Latest Practicable Date, none of the above conditions have been fulfilled.

If any condition is not satisfied on or before the End Date, the Purchase Contract will be terminated.

Completion

The completion of the purchase of Convertible Securities shall take place no later than seven business days after the last condition under the Purchase Contract is satisfied (or such later date as the parties may agree), and in any event on or before the End Date.

As soon as reasonably practicable after the completion, the Company will cancel the Convertible Securities, and any rights attaching thereto shall cease with effect from such cancellation.

3. REASONS FOR AND BENEFITS OF ENTERING INTO THE PURCHASE CONTRACT

As disclosed in the circular of the Company dated 24 April 2023, the issue of the Convertible Securities provided additional funds for the expansion of its international express delivery business in Southeast Asia, particularly to support KEX Thailand, a former indirect subsidiary of the Company. Following the completion of the issue of the Convertible Securities, the net proceeds of approximately HK\$774,101,000 were fully on-lent by the Company to KEX Thailand by way of the Loans, to support the growth and expansion of KEX Thailand. Pursuant to the Loan Agreements governing the Loans, each Loan, with an interest rate of 1.65% per annum, shall be repaid on the date falling 12 months from the date of drawdown, unless prepaid earlier by KEX Thailand. As at the Latest Practicable Date, the outstanding amounts due under the Loans are approximately THB1,900,000,000, which are expected to be fully repaid by the first quarter of 2025 at the latest. In March 2024, the Company completed the distribution in specie of all its shares held in KEX Thailand, and KEX Thailand ceased to be a subsidiary of the Group. As such, the Company and the Seller agreed, following arm's length commercial negotiations, that the Seller (as the indirect holding company of KEX Thailand) will procure KEX Thailand to prepay all outstanding amounts due under the Loans ahead of the final repayment date pursuant to the Loan Agreements in order to facilitate and fund the repurchase of the Convertible Securities.

The Seller had subscribed for the Convertible Securities in the aggregate principal amount of HK\$780,000,000. As at 30 September 2024, the appraised fair value of the Convertible Securities, according to the independent valuer engaged by the Company, was approximately HK\$744,500,000. In light of the depreciation in value, this represents an opportunity for the Company to repurchase the Convertible Securities at a discount to the principal amount which is in the interests of the Company and the Shareholders as a whole.

In view of the above, the Board (including the independent non-executive Directors whose views are set forth in the "Letter from the Independent Board Committee" in this circular, after considering the advice of the Independent Financial Adviser, and excluding each of Mr WANG Wei, Mr HO Chit and Ms OOI Bee Ti who has abstained from voting on the relevant resolutions approving the Purchase Contract and the transactions contemplated thereunder) considers that the Purchase Contract and the transactions contemplated thereunder are on an arm's length basis and on normal commercial terms which are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

Mr WANG Wei, the chairman of the Board and a non-executive Director, is an executive director, chairman of the board of directors and general manager and controlling shareholder of SF Holding. Mr HO Chit, an executive Director, is an executive director, deputy general manager and chief financial officer of SF Holding and he is interested in 122,000 ordinary shares in SF Holding and options granted under the 2022 stock option incentive plan of SF Holding to subscribe for 366,000 ordinary shares in SF Holding (representing approximately 0.01% in the issued share capital of SF Holding). Ms OOI Bee Ti, a non-executive Director, is the head of treasury center of SF Holding and she is interested in 71,400 ordinary shares in SF Holding and options granted under the 2022 stock option incentive plan of SF Holding to subscribe for 204,000 ordinary shares in SF Holding (representing approximately 0.01% in the issued share capital of SF Holding). Given their interest in SF Holding (which indirectly wholly owns the Seller), each of Mr WANG Wei, Mr HO Chit and Ms OOI Bee Ti abstained from voting on the relevant resolutions of the Board approving the Purchase Contract and the transactions contemplated thereunder. Save as disclosed above, none of the other Directors has a material interest in the Purchase Contract and the transactions contemplated thereunder or was required to abstain from voting on the relevant resolutions of the Board.

LETTER FROM THE BOARD

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, as at the Latest Practicable Date, Mr WANG Wei is deemed to be interested in (i) 931,209,117 Shares indirectly held through his controlled corporations and (ii) 41,489,361 Convertible Securities, which constituted approximately 53.82% of the total issued share capital of the Company, pursuant to the disclosure requirements under the SFO. Following the completion of the purchase of Convertible Securities, Mr WANG Wei will be deemed to be interested in 931,209,117 Shares indirectly held through his controlled corporations, which constituted approximately 51.52% of the total issued share capital of the Company.

4. LISTING RULES IMPLICATIONS

The Seller is an indirect wholly-owned subsidiary of SF Holding, which is a controlling shareholder of the Company. The Seller is therefore a connected person of the Company, and as such the Purchase Contract and the transactions contemplated thereunder constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the transactions contemplated under the Purchase Contract exceeds 5%, the Purchase Contract and the transactions contemplated thereunder are subject to reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

5. WAIVER FROM COMPLIANCE WITH SHARE BUY-BACKS CODE

The purchase of the Convertible Securities constitutes an off-market share buy-back by the Company under the Share Buy-backs Code. The Company has made an application to the Executive for, and on 21 October 2024 the Executive has granted, a waiver from compliance with the relevant requirements of the Share Buy-backs Code pursuant to Rule 8 thereof in respect of the purchase of Convertible Securities.

6. INFORMATION ON THE PARTIES

Information about the Group

The Group operates as a leading logistics service provider in Asia with a highly diversified business portfolio and global presence in 60 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 and infrastructure investment.

Information about the Seller

The Seller is a company incorporated in Hong Kong with limited liability and is principally engaged in investment holding. The Seller is an indirect wholly-owned subsidiary of SF Holding, which is a leading global integrated logistics services provider. As at the Latest Practicable Date, SF Holding is indirectly owned by Mr WANG Wei as to approximately 53.39%.

7. 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.

LETTER FROM THE BOARD

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.

8. SGM

The SGM will be held via the e-Meeting System on Thursday, 23 January 2025 at 2:30 p.m., or where the context so admits, any adjournment thereof for considering and, if thought fit, approving the Purchase Contract and the transactions contemplated thereunder.

Notice of the SGM is set out on pages 43 and 44 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, or submit it via the designated URL (<https://spot-emeeting.tricor.hk/#/636>) by using the log-in username and password provided on the notification letter sent by the Company, 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, 21 January 2025. 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.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, as at the Latest Practicable Date, (i) SF Holding and its associate(s) are interested in 931,209,117 Shares, which constituted approximately 51.52% of the total number of issued Shares and (ii) the trustee of the Share Award Scheme held 5,662,390 Shares (including 609,867 unvested Shares awarded under the Share Award Scheme) (the "Trustee"). Save for SF Holding and its associate(s) who will abstain from voting on the resolutions in respect of the Purchase Contract to be proposed at the SGM, to the best knowledge of the Company having made all reasonable enquiries, no other Shareholder is materially interested in the Purchase Contract and the transactions contemplated thereunder and is required to abstain from voting at the SGM. The Trustee is required to and will abstain from voting at the SGM pursuant to Rule 17.05A of the Listing Rules.

9. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee 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 UOB Kay Hian (Hong Kong) Limited has been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders, in relation to the terms of the Purchase Contract and the transactions contemplated thereunder.

10. RECOMMENDATION

Your attention is drawn to (i) the letter of advice from the Independent Board Committee to the Independent Shareholders advising on the terms of the Purchase Contract and the transactions contemplated thereunder and (ii) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders advising on the terms of the Purchase Contract and the transactions contemplated thereunder.

LETTER FROM THE BOARD

The Board (including the independent non-executive Directors whose views are set forth in the “Letter from the Independent Board Committee” in this circular, after considering the advice of the Independent Financial Adviser, and excluding each of Mr WANG Wei, Mr HO Chit and Ms OOI Bee Ti who has abstained from voting on the relevant resolutions approving the Purchase Contract and the transactions contemplated thereunder) is of the view that the entering into of the Purchase Contract and the transactions contemplated thereunder are on normal commercial terms which are fair and reasonable, and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of all resolutions to be proposed at the SGM.

11. ADDITIONAL INFORMATION

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

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of the letter from the Independent Board Committee to the Independent Shareholders in respect of the Purchase Contract and the transactions contemplated thereunder 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
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Stock Code 636

7 January 2025

To the Independent Shareholders

Dear Sir or Madam

CONNECTED TRANSACTION PROPOSED REPURCHASE OF PERPETUAL CONVERTIBLE SECURITIES

We refer to the circular issued by the Company to its Shareholders dated 7 January 2025 (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 Purchase Contract and the transactions contemplated thereunder are fair and reasonable, and on normal commercial terms, and (ii) the entering into of the Purchase Contract and the transactions contemplated thereunder are in the ordinary and usual course of business of the Group, and are in the interests of the Company and the Shareholders as a whole, and as to voting. UOB Kay Hian (Hong Kong) Limited has been appointed to act as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

We wish to draw your attention to the letter from the Board as set out on pages 6 to 12 of the Circular, and a letter of advice from the Independent Financial Adviser as set out on pages 15 to 26 of the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the terms of the Purchase Contract and the transactions contemplated thereunder, the advice and recommendation from the Independent Financial Adviser and the relevant information contained in the letter from the Board, we are of the opinion that although the entering into of the Purchase Contract and the transactions contemplated thereunder are not in the ordinary and usual course of business of the Group, (i) the terms of the Purchase Contract and the transactions contemplated thereunder are fair and reasonable, and on normal commercial terms, and (ii) the entering into of the Purchase Contract and the transactions contemplated thereunder are 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 INDEPENDENT FINANCIAL ADVISER

Set out below is the text of a letter from UOB Kay Hian (Hong Kong) Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Proposed Repurchase of Perpetual Convertible Securities for the purpose of inclusion in this circular.

UOBKayHian

6th Floor, Harcourt House
39 Gloucester Road
Hong Kong

7 January 2025

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

Dear Sirs or Madams,

CONNECTED TRANSACTION PROPOSED REPURCHASE OF PERPETUAL CONVERTIBLE SECURITIES

INTRODUCTION

We refer to our appointment by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders of the Company on the terms of the Purchase Contract and the transactions contemplated thereunder and whether they are in the interests of the Company and the Shareholders as a whole, 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 7 January 2025 (the “**Circular**”), of which this letter forms a part. Capitalized 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, the issue of the Convertible Securities in the aggregate principal amount of HK\$780,000,000 by the Company was principally intended to provide additional funds for the expansion of its international express delivery business in Southeast Asia, particularly to support KEX Thailand, a former indirect subsidiary of the Company. Following the completion of the issue of the Convertible Securities, the net proceeds of approximately HK\$774,101,000 were fully on-lent by the Company to KEX Thailand by way of the Loans, to support the growth and expansion of KEX Thailand. Pursuant to the Loan Agreements governing the Loans, each Loan, with an interest rate of 1.65% per annum, shall be repaid on the date falling 12 months from the date of drawdown, unless prepaid earlier by KEX Thailand. As at the Latest Practicable Date, the outstanding amounts due under the Loans are approximately THB1,900,000,000, which are expected to be fully repaid by the first quarter of 2025 at the latest. Subsequently, in March 2024, the Company completed the distribution in specie of all its shares held in KEX Thailand, and KEX Thailand ceased to be a subsidiary of the Group. As such, on 10 December 2024, the Company and the Seller agreed, following arm’s length commercial negotiations, that the Seller (as the indirect holding company of KEX Thailand) will procure KEX Thailand to prepay all outstanding amounts due under the Loans ahead of the final repayment date pursuant to the Loan Agreements in order to facilitate and fund the repurchase of the Convertible Securities at the consideration of HK\$744,500,000 in cash.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As also stated in the Letter from the Board, as at 30 September 2024 (the “**Valuation Date**”), the appraised fair value of the Convertible Securities, according to Acclime Consulting (Hong Kong) Limited, the independent valuer engaged by the Company, was approximately HK\$744,500,000. As set out in the valuation report in Appendix I to the Circular (the “**Valuation Report**”), the valuation of the Convertible Securities on the basis of fair value was determined using the binomial option pricing model, which derives the fair value by discounting the future cash flows expected to be received under the Convertible Securities with a fixed coupon rate of 3.30% per annum payable semi-annually based on the principal amount of HK\$780,000,000 to the Valuation Date. The valuation model incorporates various parameters including (i) the closing share price of the Company as at the Valuation Date of HK\$8.66; (ii) time to maturity of 3.63 years, being the number of years between the Valuation Date and the assumed maturity date as at 18 May 2028 (that is, 5 years from the issue date of the Convertible Securities); (iii) expected volatility of 34.83%, determined based on the changes of share prices of the Company over a historical period of 3.63 years; (iv) expected dividend yield of the Company of 2.54%, derived from the historical dividend yield of the Shares; (v) market risk-free rate of 2.58%; (vi) credit spread of 2.03%; and (vii) liquidity risk spread of 1.50%. When assessing the fair value of the Convertible Securities, the independent valuer also evaluates various future share price scenarios to determine the probability of converting or retaining the Convertible Securities for interest payments, based on future market conditions and maximisation of bondholder's payoff.

In light of the depreciation in value of the Convertible Securities, the Company considers that it represents an opportunity to repurchase the Convertible Securities at a discount to the principal amount which is in the interests of the Company and the Shareholders as a whole. The proposed consideration for the repurchase of Convertible Securities from the Seller was determined following arm's length commercial negotiations between the Company and the Seller, with reference to the aforementioned valuation of the Convertible Securities on the basis of fair value as at the Valuation Date conducted by Acclime Consulting (Hong Kong) Limited, the independent valuer engaged by the Company. The Company will pay such consideration at completion in cash out of funds which were already repaid and to be repaid by KEX Thailand under the Loans. As soon as reasonably practicable after the completion, the Company will cancel the Convertible Securities, and any rights attaching thereto shall cease with effect from such cancellation.

As stated in the Letter from the Board, as at the Latest Practicable Date, the Seller is an indirect wholly-owned subsidiary of SF Holding, which is a controlling shareholder of the Company. As such, the Seller is a connected person of the Company and the entering into of the Purchase Contract and the transactions contemplated thereunder with the Seller for the proposed repurchase of the Convertible Securities constitute a connected transaction of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the transactions contemplated under the Purchase Contract exceeds 5%, the Purchase Contract and the transactions contemplated thereunder are subject to reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. In addition, the SGM will be held for the purpose of considering and, if thought fit, approving the Purchase Contract (pursuant to which the Company has conditionally agreed to purchase, and the Seller has conditionally agreed to sell the Convertible Securities) and the transactions contemplated thereunder.

We have been appointed by the Company to advise the Independent Board Committee, comprising all the independent non-executive Directors, and the Independent Shareholders as to whether the terms of the Purchase Contract and the transactions contemplated thereunder are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any business relationship with or any interest in the Company or the Seller that could be reasonably regarded as hindrance to our independence as defined under Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser. Apart from normal professional fees paid or payable to us in connection with this appointment, no arrangement exists whereby we had received or will receive any other fees or benefits from the Company in connection with this appointment. We consider ourselves qualified to give independent advice to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Purchase Contract and the transactions contemplated thereunder pursuant to Rule 13.84 of the Listing Rules.

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied upon the accuracy of the information and representations contained or referred in the Circular and information and facts supplied to us and representation and opinions expressed, by the Directors and/or management of the Company and its advisers. We have assumed that all statements, information and facts, and representations provided whether or not in the Circular and opinion expressed to us are true, accurate and complete in all material aspects at the time they were made and remain true, accurate and complete as at the date thereof and have been properly extracted from the relevant underlying accounting records (in case of financial information) and made after due and careful enquiry by the Directors and/or the management of the Company.

We have no reason to doubt on the truth, accuracy and completeness of the information and facts as well as representations and opinions provided to us by the Directors and management of the Company and its advisers, and have been confirmed by the Directors and/or management of the Company that no material facts and representations the omission of which would make any statement in the Circular, including this letter, untrue, inaccurate or misleading.

We have also relied on certain information available to the public and have assumed such information to be accurate and reliable. Our review and analyses were based upon, among others, the information provided by the Group and/or publicly available information including (i) the Company's interim report for the six months ended 30 June 2024 (the **"2024 Interim Report"**); (ii) the Company's annual report for the year ended 31 December 2023 (the **"2023 Annual Report"**); (iii) the Purchase Contract; (iv) the Valuation Report; (v) the valuation model of the Convertible Securities as at the Valuation Date prepared by Acclime Consulting (Hong Kong) Limited, the independent valuer engaged by the Company (the **"Valuation Model"**); (vi) publications and research reports; and (vii) the Circular. We have also discussed with the Directors and/or the management of the Company and its advisers with respect to the terms of and reasons for the entering into of the Purchase Contract and the transactions contemplated thereunder.

The Directors have jointly and severally accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, after having made all reasonable enquiries and to the best of their knowledge and belief, there are no other fact the omission of which would make any statement in the Circular untrue, inaccurate or misleading. We consider that we have been provided sufficient information to reach an informed view and to provide a reasonable basis for our recommendation. We have not, however, conducted any independent in-depth investigation into the business, affairs and prospects of the Group and the related parties to the Purchase Contract, nor have we carried out any independent verification of the information provided to us by the Group, its Directors, management and advisers.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

This letter is issued to the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the terms of the Purchase Contract and the transactions contemplated thereunder, 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 formulating our opinion and recommendation to the Independent Board Committee and the Independent Shareholders, we have taken into consideration, inter alia, the following principal factors and reasons. Our conclusions are based on the results of all analyses taken as a whole.

1. Background information of the Group and the Seller

(a) *The Group*

As set out in the Letter from the Board, the Group operates as a leading logistics service provider in Asia with a highly diversified business portfolio and global presence in 60 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 and infrastructure investment.

The following table summarizes the selected financial information of Group as at 31 December 2022 and 2023 (“FY2022” and “FY2023”, respectively) as extracted from the 2023 Annual Report, along with that as at 30 June 2024 (“1H2024”) as extracted from the 2024 Interim Report:

	As at 30 June 2024 (HK\$'000)	As at 31 December 2023 (HK\$'000)	2022 (HK\$'000)
Non-current assets	20,089,431	20,699,473	21,432,599
Current assets	20,479,798	19,350,757	23,901,474
– Cash at bank and in hand	5,819,024	6,521,438	9,240,365
Non-current liabilities	8,006,780	7,358,856	8,939,240
– Long-term bank loans	5,930,363	5,235,456	6,586,447
Current liabilities	13,973,372	13,183,182	15,145,128
– Short-term bank loans and current portion of long-term bank loans	2,869,646	3,262,675	2,226,402

Sources: 2023 Annual Report and 2024 Interim Report

(b) The Seller

The Seller is a company incorporated in Hong Kong with limited liability and is principally engaged in investment holding. The Seller is an indirect wholly-owned subsidiary of SF Holding, which is a leading global integrated logistics services provider. As at the Latest Practicable Date, SF Holding is indirectly owned by Mr WANG Wei as to approximately 53.39%.

2. Principal terms of the Purchase Contract

Set out below is a summary of the principal terms of the Purchase Contract:

Date

10 December 2024

Parties

- (1) the Company, as issuer; and
- (2) the Seller, as seller.

Subject matter and consideration

Pursuant to the Purchase Contract, the Company has conditionally agreed to purchase, and the Seller has conditionally agreed to sell, the Convertible Securities in accordance with the terms and conditions of the Purchase Contract at the consideration of HK\$744,500,000 in cash.

The consideration for the Convertible Securities was determined following arm's length commercial negotiations between the Company and the Seller, with reference to the valuation of the Convertible Securities on the basis of fair value as at the Valuation Date conducted by Acclime Consulting (Hong Kong) Limited, the independent valuer engaged by the Company.

The appraised fair value of the Convertible Securities as at the Valuation Date was approximately HK\$744,500,000. As set out in the Valuation Report, the valuation of the Convertible Securities on the basis of fair value was determined using the binomial option pricing model, which derives the fair value by discounting the future cash flows expected to be received under the Convertible Securities with a fixed coupon rate of 3.30% per annum payable semi-annually based on the principal amount of HK\$780,000,000 to the Valuation Date. The valuation model incorporates various parameters including (i) the closing share price of the Company as at the Valuation Date of HK\$8.66; (ii) time to maturity of 3.63 years, being the number of years between the Valuation Date and the assumed maturity date as at 18 May 2028 (that is, 5 years from the issue date of the Convertible Securities); (iii) expected volatility of 34.83%, determined based on the changes of share prices of the Company over a historical period of 3.63 years; (iv) expected dividend yield of the Company of 2.54%, derived from the historical dividend yield of the Shares; (v) market risk-free rate of 2.58%; (vi) credit spread of 2.03%; and (vii) liquidity risk spread of 1.50%. When assessing the fair value of the Convertible Securities, the independent valuer also evaluates various future share price scenarios to determine the probability of converting or retaining the Convertible Securities for interest payments, based on future market conditions and maximisation of bondholder's payoff.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The valuation of the Convertible Securities was also subject to the following major assumptions:

- (a) there will be no major changes in the existing political, legal, fiscal and economic conditions in which the Company carries on its business;
- (b) there will be no major changes in the current taxation law in the countries that the Company operates, that the rates of tax payable remain unchanged and that all applicable laws and regulations will be complied with;
- (c) the exchange rates and interest rates will not differ materially from those presently prevailing;
- (d) the Company will retain and have competent management, key personnel and technical staff to support its ongoing operations; and
- (e) industry trends and market conditions for related industries will not deviate materially from economic forecasts.

The Company will pay such consideration at completion in cash out of funds which were already repaid and to be repaid by KEX Thailand under the Loans.

In respect of the fairness and reasonableness of the above principal terms of the Purchase Contract and the appraised fair value of the Convertible Securities as at the Valuation Date, we have:

- (i) obtained and reviewed the credentials of Acclime Consulting (Hong Kong) Limited, the independent valuer engaged by the Company which include the profile and qualifications of the transaction team lead members to assess their capabilities in performing the independent valuation of the Convertible Securities. In this regard, we noted that the transaction team lead members have extensive experience in performing valuation of equity interests, financial instruments and intangible assets for various purposes and served a wide variety of clients, including logistics companies;
- (ii) obtained and reviewed the engagement letter of the independent valuer for provision of the valuation consulting services in respect of the Convertible Securities to assess whether the scope of work is appropriate to the opinion required to be given and in line with the market practice;
- (iii) obtained, reviewed and commented on the assumptions and bases applied by the independent valuer in the Valuation Report and the Valuation Model. In this regard, we have:
 - a. conducted an interview with the management of the Company, including the Deputy Chief Financial Officer, in December 2024 to enquire, among others, whether they are aware of any factor or circumstance contrary to the assumptions made by the independent valuer. During the interview with the management of the Company, they have confirmed that they agree to the assumptions and bases applied by the independent valuer and did not foresee any material deviation in the industry trends and market conditions from the economic forecasts underlying the valuation performed by the independent valuer; and

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- b. conducted research on the relevant market and other conditions from other publications and research reports, including public information from International Monetary Fund, publication from renowned consultancy organisations such as KPMG, Deloitte and Business for Social Responsibility, to assess whether the assumptions adopted in the Valuation Report and the Valuation Model are fair and reasonable;
- (iv) conducted an interview with the transaction team lead members of the independent valuer in December 2024 to enquire and gain further understanding on, among others, their expertise, the methodologies, bases and assumptions adopted in the Valuation Report and the Valuation Model, as well as to confirm their independence with the Company, the Seller and their core connected persons to assess whether the formal and/or informal representations made to the independent valuer by the Company and the Seller are in line with our knowledge. During the interview, the independent valuer has confirmed that (i) they are independent to the Company, and (ii) the Valuation Model and parameters adopted are considered as the most common methodology for similar engagements in the industry; and
- (v) assessed whether there is any material discrepancy in the variables or parameters used in the Valuation Report and the Valuation Model with other independent public sources. In this regard, we have (i) cross-checked the key parameters used by the independent valuer, including the spot price per share, time to maturity, expected volatility, expected dividend yield, discount rate, risk free rate, credit spread and liquidity risk spread with other public sources, such as Bloomberg and where applicable, obtained the detailed underlying calculation schedules to review the basis for deriving the parameters used in the Valuation Model; and (ii) re-performed the valuation with an alternative valuation model from public source based on the key parameters used by the independent valuer.

Based on the above independent works performed, nothing has come to our attention which suggests the principal terms of the Purchase Contract and the appraised fair value of the Convertible Securities as at the Valuation Date are not fair and reasonable.

3. Background, Reasons and Benefits for Entering into the Purchase Contract and the transactions contemplated thereunder

As stated in the Letter from the Board, the issue of the Convertible Securities in the aggregate principal amount of HK\$780,000,000 by the Company was principally intended to provide additional funds for the expansion of its international express delivery business in Southeast Asia, particularly to support KEX Thailand, a former indirect subsidiary of the Company. Following the completion of the issue of the Convertible Securities, the net proceeds of approximately HK\$774,101,000 were fully on-lent by the Company to KEX Thailand by way of the Loans, to support the growth and expansion of KEX Thailand. Subsequently, in March 2024, the Company completed the distribution in specie of all its shares held in KEX Thailand, and KEX Thailand ceased to be a subsidiary of the Group.

As also stated in the Letter from the Board, as at the Valuation Date, the appraised fair value of the Convertible Securities, according to Acclime Consulting (Hong Kong) Limited, the independent valuer engaged by the Company, was approximately HK\$744,500,000. In light of the depreciation in value of the Convertible

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Securities, the Company considers that it represents an opportunity to repurchase the Convertible Securities at a discount to the principal amount which is in the interests of the Company and the Shareholders as a whole. As such, on 10 December 2024, the Company and the Seller entered into the Purchase Contract pursuant to which the Company has conditionally agreed to purchase, and the Seller has conditionally agreed to sell, the Convertible Securities in accordance with the terms and conditions of the Purchase Contract at the consideration of HK\$744,500,000 in cash.

In order to assess the fairness and reasonableness of the repurchase of the Convertible Securities from the Seller, we have considered the following factors:

A. *KEX Thailand is no longer a subsidiary of the Group*

As mentioned above, the issue of the Convertible Securities in 2023 was originally and primarily intended to provide additional funds to support the expansion of KEX Thailand, the then indirect subsidiary of the Company and the net proceeds of approximately HK\$774,101,000 were fully on-lent by the Company to KEX Thailand by way of the Loans. As stated in the 2023 Annual Report and 2024 Interim Report, the Group has recently undergone various restructuring plans to reinforce the Group's strategy of focusing on its core business of integrated logistics and international freight forwarding, with an aim to enhancing its overall performance and prospects. Therefore, the Group has taken out the e-commerce and express business from its segmental reporting following the transfer of companies engaging in express delivery services in the Asia Pacific and Europe to SF Holding in the third quarter of 2023 and to divest its express business (such as KEX Thailand) to concentrate on its strategic plans and to consolidate resources on its core businesses. As the express business is no longer the core strategic focus of the Group and hence KEX Thailand is no longer a subsidiary of the Group following the completion of distribution in specie of all its shares held in KEX Thailand, the original and primary intention of issuing the Convertible Securities to provide additional funds to support the expansion of its subsidiary (i.e. KEX Thailand) is no longer valid. As a result, it is sensible for the Seller (as the indirect holding company of KEX Thailand) to procure KEX Thailand to prepay all outstanding amounts due under the Loans ahead of the final repayment date pursuant to the Loans Agreements in order to facilitate and fund the repurchase of the Convertible Securities.

B. *Financial Impacts of Repurchasing the Convertible Securities*

(a) *Statement of Cash Flow*

Principal amount

Following the completion of distribution in specie of all its shares held in KEX Thailand, KEX Thailand ceased to be a subsidiary of the Group since March 2024. As KEX Thailand is no longer a subsidiary of the Group and its financial performance will no longer be consolidated to the Group's consolidated financial statements, the Company and the Seller agreed, following arm's length commercial negotiations, that the Seller (as the indirect holding company of KEX Thailand) will procure KEX Thailand to prepay all outstanding amounts due under the Loans ahead of the final repayment date pursuant to the Loan Agreements in order to facilitate and fund the repurchase of the Convertible Securities. As stated in the Letter from the Board, as at the Latest Practicable Date, the outstanding

amounts due from KEX Thailand to the Company under the Loans are approximately THB1,900,000,000 (equivalent to approximately HK\$437,000,000), with accrued interest, which are expected to be fully repaid by the first quarter of 2025 at the latest. Provided that the Company will only pay such consideration for the repurchase of the Convertible Securities at completion in cash out of funds which were already repaid and to be repaid by KEX Thailand under the Loans, the proposed repurchase of Convertible Securities from the Seller is not expected to cause a material adverse impact on the cash flows of the Group as a whole.

Interests

In addition, the Convertible Securities in the aggregate principal amount of HK\$780,000,000 carry a fixed coupon rate of 3.3% per annum and payable semi-annually in cash. By maintaining the Convertible Securities, the Company is required to incur financing cash outflow in form of coupon interest of approximately HK\$25,740,000 annually. On the other hand, the outstanding amounts due from KEX Thailand to the Company under the Loans of approximately HK\$437,000,000 as at the Latest Practicable Date currently carry an interest rate of 1.65% per annum. Pursuant to the Loan Agreements governing the Loans, any outstanding principal amount with the accrued and unpaid interest of the Loans shall be repaid on the date following 12 months from the date of drawdown, unless prepaid earlier by KEX Thailand. Therefore, the Loans will currently provide the Company a financing cash inflow in form of interest income of approximately HK\$7,210,500 (based on the outstanding Loans amount of approximately HK\$437,000,000) on an annualized basis. As such, assuming there is no change in the coupon rate and/or interest rate for both the Convertible Securities and the Loans and there is no early prepayment of the Loans by KEX Thailand, hypothetically, the proposed repurchase of Convertible Securities is expected to improve the financing cash flow of the Company in long term by reducing net interest expenses of approximately HK\$18,529,500 on an annualized basis.

(b) Statement of Profit or Loss

As mentioned above, the proposed repurchase of Convertible Securities is expected to reduce the interest expenses of the Company by approximately HK\$25,740,000 on an annualized basis and reduce the interest income to be received from KEX Thailand by approximately HK\$12,773,000 on an annualized basis, therefore the Company is expected to save net interest expenses by approximately HK\$12,967,000 on an annualized basis in the consolidated statement of profit or loss and thus improve the financial performance of the Group in long term. The net interest expenses saved could be utilised for other working capital and general corporate purposes, which will in turn provide the Group with a higher flexibility to participate in other favourable business opportunities should they arise.

(c) Statement of Financial Position

As stated in the 2024 Interim report, the Group recorded cash at bank and in hand of approximately HK\$5,819 million as at 30 June 2024. Also, as stated in the Letter from the Board, as at the Latest Practicable Date, the outstanding amounts due from KEX Thailand to the Company under the Loans were approximately HK\$437,000,000, with accrued interest. Provided that the Company will only pay such consideration for the repurchase of the Convertible Securities at completion in cash out of funds which were already repaid and to be repaid by KEX Thailand under the Loans, assuming there is no material

change in the amount of cash at bank and in hand since 30 June 2024, the net cash settlement of approximately HK\$307.5 million for the proposed repurchase of Convertible Securities is not expected to cause a material adverse impact on the cash and bank balances and financial position of the Company as a whole.

C. *Reduction of Federal Funds Rate*

On 18 December 2024, the Federal Open Market Committee of Federal Reserve System of the United States (“FOMC”) announced its decision to further lower the target range for the federal funds rate by 0.25 percentage points to 4.25% to 4.5% in a bid to achieve maximum employment and to curb inflation at the rate of 2 percent over the longer run. This was the third federal funds rate cut during 2024 followed the first and second cut announced in September and November 2024, when the FOMC had lowered the target range for the federal funds rate by 0.5 percentage points to 4.75% to 5.0% and further 0.25 percentage points to 4.5% to 4.75% respectively.

The various cuts of the federal funds rate led to the adjustment of base rate by the Hong Kong Monetary Authority according to the pre-set formula in September, November and December 2024, respectively under the Linked Exchange Rate System. Accordingly, major Hong Kong commercial banks also lowered their prime lending rates after the Hong Kong Monetary Authority lowered its base rate.

According to the economic projections made by FOMC and released in December 2024, it is forecasted that the median federal funds rate shall be 3.9%, 3.4% and 3.1% by the end of 2025, 2026 and 2027 respectively which implied that there would be further room for interest rate cut during 2025 to 2027. The forecast federal funds rate cut indicates that the Hong Kong Monetary Authority and commercial banks may further adjust downward the base rate and prime lending rates respectively in the coming years.

As stated in the 2024 Interim Report, a majority of the Group’s bank loans were borrowed at floating rates. Therefore, the potential further cut in prime lending rates by the major Hong Kong commercial banks may allow the Company flexibility to seek additional financial resources, when the need arises, through bank borrowings on potentially more favorable terms in the forthcoming years, if the future federal funds rate will follow the downward projections made by FOMC in December 2024.

D. *Flexibility for the Group to raise funds to finance its own business pursuits*

As stated in the 2024 Interim Report, as at 30 June 2024, apart from the cash at bank and in hand of approximately HK\$5,819 million, the Group had total undrawn bank loan and overdraft facilities of approximately HK\$7,980 million which may be used to fund material capital expenditure. Therefore, the Company currently has no immediate need to maintain the Convertible Securities in the aggregate principal amount of HK\$780 million.

During the first half of 2024, the Group was able to achieve approximately 10% period-to-period growth in revenue and approximately 5% period-to-period growth in core net profit for its continuing operations which demonstrated that the Group was able to ride on the waves in the global economy

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

recovery after the COVID-19 pandemic in the past years. According to the 2024 Interim Report, the Company will keep investing in digitalization while leveraging automation and artificial intelligence to drive innovation, efficiency and growth across its network. Given the Group's business is gradually recovering in 2024 and the expected investment in digitalization going forward, notwithstanding the availability of currently abundant cash resources and borrowing facilities, in the event that the Group may require more financial resources for both working capital and capital expenditure in order to continue to capture more business opportunities and to grow its business in the future, the expected net interest expenses saving as mentioned above following the completion of the proposed repurchase of Convertible Securities would provide more flexibility for the Group to obtain the needed financial resources through other external bank borrowings.

OPINION AND RECOMMENDATION

Having considered the abovementioned principal factors and reasons, in particular:

- (i) the review performed on the methodologies, assumptions and bases of the Valuation Report and Valuation Model prepared by Acclime Consulting (Hong Kong) Limited, the independent valuer engaged by the Company; and
- (ii) the reasons and benefits for the repurchase of Convertible Securities as discussed in the section headed "3. Background, Reasons and Benefits for Entering into the Purchase Contract and the transactions contemplated thereunder",

we are of the view that although the entering into of the Purchase Contract and the transactions contemplated thereunder are not in the ordinary and usual course of business of the Group, the terms of the Purchase Contract and the transactions contemplated thereunder are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned. Therefore, the entering into of the Purchase Contract and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant resolutions approving the Purchase Contract and the transactions contemplated thereunder at the SGM.

Yours faithfully,

For and on behalf of

UOB Kay Hian (Hong Kong) Limited

Michael Chen
Managing Director

Kison Lai
Director

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Mr Michael Chen is the Managing Director of UOB Kay Hian (Hong Kong) Limited and is licensed under the SFO as a Responsible Officer to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities. Mr Michael Chen has over 20 years of experience in investment banking and corporate finance advisory and has participated in and completed various financial advisory transactions.

Mr Kison Lai is a Director of UOB Kay Hian (Hong Kong) Limited and is licensed under the SFO as a Responsible Officer to conduct Type 6 (advising on corporate finance) regulated activities. Mr Kison Lai has approximately 10 years of corporate finance experiences in Hong Kong and has participated in and completed various financial advisory and independent financial advisory transactions.

The following is the text of the valuation report from Acclime Consulting (Hong Kong) Limited, an independent valuer, in respect of the valuation of the Convertible Securities as at 30 September 2024 for inclusion in this circular.

Acclime Consulting (Hong Kong) Limited**凱晉諮詢顧問有限公司**

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e. AAS_Consulting@acclime.com

10 December 2024

The Board of Directors
Kerry Logistics Network Limited
16/F Kerry Cargo Centre
55 Wing Kei Road, Kwai Chung
New Territories, Hong Kong

**Valuation of the HK\$780,000,000,
3.30% Perpetual Convertible Securities**

Dear Sir,

In accordance with the instruction of Kerry Logistics Network Limited (the "Company"), we have performed a valuation of the 3.30% perpetual convertible securities in the aggregate principal amount of HK\$780,000,000 issued by the Company (the "CB") as at 30 September 2024 (the "Valuation Date").

This letter identifies the asset considered, describes the basis of estimation and assumptions, explains the methodology utilized, and presents our conclusion of value.

We assume no responsibility whatsoever to any person other than you in respect of, or arising out of, the contents of this report. If others choose to rely in any way on the contents of this report, they do so entirely on their own risk.

Acclime Consulting (Hong Kong) Limited (hereinafter referred to as "Acclime Consulting (Hong Kong)") is an independent consulting firm providing a full range of financial and valuation advisory services. This report has been prepared independently. Neither Acclime Consulting (Hong Kong) nor any authors of this report hold any interest in the Company, the CB, or its related parties. The fee for providing this report is based on Acclime Consulting (Hong Kong)'s normal professional rates, whilst expenses (if incurred) are being reimbursed at cost. Payment of fees and reimbursements are not contingent upon the conclusion drawn in this report.

I. SCOPE OF WORK

In conducting this valuation exercise, we have

- Obtained, read and understood the terms and conditions of the CB;
- Determined the key parameters and carried out research on relevant market data, information and other statistics to form the key bases of our valuation for the CB;
- Discussed with management of the Company (the "Management") to determine the reasonable assumptions to be applied in the valuation; and
- Applied an appropriate valuation model to value the CB.

II. INTRODUCTION

This report has been prepared in accordance with the instructions from the Company to determine the fair value of the CB as at the Valuation Date. This report outlines our latest findings and valuation conclusion.

Background Information

Kerry Logistics Network Limited provides logistics services. The Company offers supply chain solutions from integrated logistics, freight forwarding by air, ocean, road, rail, and multimodal, industrial projects, to cross-border e-commerce, last-mile fulfilment, and infrastructure investment services.

The Company issued the CB in accordance with the subscription and placing agency agreement dated 29 March 2023. The completion of the issuance of the CB took place on 18 May 2023.

The Terms and Conditions of the CB

Issuer	Kerry Logistic Network Limited
Subscriber	SF Holding (HK) Limited (formerly SF Holding Limited)
Issue Date	18 May 2023
Maturity Date	Perpetual
Principal Amount	HK\$780,000,000
Coupon	3.30% per annum, payable semi-annually

Conversion Period	Any time on or after the 14 days after the closing date (18 May 2023) up to the close of business on the date falling seven days prior to the date fixed for redemption of the relevant CB (both days inclusive)
Conversion Price	HK\$18.80 per conversion share
Issuer's Call Option	The CB may be redeemed at the option of the Company in whole or in part, on the fifth anniversary or on any distribution payment date after the fifth anniversary on the Company's giving not less than 30 nor more than 60 days' irrevocable notice to the holders of the CB and to the fiscal agent and the paying agent at their principal amount (together with any distribution accrued to such date fixed for redemption, including any arrears of distribution and any additional distribution amount).

III. BASIS OF VALUATION AND ASSUMPTIONS

We have valued the CB on the basis of fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions according to the HKFRS 13.

Due to the changing environment in which the Company is operating, a number of assumptions have to be established in order to sufficiently support our concluded value of the CB. The major assumptions adopted in this valuation are:

1. There will be no major changes in the existing political, legal, fiscal and economic conditions in which the Company carries on its business;
2. There will be no major changes in the current taxation law in the countries that the Company operates, that the rates of tax payable remain unchanged and that all applicable laws and regulations will be complied with;
3. The exchange rates and interest rates will not differ materially from those presently prevailing;
4. The Company will retain and have competent management, key personnel and technical staff to support its ongoing operations; and
5. Industry trends and market conditions for the related industries will not deviate materially from economic forecasts.

We reviewed the information provided by the Management and had no reason to doubt its truth and accuracy. We also consulted public sources of financial and business information to supplement the information provided by the Management. In arriving at our opinion of value, we have relied to a very considerable extent on the above-mentioned information.

IV. SOURCES OF INFORMATION

In conducting our valuation of the CB, we have considered, reviewed and relied upon the following key information provided by the Management and the public:

1. The announcement of the Company dated 28 March 2023 in relation to the proposed issuance of the CB under the specific mandate;
2. The circular of the Company dated 24 April 2023;
3. The announcement of the Company dated 18 May 2023 in relation to the completion of issuance of the CB;
4. The audited financial statements of the Company for the year ended 31 December 2023;
5. Discussions with the Management;
6. Publications and research reports; and
7. Bloomberg Database and other reliable sources of market data.

V. VALUATION METHODOLOGY

In carrying out the valuation exercise, we have considered the following valuation approaches:

Market Approach – The market approach provides an indication of value by comparing the asset with identical or comparable (that is similar) assets for which price information is available.

Cost Approach – The cost approach provides an indication of value using the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or by construction, unless undue time, inconvenience, risk or other factors are involved. The approach provides an indication of value by calculating the current replacement or reproduction cost of an asset and making deductions for physical deterioration and all other relevant forms of obsolescence.

Income Approach – The income approach provides an indication of value by converting future cash flows to a single current value. Under the income approach, the value of an asset is determined by reference to the value of income, cash flows or cost savings generated by the asset. Binomial Option Pricing Model is adopted in this assessment.

Binomial Option Pricing Model – It provides a time discrete based numerical method for the valuation of options. The binomial model was first proposed by Cox, Ross and Rubinstein in 1979 based on risk neutral assumption and arbitrage free assumption. The binomial model firstly generates a share price tree (on diluted basis) based on a given number of steps between the Valuation Date and the Maturity Date. Each node in the lattice represents a possible price of the underlying (on diluted basis), at a particular point in time. Then, fair value of the CB is calculated by iteration process, starting from the final node and then working backwards through the share price tree to the Valuation Date. The fair value of the whole CB was estimated by using the binomial model.

The fair value of the liability component of the CB is derived by discounting the future cash flows of the CB to the Valuation Date by applying an appropriate discount rate, assuming no conversion right exists.

Finally the fair value of the conversion component of the CB is then derived by subtracting the fair value of the liability component of the CB from the fair value of the whole CB.

VI. KEY PARAMETERS AND INPUTS

Adopted parameters and sources of reference are listed as below:

Valuation Date	30 September 2024	
Spot price per share: HK\$8.660	The last price of the Company as at the Valuation Date as sourced from Bloomberg.	
Time to maturity: 3.633 years	The number of year(s) between the Valuation Date and the assumed maturity date.	
	It was assumed that the maturity date is 5 years from the issue date (18 May 2028).	
Expected volatility: 34.832%	The annual historical volatility based on the change of the stock prices of the Company over a period of 3.633 years as at the Valuation Date, sourced from Bloomberg.	
Expected dividend yield: 2.540%	The historical dividend yield of the shares of the Company as at the Valuation Date.	
Discount rate: 6.109%	Risk-free rate: 2.581%	3.633-year Hong Kong government bond yield as at the Valuation Date, interpolated from the 3-Year and 5-year Hong Kong Sovereign Yields as sourced from Bloomberg.
	Credit Spread: 2.028%	The issuer-weighted option-adjusted spread ("OAS") of the comparable bonds as sourced from Bloomberg.

In the selection of comparable bonds, the following criteria have been considered:

- i. Similar time to maturity of 3.633 years

ii. Similar credit rating with the Company (i.e. the Issuer) of Ba1, the credit rating was determined with the below steps:

- Collected the financial statements of the Company for the year ended 2023;
- Calculated financial ratios based on Moody's Credit Metrics;
- Assigned the individual credit scores to each of the above ratios;
- Estimated the Company's overall credit score and credit rating based on the above individual credit scores.

iii. Senior unsecured in nature

Liquidity Risk
Spread:
1.500%

Liquidity risk spread for speculative grade bonds as sourced from the research "Liquidity Risk Premia in Corporate Bond Markets" written by Frank de Jong and Joost Driessen.

VII. CONCLUSION OF VALUES

Based upon the investigation and analysis outlined above and on the valuation method employed, it is our opinion that the fair value of the CB as at 30 September 2024 is reasonably stated as follows:

Fair Value of Straight Bond	HK\$ 721,119,095
Fair Value of Conversion Option	HK\$ 23,359,323
Fair Value of the CB	<u>HK\$744,478,418</u>

This conclusion of value was based on generally accepted valuation procedures and practices that rely extensively on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained.

We hereby certify that we have neither present nor prospective interests in the Company, the CB appraised, or the value reported.

VIII. ASSUMPTIONS AND LIMITING CONDITIONS

No responsibility is assumed for matters legal in nature. No investigation has been made of the title to or any liabilities against the property valued. In this valuation, it is presumed that, unless otherwise noted, the owner's claim is valid, the property rights are good and marketable, and there are no encumbrances which cannot be cleared through normal processes.

To the best of our knowledge, all data set forth in this report are true and accurate. Although gathered from reliable sources, no guarantee is made nor liability assumed for the accuracy of any data, opinions, or estimates identified as being furnished by others which have been used in formulating this analysis.

The value or values presented in this report are based upon the premises outlined herein and are valid only for the purpose or purposes stated. The date of value to which the conclusions and opinions expressed apply is set forth in this report. The value opinion herein rendered is based on the status of the national business economy as of that date.

IX. NORMAL SERVICE CONDITIONS

The services provided by Acclime Consulting (Hong Kong) will be performed in accordance with professional standards. We assume, without independent verification, the accuracy of all data provided to us. Our report is to be used for your transaction purpose and any other use is invalid. No one should rely on our report as a substitute for their own due diligence. All files, workpapers or documents developed by us during the course of the engagement will be our property. We will retain this data for at least five years.

You agree to indemnify and hold us harmless against and from any and all losses, claims, actions, damages, expenses, or liabilities, including reasonable attorneys' fees, to which we may become subject in connection with this engagement. In the event we are subject to any liability in connection with this engagement, such liability will be limited to the amount of fees we received for this engagement.

Yours faithfully,
For and on behalf of
Acclime Consulting (Hong Kong) Limited
Eugene Liu
Partner

Exhibit A. Summary of Valuation

*Valuation of CB issued by Kerry Logistic Network Limited as at 30 September 2024**Summary of Valuation*

Spot price per share (HK\$)	8.660
Volatility	34.832%
Principal amounts (HK\$)	780,000,000
Coupon	3.300%
Rf Rate (Hong Kong)	2.581%
<i>Rf Rate (Hong Kong) Conti.</i>	2.548%
Credit Spread & Bond Specific Risk	3.528%
No. of steps	500
dT	0.007
Dividend yield	2.540%
Maturity	18 May 2028
TTM (days)	1,326
TTM (years)	3.633
Days per step on average	2.652
	30 September
Convertible Date	2024
No. of conversion shares	41,489,362
No. of O/S shares	1,807,429,342
Initial conversion price per share (HK\$)	18.800
CB Value (HK\$)	<u>744,478,418</u>
FV of Straight Bond (HK\$)	721,119,095
FV of Conversion Option (HK\$)	23,359,323
Up	1.030
Down	0.971
Pu	0.493
Pd	0.507

Exhibit B. Discount Rate

*Valuation of CB issued by Kerry Logistic Network Limited as at 30 September 2024**Discount rate*

Valuation Date 30 September 2024

Risk-free Rate	2.581%	HK Sovereign Yield
Credit Spread	2.028%	OAS of comparable bonds
Illiquidity Premium	1.500%	Sourced from study of "Liquidity Risk Premia in Corporate Bond Markets"
Discount Rate	<u>6.109%</u>	

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

	Shares in the Company					Approximate percentage of issued share capital ⁽¹⁾
	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⁾	–	–	972,698,478	–	972,698,478	53.82%
KUOK Khoon Hua ⁽³⁾	600,428	–	–	1,132,479	1,732,907	0.10%
CHEUNG Ping Chuen Vicky ⁽⁴⁾	3,983,178	–	–	–	3,983,178	0.22%
CHENG Chi Wai ⁽⁵⁾	1,167,303	–	–	–	1,167,303	0.06%
WONG Yu Pok Marina ⁽⁶⁾	20,796	–	–	–	20,796	<0.01%

Notes:

- (1) Based on 1,807,429,342 Shares in issue as at the Latest Practicable Date.
- (2) Mr Wang is interested in 972,698,478 Shares held through his controlled corporations, which includes the 41,489,361 Convertible Securities Mr Wang is deemed to be interested in pursuant to the disclosure requirements under the SFO.
- (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 Cheung is interested in (i) 3,898,806 Shares as beneficial owner; and (ii) award granted under the Share Award Scheme conferring the conditional right upon vesting in the form of 84,372 Shares.
- (5) Mr Cheng is interested in (i) 1,082,797 Shares as beneficial owner; and (ii) award granted under the Share Award Scheme conferring the conditional right upon vesting in the form of 84,506 Shares.
- (6) Ms Wong is interested in 20,796 Shares as beneficial owner.

(II) Associated Corporations

Shenzhen Mingde Holding Development Co., Ltd.

	Registered capital of Shenzhen Mingde					Approximate percentage of registered capital ⁽¹⁾
	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	
Director						
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.

	Ordinary shares in SF Holding					Approximate percentage of issued share capital ⁽¹⁾
	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						
HO Chit ⁽²⁾	488,000	–	–	–	488,000	0.01%
OOI Bee Ti ⁽³⁾	275,400	–	–	–	275,400	0.01%

Notes:

- (1) Based on 4,986,186,983 ordinary shares in SF Holding in issue as at the Latest Practicable Date.
- (2) Mr Ho is interested in (i) 122,000 ordinary shares in SF Holding as beneficial owner; and (ii) options granted under the 2022 stock option incentive plan of SF Holding to subscribe for 366,000 ordinary shares in SF Holding.
- (3) Ms Ooi is interested in (i) 71,400 ordinary shares in SF Holding as beneficial owner; and (ii) options granted under the 2022 stock option incentive plan of SF Holding to subscribe for 204,000 ordinary shares in SF Holding.

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	972,698,478 ⁽⁷⁾	53.82%
Shenzhen Mingde Holding Development Co., Ltd. ⁽²⁾	Interest of controlled corporations	972,698,478 ⁽⁷⁾	53.82%
S.F. Holding Co., Ltd. ⁽³⁾	Interest of controlled corporations	972,698,478 ⁽⁷⁾	53.82%
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 1,807,429,342 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 an executive director, the chairman of the board of directors and the general manager of SF Holding. Mr HO Chit is an executive director, a deputy general manager and the chief financial officer of SF Holding. Ms OOI Bee Ti is the head of treasury center 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 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.
- (7) Flourish Harmony is interested in 931,209,117 Shares as beneficial owner. SF Holding HK is interested in 41,489,361 Convertible Securities as beneficial owner. Each of Flourish Harmony and SF Holding HK 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 Wei are deemed to be interested in the interest held by Flourish Harmony and SF Holding HK 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 a non-executive Director, is an executive director, the chairman of the board of directors, the general manager and the controlling shareholder of SF Holding. Mr HO Chit, an executive Director, is an executive director, a deputy general manager and the chief financial officer of SF Holding. Ms OOI Bee Ti, a non-executive Director, is the head of treasury center of SF Holding. SF Holding is primarily engaged in the provision of integrated logistics services.

Mr KUOK Khoon Hua, the vice chairman of the Board and a non-executive Director, is the chairman and a director of KHL as well as a director of KGL. Ms CHEN Keren, a non-executive Director, is the group co-general counsel, the company secretary 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-truckload transport, warehousing, refrigerated delivery, express, and pharmaceutical 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 "Events After The Year Ended 31 December 2023", "Significant Acquisition/Disposal and Discloseable and Connected Transactions" and "Continuing Connected Transactions" in the Company's annual report for the year ended 31 December 2023 on pages 73, 80 to 87, the Company's announcement dated 31 July 2024 and the Company's circular dated 27 August 2024 in relation to, among other things, (i) the framework agreement dated 31 July 2024 entered into between the Company and SFTS to set out a framework for the provision of the sales and promotion services of the air cargo business of SFTS and its subsidiaries by the Group; (ii) the framework agreement dated 31 July 2024 entered into between the Company and SFTS to set out a framework for the provision of the logistics services by the Group to SFTS and its subsidiaries; (iii) the framework agreement dated 31 July 2024 entered into between the Company and SFTS to set out a framework for the provision of the logistics services by SFTS and its subsidiaries to the Group; and (iv) the framework services agreement dated 31 July 2024 entered into between the Company and KHL to set out a framework for, among other things, (a) the provision of the logistics and freight services by the Group to KHL and its certain subsidiaries; and (b) the provision of the logistics and freight services, and lease of certain properties in Hong Kong including but not limited to office premises, staff quarter and warehouses, by KHL and its certain subsidiaries to the Group, the Company's announcement dated 28 August 2024 in relation to the seven warehouses management agreements each dated 28 August 2024 entered into between Kerry Warehouse (Hong Kong) Limited (a wholly-owned subsidiary of the Company) and the respective warehouses owners (each of which is an indirect wholly-owned subsidiary of KHL), the Announcement and this circular, none of the Directors or entities connected with 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 Announcement and this circular, none of the Directors had any interest, directly or indirectly, in any assets which had been, since 31 December 2023 (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 experts who have given opinions contained in and referred to in this circular:

Names	Qualification
UOB Kay Hian (Hong Kong) Limited	A corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Acclime Consulting (Hong Kong) Limited	An independent valuer

Each of the above experts has given and has not withdrawn its consent to the issue of this circular with the inclusion of its letter or report and reference to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, each of the above experts 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, each of the above experts had no interest, directly or indirectly, in any assets which had been, since 31 December 2023 (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 Independent Financial Adviser is set out on pages 15 to 26 of this circular and the valuation report from the independent valuer is set out on pages 27 to 35 of this circular and are 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 2023, 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

Copies of the following documents 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 of the SGM:

- (a) Purchase Contract;
- (b) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out in pages 13 and 14 of this circular;
- (c) the letter from the Independent Financial Adviser dated 7 January 2025, the text of which is set out in pages 15 to 26 of this circular;
- (d) the valuation report from Acclime Consulting (Hong Kong) Limited in respect of the Convertible Securities, the text of which is set out in Appendix I to this circular;
- (e) the Loan Agreements;
- (f) the Subscription and Placing Agency Agreement;
- (g) the written consent from the Independent Financial Adviser dated 7 January 2025 referred to in the paragraph headed "7. Expert and Consent" in this appendix; and
- (h) the written consent from Acclime Consulting (Hong Kong) Limited dated 7 January 2025 referred to in the paragraph headed "7. Expert and Consent" in this appendix.

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, 23 January 2025 at 2:30 p.m. for the purpose of considering and, if thought fit, passing the following resolution as an ordinary resolution 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 7 January 2025 of which this notice forms part.

ORDINARY RESOLUTION

1. “**THAT:**

- (a) the Purchase Contract and the transactions contemplated thereunder be and are hereby confirmed, approved and ratified; and
- (b) 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 Purchase Contract and the transactions contemplated thereunder.”

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

Hong Kong, 7 January 2025

*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, or submitted via the designated URL (<https://spot-emeeting.tricor.hk/#/636>) by using the log-in username and password provided on the notification letter sent by the Company, 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, 21 January 2025. 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/she so wishes.
6. The registers of members of the Company will be closed from Wednesday, 22 January 2025 to Thursday, 23 January 2025, 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 Tuesday, 21 January 2025.
7. The resolution 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 or Extreme Conditions are announced any time after 9:00 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.