

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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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This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities mentioned herein.



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

**(1) MAJOR TRANSACTION, CONNECTED TRANSACTION AND
SPECIAL DEAL UNDER THE WAREHOUSES SALE AGREEMENT
(2) CONTINUING CONNECTED TRANSACTION AND
SPECIAL DEAL UNDER THE WAREHOUSES MANAGEMENT AGREEMENTS
(3) DISCLOSEABLE TRANSACTION, CONNECTED TRANSACTION AND
SPECIAL DEAL UNDER THE TAIWAN BUSINESS SALE AGREEMENT
(4) CONTINUING CONNECTED TRANSACTION AND
SPECIAL DEAL UNDER THE BRAND LICENCE AGREEMENTS
(5) SPECIAL DEAL UNDER THE SHAREHOLDERS' AGREEMENT AND
PROPOSED AMENDMENTS TO THE COMPANY'S BYE-LAWS
(6) DISCLOSEABLE TRANSACTION, CONTINUING CONNECTED TRANSACTION AND
SPECIAL DEAL UNDER THE FRAMEWORK SERVICES AGREEMENT
AND
(7) NOTICE OF SPECIAL GENERAL MEETING**



Financial Adviser to the Company



SOMERLEY CAPITAL LIMITED

**Independent Financial Adviser to
the Independent Board Committees and the Independent Shareholders**

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" of this circular. A letter from the Board is set out on pages 14 to 57 of this circular. A letter from the LR Independent Board Committee is set out on pages 58 to 59 of this circular. A letter from the Code Independent Board Committee is set out on pages 60 to 61 of this circular. A letter from Somerley containing its opinion and advice to the Independent Board Committees and the Independent Shareholders is set out on pages 62 to 118 of this circular.

A notice convening the SGM of the Company to be held at Orchid Room, Lower Level II, Kowloon Shangri-La, 64 Mody Road, Tsimshatsui East, Kowloon, Hong Kong at 3:15 p.m. on Wednesday, 26 May 2021 (or as soon thereafter as the annual general meeting of the Company to be held at the same place and on the same date at 2:30 p.m. shall have been concluded or adjourned) (or any adjournment thereof) to approve the matters referred to in this circular is set out on pages N-1 to N-4 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 SGM, 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 Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the SGM, i.e. by no later than 3:15 p.m. on Monday, 24 May 2021. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjourned meeting if you so wish and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

Approval by the Shareholders and the Independent Shareholders, as applicable, of the Warehouses Sale Agreement, the Warehouses Management Agreements, the Taiwan Business Sale Agreement, the Brand Licence Agreements and the Shareholders' Agreement at the SGM are pre-conditions to the making of the Partial Offer. As a result, the Partial Offer can only be made if these agreements are approved at the SGM and all other pre-conditions are satisfied or waived where applicable.

WARNING

Completion of the Partial Offer is subject to pre-conditions and conditions being satisfied (or waived) and therefore the Partial Offer may or may not become unconditional and may or may not be completed. The issuance of this circular and the entering into of the Special Deal Agreements does not in any way imply that the Partial Offer will become unconditional. Completion of the Special Deal Agreements is subject to the conditions under each of the Special Deal Agreements being fulfilled. Accordingly, the issue of this circular also does not in any way imply that the Special Deal Agreements will be completed and the transactions contemplated by the Special Deal Agreements may or may not proceed. Shareholders and prospective investors are advised to exercise caution when dealing in the Shares. Persons who are in doubt as to the action they should take should consult their professional advisers.

3 May 2021

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PRECAUTIONARY MEASURES FOR THE SPECIAL GENERAL MEETING

Considering the COVID-19 pandemic, certain measures will be implemented at the SGM with a view to minimising the risk of infection to attendees, including, without limitation:

- (a) Compulsory body temperature screening/checks
- (b) Compulsory health declaration
- (c) Compulsory wearing of surgical face mask – no mask will be provided at the venue
- (d) No admission of attendees who are subject to quarantine prescribed by the Department of Health of Hong Kong
- (e) Designated seating arrangements to ensure social distancing
- (f) No provision of refreshments or drinks and no corporate gift will be distributed

The Company reminds attendees that they should carefully consider the risks of attending the SGM, taking into account their own personal circumstances. **Furthermore, the Company would like to remind the Shareholders that physical attendance in person at the SGM is not necessary for the purpose of exercising their voting rights and strongly recommends that the Shareholders appoint the Chairman of the SGM as their proxy and submit their form of proxy as early as possible.**

Subject to the development of the COVID-19 pandemic situation, the Company will continue to monitor the situation and may implement additional measures at short notice which will be announced closer to the date of the SGM.

DEFINITIONS

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

"acting in concert"	has the meaning given to it under the Takeovers Code
"ASEAN"	the Association of Southeast Asian Nations
"associate(s)"	has the meaning given to it under the Takeovers Code
"Board"	the board of Directors
"Brand Licence Agreements"	the Company Brand Licence Agreement and the KE Thailand Brand Licence Agreement
"Bye-laws"	the bye-laws of the Company adopted on 25 November 2013 with effect from 19 December 2013, as amended from time to time
"close associate(s)"	has the meaning given to it under the Listing Rules
"Closing Date"	the First Closing Date of the Partial Offer or any subsequent closing date of the Partial Offer as may be extended or revised in accordance with the Takeovers Code
"Code Independent Board Committee"	the independent committee of the Board (comprising Mr YEO Philip Liat Kok and Mr ZHANG Yi Kevin, being all the INEDs other than: (i) Ms KHOO Shulamite N K who is also an independent non-executive director of Shangri-La Asia Limited which is the parent company of Shang Holdings Limited (which is a Controlling Shareholders Close Associate), and (ii) Ms WONG Yu Pok Marina who is also an independent non-executive director of Kerry Properties), established for the purpose of advising the Independent Shareholders in respect of the Partial Offer, the Option Offer and the Special Deal Agreements pursuant to the requirements of the Takeovers Code
"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)
"Company Brand Licence Agreement"	the brand licence agreement dated 25 March 2021 entered into between the Company and the Licensor in relation to the proposed grant of a licence by the Licensor to the Company, and the right to sub-license to certain of its subsidiaries and certain existing pre-approved invested entities of the Company for the use of the Kerry Trademarks and the Kerry Names

DEFINITIONS

"Composite Document"	the composite document to be jointly issued by the Offeror and the Company in connection with the Partial Offer and the Option Offer in compliance with the Takeovers Code
"Conditions"	the conditions of the Partial Offer and the Option Offer, as set out under the section headed " <i>Conditions of the Partial Offer and the Option Offer</i> " in the Joint Announcement
"Controlling Shareholders"	Kerry Holdings, Kerry Group Limited and their respective subsidiaries which hold Shares, being Kerry Properties, Alpha Model Limited, Bright Magic Investments Limited, Ace Time Holdings Limited, Macromind Investments Limited, Marsser Limited, Noblespirit Corporation, Summer Fort Limited, Caninco Investments Limited, Darmex Holdings Limited, Glory Voice International Limited, Moslane Limited, Paruni Limited, Ban Thong Company Limited, Desert Grove Limited, Kerry Asset Management Limited, Star Medal Limited and Total Way Investments Limited
"Controlling Shareholders Close Associates"	close associates of the Controlling Shareholders, which as at the Latest Practicable Date, comprise (i) Shang Holdings Limited, a company which is indirectly owned as to more than 30% by Kerry Holdings and; (ii) Pristine Holdings Limited and Rosy Frontier Limited, each of which is an investment company of a discretionary trust of which Kerry Group Limited and Mr Kuok Khoon Hua (an Executive Director) are discretionary beneficiaries
"Despatch Date"	the date of despatch of the Composite Document to the Shareholders as required by the Takeovers Code
"Director(s)"	director(s) of the Company for the time being
"Effective Time"	the Final Closing Date provided that the Partial Offer has become or been declared unconditional in all respects
"Executive"	the executive director of the Corporate Finance Division of the SFC or any delegates of the executive director
"Executive Directors"	the executive Directors, namely Mr KUOK Khoon Hua, Mr MA Wing Kai William, Mr CHEUNG Ping Chuen Vicky and Mr NG Kin Hang
"Final Closing Date"	the date which is the 14th day after (i) the date on which the Partial Offer is declared unconditional as to acceptances or (ii) the First Closing Date, whichever is the later, provided that the Partial Offer will be opened for acceptance for at least 21 days following the Despatch Date

DEFINITIONS

"First Closing Date"	the date stated in the Composite Document as the first closing day of the Partial Offer, which shall be at least 21 days following the Despatch Date, or such later date as may be extended by the Offeror in accordance with the Takeovers Code
"FL"	Kerry Warehouse (Fanling 1) Limited, a direct wholly-owned subsidiary of Warehouse Co (FL) and the legal owner of the FL Target Warehouse
"FL Target Warehouse"	a warehouse situated at Fanling Sheung Shui Town Lot No. 45 and No. 46 (No. 39 On Lok Mun Street, Fanling, New Territories, Hong Kong)
"FL Warehouses Management Agreement"	the management agreements dated 25 March 2021 entered into between FL and the Warehouses Manager for the Warehouses Management Services in relation to the FL Target Warehouse, as amended pursuant to an amendment agreement dated 30 April 2021
"Framework Services Agreement"	the framework services agreement dated 25 March 2021 entered into between the Company and Kerry Holdings as amended pursuant to an amendment agreement dated 30 April 2021
"Greater China"	for the purpose of this circular, Mainland China, Hong Kong, Macau and Taiwan
"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 PRC
"Independent Board Committees"	the Code Independent Board Committee and the LR Independent Board Committee
"Independent Shareholders"	the Shareholders other than any Shareholders who are involved in or interested in the Special Deal Agreements, and their respective associates (as defined in the Listing Rules) and any persons acting in concert with any of them
"INEDs"	the independent non-executive Directors

DEFINITIONS

"J.P. Morgan"	J.P. Morgan Securities (Asia Pacific) Limited, the financial adviser to the Offeror. J.P. Morgan is a registered institution under the SFO, licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 7 (providing automated trading services) regulated activities under the SFO
"Joint Announcement"	the announcement jointly published by the Offeror, the Company and Kerry Properties on 10 February 2021
"KC"	Kerry Warehouse (Kwai Chung) Limited, a direct wholly-owned subsidiary of Warehouse Co (KC) and the legal owner of the KC Target Warehouse
"KC Target Warehouse"	a warehouse situated at Kwai Chung Town Lot No. 326 (Nos. 4-6 Kwai Tai Road, Kwai Chung, New Territories, Hong Kong)
"KC Warehouses Management Agreement"	the management agreements dated 25 March 2021 entered into between KC and the Warehouses Manager for the Warehouses Management Services in relation to the KC Target Warehouse, as amended pursuant to an amendment agreement dated 30 April 2021
"KCC"	Kerry Cargo Centre Limited, a direct wholly-owned subsidiary of Warehouse Co (KCC) and the legal owner of the KCC Target Warehouse
"KCC Target Warehouse"	a warehouse situated at Kwai Chung Town Lot No. 455 (No. 55 Wing Kei Road, Kwai Chung, New Territories, Hong Kong)
"KCC Warehouses Management Agreement"	the management agreements dated 25 March 2021 entered into between KCC and the Warehouses Manager for the Warehouses Management Services in relation to the KCC Target Warehouse, as amended pursuant to an amendment agreement dated 30 April 2021
"KE Thailand"	the Company's Thailand-listed subsidiary, Kerry Express (Thailand) Public Company Limited, the shares of which are listed on the Thailand Stock Exchange (Stock Code: KEX)
"KE Thailand Brand Licence Agreement"	the brand licence agreement dated 25 March 2021 entered into between KE Thailand and the Licensor in relation to the proposed grant of a licence by the Licensor to KE Thailand, and the right to sub-license to certain of its subsidiaries for the use of the Kerry Express Trademarks and the Kerry Express Names
"Kerry Express Names"	"KERRY EXPRESS" as part of company name, trade name, internet domain names and social media handles

DEFINITIONS

"Kerry Express Trademarks"	certain existing Kerry Express licensed trademarks
"Kerry Holdings"	Kerry Holdings Limited, one of the Controlling Shareholders of the Company
"Kerry Holdings Group"	Kerry Holdings and its subsidiaries (but for the purposes of this circular, excluding the Group)
"Kerry Names"	"KERRY" as part of company name, trade name, internet domain names and social media handles
"Kerry Properties"	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 one of the Controlling Shareholders of the Company
"Kerry Trademarks"	certain existing Kerry licensed trademarks
"KWHK" or "Warehouses Manager"	Kerry Warehouse (Hong Kong) Limited (a wholly-owned subsidiary of the Company), the building manager and leasing agent of the Target Warehouses under the Warehouses Management Agreements
"Latest Practicable Date"	30 April 2021, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
"Leased Properties"	the premises of the Kerry Holdings Group in Hong Kong leased or to be leased to the Group from time to time, which may include but are not limited to, office premises, staff quarter and warehouses
"Licensor"	Kuok Registrations Limited, being a fellow subsidiary of Kerry Holdings
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"LR Independent Board Committee"	the independent committee of the Board (comprising Mr YEO Philip Liat Kok and Mr ZHANG Yi Kevin, being all the INEDs other than: (i) Ms KHOO Shulamite N K who is also an independent non-executive director of Shangri-La Asia Limited which is the parent company of Shang Holdings Limited (which is a Controlling Shareholders Close Associate), and (ii) Ms WONG Yu Pok Marina who is also an independent non-executive director of Kerry Properties) established for the purpose of advising the Independent Shareholders in respect of the Warehouses Sale Agreement, the Taiwan Business Sale Agreement and the Framework Services Agreement pursuant to the Listing Rules

DEFINITIONS

“Macau”	the Macao Special Administrative Region of PRC
“Mainland China”	PRC, excluding, for the purpose of this circular, Hong Kong, Macau and Taiwan
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules
“NTD”	New Taiwan Dollars, the lawful currency of Taiwan
“Offer Price”	HK\$18.80 for each Offer Share payable by the Offeror to the Shareholders accepting the Partial Offer
“Offer Shares”	the Shares subject to the Partial Offer, being 931,209,117 Shares, and “Offer Share” shall be construed accordingly
“Offeror”	Flourish Harmony Holdings Company Limited, a company incorporated in the Cayman Islands, that is indirectly wholly-owned by the Offeror Parent
“Offeror Group”	the Offeror and its subsidiaries
“Offeror Parent”	S.F. Holding Co., Ltd., a joint stock company incorporated in the PRC with limited liability and the shares of the Offeror Parent are listed on the Shenzhen Stock Exchange (Stock Code: 002352.SZ)
“Offeror Parent Group”	the Offeror Parent and its subsidiaries
“Offeror Parent Holdco”	Shenzhen Mingde Holding Development Co., Ltd., a joint stock company incorporated in the PRC with limited liability
“Offeror Ultimate Controlling Shareholder”	Mr WANG Wei
“Option Offer”	the appropriate partial offer to be made by the Offeror to the Optionholders to cancel such number of outstanding Share Options representing 51.8% of the outstanding Share Options as at the Final Closing Date pursuant to Rule 13 of the Takeovers Code
“Optionholders”	the holder(s) of the Share Options

DEFINITIONS

"Partial Offer"	the pre-conditional voluntary partial cash offer to be made by J.P. Morgan on behalf of the Offeror to the Shareholders to acquire 931,209,117 Shares on the terms and conditions set out in the Joint Announcement and to be set out in the Composite Document, and in compliance with the Takeovers Code
"PRC"	the People's Republic of China
"Pre-Conditions"	the pre-conditions to the making of the Partial Offer and the Option Offer, as set out under the section headed " <i>Pre-Conditions to the Partial Offer and the Option Offer</i> " of the Joint Announcement
"Prior Company Brand Licence Agreement"	the brand licence agreement dated 19 November 2013 (as amended and supplemented) entered into between the Company and the Licensor
"Prior KE Thailand Brand Licence Agreement"	the brand licence agreement dated 27 February 2020 (as amended and supplemented) entered into between KE Thailand and the Licensor
"Record Date"	means the date immediately prior to the Final Closing Date, being the record date for determining Shareholders' entitlement to the Special Dividend
"Relevant Controlling Shareholders"	all the Controlling Shareholders which directly hold Shares (being, all the Controlling Shareholders other than Kerry Holdings and Kerry Group Limited)
"Relevant Kerry Holdings Group"	Kerry Holdings and its subsidiaries, which for the purpose of the Framework Services Agreement, excludes Kerry Properties and its subsidiaries
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
"SGM"	the special general meeting of the Company to be held to consider and, if thought fit, approve the Special Deal Agreements
"Share"	an ordinary share of par value of HK\$0.50 each in the share capital of the Company, and "Shares" shall be construed accordingly

DEFINITIONS

“Share Options”	outstanding options over Shares granted pursuant to the pre-IPO share option scheme adopted by the Company on 25 November 2013, where one Share Option represents the right to subscribe for one Share with an exercise price of HK\$10.20 for each Share
“Shareholder”	a holder of any Shares, and “Shareholders” shall be construed accordingly
“Shareholders’ Agreement”	the shareholders’ agreement entered into between the Offeror, the Offeror Parent, Kerry Holdings and Kerry Properties for the purpose of, among other things, setting out their mutual agreement regarding the corporate governance of the Company and their respective rights and obligations after completion of the Partial Offer
“Somerley”	Somerley Capital Limited, the independent financial adviser to the Independent Board Committees and the Independent Shareholders appointed in respect of the Partial Offer, the Option Offer and the Special Deal Agreements
“Special Deal Agreements”	the Warehouses Sale Agreement, the Warehouses Management Agreements, the Taiwan Business Sale Agreement, the Brand Licence Agreements, the Shareholders’ Agreement and the Framework Services Agreement
“Special Deals Announcement”	the announcement published by the Company on 25 March 2021 in relation to, among other things, the Special Deal Agreements
“Special Dividend”	conditional upon completion of the Warehouses Sale Agreement (which is conditional upon, amongst other conditions, the Partial Offer becoming or being declared unconditional in all respects), the special dividend of HK\$7.28 per Share to be declared by the Company to distribute substantially all of the proceeds from the Warehouses Sale to those Shareholders who are Shareholders of record as at the Record Date
“SS”	Kerry Warehouse (Sheung Shui) Limited, a direct wholly-owned subsidiary of Warehouse Co (SS) and the legal owner of the SS Target Warehouse
“SS Target Warehouse”	a warehouse situated at Fanling Sheung Shui Town Lot No. 109, New Territories, Hong Kong
“SS Warehouses Management Agreement”	the management agreement dated 25 March 2021 entered into between SS and the Warehouses Manager for the Warehouses Management Services in relation to the SS Target Warehouse, as amended pursuant to an amendment agreement dated 30 April 2021

DEFINITIONS

"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiaries"	has the meaning given to it under the Listing Rules
"Taiwan Business"	the Taiwan Target Companies, which hold equity interests of certain companies that carry on the Unlisted Taiwan Business, and indirectly holds approximately 49.7% shareholding interest in the Taiwan Listco
"Taiwan Business Sale"	the proposed sale of the Taiwan Business by the Company to the Taiwan Purchaser pursuant to the Taiwan Business Sale Agreement
"Taiwan Business Sale Agreement"	the sale agreement dated 25 March 2021 entered into between the Company and the Taiwan Purchaser for the Taiwan Business Sale
"Taiwan Business Sale Continuing Conditions"	has the meaning given to it on page 36 of this circular
"Taiwan Business Sale Pre-Conditional Conditions"	has the meaning given to it on page 36 of this circular
"Taiwan Companies"	Tong Li Investments Co., Ltd., Da Ji International Ltd., Taiwan Kerry Investment Company Limited, Kerry Freight International Company Limited, Kerry Coffee Company Limited, Taiwan Listco and Science Park Logistics Co., Ltd, each a direct or indirect subsidiary of the Taiwan Target Companies
"Taiwan Listco"	Kerry TJ Logistics Company Limited, a company listed on the Taiwan Stock Exchange (Stock Code: 2608.TW)
"Taiwan Purchaser"	Treasure Seeker Group Limited, an indirect wholly-owned subsidiary of Kerry Holdings
"Taiwan Pure Holding Companies"	the Taiwan Target Companies, Kerry Logistics Holdings (Taiwan) Limited, Da Ji International Ltd., Tong Li Investments Co., Ltd., Taiwan Kerry Investment Company Limited and Fair Point Limited
"Taiwan Seller"	Kerry Logistics Services Limited, a wholly-owned subsidiary of the Company
"Taiwan Target Companies"	Kerry Logistics (Taiwan) Investments Limited and Pan Asia Airlines Investment Limited

DEFINITIONS

"Taiwan Unlisted Business Companies"	Kerry Freight International Company Limited, Direct Logistics Co., Ltd., Kerry Speedy Logistics (Hong Kong) Limited and Kerry Coffee Company Limited, which together carry on the Unlisted Taiwan Business
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers
"Target Warehouses"	all the landed properties owned by the Target Warehouses Companies, which comprise the FL Target Warehouse, the KC Target Warehouse, the KCC Target Warehouse, the SS Target Warehouse, the TC2 Target Warehouse, the TW Target Warehouse, the TC1-A Target Property, the TC1-B Target Property and TC1-7A2 Target Property
"Target Warehouses Companies"	Warehouse Co (FL), Warehouse Co (KC), Warehouse Co (KCC), Warehouse Co (TC1-A), Warehouse Co (TC1-B), Warehouse Co (TC1-7A2), Warehouse Co (SS), Warehouse Co (TC2) and Warehouse Co (TW)
"Target Warehouses Sale Shares"	the entire issued shares in the share capital of each of the Target Warehouses Companies
"TC1-7A2"	Wah Ming Properties Limited, a direct wholly-owned subsidiary of Warehouse Co (TC1-7A2) and the legal owner of the TC1-7A2 Target Property
"TC1-7A2 Target Property"	Unit A2, 7/F., Block A and car parking space No. V18 on 1/F. at Nan Fung Godown Centre, No. 3 Kin Chuen Street, Kwai Chung, New Territories, Hong Kong
"TC1-7A2 Warehouses Management Agreement"	the management agreement dated 25 March 2021 entered into between TC1-7A2 and the Warehouses Manager for the Warehouses Management Services in relation to the TC1-7A2 Target Property, as amended pursuant to an amendment agreement dated 30 April 2021
"TC1-A Target Property"	certain premises at Block A and car parking spaces at Nan Fung Godown Centre, No. 3 Kin Chuen Street, Kwai Chung, New Territories, Hong Kong
"TC1-A Warehouses Management Agreement"	the management agreement dated 25 March 2021 entered into between Warehouse Co (TC1-A) and the Warehouses Manager for the Warehouses Management Services in relation to the TC1-A Target Property, as amended pursuant to an amendment agreement dated 30 April 2021

DEFINITIONS

"TC1-B Target Property"	certain premises at Block B, car parking spaces and parking area/loading and unloading platform and certain other premises (if any) and rights (if subsisting) at Nan Fung Godown Centre, No. 3 Kin Chuen Street, Kwai Chung, New Territories, Hong Kong
"TC1-B Warehouses Management Agreement"	the management agreement dated 25 March 2021 entered into between TC1-B and the Warehouses Manager for the Warehouses Management Services in relation to the TC1-B Target Property, as amended pursuant to an amendment agreement dated 30 April 2021
"TC2"	Kerry TC Warehouse 2 Limited, a direct wholly-owned subsidiary of Warehouse Co (TC2) and the legal owner of the TC2 Target Warehouse
"TC2 Target Warehouse"	a warehouse situated at Kwai Chung Town Lot No. 437 (No. 35 Wing Kei Road, Kwai Chung, New Territories, Hong Kong)
"TC2 Warehouses Management Agreement"	the management agreement dated 25 March 2021 entered into between TC2 and the Warehouses Manager for the Warehouses Management Services in relation to the TC2 Target Warehouse, as amended pursuant to an amendment agreement dated 30 April 2021
"TW"	Kerry Warehouse (Tsuen Wan) Limited, a direct wholly-owned subsidiary of Warehouse Co (TW) and the legal owner of the TW Target Warehouse
"TW Target Warehouse"	a warehouse situated at Kwai Chung Town Lot No. 452 (No. 3 Shing Yiu Street, Kwai Chung, New Territories, Hong Kong)
"TW Warehouses Management Agreement"	the management agreement dated 25 March 2021 entered into between TW and the Warehouses Manager for the Warehouses Management Services in relation to the TW Target Warehouse, as amended pursuant to an amendment agreement dated 30 April 2021
"United States"	the United States of America, its territories and possessions, any State of the United States and the District of Columbia
"Unlisted Taiwan Business"	the international freight forwarding and coffee trading business in Taiwan
"USD" or "US\$"	United States dollars, the lawful currency of the United States
"Warehouse Co (FL)"	Beaverton Limited, an indirect wholly-owned subsidiary of the Company as at the date of this circular and the direct holding company of FL

DEFINITIONS

"Warehouse Co (KC)"	Pola Company Limited, an indirect wholly-owned subsidiary of the Company as at the date of this circular and the direct holding company of KC
"Warehouse Co (KCC)"	Shabu Inc., an indirect wholly-owned subsidiary of the Company as at the date of this circular and the direct holding company of KCC
"Warehouse Co (SS)"	Kimberley Inc., an indirect wholly-owned subsidiary of the Company as at the date of this circular and the direct holding company of SS
"Warehouse Co (TC1-A)"	Kerry TC Warehouse 1 (Block A) Limited, an indirect wholly-owned subsidiary of the Company as at the date of this circular and the legal owner of the TC1-A Target Property
"Warehouse Co (TC1-B)"	Kerry TC Warehouse 1 (Block B) Limited, an indirect wholly-owned subsidiary of the Company as at the date of this circular and the legal owner of the TC1-B Target Property
"Warehouse Co (TC1-7A2)"	New Assets Management Limited, an indirect wholly-owned subsidiary of the Company as at the date of this circular and the direct holding company of TC1-7A2
"Warehouse Co (TC2)"	Denleigh Limited, an indirect wholly-owned subsidiary of the Company as at the date of this circular and the direct holding company of TC2
"Warehouse Co (TW)"	Twindale Limited, an indirect wholly-owned subsidiary of the Company as at the date of this circular and the direct holding company of TW
"Warehouses Management"	the proposed provision of Warehouses Management Services
"Warehouses Management Agreements"	the FL Warehouses Management Agreement, the KC Warehouses Management Agreement, the KCC Warehouses Management Agreement, the SS Warehouses Management Agreement, the TC2 Warehouses Management Agreement, the TW Warehouses Management Agreement, the TC1-A Warehouses Management Agreement, the TC1-B Warehouses Management Agreement and the TC1-7A2 Warehouses Management Agreement
"Warehouses Management Services"	includes building management services, leasing management services, operation of warehouse facilities and other related services including accounting, IT support, human resources and administration
"Warehouses Owners"	FL, KC, KCC, SS, Warehouse Co (TC1-A), Warehouse Co (TC1-B), TC1-7A, TC2 and TW

DEFINITIONS

“Warehouses Purchaser”	Urban Treasure Holdings Limited, an indirect wholly-owned subsidiary of Kerry Holdings
“Warehouses Sale”	the proposed sale of the Target Warehouses Sale Shares by the Warehouses Vendor to the Warehouses Purchaser
“Warehouses Sale Agreement”	the sale agreement dated 25 March 2021 entered into among the Company, the Warehouses Vendor and the Warehouses Purchaser for the Warehouses Sale
“Warehouses Sale Pre-Conditional Conditions”	has the meaning given to it on page 17 of this circular
“Warehouses Vendor”	Kerry Warehouse (HK) Holdings Limited, a wholly-owned subsidiary of the Company
“%”	per cent

For the purpose of this circular, the conversion into Hong Kong dollars (HK\$) has been made at the rate of HK\$0.27 to NTD1. The conversion should not be construed as a representation that Hong Kong dollar amounts actually represented have been, or could be, converted into this currency at this or any other rate.

References to time and date in this circular are to Hong Kong time and date (unless otherwise stated).

Certain amounts and percentage figures in this circular have been subject to rounding adjustments.

In the event of any inconsistency, the English version of this circular shall prevail over the Chinese version.

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

Executive Directors:

Mr KUOK Khoon Hua (*Chairman*)
Mr MA Wing Kai William (*Group Managing Director*)
Mr CHEUNG Ping Chuen Vicky
Mr NG Kin Hang

Non-executive Director:

Ms TONG Shao Ming

Independent Non-executive Directors:

Ms KHOO Shulamite N K
Ms WONG Yu Pok Marina
Mr YEO Philip Liat Kok
Mr ZHANG Yi Kevin

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

3 May 2021

To the Shareholders

Dear Sirs or Madams,

- (1) MAJOR TRANSACTION, CONNECTED TRANSACTION AND
SPECIAL DEAL UNDER THE WAREHOUSES SALE AGREEMENT**
**(2) CONTINUING CONNECTED TRANSACTION AND
SPECIAL DEAL UNDER THE WAREHOUSES MANAGEMENT AGREEMENTS**
**(3) DISCLOSEABLE TRANSACTION, CONNECTED TRANSACTION AND
SPECIAL DEAL UNDER THE TAIWAN BUSINESS SALE AGREEMENT**
**(4) CONTINUING CONNECTED TRANSACTION AND
SPECIAL DEAL UNDER THE BRAND LICENCE AGREEMENTS**
**(5) SPECIAL DEAL UNDER THE SHAREHOLDERS' AGREEMENT AND
PROPOSED AMENDMENTS TO THE COMPANY'S BYE-LAWS**
**(6) DISCLOSEABLE TRANSACTION, CONTINUING CONNECTED TRANSACTION AND
SPECIAL DEAL UNDER THE FRAMEWORK SERVICES AGREEMENT**
AND
(7) NOTICE OF SPECIAL GENERAL MEETING

INTRODUCTION

Reference is made to the Special Deals Announcement in relation to the Special Deal Agreements.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among other things: (i) further information on the Special Deal Agreements; (ii) a letter of advice from the LR Independent Board Committee to the Independent Shareholders in relation to the Warehouses Sale Agreement, the Taiwan Business Sale Agreement and the Framework Services Agreement; (iii) a letter of advice from the Code Independent Board Committee to the Independent Shareholders in relation to the Special Deal Agreements; (iv) a letter of advice from Somerley to the Independent Board Committees and the Independent Shareholders in relation to the Special Deal Agreements; (v) the independent valuation report on the Target Warehouses; and (vi) a notice convening the SGM.

THE SPECIAL DEAL AGREEMENTS

Warehouses Sale Agreement

On 25 March 2021 (after trading hours), in connection with the Partial Offer and the Option Offer, Kerry Warehouse (HK) Holdings Limited (as vendor), the Company (as vendor guarantor), Urban Treasure Holdings Limited (as purchaser) and Kerry Holdings (as purchaser guarantor) entered into the Warehouses Sale Agreement. The principal terms of the Warehouses Sale Agreement are set out below:

Date

25 March 2021

Parties

- (i) The Company (as the vendor guarantor);
- (ii) Kerry Warehouse (HK) Holdings Limited, a wholly-owned subsidiary of the Company (as the vendor);
- (iii) Kerry Holdings (as the purchaser guarantor); and
- (iv) Urban Treasure Holdings Limited, a wholly-owned subsidiary of Kerry Holdings (as the purchaser).

Subject Matter

Pursuant to the Warehouses Sale Agreement, the Warehouses Vendor agreed to sell and the Warehouses Purchaser agreed to purchase, all issued shares in the capital of the Target Warehouses Companies together with all rights and benefits attaching to the Target Warehouses Sale Shares (including without limitation the right to all dividends and distributions) on or after the completion date.

Neither the Warehouses Vendor nor the Warehouses Purchaser shall be obliged to complete the sale and purchase of any Target Warehouses Sale Shares unless the sale and purchase of all of the Target Warehouses Sale Shares are completed simultaneously.

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Consideration

The total consideration for the sale and purchase of the Target Warehouses Sale Shares is HK\$13,500,000,000, which shall be payable by the Warehouses Purchaser to the Warehouses Vendor by way of cashier order or solicitors' cheque at completion of the Warehouses Sale. The consideration was determined after arm's length negotiations between the parties, taking into account (i) the historical financial performance of the Target Warehouses Companies, (ii) the preliminary indication of value of the Target Warehouses conducted by a professional valuer which is independent from the Company and its connected persons and (iii) the outlook for Hong Kong and demand for logistics services.

Consideration adjustments

Immediately prior to completion of the Warehouses Sale, if it is projected that the sum of the net asset value, or the consolidated net asset value, of the Target Warehouses Companies (with the book costs of the Target Warehouses and the carrying value of the other fixed assets of the Target Warehouses Companies replaced by the total consideration of HK\$13,500,000,000):

- (i) will be greater than the amount of the total consideration, the Warehouses Vendor shall procure that each of the Target Warehouses Companies and the other Warehouses Owners shall declare interim dividends out of retained profits to their respective shareholder(s); or
- (ii) will be less than the amount of the total consideration, the Warehouses Vendor shall inject such additional capital into the relevant Target Warehouses Company, thereby increasing the share capital of the relevant Target Warehouses Company or the Warehouses Owner but without issuing any new share,

in either case, such that as at completion, the consolidated net asset value of the Target Warehouses Companies shall be equal to the amount of the total consideration, and the relevant distribution or the relevant injection (as the case may be) shall have been fully reflected in the pro forma completion accounts.

Guarantee

In consideration of the Company and the Warehouses Vendor agreeing to enter into the Warehouses Sale Agreement, Kerry Holdings agrees to unconditionally and irrevocably guarantee to the Warehouses Vendor and the Company the due and punctual performance and discharge by Warehouses Purchaser of all its obligations and liabilities under any transaction documents contemplated under the Warehouses Sale Agreement or arising out of or in connection with any transaction document contemplated under the Warehouses Sale Agreement.

In consideration of Kerry Holdings and the Warehouses Purchaser agreeing to enter into the Warehouses Sale Agreement, the Company agrees to unconditionally and irrevocably guarantee to the Warehouses Purchaser and Kerry Holdings the due and punctual performance and discharge by the Warehouses Vendor of all of its obligation and liabilities under any transaction document contemplated under the Warehouses Sale Agreement or arising out of or in connection with any transaction document contemplated under the Warehouses Sale Agreement.

Conditions

Completion under the Warehouses Sale Agreement is conditional upon:

- (i) consent having been obtained from the Executive to the transactions contemplated in the Warehouses Sale Agreement and the Warehouses Management Agreements, where applicable;

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- (ii) the passing of the resolution to approve the Warehouses Sale Agreement and the Warehouses Management Agreements and the transactions contemplated under the Warehouses Sale Agreement and the Warehouses Management Agreements by the Independent Shareholders of the Company at the SGM;
- (iii) no Target Warehouse having been destroyed, substantially damaged or rendered inaccessible by natural disaster, fire, explosion or other calamity or having been, for any reason, condemned, closed or declared dangerous by relevant government authorities or subject to demolition order(s) or closure order(s), and the reinstatement costs therefor exceeds HK\$5,000,000,000; and
- (iv) the Partial Offer becoming or being declared unconditional in all respects,

(the conditions set out in paragraphs (i) to (iii) above being the “**Warehouses Sale Pre-Conditional Conditions**”).

For the avoidance of doubt, completion under the Warehouses Sale Agreement is not conditional upon the other Special Deal Agreements becoming unconditional. Rather, completion under the Warehouses Sale Agreement is conditional upon, amongst other conditions set out above, the Partial Offer becoming or being declared unconditional in all respects. In turn, it is a pre-condition to the Partial Offer that, amongst other terms, (i) the Taiwan Business Sale Pre-Conditional Conditions have been satisfied (or, where applicable, waived) and there being no event or circumstances which would render any of the Taiwan Business Sale Continuing Conditions incapable of satisfaction; (ii) the Brand Licence Agreements having become unconditional save for the condition relating to the Partial Offer becoming or being declared unconditional in all respects; and (iii) the Shareholders’ Agreement having become unconditional save for the condition relating to the Partial Offer becoming or being declared unconditional in all respects.

The condition under the Warehouses Sale Agreement set out in paragraph (iii) above may be waived by the Warehouses Purchaser in its absolute discretion at any time on or before the date on which the Pre-Conditions (other than Pre-Condition (viii) to the extent that it relates to the condition set out in paragraph (iii) above) have been satisfied or (where applicable) waived. If the condition set out in paragraph (iii) above remains satisfied (or has been waived by the Warehouses Purchaser) at the time the Pre-Conditions (other than Pre-Condition (viii) to the extent it relates to the condition set out in paragraph (iii) above) has been satisfied or (where applicable) waived, it shall be deemed fully and irrevocably satisfied or waived (as applicable) as at and from such time, and the Warehouses Sale Agreement and completion thereunder shall no longer be conditional upon such condition. None of the other conditions set out above is waivable.

Following satisfaction or (in respect of condition set out in paragraph (iii) above) waiver by the Warehouses Purchaser of the conditions above, the Warehouses Sale Agreement shall become unconditional and, subject to the parties thereto complying with their respective closing obligations, will not be capable of termination. If the above conditions have not been satisfied or waived by the Warehouses Purchaser on or before the long stop date of the Warehouses Sale Agreement (being 31 December 2021 (or such other date as may be agreed by the Warehouses Vendor and the Warehouses Purchaser)), the Warehouses Sale Agreement shall be terminated. As at the Latest Practicable Date, none of the conditions to completion under the Warehouses Sale Agreement had been fulfilled.

Completion

If the Warehouses Sale Agreement becomes unconditional, completion thereunder shall take place on the third business day after the date on which the cheques for the Offer Price have been despatched to Shareholders under the Partial Offer.

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Pursuant to the Takeovers Code, if the Partial Offer becomes or is declared unconditional in all respects, such cheques shall be despatched as soon as possible, but in any event within seven business days following the close of the Partial Offer. Given completion of the Warehouses Sale Agreement shall take place on the third business day after the date on which the cheques for the Offer Price have been despatched to Shareholders under the Partial Offer, if the Warehouses Sale Agreement becomes unconditional, completion thereunder must take place by no later than the tenth business day following the close of the Partial Offer. As a result, Shareholders will receive the Special Dividend from the Company separately and after receiving the consideration of the Partial Offer from the Offeror.

Financial information of the Target Warehouses Companies

The audited net asset value of the Target Warehouses Companies as at 31 December 2020, and the audited profit and loss of the Target Warehouses Companies for the two years ended 31 December 2019 and 31 December 2020, respectively are set out in the following table:

	Target Warehouses Companies								
	Warehouse Co (FL)	Warehouse Co (KC)	Warehouse Co (KCC)	Warehouse Co (SS)	Warehouse Co (TC2)	Warehouse Co (TW)	Warehouse Co (TC1-A)	Warehouse Co (TC1-B)	Warehouse Co (TC1-7A2)
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)
Net asset value as at									
31 December 2020	551,031	626,504	4,567,600	836,928	1,363,134	1,478,057	376,978	208,545	29,147
Net profit before taxation for year ended 2019	35,113	44,019	474,641	79,353	114,849	179,114	28,978	39,565	2,401
Net profit after taxation for year ended 2019	32,475	41,066	444,410	73,680	106,314	165,967	26,299	32,636	2,178
Net profit before taxation for year ended 2020	45,650	127,173	637,861	152,014	154,335	260,105	65,841	42,950	4,953
Net profit after taxation for year ended 2020	42,369	124,057	613,391	147,201	144,565	247,078	62,965	35,686	4,723

Financial effects of the Warehouses Sale on the Group

The consideration of the Warehouses Sale is HK\$3.46 billion in excess of the net book value of the Target Warehouses Companies in the audited accounts of the Company as at 31 December 2020. Taking into consideration the net proceeds from the Warehouses Sale (after deducting the estimated expenses relating to the Warehouses Sale) of approximately HK\$13.4 billion and applying against the audited accounts of the Company as at 31 December 2020 for illustrative purposes, the Group expects to realise a gain upon completion of the Warehouses Sale or approximately HK\$3.3 billion, the earnings of the Group to be increased by HK\$3.3 billion from the gains arising from the Warehouses Sale, the Group's total assets to be increased by approximately HK\$3.3 billion (without taking into account the Special Dividend which is proposed to be paid upon completion of the Warehouses Sale), and the Group's total liabilities to be decreased by HK\$44.7 million. The actual amount of the gains to be realised by the Group is subject to audit and will depend on the carrying costs and reclassification adjustments amounts and the transaction costs, and therefore may vary from the amounts mentioned above. The aforesaid estimation is for illustrative purposes only and does not purport to represent how the financial position of the Group will be after the completion of the Warehouses Sale.

The Target Warehouses Companies will no longer be subsidiaries of the Company and Kerry Warehouse (HK) Holdings Limited following the completion of Warehouses Sale.

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Proceeds and proposed Special Dividend

Conditional upon completion of the Warehouses Sale (which is in turn conditional upon, amongst other conditions, the Partial Offer becoming or being declared unconditional in all respects), the Company will distribute substantially all of the proceeds from the Warehouses Sale and declare the Special Dividend of HK\$7.28 per Share to all those Shareholders who are Shareholders of record on the Record Date (i.e. the date immediately prior to the Final Closing Date, which is after the Partial Offer becoming or being declared unconditional in all respects).

As at the Latest Practicable Date, the Company's total number of issued Shares was 1,798,978,042, meaning the aggregate amount of the Special Dividend was HK\$13,096,560,145.76, representing substantially all of the HK\$13,500,000,000 consideration (subject to adjustments) receivable by the Company pursuant to the Warehouses Sale.

As the Special Dividend is conditional upon completion of the Warehouses Sale, the receipt of the consideration for the Target Warehouses Sale Shares will take place before the payment date of the Special Dividend. The payment date of the Special Dividend will be disclosed in the Composite Document with respect to the Partial Offer, to be despatched by the Offeror in due course. Shareholders will receive the Special Dividend from the Company separately and after receiving the consideration of the Partial Offer from the Offeror.

If the Partial Offer lapses, or if, after the Partial Offer becomes or is declared unconditional in all respects, the Warehouses Sale Agreement does not complete because the Company, the Controlling Shareholders or their respective subsidiaries breach their respective closing obligations in the Warehouses Sale Agreement, the Special Dividend will not be paid. The Company, the Controlling Shareholders and their respective subsidiaries have no intention of breaching their respective closing obligations in the Warehouses Sale Agreement.

Reasons for and benefits of entering into the Warehouses Sale Agreement

In connection with the Partial Offer, the Warehouses Sale Agreement would allow the Company to reposition itself as an asset-lighter business. This will boost Shareholder returns through the crystallisation of the value of the relevant warehouses and the subsequent distribution of the sale proceeds via the Special Dividend.

The Directors (including the members of the LR Independent Board Committee and the Code Independent Board Committee whose views have been set out in this circular together with the advice of Somerley) believe that the Warehouses Sale and the distribution of the Special Dividend are fair and reasonable so far as the Independent Shareholders are concerned, and (although not entered into in the ordinary and usual course of business of the Group) are in the interests of the Company and its Shareholders as a whole given the public markets have not previously ascribed meaningful value to the underlying real estate assets held by the Group.

Listing Rules implications

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Warehouses Sale Agreement is 25% or more but all are less than 75%, the Warehouses Sale Agreement constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement, and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

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As Kerry Holdings is a controlling Shareholder and a connected person of the Company, the Warehouses Sale Agreement also constitutes a connected transaction of the Company under the Listing Rules and would be subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Takeovers Code implications

The Warehouses Sale Agreement constitutes a special deal in relation to the Partial Offer under Note 4 to Rule 25 of the Takeovers Code and requires the consent of the Executive. An application has been made by the Company to the Executive for its consent to proceed with the Warehouses Sale Agreement under Rule 25 of the Takeovers Code. Such consent, if granted, is expected to be subject to (i) the opinion of Somerley that the terms of the Warehouses Sale Agreement are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the approval of the Warehouses Sale Agreement by the Independent Shareholders by way of poll at the SGM.

Warehouses Management Agreements

On 25 March 2021 (after trading hours), in connection with the Warehouses Sale, Kerry Warehouse (Hong Kong) Limited, a wholly-owned subsidiary of the Company, entered into nine Warehouses Management Agreements with, respectively, the legal owners of the Target Warehouses to provide Warehouses Management Services for the Target Warehouses. The principal terms of the Warehouses Management Agreements are set out below:

Date

25 March 2021 (as amended on 30 April 2021)

Subject Matter

In connection with the Warehouses Management Agreements, the respective legal owners of the Target Warehouses agreed to appoint and KWHK agreed to accept the appointment as the building manager and leasing agent of the respective Target Warehouses for the provision of Warehouses Management Services during the term of the respective Warehouses Management Agreements. In consideration for such Warehouses Management Services, the relevant legal owners shall pay certain management fees to the Warehouses Manager. In addition, under certain Warehouses Management Agreements, the Warehouses Manager has agreed to guarantee the relevant legal owners of certain Target Warehouses a minimum level of gross revenue during the term of the Warehouses Management Agreements. If the Warehouses Manager is unable to secure tenants for certain Target Warehouses in such Warehouses Management Agreements, the Warehouses Manager shall, as principal, satisfy such minimum guaranteed gross revenue.

The term of each Warehouses Management Agreement is an initial term of three (3) years commencing on the date of completion of the Warehouses Sale in respect of the corresponding Target Warehouses and, subject to the Warehouses Manager having duly performed and observed all terms and conditions of the Warehouses Management Agreements in all material respects, the term is renewable at the option of the Warehouses Manager for a further term of three (3) years. The Warehouses Management Agreements between the relevant parties and the obligations of the relevant parties thereunder would commence on the date of completion of the Warehouses Sale.

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For the avoidance of doubt, the Warehouses Management Agreements will only become effective upon completion of the Warehouses Sale. Commencement of each of the Warehouses Management Agreements is not otherwise subject to other conditionality, including by reference to the Partial Offer or the other Special Deal Agreements.

As at the Latest Practicable Date, the condition to the Warehouses Management Agreements becoming effective had not been fulfilled.

Principal terms of each Warehouses Management Agreement

1. KCC Warehouses Management Agreement – 60% guaranteed occupancy

Parties

- (i) Kerry Cargo Centre Limited (as the legal owner of the KCC Target Warehouse) (“KCC”); and
- (ii) KWHK, a wholly-owned subsidiary of the Company (as the Warehouses Manager).

Management Fee

In consideration for the services provided by KWHK under the KCC Warehouses Management Agreement, KWHK shall be entitled to:

- (i) a monthly lease management fee equivalent to an aggregate of (i) 2% of one-twelfth of the guaranteed gross revenue; and (ii) 15% of the warrant income (being any actual income generated from warrant business operated in the KCC Target Warehouse and received by KCC) in the preceding month in the event that the occupancy of the KCC Target Warehouse of the preceding month exceeds or is equal to 60% (the guaranteed occupancy);
- (ii) a monthly building manager fee at the rate of 10% of the actual management expenses of the preceding month; and
- (iii) monthly reimbursement of the estate agent commissions incurred by KWHK for the relevant preceding month and approved by KCC in advance on an “at-cost basis” to the extent that occupancy of the KCC Target Warehouse exceeds or is equal to 60%.

KCC shall also be responsible for certain outgoings and expenses (e.g. costs and expenses in relation to maintenance and repairs of structural parts of the KCC Target Warehouse, property insurance, and subject to KWHK’s responsibility set out in the next sentence, all of the government rent and rates for vacant spaces, management fees for vacant spaces and fitting out costs, utility expenses and expenses for upkeep of the non-structural parts of the vacant space). KWHK shall be responsible for government rent and rates in respect of 60% (of/based on total gross floor area) of the KCC Target Warehouse (inclusive of such amounts paid by the lessees, tenants and licensees in respect of the occupied premises), management fees in respect of 60% (of/based on total gross floor area) of the KCC Target Warehouse (inclusive of such amounts payable by the lessees, tenants and licensees in respect of the occupied premises) and fitting out costs and utility expenses and expenses for upkeep of the non-structural parts in respect of 60% (of/based on total gross floor area) of

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the KCC Target Warehouse (inclusive of such amounts paid by the lessees, tenants and licensees in respect of the occupied premises). The management fee was determined after arm's length negotiations between the parties and is on normal commercial terms, taking into account various factors, including the service fees charged by independent third party warehouse services providers for standard building management services, and adjusted according to the type, size and location of the premises, and the relevant party's or customers' specific Warehouses Management Services required.

Guaranteed gross revenue

KWHK shall pay to KCC the gross revenue of the relevant preceding month after deducting the lease management fee, building manager fee and KCC's share of estate agent commissions and other outgoings and expenses (if any). If gross revenue is not sufficient to cover the relevant fees, then KCC shall make up the shortfall within 14 days of demand by KWHK.

If the actual gross revenue generated by KCC Target Warehouse and received by KCC in a financial year (excluding warrant income) is less than the guaranteed gross revenue (being HK\$151,000,000), KWHK shall pay to KCC an amount equivalent to guaranteed gross revenue minus actual gross revenue annually. If actual revenue exceeds guaranteed revenue, then KCC shall pay to KWHK a bonus equivalent to 5.5% of the difference. The guaranteed gross revenue was determined after arm's length negotiations between the parties with reference to the estimated rate of occupancy and/or usage of the KCC Target Warehouse in the three years after the commencement of the KCC Warehouses Management Agreement, and the estimated market rental and other revenue to be generated from such occupancy and/or usage of the KCC Target Warehouse.

2. ***TW Warehouses Management Agreement – 100% guaranteed occupancy***

Parties

- (i) Kerry Warehouse (Tsuen Wan) Limited (as the legal owner of the TW Target Warehouse) ("**TW**"); and
- (ii) KWHK, a wholly-owned subsidiary of the Company (as the Warehouses Manager).

Management Fee

In consideration for the services provided by KWHK under the TW Warehouses Management Agreement, KWHK shall be entitled to:

- (i) a monthly lease management fee equivalent to 2% of one-twelfth of the guaranteed gross revenue;
- (ii) a monthly building manager fee at the rate of 10% of the actual management expenses of the preceding month; and

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- (iii) reimbursement of TW's share of the estate agent commissions incurred by KWHK and only in respect of long leases for a term beyond the expiry of the initial management term of 3 years (if KWHK does not exercise its option to renew) or for a term beyond the expiry of the further management term of 3 years (if KWHK exercises its option to renew) entered into during the management term with TW's prior approval, the term of which expire after the expiry of the management term and approved by TW in advance on an "at-cost basis".

TW shall also be responsible for certain outgoings and expenses (e.g. costs and expenses in relation to maintenance and repairs of structural parts of the TW Target Warehouse and property insurance). KWHK shall be responsible for government rent and rates in respect of TW Target Warehouse and management fees in respect of the TW Target Warehouse to be determined on a monthly basis (currently at the rate of HK\$1.30 per square foot per month), fitting out costs, utility expenses and expenses for upkeep of the non-structural parts of the TW Target Warehouse and all other estate agent commissions except TW's share as described in paragraph (iii) above. The management fee was determined after arm's length negotiations between the parties and is on normal commercial terms, taking into account various factors, including the service fees charged by independent third party warehouse services providers for standard building management services, and adjusted according to the type, size and location of the premises, and the relevant party's or customers' specific Warehouses Management Services required.

Guaranteed gross revenue

KWHK shall pay to TW the gross revenue of the relevant preceding month after deducting the lease management fee, building manager fee, TW's share of estate agent commissions and other outgoings and expenses (if any). If gross revenue is not sufficient to cover the relevant fees, then TW shall make up the shortfall within 14 days of demand by KWHK.

If the actual gross revenue generated by TW Target Warehouse and received by TW in a financial year (including warrant income) is less than the guaranteed gross revenue (being HK\$105,000,000), KWHK shall pay to TW an amount equivalent to guaranteed gross revenue minus actual gross revenue annually. If actual revenue exceeds guaranteed revenue, then TW shall pay to KWHK a bonus equivalent to 5.5% of the difference. The guaranteed gross revenue was determined after arm's length negotiations by the parties with reference to the estimated rate of occupancy and/or usage of the TW Target Warehouse in the three years after the commencement of the TW Warehouses Management Agreement, and the estimated market rental and other revenue to be generated from such occupancy and/or usage of the TW Target Warehouse.

3. ***TC1-7A2 Warehouses Management Agreement – 100% guaranteed occupancy***

Parties

- (i) Wah Ming Properties Limited (as the legal owner of the TC1-7A2 Target Property) ("TC1-7A2"); and
- (ii) KWHK, a wholly-owned subsidiary of the Company (as the Warehouses Manager).

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Management Fee

In consideration for the services provided by KWHK under the TC1-7A2 Warehouses Management Agreement, KWHK shall be entitled to:

- (i) a monthly lease management fee equivalent to 2% of one-twelfth of the guaranteed gross revenue; and
- (ii) reimbursement of TC1-7A2's share of the estate agent commissions incurred by KWHK in respect of long leases for a term beyond the expiry of the initial management term of 3 years (if KWHK does not exercise its option to renew) or for a term beyond the expiry of the further management term of 3 years (if KWHK exercises its option to renew) entered into during the management term with TC1-7A2's prior approval, the term of which expire after the expiry of the management term and approved by TC1-7A2 in advance on an "at-cost basis".

TC1-7A2 shall also be responsible for certain outgoings and expenses (e.g. costs and expenses in relation to maintenance and repairs of structural parts of the TC1-7A2 Target Property and property insurance). KWHK shall be responsible for government rent and rates in respect of the TC1-7A2 Target Property, management fees in respect of the TC1-7A2 Target Property (currently at the rate of HK\$1.40 to HK\$1.50 per month for each management share allocated to the TC1-7A2 Target Property), fitting out costs, utility expenses and expenses for upkeep of the non-structural parts of the TC1-7A2 Target Property and all other estate agent commissions except TC1-7A2's share as described in paragraph (ii) above. The management fee was determined after arm's length negotiations between the parties and is on normal commercial terms, taking into account various factors, including the service fees charged by independent third party warehouse services providers for standard building management services, and adjusted according to the type, size and location of the premises, and the relevant party's or customers' specific Warehouses Management Services required.

Guaranteed gross revenue

KWHK shall pay to TC1-7A2 the gross revenue of the relevant preceding month after deducting the lease management fee, TC1-7A2's share of the estate agent commissions and other outgoings and expenses (if any). If gross revenue is not sufficient to cover the relevant fees, then TC1-7A2 shall make up the shortfall within 14 days of demand by KWHK.

If the actual gross revenue generated by TC1-7A2 Target Property and received by TC1-7A2 in a financial year (including warrant income) is less than the guaranteed gross revenue (being HK\$1,400,000), KWHK shall pay to TC1-7A2 an amount equivalent to guaranteed gross revenue minus actual gross revenue annually. If actual revenue exceeds guaranteed revenue, then TC1-7A2 shall pay to KWHK a bonus equivalent to 5.5% of the difference. The guaranteed gross revenue was determined after arm's length negotiations between the parties with reference to the estimated rate of occupancy and/or usage of the TC1-7A2 Target Property in the three years after the commencement of the TC1-7A2 Warehouses Management Agreement, and the estimated market rental and other revenue to be generated from such occupancy and/or usage of the TC1-7A2 Target Property.

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4. *TC1-A Warehouses Management Agreement – 100% guaranteed occupancy*

Parties

- (i) Kerry TC Warehouse 1 (Block A) Limited (as the legal owner of the TC1-A Target Property) (“Warehouse Co (TC1-A)”); and
- (ii) KWHK, a wholly-owned subsidiary of the Company (as the Warehouses Manager).

Management Fee

In consideration for the services provided by KWHK under the TC1-A Warehouses Management Agreement, KWHK shall be entitled to:

- (i) a monthly lease management fee equivalent to 2% of one-twelfth of the guaranteed gross revenue; and
- (ii) reimbursement of Warehouse Co (TC1-A)’s share of the estate agent commissions incurred by KWHK in respect of long leases for a term beyond the expiry of the initial management term of 3 years (if KWHK does not exercise its option to renew) or for a term beyond the expiry of the further management term of 3 years (if KWHK exercises its option to renew) entered into during the management term with the Warehouse Co (TC1-A)’s prior approval, the term of which expire after the expiry of the management term and approved by Warehouse Co (TC1-A) in advance on an “at-cost basis”.

Warehouse Co (TC1-A) shall also be responsible for certain outgoings and expenses (e.g. costs and expenses in relation to maintenance and repairs of structural parts of the TC1-A Target Property and property insurance). KWHK shall be responsible for government rent and rates in respect of TC1-A Target Property, management fees in respect of the TC1-A Target Property (currently at the rate of HK\$1.40 to HK\$1.50 per month for each management share allocated to TC1-A Target Property), fitting out costs, utility expenses and expenses for upkeep of the non-structural parts of the TC1-A Target Property and all other estate agent commissions except Warehouse Co (TC1-A)’s share as described in paragraph (ii) above. The management fee was determined after arm’s length negotiations between the parties and is on normal commercial terms, taking into account various factors, including the service fees charged by independent third party warehouse services providers for standard building management services, and adjusted according to the type, size and location of the premises, and the relevant party’s or customers’ specific Warehouses Management Services required.

Guaranteed gross revenue

KWHK shall pay to Warehouse Co (TC1-A) the gross revenue of the relevant preceding month after deducting the lease management fee, Warehouse Co (TC1-A)’s share of the estate agent commissions and other outgoings and expenses (if any). If gross revenue is not sufficient to cover the relevant fees, then Warehouse Co (TC1-A) shall make up the shortfall within 14 days of demand by KWHK.

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If the actual gross revenue generated by TC1-A Target Property and received by Warehouse Co (TC1-A) in a financial year (including warrant income) is less than the guaranteed gross revenue (being HK\$19,600,000), KWHK shall pay to Warehouse Co (TC1-A) an amount equivalent to guaranteed gross revenue minus actual gross revenue annually. If actual revenue exceeds guaranteed revenue, then Warehouse Co (TC1-A) shall pay to KWHK a bonus equivalent to 5.5% of the difference. The guaranteed gross revenue was determined after arm's length negotiations between the parties with reference to the estimated rate of occupancy and/or usage of the TC1-A Target Property in the three years after the commencement of the TC1-A Warehouses Management Agreement, and the estimated market rental and other revenue to be generated from such occupancy and/or usage of the TC1-A Target Property.

5. *TC1-B Warehouses Management Agreement – 100% guaranteed occupancy*

Parties

- (i) Kerry TC Warehouse 1 (Block B) Limited (as the legal owner of the TC1-B Target Property) ("Warehouse Co (TC1-B)"); and
- (ii) KWHK, a wholly-owned subsidiary of the Company (as the Warehouses Manager).

Management Fee

In consideration for the services provided by KWHK under the TC1-B Warehouses Management Agreement, KWHK shall be entitled to:

- (i) a monthly lease management fee equivalent to 2% of one-twelfth of the guaranteed gross revenue; and
- (ii) reimbursement of Warehouse Co (TC1-B)'s share of estate agent commissions incurred by KWHK in respect of long leases for a term beyond the expiry of the initial management term of 3 years (if KWHK does not exercise its option to renew) or for a term beyond the expiry of the further management term of 3 years (if KWHK exercises its option to renew) entered into during the management term with the Warehouse Co (TC1-B)'s prior approval, the term of which expire after the expiry of the management term and approved by Warehouse Co (TC1-B) in advance on an "at-cost basis".

Warehouse Co (TC1-B) shall also be responsible for certain outgoings and expenses (e.g. costs and expenses in relation to maintenance and repairs of structural parts of the TC1-B Target Property and property insurance). KWHK shall be responsible for government rent and rates in respect of the TC1-B Target Property, management fees in respect of the TC1-B Target Property (currently at the rate of HK\$1.40 to HK\$1.50 per month for each management share allocated to TC1-B Target Property), fitting out costs, utility expenses and expenses for upkeep of the TC1-B Target Property and all other estate agent commissions except Warehouse Co (TC1-B)'s share as described in paragraph (ii) above. The management fee was determined after arm's length negotiations between the parties and is on normal commercial terms, taking into account various factors, including the service fees charged by independent third party warehouse services providers for standard building management services, and adjusted according to the type, size and location of the premises, and the relevant party's or customers' specific Warehouses Management Services required.

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Guaranteed gross revenue

KWHK shall pay to Warehouse Co (TC1-B) the gross revenue of the relevant preceding month after deducting the lease management fee, Warehouse Co (TC1-B)'s share of the estate agent commissions and other outgoings and expenses (if any). If gross revenue is not sufficient to cover the relevant fees, then Warehouse Co (TC1-B) shall make up the shortfall within 14 days of demand by KWHK.

If the actual gross revenue generated by TC1-B Target Property and received by Warehouse Co (TC1-B) in a financial year (including warrant income) is less than the guaranteed gross revenue (being HK\$56,000,000), KWHK shall pay to Warehouse Co (TC1-B) an amount equivalent to guaranteed gross revenue minus actual gross revenue annually. If actual revenue exceeds guaranteed revenue, then Warehouse Co (TC1-B) shall pay to KWHK a bonus equivalent to 5.5% of the difference. The guaranteed gross revenue was determined after arm's length negotiations with reference to the estimated rate of occupancy and/or usage of the TC1-B Target Property in the three years after the commencement of the TC1-B Warehouses Management Agreement, and the estimated market rental and other revenue to be generated from such occupancy and/or usage of the TC1-B Target Property.

6. *TC2 Warehouses Management Agreement – 100% guaranteed occupancy*

Parties

- (i) Kerry TC Warehouse 2 Limited (as the legal owner of the TC2 Target Warehouse) ("TC2"); and
- (ii) KWHK, a wholly-owned subsidiary of the Company (as the Warehouses Manager).

Management Fee

In consideration for the services provided by KWHK under the TC2 Warehouses Management Agreement, KWHK shall be entitled to:

- (i) a monthly lease management fee equivalent to 2% of one-twelfth of the guaranteed gross revenue;
- (ii) a monthly building manager fee at the rate of 10% of the actual management expenses of the preceding month; and
- (iii) reimbursement of TC2's share of the estate agent commissions incurred by KWHK in respect of long leases for a term beyond the expiry of the initial management term of 3 years (if KWHK does not exercise its option to renew) or for a term beyond the expiry of the further management term of 3 years (if KWHK exercises its option to renew) entered into during the management term with the TC2's prior approval, the term of which expire after the expiry of the management term and approved by TC2 in advance on an "at-cost basis".

TC2 shall also be responsible for certain outgoings and expenses (e.g. costs and expenses in relation to maintenance and repairs of structural parts of the TC2 Target Warehouse and property insurance). KWHK shall be responsible for government rent and rates in respect of TC2 Target Warehouse and management fees in

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respect of the TC2 Target Warehouse to be determined on a monthly basis (currently at the rate of HK\$1.25 per square foot per month), fitting out costs, utility expenses and expenses for upkeep of the non-structural parts of the TC2 Target Warehouse and all other estate agent commissions except TC2's share as described in paragraph (iii) above. The management fee was determined after arm's length negotiations between the parties and is on normal commercial terms, taking into account various factors, including the service fees charged by independent third party warehouse services providers for standard building management services, and adjusted according to the type, size and location of the premises, and the relevant party's or customers' specific Warehouses Management Services required.

Guaranteed gross revenue

KWHK shall pay to TC2 the gross revenue of the relevant preceding month after deducting the lease management fee, building manager fee, TC2's share of estate agent commissions and other outgoings and expenses (if any). If gross revenue is not sufficient to cover the relevant fees, then TC2 shall make up the shortfall within 14 days of demand by KWHK.

If the actual gross revenue generated by TC2 Target Warehouse and received by TC2 in a financial year (including warrant income) is less than the guaranteed gross revenue (being HK\$62,000,000), KWHK shall pay to TC2 an amount equivalent to guaranteed gross revenue minus actual gross revenue annually. If actual revenue exceeds guaranteed revenue, then TC2 shall pay to KWHK a bonus equivalent to 5.5% of the difference. The guaranteed gross revenue was determined by arm's length negotiations with reference to the estimated rate of occupancy and/or usage of the TC2 Target Warehouse in the three years after the commencement of the TC2 Warehouses Management Agreement, and the estimated market rental and other revenue to be generated from such occupancy and/or usage of the TC2 Target Warehouse.

7. ***KC Warehouses Management Agreement – 100% guaranteed occupancy***

Parties

- (i) Kerry Warehouse (Kwai Chung) Limited (as the legal owner of the KC Target Warehouse) ("KC"); and
- (ii) KWHK, a wholly-owned subsidiary of the Company (as the Warehouses Manager).

Management Fee

In consideration for the services provided by KWHK under the KC Warehouses Management Agreement, KWHK shall be entitled to:

- (i) a monthly lease management fee equivalent to 2% of one-twelfth of the guaranteed gross revenue;
- (ii) a monthly building manager fee at the rate of 10% of the actual management expenses of the preceding month; and

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- (iii) reimbursement of KC's share of the estate agent commissions incurred by KWHK in respect of long leases for a term beyond the expiry of the initial management term of 3 years (if KWHK does not exercise its option to renew) or for a term beyond the expiry of the further management term of 3 years (if KWHK exercises its option to renew) entered into during the management term with KC's prior approval, the term of which expire after the expiry of the management term and approved by KC in advance on an "at-cost basis".

KC shall also be responsible for certain outgoings and expenses (e.g. costs and expenses in relation to maintenance and repairs of structural parts of the KC Target Warehouse and property insurance). KWHK shall be responsible for government rent and rates in respect of KC Target Warehouse and management fees in respect of the KC Target Warehouse to be determined on a monthly basis (currently at the rate of HK\$1.25 per square foot per month), fitting out costs, utility expenses and expenses for upkeep of the non-structural parts of the KC Target Warehouse and all other estate agent commissions except KC's share as described in (iii) above. The management fee was determined after arm's length negotiations between the parties and is on normal commercial terms, taking into account various factors, including the service fees charged by independent third party warehouse services providers for standard building management services, and adjusted according to the type, size and location of the premises, and the relevant party's or customers' specific Warehouses Management Services required.

Guaranteed gross revenue

KWHK shall pay to KC the gross revenue of the relevant preceding month after deducting the lease management fee, building manager fee and KC's share of estate agent commissions and other outgoings and expenses (if any). If gross revenue is not sufficient to cover the relevant fees, then KC shall make up the shortfall within 14 days of demand by KWHK.

If the actual gross revenue generated by KC Target Warehouse and received by KC in a financial year (including warrant income) is less than the guaranteed gross revenue (being HK\$32,000,000), KWHK shall pay to KC an amount equivalent to guaranteed gross revenue minus actual gross revenue annually. If actual revenue exceeds guaranteed revenue, then KC shall pay to KWHK a bonus equivalent to 5.5% of the difference. The guaranteed gross revenue was determined by arm's length negotiations with reference to the estimated rate of occupancy and/or usage of the KC Target Warehouse in the three years after the commencement of the KC Warehouses Management Agreement, and the estimated market rental and other revenue to be generated from such occupancy and/or usage of the KC Target Warehouse.

8. *FL Warehouses Management Agreement – Nil guaranteed occupancy*

Parties

- (i) Kerry Warehouse (Fanling 1) Limited (as the legal owner of the FL Target Warehouse) ("FL"); and
- (ii) KWHK, a wholly-owned subsidiary of the Company (as the Warehouses Manager).

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Management Fee

In consideration for the services provided by KWHK under the FL Warehouses Management Agreement, KWHK shall be entitled to:

- (i) a monthly lease management fee equivalent to an aggregate of (a) 5.5% of gross revenue received by FL in the relevant preceding month, excluding warrant income (being actual income generated from warrant business operated in the FL Target Warehouse and received by FL) in the relevant preceding month; and (b) 15% of the warrant income of the relevant preceding month;
- (ii) a monthly building manager fee at the rate of 10% of the actual management expenses of the relevant preceding month; and
- (iii) monthly reimbursement of the estate agent commissions incurred by KWHK for the relevant preceding month and approved by FL in advance on an "at-cost basis".

KWHK shall pay to FL the gross revenue of the relevant preceding month after deducting the lease management fee, building manager fee and estate agent commissions (if any). If gross revenue is not sufficient to cover the relevant fees, then FL shall make up the shortfall within 14 days of demand by KWHK.

FL shall also be responsible for certain outgoings and expenses (e.g. costs and expenses in relation to maintenance and repairs of the structural parts of the FL Target Warehouse, property insurance, government rent and rates in respect of the vacant space and management fees in respect of the vacant space to be determined on a monthly basis (currently at the rate of HK\$1.25 per square foot of gross floor area per month), fitting out costs and expenses for the upkeep of the non-structural parts of the vacant space). The management fee was determined after arm's length negotiations between the parties and is on normal commercial terms, taking into account various factors, including the service fees charged by independent third party warehouse services providers for standard building management services, and adjusted according to the type, size and location of the premises, and the relevant party's or customers' specific Warehouses Management Services required.

9. *SS Warehouses Management Agreement – Nil guaranteed occupancy*

Parties

- (i) Kerry Warehouse (Sheung Shui) Limited (as the legal owner of the SS Target Warehouse) ("**SS**"); and
- (ii) KWHK, a wholly-owned subsidiary of the Company (as the Warehouses Manager).

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Management Fee

In consideration for the services provided by KWHK under the SS Warehouses Management Agreement, KWHK shall be entitled to:

- (i) a monthly lease management fee equivalent to an aggregate of (a) 5.5% of gross revenue received by SS in the relevant preceding month, excluding warrant income (being actual income generated from warrant business operated in the SS Target Warehouse and received by SS) in the relevant preceding month; and (b) 15% of the warrant income of the relevant preceding month;
- (ii) a monthly building manager fee at the rate of 10% of the actual management expenses of the relevant preceding month; and
- (iii) monthly reimbursement of the estate agent commissions incurred by KWHK for the relevant preceding month and approved by SS in advance on an "at-cost basis".

KWHK shall pay to SS the gross revenue of the relevant preceding month after deducting the lease management fee, building manager fee and estate agent commissions (if any). If gross revenue is not sufficient to cover the relevant fees, then SS shall make up the shortfall within 14 days of demand by KWHK.

SS shall also be responsible for certain outgoings and expenses (e.g. costs and expenses in relation to maintenance and repairs of the structural parts of the SS Target Warehouse, property insurance, government rent and rates in respect of the vacant space and management fees in respect of the vacant space to be determined on a monthly basis (currently at the rate of HK\$1.35 per square foot of gross floor area per month), fitting out costs and expenses for the upkeep of the non-structural parts of the vacant space). The management fee was determined after arm's length negotiations between the parties and is on normal commercial terms, taking into account various factors, including the service fees charged by independent third party warehouse services providers for standard building management services, and adjusted according to the type, size and location of the premises, and the relevant party's or customers' specific Warehouses Management Services required.

Other principal terms of the Warehouses Management Agreements

Adjustment of guaranteed gross revenue

Other than for the FL Warehouses Management Agreement and the SS Warehouses Management Agreement which have no guaranteed gross revenue arrangements, if KWHK exercises its right to renew under the relevant Warehouses Management Agreements, the guaranteed gross revenue of the Warehouses Management Agreements will be adjusted for the renewed management term, provided that the guaranteed gross revenue for the renewed management term shall not be adjusted downward by over 15% or upward by over 15% of the guaranteed gross revenue of the initial three-year management term. If the relevant parties fail to agree on the guaranteed gross revenue for the renewed management term, the parties shall each appoint one independent property valuer to assess the prevailing market rent of the relevant Target Warehouses and the guaranteed gross revenue for the renewed management term shall be adjusted to the average of the two property valuers' assessment.

Capital Expenditure

The legal owners of the respective Target Warehouses shall bear all expenditure of a capital nature or of a kind not expected to be incurred annually. If any capital expenditure to be incurred is within the relevant amount contemplated under an approved budget submitted by KWHK, KWHK shall have authority to incur such capital expenditure without having to seek further approval from the relevant legal owner. If any single item of capital expenditure exceeds HK\$500,000, KWHK shall seek the relevant legal owner's approval before incurring the capital expenditure.

Termination

The legal owners of the respective Target Warehouses may terminate the respective Warehouses Management Agreement or the part of the respective Warehouses Management Agreement relating to the provision of building management services at any time from the commencement date of the respective Warehouses Management Agreement by giving not less than 12 months' prior notice in writing to KWHK. Either party may terminate the respective Warehouses Management Agreement if the other party is, *inter alia*, in material breach of terms of the respective Warehouses Management Agreement, or if the other party becomes or is declared insolvent.

Indemnity

The legal owners of the respective Target Warehouses shall fully indemnify KWHK and its employees from and against all actions, proceedings, claims and demands relating to the Warehouses Management Agreements arising directly or indirectly out of or in connection with any act not involving criminal liability, dishonesty or negligence on the part of KWHK or its employees.

KWHK shall fully indemnify the legal owners of the respective Target Warehouses from and against all actions, proceedings, claims and demands in connection with any breach of the Warehouses Management Agreements and/or any act involving criminal liability, dishonesty or negligence on the part of KWHK or persons employed by KWHK.

Annual cap and basis for determining annual cap

There was no historical transaction between the Group and Kerry Holdings Group in relation to the provision of Warehouses Management Services.

On 30 April 2021, each of the Warehouses Owners entered into an amendment agreement amending the respective Warehouses Management Agreement with the Warehouses Manager to update the annual caps to those set out below. The Company proposes to set the aggregate annual caps for the amounts payable by the Group as principal (and not as agent) to Kerry Holdings Group under the Warehouses Management Agreements (being the guaranteed gross revenue and related charges) for the following periods: (i) the period from the commencement date until 31 December 2021, each of the financial years ending 31 December 2022 and 2023, the period from 1 January 2024 to the third anniversary of the commencement date, to be no more than HK\$160.0 million, HK\$480.0 million, HK\$485.0 million and HK\$550.0 million, respectively; and (ii) if the Warehouses Management Agreements are renewed at the option of the Warehouses Manager, the period from the third anniversary of the commencement

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date to 31 December 2024, each of the financial years ending 31 December 2025 and 2026, and the period from 1 January 2027 to the sixth anniversary of the commencement date, to be no more than HK\$183.3 million, HK\$551.0 million, HK\$554.0 million and HK\$554.0 million, respectively. The Company will consider the applicable percentage ratios in the size tests and comply with the relevant Listing Rules at the time of renewal if the Warehouses Management Agreements are renewed at the option of the Warehouses Manager.

The Company proposes to set the aggregate annual caps for the amounts receivable by the Group from Kerry Holdings Group for the following periods: (i) the period from the commencement date until 31 December 2021, each of the financial years ending 31 December 2022 and 2023, the period from 1 January 2024 to the third anniversary of the commencement date, to be no more than HK\$11.3 million, HK\$37.4 million, HK\$41.6 million and HK\$47.8 million respectively; and (ii) if the Warehouses Management Agreements are renewed at the option of the Warehouses Manager, the period from the third anniversary of the commencement date to 31 December 2024, each of the financial years ending 31 December 2025 and 2026, and the period from 1 January 2027 to the sixth anniversary of the commencement date, to be no more than HK\$15.9 million, HK\$53.4 million, HK\$59.7 million and HK\$59.7 million, respectively. The Company will consider the applicable percentage ratios in the size tests and comply with the relevant Listing Rules at the time of renewal if the Warehouses Management Agreements are renewed at the option of the Warehouses Manager.

The annual caps were determined on an aggregate basis and there is no ceiling on the amount receivable or payable by the Group each year in relation to each of the Warehouses Management Agreements.

The annual caps were determined with reference to the management fees charged by the Group when providing warehouse management services to independent third parties, as well as factors including (i) prevailing and projected market rates for building management fees and fees for operation of the warehouse facilities; and (ii) inflation and expected expansion and development of the Group's and Kerry Holdings' businesses.

Reasons for and benefits of entering into the Warehouses Management Agreements

The Group operates as a leading logistics service provider in Asia principally engaged in the integrated logistics and international freight forwarding businesses. Given its experience in operating warehouses, the Group can leverage on its existing set-up and resources to generate revenue by providing Warehouses Management Services.

The Board considers that due to the long-term relationship between the Group and Kerry Holdings Group, it is beneficial to the Company to enter into the Warehouses Management Agreements as these transactions will facilitate the operation and growth of the Company's business.

The Board (including the members of the Code Independent Board Committee whose views have been set out in this circular together with the advice of Somerley) also considers that the Warehouses Management Agreements and transactions contemplated thereunder are entered into in the ordinary and usual course of business of the Group and are on normal commercial terms, or on terms no less favourable than those available to the Group from independent third parties, which are fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole.

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Listing Rules implications

Each of the Target Warehouses Companies will be an indirect wholly-owned subsidiary of Kerry Holdings following completion of the Warehouses Sale. As Kerry Holdings is a Controlling Shareholder and a connected person of the Company, the Warehouses Management Agreements also constitute continuing connected transactions of the Company under the Listing Rules and would be subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the annual caps of the transactions under the Warehouses Management Agreements will be more than 0.1% but all of them are less than 5%, the Warehouses Management Agreements are subject to reporting, announcement and annual review requirements but exempted from Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The term of each Warehouses Management Agreement is an initial term of three (3) years commencing on the date of completion of the Warehouses Sale, and subject to the Warehouses Manager having duly performed and observed all terms and conditions of the Warehouses Management Agreements in all material respects, the term is renewable at the option of the Warehouses Manager for a further three (3) years.

Takeovers Code implications

The Warehouses Management Agreements constitute a special deal in relation to the Partial Offer under Note 4 to Rule 25 of the Takeovers Code and requires the consent of the Executive. An application has been made by the Company to the Executive for consent to proceed with the Warehouses Management Agreements. Such consent, if granted, is expected to be subject to (i) the opinion of Somerley that the terms of the Warehouses Management Agreements are fair and reasonable; and (ii) the approval of the Warehouses Management Agreements by the Independent Shareholders by way of poll at the SGM. Somerley has stated in this circular its opinion on whether the terms of the Warehouses Management Agreements are fair and reasonable so far as the Independent Shareholders are concerned.

Internal control procedures in relation to continuing connected transactions

The Company has established an internal control mechanism for monitoring and reporting continuing connected transactions to ensure compliance with Chapter 14A of the Listing Rules. The finance team of the Company will monitor the continuing connected transactions by communicating regularly with the regional heads of the finance teams of the Group in respect of the terms and pricing policies of the continuing connected transactions, and collecting monthly financial data together with underlying agreements for analysis and reporting. The finance team of the Company will prepare monthly summaries and work closely with the company secretary of the Company to monitor compliance with the annual caps of the continuing connected transactions. These monthly summaries will be made available to the INEDs and the Company's auditors for review periodically, and not less than at least once during each 6-month period. The internal audit team of the Company will carry out annual assessment of the effectiveness of the internal control system.

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TAIWAN BUSINESS SALE AGREEMENT

On 25 March 2021 (after trading hours), in connection with the Partial Offer and the Option Offer, the Company and Kerry Logistics Services Limited, a wholly-owned subsidiary of the Company, entered into the Taiwan Business Sale Agreement to sell the Company's interests in certain Taiwan businesses. The principal terms of the Taiwan Business Sale Agreement are set out below:

Date

25 March 2021

Parties

- (i) The Company (as the seller guarantor);
- (ii) Kerry Logistics Services Limited, a wholly-owned subsidiary of the Company (as the seller);
- (iii) Kerry Holdings (as the purchaser guarantor); and
- (iv) Treasure Seeker Group Limited, a wholly-owned subsidiary of Kerry Holdings (as the purchaser).

Subject Matter

Pursuant to the Taiwan Business Sale Agreement, the Taiwan Seller agreed to sell and the Taiwan Purchaser agreed to purchase the entire issued share capital of Kerry Logistics (Taiwan) Investments Limited and Pan Asia Airlines Investment Limited, which are investment holding companies directly or indirectly holding equity interests of certain companies that carry on the Unlisted Taiwan Business (being, the Taiwan Unlisted Business Companies) and approximately 49.7% shareholding interest in the Taiwan Listco.

Conditions and closing

Closing of the Taiwan Business Sale is conditional upon satisfaction or waiver of the following conditions precedent:

- (i) the Partial Offer becoming or being declared unconditional in all respects;
- (ii) all approvals and consents from Shareholders which are required in connection with the transactions contemplated under the Taiwan Business Sale Agreement pursuant to Chapters 14 and 14A of the Listing Rules and the Takeovers Code having been obtained;
- (iii) all regulatory approvals which are required for closing of the Taiwan Business Sale having been obtained without condition or with conditions which will not materially adversely affect the Taiwan Purchaser, Kerry Holdings, Kerry Holdings' controlling shareholder and their respective subsidiaries and associates, or the Taiwan Target Companies and their respective subsidiaries (including the Taiwan Listco), and no

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requirement or restriction or criminal liability having been imposed or dictated on any member of the Kerry Holdings Group or the Taiwan Target Companies or their subsidiaries or their respective officers or employees by relevant regulators and governmental authorities in Taiwan;

- (iv) no new laws or amendment to any existing laws are being promulgated or issued in Taiwan and no draft new law or draft amendment to any existing laws have been submitted for legislation which would render transactions contemplated under the Taiwan Business Sale Agreement not permissible or illegal or which would require Kerry Holdings to make a tender offer for shares in the Taiwan Listco and Kerry Holdings not being required by the regulators in Taiwan to make a tender offer for shares in the Taiwan Listco;
- (v) no new laws or amendment to any existing laws which would render the sale of the Taiwan Target Companies not permissible or illegal and no restraining governmental order or permanent injunction or other governmental order preventing any member of the Taiwan Target Companies (including the Taiwan Listco) from carrying out their businesses in Taiwan in the ordinary course; and
- (vi) no material breach of any of the Taiwan Seller's and the Company's warranties and undertakings,

(the conditions set out in paragraphs (ii), (iii), (iv) and (vi) above being the "**Taiwan Business Sale Pre-Conditional Conditions**" and paragraph (v) being the "**Taiwan Business Sale Continuing Conditions**").

The Taiwan Purchaser has the right to waive any of the conditions set out in (iv) and (vi) above at any time on or before the date on which all the Pre-Conditions are declared satisfied. No other conditions are waivable. If the conditions precedent set out in (ii), (iii), (iv) and (vi) above are satisfied or waived at the time the Pre-Conditions (other than Pre-Condition (viii) to the Partial Offer to the extent it relates to the condition precedent set out in (ii) above) have been satisfied or waived, they shall be deemed fully and irrevocably satisfied or waived as at and from such time, and the Taiwan Business Sale Agreement and closing of the Taiwan Business Sale shall no longer be conditional upon such conditions precedent. The Taiwan Business Sale Agreement shall terminate if any of these conditions precedent are not satisfied at such time (unless waived).

The Taiwan Business Sale Agreement shall automatically terminate if the conditions set out above are not satisfied (or, where applicable, waived) on or before 31 December 2021.

For the avoidance of doubt, completion under the Taiwan Business Sale Agreement is not conditional upon the other Special Deal Agreements becoming unconditional. Rather, completion under the Taiwan Business Sale Agreement is conditional upon, amongst other conditions set out above, the Partial Offer becoming or being declared unconditional in all respects. In turn, it is a pre-condition to the Partial Offer that, amongst other terms, (i) the Warehouses Sale Pre-Conditional Conditions have been satisfied (or, where applicable, waived); (ii) the Brand Licence Agreements having become unconditional save for the condition relating to the Partial Offer becoming or being declared unconditional in all respects; and (iii) the Shareholders' Agreement having become unconditional save for the condition relating to the Partial Offer becoming or being declared unconditional in all respects.

As at the Latest Practicable Date, none of the conditions to completion under the Taiwan Business Sale Agreement had been fulfilled.

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Closing

Closing of the Taiwan Business Sale will take place on the earlier of (i) the seventh business day after the last day on which Shareholders may tender acceptances into the Partial Offer; (ii) the business day immediately before the day on which the Offeror Parent or its wholly-owned subsidiaries become a member on the register of members of the Company upon acquiring the title to the Shares under the Partial Offer, and (iii) such date as Kerry Holdings, the Company and the Offeror Parent may agree which is not to be earlier than immediately prior to the Partial Offer becoming unconditional in all respects.

Consideration

The initial consideration under the Taiwan Business Sale Agreement shall be the USD equivalent of NTD4,537,018,403 (equivalent to approximately HK\$1.2 billion) (subject to audited completion accounts adjustments and post-closing adjustments set out below) in cash which shall be payable at closing.

The initial consideration has been determined by arm's length negotiations between the parties taking into account, *inter alia*, (i) the profit generated by the Taiwan Business, (ii) the historical price and liquidity of the shares of the Taiwan Listco, and (iii) the net debt position of the Taiwan Pure Holding Companies.

Audited completion accounts adjustments

The Company shall prepare consolidated completion accounts (as defined in the Taiwan Business Sale Agreement) in respect of the Taiwan Target Companies and their subsidiaries for the period from 1 January 2021 to the month-end immediately preceding the date of closing (being, the completion accounts reference date) to be audited at the Taiwan Purchaser's costs by the Company's auditors, and delivered to the Taiwan Purchaser within 120 days after closing.

Upon delivery of the audited completion accounts and subject to the net adjustment amount in this paragraph exceeding a de minimis amount of NTD1,000,000 (equivalent to approximately HK\$270,000) (in which case the net adjustment shall be in respect of the full amount and not the excess only), the initial consideration shall be adjusted by reference to the audited completion accounts as follows:

- (i) to the extent the aggregate consolidated net asset values (which takes into account the residual deferred consideration and withholding tax provision on retained profits of Da Ji International Ltd., Tong Li Investments Co., Ltd. and where applicable any Taiwan Companies which have adequate retained profits and surplus cash to distribute dividend at the completion accounts reference date to any offshore shareholders, as applicable) of each of the Taiwan Target Companies as set out in the audited completion accounts are less than or exceed the initial consideration of NTD4,537,018,403 (equivalent to approximately HK\$1.2 billion), any shortfall shall be deducted from the initial consideration and any excess shall be added to the initial consideration (as the case may be); and

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- (ii) deducted on a dollar-for-dollar basis in the event that any contingent liabilities (including, without limitation, unpaid tax liabilities) exist for the Taiwan Pure Holding Companies at the time of the completion accounts reference date which under the Hong Kong Generally Accepted Accounting Principles should be deducted from the net asset values of the relevant companies as of the completion accounts reference date but have not been reflected in the completion accounts. For the avoidance of doubt, if relevant audit adjustment(s) have already been made to the net asset values in the audited completion accounts, no further deductions should be made to the initial consideration.

If the initial consideration is increased pursuant to the adjustments, then the Taiwan Purchaser shall pay the Taiwan Seller; and if the initial consideration is reduced pursuant to the adjustments, the Taiwan Seller shall pay the Taiwan Purchaser, the net adjustment amount within 10 business days after the delivery of the audited completion accounts to the Taiwan Purchaser.

Post-closing adjustments

Following closing of the Taiwan Business Sale, to the extent that any residual deferred consideration (being the portion of consideration which is payable by Taiwan Kerry Investment Company Limited, a member of the Target Group, or its subsidiaries in respect of acquiring 51% of the issued share capital of Direct Logistics Co., Ltd. which falls due after 31 December 2021) does not become payable (whether because the relevant financial thresholds are not met at the relevant times for them to be met, or otherwise), the Taiwan Purchaser shall pay to the Taiwan Seller an amount equal to the amount of the residual deferred consideration that does not become payable. Such payment shall be made by telegraphic transfer within 10 business days after such date on which the amount of residual deferred consideration (the portion of the deferred consideration in the amount of NTD65,634,010 (equivalent to approximately HK\$17.7 million) which falls due after 31 December 2021) is finally determined in accordance with the terms of the deferred consideration.

Indemnity

Pursuant to the Taiwan Business Sale Agreement, the Company and Taiwan Seller will jointly and severally indemnify the Taiwan Purchaser for all losses and damages suffered (whether directly or indirectly) as a result of or arising in connection with (i) any breach by the Company or the Taiwan Seller of the representations and warranties under the Taiwan Business Sale Agreement, (ii) any contingent or undisclosed liabilities of any member of the Taiwan Target Companies and their subsidiaries arising from the conduct of their business prior to the closing of the Taiwan Business Sale Agreement (whether material or not, subject to and excluding matters disclosed or has otherwise been disclosed to the Taiwan Purchaser in writing), and (iii) any breach by the Taiwan Seller or the Company of their obligations under the Taiwan Business Sale Agreement.

The Company and the Taiwan Seller will jointly and severally indemnify and at all times keep indemnified (on a full indemnity basis) at the option of the Taiwan Purchaser, each member of the Taiwan Target Companies and their subsidiaries from and against all taxation falling on each member of the Taiwan Target Companies and their subsidiaries (insofar as the Taiwan Listco and/or its subsidiaries is/are concerned, the indemnification amount shall be pro-rated by reference to the Taiwan Purchaser's percentage economic interest in the relevant company) resulting from or by reference to gains or income earned on or before closing, and any and all taxation resulting from the receipt by such member of the Taiwan Target Companies and their subsidiaries of any amounts paid by the Taiwan Seller or its subsidiaries under the Taiwan Business Sale Agreement, and any and all costs reasonably incurred in connection with settlement of claim, legal proceedings or the enforcement of such settlement or judgement.

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The maximum aggregate liability of the Company and Taiwan Seller (together and not severally) in respect of all indemnification (other than the tax indemnity) shall not exceed the aggregate consideration payable by the Taiwan Purchaser to the Taiwan Seller under the Taiwan Business Sale Agreement; and the maximum aggregate liability of the Company and the Taiwan Seller under the Taiwan Business Sale Agreement shall not exceed the aggregate consideration payable by the Taiwan Purchaser to the Taiwan Seller under the Taiwan Business Sale Agreement plus the outstanding amount of bank loans (as defined in the Taiwan Business Sale Agreement) less the aggregate amount of unencumbered cash sitting on the accounts of each member of the Taiwan Pure Holding Companies, in each case as at closing.

Neither the Taiwan Seller nor the Company shall be liable in respect of any claim for breach of the terms of the Taiwan Business Sale Agreement and/or indemnity claim unless aggregate amount of claims at any time made by the Taiwan Purchaser and/or Kerry Holdings shall exceed NTD5,000,000 (equivalent to approximately HK\$1,350,000), in which case the Company and the Taiwan Seller shall be liable for the whole amount.

Guarantee

In consideration of the Taiwan Seller and the Company (and each of them) agreeing to enter into the Taiwan Business Sale Agreement, Kerry Holdings agrees to unconditionally and irrevocably guarantee to the Taiwan Seller and the Company (and each of them) due and punctual performance and discharge by the Taiwan Purchaser of all its obligations and liabilities under the Taiwan Business Sale Agreement or arising out of or in connection with the Taiwan Business Sale Agreement.

In consideration of Kerry Holdings and the Taiwan Purchaser (and each of them) agreeing to enter into the Taiwan Business Sale Agreement, the Company agrees to unconditionally and irrevocably guarantee to the Taiwan Purchaser and Kerry Holdings (and each of them) the due and punctual performance and discharge by the Taiwan Seller of all of its obligation and liabilities under the Taiwan Business Sale Agreement or arising out of or in connection the Taiwan Business Sale Agreement.

Financial information of the Taiwan Target Companies

The unaudited combined net asset value of the Taiwan Target Companies as at 31 December 2020, and the unaudited combined profit and loss of the Taiwan Target Companies for the two years ended 31 December 2019 and 31 December 2020, respectively are set out in the following table:

	(HK\$)
Combined net asset value as at 31 December 2020 ⁽¹⁾	1,206,627,000
Combined net profit before taxation for year ended 31 December 2019	430,601,000
Combined net profit after taxation for year ended 31 December 2019 attributable to the Taiwan Seller	147,981,000
Combined net profit before taxation for year ended 31 December 2020	560,237,000
Combined net profit after taxation for year ended 31 December 2020 attributable to the Taiwan Seller	223,286,000

Note:

- (1) Pursuant to the Taiwan Business Sale Agreement, net asset value is defined as total assets including, without limitation, any goodwill debited to reserves (acquisition reserves) less total liabilities and non-controlling interests.

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The unaudited combined net profit before taxation and net profit after taxation attributable to the Taiwan Seller for the two years ended 31 December 2019 and 31 December 2020 have been prepared by combining the unaudited historical financial information of the Taiwan Target Companies on the basis that the Taiwan Target Companies are controlled by the Group, which is consistent in all material respects with the accounting policies adopted by the Directors and used in the preparation of the consolidated financial statements of the Group for the year ended 31 December 2019 and 2020, respectively.

The disclosure of unaudited net profits of the Taiwan Target Companies for the two financial years immediately preceding the transaction (the “**Required Taiwan Financial Information**”) constitutes a profit forecast under Rule 10 of the Takeovers Code and is required to be reported on by both the Company’s financial adviser and auditors in accordance with Rule 10.4 of the Takeovers Code. Please refer to Appendix IV and Appendix V for the respective letters issued by Somerley and the reporting accountants of the Company on the reporting on of the Required Taiwan Financial Information.

Financial effects of the Taiwan Business Sale on the Group

Taking into consideration the net proceeds from the Taiwan Business Sale of approximately NTD4.5 billion (equivalent to approximately HK\$1.2 billion) and combined net asset value⁽¹⁾ of the Taiwan Business as at 31 December 2020, it is expected that the Taiwan Business Sale will not result in any changes to the retained earnings of the Group given the gain on disposal of the Taiwan Business to be recognised in the profit or loss will be set off by the transfer of acquisition reserves (which is the goodwill arose when the Company increased its equity interests in the Taiwan Listco and the Taiwan Unlisted Business Companies) to the retained earnings upon the completion of the Taiwan Business Sale. The aforesaid estimation is for illustrative purposes only and does not purport to represent how the financial position of the Group will be after the closing of the Taiwan Business Sale.

The Taiwan Target Companies will no longer be subsidiaries of the Company and Kerry Logistics Services Limited following the Taiwan Business Sale.

Proceeds

The proceeds from the Taiwan Business Sale, being the USD equivalent of NTD4.5 billion (equivalent to approximately HK\$1.2 billion) (subject to audited completion accounts adjustments and post-closing adjustments) are expected to be retained by the Company to support the ongoing growth and development of the Group.

Reasons for and benefits of entering into the Taiwan Business Sale Agreement

Due to foreign investment restrictions, the Offeror is restricted from indirectly acquiring interests in Taiwan businesses. The Taiwan Business Sale Agreement is therefore essential to facilitate the Partial Offer and acquisition of interests in the Company by the Offeror. Given the reasons for and benefits of the Partial Offer, the Board (including the members of the LR Independent Board Committee and the Code Independent Board Committee whose views have been set out in the circular after considering the advice of Somerley) considers that the Taiwan Business Sale is in the interests of the Company and its Shareholders as a whole.

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Further, the Taiwan Business Sale presents itself as a good opportunity for the Company to refocus its resources on developing key markets and capture business growth which may arise in the longer run. Accordingly, the Directors (including the members of the LR Independent Board Committee and the Code Independent Board Committee whose views have been set out in this circular after considering the advice of Somerley) consider that the Taiwan Business Sale Agreement is on normal commercial terms, which are fair and reasonable so far as the Independent Shareholders are concerned, and (although not entered into in the ordinary and usual course of business of the Group) are in the interests of the Company and its Shareholders as a whole.

Listing Rules implications

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Taiwan Business Sale Agreement is 5% or more but less than 25%, the Taiwan Business Sale Agreement constitutes a discloseable transaction of the Company under the Listing Rules and would therefore be subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As Kerry Holdings is a controlling Shareholder and a connected person of the Company, the Taiwan Business Sale Agreement also constitutes a connected transaction of the Company under the Listing Rules and would be subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Takeovers Code implications

The Taiwan Business Sale Agreement constitutes a special deal in relation to the Partial Offer under Note 4 to Rule 25 of the Takeovers Code. An application has been made by the Company to the Executive for consent to proceed with the Taiwan Business Sale Agreement. Such consent, if granted, is expected to be subject to (i) the opinion of Somerley that the Taiwan Business Sale Agreement are fair and reasonable; and (ii) the approval of the Taiwan Business Sale Agreement by the Independent Shareholders by way of poll at the SGM. Somerley has stated in this circular its opinion on whether the terms of the Taiwan Business Sale Agreement are fair and reasonable so far as the Independent Shareholders are concerned.

BRAND LICENCE AGREEMENTS

On 25 March 2021 (after trading hours), in connection with the Partial Offer and the Option Offer, each of the Company and KE Thailand entered into the respective Brand Licence Agreements. The principal terms of the Brand Licence Agreements are set out below:

Date

25 March 2021

Principal terms of each Brand Licence Agreement

1. *Company Brand Licence Agreement*

Parties

- (i) The Company (as a licensee); and

- (ii) Kuok Registrations Limited, a fellow subsidiary of Kerry Holdings (as the Licensor).

Subject Matter

By the Prior Company Brand Licence Agreement, the Company has been granted the right to use and to sub-license to its subsidiaries the right to use the Kerry Names and Kerry Trademarks. Pursuant to the Company Brand Licence Agreement, the parties agreed that the Prior Company Brand Licence Agreement shall be terminated as of the Effective Time and that all sub-licences granted shall be deemed terminated automatically and simultaneously.

In order to ensure there will be continuity in the right to use and to sub-license the right to use the Kerry Names and Kerry Trademarks, the Licensor agreed to grant to the Company (i) a limited, non-exclusive, non-assignable and revocable licence for the relevant Kerry Trademarks, and a limited, non-exclusive, non-assignable and revocable right to use the Kerry Names, in both cases in relation to certain permitted purposes and territories as set out in the Company Brand Licence Agreement; and (ii) a right to grant sub-licences to certain existing sub-licensees and, subject to the Licensor's prior written consent (such consent not to be unreasonably withheld or delayed), a right to sub-license additional sub-licences to its subsidiaries.

2. *KE Thailand Brand Licence Agreements*

Parties

- (i) KE Thailand, the Company's Thailand-listed subsidiary (as a licensee); and
- (ii) Kuok Registrations Limited, a fellow subsidiary of Kerry Holdings (as the Licensor).

Subject Matter

By the Prior KE Thailand Brand Licence Agreement, KE Thailand has been granted the right to use and to sub-license to its subsidiaries the right to use the Kerry Express Names and Kerry Express Trademarks.

As the Licensor is entitled to terminate the Prior KE Thailand Brand Licence Agreement in the event Kerry Group Limited and its subsidiaries (as defined in the Prior KE Thailand Brand Licence Agreement) ceases to hold, control and own 30% or more of the voting rights in KE Thailand, which will be triggered as a result of the Partial Offer, the parties entered into the KE Thailand Brand Licence Agreement in order to enable KE Thailand to continue to use the Kerry Express Names and Kerry Express Trademarks on the terms and conditions as set out in the KE Thailand Brand Licence Agreement.

Pursuant to the KE Thailand Brand Licence Agreement, the Licensor and KE Thailand agreed to terminate the Prior KE Thailand Brand Licence Agreement as of the Effective Time and that all sub-licences granted shall be deemed terminated automatically and simultaneously. In order to ensure there will be continuity in the right to use and to sub-license the right to use the Kerry Express Names and Kerry Express Trademarks, the Licensor agreed to grant to KE Thailand (i) a limited, exclusive, non-assignable and revocable licence for the relevant Kerry Express Trademarks, and a limited, non-exclusive, non-assignable and revocable right to use the

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Kerry Express Names, in both cases in relation to certain permitted purposes in Thailand as set out in the KE Thailand Brand Licence Agreement; and (ii) a right to grant sub-licences to such existing sub-licensees and, subject to the Licensor's prior written consent (such consent not to be unreasonably withheld or delayed), a right to sub-license additional sub-licences to its subsidiaries.

Other general principal terms of each Brand Licence Agreement

Term

Subject to fulfilment of the conditions (details of which are set out below), the Company Brand Licence Agreement shall take effect at the Effective Time and shall unless terminated earlier, remain valid and continue to be in effect until the third anniversary of the Effective Time. The Company and the Licensor may have the option to renew the Company Brand Licence Agreement for such period and on such terms as the parties may agree.

Subject to fulfilment of the conditions (details of which are set out below), the KE Thailand Brand Licence Agreement shall take effect at the Effective Time and shall unless terminated earlier, remain valid and continue to be in effect until the third anniversary of the Effective Time and, shall be automatically extended for every three-year period unless KE Thailand elects not to extend prior to the expiry of the term, and provided that neither KE Thailand nor any of its sub-licensees is in breach of any of their representations, warranties, undertaking and obligations under the KE Thailand Brand Licence Agreement or the relevant sub-licence agreement, as the case may be.

Licence Fee

The licence fee for each of the Brand Licence Agreements is a nominal one-off amount of HK\$100. The licence fee was determined by arm's length negotiations between the parties with reference to historical licence fees and use of the licence.

Conditions

Each of the Brand Licence Agreements shall be conditional upon satisfaction of the following conditions:

- (i) consent having been obtained from the Executive to the transactions contemplated in the Brand Licence Agreements;
- (ii) the approval of the Brand Licence Agreements and the transactions contemplated under the Brand Licence Agreements by the Independent Shareholders by poll at the SGM; and
- (iii) the Partial Offer becoming or being declared unconditional in all respects;

in each case on or before 31 December 2021, or such later date as agreed by the parties thereto. If the conditions are not satisfied by such date, the Brand Licence Agreements shall automatically terminate.

For the avoidance of doubt, the Brand Licence Agreements are not conditional upon the other Special Deal Agreements becoming unconditional. Rather, the Brand Licence Agreements are conditional upon, amongst other conditions set out above, the Partial Offer becoming or being declared unconditional in all respects. In turn, it is a

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pre-condition to the Partial Offer that, amongst other terms, (i) the Warehouses Sale Pre-Conditional Conditions have been satisfied (or, where applicable, waived); (ii) the Taiwan Business Sale Pre-Conditional Conditions have been satisfied (or, where applicable, waived) and there being no event or circumstances which would render any of the Taiwan Business Sale Continuing Conditions incapable of satisfaction; and (iii) the Shareholders' Agreement having become unconditional save for the condition relating to the Partial Offer becoming or being declared unconditional in all respects.

As at the Latest Practicable Date, none of the conditions to the Brand Licence Agreements becoming effective had been fulfilled.

Termination

The Licensor shall have the right to terminate a Brand Licence Agreement with immediate effect after giving 30 days written notice if in the sole opinion of the Licensor, *inter alia*, the relevant licensee fails to pay any material amount due under the Brand Licence Agreement, is in breach of the respective Brand Licence Agreement or the relevant sub-licence and the breach is not capable of cure or is irremediable. The Licensor shall have the right to terminate a Brand Licence Agreement with immediate effect by giving 21 days written notice to the licensee if in the sole opinion of the Licensor, the relevant licensee is in breach of any term of the Brand Licence Agreement which is capable of remedy but fails to rectify within 14 days of receiving request from the Licensor.

The Licensor shall also be entitled to terminate a Brand Licence Agreement by giving not less than nine months' notice in writing if, *inter alia*, (i) Kerry Group Limited and its subsidiaries (as defined in the Brand Licence Agreements) cease to hold, directly or indirectly, 30% or more of the voting rights in the Company; (ii) the Offeror Parent Group ceases to control in any way, or hold, directly or indirectly, 50% or more of the voting rights in the Company; (iii) the Offeror Ultimate Controlling Shareholder ceases to have control or ownership over the Offeror Parent; (iv) Kerry Group Limited and its subsidiaries or the Offeror Parent Group or the Offeror Ultimate Controlling Shareholder enter into an agreement with a third party to sell or dispose of Shares upon completion of which (i), or (ii) or (iii) would occur.

With respect to KE Thailand Brand Licence Agreement, the Licensor may also terminate the licence agreement if (a) the Group ceases to control in any way, or to hold, directly or indirectly, 50% or more of the voting rights in KE Thailand; or (b) the Group enters into an agreement with a third party upon completion of which (a) would occur.

All sub-licences shall be automatically terminated upon termination of the relevant Brand Licence Agreement.

Guarantee and Indemnity

In consideration of the entering into of the Brand Licence Agreements, the Company and KE Thailand (as the case may be) shall guarantee the performance by the sub-licensees of all their obligations and liabilities under the respective Brand Licence Agreements. The Company and KE Thailand (as the case may be) under the Brand Licence Agreements also agree to indemnify the Licensor, Kerry Group Limited and its respective subsidiaries (as defined in the Brand Licence Agreements) against any loss or liabilities arising from a breach of the respective Brand Licence Agreements by the licensee or any of the sub-licensees and/or anyone associated or affiliated with them in relation to the use of the Kerry Trademarks, the Kerry Names, the Kerry Express Trademarks and the Kerry Express Names (as the case may be) or otherwise arising out of or in relation to the respective Brand Licence Agreements.

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Historical transaction amounts

No amount was payable by the Group for the use of the Kerry Trademarks and Kerry Names for the years ended 31 December 2018, 2019 and 2020.

No amount was payable by the Group for the use of the Kerry Express Trademarks and Kerry Express Names for the years ended 31 December 2018 and 2019 and HK\$100 was paid by KE Thailand for the use of Kerry Express Trademarks and Kerry Express Names for the year ended 2020.

Reasons of and benefits for entering into the Brand Licence Agreements

The Group have adopted the Kerry Trademarks and the Kerry Names across all the international markets in which the Company operates. As the Controlling Shareholders are expected to continue to be involved in the Company as significant Shareholders (i.e., in excess of 30%) after the completion of the Partial Offer and in order for the Company to continue to retain a clear brand identity and culture, the Company has requested the ongoing use of the Kerry Trademarks and the Kerry Names. KE Thailand and its subsidiary have adopted the Kerry Express Trademarks and Kerry Express Names in Thailand and in connection with the Partial Offer, KE Thailand has requested the ongoing use of the Kerry Express Trademarks and Kerry Express Names. The Directors (including the members of the Code Independent Board Committee whose views have been set out in this circular after considering the advice of Somerley) believe that the Brand Licence Agreements are fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and its Shareholders as a whole.

Listing Rules implications

As the Licensor is a fellow subsidiary of Kerry Holdings (which in turn is the Controlling Shareholder) and a connected person of the Company, the Brand Licence Agreements constitute continuing connected transactions of the Company under the Listing Rules. As the licence fee is nominal, the aggregate amounts to be paid by the Company and KE Thailand (as the case may be) to the Licensor under the Brand Licence Agreements will not be, on an annual basis, more than the *de minimis* threshold of 0.1% during the term of the Brand Licence Agreements. The Brand Licence Agreements would therefore be fully exempt from the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Takeovers Code implications

The Brand Licence Agreements constitute a special deal in relation to the Partial Offer under Rule 25 of the Takeovers Code and requires the consent of the Executive. An application has been made by the Company to the Executive for its consent to proceed with the Brand Licence Agreements. Such consent, if granted, is expected to be subject to (i) the opinion of Somerley that the terms of the Brand Licence Agreements are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the approval of the Brand Licence Agreements by the Independent Shareholders by way of poll at the SGM.

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SHAREHOLDERS' AGREEMENT AND THE PROPOSED AMENDMENTS TO THE COMPANY'S BYE-LAWS

As disclosed in the Joint Announcement, the Offeror and the Offeror Parent have entered into the Shareholders' Agreement with Kerry Holdings and Kerry Properties regarding certain corporate governance matters in relation to the Company. The principal terms of the Shareholders' Agreement, including the Board composition, reserved matters, business arrangements and public float, have been disclosed in the Joint Announcement and are set out below:

Board composition

For so long as Kerry Holdings and its associated companies in aggregate legally and beneficially hold 10% or more of the total issued share capital of the Company, the Offeror Parent shall procure that the Offeror shall, and each of the Offeror, Kerry Holdings and Kerry Properties (acting severally) shall, and shall procure that any of its associated companies which holds Shares will, exercise their respective voting power in the Company to procure that the Board shall comprise eleven Directors, including (i) seven Directors (excluding INEDs), of whom four shall be nominated by the Offeror, two shall be nominated by Kerry Holdings and one shall be nominated by Kerry Properties, and (ii) four INEDs, of whom three shall be nominated by the Offeror and one shall be nominated by Kerry Holdings, provided that if either Kerry Holdings or Kerry Properties does not exercise its right to nominate one or more Directors, the other shall be entitled to nominate the relevant number of Directors in its place so long as it or its associated company is still a Shareholder.

For so long as Kerry Holdings and its associated companies in aggregate legally and beneficially hold 5% or more but less than 10% of the total issued share capital of the Company, the Offeror Parent shall procure that the Offeror shall, and each of the Offeror, Kerry Holdings and Kerry Properties (acting severally) shall, and shall procure that any of its associated companies which holds Shares will, exercise its voting power in the Company to procure that one Director shall be nominated by Kerry Holdings, provided that if Kerry Holdings does not exercise its right to nominate such Director, Kerry Properties shall be entitled to nominate such Director so long as it is still a Shareholder.

In the event that Kerry Properties ceases to be an associated company of Kerry Holdings, it shall cease to be entitled to nominate any Directors and any such nomination rights shall be exercisable by Kerry Holdings in its place.

The parties to the Shareholders' Agreement shall determine in good faith an appropriate composition of any committee of the Board in a manner consistent with the principles outlined above.

Reserved matters

The Offeror Parent shall procure that the Offeror shall, and each of the Offeror, Kerry Holdings and Kerry Properties (acting severally) shall, and shall procure that any of its associated companies which holds Shares will, vote its Shares and (so far as practicable, and so far as it lawfully can) take all reasonable actions necessary (including to procure amendments of the Bye-laws) to ensure that none of the reserved matters are undertaken by the Company or, where applicable, any member of the Group without the prior approval of Directors representing two-thirds or more in number of the Directors in attendance and entitled to vote at the relevant Board meeting. These reserved matters comprise any change to the issued share capital or the creation or issue of any Shares or any

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other security convertible into Shares or the grant of any option or rights to subscribe for or to convert any instrument into such Shares, and any acquisition (or a series of related acquisitions) by the Company or any member of the Group with a value of HK\$3 billion or more. The restriction on the Company undertaking such reserved matters without the approvals described above shall terminate immediately if and from the time that Kerry Holdings, Kerry Properties and their respective associated companies in aggregate cease to legally and beneficially hold 10% or more of the total issued share capital in the Company.

Business arrangements

Subject to the Offeror Parent obtaining requisite corporate approvals (or shareholders' approvals and/or regulatory approvals, if applicable) and (1) the Offeror Parent Group and (2) Kerry Holdings and Kerry Properties (and their respective associated companies) legally and beneficially hold not less than 50% and 30%, respectively, of the Shares, the Offeror and the Offeror Parent agree to procure that the Offeror Parent Group carries out its logistics businesses outside Greater China through the Group, subject to the followings: (i) any international freighter operations are excluded; (ii) consent from relevant partners of certain joint venture businesses; and (iii) no existing contracts (as at the date of the Shareholders' Agreement) of the Offeror Parent Group would be breached as a result. The Offeror Parent Group will be free to pursue any new business opportunities which the Group elects not to pursue.

The parties also agree that arrangements will be made between the Offeror Parent and the Group in relation to their businesses in Mainland China in order to better align their respective business and to optimally realise synergies.

The Shareholders' Agreement is conditional upon the Independent Shareholders' approval for the purposes of the Takeovers Code and the Partial Offer becoming or being declared unconditional in all respects. If the Shareholders' Agreement becomes unconditional, it will become effective at the Effective Time.

For the avoidance of doubt, the Shareholders' Agreement is not conditional upon the other Special Deal Agreements becoming unconditional. Rather, the Shareholders' Agreement is conditional upon, amongst other conditions set out above, the Partial Offer becoming or being declared unconditional in all respects. In turn, it is a pre-condition to the Partial Offer that, amongst other terms, (i) the Warehouses Sale Pre-Conditional Conditions have been satisfied (or, where applicable, waived); (ii) the Taiwan Business Sale Pre-Conditional Conditions have been satisfied (or, where applicable, waived) and there being no event or circumstances which would render any of the Taiwan Business Sale Continuing Conditions incapable of satisfaction; and (iii) the Brand Licence Agreements having become unconditional save for the condition relating to the Partial Offer becoming or being declared unconditional in all respects.

As at the Latest Practicable Date, none of the conditions to the Shareholders' Agreement becoming effective had been fulfilled.

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In view of the Shareholders' Agreement, the Board proposes to make certain corresponding amendments to the Bye-laws. The Board proposes to seek the approval of the Shareholders at the SGM with respect to such amendments to the Bye-laws, which shall take effect from the Effective time, in order to align and facilitate the arrangements regarding Board composition and reserved matters under the Shareholders' Agreement. Please refer to Appendix VI for the particulars of the proposed amendments to the Bye-laws (marked to show changes to the existing Bye-laws).

The legal advisers to the Company as to Hong Kong laws and Bermuda laws have confirmed that the proposed amendments comply with the requirements of the Listing Rules and the applicable laws of Bermuda, respectively. The Company confirms that there is nothing unusual about the proposed amendments for a company listed on the Stock Exchange.

Takeovers Code implications

The Shareholders' Agreement constitutes a special deal in relation to the Partial Offer under Rule 25 of the Takeovers Code and requires the consent of the Executive. An application has been made by the Offeror to the Executive for its consent to proceed with the Shareholders' Agreement. Such consent, if granted, is expected to be subject to (i) the opinion of Somerley that the terms of the Shareholders' Agreement are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the approval of the Shareholders' Agreement by the Independent Shareholders by way of poll at the SGM.

FRAMEWORK SERVICES AGREEMENT

On 25 March 2021 (after trading hours), the Company and Kerry Holdings entered into Framework Services Agreement. On 30 April 2021, the Company and Kerry Holdings further entered into an amendment agreement to update the annual caps to those set out below. The principal terms of the Framework Services Agreement are set out below:

Date

25 March 2021 (as amended on 30 April 2021)

Parties

- (i) the Company; and
- (ii) Kerry Holdings.

Subject Matter

Pursuant to the Framework Services Agreement:

- (i) the Group agreed to provide in places outside Taiwan services including delivery and transportation services, local courier services, freight services, freight agency services, insurance brokerage and related services, catering services and services relating to management and operation of warehouse facilities

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(including building management, leasing and licensing management, warrant operations, IT support, human resources, administration and related services, and excluding the Warehouses Management Services to be provided pursuant to the Warehouses Management Agreements) to the Relevant Kerry Holdings Group on normal commercial terms and on an arm's length basis, or on terms no less favourable than those available to each of the Relevant Kerry Holdings Group and the Group from independent third parties;

- (ii) the Relevant Kerry Holdings Group agreed to lease the Leased Properties to the Group on normal commercial terms and on an arm's length basis, or on terms no less favourable than those available to each of the Relevant Kerry Holdings Group and the Group from independent third parties; and
- (iii) the Relevant Kerry Holdings Group agreed to provide services in and/or from Taiwan including land transportation, other logistics services; freight services, freight agency services and other logistics services; and warehousing services to the Group on normal commercial terms and on an arm's length basis, or on terms no less favourable than those available to each of the Relevant Kerry Holdings Group and the Group from independent third parties.

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

Conditions

The Framework Services Agreement shall be conditional upon satisfaction of the following conditions:

- (i) consent having been obtained from the Executive to the transactions contemplated under the Framework Services Agreement;
- (ii) passing by the Independent Shareholders of an ordinary resolution to approve the Framework Services Agreement and the transactions contemplated under the Framework Service Agreement at the SGM as may be required pursuant to Chapters 14 and 14A of the Listing Rules and the Takeovers Code; and
- (iii) the Partial Offer becoming or being declared unconditional in all respects.

For the avoidance of doubt, the Framework Services Agreement is not conditional upon the other Special Deal Agreements becoming unconditional, nor is the Partial Offer conditional upon the Framework Services Agreement becoming effective.

As at the Latest Practicable Date, none of the conditions to the Framework Services Agreement becoming effective had been fulfilled.

Pricing policies

Pursuant to the Framework Services Agreement, the pricing of each of the transactions entered into under the Framework Services Agreement shall be determined by the parties at the time of entry into the relevant agreements

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for such transactions with reference to the applicable market practice and value, with reference to any relevant rules and regulations being effective at the time.

With respect to the services to be provided by the Group to Relevant Kerry Holdings Group:

- (i) in relation to logistics and freight services (that are, delivery, transportation, local courier, freight, freight agency and catering services), the service fee shall be determined by the Parties at the time of entry into the relevant subsequent agreement with reference to the weight and type of cargo, mode of shipment, freight rate of the carrier, type of storage space required and the prevailing market service fees charged by independent third party logistics and freight services providers at the relevant time for comparable services. In the course of providing such services, the Group does not treat the Relevant Kerry Holdings Group differently from other independent third party customers, and the Group would customarily compare the prevailing market services fees charged by two or three independent third party logistics and freight services providers at the relevant time before fixing the final fee with the customer (including the Relevant Kerry Holdings Group);
- (ii) in relation to insurance brokerage and related services, the service fee shall be determined by the Parties at the time of entry into the relevant subsequent agreement with reference to the prevailing market insurance brokerage fees charged by independent third party insurance companies at the relevant time for comparable types of insurance. The Group would customarily compare the prevailing market services fee charged by two or three independent third party insurance brokerage services providers at the relevant time before fixing the final brokerage fee with the customer (including the Relevant Kerry Holdings Group); and
- (iii) in relation to services relating to management and operation of warehouse facilities (that is, building management, leasing and licensing management, warrant operations, IT support, human resources, administration and related services), the service fee shall be determined by the Parties at the time of entry into the relevant subsequent agreement with reference to the type, size and location of the premises, the relevant party/customers' specific requirements and the prevailing market service fees charged by independent third party warehouse services providers at the relevant time for comparable services. The Group will compare the prevailing market service fees charged by two or three independent third party warehouse services providers at the relevant time before fixing the final service fee with the Relevant Kerry Holdings Group.

With respect to the Leased Properties to be leased by Kerry Holdings to the Group, the rental shall be determined by the parties at the time of entry into the relevant subsequent agreements with reference to the prevailing market rent offered by independent third parties at the relevant time for comparable properties in the nearby area. The Group will obtain quotes from independent third party property agents in respect of two or three comparable properties in the nearby area.

With respect to the services to be provided by Kerry Holdings to the Group:

- (i) in relation to transportation and freight services (that is, land transportation, freight and freight agency services, and other logistics services in and/or from Taiwan), the service fee shall be determined by the Parties at the time of entry into the relevant subsequent agreement with reference to the weight and

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type of cargo, mode of shipment, freight rate of the carrier, type of storage space required and the prevailing market service fees charged by independent third party logistics and freight services providers at the relevant time for comparable services. In the course of obtaining such services, the Group does not treat Kerry Holdings differently from other independent third party suppliers, and the Group would customarily obtain quotes from two or three third party logistics and freight services providers, in addition to the quote from Kerry Holdings, before determining which supplier to provide the relevant service; and

- (ii) in relation to warehousing services, the service fee shall be determined by the Parties at the time of entry into the relevant subsequent agreement with reference to the type, size and location of the premises, the relevant party/customers' specific requirements and the prevailing market service fees charged by independent third party warehouse services providers at the relevant time for comparable services. The warehousing services are typically provided to the Group as part of Leased Properties to be leased by Kerry Holdings to the Group. As explained above, the Group will obtain quotes from independent third party property agents in respect of two or three comparable properties in the nearby area, and such quotes would include details of warehousing services, including any relevant service fees.

Term

The Framework Services Agreement will commence on the Final Closing Date of the Partial Offer, and will expire on the third anniversary of the Final Closing Date. The Framework Services Agreement can be extended for a further term of three years with the mutual written agreement of the Company and Kerry Holdings.

Annual cap and basis for determining annual cap

The historical transactions between the Group and the Relevant Kerry Holdings Group in relation to the provision of services constitute de minimis transactions which are exempted from the annual reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. No framework agreement has been entered into between the Company and Kerry Holdings prior to the date of the Framework Services Agreement. Upon completion of the Warehouses Sale Agreement and the Taiwan Business Sale Agreement, the provision of logistics related services and services relating to management and operation of warehouse facilities will be expanded to the Relevant Kerry Holdings Group following the Kerry Holdings Group's acquisition of the Target Warehouses Companies and the Taiwan Target Companies.

The Company proposes to set the aggregate annual caps for the amounts payable by the Group to the Relevant Kerry Holdings Group for the period from the Final Closing Date until 31 December 2021, each of the financial years ending 31 December 2022 and 2023, and the period from 1 January 2024 to the third anniversary of the Final Closing Date to be no more than HK\$1,863.6 million, HK\$2,162.5 million and HK\$1,062.2 million and HK\$1,149.7 million, respectively.

The Company proposes to set the aggregate annual caps for the amounts receivable by the Group from the Relevant Kerry Holdings Group for the period from the Final Closing Date until 31 December 2021, each of the financial years ending 31 December 2022 and 2023, and the period from 1 January 2024 to the third anniversary of the Final Closing Date, to be no more than HK\$61.8 million, HK\$183.2 million, HK\$232.2 million and HK\$295.9

LETTER FROM THE BOARD

million, respectively. For the avoidance of doubt, the fees receivable by the Group for the provision of Warehouses Management Services and any amount payable under the Warehouses Management Agreements shall not be subject to the annual caps set out in the Framework Services Agreement.

The annual cap was determined with reference to the fees typically charged by independent third party providers for similar services, the total value of the right-of-use assets involved in the leasing of the Leased Properties from the Relevant Kerry Holdings Group to the Group, as well as factors including (i) historical, current and projected rental for the Leased Properties and such further premises (if any) that the Relevant Kerry Holdings Group will lease to the Group during the term of the Framework Services Agreement; (ii) the prevailing and projected market rates for rental and building management fees and fees for comparable properties in the nearby area; (iii) historical, current and projected management fees and fees for operation of warehouse facilities and warehousing services comparable to those to be provided; (iv) historical, current and projected market rates for insurance brokerages and related services for comparable insurance products comparable to those to be provided; (v) historical, current and projected rates on delivery, local courier and freight services comparable to those to be provided; and (vi) inflation and expected expansion and development of the Group's and Kerry Holdings' businesses.

The Directors (including the INEDs) considered that the annual cap and terms of the Framework Services Agreement are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

Reasons for and benefits of entering into the Framework Services Agreement

The Group operates as a leading logistics service provider in Asia principally engaged in the integrated logistics and international freight forwarding businesses. As a logistics service provider, the Group has been providing logistics related services including insurance brokerage and related services and by expanding its services to the Relevant Kerry Holdings Group, the Group is able to enhance the operational scale of the Group. In relation to the provision of services relating to management and operation of warehouse facilities, the Group can leverage on its existing set-up and resources to generate revenue.

In addition, while the Company intends to transform into an asset-light business by entering into the Warehouses Sale Agreement, the Group requires to lease additional premises for its business operations due to the continuing growth in the Group's operations in Hong Kong.

The Board considers that due to the long-term relationship between the Group and the Relevant Kerry Holdings Group, it is beneficial to the Company to enter into the Framework Services Agreement as the transactions pursuant to it will facilitate the operation and growth of the Company's business.

The Board (including the members of the LR Independent Board Committee and the Code Independent Board Committee whose views have been set out in this circular after considering the advice of Somerley) considers that the Framework Services Agreement, the annual caps and the transactions contemplated thereunder are entered into in the ordinary and usual course of business of the Group and are on normal commercial terms, or on terms no less favourable than those available to the Group from independent third parties, which are fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole, and that the annual caps for the transactions under the Framework Services Agreement are fair and reasonable.

Listing Rules implications

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the annual caps of the transactions under the Framework Services Agreement is 5% or more but less than 25%, the Framework Services Agreement constitutes a discloseable transaction of the Company under the Listing Rules and will therefore be subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As Kerry Holdings is a Controlling Shareholder and a connected person of the Company, the Framework Services Agreement also constitutes a continuing connected transaction of the Company under the Listing Rules and would be subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Takeovers Code implications

The Framework Services Agreement constitutes a special deal in relation to the Partial Offer under Note 4 to Rule 25 of the Takeovers Code and requires the consent of the Executive. An application will be made by the Company to the Executive for its consent to proceed with the Framework Services Agreement. Such consent, if granted, is expected to be subject to (i) the opinion of Somerley that the terms of the Framework Services Agreement are fair and reasonable; and (ii) the approval of the Framework Services Agreement by the Independent Shareholders by way of poll at the SGM. Somerley has stated in this circular its opinion on whether the terms of the Framework Services Agreement are fair and reasonable so far as the Independent Shareholders are concerned.

Internal control procedures in relation to continuing connected transactions

The Company has established an internal control mechanism for monitoring and reporting continuing connected transactions to ensure compliance with Chapter 14A of the Listing Rules. The finance team of the Company will monitor the continuing connected transactions by communicating regularly with the regional heads of the finance teams of the Group in respect of the terms and pricing policies of the continuing connected transactions, and collecting monthly financial data together with underlying agreements for analysis and reporting. The finance team of the Company will prepare monthly summaries and work closely with the company secretary of the Company to monitor compliance with the annual caps of the continuing connected transactions. These monthly summaries will be made available to the INEDs and the Company's auditors for review periodically, and not less than at least once during each 6-month period. The internal audit team of the Company will carry out annual assessment of the effectiveness of the internal control system.

THE BOARD

Mr KUOK Khoon Hua, together with his associates, indirectly holds more than 5% of the shares in Kerry Holdings, thus having a material interest in the Special Deal Agreements. He has abstained from voting on the proposed resolutions at the Board meeting approving the Special Deal Agreements.

LETTER FROM THE BOARD

INDEPENDENT BOARD COMMITTEES

The LR Independent Board Committee was established to consider the terms of the Warehouses Sale Agreement, the Taiwan Business Sale Agreement and the Framework Services Agreement and to advise the Independent Shareholders on whether the Warehouses Sale Agreement, the Taiwan Business Sale Agreement and the Framework Services Agreement are in the interests of the Company and the Shareholders as a whole and whether the terms are fair and reasonable, on normal commercial terms, and in the interests of the Company and its Shareholders as a whole.

The LR Independent Board Committee comprises Mr YEO Philip Liat Kok and Mr ZHANG Yi Kevin, being all the INEDs other than: (i) Ms KHOO Shulamite N K who is also an independent non-executive director of Shangri-La Asia Limited which is the parent company of Shang Holdings Limited (which is a Controlling Shareholders Close Associate), and (ii) Ms WONG Yu Pok Marina who is also an independent non-executive director of Kerry Properties.

The Code Independent Board Committee was established for the purpose of making a recommendation to, among others, the Independent Shareholders as to whether the terms of the Special Deal Agreements are fair and reasonable and the voting action that should be taken.

The Code Independent Board Committee comprises Mr YEO Philip Liat Kok and Mr ZHANG Yi Kevin, being all the INEDs other than: (i) Ms KHOO Shulamite N K who is also an independent non-executive director of Shangri-La Asia Limited which is the parent company of Shang Holdings Limited (which is a Controlling Shareholders Close Associate), and (ii) Ms WONG Yu Pok Marina who is also an independent non-executive director of Kerry Properties. Ms TONG Shao Ming, being the non-executive Director, is also an investment director of Kerry Holdings and is therefore not on the Code Independent Board Committee given the conflicts of interest in respect of the Special Deal Agreements.

INDEPENDENT FINANCIAL ADVISER

Somerley Capital Limited has been appointed to advise the Independent Board Committees and the Independent Shareholders in relation to, among others, the Special Deal Agreements.

INFORMATION ABOUT THE GROUP AND THE COUNTERPARTIES TO THE SPECIAL DEAL AGREEMENTS

Information about the Group

The Group's core business encompasses integrated logistics, international freight forwarding and supply chain solutions. With headquarters in Hong Kong, the Group has a far-reaching global network that stretches across six continents, and includes one of the largest distribution network and hub operations in Greater China and the ASEAN region.

Information about Kerry Holdings

Kerry Holdings is incorporated in Hong Kong and is a wholly owned subsidiary of Kerry Group Limited. Kerry Holdings is an investment holding company and is a substantial shareholder of Kerry Properties, Shangri-La Asia Limited and the Company (all of which are listed in Hong Kong).

LETTER FROM THE BOARD

Each of the Warehouses Purchaser and the Taiwan Purchaser is an investment holding company incorporated in the British Virgin Islands, and is an indirect wholly-owned subsidiary of Kerry Holdings.

Each of KCC, TW, TC2, KC, FL and SS is an investment holding company incorporated in Hong Kong, and each of TC1-7A2, Warehouse Co (TC1-A) and Warehouse Co (TC1-B) is an investment holding company incorporated in the British Virgin Islands, and each of which will be an indirect wholly-owned subsidiary of Kerry Holdings following completion of the Warehouses Sale. They are the legal owners of the Target Warehouses.

Kuok Registrations Limited is a company incorporated in Samoa and is a fellow subsidiary of Kerry Holdings. It is the owner and holder of certain rights in respect of the Kerry Names, Kerry Trademarks, Kerry Express Names and Kerry Express Trademarks.

Information about Kerry Properties

Kerry Properties is incorporated under the laws of Bermuda as an exempted company with limited liability, the shares of which are listed on the Main Board of the Stock Exchange. The principal activity of Kerry Properties is investment holding and the principal activities of Kerry Properties' subsidiaries, associates and joint ventures comprise property development, investment and management in Hong Kong, Mainland China and the Asia Pacific region; hotel ownership in Hong Kong, and hotel ownership and operations in Mainland China; and integrated logistics and international freight forwarding.

Information about the Offeror

The Offeror is a company incorporated in the Cayman Islands and is wholly owned by the Offeror Parent. The Offeror Parent is a joint stock company incorporated in the PRC with limited liability and the shares of the Offeror Parent are listed on the Shenzhen Stock Exchange. The Offeror Parent is a leading integrated express logistic services provider in the PRC. As at the date of this circular, the Offeror Parent is owned as to 59.3% by the Offeror Parent Holdco which is in turn controlled by the Offeror Ultimate Controlling Shareholder as to 99.9%.

SGM AND VOTING

The SGM will be held for the purpose of considering and, if thought fit, approving the Special Deal Agreements and the proposed amendments to the Company's Bye-laws, in each case by way of poll. Any Shareholders who are involved in or interested in the Special Deal Agreements, and their respective associates (as defined in the Listing Rules) and any persons acting in concert with any Shareholders who are involved in or interested in the Special Deal Agreements are required to abstain from voting on the relevant resolutions in respect of the Special Deal Agreements at the SGM. Other than the Controlling Shareholders, the Directors (other than the INEDs) and their respective associates (as defined in the Listing Rules), none of the Shareholders is required to abstain from voting on the relevant resolutions in respect of the Special Deal Agreements at the SGM. For the avoidance of doubt, no Shareholder, including the Controlling Shareholders, the Directors and their respective associates, are required to abstain from voting on the relevant resolution in respect of amendments to the Company's Bye-laws. As at the Latest Practicable Date, the Controlling Shareholders, the Directors (other than the INEDs) and their respective associates were, in aggregate, deemed to be interested in approximately 66.53% of the total issued share capital of the Company.

LETTER FROM THE BOARD

A notice convening the SGM of the Company to be held at Orchid Room, Lower Level II, Kowloon Shangri-La, 64 Mody Road, Tsimshatsui East, Kowloon, Hong Kong at 3:15 p.m. on Wednesday, 26 May 2021 (or as soon thereafter as the annual general meeting of the Company to be held at the same place and on the same date at 2:30 p.m. shall have been concluded or adjourned) (or any adjournment thereof) to approve the matters referred to in this circular is set out on pages N-1 to N-4 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 SGM, 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 Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the SGM, i.e. by no later than 3:15 p.m. on Monday, 24 May 2021. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjourned meeting if you so wish and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

RECOMMENDATIONS

Your attention is also drawn to the letters from the Independent Board Committees set out on pages 58 to 61 of this circular, and the letter from Somerley to the Independent Board Committees and the Independent Shareholders set out on pages 62 to 118 of this circular in connection with the transactions contemplated under the Special Deal Agreements and the principal factors and reasons considered by Somerley in arriving at such advice.

The LR Independent Board Committee, having taken into account the advice of Somerley, considers that (although the Warehouses Sale Agreement and the Taiwan Business Sale Agreement are not entered into in the ordinary and usual course of business of the Group) the transactions contemplated under the Warehouses Sale Agreement, the Taiwan Business Sale Agreement and the Framework Services Agreement are in the interests of the Company and the Shareholders as a whole. The LR Independent Board Committee is also of the view that the terms of the Warehouses Sale Agreement, the Taiwan Business Sale Agreement and the Framework Services Agreement are on normal commercial terms and are fair and reasonable so far as the Shareholders are concerned.

The Code Independent Board Committee, having taken into account the advice of Somerley, considers that the transactions contemplated under the Special Deal Agreements are fair and reasonable so far as the Independent Shareholders are concerned.

The Board (including the INEDs) is of the view that the Special Deal Agreements are on normal commercial terms which are fair and reasonable so far as the Independent Shareholders are concerned, and (although the Warehouses Sale Agreement and the Taiwan Business Sale Agreement are not entered into in the ordinary and usual course of business of the Group) are in the interests of the Group and the Shareholders as a whole.

The Board (including the INEDs) recommends the Shareholders to vote in favour of the resolutions to be proposed at the SGM.

FURTHER INFORMATION

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

LETTER FROM THE BOARD

WARNING

Completion of the Partial Offer is subject to pre-conditions and conditions being satisfied (or waived) and therefore the Partial Offer may or may not become unconditional and may or may not be completed. The issuance of this circular and the entering into of the Special Deal Agreements do not in any way imply that the Partial Offer will become unconditional. Completion of the Special Deal Agreements is subject to the conditions under each of the Special Deal Agreements being fulfilled. Accordingly, the issue of this circular also does not in any way imply that the Special Deal Agreements will be completed and the transactions contemplated by the Special Deal Agreements may or may not proceed. Shareholders and prospective investors are advised to exercise caution when dealing in the Shares. Persons who are in doubt as to the action they should take should consult their professional advisers.

Yours faithfully
By Order of the Board
Kerry Logistics Network Limited
KUOK Khoon Hua
Chairman

LETTER FROM THE LR INDEPENDENT BOARD COMMITTEE



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

To the Independent Shareholders

Dear Sirs or Madams,

**(1) MAJOR TRANSACTION, CONNECTED TRANSACTION AND
SPECIAL DEAL UNDER THE WAREHOUSES SALE AGREEMENT
(2) CONTINUING CONNECTED TRANSACTION AND
SPECIAL DEAL UNDER THE WAREHOUSES MANAGEMENT AGREEMENTS
(3) DISCLOSEABLE TRANSACTION, CONNECTED TRANSACTION AND
SPECIAL DEAL UNDER THE TAIWAN BUSINESS SALE AGREEMENT
(4) CONTINUING CONNECTED TRANSACTION AND
SPECIAL DEAL UNDER THE BRAND LICENCE AGREEMENTS
(5) SPECIAL DEAL UNDER THE SHAREHOLDERS' AGREEMENT AND
PROPOSED AMENDMENTS TO THE COMPANY'S BYE-LAWS
(6) DISCLOSEABLE TRANSACTION, CONTINUING CONNECTED TRANSACTION AND
SPECIAL DEAL UNDER THE FRAMEWORK SERVICES AGREEMENT
AND
(7) NOTICE OF SPECIAL GENERAL MEETING**

3 May 2021

We refer to the circular of the Company dated 3 May 2021 (the "Circular") to the Shareholders, of which this letter forms part. Unless the context otherwise requires, terms defined in the Circular shall have the same meanings when used herein.

We have been appointed by the Board to form the LR Independent Board Committee to consider and advise the Independent Shareholders as to whether, in our opinion, the transactions contemplated under the Warehouses Sale Agreement, the Taiwan Business Sale Agreement and the Framework Services Agreement are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and whether they are in the interests of the Company and the Shareholders as a whole. The appointment of Somerley as the Independent Financial Adviser to advise you and us in this regard has been approved by us. Details of its advice, together with the principal factors and reasons taken into consideration in arriving at such advice, are set out on pages 62 to 118 of the Circular.

Your attention is also drawn to the "Letter from the Board" and "Letter from Somerley" as set out on pages 14 to 57 and pages 62 to 118 to the Circular respectively.

LETTER FROM THE LR INDEPENDENT BOARD COMMITTEE

RECOMMENDATION

Having considered the terms and conditions of the transactions contemplated under the Warehouses Sale Agreement, the Taiwan Business Sale Agreement and the Framework Services Agreement, and taking into account the independent advice from Somerley, and in particular, the principal factors and reasons considered and opinion and recommendation as set out in its letter, we are of the opinion that the terms of the transactions contemplated under the Warehouses Sale Agreement, the Taiwan Business Sale Agreement and the Framework Services Agreement (although the Warehouses Sale Agreement and the Taiwan Business Sale Agreement are not entered into in the ordinary and usual course of business of the Group) are in the interests of the Company and the Shareholders as a whole. The LR Independent Board Committee is also of the view that the terms of the transactions contemplated under the Warehouses Sale Agreement, the Taiwan Business Sale Agreement and the Framework Services Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

We recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the SGM.

Yours faithfully

For and on behalf of the LR Independent Board Committee

YEO Philip Liat Kok

ZHANG Yi Kevin

Independent non-executive Directors



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

To the Independent Shareholders

Dear Sirs or Madams,

**(1) MAJOR TRANSACTION, CONNECTED TRANSACTION AND
SPECIAL DEAL UNDER THE WAREHOUSES SALE AGREEMENT
(2) CONTINUING CONNECTED TRANSACTION AND
SPECIAL DEAL UNDER THE WAREHOUSES MANAGEMENT AGREEMENTS
(3) DISCLOSEABLE TRANSACTION, CONNECTED TRANSACTION AND
SPECIAL DEAL UNDER THE TAIWAN BUSINESS SALE AGREEMENT
(4) CONTINUING CONNECTED TRANSACTION AND
SPECIAL DEAL UNDER THE BRAND LICENCE AGREEMENTS
(5) SPECIAL DEAL UNDER THE SHAREHOLDERS' AGREEMENT AND
PROPOSED AMENDMENTS TO THE COMPANY'S BYE-LAWS
(6) DISCLOSEABLE TRANSACTION, CONTINUING CONNECTED TRANSACTION AND
SPECIAL DEAL UNDER THE FRAMEWORK SERVICES AGREEMENT
AND
(7) NOTICE OF SPECIAL GENERAL MEETING**

3 May 2021

We refer to the circular of the Company dated 3 May 2021 (the "Circular") to the Shareholders, of which this letter forms part. Unless the context otherwise requires, terms defined in the Circular shall have the same meanings when used herein.

We have been appointed by the Board to form the Code Independent Board Committee to consider and advise the Independent Shareholders as to whether, in our opinion, the transactions contemplated under each of the Special Deal Agreements are fair and reasonable so far as the Independent Shareholders are concerned. The appointment of Somerley as the Independent Financial Adviser to advise you and us in this regard has been approved by us. Details of its advice, together with the principal factors and reasons taken into consideration in arriving at such advice, are set out on pages 62 to 118 of the Circular.

Your attention is also drawn to the "Letter from the Board" and "Letter from Somerley" as set out on pages 14 to 57 and pages 62 to 118 to the Circular respectively.

LETTER FROM THE CODE INDEPENDENT BOARD COMMITTEE

RECOMMENDATION

Having considered the terms and conditions of the transactions contemplated under each of the Special Deal Agreements, and taking into account the independent advice from Somerley, and in particular, the principal factors and reasons considered and opinion and recommendation as set out in its letter, we are of the opinion that the terms of the transactions contemplated under each of the Special Deal Agreements are fair and reasonable so far as the Independent Shareholders are concerned.

We recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the SGM.

Yours faithfully

For and on behalf of the Code Independent Board Committee

YEO Philip Liat Kok

ZHANG Yi Kevin

Independent non-executive Directors

LETTER FROM SOMERLEY

Set out below is the letter of advice from Somerley Capital Limited, the independent financial adviser to the Independent Board Committees and the Independent Shareholders in respect of the Special Deal Agreements, which has been prepared for the purpose of inclusion in this circular.



SOMERLEY CAPITAL LIMITED

20th Floor
China Building
29 Queen's Road Central
Hong Kong

3 May 2021

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

Dear Sirs,

**(1) MAJOR TRANSACTION, CONNECTED TRANSACTION AND
SPECIAL DEAL UNDER THE WAREHOUSES SALE AGREEMENT**

**(2) CONTINUING CONNECTED TRANSACTION AND
SPECIAL DEAL UNDER THE WAREHOUSES MANAGEMENT AGREEMENTS**

**(3) DISCLOSEABLE TRANSACTION, CONNECTED TRANSACTION AND
SPECIAL DEAL UNDER THE TAIWAN BUSINESS SALE AGREEMENT**

**(4) CONTINUING CONNECTED TRANSACTION AND
SPECIAL DEAL UNDER THE BRAND LICENCE AGREEMENTS**

**(5) SPECIAL DEAL UNDER THE SHAREHOLDERS' AGREEMENT AND
PROPOSED AMENDMENTS TO THE COMPANY'S BYE-LAWS**

AND

**(6) DISCLOSEABLE TRANSACTION, CONTINUING CONNECTED TRANSACTION AND
SPECIAL DEAL UNDER THE FRAMEWORK SERVICES AGREEMENT**

INTRODUCTION

We refer to our appointment as independent financial adviser to advise the Independent Board Committees and the Independent Shareholders in relation to the Special Deal Agreements and the transactions contemplated thereunder. Details of each of the Special Deal Agreements are contained in the circular of the Company dated 3 May 2021 (the "**Circular**"), of which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

On 10 February 2021, the Offeror (an indirectly wholly-owned subsidiary of the Offeror Parent, namely S.F. Holding Co., Ltd.), the Company and Kerry Properties jointly announce that the financial adviser to the Offeror, on

behalf of the Offeror, subject to the satisfaction or waiver (where applicable) of the Pre-Conditions, will make a voluntary conditional partial cash offer to Shareholders to acquire 931,209,117 Offer Shares (representing approximately 51.8% of the Shares in issue as at the date of the Joint Announcement) at the Offer Price of HK\$18.80 per Offer Share. The Offeror will extend an appropriate partial offer to the Optionholders to cancel such number of Share Options representing 51.8% of the outstanding Share Options as at the Final Closing Date pursuant to Rule 13 of the Takeovers Code. In addition to the Offer Price, conditional on completion of the Warehouses Sale (which is conditional upon, amongst other conditions, the Partial Offer becoming or being declared unconditional in all respects), the Company will declare the Special Dividend of HK\$7.28 per Share. Details of the Partial Offer and the Option Offer (the “Offers”) are set out in the Joint Announcement.

In connection with the Offers, the Offeror and the Offeror Parent have entered into the Shareholders’ Agreement with Kerry Holdings and Kerry Properties regarding certain corporate governance matters. The Company has also proposed to make certain corresponding amendments to its Bye-laws. In addition, on 25 March 2021 (as amended pursuant to an amendment agreement dated 30 April 2021 for the Warehouses Management Agreements and the Framework Services Agreement), the Company and its wholly-owned subsidiaries entered into (i) the Warehouses Sale Agreement; (ii) the Warehouses Management Agreements; (iii) the Taiwan Business Sale Agreement; (iv) the Brand Licence Agreements; and (v) the Framework Services Agreement. The Special Deal Agreements are each conditional upon the Partial Offer becoming or being declared unconditional in all respects. In turn, it is a pre-condition to the Partial Offer that, amongst other terms, (i) the Warehouses Sale Pre-Conditional Conditions have been satisfied (or, where applicable, waived); (ii) the Taiwan Business Sale Pre-Conditional Conditions have been satisfied (or, where applicable, waived) and there being no event or circumstances which would render any of the Taiwan Business Sale Continuing Conditions incapable of satisfaction; (iii) the Brand Licence Agreements having become unconditional save for the condition relating to the Partial Offer becoming or being declared unconditional in all respects; and (iv) the Shareholders’ Agreement having become unconditional save for the condition relating to the Partial Offer becoming or being declared unconditional in all respects.

Each of the Special Deal Agreements constitutes a special deal in relation to the Partial Offer under Note 4 to Rule 25 of the Takeovers Code. Applications have been made by the Offeror and the Company to the Executive for consent to proceed with the Special Deal Agreements. Such consent, if granted, will be subject to (i) the opinion of the Independent Financial Adviser that the terms of each of the Special Deal Agreements are fair and reasonable; and (ii) the approval of each of the Special Deal Agreements by the Independent Shareholders by way of poll at the SGM.

In respect of the Warehouses Sale Agreement, as one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules is 25% or more but less than 75%, the Warehouses Sale Agreement constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is therefore be subject to the reporting, announcement, and shareholders’ approval requirements under Chapter 14 of the Listing Rules.

In respect of the Taiwan Business Sale Agreement, as one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules is 5% or more but less than 25%, the Taiwan Business Sale Agreement constitutes a discloseable transaction of the Company under the Listing Rules and would therefore be subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

In respect of the Framework Services Agreement, as one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the annual caps of the transactions under the Framework Services Agreement is 5% or more but less than 25%, the Framework Services Agreement constitutes a discloseable transaction of the Company under the Listing Rules and would therefore be subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

LETTER FROM SOMERLEY

As Kerry Holdings is a Controlling Shareholder and a connected person of the Company, each of the Warehouses Sale Agreement and Taiwan Business Sale Agreement also constitutes a connected transaction of the Company and the Framework Services Agreement constitutes a continuing connected transaction of the Company under the Listing Rules and would be subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

In respect of the Warehouses Management Agreements, as Kerry Holdings is a Controlling Shareholder and a connected person of the Company, the Warehouses Management Agreements also constitute continuing connected transactions under the Listing Rules. As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the annual caps of the transactions under the Warehouses Management Agreements will be more than 0.1% but all of them are less than 5%, the Warehouses Management Agreements are subject to reporting, announcement and annual review requirements but exempt from independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

In respect of the Brand Licence Agreements, as the Licensor is a fellow subsidiary of Kerry Holdings (which in turn is the Controlling Shareholder) and a connected person of the Company, the Brand Licence Agreements constitute continuing connected transactions of the Company under the Listing Rules. As the licence fee is nominal, the aggregate amounts to be paid by the Company and KE Thailand (as the case may be) to the Licensor under the Brand Licence Agreements will not be, on an annual basis, more than the *de minimis* threshold of 0.1% during the term of the Brand Licence Agreements. The Brand Licence Agreements would therefore be fully exempt from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Board currently consists of four executive Directors, one non-executive Director and four independent non-executive Directors. The LR Independent Board Committee was established to consider and advise the Independent Shareholders on the terms of the Warehouses Sale Agreement, the Taiwan Business Sale Agreement and the Framework Services Agreement. The LR Independent Board Committee comprises Mr YEO Philip Liat Kok and Mr ZHANG Yi Kevin, being all of the INEDs other than (i) Ms KHOO Shulamite N K who is also an independent non-executive director of Shangri-La Asia Limited which is the parent company of Shang Holdings Limited (which is a Controlling Shareholders Close Associate); and (ii) Ms WONG Yu Pok Marina who is also an independent non-executive director of Kerry Properties.

The Code Independent Board Committee has been established for the purpose of making a recommendation to, among other things, the Independent Shareholders as to (i) whether the terms of the Special Deal Agreements are fair and reasonable; and (ii) the voting action that should be taken. The Code Independent Board Committee comprises Mr YEO Philip Liat Kok and Mr ZHANG Yi Kevin, being all of the INEDs other than Ms KHOO Shulamite N K and Ms WONG Yu Pok Marina for the reasons set out above. Ms TONG Shao Ming, being the non-executive Director, is also an investment director of Kerry Holdings and is therefore not on the Code Independent Board Committee given the conflicts of interest in respect of the Special Deal Agreements.

LETTER FROM SOMERLEY

The Independent Board Committees have approved our appointment as the Independent Financial Adviser to advise them and the Independent Shareholders on the terms of the Special Deal Agreements.

During the past two years, we have acted as an independent financial adviser to the Company in relation to the disposal of 100% total issued share capital of two indirectly wholly-owned subsidiaries of the Company (as disclosed in the Company's circulars dated 6 May 2019). The past engagement was limited to providing independent advisory services to the Company pursuant to the Listing Rules, for which we received normal professional fee relevant to such type of engagement. Accordingly, we do not consider the past engagement would affect our independence to act as the independent financial adviser to the Company under the current engagement.

We are not associated with the Company, Kerry Properties, Kerry Holdings, the Offeror, the Offeror's controlling shareholder, parties to the Special Deal Agreements (together, the **"Parties"**) or their respective core connected persons, close associates or associates (all as defined under the Listing Rules) or any party acting, or presumed to be acting, in concert with any of them and, accordingly, are considered eligible to give independent advice on the Special Deal Agreements. Apart from normal professional fees payable to us in connection with this and similar appointments, no arrangement exists whereby we will receive any fees or benefits from the Parties, their respective substantial core connected persons, close associates or associates (all as defined under the Listing Rules) or any party acting, or presumed to be acting, in concert with any of them.

In formulating our opinion, we have reviewed, among other things, (i) the Joint Announcement; (ii) the Special Deals Announcement; (iii) the Shareholders' Agreement; (iv) the Warehouses Sale Agreements; (v) the Warehouses Management Agreement; (vi) the Taiwan Business Sale Agreement; (vii) the Brand Licence Agreements; (viii) the Framework Services Agreement; (ix) the annual reports of the Company for the years ended 31 December 2020 (the **"2020 Annual Report"**) and 31 December 2019 (the **"2019 Annual Report"**) (together, the **"Annual Reports"**); (x) the valuation report in relation to the Target Warehouses (the **"Valuation Report"**) issued by Cushman & Wakefield Limited (the **"Valuer"**), an independent property valuer appointed by the Company, as set out in appendix II to the Circular and the information as set out in the Circular. We have discussed the business and future prospects of the Group as they may be affected by the transactions contemplated under the Special Deal Agreements with the management of the Group (the **"Management"**) and we have also discussed the valuation methodology and bases and assumptions used in the Valuation Report with the Valuer. We have also performed site visits to the Warehouses.

We have relied on the information and facts supplied, and the opinions expressed, by the Directors and the Management, and have assumed that the information and facts provided and opinions expressed to us are true, accurate and complete in all material respects at the time they were made and up to the Latest Practicable Date. We have further assumed that all representations contained or referred to in the Circular are true, accurate and complete at the time they were made and at the Latest Practicable Date. Independent Shareholders will be informed as soon as practicable if we become aware of any material change to such information. We have also sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed to us. We consider that the information we have received is sufficient for us to reach our advice and recommendations as set out in this letter. We have no reason to believe that any material information has been omitted or withheld, or doubt the truth or accuracy of the information provided. We have, however, not conducted any independent investigation into the business and affairs of the Group or the Parties nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation, we have taken into account the principal factors and reasons set out below.

1. Information of the Group

(a) *Business activities of the Group*

The Group's core business encompasses integrated logistics, international freight forwarding and supply chain solutions. With headquarters in Hong Kong, the Group has a far-reaching global network that stretches across six continents, and includes one of the largest distribution network and hub operations in Greater China and the ASEAN region. In particular, the Group provides (i) integrated logistics services, including storage and value-added services, trucking and distribution, returns management and various ancillary services, primarily in Asia; (ii) leasing of warehousing space in Hong Kong; and (iii) international freight forwarding services intra-Asia and between Asia and Europe to transport cargo using air freight, ocean freight and cross-border road freight forwarding services.

(b) *Financial performance of the Group*

Set out below is a summary of the financial performance of the Group for the years ended 31 December 2020, 31 December 2019 and 31 December 2018 as extracted from the Annual Reports.

	Year ended 31 December		
	2020	2019	2018
	HK\$ (million)	HK\$ (million)	HK\$ (million)
Revenue	53,360.5	41,139.1	38,138.5
Direct operating expenses	<u>(47,187.5)</u>	<u>(35,736.6)</u>	<u>(33,382.9)</u>
Gross profit	6,173.0	5,402.5	4,755.6
Other income and net gains	257.5	199.8	176.5
Administrative expenses	<u>(3,072.5)</u>	<u>(2,841.7)</u>	<u>(2,538.3)</u>
Operating profit before gain on disposal of warehouses and fair value change of investment properties	3,358.0	2,760.6	2,393.8
Gain on disposal of warehouses	–	1,957.5	–
Change in fair value of investment properties	<u>1,069.2</u>	<u>482.9</u>	<u>1,097.9</u>

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	Year ended 31 December		
	2020	2019	2018
	HK\$ (million)	HK\$ (million)	HK\$ (million)
Operating profit	4,427.2	5,201.0	3,491.7
Finance costs	(303.1)	(358.1)	(224.2)
Share of results of associates and joint ventures	118.2	85.5	110.7
Profit before taxation	4,242.3	4,928.4	3,378.2
Taxation	(772.7)	(589.0)	(506.6)
Profit for the year	<u>3,469.6</u>	<u>4,339.4</u>	<u>2,871.6</u>
Profit for the year attributable to:			
the Shareholders	2,895.8	3,788.3	2,439.8
non-controlling interests	<u>573.8</u>	<u>551.1</u>	<u>431.8</u>
	<u>3,469.6</u>	<u>4,339.4</u>	<u>2,871.6</u>
Core net profit	1,828.4	1,374.1	1,326.3

The Group achieved a revenue of approximately HK\$41,139.1 million for the year ended 31 December 2019, representing a growth of approximately 7.9% from that for 2018. Gross margin of the Group enhanced from approximately 12.5% for the year ended 31 December 2018 by approximately 0.6% to approximately 13.1% for 2019. While the profit attributable to the Shareholders increased by approximately 55.3% from prior year to approximately HK\$3,788.3 million for the year ended 31 December 2019, the Group's core net profit, which represents the profit attributable to the Shareholders before the after-tax effect of change in fair value of investment properties, gain on disposal of warehouses, fair value change of financial instruments and impairment, only grew by approximately 3.6% to approximately HK\$1,374.1 million for 2019. The increase in profit was primarily driven by (i) business growth for the integrated logistics ("IL") segment in all major operating regions including Mainland China, Hong Kong, Taiwan and Asia; and (ii) growth of the international freight forwarding ("IFF") segment, which was partly attributable to the trade war between Mainland China and the US and resulted in frontloading by the Group's customers to get goods from Mainland China to the US.

The Group achieved a revenue of approximately HK\$53,360.5 million for the year ended 31 December 2020, representing a growth of approximately 29.7% from that for 2019. Gross margin of the Group narrowed from approximately 13.1% for the year ended 31 December 2019 by approximately 1.5% to approximately 11.6% for 2020. Profit attributable to the Shareholders decreased by approximately 23.6% from prior year to approximately HK\$2,895.8 million for the year ended 31 December 2020. However, the Group's core net profit grew by approximately 33.1% to approximately HK\$1,828.4 million for the year ended 31 December 2020 primarily due to the absence of one-off disposal gain of warehouses in 2019. The increase in core net profit was mainly driven by (i) normalised growth rate of approximately 8% for the IL segment, driven by the strong performance in Hong Kong and Taiwan; and (ii) 64% growth of the IFF segment, which was mainly driven by a high global demand for pandemic-related goods as well as production and exports from Mainland China. The US arm of the Group has recorded an increase in volume of 17%, strengthening its Trans-Pacific market position. It was the number one non-vessel operating common carrier ("NVOCC") from Thailand, Vietnam, Indonesia and Malaysia to the US, the number two NVOCC from Asia to the US for 2020.

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(c) *Financial position of the Group*

Set out below is a summary of financial position of the Group as at 31 December 2020, 31 December 2019 and 31 December 2018 as extracted from the Annual Reports.

	As at 31 December		
	2020	2019	2018
	HK\$ (million)	HK\$ (million)	HK\$ (million)
Non-current assets			
Intangible assets	4,771.9	4,764.9	4,250.9
Investment properties	11,503.2	10,308.1	11,039.0
Property, plant and equipment	11,693.2	11,343.5	10,347.0
Other non-current assets	7,200.3	5,789.0	2,511.8
	<u>35,168.6</u>	<u>32,205.5</u>	<u>28,148.7</u>
Current assets			
Accounts receivable, prepayments and deposits	12,358.6	10,149.0	9,502.9
Cash and bank balances	8,470.8	5,825.2	4,305.9
Other current assets	902.0	1,024.3	1,075.1
	<u>21,731.4</u>	<u>16,998.5</u>	<u>14,883.9</u>
Current liabilities			
Accounts payable, deposits received and accrued charges	9,269.2	7,387.8	6,795.7
Short-term bank loans and current portion of long-term bank loans	3,941.8	1,947.8	4,936.9
Other current liabilities	1,697.6	1,645.2	586.3
	<u>14,908.6</u>	<u>10,980.8</u>	<u>12,318.9</u>
Net current assets	<u>6,822.8</u>	<u>6,017.7</u>	<u>2,565.0</u>
Non-current liabilities			
Long-term bank loans	5,069.4	6,173.8	4,569.6
Other non-current liabilities	4,442.1	4,974.9	2,476.6
	<u>9,511.5</u>	<u>11,148.7</u>	<u>7,046.2</u>
Equity			
Equity and reserves attributable to the Shareholders	27,482.9	23,013.3	20,043.2
Non-controlling interests	4,997.0	4,061.2	3,624.3
	<u>32,479.9</u>	<u>27,074.5</u>	<u>23,667.5</u>

As at 31 December 2020, non-current assets of the Group amounted to approximately HK\$35,168.6 million, up approximately 9.2% from that as at 31 December 2019, of which investment properties and property, plant and equipment (the "PP&E") accounted for approximately 32.7% and 33.2% respectively. Investment properties mainly comprise warehouses and logistics centres in Hong Kong, Mainland China and Vietnam leased out by the Group for rental income. PP&E mainly consist of warehouses, port facilities, logistics centres, container depot and container terminal in Hong Kong, Mainland China, Taiwan and Asia owned by the Group for its own operations. As at 31 December 2020, the Group managed a logistics facility portfolio of approximately 74 million square feet, of which approximately 40.5% were self-owned.

The Group expanded its operational size and recorded increasing revenue and profit in recent years. The Group's cash and bank balances increased by approximately 45.4% to approximately HK\$8,470.8 million as at 31 December 2020 from that as at 31 December 2019. The Group's total bank loans also grew by approximately 11.0% amounting to approximately HK\$9,011.2 million as at 31 December 2020 from that as at 31 December 2019. As a result, the Group's gearing ratio, being total bank loans and overdrafts divided by equity attributable to the Shareholders excluding put options written on non-controlling interests, had dropped slightly to approximately 33.6% as at 31 December 2020, which was approximately 1.0% lower than that as at 31 December 2019. In particular, approximately 43.7% of the bank loans in the amount of approximately HK\$3,941.8 million were due within 12 months from 31 December 2020. The net current assets of the Group have continued to improve, which increased by approximately HK\$805.1 million or 13.4% to HK\$6,822.8 million as at 31 December 2020 from approximately HK\$6,017.7 million as at 31 December 2019.

Equity attributable to Shareholders enhanced by approximately HK\$4,469.6 million or 19.4% from approximately HK\$23,013.3 million as at 31 December 2019 to approximately HK\$27,482.9 million as at 31 December 2020. The improvement was mainly attributable to the net profit recorded during the year ended 31 December 2020.

2. The Warehouses Sale Agreement

(a) Reasons for and benefits of entering into the Warehouses Sale Agreement

In connection with the Partial Offer, the Warehouses Sale Agreement would allow the Company to reposition itself as an asset-lighter business. This will boost Shareholder returns through the crystallisation of the value of the relevant warehouses and the subsequent distribution of the sale proceeds via the Special Dividend.

We have discussed with the Management and note that the Warehouses Sale will enable the Group to become asset-light, which is in line with the business model of the Group's international competitors. Moreover, it has been the Group's stated strategy to unleash the value of its portfolio. For instance, the Group disposed of two warehouses in Hong Kong in 2019 to a subsidiary of Kerry Properties. The Warehouses Sale will provide an opportunity to unlock the value of the Target Warehouses and a significant return, through the distribution of the Special Dividend of HK\$7.28 per Share, to the Shareholders. While the Target Warehouses will be disposed of after completion of the Warehouses Sale, they will be leased back to the Group for the continuation of the Group's logistics operations through the arrangement pursuant the Framework Services Agreement. Having considered the business strategy of the Group and the proposed distribution of the Special Dividend as well as the lease back arrangement of the Target Warehouses, we are of the view that the Warehouses Sale is in line with the Group's stated strategy and will unlock the value of the Target Warehouses for a return to the Shareholders.

(b) Information of the Target Warehouses

The principal assets of the Target Warehouses Companies are the Target Warehouses, details of which are set out in the following table:

Address	The KC Target Warehouse	The TW Target Warehouse	The TC1-7A/2 Target Property	The TC1-A Target Property	The TC1-B Target Property	The TC2 Target Warehouse	The KC Target Warehouse	The FL Target Warehouse	The SS Target Warehouse
	55 Wing Kai Road, Kwai Chung, New Territories	3 Shing Yiu Street, Kwai Chung, New Territories	3 Kin Chuen Street, Kwai Chung, New Territories	3 Kin Chuen Street, Kwai Chung, New Territories	3 Kin Chuen Street, Kwai Chung, New Territories	35 Wing Kai Road, Kwai Chung, New Territories	4-6 Kwai Tai Road, Kwai Chung, New Territories	39 On Lok Mun Street, On Lok Tsuen, Failing, New Territories	2 San Po Street, Sheung Shui, New Territories
Number of storey	16	19	Unit A2, 7th floor of Block A	Whole of lower ground, ground, 2nd to 4th and 6th floors of Block A	Whole of lower ground and 2nd to 16th floors of Block B	16	16	6	6
Gross floor area ("GFA") (sq. ft.)	1,990,356	591,973	11,951	168,171	479,661	662,432	286,628	283,580	356,253
Parking spaces	The public car park on P1 to P4 accommodates 70 container parking spaces, 380 lorry parking spaces and 160 van/car parking spaces. In addition, 1 container parking space, 104 lorry parking spaces and 62 van/car parking spaces	1 container parking space, 28 lorry parking spaces and 27 van/car parking spaces	2 container parking spaces, 10 van/car parking spaces	11 lorry parking spaces and 10 van/car parking spaces	3 container parking spaces, 13 lorry parking spaces and 18 van/car parking spaces	1 container parking space, 23 lorry parking spaces and 23 van/car parking spaces	28 lorry parking spaces and 5 van/car parking spaces	2 container parking spaces, 14 lorry parking spaces and 14 van/car parking spaces	1 container parking space, 18 lorry parking spaces and 18 van/car parking spaces
Land usage	Industrial	Industrial	Industrial (Note)	Industrial (Note)	Industrial (Note)	Industrial	Industrial	Industrial	Industrial
Valuation of the Target Warehouses as at 31 March 2021 (the "Valuation Date") (HK\$ million)	5,368	1,718	522	1,432	1,636	730	720	1,002	

Note: We understand from the Valuer that the land usage has been revised to "Residential Group (E)" based on the latest town zoning plan.

Each of the Target Warehouses Companies is an indirect wholly-owned subsidiary of the Company. They are either the registered and beneficial owners of the Target Warehouses or the holding companies of the companies that directly hold and beneficially own the Target Warehouses. The Target Warehouses Companies and their subsidiaries are principally engaged in leasing of the Target Warehouses for rental income with KWHK, a wholly-owned subsidiary of the Company, acting as their leasing agent.

Set out below is the summary of audited consolidated (if applicable) financial results of the Target Warehouse Companies for the years ended 31 December 2020 and 2019:

	Warehouse Co (KCC)	Warehouse Co (TW)	Warehouse Co (TC1-7A2)	Warehouse Co (TC1-A)	Warehouse Co (TC1-B)	Warehouse Co (TC2)	Warehouse Co (KC)	Warehouse Co (FL)	Warehouse Co (SS)									
	For the year ended	For the year ended	For the year ended	For the year ended	For the year ended	For the year ended	For the year ended	For the year ended	For the year ended									
	31 December	31 December	31 December	31 December	31 December	31 December	31 December	31 December	31 December									
	2020	2019	2020	2019	2020	2019	2020	2019	2020									
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$									
	(million)	(million)	(million)	(million)	(million)	(million)	(million)	(million)	(million)									
Revenue	272.5	293.5	121.1	116.5	1.6	1.5	19.8	18.9	56.4	53.8	62.9	60.0	39.3	36.5	37.1	32.6	51.9	54.0
Direct operating expenses	(57.9)	(60.3)	(8.3)	(13.0)	-	-	(2.1)	(2.4)	(13.3)	(14.1)	(3.4)	(6.1)	(10.7)	(11.2)	(6.8)	(7.6)	(8.4)	(9.6)
Gross profit	214.6	233.2	112.8	103.5	1.6	1.5	17.7	16.5	43.1	39.7	59.5	53.9	28.6	25.3	30.3	25.0	43.5	44.4
Administrative expenses	(61.9)	(48.9)	(31.5)	(21.3)	-	-	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(9.4)	(6.7)	(9.7)	(6.5)	(11.3)	(8.0)
Increase in fair value of investment property	485.2	291.3	178.8	100.6	3.4	0.9	48.3	12.6	-	-	95.0	63.0	108.0	25.4	25.0	19.0	118.0	40.0
Other income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1.8	3.0
Finance costs	-	(1.0)	-	(3.7)	-	-	-	-	-	-	-	(1.9)	-	-	-	(2.4)	-	-
Profit before taxation	637.9	474.6	260.1	179.1	5.0	2.4	65.9	29.0	43.0	39.6	154.4	114.9	127.2	44.0	45.6	35.1	152.0	79.4
Taxation	(24.5)	(30.2)	(13.0)	(13.1)	(0.2)	(0.2)	(2.9)	(2.7)	(7.3)	(6.9)	(9.8)	(8.5)	(3.1)	(3.0)	(3.3)	(2.6)	(4.8)	(5.7)
Profit after taxation	613.4	444.4	247.1	166.0	4.8	2.2	63.0	26.3	35.7	32.7	144.6	106.4	124.1	41.0	42.3	32.5	147.2	73.7

Note: The above figures are subject to rounding adjustments.

Revenue of the Target Warehouses Companies mainly consists of rental income and carpark income. The fluctuation of revenue of the Target Warehouses Companies were mainly due to the changes in occupancy rate and adjustment to certain lettable unit rates during the year. Direct operating expenses mainly comprise repair and maintenance expenses and staff costs and administrative expenses primarily consists of the headquarter expenses such as information technology and office support charged by the Company. The majority of the Target Warehouses Companies recorded increase in fair value of its investment property (i.e. the Target Warehouses) during the financial years stated in the table above. Overall, the fluctuations in the profit after taxation for the year ended 31 December 2020 were mainly due to changes in the leasing condition of the Target Warehouses, after excluding the increase in fair value of the investment property.

Set out below is the summary of the audited consolidated (if applicable) financial position of the Target Warehouse Companies as at 31 December 2020 and 2019:

	Warehouse Co (KCC) As at		Warehouse Co (TW) As at		Warehouse Co (TC1-7A2) As at		Warehouse Co (TC1-A) As at		Warehouse Co (TC1-B) As at		Warehouse Co (TC2) As at		Warehouse Co (KC) As at		Warehouse Co (FL) As at		Warehouse Co (SS) As at	
	31 December 2020	2019	31 December 2020	2019	31 December 2020	2019	31 December 2020	2019	31 December 2020	2019	31 December 2020	2019	31 December 2020	2019	31 December 2020	2019	31 December 2020	2019
	HK\$ (million)	HK\$ (million)	HK\$ (million)	HK\$ (million)	HK\$ (million)	HK\$ (million)	HK\$ (million)	HK\$ (million)	HK\$ (million)	HK\$ (million)	HK\$ (million)	HK\$ (million)	HK\$ (million)	HK\$ (million)	HK\$ (million)	HK\$ (million)	HK\$ (million)	HK\$ (million)
Non-current assets																		
Investment properties	4,486.0	3,995.0	1,477.0	1,263.0	26.7	23.3	381.4	333.1	-	-	1,348.0	1,253.0	603.0	495.0	579.0	554.0	825.0	707.0
Property, plant and equipment	65.2	75.2	0.3	0.2	-	-	13.7	15.7	208.0	218.5	11.7	13.9	14.2	16.1	0.9	1.6	0.2	0.3
Loans to fellow subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	63.3
	4,551.2	4,070.2	1,477.3	1,263.2	26.7	23.3	395.1	348.8	208.0	218.5	1,359.7	1,266.9	617.2	511.1	579.9	555.6	825.2	770.6
Current assets																		
Amounts due from fellow subsidiaries	949.0	852.3	283.9	269.0	1.5	1.4	75.9	62.8	56.5	44.3	398.2	350.8	32.9	16.8	102.3	86.2	65.2	45.5
Cash and bank balances	0.5	1.0	-	-	3.8	2.9	-	-	-	-	2.0	1.3	0.1	-	0.1	-	2.2	2.2
Other current assets	16.3	1.1	1.7	0.3	-	-	0.4	0.4	28.9	3.0	0.8	0.2	0.3	0.3	0.4	0.3	0.1	-
	965.8	854.4	285.6	269.3	5.3	4.3	76.3	63.2	85.4	47.3	401.0	352.3	33.3	17.1	102.8	86.5	67.5	47.7

	Warehouse Co (KCC) As at		Warehouse Co (TW) As at		Warehouse Co (TC1-7A2) As at		Warehouse Co (TC1-A) As at		Warehouse Co (TC1-B) As at		Warehouse Co (TC2) As at		Warehouse Co (KC) As at		Warehouse Co (FL) As at		Warehouse Co (SS) As at	
	31 December 2020	2019	31 December 2020	2019	31 December 2020	2019	31 December 2020	2019	31 December 2020	2019	31 December 2020	2019	31 December 2020	2019	31 December 2020	2019	31 December 2020	2019
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
	(million)	(million)	(million)	(million)	(million)	(million)	(million)	(million)	(million)	(million)	(million)	(million)	(million)	(million)	(million)	(million)	(million)	(million)
Current liabilities																		
Deposits received and accrued charges	18.6	21.2	7.9	11.8	-	-	0.2	0.1	0.5	0.5	0.5	0.5	0.5	0.6	1.3	1.3	6.7	7.9
Amount due to intermediate holding companies	773.1	673.1	233.8	223.8	2.5	0.5	50.3	50.3	58.3	13.3	248.6	228.6	20.0	-	118.8	118.8	37.4	4.5
Amounts due to fellow subsidiaries	1.8	1.8	0.5	0.5	-	-	36.4	36.4	-	-	100.0	100.0	-	-	-	-	-	-
Taxation payable	1.1	24.4	2.3	16.2	-	0.3	1.0	4.5	2.6	9.6	3.2	6.4	1.3	2.9	1.3	3.0	0.6	5.1
Net current assets/(liabilities)	794.6	720.5	244.5	252.3	2.5	0.8	87.9	91.3	61.4	23.4	352.3	335.5	21.8	3.5	121.4	123.1	44.7	17.5
	171.2	133.9	41.1	17.0	2.8	3.5	(11.6)	(28.1)	24.0	23.9	48.7	16.8	11.5	13.6	(18.6)	(36.6)	22.8	30.2
Non-current liability																		
Deferred taxation	154.8	149.9	40.3	39.2	0.4	0.4	6.5	6.7	23.5	24.5	45.2	45.1	2.2	2.3	10.3	10.4	11.1	11.1
Net assets	4,567.6	4,054.2	1,478.1	1,241.0	291	26.4	377.0	314.0	208.5	217.9	1,363.2	1,238.6	626.5	522.4	551.0	508.6	836.9	789.7

Note: The above figures are subject to rounding adjustments.

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As at 31 December 2020, the consolidated (if applicable) net asset value (the "NAV") of each of the Target Warehouses Companies were as follow:

	<i>HK\$ (million)</i>
Warehouse Co (KCC)	4,567.6
Warehouse Co (TW)	1,478.1
Warehouse Co (TC1-7A2)	29.1
Warehouse Co (TC1-A)	377.0
Warehouse Co (TC1-B)	208.5
Warehouse Co (TC2)	1,363.2
Warehouse Co (KC)	626.5
Warehouse Co (FL)	551.0
Warehouse Co (SS)	836.9
	<hr/>
	10,037.9
	<hr/>

As at 31 December 2020, the assets of the Target Warehouses Companies mainly comprised the Target Warehouses and amounts due from fellow subsidiaries. The amounts due from and due to fellow subsidiaries represent the net balance due from or due to KWHK, which acts as the leasing agent of the Target Warehouses and receives rental income and makes payments on behalf of the Target Warehouses. The amounts due to intermediate holding companies represent inter-company loans. Other liabilities of the Target Warehouses Companies chiefly consisted of deposits received and accrued charges, taxation payable and deferred taxation.

(d) Principal terms of the Warehouses Sale Agreement

Set out below is the summary of the principal terms of the Warehouses Sale Agreement:

<i>Date</i>	25 March 2021
<i>Parties</i>	(i) The Company (as the vendor guarantor);
	(ii) Kerry Warehouse (HK) Holdings Limited, a wholly-owned subsidiary of the Company (as the vendor);
	(iii) Kerry Holdings (as the purchaser guarantor); and
	(iv) Urban Treasure Holdings Limited, a wholly-owned subsidiary of Kerry Holdings (as the purchaser).

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<i>Subject matter</i>	<p>The Warehouses Vendor agreed to sell and the Warehouses Purchaser agreed to purchase, all issued shares in the capital of the Target Warehouses Companies together with all rights and benefits attaching to the Target Warehouses Sale Shares (including without limitation the right to all dividends and distributions) on or after the completion date.</p> <p>Neither the Warehouses Vendor nor the Warehouses Purchaser shall be obliged to complete the sale and purchase of any Target Warehouses Sale Shares unless the sale and purchase of all of the Target Warehouses Sale Shares are completed simultaneously.</p>
<i>Consideration</i>	<p>The total consideration for the sale and purchase of the Target Warehouses Sale Shares is HK\$13,500.0 million, which shall be payable by the Warehouses Purchaser to the Warehouses Vendor by way of cashier order or solicitors' cheque at completion of the Warehouses Sale.</p> <p>The consideration was determined after arm's length negotiations between the parties, taking into account (i) the historical financial performance of the Target Warehouse Companies; (ii) the preliminary indication of value of the Target Warehouses conducted by a professional valuer which is independent from the Company and its connected persons; and (iii) the outlook for Hong Kong and demand for logistics services.</p>
<i>Consideration adjustments</i>	<p>Immediately prior to completion of the Warehouses Sale, if it is projected that the sum of the net asset value, or the consolidated net asset value, of the Target Warehouses Companies (with the book costs of the Target Warehouses and the carrying value of the other fixed assets of the Target Warehouses Companies replaced by the total consideration of HK\$13,500.0 million):</p> <ul style="list-style-type: none">(i) will be greater than the amount of the total consideration, the Warehouses Vendor shall procure that each of the Target Warehouses Companies and the other Warehouses Owners shall declare interim dividends out of retained profits to their respective shareholder(s); or(ii) will be less than the amount of the total consideration, the Warehouses Vendor shall inject such additional capital into the relevant Target Warehouses Company, thereby increasing the share capital of the relevant Target Warehouses Company or the Warehouses Owner but without issuing any new share, <p>in either case, such that as at completion, the consolidated net asset value of the Target Warehouses Companies shall be equal to the amount of the total consideration.</p>

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Conditions

Completion under the Warehouses Sale Agreement is conditional upon:

- (i) consent having been obtained from the Executive to the transactions contemplated in the Warehouses Sale Agreement and the Warehouses Management Agreements, where applicable;
- (ii) the passing of the resolution to approve the Warehouses Sale Agreement and the Warehouses Management Agreements and the transactions contemplated under the Warehouses Sale Agreement and the Warehouses Management Agreements by the Independent Shareholders of the Company at the SGM;
- (iii) no Target Warehouse having been destroyed, substantially damaged or rendered inaccessible by natural disaster, fire, explosion or other calamity or having been, for any reason, condemned, closed or declared dangerous by relevant government authorities or subject to demolition order(s) or closure order(s), and the reinstatement costs therefor exceeds HK\$5,000.0 million; and
- (iv) the Partial Offer becoming or being declared unconditional in all respects.

The condition set out in paragraph (iii) above may be waived by the Warehouses Purchaser and none of the other conditions set out above is waivable.

If the above conditions have not been satisfied or waived by the Warehouses Purchaser on or before the long stop date of the Warehouses Sale Agreement (being 31 December 2021 (or such other date as may be agreed by the Warehouses Vendor and the Warehouses Purchaser)), the Warehouses Sale Agreement shall be terminated.

Completion

If the Warehouses Sale Agreement becomes unconditional, completion thereunder shall take place on the third business day after the date on which the cheques for the Offer Price have been despatched to Shareholders under the Partial Offer.

As at the Latest Practicable Date, none of the conditions to completion under the Warehouses Sale Agreement have been fulfilled. Other major terms and conditions to the Warehouses Sale Agreement are set out in the letter from the Board contained in the Circular.

(e) The valuation of the Target Warehouses

(i) Information on the Valuer

The Target Warehouses were valued by the Valuer, an independent property valuer appointed by the Company. The full text of the valuation report of the Target Warehouses is set out in appendix II to the Circular. The valuation of the Target Warehouses as at 31 March 2021 (the "**Valuation**") of the Target Warehouses has been carried out in accordance with The HKIS Valuation Standards 2020 published by The Hong Kong Institute of Surveyors and the requirements set out in Chapter 5 of the Listing Rules.

We have reviewed the Valuation Report and certain valuation workings of the Valuer and interviewed the relevant staff of the Valuer with particular attention to: (i) the Valuer's terms of engagement with the Company; (ii) the Valuer's qualification and experience in relation to the preparation of the Valuation; and (iii) the steps and due diligence measures taken by the Valuer in performing the Valuation.

In our review of the engagement letter between the Company and the Valuer, we are satisfied that the terms of engagement between the Company and the Valuer are appropriate to the opinion the Valuer is required to give. The Valuer has confirmed that it is independent from the parties to the Warehouses Sale Agreement and their respective core connected persons, close associates and associates. We further understand that the Valuer is certified with the relevant professional qualifications required to perform the Valuation and the person-in-charge of the Valuation has over 35 years of experience in conducting valuation of properties in Hong Kong. We note that the Valuer mainly carried out its due diligence through management interviews and conducted its own proprietary research and has relied on publicly available information obtained through its own research as well as the financial information provided by the Management.

(ii) Valuation methodology

In arriving at its opinion of value, the Valuer has valued the Target Warehouses by adopting the market approach by making reference to comparable sales evidence as available in the relevant market subject to suitable adjustments between the Target Warehouses and the comparable properties including but not limited to, location, time, size, age and maintenance standard, etc.. We have discussed with the Valuer about the rationale of adopting the abovementioned valuation methodology for valuing the Target Warehouses. According to the Valuer, the market approach is the most appropriate valuation method for assessing the market value of the Target Warehouses as there is transparent and readily available market price information for warehouse properties.

After considering the reasons for the Valuer's choice of adopting the valuation methodology for valuing the Warehouses and the current status of the Target Warehouses, we are of the opinion that the valuation methodology used is reasonable and acceptable in establishing the market values of the Target Warehouses as at 31 March 2021.

(iii) Valuation bases and assumptions

In arriving at its opinion of value of the Target Warehouses, the Valuer generally starts the process by collecting and analysing the recent transactions of the market comparables located in the vicinity of the Target Warehouses. In particular, the Valuer selected market comparable transactions that (i) were located in the same district; (ii) were conducted during the month of the Valuation Date, or if not available, as close as the Valuation Date starting from around the middle of 2020. The collected comparables were then adjusted to reflect the difference between the comparables and the Target Warehouses in terms of, among others, location, time, size, age and maintenance standard. We have reviewed and discussed about the Valuer's workings on the selection of the market comparables and the relevant adjustments made. We are of the view that the basis of selection of market comparables and the

adjustments, including various factors (i.e. date of transaction, location, time, size, age and maintenance standard) taken into account, made for reflecting the difference between the selected comparables and the Target Warehouses are reasonable and relevant for the purpose of establishing the market value of the Target Warehouses. The appraised value of the Target Warehouses was then derived from the estimated average unit price (after applying the direct comparison approach) and gross floor area of the Target Warehouses.

Taking into account the above, we consider that the bases and assumptions adopted by the Valuer for the valuation methodology discussed above are reasonable and in line with market practices.

Based on the Valuation Report, the market values of the Target Warehouses as at 31 March 2021 were HK\$13,128 million. Accordingly, the total consideration for the Warehouses Sale of HK\$13,500 million represents a premium of approximately 2.8% over the amount of the Valuation. For the avoidance of doubt, the Warehouses Sale will be conducted through the sale of the Target Warehouses Sale Shares by the Warehouses Vendor and, in any event, the sum of the consolidated (if applicable) NAV of the Target Warehouses Companies shall always be equal to the amount of the total consideration of HK\$13,500 million by adjusting the consolidated (if applicable) NAV of the Target Warehouses Companies via declaration of interim dividends or injection of additional capital (as the case may be).

3. The Warehouses Management Agreements

(a) Reasons for and benefits of entering into the Warehouses Management Agreements

The Group operates as a leading logistics service provider in Asia principally engaged in the integrated logistics and international freight forwarding businesses. The Group is currently the owner of the Target Warehouses and operates at and manages these properties. Given the Target Warehouses will be disposed of to the Kerry Holdings Group after completion of the Warehouses Sale, it is considered reasonable for the Group to enter into the Warehouses Management Agreements and be retained as the Warehouses Manager owing to the Group's expertise and knowledge of logistics business operation and familiarity of the Target Warehouses. Furthermore, by leveraging on the Group's existing set-up and resources, the provision of the Warehouses Management Services will generate additional income for the Group.

(b) Principal terms of the Warehouses Management Agreements

On 25 March 2021, in connection with the Warehouses Sale, KWHK, a wholly-owned subsidiary of the Company, entered into nine Warehouses Management Agreements (as amended on 30 April 2021) with, respectively, the legal owners of the Target Warehouses to provide Warehouses Management Services for the Target Warehouses. The principal terms of the Warehouses Management Agreements are summarised below:

	KCC Warehouses Management Agreement	TW Warehouses Management Agreement	TC1-7A2 Warehouses Management Agreement	TC1-A Warehouses Management Agreement	TC1-B Warehouses Management Agreement	TC2 Warehouses Management Agreement	KC Warehouses Management Agreement	FL Warehouses Management Agreement	SS Warehouses Management Agreement
Parties	(i) KCC (as the owner) (ii) KWHK (as the Warehouses Manager)	(i) TW (as the owner) (ii) KWHK (as the Warehouses Manager)	(i) TC1-7A2 (as the owner) (ii) KWHK (as the Warehouses Manager)	(i) Warehouse Co (TC1-A) (as the owner) (ii) KWHK (as the Warehouses Manager)	(i) Warehouse Co (TC1-B) (as the owner) (ii) KWHK (as the Warehouses Manager)	(i) TC2 (as the owner) (ii) KWHK (as the Warehouses Manager)	(i) KC (as the owner) (ii) KWHK (as the Warehouses Manager)	(i) FL (as the owner) (ii) KWHK (as the Warehouses Manager)	(i) SS (as the owner) (ii) KWHK (as the Warehouses Manager)
Term	The term of each Warehouses Management Agreement is an initial term of three years commencing on the date of completion of the Warehouses Sale in respect of the corresponding Target Warehouses and, subject to the Warehouses Manager having duly performed and observed all terms and conditions of the Warehouses Management Agreements in all material respects, the term is renewable at the option of the Warehouses Manager for a further term of three years.								
Guaranteed occupancy	60%			100%					Nil
Consideration of services to be provided:									
Monthly lease management fee (Note 1)	(i) 2% of one-twelfth of the guaranteed gross revenue; and (ii) 15% of the warrant income in the preceding month in the event that the occupancy of the KCC Target Warehouse of the preceding month exceeds or is equal to 60%	2% of one-twelfth of the guaranteed gross revenue				(i) 5.5% of gross revenue; and (ii) 15% of the warrant income of the relevant preceding month			
Monthly building manager fee	10% of the actual management expenses of the preceding month	Not applicable				10% of the actual management expenses of the preceding month			
Monthly reimbursement of the estate agent commission	"At-cost basis" to the extent that occupancy of the KCC Target Warehouse exceeds or is equal to 60%	Reimbursement of the relevant Warehouses Owners' share of the estate agent commissions incurred by KWHK in respect of long leases for a term beyond the expiry of the initial management term of 3 years (if KWHK does not exercise its option to renew) or for a term beyond the expiry of the further management term of 3 years (if KWHK exercises its option to renew) entered into during the management term with the relevant Warehouses Owner's prior approval, the term of which expires after the expiry of the management term and approved by the relevant Warehouses Owner in advance on an "at-cost basis".				Monthly reimbursement of the estate agent commissions incurred by KWHK for the relevant preceding month and approved by the relevant Warehouses Owners in advance on an "at-cost basis".			

	KCC Warehouses Management Agreement	TW Warehouses Management Agreement	TC1-7A2 Warehouses Management Agreement	TC1-A Warehouses Management Agreement	TC1-B Warehouses Management Agreement	TC2 Warehouses Management Agreement	KC Warehouses Management Agreement	FL Warehouses Management Agreement	SS Warehouses Management Agreement
Guaranteed gross revenue	HK\$151,000,000	HK\$105,000,000	HK\$1,400,000	HK\$19,600,000	HK\$56,000,000	HK\$62,000,000	HK\$32,000,000	Not applicable	Not applicable
Bonus fee	If actual revenue exceeds guaranteed revenue, then the relevant Warehouses Owners shall pay to KWHK a bonus equivalent to 55% of the difference								
Outgoings and expenses (Note 2)	The relevant Warehouses Owners shall be responsible for certain outgoings and expenses in relation to maintenance and repairs of structural parts of the relevant Target Warehouses and property insurance. KWHK shall be responsible for (i) government rent and rates; (ii) management fees; (iii) fitting out costs, utility expenses and expenses for up keep of the non-structural parts of the Relevant Target Warehouses; and (iv) all other estate agent commissions except for the relevant Warehouses Owners' share as described above.								
Current property management fees	HK\$155 per sq.ft. per month	HK\$130 per sq.ft. per month	HK\$140 to HK\$150 per sq.ft. per month	HK\$140 to HK\$150 per sq.ft. per month	HK\$140 to HK\$150 per sq.ft. per month	HK\$125 per sq.ft. per month	HK\$125 per sq.ft. per month	HK\$125 per sq.ft. per month	HK\$135 per sq.ft. per month

Notes:

1. Warrant income refers to any actual income generated from warrant business operated in the respective Target Warehouses and received by the relevant Warehouses Owners.
2. KCC shall be responsible for the outgoings and expenses mentioned above as long as the occupancy of the KCC Target Warehouse is equal to or exceeds 60%. KWHK shall be responsible for up to 60% of (i) government rent and rates; (ii) management fees; (iii) fitting out costs and utility expenses and expenses for upkeep of the non-structural parts for vacant spaces; and (iv) all other estate agent commissions except for the relevant Warehouses Owners' share as described above, if the occupancy rate of KCC Target Warehouse falls below 60%.

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For the avoidance of doubt, the Warehouses Management Agreements only become effective upon completion of the Warehouses Sale. Commencement under the Warehouses Management Agreements are not otherwise subject to other conditionality, including by reference to the Partial Offer or the other Special Deal Agreements.

As at the Latest Practicable Date, the condition to the Warehouses Management Agreements becoming effective had not been fulfilled.

(i) Guaranteed occupancy and guaranteed gross revenue

Pursuant to the Warehouses Management Agreements, the Group has guaranteed certain amounts of rental income and 100% occupancy for the TW Target Warehouse, TC1-7A2 Target Property, the TC1-A Target Property, the TC1-B Target Property, the TC2 Target Warehouse, the KC Target Warehouse (together, the **"Fully Guaranteed Target Warehouses"**) and 60% occupancy for the KCC Target Warehouse (the **"Partially Guaranteed Target Warehouse"**). In view of the above, we have obtained and reviewed a breakdown of the leasing profile of the aforesaid Target Warehouses (the **"Leasing Profile"**) from the Management and we note the Company is occupying almost all floor spaces in the Fully Guaranteed Target Warehouses, except for the TW Target Warehouse where the Company only occupies approximately 30% of the floor space. That said, we note that the majority of the remaining approximately 70% of the floor space of the TW Target Warehouse has ongoing long-term lease contracts expiring in or beyond 2024. As regarding the Partially Guaranteed Target Warehouse, we note from the Leasing Profile that over 60% of floor space of the KCC Target Warehouse is currently occupied by the Group. Furthermore, we have reviewed lettable unit rates of not less than four comparable properties for each Target Warehouse and the selected comparables were either (i) units within the same Target Warehouse that are being leased to independent third parties to the Group; or (ii) nearby warehouses that are comparable in terms of size, property usage and building conditions. The comparables selected for comparison are exhaustive and representative and we note that the implied guaranteed rental rate is not higher than that of the comparable properties. Based on our discussion with the Management, since (i) the Group intends to continue occupying the aforesaid existing floor spaces in the relevant warehouses; (ii) the majority of the remaining floor spaces leased by third party tenants have long leases; and (iii) the implied guaranteed rental rate is not higher than that of comparable properties, it is considered reasonable to guarantee the occupancy and the gross revenue of the aforesaid warehouses under the Warehouses Management Agreements.

*(ii) Monthly lease management fee and monthly building manager fee (together, the **"Lease and Building Management Fees"**) and bonus fee*

As shown in the table above, the Lease and Building Management Fees include (A) the monthly lease management fee comprises (a) 2% of one-twelfth of the guaranteed gross revenue for the Fully Guaranteed Target Warehouses; (b) 2% of one-twelfth of the guaranteed gross revenue and 15% of warrant income for the Partially Guaranteed Target Warehouse (together with the Fully Guaranteed Target Warehouses, the **"Guaranteed Target Warehouses"**); and (c) 5.5% of gross revenue and 15% of the warrant income for the FL Target Warehouse and the SS Target Warehouse; (B) a monthly building manager fee of 10% of the actual management expenses for the Target Warehouses other than the

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TC1-7A2 Target Property, the TC1-A Target Property and the TC1-B Target Property; and (C) the bonus fee of 5.5% for the amount exceeding the guaranteed gross revenue for the Guaranteed Target Warehouses. In order to assess the fairness and reasonableness of the Lease and Building Management Fees, we have compared an implied Lease and Building Management Fees rate, which is determined based on actual rental revenue for the year ended 31 December 2020 and the corresponding Lease and Building Management Fees would have been generated as if the Warehouses Management Agreements have been effective, and against the property management fee of all real estate investment trusts ("REITs") listed on the Main Board of the Stock Exchange. We understand that it is common for REITs to appoint property management company to manage their portfolio properties and we consider the property management fee payable by the REITs is similar in nature to the Lease and Building Management Fees. We consider the list of selected REITs below exhaustive and representative since, save as disclosed below, other REITs did not disclose information about property management fee. Please refer to the table below for details of the comparison:

Name	Stock code	Property management fee	Bonus fee
Yuexiu Real Estate Investment Trust	405	Base fee of 2.0% on total revenue	Incentive management fee varied from 3.0% to 6.0% on gross operating profits
Sunlight Real Estate Investment Trust	435	Base fee not exceeding 3.0% per annum of the gross revenue	Not applicable
Fortune Real Estate Investment Trust	778	Base fee of 3.0% per annum of gross revenue for the provision of property management services and lease management services	Not applicable
Prosperity Real Estate Investment Trust	808	Base fee of 3.0% per annum of gross revenue for the provision of property management services and lease management services	Not applicable
Implied Lease and Building Management Fees based on actual rental revenue for the year ended 31 December 2020		Approximately 4.1%	5.5% of the amount exceeding the guaranteed gross revenue

Source: Latest annual reports of the REITs above.

According to the table above, property management fee rates of REITs listed on Main Board of the Stock Exchange ranged between 2.0% to 3.0% such that the implied Lease and Building Management Fees of approximately 4.1% is higher than the aforesaid range. In addition, since the Lease and Building Management Fees is more favourable than that of the comparables shown in the table above, it is in the Group's favour to have an additional bonus fee of 5.5% for the amount exceeding the guaranteed gross revenue as it provides an additional income for the Group. Furthermore, we have obtained from the Management a breakdown of the costs involved in operating KWHK for fulfilling its obligation as the property manager for the Target Warehouses and compared that against the implied Lease and Building Management Fees based on rental revenue for the year ended 31 December 2020 and we note that the profit margin is reasonable.

(iii) Monthly reimbursement of the estate agent commission

According to the Warehouses Management Agreements, the relevant Warehouses Owners shall reimburse the relevant share of the estate agent commissions incurred by KWHK on an "at-cost basis" and such arrangement is considered reasonable.

(iv) Outgoings and expenses

According to the Warehouses Management Agreements, the relevant Warehouses Owners shall be responsible for certain outgoings and expenses in relation to structural parts of the relevant Target Warehouses, and KWHK shall be responsible for expenses for up keep of the non-structural parts of the Relevant Target Warehouses, government rent and rates, management fees and estate agent commissions except for the relevant Warehouses Owners' share. We are of the view that this arrangement is reasonable and common in nature.

(v) Current property management fees

As shown in the table above, property management fees ranged from HK\$1.25 per sq.ft. per month to HK\$1.55 per sq.ft per month. In view of this, we have obtained property management fees charged by the Group to independent third party tenants in the relevant Target Warehouses (as applicable) and nearby comparable warehouses and we note that the aforesaid property management fees chargeable under the Warehouses Management Agreements for the relevant Target Warehouses are comparable to that of independent third party tenants in the relevant Target Warehouses (as applicable) and nearby comparable warehouses.

In view of the analysis set out above, we consider the terms of the Warehouses Management Agreements fair and reasonable so far as the Independent Shareholders are concerned.

(c) Pricing policies and internal control

Based on our discussions with the Management, the pricing of each of the transactions entered into under the Warehouses Management Agreement shall be determined by the parties at the time of entry into the relevant agreements for such transactions with reference to the applicable market practice and value, with reference to any relevant rules and regulations being effective at the time. Given that the pricing of each of the transactions entered into under the Warehouses Management Agreements will be determined with reference to the applicable market practice and the prevailing market rate charged by independent third party at the relevant time for comparable transactions, we are of the view that the pricing policies of the Warehouses Management Agreements are fair and reasonable.

(d) Annual caps

Set out below are the aggregate annual caps for the transactions under the Warehouses Management Agreements for the years ending 31 December 2021, 2022, 2023 and 2024 (the “Warehouses Management Annual Caps”):

	For the year ending 31 December			
	2021	2022	2023	2024
	HK\$	HK\$	HK\$	HK\$
	(million)	(million)	(million)	(million)
	(Note 1)			(Note 2)
Amounts payable by the Group as principal to Kerry Holdings Group	160.0	480.0	485.0	550.0
Amounts receivable by the Group from Kerry Holdings Group	11.3	37.4	41.6	47.8

Notes:

1. The cap amounts for the year ending 31 December 2021 only cover the period from the Final Closing Date to 31 December 2021.
2. The cap amounts for the year ending 31 December 2024 only cover the period from 1 January 2024 to the third anniversary of the Final Closing Date.

As stated in the letter from the Board contained in this Circular, the Warehouses Management Annual Caps were determined with reference to the management fees charged by the Group when providing warehouse management services to independent third parties, as well as factors including (i) prevailing and projected market rates for building management fees and fees for operation of the warehouse facilities; and (ii) inflation and expected expansion and development of the Group’s and Kerry Holdings’ businesses.

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In view of the above, we have obtained a breakdown from the Management regarding the components of the Warehouses Management Annual Caps as set out in the table below.

	For the year ending 31 December			
	2021	2022	2023	2024
	HK\$	HK\$	HK\$	HK\$
	(million)	(million)	(million)	(million)
	(Note 1)			(Note 2)
Amounts payable by the Group as principal to Kerry Holdings Group:				
Guaranteed gross revenue	143.0	428.0	428.0	492.0
Property management fee	17.0	52.0	57.0	58.0
	160.0	480.0	485.0	550.0
Amounts receivable by the Group from Kerry Holdings Group:				
Lease management fee	2.9	8.5	8.5	9.8
Building manager fee	2.1	7.5	8.6	9.9
Bonus fee	4.9	17.0	19.6	22.5
Contingency	1.4	4.4	4.9	5.6
	11.3	37.4	41.6	47.8

Notes:

1. The cap amounts for the year ending 31 December 2021 only cover the period from the Final Closing Date to 31 December 2021.
2. The cap amounts for the year ending 31 December 2024 only cover the period from 1 January 2024 to the third anniversary of the Final Closing Date.

(1) Amounts payable by the Group as principal to Kerry Holdings Group

For guaranteed gross revenue, it is determined based on the sum of all guaranteed rental income for the relevant Fully Guaranteed Target Warehouses and Partially Guaranteed Target Warehouses.

For the property management fee, it is noted that this sub-category of the Warehouses Management Annual Caps was determined based on the applicable property management fee rate for the relevant Target Warehouses multiplies by the relevant gross floor area of the Target Warehouses plus a 5% increment per annum to reflect the possible adjustment to the property management fee due to, among others, inflation. Based on our review of the Leasing Profile, we understand that the applicable property management fee rates ranged between HK\$1.25 per square feet and HK\$1.55 per sq. ft. per month, which are in line with the management fee rate charged to tenants of the relevant Target Warehouses that are independent third parties to the Group.

(2) Amounts receivable by the Group from Kerry Holdings Group

This sub-category of the Warehouses Management Annual Caps comprises lease management fee, building manager fee and bonus fee and they were determined based on the actual rental revenue for the year ended 31 December 2020 with an increment of 15% per annum and multiplies by the respective percentages of the Lease and Building Management Fees and bonus fee. The Company also included a contingency of approximately 13% for each item to cater for unexpected changes such as increase in rental rate.

Having considered the basis on which the Warehouses Management Annual Caps were determined as described above, we are of the view that the Warehouses Management Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned.

4. The Taiwan Business Sale Agreement

(a) Reasons for and benefits of entering into the Taiwan Business Sale Agreement

As stated in the letter from the Board contained in this Circular, due to foreign investment restrictions, the Offeror is restricted from indirectly acquiring interests in Taiwan businesses. The Taiwan Business Sale Agreement is therefore essential to facilitate the Partial Offer and acquisition of interests in the Company by the Offeror. Further, the Taiwan Business Sale presents itself as a good opportunity for the Company to refocus its resources on developing key markets and capture business growth which may arise in the longer run.

As mentioned in the Joint Announcement, the Partial Offer will bring together the core competencies of the Offeror Parent Group and the Group across multiple verticals to create the leading Asia-based global logistics platform. Having considered the future prospects of the Group together with the Offeror Parent Group and the foreign investment restrictions of acquiring interests in Taiwan businesses, the entering into of the Taiwan Business Sale Agreement is considered acceptable.

(b) Information on the Taiwan Target Companies

(i) Business and shareholding

The Taiwan Target Companies represent the entire issued share capital of Kerry Logistics (Taiwan) Investments Limited and Pan Asia Airlines Investment Limited, which hold, among others, approximately 49.7% equity interest in the Taiwan Listco and equity interests of certain companies that engage in the Unlisted Taiwan Business.

(1) The Taiwan Listco

The Taiwan Listco, namely Kerry TJ Logistics Company Limited which is a company listed on the Taiwan Stock Exchange, has two major businesses: (i) truck freight services; and (ii) logistics services. For truck freight services, the Taiwan Listco constructs freight transportation hub-and-spoke network with pickups at satellite stations to complete consignments and provide business-to-business and business-to-consumer services. The Taiwan Listco has established approximately 150 service locations, including transit centers, operations offices and goods collection stations. For logistics services, the Taiwan Listco provides integrated logistics services including supply chain logistics solutions, professional storage management such as devanning, warehousing, sorting, retrieving, disposal, and cold storage and temperature-controlled distribution.

(2) The Unlisted Taiwan Business

The Unlisted Taiwan Business includes the international freight forwarding (the "IFF") and coffee trading business in Taiwan. The IFF business refers to import/export marine transport, import/export air freight, sea-air intermodal transport, and customs clearance services. The coffee trading business was started in 2020 and it serves as a distributor of coffee products in Taiwan and engages in retail and wholesale of coffee beans, ground coffee, accessory coffee products as well as coffee machines.

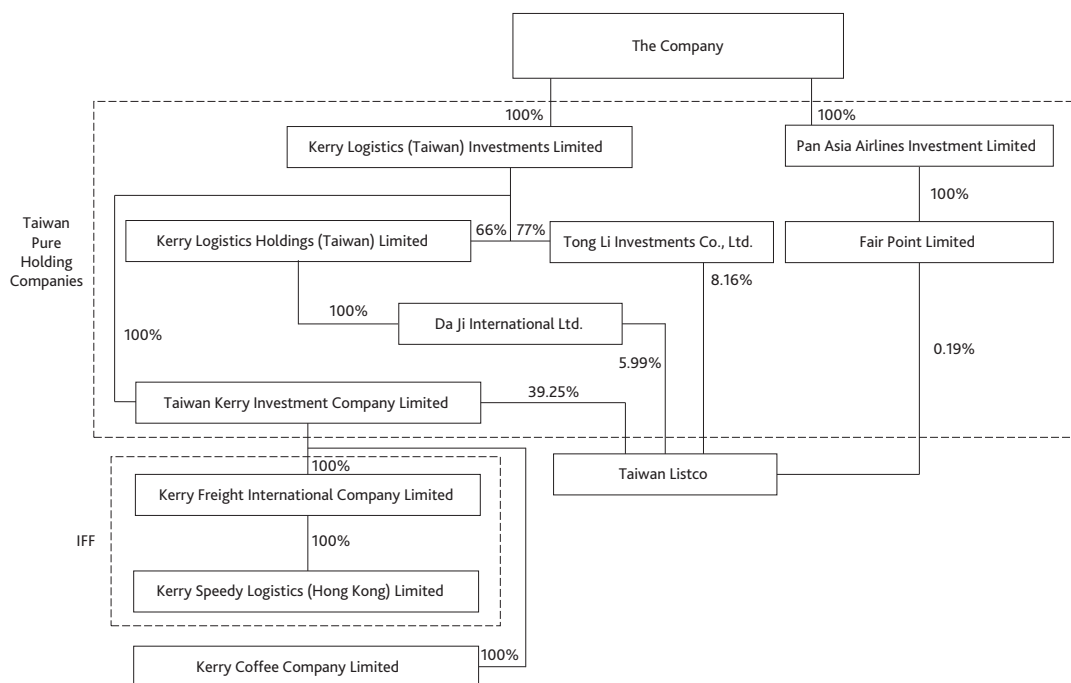
(3) The Taiwan Pure Holding Companies

The Taiwan Pure Holding Companies consist of seven investment holding companies. Assets of the Taiwan Pure Holding Companies are mainly cash and bank balances, investment in subsidiaries and amount due from the Group. Liabilities of the Taiwan Pure Holding Companies are mainly bank loans, accounts payable and accrued charges.

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(4) Shareholding structure

Set out below is the simplified shareholding structure of the Taiwan Target Companies and the Taiwan Companies as at the Latest Practicable Date.



(ii) Financial results and financial position of the Taiwan Target Companies

Set out below is the summary of unaudited combined income statement of the Taiwan Target Companies for the years ended 31 December 2020 and 2019.

	For the year ended 31 December	
	2020 HK\$ (million)	2019 HK\$ (million)
Revenue	3,564.3	3,254.0
Profit before tax	560.2	430.6
Profit after tax	449.3	335.6
Profit after tax attributable to the Taiwan Sellers	223.3	148.0

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The Taiwan Target Companies' combined revenue was substantially contributed by the Taiwan Listco, which provided over 90% of the combined revenue for the years ended 31 December 2019 and 2020. The IFF business generated substantially the remaining combined revenue for the years ended 31 December 2019 and 2020. The revenue contribution from the coffee trading business was minimal. The Taiwan Target Companies' combined revenue amounted to approximately HK\$3,564.3 million for the year ended 31 December 2020, representing a year-on-year increase of approximately 9.5%. The growth was mainly due to the increase in the Taiwan Listco's revenue. The profit after tax attributable to the Taiwan Seller amounted to approximately HK\$223.3 million for the year ended 31 December 2020, representing a year-on-year increase of approximately 50.9%. Similarly, the growth was also mainly due to the increase in the net profit of the Taiwan Listco.

Set out below is the summary of unaudited combined statement of financial position of the Taiwan Target Companies as at 31 December 2020 and 2019.

	As at 31 December	
	2020	2019
	<i>HK\$ (million)</i>	<i>HK\$ (million)</i>
Non-current assets	5,416.2	4,999.2
Current assets	1,584.4	1,579.5
Non-current liabilities	2,839.4	3,355.1
Current liabilities	2,156.5	1,521.9
Combined NAV (<i>Note</i>) attributable to the Taiwan Seller	1,206.6	973.7

Note: Pursuant to the Taiwan Business Sale Agreement, NAV is defined as total assets including, without limitation, any goodwill debited to reserves (acquisition reserves) less total liabilities and non-controlling interests.

As at 31 December 2020, the combined total assets of the Taiwan Target Companies were approximately HK\$7,000.6 million. Fixed assets, amounted to approximately HK\$4,382.0 million or approximately 62.6% of the total assets as at 31 December 2020, were mainly the fixed assets of the Taiwan Listco. The combined cash and bank balances were approximately HK\$623.1 million, which were mainly held by the Taiwan Pure Holding Companies and the Taiwan Listco. The combined total liabilities of the Taiwan Target Companies as at 31 December 2020 were approximately HK\$4,995.9 million, of which over 58.3% were bank loans. Lease liabilities and accounts payable accounted for approximately 19.1% and approximately 15.3% of the combined total liabilities of the Taiwan Target Companies as at 31 December 2020 respectively. The combined NAV of the Taiwan Target Companies attributable to the Taiwan Seller was approximately HK\$1,206.6 million as at 31 December 2020, representing an increase of approximately 23.9% from that as at 31 December 2019.

As the significant majority, being over 90%, of the combined revenue of the Taiwan Target Companies is related to that of the Taiwan Listco, we therefore further review the financials of the Taiwan Listco below.

LETTER FROM SOMERLEY

(iii) Financial results and financial position of the Taiwan Listco

Set out below is the summary of the audited consolidated income statement of the Taiwan Listco based on the International Financial Reporting Standards (the “IFRS”) for the years ended 31 December 2020 and 2019.

	For the year ended 31 December	
	2020	2019
	NTD (million)	NTD (million)
Revenue	12,344.2	11,855.7
Cost of sales	(9,674.8)	(9,461.0)
Gross profit	2,669.4	2,394.7
Operating expenses	(707.5)	(686.1)
Other income	126.3	78.8
Other (losses)/gains	(13.9)	43.4
Finance costs	(106.1)	(108.6)
Share of results of associates and joint ventures	(0.2)	2.6
Profit before tax	1,968.0	1,724.8
Income tax expense	(397.6)	(318.1)
Profit for the year	1,570.4	1,406.7
Profit attributable to the shareholders of the Taiwan Listco	1,497.4	1,352.3
Earnings per share (NTD)	3.21	2.90

The Taiwan Listco’s revenue has been substantially derived from truck freight services and logistics services. For the year ended 31 December 2020, the Taiwan Listco’s revenue amounted to approximately NTD12,344.2 million (equivalent to approximately HK\$3,332.9 million), representing a year-on-year increase of approximately 4.1%. The increase was mainly attributable to the growth of semi-conductors and electronics manufacturing, the increasing demand in pharmaceutical logistics as well as the rise in e-commerce business in Taiwan. Profit attributable to the shareholders of the Taiwan Listco amounted to approximately NTD1,497.4 million (equivalent to approximately HK\$404.3 million), representing an increase of approximately 10.7% year-on-year, which was mainly due to increase in revenue as mentioned above.

LETTER FROM SOMERLEY

Set out below is the summary of the audited consolidated balance sheet of the Taiwan Listco based on the IFRS as at 31 December 2020 and 2019.

	As at 31 December	
	2020	2019
	<i>NTD (million)</i>	<i>NTD (million)</i>
ASSETS		
Non-current assets		
Property, plant and equipment	13,367.0	13,111.0
Right-of-use assets	3,563.9	3,364.4
Others	1,012.1	1,150.0
	<u>17,943.0</u>	<u>17,625.4</u>
Current assets		
Cash and bank balances	1,507.9	1,344.3
Accounts receivable	1,570.1	1,543.5
Other receivables	130.9	498.7
Others	517.0	508.7
	<u>3,725.9</u>	<u>3,895.2</u>
Total assets	<u>21,668.9</u>	<u>21,520.6</u>
LIABILITIES		
Non-current liabilities		
Long-term bank loans	3,609.2	3,970.0
Lease liabilities	3,046.6	2,805.6
Others	962.0	1,019.7
	<u>7,617.8</u>	<u>7,795.3</u>
Current liabilities		
Accounts payable	617.8	604.3
Other payables	1,438.9	1,496.1
Short-term bank loans	44.0	394.0
Lease liabilities	415.1	414.4
Others	712.6	802.0
	<u>3,228.4</u>	<u>3,710.8</u>
Total liabilities	<u>10,846.2</u>	<u>11,506.1</u>
EQUITY		
Capital and reserves attributable to the shareholders of the Taiwan Listco	10,268.3	9,483.7
Non-controlling interests	554.4	530.8
	<u>10,822.7</u>	<u>10,014.5</u>

LETTER FROM SOMERLEY

As at 31 December 2020, total assets of the Taiwan Listco were approximately NTD21,668.9 million (equivalent to approximately HK\$5,850.6 million), representing a slight increase of approximately 0.7% from that as at 31 December 2019. The Taiwan Listco had a significant portion, around 61.7% of its total assets as at 31 December 2020, represented property, plant and equipment, which primarily included land, buildings and logistics equipment. Right-of-use assets, which mainly related to leasehold land, land use rights and buildings, amounted to NTD3,563.9 million (equivalent to approximately HK\$962.3 million), represented approximately 16.4% of Taiwan Listco's total assets as at 31 December 2020 and an increase of approximately 5.9% from that as at 31 December 2019.

The total liabilities of the Taiwan Listco were approximately NTD10,846.2 million (equivalent to approximately HK\$2,928.5 million), representing a decrease of approximately 5.7% as compared to that as at 31 December 2019. The majority of the liabilities were bank loans and lease liabilities, which accounted for approximately 33.7% and 31.9% of the total liabilities as at 31 December 2020 respectively. The decrease in the total liabilities was mainly due to repayment of certain bank loans in 2020.

The NAV attributable to the shareholders of the Taiwan Listco was approximately NTD10,268.3 million (equivalent to approximately HK\$2,772.4 million), representing an increase of approximately 8.3% from that as at 31 December 2019. The increase in the NAV was mainly attributable to the profit generated for the year ended 31 December 2020.

(c) *Principal terms of the Taiwan Business Sale Agreement*

On 25 March 2021, in connection with the Partial Offer and the Option Offer, the Company and Kerry Logistics Services Limited, a wholly-owned subsidiary of the Company, entered into the Taiwan Business Sale Agreement to sell the Company's interests in certain Taiwan businesses. The principal terms of the Taiwan Business Sale Agreement are set out below:

<i>Date</i>	25 March 2021
<i>Parties</i>	(i) The Company (as the seller guarantor); (ii) Kerry Logistics Services Limited, a wholly-owned subsidiary of the Company (as the seller); (iii) Kerry Holdings (as the purchaser guarantor); and (iv) Treasure Seeker Group Limited, a wholly-owned subsidiary of Kerry Holdings (as the purchaser).
<i>Subject matter</i>	Pursuant to the Taiwan Business Sale Agreement, the Taiwan Seller agreed to sell and the Taiwan Purchaser agreed to purchase the entire issued share capital of Kerry Logistics (Taiwan) Investments Limited and Pan Asia Airlines Investment Limited, which are investment holding companies directly or indirectly holding approximately 49.7% equity interest in the Taiwan Listco and equity interests of certain companies that carry on the Unlisted Taiwan Business (being Taiwan Unlisted Business Companies).

LETTER FROM SOMERLEY

*Conditions and
closing*

Closing of the Taiwan Business Sale is conditional upon satisfaction or waiver of the following conditions precedent, among other things:

- (i) the Partial Offer becoming or being declared unconditional in all respects; and
- (ii) all approvals and consents from Shareholders which are required in connection with the transactions contemplated under the Taiwan Business Sale Agreement pursuant to Chapters 14 and 14A the Listing Rules and the Takeovers Code having been obtained.

Neither condition precedent above is capable of waiver. Other conditions precedent to the Taiwan Business Sale Agreement are set out in the letter from the Board contained in the Circular.

The Taiwan Business Sale Agreement shall automatically terminate if the conditions precedent are not satisfied (or, where applicable, waived) on or before 31 December 2021.

Closing

Closing of the Taiwan Business Sale will take place on the earlier of (i) the seventh business day after the last day on which Shareholders may tender acceptances into the Partial Offer; (ii) the business day immediately before the day on which the Offeror Parent or its wholly-owned subsidiaries become a member on the register of members of the Company upon acquiring the title of the Shares under the Partial Offer; and (iii) such date as Kerry Holdings, the Company and the Offeror Parent may agree which is not to be earlier than immediately prior to the Partial Offer becoming unconditional in all respects.

Consideration

The initial consideration under the Taiwan Business Sale Agreement shall be the USD equivalent of NTD4,537,018,403 (equivalent to approximately HK\$1,225.0 million) (subject to adjustments set out below) in cash which shall be payable at closing. The initial consideration has been determined by arm's length negotiations between the parties taking into account, *inter alia*, (i) the profit generated by the Taiwan Business; (ii) the historical price and liquidity of the shares of the Taiwan Listco; and (iii) the net debt position of the Taiwan Pure Holding Companies.

LETTER FROM SOMERLEY

As advised by the Management, the initial consideration comprises the followings:

- (i) approximately NTD10,939.7 million (equivalent to approximately HK\$2,953.7 million), being the Carrying Book Value (as defined below) of the Taiwan Listco and the Taiwan Unlisted Business Companies as at 31 December 2020;
- (ii) NTD342.9 million (equivalent to approximately HK\$92.6 million), being the Taiwan Target Companies' proportionate interest in the aggregate unencumbered cash held by the Taiwan Pure Holding Companies;
- (iii) less NTD6,680.0 million (equivalent to approximately HK\$1,803.6 million), being the total bank loans owed by one of the wholly-owned subsidiaries within the Taiwan Target Companies as at 31 December 2020 (the "**Bank Loans**"); and
- (iv) less NTD65.6 million (equivalent to approximately HK\$17.7 million), representing the residual deferred consideration (being the portion of consideration which is payable by Taiwan Kerry Investment Company Limited, being one of the Taiwan Companies, or its subsidiaries in respect of acquiring 51% of the issued share capital of Direct Logistics Co., Ltd. which falls due after 31 December 2021).

The "Carrying Book Value" in relation to the Taiwan Listco and the Taiwan Unlisted Business Companies shall mean:

- (i) its or their respective net asset value (including intangible assets); plus
- (ii) any goodwill credited to that company on the Company's audited consolidated accounts, including amounts credited and debited to reserves; less
- (iii) any non-controlling interests.

LETTER FROM SOMERLEY

*Audited completion
accounts
adjustments*

The Company shall prepare audited consolidated completion accounts (as defined in the Taiwan Business Sale Agreement) in respect of the Taiwan Target Companies and their subsidiaries for the period from 1 January 2021 to the month-end immediately preceding the date of closing (being, the completion accounts reference date). The initial consideration shall be adjusted by reference to the audited completion accounts as follows:

- (i) to the extent the aggregate consolidated net asset values (which takes into account the residual deferred consideration and withholding tax provision on retained profits of Da Ji International Ltd., Tong Li Investments Co., Ltd. and where applicable any Taiwan Companies which have adequate retained profits and surplus cash to distribute dividend at the completion accounts reference date to any offshore shareholders, as applicable) of each of the Taiwan Target Companies as set out in the audited completion accounts are less than or exceed the initial consideration of NTD4,537,018,403 (equivalent to approximately HK\$1,225.0 million), any shortfall shall be deducted from the initial consideration and any excess shall be added to the initial consideration (as the case may be); and
- (ii) deducted on a dollar-for-dollar basis in the event that any contingent liabilities (including, without limitation, unpaid tax liabilities) exist for the Taiwan Pure Holding Companies at the time of the completion accounts reference date which under the Hong Kong Generally Accepted Accounting Principles should be deducted from the net asset values of the relevant companies as of the completion accounts reference date but have not been reflected in the completion accounts. For the avoidance of doubt, if relevant audit adjustment(s) have already been made to the net asset values in the audited completion accounts, no further deductions should be made to the initial consideration.

If the initial consideration is increased pursuant to the adjustments, then Taiwan Purchaser shall pay the Taiwan Seller; and if the initial consideration is reduced pursuant to the adjustments, the Taiwan Seller shall pay the Taiwan Purchaser, the net adjustment amount.

LETTER FROM SOMERLEY

Post-closing adjustments Following closing of the Taiwan Business Sale, to the extent that any residual deferred consideration (being the portion of consideration which is payable by Taiwan Kerry Investment Company Limited, being one of the Taiwan Companies, or its subsidiaries in respect of acquiring 51% of the issued share capital of Direct Logistics Co., Ltd. which falls due after 31 December 2021) does not become payable, the Taiwan Purchaser shall pay to the Taiwan Seller an amount equal to the amount of the residual deferred consideration that does not become payable.

Other key terms of the Taiwan Business Sale Agreement, including indemnity and guarantee, are set out in the letter from the Board contained in the Circular.

Proceeds The proceeds from the Taiwan Business Sale, being the USD equivalent of NTD4,537,018,403 (equivalent to approximately HK\$1,225.0 million) (subject to audited completion accounts adjustments and post-closing adjustments) are expected to be retained by the Company to support the ongoing growth and development of the Group.

(d) *Evaluation of the consideration for the Taiwan Business Sale Agreement*

As mentioned above in the sub-section "(c) Principal terms of the Taiwan Business Sale Agreement" above, the consideration for the Taiwan Business Sale Agreement consists of the followings:

	<i>NTD (million)</i>
The Carrying Book Value of:	
the Taiwan Listco	10,092.3
Kerry Freight International Company Limited (including Direct Logistics Co., Ltd.)	
and Kerry Speedy Logistics (Hong Kong) Limited (the "IFF Companies")	838.6
Kerry Coffee Company Limited ("Kerry Coffee")	8.8
	<hr/>
	10,939.7
The Taiwan Target Companies' proportionate interest in the aggregate	
unencumbered cash	342.9
Less: the Bank Loans	(6,680.0)
Less: residual deferred consideration	(65.6)
	<hr/>
Total	4,537.0

LETTER FROM SOMERLEY

We have evaluated the various portions of the consideration for the Taiwan Business Sale Agreement below.

(i) *Comparison of the market prices of the shares of the Taiwan Listco*

The Group's effective equity interest in the Taiwan Listco as at the Latest Practicable Date was approximately 49.67%, representing approximately 231,957,790 shares of the Taiwan Listco (the "Taiwan Listco Share(s)"). The implied consideration of each of the Taiwan Listco Shares of approximately NTD43.51 (the "Taiwan Listco Share Consideration"), being the consideration for the Taiwan Listco of NTD10,092.3 million divided by the aforesaid 231,957,790 of the Taiwan Listco Shares, represents:

	Closing price or average closing price of the Taiwan Listco Shares or the NAV per Taiwan Listco Share	Premium/(Discount) of the Taiwan Listco Share Consideration over/(to) the closing price or average closing price of the Taiwan Listco Shares or the NAV per Taiwan Listco Share
Last trading day of the Shares before publication of the Joint Announcement		
(i.e. 4 February 2021)	NTD40.45	7.56%
10 trading days (Note 1)	NTD44.80	(2.88)%
30 trading days (Note 1)	NTD43.82	(0.71)%
180 trading days (Note 1)	NTD41.76	4.19%
The Latest Practicable Date	NTD45.00	(3.31)%
NAV per Taiwan Listco Share as at 31 December 2020 (Note 2)	NTD21.99	97.86%

Source: Bloomberg and the website of Market Observation Post System of Taiwan Stock Exchange

Notes:

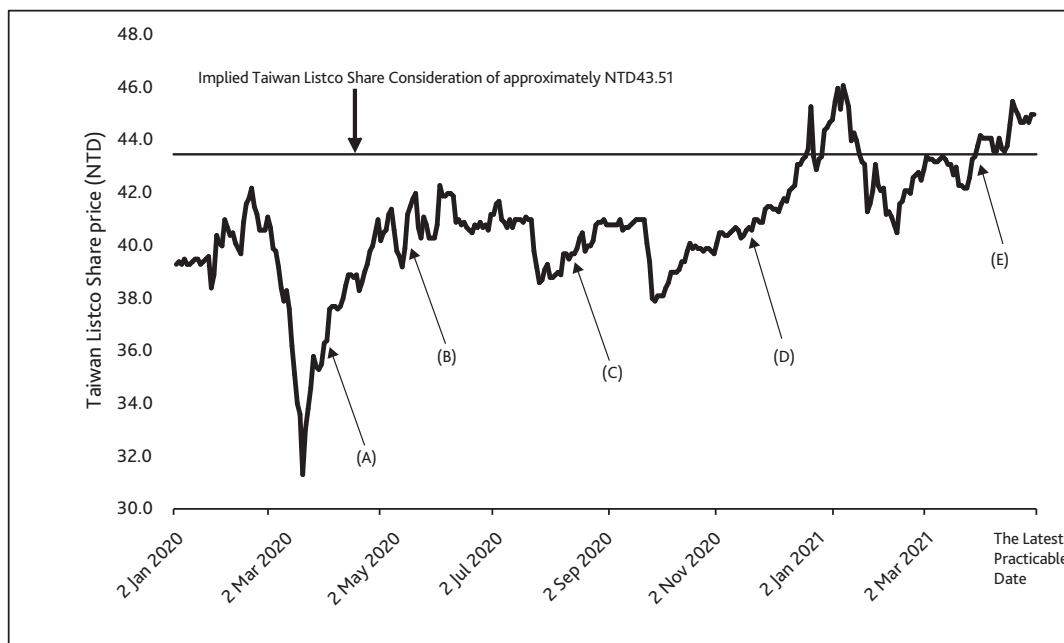
- Up to and including the Latest Practicable Date.
- It is calculated based on the NAV attributable to the shareholders of the Taiwan Listco of approximately NTD10,268.3 million as at 31 December 2020 divided by 467,000,498 Taiwan Listco Shares in issue as at the Latest Practicable Date.

The Taiwan Listco Share Consideration of approximately NTD43.51 represents a premium of approximately 7.56% over the closing share price of the Taiwan Listco on the last trading day of the Shares before publication of the Joint Announcement. It also represents a premium of approximately 4.19% over the average closing share price of the Taiwan Listco for the 180-trading days (up to and including the Latest Practicable Date) and discounts of approximately 2.88% and 0.71% to the average closing share price of the Taiwan Listco for the 10- and 30-trading days (up to and including the Latest Practicable Date). The closing share price of the Taiwan Listco as at the Latest Practicable Date and the corresponding

discount were NTD45.00 and approximately 3.31% respectively. Lastly, the Taiwan Listco Share Consideration represents a premium of approximately 97.86% over the NAV attributable to the shareholders per Taiwan Listco Share as at 31 December 2020.

(ii) *Historical price performances of the Taiwan Listco Shares*

Set out below are the price performances of the Taiwan Listco Shares since the beginning of 2020 to the Latest Practicable Date (the “Review Period”).



As set out in the discussion below, the Taiwan Listco published a number of announcements during the Review Period, which we consider to be crucial in shaping the market price of the Taiwan Listco Shares.

	Date	Details of the announcements
(A)	31 Mar 2020	Publication of annual results for the year ended 31 December 2019
(B)	15 May 2020	Publication of first quarterly results for the three months ended 31 March 2020
(C)	14 Aug 2020	Publication of interim results for the six months ended 30 June 2020
(D)	13 Nov 2020	Publication of third quarterly results for the nine months ended 30 September 2020
(E)	26 Mar 2021	Publication of annual results for the year ended 31 December 2020

Source: The website of Market Observation Post System of Taiwan Stock Exchange

LETTER FROM SOMERLEY

At the beginning of 2020, the closing price of the Taiwan Listco Shares was generally stable trend but it dropped from approximately NTD41.1 in early March 2020 to NTD31.3 on 19 March 2020, which was the lowest price during the Review Period. The slide of the price of the Taiwan Listco Shares in March 2020 was generally in line with the collapse of the stock markets in Taiwan and other major economies due to the outbreak of COVID-19 pandemic. Since then, the price of the Taiwan Listco Shares gradually recovered and remained in the range of NTD38 to NTD42 during most of the time for the rest of the 2020. The price of the Taiwan Listco Shares reached its peak of NTD46.1 during the Review Period on 7 January 2021. Afterwards, the price of the Taiwan Listco Shares fluctuated at around NTD41 to NTD45 during the period from January 2021 to March 2021, and closed above the Taiwan Listco Share Consideration of approximately NTD43.51 since 30 March 2021.

During the Review Period, the market price of the Taiwan Listco Shares ranged from NTD31.3 to NTD46.1 apiece with an average and a median share prices of NTD40.8 and NTD40.8 respectively. Out of a total of 319 trading days, there were approximately 283 trading days when the price of the Taiwan Listco Shares closed below the Taiwan Listco Share Consideration of approximately NTD43.51.

(iii) Comparable Companies

The Taiwan Listco is principally engaged in the provision of truck freight services and logistics services in Taiwan. In assessing the fairness and reasonableness of the Taiwan Listco Share Consideration, we compared the price-to-earnings multiples (the “**P/E Multiples**”) represented by the Taiwan Listco Share Consideration against the market valuation of companies (i) listed on the Taiwan Stock Exchange (“**TWSE**”) or the Taipei Exchange (“**TPEX**”); and (ii) with principal activities of trucking and logistics services (the “**Comparable Companies**”). We consider the Comparable Companies (to be exhaustive based on the selection criteria as set out above), in general, would serve as a fair and representative sample for the purpose of drawing a meaningful comparison to the Taiwan Listco Share Consideration. Details of the Comparable Companies are set out as below:

Company name	Stock code	Listing location	Principal business activities	Latest financial reporting date	Market capitalisation as at the Latest Practicable Date NTD (million)	P/E Multiple (Note 1) (times)
Taiwan Listco	2608	TWSE	Taiwan Listco offers freight warehousing and delivery services, truck container transportation, international express delivery, valuables consignment and joint distribution services; and delivery services for Internet commerce, multi-level marketing, mail order and television shopping merchandise.	31 December 2020	21,015.0	14.0

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Company name	Stock code	Listing location	Principal business activities	Latest financial reporting date	Market capitalisation as at the Latest Practicable Date <i>NTD (million)</i>	P/E Multiple <i>(Note 1)</i> <i>(times)</i>
Dimerco Express Corporation ("Dimerco")	5609	TPEX	Dimerco provides global air logistics services and offers airport-to-airport and door-to-door air freight delivery services as well as customs clearance services.	31 December 2020	10,067.4	9.3
Chung Lien Transportation Co., Ltd. ("Chung Lien")	5604	TPEX	Chung Lien provides door-to-door motor freight transportation service to customers in Taiwan. Chung Lien also operates and manages warehouses, leases commercial buildings as well as factories.	31 December 2020	9,594.7	10.0
T3EX Global Holdings Corp ("T3EX")	2636	TWSE	T3EX is a freight and logistics company and provides sea, air and land freight forwarding, distribution, customs clearance, warehousing and logistics.	31 December 2020	9,244.3	15.4
Farglory Ftz Investment Holding Co., Ltd. ("Farglory")	5607	TWSE	Farglory provides land, sea, and air transportation services, as well as operates air cargo terminal, forwarders building, value-added park, international logistics center, and enterprise business center.	31 December 2020	7,497.3	16.2
Taiwan Pelican Express Co., Ltd. ("Pelican")	2642	TWSE	Pelican offers courier delivery services.	31 December 2020	3,341.3	16.0
Chien Shing Harbour Service Co., Ltd. ("Chien Shing")	8367	TWSE	Chien Shing operates as a logistic company and provides cargo handling, warehouse services, transportation, customs clearance, ship stevedoring, and other related services.	31 December 2020	3,253.4	14.7
Soonest Express Co Ltd. ("Soonest")	2643	TPEX	Soonest provides logistics services and offers air cargo, shipping and customs declaration services.	31 December 2020	2,031.0	9.5

LETTER FROM SOMERLEY

Company name	Stock code	Listing location	Principal business activities	Latest financial reporting date	Market capitalisation as at the Latest Practicable Date	P/E Multiple (Note 1) (times)
					NTD (million)	
Sea & Land Integrated Corp. ("Sea & Land")	5603	TPEX	Sea & Land provides freight transportation services for containers and heavy machinery, and also operates and manages warehouses.	31 December 2020	1,887.6	17.0
					Average	13.6
					Median	14.7
					Maximum	17.0
					Minimum	9.3
The Taiwan Listco Share Consideration						13.6 (Note 2)

Source: Bloomberg and respective Comparable Companies' 2020 annual results as disclosed on the website of Market Observation Post System of Taiwan Stock Exchange

Notes:

1. The P/E Multiples of the Comparable Companies are calculated based on the market capitalisation of the Comparable Companies as at the Latest Practicable Date divided by the profit attributable to the shareholders of the Comparable Companies as shown in their respective latest annual results.
2. The implied P/E Multiple of the Taiwan Listco Share Consideration of approximately 13.6 times is calculated based on the Taiwan Listco Share Consideration of approximately NTD43.51 per share divided by the net profit attributable to the shareholders of the Taiwan Listco for the year ended 31 December 2020 of approximately NTD3.21 per share.
3. We have identified Tze Shin International Co., Ltd. ("Tze Shin") (stock code in TWSE: 2611) which falls into the selection criteria. However, Tze Shin was losing-making for the year ended 31 December 2020, which renders its P/E Multiple not applicable and therefore it is excluded from the Comparable Companies analysis.

The P/E Multiples of the Comparable Companies range from approximately 9.3 times to approximately 17.0 times and have an average and a median of approximately 13.6 times and 14.7 times respectively. The implied P/E Multiple of the Taiwan Listco Share Consideration of 13.6 times is equal to the average of the P/E Multiples of the Comparable Companies.

(iv) The consideration for sale of the remaining Taiwan Business

The remaining balance of the consideration for the Taiwan Business Sale Agreement is attributable to the Carrying Book Values of the IFF Companies and Kerry Coffee, together with the Taiwan Target Companies' proportionate interest in the aggregate unencumbered cash, bank loans and residual deferred consideration.

The implied P/E Multiple of the IFF Companies based on the consideration for the IFF Companies was approximately 12.5 times, which is higher than the average of the peer freight forwarders of approximately 12.4 times.

The Taiwan Target Companies' proportionate interest in the aggregate unencumbered cash and the Bank Loans represent the significant majority of the assets and liabilities (excluding amounts due from/to the Group) of the Taiwan Pure Holding Companies. The final consideration for the Taiwan Business Sale Agreement, including that for the Pure Holding Companies, will be adjusted and equal to the NAV of the Taiwan Target Companies and their subsidiaries in the audited completion accounts.

The residual deferred consideration represents the portion of consideration payable by Taiwan Kerry Investment Company Limited or its subsidiaries in respect of acquiring 51% of the issued share capital of Direct Logistics Co., Ltd., which falls due after 31 December 2021. Following closing of the Taiwan Business Sale, to the extent that any residual deferred consideration does not become payable, the Taiwan Purchaser shall pay to the Taiwan Seller an amount equal to the amount of the residual deferred consideration that does not become payable.

(v) Our view

In view of the analysis of the considerations for the Taiwan Listco and the IFF Companies above and the consideration of each component of the Taiwan Target Companies will be adjusted dollar-for-dollar to the extent that the aggregate consolidated NAV of the Taiwan Target Companies based on the audited completion accounts are less than or exceed the initial consideration, we are of the view that the consideration for the Taiwan Business Sale Agreement is fair and reasonable so far as the Independent Shareholders are concerned.

5. The Brand Licence Agreements

On 25 March 2021, in connection with the Partial Offer and the Option Offer, each of the Company and KE Thailand entered into the respective Brand Licence Agreements. The principal terms of the Brand Licence Agreements are set out below. Further details with respect to the Brand Licence Agreements are set out in the letter from the Board contained in the Circular.

(a) Reasons for and benefits of entering into the Brand Licence Agreements

As set out in the letter from the Board contained in the Circular, the Group have adopted the Kerry Trademarks and the Kerry Names across all the international markets in which the Company operates. As the Controlling Shareholders are expected to continue to be involved in the Company as significant Shareholders (i.e., in excess of 30%) after the completion of the Partial Offer and in order for the Company to continue to retain a clear brand identity and culture, the Company has requested the ongoing use of the Kerry Trademarks and the Kerry Names. KE Thailand and its subsidiary have adopted the Kerry Express Trademarks and the Kerry Express Names in Thailand and in connection with the Partial Offer, KE Thailand has requested the ongoing use of the Kerry Express Trademarks and the Kerry Express Names.

LETTER FROM SOMERLEY

(b) Principal terms of each of the Brand Licence Agreements

(i) Company Brand Licence Agreement

<i>Date</i>	25 March 2021
<i>Parties</i>	(i) The Company (as a licensee); and (ii) Kuok Registrations Limited, a fellow subsidiary of Kerry Holdings (as the Licensor).
<i>Subject matter</i>	The Licensor agreed to grant to the Company (i) a licence for the relevant Kerry Trademarks and a right to use the Kerry Names in relation to certain permitted purposes and territories; and (ii) a right to grant sub-licences and a right to sub-license additional sub-licence to its subsidiary.

(ii) KE Thailand Brand Licence Agreements

<i>Date</i>	25 March 2021
<i>Parties</i>	(i) KE Thailand, the Company's Thailand-listed subsidiary (as a licensee) (ii) Kuok Registrations Limited, a fellow subsidiary of Kerry Holdings (as the Licensor).
<i>Subject matter</i>	The Licensor agreed to grant to KE Thailand (i) a licence for the relevant Kerry Express Trademarks and a right to use the Kerry Express Names in relation to certain permitted purposes in Thailand; and (ii) a right to grant sub-licences and a right to sub-license additional sub-licences to its subsidiary.

(iii) Other general principal terms of each of the Brand Licence Agreements

<i>Term</i>	Subject to fulfilment of the conditions (details of which are set out below), each of the Brand Licence Agreements shall take effect at the Effective Time and shall remain valid and continue to be in effect until the third anniversary of the Effective Time. The Company and Licensor may have the option to renew the Company Brand Licence Agreement for such period and on such terms as the parties may agree. The KE Thailand Brand Licence Agreement shall be automatically extended for every three-year period unless KE Thailand elects not to extend prior to the expiry of the term.
<i>Licence fee</i>	The licence fee for each of the Brand Licence Agreements is a nominal amount of HK\$100.

LETTER FROM SOMERLEY

Conditions

Each of the Brand Licence Agreements shall be conditional upon satisfaction of the following conditions:

- (i) consent having been obtained from the Executive to the transactions contemplated in the Brand Licence Agreements;
- (ii) the approval of the Brand Licence Agreements and the transactions contemplated under the Brand Licence Agreements by the Independent Shareholders by poll at the SGM; and
- (iii) the Partial Offer becoming or being declared unconditional in all respects;

in each case on or before 31 December 2021, or such later date as agreed by the parties thereto. If the conditions are not satisfied by such date, the Brand Licence Agreements shall automatically terminate.

Termination

The Licensor shall have the right to terminate a Brand Licence Agreement in certain circumstances including, (i) Kerry Group Limited and its subsidiaries (as defined in the Brand Licence Agreements) cease to hold, directly or indirectly, 30% or more of the voting rights in the Company; and (ii) the Offeror Parent Group ceases to control in any way, or hold, directly or indirectly, 50% or more of the voting rights in the Company.

All sub-licences shall be automatically terminated upon termination of the relevant Brand Licence Agreement.

(c) Our view

As mentioned above, the Group have adopted the Kerry Trademarks and the Kerry Names across all the international markets in which the Company operates and in connection with the Partial Offer. As discussed with the Management, we note that it is the intention of the Company to continue using the Kerry Trademarks and the Kerry Tradenames for the Group and the Kerry Express Trademarks and the Kerry Express Names for KE Thailand and its subsidiaries after the Partial Offer. Given the aforesaid trademarks and tradenames are owned by the Licensor, it is necessary to enter into the Brand License Agreements for the ongoing use of the aforesaid trademarks and tradenames after the Partial Offer. Taking into account the reasons above and the consideration for each of the Brand License Agreements is only a nominal amount of HK\$100, we are of the view that the terms of the Brand License Agreements are fair and reasonable so far as the Independent Shareholders are concerned.

6. The Shareholders' Agreement

(a) Background of the Shareholders' Agreement

The Offeror and the Offeror Parent have entered into the Shareholders' Agreement with Kerry Holdings and Kerry Properties regarding certain corporate governance matters in relation to the Company. The Shareholders' Agreement is conditional upon the Independent Shareholders' approval for the purposes of the Takeovers Code and the Partial Offer becoming or being declared unconditional in all respects. If the Shareholders' Agreement becomes unconditional, it will become effective at the Effective Time.

(b) Principal terms of the Shareholders' Agreement

The principal terms of the Shareholders' Agreement are summarised below. Further details with respect to the Shareholders' Agreement are set out in the letter from the Board contained in the Circular.

<i>Board composition</i>	<p>For so long as Kerry Holdings and its associated companies in aggregate hold 10% or more of the total issued share capital of the Company, the Board shall comprise eleven Directors, including (i) seven Directors (excluding INEDs), of whom four shall be nominated by the Offeror, two shall be nominated by Kerry Holdings and one shall be nominated by Kerry Properties, and (ii) four INEDs, of whom three shall be nominated by the Offeror and one shall be nominated by Kerry Holdings.</p> <p>For so long as Kerry Holdings and its associated companies in aggregate hold 5% or more but less than 10% of the total issued share capital of the Company, one Director shall be nominated by Kerry Holdings.</p>
<i>Reserved matters</i>	<p>Reserved matters to be undertaken by the Group shall be approved by two-thirds or more in number of the Board. These reserved matters comprise any change to the issued share capital or the creation or issue of any Shares or any other security convertible into Shares of the Company or the grant of any option or rights to subscribe for or to convert any instrument into such Shares, and any acquisition (or a series of related acquisitions) by the Company or any member of the Group with a value of HK\$3 billion or more.</p>
<i>Business arrangements</i>	<p>Subject to, among other things, (1) the Offeror Parent Group and (2) Kerry Holdings and Kerry Properties (and their respective associated companies) hold not less than 50% and 30%, respectively, of the Shares, the Offeror Parent Group will carry out its logistics businesses outside Greater China through the Group, subject to the followings: (i) any international freighter operations are excluded; (ii) consent from relevant partners of certain joint venture businesses; and (iii) no existing contracts (as at the date of the Shareholders' Agreement) of the Offeror Parent Group would be breached as a result. The Offeror Parent Group will be free to pursue any new business opportunities which the Group elects not to pursue.</p>

Public float

In the event the public float falls below 15% of the total issued Shares immediately following the Final Closing Date, the Controlling Shareholders agree to restore the public float by placing down up to 6.9% of the total issued Shares as at the date of the Joint Announcement, and the Offeror agrees to take action to restore the public float to the extent in excess of 6.9%.

(c) Our view

The Shareholders' Agreement sets out, among other things, the principal terms with respect to governance of the Company and the rights and obligations of the parties after the Partial Offer becomes unconditional in all respects. The approval by the Independent Shareholders of the Shareholders' Agreement at the SGM is one of the condition precedents of the Partial Offer. The key terms of the Shareholders' Agreement, in our view, are not uncommon in agreements of similar nature among shareholders for the purpose of governing a company. In terms of management of the Company, there are provisions in the Shareholders' Agreement setting out responsibility of the Board, power to nominate directors of the board by key shareholders, as well as specific matters requiring Directors' approval under certain circumstances.

Upon the Shareholders' Agreement becoming effective, the Offeror will nominate the majority of the Directors.

The Offeror Parent, S.F. Holding Co., Ltd., is listed on the Shenzhen Stock Exchange and is a leading integrated express logistic services provider in the PRC. It is the largest cargo airline and air freight operator in China and it has an extensive ground service network in China and overseas. According to its 2020 annual report, the Offeror Parent recorded a consolidated revenue of over RMB154.0 billion (equivalent to approximately HK\$184.8 billion) and a consolidated net profit of approximately RMB6.9 billion (equivalent to approximately HK\$8.3 billion) for the year ended 31 December 2020 and net assets attributable to its shareholders of approximately RMB56.4 billion (equivalent to approximately HK\$67.7 billion) at the end of 2020.

Given the solid background of the Offeror Parent, the Directors to be nominated by the Offeror are expected to play pivotal roles in the strategic direction and management of the Company going forward.

Kerry Holdings and Kerry Properties are the controlling shareholder of the Company. Their current representatives on the Board, namely Mr. Kuok Khoon Hua and Mr. Ma Wing Kai William have extensive operational expertise and an in-depth understanding of the core business of the Company. The remaining Directors to be nominated by Kerry Holdings and Kerry Properties are important to the continuing operation and business performance of the Company in the future.

In respect of the reserved matters, the restriction on the Company undertaking such reserved matters without the approvals described above provides an extra layer of protection of the interests of the Company and the Independent Shareholders, in addition to the requirements under the Listing Rules and Takeovers Code that the Company has already subject to as a listed public company in Hong Kong.

The business arrangements that the Offeror Parent Group will carry out its logistics businesses outside Greater China through the Group is favourable to the Group as the potential competition from the Offeror Parent Group could be reduced. The exclusion of any international freighter operations is acceptable given, based on our discussions with the Management, the Group currently does not operate but relies on other parties for the international freighter services. Other exclusions such as consent from certain joint venture partners of the Offeror Parent Group and no existing contracts of the Offeror Parent Group would be breached as a result are also considered reasonable since these are prior contractual arrangements between other parties (which are not in the control of the Offeror Parent Group) and the Offeror Parent Group. In addition to the above, the Group is given a preferential right to pursue new business opportunities.

The undertakings of the Controlling Shareholders and the Offeror to restore the public float of the Company are necessary for and beneficial to the Company to maintain the public float requirement under the Listing Rules and they are considered to be in the interests of the Company and the Independent Shareholders.

Taking into account (a) the background of the Shareholders' Agreement; (b) the purpose of the Shareholders' Agreement, that is, to set out rights and obligations of the parties with respect to the governance of the Company which is intended to take effect after the Partial Offer becomes unconditional in all respects; (c) the key terms of the Shareholders' Agreement are not uncommon in the context and for its purpose set out above; (d) the key terms of the Shareholders' Agreement are beneficial to the Group, we are of the view that the terms of the Shareholders' Agreement are fair and reasonable so far as the Independent Shareholders are concerned.

7. The Framework Services Agreement

On 25 March 2021, the Company and Kerry Holdings entered into the Framework Services Agreement. On 30 April 2021, the Company and Kerry Holdings further entered into an amendment agreement to update the annual caps under the Framework Services Agreement.

(a) Reasons for and benefits of entering into the Framework Services Agreement

As stated in the letter from the Board contained in this Circular, the Group has been providing logistics related services including insurance brokerage and related services and by expanding its services to the Relevant Kerry Holdings Group, the Group is able to enhance the operational scale of the Group. In relation to the provision of services relating to management and operation of warehouse facilities, the Group can leverage on its existing set-up and resources to generate revenue.

In addition, while the Company intends to transform into an asset-light business by entering into the Warehouses Sale Agreement, the Group requires to lease additional premises for its business operations due to the continuing growth in the Group's operations in Hong Kong.

The Board considers that due to the long-term relationship between the Group and the Relevant Kerry Holdings Group, it is beneficial to the Company to enter into the Framework Services Agreement as these transactions pursuant to it will facilitate the operation and growth of the Company's business.

The Group operates as a leading logistics service provider in Asia principally engaged in the integrated logistics and international freight forwarding businesses. Pursuant to the Framework Services Agreement, the provision of logistics services by the Group to the Relevant Kerry Holdings Group in places outside Taiwan upon the Final Closing Date of the Partial Offer is considered in line with the principal business activities of the Group and will provide an additional source of income to the Group. In relation to the lease of the Lease Properties by the Relevant Kerry Holdings Group to the Group, the Leased Properties are substantially the warehouses to be sold under the Warehouses Sale Agreement and are currently operated by the Group and some other tenants for logistics operations. Upon completion of the Warehouses Sale Agreement, the Group will need the Leased Properties to continue carrying out and expanding its logistics operations. In respect of the provision of logistics services by the Relevant Kerry Holdings Group in and/or from Taiwan, it is considered necessary for the Group upon completion of the Taiwan Business Sale Agreement as the Taiwan logistics arm of the Group will be sold to the Kerry Holdings Group by then.

(b) Principal Terms

The principal terms of the Framework Services Agreement are set out below:

<i>Date</i>	25 March 2021 (as amended on 30 April 2021)
<i>Parties</i>	(i) The Company; and (ii) Kerry Holdings.
<i>Subject matter</i>	Pursuant to the Framework Services Agreement: (i) the Group agreed to provide in places outside Taiwan services including delivery and transportation services, local courier services, freight services, freight agency services, insurance brokerage and related services, catering services and services relating to management and operation of warehouse facilities (including building management, leasing and licensing management, warrant operations, IT support, human resources, administration and related services, and excluding the Warehouses Management Services to be provided pursuant to the Warehouses Management Agreements) (the “ Logistics Services ”) to the Relevant Kerry Holdings Group on normal commercial terms and on an arm’s length basis, or on terms no less favourable than those available to each of the Relevant Kerry Holdings Group and the Group from independent third parties; (ii) the Relevant Kerry Holdings Group agreed to lease the Leased Properties to the Group on normal commercial terms and on an arm’s length basis, or on terms no less favourable than those available to each of the Relevant Kerry Holdings Group and the Group from independent third parties; and

- (iii) the Relevant Kerry Holdings Group agreed to provide services in and/or from Taiwan including land transportation, other logistics services; freight services, freight agency services and other logistics services; and warehousing services to the Group on normal commercial terms and on an arm's length basis, or on terms no less favourable than those available to each of the Relevant Kerry Holdings Group and the Group from independent third parties.

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

Conditions

The Framework Services Agreement shall be conditional upon satisfaction of the following conditions:

- (i) consent having been obtained from the Executive to the transactions contemplated under the Framework Services Agreement;
- (ii) passing by the Independent Shareholders of an ordinary resolution to approve the Framework Services Agreement and the transactions contemplated under the Framework Service Agreement at the SGM as may be required pursuant to Chapters 14 and 14A of the Listing Rules and the Takeovers Code; and
- (iii) the Partial Offer becoming or being declared unconditional in all respects.

Term

The Framework Services Agreement will commence on the Final Closing Date of the Partial Offer, and will expire on the third anniversary of the Final Closing Date. The Framework Services Agreement can be extended for a further term of three years with the mutual written agreement of the Company and Kerry Holdings.

(c) Pricing policies and internal control

Pursuant to the Framework Services Agreement, the pricing of each of the transactions entered into under the Framework Services Agreement shall be determined by the parties at the time of entry into the relevant agreements for such transactions with reference to the applicable market practice and value, with reference to any relevant rules and regulations being effective at the time. Further details with respect to the pricing policies of the Framework Services Agreement are set out in the letter from the Board contained in the Circular. Given that the pricing of each of the transactions entered into under the Framework Services Agreement will be determined with reference to the applicable market practice and the prevailing market rate charged by independent third party at the relevant time for comparable transactions, we are of the view that the pricing of the transactions under the Framework Services Agreement is fair and reasonable.

LETTER FROM SOMERLEY

(d) Annual caps

Set out below are the aggregate annual caps for the transactions under the Framework Services Agreement for the years ending 31 December 2021, 2022, 2023 and 2024 (the "**Framework Services Annual Caps**"):

	For the year ending 31 December			
	2021	2022	2023	2024
	HK\$	HK\$	HK\$	HK\$
	(million)	(million)	(million)	(million)
	(Note 1)			(Note 2)
Amounts payable by the Group to the Relevant Kerry Holdings Group	1,863.6	2,162.5	1,062.2	1,149.7
Amounts receivable by the Group from the Relevant Kerry Holdings Group	61.8	183.2	232.2	295.9

Notes:

1. The cap amounts for the year ending 31 December 2021 only cover the period from the Final Closing Date to 31 December 2021.
2. The cap amounts for the year ending 31 December 2024 only cover the period from 1 January 2024 to the third anniversary of the Final Closing Date.

As stated in the letter from the Board contained in the Circular, the Framework Services Annual Caps were determined with reference to the fees typically charged by independent third party providers for similar services, the total value of the right-of-use assets involved in the leasing of the Leased Properties from the Relevant Kerry Holdings Group to the Group, as well as factors including (i) historical, current and projected rental for the Leased Properties and such further premises (if any) that the Relevant Kerry Holdings Group will lease to the Group during the term of the Framework Services Agreement; (ii) the prevailing and projected market rates for rental and building management fees and fees for comparable properties in the nearby area; (iii) historical, current and projected management fees and fees for operation of warehouse facilities and warehousing services comparable to those to be provided; (iv) historical, current and projected market rates for insurance brokerages and related services for comparable insurance products comparable to those to be provided; (v) historical, current and projected rates on delivery, local courier and freight services comparable to those to be provided; and (vi) inflation and expected expansion and development of the Group's and Kerry Holdings' businesses.

LETTER FROM SOMERLEY

We have obtained a breakdown from the Management regarding the components of the Framework Services Annual Caps as set out in the table below.

	For the year ending 31 December			
	2021	2022	2023	2024
	HK\$	HK\$	HK\$	HK\$
	(million)	(million)	(million)	(million)
	(Note 1)			(Note 2)
Amounts payable by the Group to the Relevant Kerry Holdings Group:				
Right-of-use assets and rental related expenses in relation to the lease of the Leased Properties to the Group	1,804.0	1,930.0	760.0	757.0
Taiwan business	59.6	232.5	302.2	392.7
	1,863.6	2,162.5	1,062.2	1,149.7
Amounts receivable by the Group from the Relevant Kerry Holdings Group:				
Taiwan business	41.8	163.2	212.2	275.9
Services income	20.0	20.0	20.0	20.0
	61.8	183.2	232.2	295.9

Notes:

1. The cap amounts for the year ending 31 December 2021 only cover the period from the Final Closing Date to 31 December 2021.
2. The cap amounts for the year ending 31 December 2024 only cover the period from 1 January 2024 to the third anniversary of the Final Closing Date.

(i) *Right-of-use assets and rental related expenses in relation to the lease of the Leased Properties to the Group*

As advised by the Management, the annual caps for right-of-use assets and rental related expenses in relation to the lease of the Leased Properties to the Group were determined with reference to guaranteed gross revenue under the Warehouses Management Agreements and the historical rental revenue and building management expenses of the Target Warehouses.

For the leases of the Target Warehouses with 100% guaranteed occupancy under the Warehouses Management Agreements and are currently leasing to the Group (the “**Master Leases**”), the estimated amount of right-of-use assets of the Master Leases mainly represents the net present value of all of the future rental expenses (i.e. the guaranteed gross revenue) of the Master Leases payable by the Group

under the Warehouses Management Agreements, which have an initial term of three years and an option to renew for another three years. In accordance with the Group's accounting policies, the amount of the right-of-use assets of the Master Leases will be calculated based on the aforesaid guaranteed gross revenue and a discount rate across the six-year period and will be recognised at the beginning of such period. The estimated amount of the right-of-use assets of the Master Leases is approximately HK\$1,065 million. We have reviewed the computation of the corresponding right-of-use assets and we note that the guaranteed gross revenue under the Master Leases are equal to that agreed in the Warehouses Management Agreements. Subject to the Final Closing Date of the Partial Offer, the Management expects that the Master Leases will commence in either 2021 or 2022 and thus the estimated amount of right-of-use assets of the Master Leases of approximately HK\$1,065 million is included in the annual caps for both the years ending 31 December 2021 and 2022.

Some of the Target Warehouses with 100% guaranteed occupancy under the Warehouses Management Agreements are currently leasing to third parties, which have terms expiring as early as in 2022. Since the Group may need to take up the lease of the relevant warehouses in the event that the existing third party tenants do not renew their existing leases upon expiry, an additional annual cap on the rental and related payments by the Group in respect of these leases is required. In addition, the Group has used the Target Warehouses with partially guaranteed and non-guaranteed occupancy under the Warehouses Management Agreements (together with the leases of the Target Warehouses with 100% guaranteed occupancy under the Warehouses Management Agreements and currently leasing to the third parties, the "**Non-master Leases**"). Upon completion of the Warehouses Sale Agreement, the Group is expected to re-enter into the relevant lease agreements for the continuous use of aforesaid warehouses. The amount of the right-of-use assets of the Non-master Leases represents the net present value of the future rental expenses payable by the Group under the Non-master Leases, which are expected to have an initial term of one year and an option to renew for another one year. In accordance with the Group's accounting policies and based on the term of the Non-master Leases, the amount of the right-of-use assets of the Non-master Leases will be calculated based on the expected rental expenses of the relevant leases, which is determined with reference to the rental expense for the year ended 31 December 2020 and 5% growth in each year, and the discount rate across a two-year period and will be recognised at the beginning of each term. We have reviewed the prevailing rental expense of the Target Warehouses under the Non-master Leases and the computation of the corresponding right-of-use assets and we note the estimated amounts of the right-of-use assets are approximately HK\$509 million, HK\$584 million, HK\$613 million, HK\$604 million respectively for the years ending 31 December 2021, 2022, 2023 and 2024. We have also obtained the prevailing market rental rates charged by independent third party for the nearby warehouses and consider that the rental expense used in the above calculation is comparable.

The remaining balance of the annual caps were determined based on prevailing market building management fee rate multiplies by the area size of the Target Warehouses under the Master Leases and the Non-master Leases plus an estimated growth rate of 5% per annum for each of the years ending 31 December 2022 to 2024 and a contingency of approximately 13% for each year. We have reviewed the building management fees that the Group currently charged to independent third parties and obtained the prevailing market building management fee rates charged by independent third party for the nearby warehouses, and we consider the prevailing market building management fee rate used in the calculation is reasonable.

(ii) Taiwan business – Amounts payable by the Group to the Relevant Kerry Holdings Group

As advised by the Management, the amounts payable by the Group to the Relevant Kerry Holdings Group for the Taiwan Business are mainly related to the services in and/or from Taiwan to be provided to the Group, including (i) land transportation, other logistics services; (ii) freight services, freight agency services and other logistics services; and (iii) warehousing services by the Taiwan Companies upon completion of the Taiwan Business Sale.

The annual caps were calculated based on the logistics and freight service revenue of the Taiwan Listco and the IFF Companies of approximately HK\$3,262 million and HK\$393 million respectively for the year ended 31 December 2020, of which approximately 0.04% and approximately 28.9% were related to intra-group transactions with other members of the Group. Based on the above, it was estimated that 0.1% and 30% of the logistics and freight service revenue of the Taiwan Listco and the IFF Companies respectively would be attributable to the Group upon completion of the Taiwan Business Sale. In addition, the logistics and freight service revenue of the Taiwan Listco and the IFF Companies were estimated to grow by 30% per annum during the period of the Framework Services Annual Caps after considering the historical growth rate of up to 28% per annum during the years ended 31 December 2018, 2019 and 2020. Last but not least, a contingency of approximately 13% was added into the annual caps for the unanticipated growth in the logistics and freight business transactions between the aforesaid Taiwan Companies and the Group.

The annual cap for the year ending 31 December 2021 was estimated on a pro rata basis after considering the earliest possible time for completion of the Taiwan Business Sale will be around September 2021.

(iii) Taiwan business – Amounts receivable by the Group from the Relevant Kerry Holdings Group

As advised by the Management, the amounts receivable by the Group from the Relevant Kerry Holdings Group for the Taiwan business are mainly related to services outside Taiwan including delivery and transportation services, local courier services, freight services, freight agency services, insurance brokerage and related services, catering services and services relating to management and operation of warehouse facilities to be provided by the Group to the Taiwan Companies upon completion of the Taiwan Business Sale.

The annual caps were calculated based on the logistics and freight costs of the Taiwan Listco and the IFF Companies of approximately HK\$12 million and HK\$365 million respectively for the year ended 31 December 2020, of which approximately 100% and approximately 18% were related to intra-group transactions with other members of the Group. Based on the above, it was estimated that 100% and 20% of the logistics and freight costs of the Taiwan Listco and the IFF Companies respectively would be attributable to the Group upon completion of the Taiwan Business Sale. In addition, the logistics and freight costs of the aforesaid Taiwan Companies were estimated to grow by 30% per annum during the period of the Framework Services Annual Caps after considering the historical growth rate of up to 25% per annum during the years ended 31 December 2018, 2019 and 2020. Last but not least, a contingency of approximately 13% was added into the annual caps for the unanticipated growth in the logistics and freight business transactions between the aforesaid Taiwan Companies and the Group.

The annual cap for the year ending 31 December 2021 was estimated on a pro rata basis after considering the earliest possible time for completion of the Taiwan Business Sale will be around September 2021.

(iv) Services income

Similar to the amounts receivable by the Group from the Relevant Kerry Holdings Group for the Taiwan Business, the services income are related to Logistics Services provided by the Group to the Relevant Kerry Holdings Group other than the Taiwan Companies. Such services have been rendered by the Group in the past and we note that such services income ranged from HK\$14 million to HK\$21 million per annum during the years ended 31 December 2016 to 2020. We have reviewed the breakdown of the historical services income and consider the annual caps of HK\$20 million for the years ending 31 December 2021 to 2024, which were determined based on aforesaid historical services income, are reasonable.

Having considered the bases on which the Framework Services Annual Caps were determined as described above, we are of the view that the Framework Services Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned.

8. Financial impacts of the Special Deal Agreements on the Group

(a) The Warehouses Sale Agreement

The Target Warehouses Companies are currently wholly-owned subsidiaries of the Company and their results, assets and liabilities are consolidated into those of the Group. Upon completion of the Warehouses Sale, the Target Warehouses Companies will no longer be subsidiaries of the Company and therefore the earnings, assets and liabilities of the Target Warehouses Companies will no longer be consolidated into those of the Group.

As stated in the letter from the Board contained in the Circular, the gain arising from the Warehouses Sale was estimated to be approximately HK\$3,300 million, which was determined on the basis of: (i) the net proceeds from the Warehouses Sale (after deducting the estimated expenses relating to the Warehouses Sale) of approximately HK\$13,400 million; and (ii) the audited consolidated net book value of the Target Warehouses Companies as at 31 December 2020 of approximately HK\$10,038 million.

As at 31 December 2020, the NAV of the Group attributable to the Shareholders amounted to approximately HK\$27,483 million. Assuming the Warehouses Sale Agreement had been completed on 31 December 2020, the NAV of the Group would have increased by the disposal gain of approximately HK\$3,300 million.

In terms of liquidity, since the consideration for the Warehouses Sale will be satisfied in cash and the majority of the assets of the Target Warehouses Companies are non-current assets in the consolidated statement of the financial position of the Company, both the cash balance and the net current asset position of the Group are anticipated to improve upon completion of the Warehouses Sale.

As at 31 December 2020, the gearing ratio for the Group was approximately 33.6%, which was calculated as total bank loans and overdrafts, divided by equity attributable to the Shareholders excluding put options written on non-controlling interests. Since the Target Warehouses Companies did not have any bank loans as at 31 December 2020 and the equity attributable to the Shareholders is anticipated to be enhanced by the disposal gain, the gearing ratio is expected to be improved upon completion of the Warehouses Sale.

Subject to the conditions including the Partial Offer becoming or being declared unconditional, it is expected that the Company will distribute substantially all of the proceeds from the Warehouses Sale and declare the Special Dividend of HK\$7.28 per Share to all Shareholders. Accordingly, the NAV, the cash balance and net working capital position of the Group will be reduced and the gearing ratio of the Group will increase.

(b) *The Taiwan Business Sale Agreement*

The Taiwan Business are currently wholly-owned subsidiaries of the Company and their results, assets and liabilities are consolidated into those of the Group. Upon completion of the Taiwan Business Sale, the Taiwan Business will no longer be subsidiaries of the Company and therefore the earnings, assets and liabilities of the Taiwan Business will no longer be consolidated into those of the Group.

Taking into consideration the net proceeds from the Taiwan Business Sale of approximately NTD4.5 billion (equivalent to approximately HK\$1.2 billion) and the combined NAV of the Taiwan Business as at 31 December 2020, it is expected that, subject to audit, a gain on disposal of Taiwan Business will be recognised in the profit or loss account and the NAV of the Group will increase upon the completion of the Taiwan Business Sale.

As at 31 December 2020, the Taiwan Business was in a net current liability position with cash and bank balance of approximately HK\$633 million. The initial consideration under the Taiwan Business Sale Agreement will be approximately HK\$1,225.0 million (subject to adjustments) to be satisfied in cash, and therefore both the cash balance and the net current asset position of the Group are anticipated to improve upon completion of the Taiwan Business Sale.

The Taiwan Business had bank loans of approximately HK\$2,914 million as at 31 December 2020, and thus the gearing ratio of the Group is expected to be lower upon completion of the Taiwan Business Sale.

(c) *Other Special Deal Agreements*

For the Warehouses Management Agreements, payment of guaranteed gross revenue and related fees (as expense of the Group) and management fee income are expected to be recognised in the Group's consolidated income statement during the term of the Warehouses Management Agreements. For the Brand Licence Agreements, the Company expects that no material impact to the earnings of the Group as the licence fee for each of the Brand Licence Agreements is a one-off nominal amount of HK\$100. Under the Framework Services Agreement, income and expenses are anticipated to be recognised in the Group's consolidated income statement for the services provided by the Group to the Relevant Kerry Holdings Group and vice versa.

DISCUSSION AND ANALYSIS

In February 2021, the Offeror, the Company and Kerry Properties jointly announced the Offers. Upon completion of the Offers, the Offeror will control over 50% of shares of the Company and the existing controlling Shareholders, namely Kerry Holdings and Kerry Properties, will retain over 30% equity interest in the Company.

The Group currently is a market leader in the integrated logistics, international freight forwarding and supply chain solutions industries with a global network of 59 countries and territories. The Offeror Parent Group is a leading integrated express logistic services provider in the PRC. The resources which the Offeror Parent Group brings to the Group are expected to create synergies and growth opportunities for the Company.

The Company will be positioned as the Offeror Parent's primary vehicle for international expansion. Accordingly, in addition to the existing businesses of the Company which will continue to be carried on by the Company, the Offeror Parent intends that its logistics businesses outside Greater China, including, without limitation, its international freight forwarding business, will be carried out through the Company.

The Company will also retain a clear brand identity and culture as it will continue to use the Kerry Trademarks and the Kerry Names and be led by the existing senior leadership team of the Company.

The Warehouses Sale will not only crystallise shareholder value for the Shareholders, but will also reposition the Company as an asset-light logistics company with better return on equity potential.

In view of the above, the relevant parties entered into the Special Deal Agreements, namely (i) the Warehouses Sale Agreement; (ii) the Warehouses Management Agreements; (iii) the Taiwan Business Sale Agreement; (iv) the Brand Licence Agreements; (v) the Shareholders' Agreement; and (vi) the Framework Services Agreement. The Special Deal Agreements and the Offers are part and parcel. In other words, if any of the Special Deal Agreements or the Offers has not become unconditional, none of them will proceed.

The Warehouses Sale would allow the Company to reposition itself as an asset-light business, which is in line with the business model of the Group's international competitors. Taking into account the business strategy of the Group and the proposed distribution of the Special Dividend as well as the lease back arrangements of the Target Warehouse pursuant to the Framework Services Agreement, the Warehouses Sale is considered in line with the Group's stated strategy and will unlock the value of the Target Warehouses for a return to the Shareholders. The total consideration for the Warehouses Sale of HK\$13,500 million is considered favourable to the Group as it represents a premium of approximately 2.8% over the market values of the Target Warehouses HK\$13,128 million as at 31 March 2021 as appraised by an independent valuer.

The Group is currently the owner of the Target Warehouses and operates at and manages these properties. Given the Target Warehouses will be disposed of to the Kerry Holdings Group after completion of the Warehouses Sale, it is considered reasonable for the Group to enter into the Warehouses Management Agreements and be retained as the Warehouses Manager owing to the Group's expertise and knowledge of logistics business operation and familiarity of the Target Warehouses. By leveraging on the Group's existing set-up and resources, the provision of the Warehouses Management Services will generate additional income for the Group. The terms of the Warehouses Management Agreements are considered acceptable after taking into account (i) the existing leasing profile of the Target Warehouses; (ii) the prevailing market rent of the Warehouses; and (iii) terms of comparable market transactions.

Due to foreign investment restrictions, the Offeror is restricted from indirectly acquiring interests in Taiwan businesses. The Taiwan Business Sale Agreement is therefore essential to facilitate the Partial Offer and acquisition of interests in the Company by the Offeror. Having considered the future prospects of the Group together with the Offeror Parent Group and the foreign investment restrictions of acquiring interests in Taiwan businesses, the entering into of the Taiwan Business Sale Agreement is considered acceptable. A significant majority of the Taiwan Business is carried out through the Taiwan Listco, namely Kerry TJ Logistics Company Limited, which engages in truck freight services and logistics services in Taiwan. The consideration for the Taiwan Listco is generally close to the recent historical prices of the Taiwan Listco and has an implied P/E Multiple equal to the average of the P/E Multiples of the Comparable Companies. The consideration for the Taiwan Business Sale will be adjusted on a dollar-for-dollar basis based on audited completion account.

The Group have adopted the Kerry Trademarks and the Kerry Names across all the international markets in which the Company operates and KE Thailand and its subsidiaries have adopted the Kerry Express Trademarks and the Kerry Express Names in Thailand. It is the intention of the Company to continue using the relevant trademarks and tradenames for the Group and for KE Thailand after the Partial Offer. Given the aforesaid trademarks and tradenames are owned by the Licensor, it is necessary to enter into the Brand Licence Agreements for the ongoing use of the aforesaid trademarks and tradenames after the Partial Offer. Taking into account the reasons above and the consideration for each of the Brand Licence Agreements is only a nominal amount of HK\$100, it is considered acceptable for the Company to enter into the Brand Licence Agreements.

Upon completion of the Offers, the Offeror, Kerry Holdings and Kerry Properties will become partners in controlling of the Company. Therefore it is logical for them to enter into the Shareholders' Agreement setting out the principal terms with respect to governance of the Company and the rights and obligations of the parties afterwards. Since the key terms of the Shareholders' Agreement are not uncommon in its context and are beneficial to the Group, we are of the view that the terms of the Shareholders' Agreement are fair and reasonable so far as the Independent Shareholders are concerned.

Under the Framework Services Agreement, the majority of the transactions are related to the lease of the Lease Properties by the relevant Kerry Holdings Group to the Group and provision of logistics services by the relevant Kerry Holdings Group to the Group and vice versa. In relation to the lease of the Lease Properties by the Relevant Kerry Holdings Group to the Group, the Leased Properties are substantially the warehouses to be sold under the Warehouses Sale Agreement and are currently operated by the Group and some other tenants for logistics operations. Upon completion of the Warehouses Sale Agreement, the Group will need the Leased Properties to continue carrying out and expanding its logistics operations. In respect of the provision of logistics services by the Relevant Kerry Holdings Group in and/or from Taiwan or by the Group in places outside Taiwan, it is considered necessary for the Group upon completion of the Taiwan Business Sale Agreement as the Taiwan logistics arm of the Group will be sold to Kerry Holdings Group by then. The pricing of each of the transactions entered into under the Framework Services Agreement shall be determined by the parties at the time of entry into the relevant agreements for such transactions with reference to the applicable market practice and value, with reference to any relevant rules and regulations being effective at the time. In any event, the terms of the transactions shall be no less favourable to the Group than those available from or to independent third parties.

LETTER FROM SOMERLEY

The financial effects of the Special Deals on the Group are generally positive. The Group is anticipated to record gains and enhancements on the NAV arising from the Warehouses Sale of approximately HK\$3,300 million and the Taiwan Business Sale. In addition, since the consideration for both the Warehouses Sale and the Taiwan Business Sale will be satisfied in cash, the Group's liquidity and gearing ratio are expected to improve.

OPINION AND RECOMMENDATION

Having taken into account the above principal factors set out in this letter and summarised in the section headed "Discussion and analysis" above, we consider that (i) the entering into the Warehouses Sale Agreement and the Taiwan Business Sale Agreement, although are not in ordinary and usual course of the business of the Group, are in the interests of the Company and the Shareholders as a whole and the terms of the Warehouses Sale Agreement and the Taiwan Business Sale Agreement are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned; (ii) the entering into the Warehouses Management Agreements, the Brand Licence Agreements and the Framework Services Agreement are in ordinary and usual course of the business of the Group and in the interests of the Company and the Shareholders as a whole and the terms of the Warehouses Management Agreements, the Brand Licence Agreements and the Framework Services Agreement are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned; and (iii) the terms of the Shareholders' Agreement are fair and reasonable so far as the Independent Shareholders are concerned.

Accordingly, we advise the Independent Board Committees to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM to approve the Special Deal Agreements.

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED
Danny Cheng
Director

Mr. Danny Cheng is a licensed person registered with the SFC and a responsible officer of Somerley Capital Limited, who is licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. He has over 15 years of experience in the corporate finance industry.

1 FINANCIAL INFORMATION OF THE GROUP FOR EACH OF THE THREE YEARS ENDED 31 DECEMBER 2018, 2019 AND 2020

Financial information of the Group for each of the three years ended 31 December 2018, 2019 and 2020, are disclosed in the following documents which have been published on the websites of the Company at www.kln.com and Hong Kong Exchange and Clearing Limited at www.hkexnews.hk and can be accessed at the website addresses below:

- (i) annual report of the Company for the year ended 31 December 2018 (pages 108 to 197) (https://www.kln.com/media/bublm3ff/e_00636ar_20190430_web.pdf);
- (ii) annual report of the Company for the year ended 31 December 2019 (pages 108 to 202) (https://www.kln.com/media/1vklczyx/e_00636ar_20200428_web.pdf); and
- (iii) annual report of the Company for the year ended 31 December 2020 (pages 126 to 221) (<https://www.kln.com/media/r2xfuzvm/e-00636ar-20210426-web.pdf>).

2 INDEBTEDNESS

Bank loans and bank overdrafts

As at 31 March 2021, the Group had total bank loans of approximately HK\$8,839 million, of which approximately HK\$4,566 million (representing approximately 52%) was repayable within one year, and approximately HK\$4,273 million (representing approximately 48%) were due after one year. The Group maintains most of its bank loans on an unsecured basis, of which approximately HK\$7,997 million were unsecured and approximately HK\$842 million were secured.

The Group's total bank overdrafts of approximately HK\$239 million, of which approximately HK\$226 million were unsecured and approximately HK\$13 million were secured.

Loan from non-controlling interests

As at 31 March 2021, the Group had total interest-free loans from non-controlling interests of approximately HK\$215 million of which approximately HK\$19 million were repayable within one year, and of which approximately HK\$196 million were due after one year.

Pledge of assets

At 31 March 2021, the Group's total bank loans of approximately HK\$8,839 million included an aggregate amount of approximately HK\$842 million which is secured. The securities provided for the secured banking facilities available to the Group are as follows:

- (i) legal charges over certain investment properties, leasehold land and land use rights, freehold land and buildings, warehouse and logistics centres and port facilities with an aggregate net book value of approximately HK\$2,437 million;

- (ii) assignments of insurance proceeds of certain properties; and
- (iii) certain balances of restricted and pledged deposits.

Lease liabilities

As at 31 March 2021, the Group had lease liabilities of approximately HK\$4,364 million, of which approximately HK\$1,041 million were due within one year and approximately HK\$3,323 million were due after one year.

Contingent liabilities and guarantees

As at 31 March 2021, the Group had no material contingent liabilities and guarantees.

Save as set out above and apart from intra-group liabilities and guarantees, the Group did not have material outstanding indebtedness in respect of mortgages, charges, debentures or loan capital, bank overdrafts, loans, debt securities or other similar indebtedness or acceptance credits (other than trade bills in the ordinary and usual course of the business) or hire purchase commitments or any guarantees or other material contingent liabilities at the close of business on 31 March 2021.

3 WORKING CAPITAL

Taking into account the Group's internal resources and available banking facilities, and in the absence of unforeseeable circumstances, the Directors are of the opinion that the Group will have sufficient working capital for its present requirements for at least the next 12 months from the date of this circular.

4 FINANCIAL AND TRADING PROSPECTS

The Group's position of being an Asia headquartered logistics company with a global reach, together with the resilience, tenacity and speed of the professional team and business, have enabled the Group to weather the unprecedented challenges of 2020 and contributed to keeping the global supply chain functioning. Going forward, the Group will scale up the operations and engage in meaningful R&D to innovate further on how to operate and serve customers, aiming to build on the resilience and diversity of our business model and the resourcefulness of our people to reach new heights.

5 NO MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirm that, other than in the section headed "Financial and Trading Prospects" above and as disclosed in the Company's 2020 Annual Report, there has been no material adverse change in the financial or trading position of the Group since 31 December 2020, being the date to which the latest published audited consolidated financial statements of the Group have been made up.

The following is the full text of a letter, summary of valuations and valuation report prepared for the purpose of inclusion in this circular by Cushman & Wakefield Limited, an independent qualified property valuer, in connection with the valuation as at 31 March 2021 of the Target Warehouses.



27/F One Island East
Taikoo Place
18 Westlands Road
Quarry Bay
Hong Kong

3 May 2021

The Directors
Kerry Logistics Network Limited
(incorporated in the British Virgin Islands and continued into Bermuda
as an exempted company with limited liability)
16/F, Kerry Cargo Centre
55 Wing Kei Road
Kwai Chung
New Territories
Hong Kong

Dear Sirs,

Re: Portfolio Valuation

Instructions, Purpose & Valuation Date

In accordance with the instructions of Kerry Logistics Network Limited (the "**Company**") for Cushman & Wakefield Limited ("**C&W**") to value the property interests of the Target Warehouses (as defined in this circular) held by the Company and/or its subsidiaries (collectively the "**Group**") situated in Hong Kong (as more particularly described in the attached valuation report), we confirm that we have inspected the properties, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the values of the properties as at 31 March 2021 (the "**Valuation Date**").

Basis of Valuation

Our valuation of each of the properties represents its market value which in accordance with The HKIS Valuation Standards 2020 issued by The Hong Kong Institute of Surveyors is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

We confirm that the valuations are undertaken in accordance with the requirements set out in Chapter 5 of the Rules Governing the Listing of Securities on The Stock Exchange of the Hong Kong Limited and The HKIS Valuation Standards 2020 issued by The Hong Kong Institute of Surveyors.

Our valuation of each of the properties are on an entirety interest basis.

Valuation Assumptions

Our valuation of each of the properties excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of value available only to a specific owner or purchaser.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the Properties nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

Method of Valuation

We have generally valued the properties by market approach assuming sale of the properties in their respective existing state by making reference to comparable sales transactions as available in the relevant market. The adoption of the widely-accepted market approach and a valuation by comparison are reasonable and appropriate as the properties are existing, completed properties of similar nature and are comparable to other industrial and warehouse properties in the market where comparable sale transactions are available.

Source of Information

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as planning approvals, statutory notices, easements, tenure, identification of land and buildings, particulars of occupancy, site and floor areas, tenancy details, site and floor plans, interest attributable to the Group and all other relevant matters.

Dimensions and measurements are based on the copies of documents or other information provided to us by the Group and are therefore only approximations. No on-site measurement has been carried out. We have no reason to doubt the truth and accuracy of the information provided to us by the Group which is material to the valuations. We were also advised by the Group that no material facts have been omitted from the information provided.

Title Investigation

We have not been provided with copies of the title documents relating to the properties but have caused searches to be made at the Land Registry. However, we have not searched the original documents to verify ownership or to ascertain any amendments. All documents have been used for reference only and all dimensions, measurements and areas are approximate.

Site Inspection

Our valuer, Terrence Lai (Probationer of HKIS), inspected the exterior and wherever possible the interior of the properties in March 2021. However, no structural survey has been made, but in the course of our inspections, we did not note any serious defects. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defects. No test was carried out on any of the services. Moreover, we have not carried out any soil investigation to determine the suitability of the soil conditions and services etc for any future redevelopment. Unless otherwise stated, we have not been able to carry out detailed on-site measurements to verify the site and floor areas of the properties and we have assumed that the areas shown on the documents handed to us are correct.

Confirmation of Independence

We hereby confirm that C&W and the undersigned have no pecuniary or other interests that could conflict with the proper valuation of the properties or could reasonably be regarded as being capable of affecting our ability to give an unbiased opinion.

Potential Tax Liabilities

As advised by the Group, the potential tax liabilities which would arise on the direct disposal of the Target Warehouses held by the Group at the amounts valued by us mainly comprise the following:

- (i) profits tax at 16.5% on gain (minus any profit which is capital in nature)
- (ii) stamp duty at a minimum of HK\$100, progressive rates from 1.5% to 4.25% (of which both the seller and the buyer are jointly and severally liable)

In respect of the Target Warehouses held by the Group which are held for investment purposes or owner-occupation, the likelihood of the relevant tax liabilities being crystallized is remote as the Group have no plans for the disposal of the properties.

We enclose herewith a summary of valuations and our valuation report for your attention.

Yours faithfully,
For and on behalf of
Cushman & Wakefield Limited
K. B. Wong
MRICS, FHKIS, RPS(GP)
Executive Director
Valuation & Advisory Services, Hong Kong

Note: Mr. K.B. Wong is a Member of the Royal Institution of Chartered Surveyors, a Fellow of the Hong Kong Institute of Surveyors and a Registered Professional Surveyor who has over 35 years of experience in the professional property valuation and advisory in Hong Kong. Mr. Wong has sufficient current knowledge of the market, and the skills and understanding to undertake the valuations competently.

SUMMARY OF VALUATIONS

Property	Market value in existing state as at 31 March 2021 HK\$
Group I – Property interests in respect of the Target Warehouses held by the Group for investment purposes	
1. Kerry Warehouse (Sheung Shui), 2 San Po Street, Sheung Shui, New Territories	1,002,000,000
2. Kerry Warehouse (Fanling 1), 39 On Lok Mun Street, On Lok Tsuen, Fanling, New Territories	720,000,000
3. Kerry Warehouse (Kwai Chung), 4-6 Kwai Tai Road, Kwai Chung, New Territories	730,000,000
4. Kerry TC Warehouse 2, 35 Wing Kei Road, Kwai Chung, New Territories	1,636,000,000
5. Kerry Warehouse (Tsuen Wan), 3 Shing Yiu Street, Kwai Chung, New Territories	1,718,000,000
6. Kerry Cargo Centre, 55 Wing Kei Road, Kwai Chung, New Territories	5,368,000,000
7. Whole of Lower Ground, Ground, 2nd to 4th and 6th Floors and Unit A2 on 7th Floor of Block A, 2 container, 11 lorry and 10 van/car parking spaces, Kerry TC Warehouse 1, 3 Kin Chuen Street, Kwai Chung, New Territories	522,000,000
Group II – Property interests in respect of the Target Warehouses held by the Group for owner occupation	
8. Whole of Lower Ground and 2nd to 16th Floors of Block B, the parking area/loading and unloading platform, 3 container, 13 lorry and 18 van/car parking spaces, Kerry TC Warehouse 1, 3 Kin Chuen Street, Kwai Chung, New Territories	1,432,000,000
Total:	
13,128,000,000	

VALUATION REPORT

Group I – Property interests in respect of the Target Warehouses held by the Group for investment purposes

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2021																											
1. Kerry Warehouse (Sheung Shui), 2 San Po Street, Sheung Shui, New Territories	The property comprises a 6-storey (including basement) warehouse building completed in 1991. Parking and loading/unloading spaces are provided on all floors.	Except a portion of 24,397 sq.ft. (2,266.54 sq.m.) that is vacant, the property is subject to various tenancies with the latest tenancy due to expire on 2 July 2022. The total monthly rent is approximately HK\$797,000, exclusive of management fees and rates.	HK\$1,002,000,000 (HONG KONG DOLLARS ONE BILLION AND TWO MILLION)																											
Fanling Sheung Shui Town Lot No. 109	<p>The registered site area of the property is approximately 6,416 sq.m. (69,062 sq.ft.).</p> <p>The approximate gross floor areas of the property are as follows:–</p> <table><tr><th>Floor</th><th colspan="2">Gross Floor Area</th></tr><tr><td></td><th>sq.m.</th><th>sq.ft.</th></tr><tr><td>Basement</td><td>5,591.04</td><td>60,182</td></tr><tr><td>Ground</td><td>5,198.81</td><td>55,960</td></tr><tr><td>1st</td><td>5,758.36</td><td>61,983</td></tr><tr><td>2nd</td><td>5,799.98</td><td>62,431</td></tr><tr><td>3rd</td><td>5,644.56</td><td>60,758</td></tr><tr><td>4th</td><td>5,103.96</td><td>54,939</td></tr><tr><td>Total:</td><td>33,096.71</td><td>356,253</td></tr></table> <p>In addition, 1 container parking space, 18 lorry parking spaces and 18 van/car parking spaces are provided within the property.</p> <p>The property is held from the Government under New Grant No. N12413 for a term commencing on 30 December 1989 and expiring on 30 June 2047. The Government Rent payable for the lot is an amount equal to 3% of the rateable value for the time being of the lot per annum.</p>	Floor	Gross Floor Area			sq.m.	sq.ft.	Basement	5,591.04	60,182	Ground	5,198.81	55,960	1st	5,758.36	61,983	2nd	5,799.98	62,431	3rd	5,644.56	60,758	4th	5,103.96	54,939	Total:	33,096.71	356,253	The property is also subject to intra-group tenancies with the latest tenancy due to expire on 31 December 2022. The total monthly rent is approximately HK\$2,692,000, exclusive of management fees and rates.	
Floor	Gross Floor Area																													
	sq.m.	sq.ft.																												
Basement	5,591.04	60,182																												
Ground	5,198.81	55,960																												
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3rd	5,644.56	60,758																												
4th	5,103.96	54,939																												
Total:	33,096.71	356,253																												

Notes:

- (1) The registered owner of the property is Kerry Warehouse (Sheung Shui) Limited, a wholly owned subsidiary of the Company.
- (2) The property falls within a land use zone for "Industrial" purpose under Approved Fanling/Sheung Shui Outline Zoning Plan No. S/FSS/24 dated 7 January 2020.
- (3) In undertaking our valuation, we have made reference to sale prices of comparable properties with a price range of approximately HK\$2,500 to HK\$3,600 psf gross. The unit rate assumed by us is consistent with the relevant comparables after adjustments of location, size, age, time and other relevant factors.

VALUATION REPORT

Group I – Property interests in respect of the Target Warehouses held by the Group for investment purposes

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2021																		
2. Kerry Warehouse (Fanling 1), 39 On Lok Mun Street, On Lok Tsuen, Fanling, New Territories	The property comprises a 6-storey warehouse building completed in 1994. Parking and loading/unloading spaces are provided on the 1st Floor.	The property is fully let and subject to various tenancies with the latest tenancy due to expire on 14 August 2021. The total monthly rent is approximately HK\$246,000, exclusive of management fees and rates.	HK\$720,000,000 (HONG KONG DOLLARS SEVEN HUNDRED AND TWENTY MILLION)																		
Fanling Sheung Shui Town Lot Nos. 45 and 46	<p>The total registered site area of the property is approximately 5,035 sq.m. (54,197 sq.ft.).</p> <p>The approximate gross floor areas of the property are as follows:–</p> <table><tr><th>Floor</th><th>Gross Floor Area sq.m.</th><th>sq.ft.</th></tr><tr><td>Ground</td><td>4,993.96</td><td>53,755</td></tr><tr><td>1st</td><td>564.10</td><td>6,072</td></tr><tr><td>2nd</td><td>5,588.16</td><td>60,151</td></tr><tr><td>3rd to 5th</td><td>5,066.33 x 3</td><td>54,534 x 3</td></tr><tr><td>Total:</td><td>26,345.21</td><td>283,580</td></tr></table>	Floor	Gross Floor Area sq.m.	sq.ft.	Ground	4,993.96	53,755	1st	564.10	6,072	2nd	5,588.16	60,151	3rd to 5th	5,066.33 x 3	54,534 x 3	Total:	26,345.21	283,580	<p>The property is also subject to intra-group tenancies with the latest tenancy due to expire on 31 December 2021. The total monthly rent is approximately HK\$2,433,000, exclusive of management fees and rates.</p>	
Floor	Gross Floor Area sq.m.	sq.ft.																			
Ground	4,993.96	53,755																			
1st	564.10	6,072																			
2nd	5,588.16	60,151																			
3rd to 5th	5,066.33 x 3	54,534 x 3																			
Total:	26,345.21	283,580																			
	<p>In addition, 2 container parking spaces, 14 lorry parking spaces and 14 van/car parking spaces are provided within the property.</p>																				
	<p>The property is held from the Government under New Grant Nos. N12444 and N12473 for terms commencing on 21 August 1990 and 11 February 1991 respectively and both expiring on 30 June 2047. The total Government Rent payable for the lots is an amount equal to 3% of the rateable value for the time being of the lots per annum.</p>																				

Notes:

- (1) The registered owner of the property is Kerry Warehouse (Fanling 1) Limited, a wholly owned subsidiary of the Company.
- (2) The property falls within a land use zone for "Industrial" purpose under Approved Fanling/Sheung Shui Outline Zoning Plan No. S/FSS/24 dated 7 January 2020.
- (3) In undertaking our valuation, we have made reference to sale prices of comparable properties with a price range of approximately HK\$2,500 to HK\$3,600 psf gross. The unit rate assumed by us is consistent with the relevant comparables after adjustments of location, size, age, time and other relevant factors.

VALUATION REPORT

Group I – Property interests in respect of the Target Warehouses held by the Group for investment purposes

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2021																																										
3. Kerry Warehouse (Kwai Chung), 4-6 Kwai Tai Road, Kwai Chung, New Territories Kwai Chung Town Lot No. 326	<p>The property comprises a 16-storey warehouse building completed in 1981. Parking and loading/unloading spaces are provided on the Ground and 1st Floors.</p> <p>The registered site area of the property is approximately 2,655.60 sq.m. (28,585 sq.ft.).</p> <p>The approximate gross floor areas of the property are as follows:–</p> <table><tr><th>Floor</th><th>Gross Floor Area sq.m.</th><th>sq.ft.</th></tr><tr><td>Ground</td><td>311.22</td><td>3,350</td></tr><tr><td>1st</td><td>218.51</td><td>2,352</td></tr><tr><td>2nd</td><td>2,572.65</td><td>27,692</td></tr><tr><td>3rd to 4th</td><td>1,810.01 x 2</td><td>19,483 x 2</td></tr><tr><td>5th to 6th</td><td>1,809.18 x 2</td><td>19,474 x 2</td></tr><tr><td>7th to 8th</td><td>1,810.01 x 2</td><td>19,483 x 2</td></tr><tr><td>9th</td><td>1,809.18</td><td>19,474</td></tr><tr><td>10th</td><td>1,810.01</td><td>19,483</td></tr><tr><td>11th</td><td>1,809.18</td><td>19,474</td></tr><tr><td>12th</td><td>1,810.01</td><td>19,483</td></tr><tr><td>13th</td><td>1,809.18</td><td>19,474</td></tr><tr><td>14th to 15th</td><td>1,810.01 x 2</td><td>19,483 x 2</td></tr><tr><td>Total:</td><td>26,628.36</td><td>286,628</td></tr></table>	Floor	Gross Floor Area sq.m.	sq.ft.	Ground	311.22	3,350	1st	218.51	2,352	2nd	2,572.65	27,692	3rd to 4th	1,810.01 x 2	19,483 x 2	5th to 6th	1,809.18 x 2	19,474 x 2	7th to 8th	1,810.01 x 2	19,483 x 2	9th	1,809.18	19,474	10th	1,810.01	19,483	11th	1,809.18	19,474	12th	1,810.01	19,483	13th	1,809.18	19,474	14th to 15th	1,810.01 x 2	19,483 x 2	Total:	26,628.36	286,628	<p>Except a portion of 4,708 sq.ft. (437.38 sq.m.) that is vacant, the property is let on a tenancy due to expire on 8 November 2022 at a monthly rent of HK\$13,800, exclusive of management fees and rates.</p> <p>The property is also subject to intra-group tenancies with the latest tenancy due to expire on 31 December 2022. The total monthly rent is approximately HK\$2,854,000, exclusive of management fees and rates.</p>	<p>HK\$730,000,000 (HONG KONG DOLLARS SEVEN HUNDRED AND THIRTY MILLION)</p>
Floor	Gross Floor Area sq.m.	sq.ft.																																											
Ground	311.22	3,350																																											
1st	218.51	2,352																																											
2nd	2,572.65	27,692																																											
3rd to 4th	1,810.01 x 2	19,483 x 2																																											
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7th to 8th	1,810.01 x 2	19,483 x 2																																											
9th	1,809.18	19,474																																											
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12th	1,810.01	19,483																																											
13th	1,809.18	19,474																																											
14th to 15th	1,810.01 x 2	19,483 x 2																																											
Total:	26,628.36	286,628																																											
<p>In addition, 28 lorry parking spaces and 5 van/car parking spaces are provided within the property.</p> <p>The property is held from the Government under New Grant No. TW5554 for a term of 99 years commencing on 1 July 1898 less the last three days extended until 30 June 2047. The Government Rent payable for the lot is an amount equal to 3% of the rateable value for the time being of the lot per annum.</p>																																													

Notes:

- (1) The registered owner of the property is Kerry Warehouse (Kwai Chung) Limited, a wholly owned subsidiary of the Company.
- (2) The property falls within a land use zone for "Industrial" purpose under Draft Kwai Chung Outline Zoning Plan No. S/KC/29 dated 19 January 2018.
- (3) In undertaking our valuation, we have made reference to sale prices of comparable properties with a price range of approximately HK\$2,500 to HK\$3,700 psf gross. The unit rate assumed by us is consistent with the relevant comparables after adjustments of location, size, age, time and other relevant factors.

VALUATION REPORT

Group I – Property interests in respect of the Target Warehouses held by the Group for investment purposes

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2021																																													
4. Kerry TC Warehouse 2, 35 Wing Kei Road, Kwai Chung, New Territories Kwai Chung Town Lot No. 437	<p>The property comprises a 16-storey cold store/warehouse/vehicle park building completed in 1997. Parking and loading/unloading spaces are provided on the Ground to 5th Floors.</p> <p>The registered site area of the property is approximately 6,242 sq.m. (67,189 sq.ft.).</p> <p>The approximate gross floor areas of the property are as follows:–</p> <table><tr><th>Floor</th><th colspan="2">Gross Floor Area</th></tr><tr><td></td><th>sq.m.</th><th>sq.ft.</th></tr><tr><td colspan="3">Warehouse</td></tr><tr><td>6th</td><td>4,396.04</td><td>47,319</td></tr><tr><td>7th</td><td>4,575.72</td><td>49,253</td></tr><tr><td>8th to 11th</td><td>4,669.55 x 4</td><td>50,263 x 4</td></tr><tr><td>12th to 13th</td><td>4,477.15 x 2</td><td>48,192 x 2</td></tr><tr><td>14th to 15th</td><td>4,502.69 x 2</td><td>48,467 x 2</td></tr><tr><td>Sub-total:</td><td>45,609.64</td><td>490,942</td></tr><tr><td colspan="3">Car Park</td></tr><tr><td>2nd</td><td>4,027.68</td><td>43,354</td></tr><tr><td>3rd to 4th</td><td>3,986.16 x 2</td><td>42,907 x 2</td></tr><tr><td>5th</td><td>3,931.81</td><td>42,322</td></tr><tr><td>Sub-total:</td><td>15,931.81</td><td>171,490</td></tr><tr><td>Total:</td><td>61,541.45</td><td>662,432</td></tr></table>	Floor	Gross Floor Area			sq.m.	sq.ft.	Warehouse			6th	4,396.04	47,319	7th	4,575.72	49,253	8th to 11th	4,669.55 x 4	50,263 x 4	12th to 13th	4,477.15 x 2	48,192 x 2	14th to 15th	4,502.69 x 2	48,467 x 2	Sub-total:	45,609.64	490,942	Car Park			2nd	4,027.68	43,354	3rd to 4th	3,986.16 x 2	42,907 x 2	5th	3,931.81	42,322	Sub-total:	15,931.81	171,490	Total:	61,541.45	662,432	<p>Except a portion of 388,120 sq.ft. (36,057.23 sq.m.) that is vacant, the property is subject to intra-group tenancies with the latest tenancy due to expire on 31 December 2021. The total monthly rent is approximately HK\$1,123,000, exclusive of management fees and rates.</p>	<p>HK\$1,636,000,000 (HONG KONG DOLLARS ONE BILLION SIX HUNDRED AND THIRTY SIX MILLION)</p>
Floor	Gross Floor Area																																															
	sq.m.	sq.ft.																																														
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6th	4,396.04	47,319																																														
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Total:	61,541.45	662,432																																														

In addition, 1 container parking space, 23 lorry parking spaces and 23 van/car parking spaces are provided within the property. Apart from these, a public vehicle park accommodating 25 container parking spaces, 140 lorry parking spaces and 50 van/car parking spaces is provided.

The property is held from the Government under New Grant No. TW6964 for a term commencing on 14 December 1994 and expiring on 30 June 2047. The Government Rent payable for the lot is an amount equal to 3% of the rateable value for the time being of the lot per annum.

Notes:

- (1) The registered owner of the property is Kerry TC Warehouse 2 Limited, a wholly owned subsidiary of the Company.
- (2) The property falls within a land use zone for "Industrial" purpose under Draft Kwai Chung Outline Zoning Plan No. S/KC/29 dated 19 January 2018.
- (3) In undertaking our valuation, we have made reference to sale prices of comparable properties with a price range of approximately HK\$2,500 to HK\$3,700 psf gross. The unit rate assumed by us is consistent with the relevant comparables after adjustments of location, size, age, time and other relevant factors.

VALUATION REPORT

Group I – Property interests in respect of the Target Warehouses held by the Group for investment purposes

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2021																		
5. Kerry Warehouse (Tsuen Wan), 3 Shing Yiu Street, Kwai Chung, New Territories	The property comprises a 19-storey warehouse building completed in June 1998. Parking and loading/unloading spaces are provided on the Ground and 1st Floors.	The property is fully let and subject to various tenancies with the latest tenancy due to expire on 30 June 2028.	HK\$1,718,000,000 (HONG KONG DOLLARS ONE BILLION SEVEN HUNDRED AND EIGHTEEN MILLION)																		
Kwai Chung Town Lot No. 452	The registered site area of the property is approximately 6,525 sq.m. (70,235 sq.ft.).	The total monthly rent is approximately HK\$7,627,000, exclusive of management fees and rates.																			
	The approximate gross floor areas of the property are as follows:–																				
	<table><tr><th>Floor</th><th>Gross Floor Area sq.m.</th><th>sq.ft.</th></tr><tr><td>1st</td><td>718.13</td><td>7,730</td></tr><tr><td>2nd</td><td>3,341.04</td><td>35,963</td></tr><tr><td>3rd to 17th</td><td>3,351.26 x 15</td><td>36,073 x 15</td></tr><tr><td>18th</td><td>667.50</td><td>7,185</td></tr><tr><td>Total:</td><td>54,995.57</td><td>591,973</td></tr></table>	Floor	Gross Floor Area sq.m.	sq.ft.	1st	718.13	7,730	2nd	3,341.04	35,963	3rd to 17th	3,351.26 x 15	36,073 x 15	18th	667.50	7,185	Total:	54,995.57	591,973	The property is also subject to intra-group tenancies with the latest tenancy due to expire on 31 December 2021. The total monthly rent is approximately HK\$1,965,000, exclusive of management fees and rates.	
Floor	Gross Floor Area sq.m.	sq.ft.																			
1st	718.13	7,730																			
2nd	3,341.04	35,963																			
3rd to 17th	3,351.26 x 15	36,073 x 15																			
18th	667.50	7,185																			
Total:	54,995.57	591,973																			
	In addition, 1 container parking space, 28 lorry parking spaces and 27 van/car parking spaces are provided within the property.																				
	The property is held from the Government under New Grant No. TW6987 for a term commencing on 26 September 1995 and expiring on 30 June 2047. The current Government Rent payable for the lot is an amount equal to 3% of the rateable value for the time being of the lot per annum.																				

Notes:

- (1) The registered owner of the property is Kerry Warehouse (Tsuen Wan) Limited, a wholly owned subsidiary of the Company.
- (2) Portions of the property (portions of 1/F, 7/F, 13/F, 15/F, 16/F and portions of 18/F) with a total area of approximately 12,003.809 sq.m. (129,209 sq.ft.) were subject to a Waiver Letter for the permission of the uses as data centre for a term expiring upon the demolition of the existing building; on 30 June 2047 or upon the early termination of the Conditions.
- (3) The property falls within a land use zone for "Industrial" purpose under Draft Kwai Chung Outline Zoning Plan No. S/KC/29 dated 19 January 2018.
- (4) In undertaking our valuation, we have made reference to sale prices of comparable properties with a price range of approximately HK\$2,500 to HK\$3,700 psf gross. The unit rate assumed by us is consistent with the relevant comparables after adjustments of location, size, age, time and other relevant factors.

VALUATION REPORT

Group I – Property interests in respect of the Target Warehouses held by the Group for investment purposes

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2021																																	
6. Kerry Cargo Centre, 55 Wing Kei Road, Kwai Chung, New Territories Kwai Chung Town Lot No. 455	<p>The property comprises a 16-storey warehouse block over a 4-storey public car park podium completed in 1999. Parking and loading/unloading spaces are provided on all floors (except Level 16).</p> <p>The registered site area of the property is approximately 16,960 sq.m. (182,557 sq.ft.).</p> <p>The approximate gross floor areas of the property are as follows:–</p> <table><tr><th>Floor</th><th>Gross Floor Area sq.m.</th><th>sq.ft.</th></tr><tr><td>Warehouse</td><td></td><td></td></tr><tr><td>L1</td><td>5,271.92</td><td>56,747</td></tr><tr><td>L2 to L7</td><td>8,938.78 x 6</td><td>96,217 x 6</td></tr><tr><td>L8</td><td>5,494.89</td><td>59,147</td></tr><tr><td>L9 to L15</td><td>8,987.27 x 7</td><td>96,739 x 7</td></tr><tr><td>L16</td><td>6,780.66</td><td>72,987</td></tr><tr><td>Sub-total:</td><td>134,091.04</td><td>1,443,356</td></tr><tr><td>Public Car Park</td><td></td><td></td></tr><tr><td>P1-P4</td><td>50,817.54</td><td>547,000</td></tr><tr><td>Total:</td><td>184,908.58</td><td>1,990,356</td></tr></table> <p>The public car park on P1 to P4 accommodates 70 container parking spaces, 380 lorry parking spaces and 160 van/car parking spaces. In addition, 1 container parking space, 104 lorry parking spaces and 62 van/car parking spaces are provided within the warehouse block.</p> <p>The property is held from the Government under New Grant No. TW6994 for a term commencing on 25 March 1996 and expiring on 30 June 2047. The current Government Rent payable for the lot is an amount equal to 3% of the rateable value for the time being of the lot per annum.</p>	Floor	Gross Floor Area sq.m.	sq.ft.	Warehouse			L1	5,271.92	56,747	L2 to L7	8,938.78 x 6	96,217 x 6	L8	5,494.89	59,147	L9 to L15	8,987.27 x 7	96,739 x 7	L16	6,780.66	72,987	Sub-total:	134,091.04	1,443,356	Public Car Park			P1-P4	50,817.54	547,000	Total:	184,908.58	1,990,356	<p>Except a portion of 132,626 sq.ft. (12,321.26 sq.m.) that is vacant, the property is subject to various tenancies with the latest tenancy due to expire on 31 March 2028. The total monthly rent is approximately HK\$5,937,000, exclusive of management fees and rates.</p> <p>The property is also subject to intra-group tenancies with the latest tenancy due to expire on 31 December 2021. The total monthly rent is approximately HK\$13,576,000, exclusive of management fees and rates.</p>	<p>HK\$5,368,000,000 (HONG KONG DOLLARS FIVE BILLION THREE HUNDRED AND SIXTY EIGHT MILLION)</p>
Floor	Gross Floor Area sq.m.	sq.ft.																																		
Warehouse																																				
L1	5,271.92	56,747																																		
L2 to L7	8,938.78 x 6	96,217 x 6																																		
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Sub-total:	134,091.04	1,443,356																																		
Public Car Park																																				
P1-P4	50,817.54	547,000																																		
Total:	184,908.58	1,990,356																																		

Notes:

- (1) The registered owner of the property is Kerry Cargo Centre Limited, a wholly owned subsidiary of the Company.
- (2) The property falls within a land use zone for "Industrial" purpose under Draft Kwai Chung Outline Zoning Plan No. S/KC/29 dated 19 January 2018.
- (3) In undertaking our valuation, we have made reference to sale prices of comparable properties with a price range of approximately HK\$2,500 to HK\$3,700 psf gross. The unit rate assumed by us is consistent with the relevant comparables after adjustments of location, size, age, time and other relevant factors.

VALUATION REPORT

Group I – Property interests in respect of the Target Warehouses held by the Group for investment purposes

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2021																											
7. Whole of Lower Ground, Ground, 2nd to 4th and 6th Floors and Unit A2 on 7th Floor of Block A, 2 container, 11 lorry and 10 van/car parking spaces, Kerry TC Warehouse 1, 3 Kin Chuen Street, Kwai Chung, New Territories	<p>The property comprises a portion of Block A which is 1 of the 2 contiguous 18-storey (including Lower Ground Floor) warehouse buildings completed in 1991. Parking and loading/unloading spaces are provided on the Lower Ground to 1st Floors.</p> <p>Block A is a warehouse building.</p> <p>The approximate gross floor areas of the warehouse portions of the property are as follows:–</p>	The property is fully let and subject to intra-group tenancies with the latest tenancy due to expire on 31 December 2021. The total monthly rent is approximately HK\$2,021,000, exclusive of management fees and rates.	HK\$522,000,000 (HONG KONG DOLLARS FIVE HUNDRED AND TWENTY TWO MILLION)																											
168,562/966,507th shares and 43.56/100th in 27,434/966,507th shares of and in Kwai Chung Town Lot No. 419	<table><tr><th>Floor</th><th colspan="2">Gross Floor Area</th></tr><tr><td></td><th>sq.m.</th><th>sq.ft.</th></tr><tr><td>Lower Ground</td><td>2,722.04</td><td>29,300</td></tr><tr><td>Ground</td><td>2,254.65</td><td>24,269</td></tr><tr><td>2nd to 3rd</td><td>2,771.65 x 2</td><td>29,834 x 2</td></tr><tr><td>4th</td><td>2,548.68</td><td>27,434</td></tr><tr><td>6th</td><td>2,554.81</td><td>27,500</td></tr><tr><td>7th</td><td>1,110.27</td><td>11,951</td></tr><tr><td>Total:</td><td>16,733.75</td><td>180,122</td></tr></table>	Floor	Gross Floor Area			sq.m.	sq.ft.	Lower Ground	2,722.04	29,300	Ground	2,254.65	24,269	2nd to 3rd	2,771.65 x 2	29,834 x 2	4th	2,548.68	27,434	6th	2,554.81	27,500	7th	1,110.27	11,951	Total:	16,733.75	180,122		
Floor	Gross Floor Area																													
	sq.m.	sq.ft.																												
Lower Ground	2,722.04	29,300																												
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2nd to 3rd	2,771.65 x 2	29,834 x 2																												
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6th	2,554.81	27,500																												
7th	1,110.27	11,951																												
Total:	16,733.75	180,122																												

In addition, 2 container parking spaces, 11 lorry parking spaces and 10 van/car parking spaces are provided with the property.

The property is held from the Government under New Grant No. 6692 for a term commencing on 28 February 1989 and expiring on 30 June 2047. The Government Rent payable for the lot is an amount equal to 3% of the rateable value for the time being of the lot per annum.

Notes:

- (1) The registered owners of the property are Kerry TC Warehouse 1 (Block A) Limited, a wholly owned subsidiary of the Company (Re: Lower Ground, Ground, 2nd to 4th and 6th Floors of Block A; Car Parking Space Nos. L4 to L10 and V1 to V8 on the Ground Floor; and Car Parking Space Nos. C1 and C2 on the Ground Floor, L8 to L10, L12 and V3 on the 1st Floor) and Wah Ming Properties Limited (Unit A2 on 7th Floor and Car Parking Space No. V18 on the 1st Floor), a wholly owned subsidiary of the Company.
- (2) The property comprises Lower Ground, Ground, 2nd to 4th and 6th Floors and Unit A2 on 7th Floor of Block A; Car Parking Space Nos. C1, C2, L4 to L10, and V1 to V8 on the Ground Floor; and Car Parking Space Nos. L8 to L10, L12, V3 and V18 on the 1st Floor.
- (3) Notwithstanding that the property falls within a land use zone for "Residential (Group E)" purpose under Draft Kwai Chung Outline Zoning Plan No. S/KC/29 dated 19 January 2018, the zone is intended primarily for phasing out of existing industrial uses through redevelopment (or conversion) for residential use and existing industrial uses will be tolerated but new industrial developments are not permitted in order to avoid perpetuation of industrial/residential interface problem. The property has been used for industrial purposes since its completion in 1991, as such, the continuing use of the property as is shall not be affected by the land use zone for "Residential (Group E)" purpose.
- (4) In undertaking our valuation, we have made reference to sale prices of comparable properties with a price range of approximately HK\$2,500 to HK\$3,700 psf gross. The unit rate assumed by us is consistent with the relevant comparables after adjustments of location, size, age, time and other relevant factors.

VALUATION REPORT

Group II – Property interests in respect of the Target Warehouses held by the Group for owner occupation

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2021																					
8. Whole of Lower Ground and 2nd to 16th Floors of Block B, the parking area/ loading and unloading platform, 3 container, 13 lorry and 18 van/car parking spaces, Kerry TC Warehouse 1, 3 Kin Chuen Street, Kwai Chung, New Territories	<p>The property comprises a majority portion of Block B which is 1 of 2 contiguous 18-storey (including Lower Ground Floor) warehouse buildings completed in 1991. Parking and loading/unloading spaces are provided on the Lower Ground to 1st Floors.</p> <p>Block B is a cold storage/warehouse building.</p> <p>The approximate gross floor areas of the cold storage and warehouse portions of the property are as follows:–</p> <table><tr><th>Floor</th><th colspan="2">Gross Floor Area</th></tr><tr><td></td><th>sq.m.</th><th>sq.ft.</th></tr><tr><td>Lower Ground</td><td>2,326.09</td><td>25,038</td></tr><tr><td>2nd to 8th</td><td>2,801.10 x 7</td><td>30,151 x 7</td></tr><tr><td>9th</td><td>2,738.57</td><td>29,478</td></tr><tr><td>10th to 16th</td><td>2,841.32 x 7</td><td>30,584 x 7</td></tr><tr><td>Total:</td><td>44,561.60</td><td>479,661</td></tr></table>	Floor	Gross Floor Area			sq.m.	sq.ft.	Lower Ground	2,326.09	25,038	2nd to 8th	2,801.10 x 7	30,151 x 7	9th	2,738.57	29,478	10th to 16th	2,841.32 x 7	30,584 x 7	Total:	44,561.60	479,661	<p>Except a portion of 147,797 sq.ft. (13,730.68 sq.m.) that is vacant, the property is subject to intra-group tenancies with the latest tenancy due to expire on 31 December 2021. The total monthly rent is approximately HK\$3,752,000, exclusive of management fees and rates.</p>	<p>HK\$1,432,000,000 (HONG KONG DOLLARS ONE BILLION FOUR HUNDRED AND THIRTY TWO MILLION</p>
Floor	Gross Floor Area																							
	sq.m.	sq.ft.																						
Lower Ground	2,326.09	25,038																						
2nd to 8th	2,801.10 x 7	30,151 x 7																						
9th	2,738.57	29,478																						
10th to 16th	2,841.32 x 7	30,584 x 7																						
Total:	44,561.60	479,661																						
488,194/966,507th shares of and in Kwai Chung Town Lot No. 419	<p>In addition, 3 container parking spaces, 13 lorry parking spaces and 18 van/car parking spaces are provided with the property.</p> <p>The property is held from the Government under New Grant No. 6692 for a term commencing on 28 February 1989 and expiring on 30 June 2047. The Government Rent payable for the lot is an amount equal to 3% of the rateable value for the time being of the lot per annum.</p>																							

Notes:

- (1) The registered owner of the property is Kerry TC Warehouse 1 (Block B) Limited, a wholly owned subsidiary of the Company (Re: Lower Ground and 2nd to 16th Floors of Block B; Car Parking Space Nos. V1 and V2, the parking area/loading and unloading platform including Car Parking Space Nos. C1, C2, C3 and L1 on the Lower Ground Floor; and Car Parking Space Nos. L16 to L27, V17 and V19 to V33 on the 1st Floor).
- (2) The property comprises Lower Ground and 2nd to 16th Floors of Block B; parking area/loading and unloading platform including Car Parking Space Nos. C1, C2, C3 and L1 on the Lower Ground Floor; Car Parking Space Nos. V1 and V2 on the Lower Ground Floor and Car Parking Space Nos. L16 to L27, V17 and V19 to V33 on the 1st Floor.
- (3) Notwithstanding that the property falls within a land use zone for "Residential (Group E)" purpose under Draft Kwai Chung Outline Zoning Plan No. S/KC/29 dated 19 January 2018, the zone is intended primarily for phasing out of existing industrial uses through redevelopment (or conversion) for residential use and existing industrial uses will be tolerated but new industrial developments are not permitted in order to avoid perpetuation of industrial/residential interface problem. The property has been used for industrial purposes since its completion in 1991, as such, the continuing use of the property as is shall not be affected by the land use zone for "Residential (Group E)" purpose.
- (4) In undertaking our valuation, we have made reference to sale prices of comparable properties with a price range of approximately HK\$2,500 to HK\$3,700 psf gross. The unit rate assumed by us is consistent with the relevant comparables after adjustments of location, size, age, time and other relevant factors.

1 RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules and the Takeovers Code 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.

The Directors jointly and severally accept full responsibility for the accuracy of information contained in this circular and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

2 DISCLOSURE OF INTERESTS BY DIRECTORS

(a) Directors' and chief executive's interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the interests or 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 corporation(s) (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein, or (iii) to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

(I) The Company

Directors	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	
KUOK Khoon Hua ⁽²⁾	1,101,000	–	–	3,018,492	4,119,492	0.23%
MA Wing Kai William ⁽³⁾	5,583,262	–	–	1,300,000	6,883,262	0.38%
CHEUNG Ping Chuen Vicky ⁽⁴⁾	31,514,956	–	–	–	31,514,956	1.75%
NG Kin Hang ⁽⁵⁾	362,080	–	–	–	362,080	0.02%
WONG Yu Pok Marina ⁽⁶⁾	200,000	–	–	–	200,000	0.01%
YEO Philip Liat Kok ⁽⁷⁾	200,000	–	–	–	200,000	0.01%

Notes:

- (1) The approximate percentage of the interest in the Company's total issued share capital is based on a total of 1,798,978,042 Shares as at the Latest Practicable Date.

- (2) Mr Kuok is interested in (i) 301,000 Shares as beneficial owner; (ii) options granted under the pre-IPO share option scheme of the Company to subscribe for 800,000 Shares; and (iii) 3,018,492 Shares held through discretionary trusts of which Mr Kuok is a discretionary beneficiary. On 30 March 2021, Mr Kuok executed and delivered to the Offeror an irrevocable undertaking, pursuant to which Mr Kuok has irrevocably and unconditionally undertaken to duly accept or procure acceptance of the Partial Offer in respect of 558,663 Shares.
- (3) Mr Ma is interested in (i) 1,999,611 Shares as beneficial owner; (ii) options granted under the pre-IPO share option scheme of the Company to subscribe for 3,000,000 Shares; (iii) award granted under the share award scheme of the Company conferring the conditional right upon vesting in the form of 583,651 Shares; and (iv) 1,300,000 Shares held through a discretionary trust of which Mr Ma is a discretionary beneficiary. On 30 March 2021, Mr Ma executed and delivered to the Offeror an irrevocable undertaking, pursuant to which Mr Ma has irrevocably and unconditionally undertaken to duly accept or procure acceptance of the Partial Offer in respect of 2,328,403 Shares.
- (4) Mr Cheung is interested in 31,514,956 Shares as beneficial owner. On 30 March 2021, Mr Cheung executed and delivered to the Offeror an irrevocable undertaking, pursuant to which Mr Cheung has irrevocably and unconditionally undertaken to duly accept or procure acceptance of the Partial Offer in respect of 15,991,140 Shares.
- (5) Mr Ng is interested in (i) 89,747 Shares as beneficial owner; (ii) options granted under the pre-IPO share option scheme of the Company to subscribe for 120,000 Shares; and (iii) award granted under the share award scheme of the Company conferring the conditional right upon vesting in the form of 152,333 Shares. On 30 March 2021, Mr Ng executed and delivered to the Offeror an irrevocable undertaking, pursuant to which Mr Ng has irrevocably and unconditionally undertaken to duly accept or procure acceptance of the Partial Offer in respect of 79,124 Shares.
- (6) Ms Wong is interested in 200,000 Shares as beneficial owner.
- (7) Mr Yeo is interested in the options granted under the pre-IPO share option scheme of the Company to subscribe for 200,000 Shares.

(II) Associated Corporations

Kerry Group Limited

	Ordinary shares in Kerry Group Limited					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						
KUOK Khoon Hua ⁽²⁾	2,000,000	–	–	228,650,178	230,650,178	14.92%
MA Wing Kai William ⁽³⁾	1,810,620	–	–	–	1,810,620	0.12%
TONG Shao Ming ⁽⁴⁾	1,000,000	–	–	–	1,000,000	0.06%

Notes:

- (1) The approximate percentage of the interest in the total issued share capital of Kerry Group Limited is based on all interests in its ordinary shares as at the Latest Practicable Date.
- (2) Mr Kuok is interested in (i) 2,000,000 ordinary shares in Kerry Group Limited as beneficial owner; and (ii) 228,650,178 ordinary shares in Kerry Group Limited held through discretionary trusts of which Mr Kuok is a discretionary beneficiary.
- (3) Mr Ma is interested in 1,810,620 ordinary shares in Kerry Group Limited as beneficial owner.
- (4) Ms Tong is interested in 1,000,000 ordinary shares in Kerry Group Limited as beneficial owner.

Kerry Properties

	Ordinary shares in Kerry Properties					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						
KUOK Khoon Hua ⁽²⁾	2,199,413	–	–	3,297,763	5,497,176	0.38%
MA Wing Kai William ⁽³⁾	841,020	–	–	50,000	891,020	0.06%

Notes:

- (1) The approximate percentage of the interest in the total issued share capital of Kerry Properties is based on all interests in its ordinary shares as at the Latest Practicable Date.
- (2) Mr Kuok is interested in (i) 2,199,413 ordinary shares in Kerry Properties as beneficial owner; and (ii) 3,297,763 ordinary shares in Kerry Properties held through discretionary trusts of which Mr Kuok is a discretionary beneficiary.
- (3) Mr Ma is interested in (i) 341,020 ordinary shares in Kerry Properties as beneficial owner; (ii) options granted under the share option scheme of Kerry Properties to subscribe for 500,000 ordinary shares in Kerry Properties; and (iii) 50,000 ordinary shares in Kerry Properties held through a discretionary trust of which Mr Ma is a discretionary beneficiary.

KE Thailand

	Ordinary shares in KE Thailand					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						
MA Wing Kai William ⁽²⁾	14,211,700	–	–	–	14,211,700	0.82%
NG Kin Hang ⁽³⁾	21,982,400	–	–	–	21,982,400	1.26%

Notes:

- (1) The approximate percentage of the interest in the total issued share capital of KE Thailand is based on all interests in its ordinary shares as at the Latest Practicable Date.
- (2) Mr Ma is interested in 14,211,700 ordinary shares in KE Thailand as beneficial owner.
- (3) Mr Ng is interested in (i) 20,982,400 ordinary shares in KE Thailand as beneficial owner; and (ii) warrants granted under the employee stock options plan of KE Thailand to subscribe for 1,000,000 ordinary shares in KE Thailand.

Hopemore Ventures Limited ("Hopemore")

Director	Ordinary shares in Hopemore					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	
KUOK Khoon Hua	50 ⁽²⁾	–	–	–	50	3.57%

Notes:

- (1) The approximate percentage of the interest in the total issued share capital of Hopemore is based on all interests in its ordinary shares as at the Latest Practicable Date.
- (2) Mr Kuok is interested in 50 ordinary shares in Hopemore as beneficial owner.

Kerry Mining (Mongolia) Limited ("Kerry Mining")

Director	Ordinary shares in Kerry Mining					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	
KUOK Khoon Hua	–	–	–	500 ⁽²⁾	500	0.46%

Notes:

- (1) The approximate percentage of the interest in the total issued share capital of Kerry Mining is based on all interests in its ordinary shares as at the Latest Practicable Date.
- (2) Mr Kuok is interested in 500 ordinary shares in Kerry Mining held through a discretionary trust of which Mr Kuok is a discretionary beneficiary.

Majestic Tulip Limited ("Majestic")

Director	Ordinary shares in Majestic					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	
KUOK Khoon Hua	10 ⁽²⁾	–	–	–	10	3.33%

Notes:

- (1) The approximate percentage of the interest in the total issued share capital of Majestic is based on all interests in its ordinary shares as at the Latest Practicable Date.
- (2) Mr Kuok is interested in 10 ordinary shares in Majestic as beneficial owner.

Marine Dragon Limited ("Marine Dragon")

Director	Ordinary shares in Marine Dragon					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	
KUOK Khoon Hua	1,200 ⁽²⁾	–	–	–	1,200	4.00%

Notes:

- (1) The approximate percentage of the interest in the total issued share capital of Marine Dragon is based on all interests in its ordinary shares as at the Latest Practicable Date.
- (2) Mr Kuok is interested in 1,200 ordinary shares in Marine Dragon as beneficial owner.

Medallion Corporate Limited ("Medallion")

Director	Ordinary shares in Medallion					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	
KUOK Khoon Hua	48 ⁽²⁾	–	–	–	48	4.80%

Notes:

- (1) The approximate percentage of the interest in the total issued share capital of Medallion is based on all interests in its ordinary shares as at the Latest Practicable Date.
- (2) Mr Kuok is interested in 48 ordinary shares in Medallion as beneficial owner.

Ocean Fortune Enterprises Limited ("Ocean Fortune")

Director	Ordinary shares in Ocean Fortune					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	
KUOK Khoon Hua	1,000 ⁽²⁾	–	–	–	1,000	6.67%

Notes:

- (1) The approximate percentage of the interest in the total issued share capital of Ocean Fortune is based on all interests in its ordinary shares as at the Latest Practicable Date.
- (2) Mr Kuok is interested in 1,000 ordinary shares in Ocean Fortune as beneficial owner.

Rubyhill Global Limited ("Rubyhill")

Director	Ordinary shares in Rubyhill					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	
KUOK Khoon Hua	1 ⁽²⁾	–	–	–	1	10.00%

Notes:

- (1) The approximate percentage of the interest in the total issued share capital of Rubyhill is based on all interests in its ordinary shares as at the Latest Practicable Date.
- (2) Mr Kuok is interested in 1 ordinary share in Rubyhill as beneficial owner.

United Beauty Limited ("United Beauty")

Director	Ordinary shares in United Beauty					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	
KUOK Khoon Hua	–	–	–	15 ⁽²⁾	15	15.00%

Notes:

- (1) The approximate percentage of the interest in the total issued share capital of United Beauty is based on all interests in its ordinary shares as at the Latest Practicable Date.
- (2) Mr Kuok is interested in 15 ordinary shares in United Beauty held through discretionary trusts of which Mr Kuok is a discretionary beneficiary.

Vencedor Investments Limited ("Vencedor")

Director	Ordinary shares in Vencedor					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	
KUOK Khoon Hua	5 ⁽²⁾	–	–	–	5	5.00%

Notes:

- (1) The approximate percentage of the interest in the total issued share capital of Vencedor is based on all interests in its ordinary shares as at the Latest Practicable Date.
- (2) Mr Kuok is interested in 5 ordinary shares in Vencedor as beneficial owner.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had any interest or short position in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV to the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or are required, pursuant to Section 352 of the SFO, to be recorded in the register required to be kept by the Company, or which are required 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 short position in the Shares and underlying shares of the Company, which are 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 and nature of interest	Number of Shares held	Approximate percentage of the interest in the Company's issued share capital ⁽¹⁾
Kerry Group Limited	Interest of controlled corporations	1,136,512,359 ⁽²⁾⁽⁴⁾	63.18%
Kerry Holdings Limited	Interest of controlled corporations	1,090,744,073 ⁽²⁾⁽⁴⁾	60.63%
Kerry Properties Limited	Beneficial owner	718,340,998 ⁽²⁾⁽⁴⁾	39.93%
WANG Wei	Interest of controlled corporations	594,502,494 ⁽³⁾⁽⁴⁾	33.05%
Shenzhen Mingde Holding Development Co., Ltd.	Interest of controlled corporations	594,502,494 ⁽³⁾⁽⁴⁾	33.05%
S.F. Holding Co., Ltd.	Interest of controlled corporations	594,502,494 ⁽³⁾⁽⁴⁾	33.05%
Flourish Harmony Holdings Company Limited	Beneficial owner	594,502,494 ⁽³⁾⁽⁴⁾	33.05%
Caninco Investments Limited	Beneficial owner	156,124,097 ⁽²⁾⁽⁴⁾	8.68%
Darmex Holdings Limited	Beneficial owner	128,449,630 ⁽²⁾⁽⁴⁾	7.14%

Notes:

- (1) The approximate percentage of the interest in the Company's total issued share capital is based on a total of 1,798,978,042 Shares as at the Latest Practicable Date.
- (2) Kerry Properties is a subsidiary of Kerry Holdings. Caninco Investments Limited and Darmex Holdings Limited are wholly-owned subsidiaries of Kerry Holdings. Kerry Holdings is a wholly-owned subsidiary of Kerry Group Limited. Accordingly, Kerry Holdings is deemed to be interested in the shareholding interest of each of Kerry Properties, Caninco Investments Limited and Darmex Holdings Limited in the Company and Kerry Group Limited is deemed to be interested in the shareholding interest of each of Kerry Holdings, Kerry Properties, Caninco Investments Limited and Darmex Holdings Limited in the Company pursuant to the disclosure requirements under the SFO.
- (3) Flourish Harmony Holdings Company Limited, the Offeror, is wholly owned by S.F. Holding Co., Ltd., the Offeror Parent. The Offeror Parent is a subsidiary of Shenzhen Mingde Holding Development Co., Ltd., the Offeror Parent Holdco, which is in turn controlled by Mr Wang, the Offeror Ultimate Controlling Shareholder. Accordingly, S.F. Holding Co., Ltd., Shenzhen Mingde Holding Development Co., Ltd. and Mr Wang are deemed to be interested in the shareholding interest of the Offeror pursuant to the disclosure requirements under the SFO.
- (4) On 30 March 2021, the Relevant Controlling Shareholders and the Executive Directors executed and delivered to the Offeror irrevocable undertakings, pursuant to which the Relevant Controlling Shareholders have irrevocably and unconditionally undertaken to duly accept or procure acceptance of the Partial Offer in respect of an aggregate of 575,545,164 Shares, and the Executive Directors have irrevocably and unconditionally undertaken to duly accept or procure acceptance of the Partial Offer in respect of an aggregate of 18,957,330 Shares.

Save as disclosed above, the Directors and the chief executive of the Company were not aware of any party who, as at the Latest Practicable Date, had interests or short positions in the Shares and underlying shares, which would fall to be disclosed to the Company and the Stock Exchange 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 or the proposed Directors of the Company was a director or employee of a company (or its subsidiary) which has an interest or a short position in the Shares or underlying shares which would fall to be disclosed to the Company 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 nor the chief executive of the Company had any interests or short position in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or are required, pursuant to Section 352 of the SFO, to be recorded in the register required to be kept by the Company, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

3 DIRECTORS' INTERESTS

Interests in contract or arrangement

As at the Latest Practicable Date, save as disclosed in the section headed "Significant Acquisition/Disposal and Discloseable and Connected Transactions" in the annual report of the Company for the year ended 31 December 2020 (pages 106 to 108), none of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significantly in relation to the business of the Group.

Interests in assets

As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which had been, since 31 December 2020, the date of 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 were proposed to be acquired or disposed of by or leased to any member of the Group.

Interests in competing business

As at the Latest Practicable Date, the Directors are not aware that any of the Directors and their respective close associates had any interest in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group (as would be required to be disclosed under Rule 8.10 of the Listing Rules as if each of them was a controlling shareholder of the Company).

4 LITIGATION

As at the Latest Practicable Date, no member of the Group was or is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was or is known to the Directors to be pending or threatened by or against any members of the Group.

5 SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with the Group which will not expire or is not terminable by the Group within one year without payment of compensation (other than statutory compensation).

6 MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of the business) have been entered into by members of the Group within the two years immediately preceding the Latest Practicable Date, and are or may be material:

- (a) on 24 February 2020, a wholly-owned subsidiary of the Company entered into a Stock Sale and Purchase Agreement with various sellers to acquire the remaining 49% shares of 14 companies incorporated and operating international freight forwarding businesses in the United States in which companies, the Company was then already interested as to 51% of each of them. The consideration shall be 49% of the valuation of the relevant entities forming the target group, being US\$176,132,511;
- (b) the Warehouses Sale Agreement;
- (c) the Taiwan Business Sale Agreement; and
- (d) the Framework Services Agreement.

7 EXPERT AND CONSENT

The following is the qualification of the experts who have given opinions or advice which are contained in this circular:

Name	Qualification
Somerley Capital Limited	A corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Cushman & Wakefield Limited	Independent property valuer
PricewaterhouseCoopers	Certified Public Accountants under the Professional Accountant Ordinance (Chapter 50 of the laws of Hong Kong) and Registered PIE Auditor under Financial Reporting Council Ordinance (Chapter 588 of the laws of Hong Kong)

Each of the experts has given and confirmed that it has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and report and/or references to its name in the form and context in which it appears.

As at the Latest Practicable Date, none of the experts were interested in the share capital of any member of the Group, and did not have any shareholding in any Shares or any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any shares in any member of the Group. None of them were interested in any assets which have been, since 31 December 2020 (being the date to which the Company's latest audited financial statements 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.

8 GENERAL

- (i) The registered office of the Company is at Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, Bermuda. The principal place of business of the Company in Hong Kong is at 16/F, Kerry Cargo Centre, 55 Wing Kei Road, Kwai Chung, New Territories, Hong Kong.
- (ii) The company secretary of the Company 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 Institute of Chartered Secretaries.

9 DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours (Saturdays, Sundays and public holidays excepted) at Linklaters' office at 11/F, Alexandra House, 18 Chater House, Central, Hong Kong during the period of 14 days from the date of this circular:

- (i) the Bye-laws;
- (ii) the material contracts referred to in paragraph 6 of this Appendix;
- (iii) the amended and restated Bye-laws containing the proposed amendments to the Bye-laws;
- (iv) the letter from the LR Independent Board Committee, the text of which is set out on pages 58 to 59 of this circular;
- (v) the letter from the Code Independent Board Committee, the text of which is set out on pages 60 to 61 of this circular;
- (vi) the letter from Somerley, the text of which is set out on pages 62 to 118 of this circular;
- (vii) the property valuation report on the Target Warehouses prepared by Cushman & Wakefield Limited as set out in Appendix II to this circular;
- (viii) the letter from Somerley on profit estimate as set out in Appendix IV of this circular;
- (ix) the letter from PricewaterhouseCoopers on profit estimate as set out in Appendix V of this circular;

- (x) the letters of consent from the experts referred to in the above paragraph headed 'Expert and Consent' in this Appendix;
- (xi) the annual reports of the Company for each of the financial years ended 31 December 2018, 2019 and 2020; and
- (xii) this circular.

The following is the text of a letter from Somerley prepared for the purpose of inclusion in this circular.



SOMERLEY CAPITAL LIMITED

20th Floor
China Building
29 Queen's Road Central
Hong Kong

3 May 2021

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

Dear Sirs,

We refer to the circular of Kerry Logistics Network Limited dated 3 May 2021 in relation to, among others, the Special Deal Agreements and the transactions contemplated thereunder (the "**Circular**"). Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless otherwise specified.

The unaudited financial information of the Taiwan Target Companies contained in sub-section headed "Financial information of the Taiwan Target Companies" (the "**Profit Estimates**") in the letter from the Board contained in the Circular as reproduced below is regarded as profit forecast pursuant to Rule 10 of the Takeovers Code and is required to be reported on:

“	(HK\$)
<i>Combined net profit before taxation for year ended 31 December 2019</i>	<i>430,601,000</i>
<i>Combined net profit after taxation for year ended 31 December 2019</i>	
<i>attributable to the Taiwan Seller</i>	<i>147,981,000</i>
<i>Combined net profit before taxation for year ended 31 December 2020</i>	<i>560,237,000</i>
<i>Combined net profit after taxation for year ended 31 December 2020</i>	
<i>attributable to the Taiwan Seller</i>	<i>223,286,000”</i>

For the purpose of this letter, we have relied on and assumed the accuracy and completeness of all information provided to us and/or discussed with the Company, its subsidiaries, associate and/or joint ventures, and have assumed that the information and facts provided and opinions expressed to us are true, accurate and complete in all material aspects as at the date hereof. We have no reason to believe that any material information has been omitted or withheld, or to doubt the truth or accuracy of the information provided. We have not assumed any responsibility for independently verifying the accuracy and completeness of such information or undertaken any independent evaluation or appraisal of any of the assets or liabilities of the Company, its subsidiaries, associate and/or joint ventures. Save as provided in this letter, we do not express any other opinion or view on the Profit Estimates.

We have discussed with the Directors the bases upon which the Profit Estimates was prepared. We have also considered the letter dated 3 May 2021 issued by PricewaterhouseCoopers set out in the section headed "Letter from PricewaterhouseCoopers on profit estimate" in the appendix V to the Circular. Based on the above, we are satisfied that the Profit Estimates, for which the Board are solely responsible, has been made with due care and consideration.

This letter is provided to the Board solely for the purpose of complying with Rules 10.4 and 10.9 of the Takeovers Code and not for any other purpose. We do not accept any responsibility to any person(s), other than the Board, in respect of, arising out of, or in connection with this letter.

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED
Danny Cheng
Director

The following is the text of a letter received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this Circular.



羅兵咸永道

The Board of Directors
Kerry Logistic Network Limited
*(Incorporated in the British Virgin Islands and continued into
Bermuda as an exempted company with limited liability)*
16/F, Kerry Cargo Centre
55 Wing Kei Road
Kwai Chung, New Territories
Hong Kong

3 May 2021

Dear Sirs,

Kerry Logistics (Taiwan) Investments Limited and Pan Asia Airlines Investment Limited (the "Taiwan Target Companies")

Profit Estimate for each of the years ended 31 December 2019 and 2020

We refer to the estimate of the combined net profit before taxation for the year ended 31 December 2019, the combined net profit after taxation for the year ended 31 December 2019 attributable to the Taiwan Seller, the combined net profit before taxation for the year ended 31 December 2020 and the combined net profit after taxation for the year ended 31 December 2020 attributable to the Taiwan Seller of the Taiwan Target Companies (the "Profit Estimate") set out in the section headed "Financial information of the Taiwan Target Companies" in the Letter from the Board on page 39 of the circular of Kerry Logistic Network Limited (the "Company") dated 3 May 2021 (the "Circular").

Directors' Responsibilities

The Profit Estimate has been prepared by the directors of the Company based on the unaudited combined management accounts of the Taiwan Target Companies for each of the years ended 31 December 2019 and 2020.

The Company's directors are solely responsible for the Profit Estimate.

*PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
T: (852) 2289 8888, F: (852) 2810 9888, www.pwchk.com*

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Auditor's Responsibilities

Our responsibility is to express an opinion on the accounting policies and calculations of the Profit Estimate based on our procedures.

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 500 "Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness" and with reference to Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the HKICPA. Those standards require that we plan and perform our work to obtain reasonable assurance as to whether, so far as the accounting policies and calculations are concerned, the Company's directors have properly compiled the Profit Estimate in accordance with the bases adopted by the directors and as to whether the Profit Estimate is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Company and its subsidiaries (collectively referred to as the "Group"). Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

Opinion

In our opinion, so far as the accounting policies and calculations are concerned, the Profit Estimate has been properly compiled in accordance with the bases adopted by the directors of the Company as set out on page 40 of the Circular and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in the audited consolidated financial statements of the Group for each of the years ended 31 December 2019 and 2020.

Yours faithfully,

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

MEMORANDUM OF CONTINUANCE
AND
AMENDED AND
RESTATED BYE LAWS
OF
KERRY LOGISTICS NETWORK LIMITED

FORM NO. 7a

Registration No. 28390



BERMUDA
CERTIFICATE OF DEPOSIT OF
MEMORANDUM OF INCREASE OF SHARE CAPITAL

THIS IS TO CERTIFY that a Memorandum of Increase of Share Capital
of

Kerry Logistics Network Limited

was delivered to the Registrar of Companies on the 4th day of **December 2013** in accordance with section 45(3) of *the Companies Act 1981* ("the Act").



Given under my hand and Seal of the
REGISTRAR OF COMPANIES this
9th day of **December 2013**

(sd.)
for Registrar of Companies

Capital prior to increase: HK\$ 500,000.00

Amount of increase: HK\$ 2,999,500,000.00

Present Capital: HK\$ 3,000,000,000.00

CERTIFIED BY:

(sd.)

Name: Lee Pui Nee

Capacity: ~~Director~~/Secretary

**Kerry Logistics Network Limited
(Company)**

Certified Copy of the Resolutions duly passed by the Sole Shareholder of the Company pursuant to the Bye-laws of the Company effective as of 25 November, 2013.

"Authorised Share Capital

RESOLVED THAT each of the 500,000 Shares with a par value of HK\$1 be subdivided into 2 Shares with a par value of HK\$0.5 each, such that thereafter, the total number of issued shares shall in aggregate be 1,000,000 Shares with a par value of HK\$0.5 each (the "**Subdivision of Shares**").

FURTHER RESOLVED THAT subsequent to the Subdivision of Shares, the authorised share capital of the Company be increased from HK\$500,000 divided into 1,000,000 Shares with a par value of HK\$0.5 each, to HK\$3,000,000,000 divided into 6,000,000,000 Shares of par value of HK\$0.5 each, by the creation of 5,999,000,000 Shares of par value of HK\$0.5 each ("**Increase of Authorised Share Capital**")"

FORM NO. 6[B]

Registration No. 28390



BERMUDA

CERTIFICATE OF SECONDARY NAME

I hereby in accordance with section 10A of *the Companies Act 1981* issue this Certificate of Secondary Name and do certify that on the **7th** day of **October 2009**

Kerry Logistics Network Limited

was registered with the secondary name 嘉里物流聯網有限公司 by me in the Register maintained by me under the provisions of section 14 of *the Companies Act 1981*.

Given under my hand and the Seal of
the REGISTRAR OF COMPANIES
this **13th** day of **October 2009**

(sd.)
for **Registrar of Companies**

FORM NO. 3a

Registration No. 28390



BERMUDA

**CERTIFICATE OF INCORPORATION
ON CHANGE OF NAME**

I HEREBY CERTIFY that in accordance with section 10 of *the Companies Act 1981* KERRY WAREHOUSE HOLDINGS LIMITED by resolution and with the approval of the Registrar of Companies has changed its name and was registered as Kerry Logistics Network Limited on the 12th day of July, 2000.

Given under my hand and the Seal of
the REGISTRAR OF COMPANIES
this 14th day of July, 2000.

(sd.)
for Registrar of Companies

Registration No. EC28390



BERMUDA

CERTIFICATE OF CONTINUANCE

I hereby in accordance with section 132C(4)(d) of *the Companies Act 1981* issue this Certificate of Continuance and do certify that on the **20th** day of **April, 2000**

KERRY WAREHOUSE HOLDINGS LIMITED

was registered by me in the Register maintained by me under the provisions of the said section and that the status of the said company is that of an **exempted** company.

Given under my hand and the Seal of
the REGISTRAR OF COMPANIES
this **28th** day of **April, 2000**.

(sd.)
for **Registrar of Companies**

**MEMORANDUM OF CONTINUANCE
OF
KERRY LOGISTICS NETWORK LIMITED**

**BERMUDA****THE COMPANIES ACT 1981****MEMORANDUM OF CONTINUANCE OF
COMPANY LIMITED BY SHARES****(Section 132C(2))****MEMORANDUM OF CONTINUANCE****OF****KERRY WAREHOUSE HOLDINGS LIMITED
(hereinafter referred to as "the Company")**

1. The liability of the members of the Company is limited to the amount (if any) for the time being unpaid on the shares respectively held by them.
2. The Company is an exempted company as defined by the Companies Act 1981.
3. The authorised share capital of the Company is HK\$500,000 divided into 500,000 shares of HK\$1 each. The minimum share capital of the Company is HK\$100,000.
4. The Company shall not have power to hold land situated in Bermuda.
5. Details of Incorporation:

The Company was incorporated in the British Virgin Islands under the International Business Companies Ordinance (No. 8 of 1984) under the name of Pink Shek Services Limited on the 9th day of July, 1991, and subsequently changing its name to Kerry Godown Holdings (BVI) Limited on the 24th day of June, 1992 and further changing its name to Kerry Warehouse Holdings Limited on the 15th day of July, 1999.

6. The objects of the Company from the date of continuance are:–
 - (i) To carry on the business as a holding company and to acquire, deal in and hold shares, stocks, debentures, debenture stock, bonds, mortgages, obligations and securities of any kind issued or guaranteed by any company, corporation or undertaking of whatever nature and wherever constituted or carrying on business, and shares, stock, debentures, debenture stock, bonds, obligations and other securities issued or guaranteed by any government, sovereign ruler, commissioners, trust, local authority or other public body, whether in Bermuda or elsewhere, and to vary, transpose, dispute of or otherwise deal with from time to time as may be considered expedient any of the Company's investments for the time being;

- (ii) To acquire any such shares and other securities as are mentioned in the preceding paragraph by subscription, syndicate participation, tender, purchase, exchange or otherwise and to subscribe for the same, either conditionally or otherwise, and to hold the same with a view to investment but with the power to vary any investments and to guarantee the subscription thereof and to exercise and enforce all rights and powers conferred by or incident to the ownership thereof, and to invest and deal with the monies of the Company not immediately required upon such securities and in such manner as may from time to time be determined;
 - (iii) To co-ordinate the administration, policies, management, supervision, control, research, planning, trading and any and all other activities of any company or companies now or hereafter incorporated or acquired which may be or may become a company, wherever incorporated, which is or becomes a holding company or a subsidiary of, or affiliated with, the Company within the meanings respectively assigned to those terms in The Companies Act 1981 or, with the prior written approval of the Minister of Finance, any company or companies now or hereafter incorporated or acquired with which the Company may be or may become associated;
 - (iv) To provide accounting, managerial, investment advisory, investigatory and other executive, supervisory or consultancy services to any subsidiary company of the Company (as defined in The Companies Act 1981) wheresoever situate;
 - (v) To carry on in any part of the world the businesses of, and to act as merchants, general traders, agents, manufacturers' representatives, carriers or in any other capacity, and to import, export, re-export, buy, sell, manufacture, distribute, barter, exchange, pledge, make advances upon or otherwise deal in goods, products, commodities, raw materials, articles and merchandise of every description and to carry on, acquire, undertake and execute any business, undertaking, transaction or operation whether manufacturing, financial, mercantile, agricultural, extractive or otherwise as may, in the opinion of the Company, be necessary or incidental to the attainment of such objects;
 - (vi) To purchase or otherwise acquire, obtain options over, take over, manage, supervise, control and undertake all or any part of the business, undertaking, goodwill, property, assets, rights and liabilities of any person or company, or to acquire the control of shares of any company or any interest therein and to act as a director or manager of any company;
 - (vii) As set forth in paragraphs (b) to (n) and (p) to (u) inclusive of the Second Schedule to The Companies Act 1981.
7. The Company shall have the powers set out in the First Schedule to The Companies Act 1981 together with the powers set out in the Schedule hereto.

Signed by duly authorised persons in the presence of at least one witness attesting the signature thereof: –

(sd.)

Director

KUOK KHOON LOONG, EDWARD

(sd.)

Witness

CHEW FOOK AUN

(sd.)

Director

ANG KENG LAM

(sd.)

Witness

CHOW YIN PING, ANITA

Dated this 13th day of April, 2000.

The Schedule

(referred to in Clause 7 of the Memorandum of Continuance)

- (a) to borrow and raise money in any currency or currencies and to secure or discharge any debt or obligation in any manner and in particular (without prejudice to the generality of the foregoing) by mortgages of or charges upon all or any part of the undertaking, property and assets (present and future) and uncalled capital of the company or by the creation and issue of securities;
- (b) to enter into any guarantee, contract of indemnity or suretyship and in particular (without prejudice to the generality of the foregoing) to guarantee, support or secure, with or without consideration, whether by personal obligation or by mortgaging or charging all or any part of the undertaking, property and assets (present and future) and uncalled capital of the company or by both such methods or in any other manner, the performance of any obligations or commitments of, and the repayment or payment of the principal amounts of and any premiums, interest, dividends and other moneys payable on or in respect of any securities or liabilities of, any person, including (without prejudice to the generality of the foregoing) any company which is for the time being a subsidiary or a holding company of the company or another subsidiary of a holding company of the company or otherwise associated with the company;
- (c) to accept, draw, make, create, issue, execute, discount, endorse, negotiate and deal in bills of exchange, promissory notes, and other instruments and securities, whether negotiable or otherwise;
- (d) to sell, exchange, mortgage, charge, let on rent, share of profit, royalty or otherwise, grant licences, easements, options, servitudes and other rights over, and in any other manner deal with or dispose of, all or any part of the undertaking, property and assets (present and future) of the company for any consideration and in particular (without prejudice to the generality of the foregoing) for any securities;
- (e) to issue and allot securities of the company for cash or in payment or part payment for any real or personal property purchased or otherwise acquired by the company or any services rendered to the company or as security for any obligation or amount (even if less than the nominal amount of such securities) or for any other purpose;

- (f) to grant pensions, annuities, or other allowances, including allowances on death, to any directors, officers or employees or former directors, officers or employees of the company or any company which at any time is or was a subsidiary or a holding company or another subsidiary of a holding company of the company or otherwise associated with the company or of any predecessor in business of any of them, and to the relations, connections or dependants of any such persons, and to other persons whose service or services have directly or indirectly been of benefit to the company or whom the company considers have any moral claim on the company or to their relations connections or dependants, and to establish or support any associations, institutions, clubs, schools, building and housing schemes, funds and trusts, and to make payment towards insurance or other arrangements likely to benefit any such persons or otherwise advance the interests of the company or of its members or for any national, charitable, benevolent, educational, social, public, general or useful object;
- (g) subject to the provisions of Section 42 of the Companies Act 1981, to issue preference shares which at the option of the holders thereof are to be liable to be redeemed;
- (h) to purchase its own shares in accordance with the provisions of Section 42A of the Companies Act 1981.

THE COMPANIES ACT 1981

FIRST SCHEDULE

(section 11(1))

A company limited by shares, or other company having a share capital, may exercise all or any of the following powers subject to any provision of law or its memorandum –

- (1) *[repealed by 1992:51]*
- (2) to acquire or undertake the whole or any part of the business, property and liabilities of any person carrying on any business that the company is authorised to carry on;
- (3) to apply for, register, purchase, lease, acquire, hold, use, control, licence, sell, assign or dispose of patents, patent rights, copyrights, trade marks, formulae, licences, inventions, processes, distinctive marks and similar rights;
- (4) to enter into partnership or into any arrangement for sharing of profits, union of interests, co-operation, joint venture, reciprocal concession or otherwise with any person carrying on or engaged in or about to carry on or engage in any business or transaction that the company is authorised to carry on or engage in or any business or transaction capable of being conducted so as to benefit the company;
- (5) to take or otherwise acquire and hold securities in any other body corporate having objects altogether or in part similar to those of the company or carrying on any business capable of being conducted so as to benefit the company;
- (6) subject to section 96 to lend money to any employee or to any person having dealings with the company or with whom the company proposes to have dealings or to any other body corporate any of whose shares are held by the company;
- (7) to apply for, secure or acquire by grant, legislative enactment, assignment, transfer, purchase or otherwise and to exercise, carry out and enjoy any charter, licence, power, authority, franchise, concession, right or privilege, that any government or authority or any body corporate or other public body may be empowered to grant, and to pay for, aid in and contribute toward carrying it into effect and to assume any liabilities or obligations incidental thereto;
- (8) to establish and support or aid in the establishment and support of associations, institutions, funds or trusts for the benefit of employees or former employees of the company or its predecessors, or the dependants or connections of such employees or former employees, and grant pensions and allowances, and make payments towards insurance or for any object similar to those set forth in this paragraph, and to subscribe or guarantee money for charitable, benevolent, educational or religious objects or for any exhibition or for any public, general or useful objects;

- (9) to promote any company for the purpose of acquiring or taking over any of the property and liabilities of the company or for any other purpose that may benefit the company;
- (10) to purchase, lease, take in exchange, hire or otherwise acquire any personal property and any rights or privileges that the company considers necessary or convenient for the purposes of its business;
- (11) to construct, maintain, alter, renovate and demolish any buildings or works necessary or convenient for its objects;
- (12) to take land in Bermuda by way of lease or letting agreement for a term not exceeding fifty years, being land *bona fide* required for the purposes of the business of the company and with the consent of the Minister granted in his discretion to take land in Bermuda by way of lease or letting agreement for a term not exceeding twenty-one years in order to provide accommodation or recreational facilities for its officers and employees and when no longer necessary for any of the above purposes to terminate or transfer the lease or letting agreement;
- (13) except to the extent, if any, as may be otherwise expressly provided in its incorporating Act or memorandum and subject to this Act every company shall have power to invest the moneys of the Company by way of mortgage of real or personal property of every description in Bermuda or elsewhere and to sell, exchange, vary, or dispose of such mortgage as the company shall from time to time determine;
- (14) to construct, improve, maintain, work, manage, carry out or control any roads, ways, tramways, branches or sidings, bridges, reservoirs, watercourses, wharves, factories, warehouses, electric works, shops, stores and other works and conveniences that may advance the interests of the company and contribute to, subsidise or otherwise assist or take part in the construction, improvement, maintenance, working, management, carrying out or control thereof;
- (15) to raise and assist in raising money for, and aid by way of bonus, loan, promise, endorsement, guarantee or otherwise, any person and guarantee the performance or fulfilment of any contracts or obligations of any person, and in particular guarantee the payment of the principal of and interest on the debt obligations of any such person;
- (16) to borrow or raise or secure the payment of money in such manner as the company may think fit;
- (17) to draw, make, accept, endorse, discount, execute and issue bills of exchange, promissory notes, bills of lading, warrants and other negotiable or transferable instruments;
- (18) when properly authorised to do so, to sell, lease, exchange or otherwise dispose of the undertaking of the company or any part thereof as an entirety or substantially as an entirety for such consideration as the company thinks fit;
- (19) to sell, improve, manage, develop, exchange, lease, dispose of, turn to account or otherwise deal with the property of the company in the ordinary course of its business;

- (20) to adopt such means of making known the products of the company as may seem expedient, and in particular by advertising, by purchase and exhibition of works of art or interest, by publication of books and periodicals and by granting prizes and rewards and making donations;
- (21) to cause the company to be registered and recognised in any foreign jurisdiction, and designate persons therein according to the laws of that foreign jurisdiction or to represent the company and to accept service for and on behalf of the company of any process or suit;
- (22) to allot and issue fully-paid shares of the company in payment or part payment of any property purchased or otherwise acquired by the company or for any past services performed for the company;
- (23) to distribute among the members of the company in cash, kind, specie or otherwise as may be resolved, by way of dividend, bonus or in any other manner considered advisable, any property of the company, but not so as to decrease the capital of the company unless the distribution is made for the purpose of enabling the company to be dissolved or the distribution, apart from this paragraph, would be otherwise lawful;
- (24) to establish agencies and branches;
- (25) to take or hold mortgages, hypothecs, liens and charges to secure payment of the purchase price, or of any unpaid balance of the purchase price, of any part of the property of the company of whatsoever kind sold by the company, or for any money due to the company from purchasers and others and to sell or otherwise dispose of any such mortgage, hypothec, lien or charge;
- (26) to pay all costs and expenses of or incidental to the incorporation and organization of the company;
- (27) to invest and deal with the moneys of the company not immediately required for the objects of the company in such manner as may be determined;
- (28) to do any of the things authorised by this Schedule and all things authorised by its memorandum as principals, agents, contractors, trustees or otherwise, and either alone or in conjunction with others;
- (29) to do all such other things as are incidental or conducive to the attainment of the objects and the exercise of the powers of the company.

Every company may exercise its powers beyond the boundaries of Bermuda to the extent to which the laws in force where the powers are sought to be exercised permit.

(SECTION 11(2))

A company limited by shares may amongst its objects by reference include in its memorandum any of the objects set out in the Second Schedule.

SECOND SCHEDULE

Subject to section 4A a company may by reference include in its memorandum any of the following objects that is to say the business of –

- a) ~~insurance and re-insurance of all kinds;~~
- b) packaging of goods of all kinds;
- c) buying, selling and dealing in good of all kinds;
- d) designing and manufacturing of goods of all kinds;
- e) mining and quarrying and exploration for metals, fossil fuel and precious stones of all kinds and their preparation for sale or use;
- f) exploring for, the drilling for, the moving, transporting and refining petroleum and hydro carbon products including oil and oil products;
- g) scientific research including the improvement, discovery and development of processes, inventions, patents and designs and the construction, maintenance and operation of laboratories and research centers;
- h) land, sea and air undertakings including the land, ship and air carriage of passengers, mails and good of all kinds;
- i) ships and aircraft owners, managers, operators, agents, builders and repairers;
- j) acquiring, owning, selling, chartering, repairing, or dealing in ships and aircraft;
- k) travel agents, freight contractors and forwarding agents;
- l) dock owners, wharfingers, warehousemen;
- m) ship chandlers and dealing in rope, canvas oil ship stores of all kinds;
- n) all forms of engineering;
- o) ~~developing, operating, advising or acting as technical consultants to any other enterprise or business;~~
- p) farmer, livestock breeders and keepers, grazers, butchers, tanners and processors of and dealers in all kinds of live or dead stock, wool, hides, tallow, grain, vegetables and other produce;

- q) acquiring by purchase or otherwise and holding as an investment inventions, patents, trade marks, trade names, trade secrets, designs and the like;
- r) buying, selling, hiring, letting and dealing in conveyances of any sort; and
- s) employing, providing, hiring out and acting as agent for artists, actors, entertainers of all sorts, authors, composers, producers, directors, engineers and experts or specialists of any kind.
- t) to acquire by purchase or otherwise and hold, sell, dispose of and deal in real property situated outside Bermuda and in personal property of all kinds wheresoever situated.
- u) to enter into any guarantee, contract or indemnity or suretyship and to assure, support or secure with or without consideration or benefit the performance of any obligations of any person or persons and to guarantee the fidelity of individuals filling or about to fill situations of trust or confidence.
- v) ~~to be and carry on business of a mutual fund within the meaning of section 156A.~~

Provided that none of these objects shall enable the company to carry on restricted business activity as set out in the Ninth Schedule except with the consent of the Minister.

AMENDED AND RESTATED

BYE-LAWS

OF

KERRY LOGISTICS NETWORK LIMITED

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AMENDED
AND
RESTATED
BYE-LAWS

(As conditionally adopted by a Special Resolution passed on ~~26~~25 ~~November~~ May 2021~~13~~ and with effect from [.]^(Note 1))

OF

Kerry Logistics Network Limited

PRELIMINARY AND INTERPRETATION

1. (A) In these Bye-laws, the following expressions shall have the following meanings except where the context otherwise requires: Definitions

“**address**” shall have the ordinary meaning given to it and shall include any facsimile number, electronic number or address or website used for the purposes of any communication pursuant to these Bye-laws;

“**appointed newspaper**” shall have the meaning ascribed to it in the Companies Act;

“**associates**” shall have the meaning ascribed to it in the Listing Rules from time to time;

“**Auditors**” shall mean the persons for the time being performing the duties of that office;

“**Bermuda**” shall mean the Islands of Bermuda;

“**the Board**” shall mean the board of directors of the Company as constituted from time to time or (as the context may require) the majority of Directors present and voting at a meeting of the Directors at which a quorum is present;

“**Board Reserved Matters**” shall have the meaning ascribed to it in Bye-law 122A(A);

“**business day**” shall mean any day on which the Designated Stock Exchange is generally open for the business of dealing in securities. For the avoidance of doubt, where the Designated Stock Exchange is closed for the business of dealing in securities in Hong Kong on a business day by reason of a Number 8 or higher typhoon signal or black rainstorm warning, such day shall for the purposes of these Bye-laws be counted as a business day;

“**these Bye-laws**” or “**these presents**” shall mean these Bye-laws in their present form and all supplementary, amended or substituted bye-laws of the Company for the time being in force;

Note 1: The date is intended to be the Effective Time.

"call" shall include any instalment of a call;

"capital" shall mean the share capital from time to time of the Company;

"the Chairman" shall mean the Chairman presiding at any meeting of shareholders or of the Board;

"Clearing House" shall mean a recognised clearing house within the meaning of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) or a clearing house or authorised shares depository recognised by the laws of the jurisdiction in which the shares of the Company are listed or quoted on a stock exchange in such jurisdiction;

"the Companies Act" shall mean the Companies Act 1981 of Bermuda as may be amended from time to time;

"the Company" or **"this Company"** shall mean Kerry Logistics Network Limited incorporated in the British Virgin Islands on 9 July 1991 and continued into Bermuda on 20 April 2000;

"corporate representative" shall mean any person appointed to act in that capacity pursuant to Bye-laws 87(A) or 87(B);

"debenture" and **"debenture holder"** shall respectively include "debenture stock" and "debenture stockholder";

"Designated Stock Exchange" shall mean a stock exchange which is an appointed stock exchange for the purposes of the Companies Act in respect of which the shares of the Company are listed or quoted and where such appointed stock exchange deems such listing or quotation to be the primary listing or quotation of the shares of the Company;

"Director" shall mean any director of the Company appointed or elected to the Board from time to time pursuant to these Bye-laws and, where the context requires, shall also include an alternate of a Director;

"dividend" shall include scrip dividends, distributions in specie or in kind, capital distributions and capitalisation issues, if not inconsistent with the subject or context;

"electronic" shall mean relating to technology having electrical, digital, magnetic, wireless, optical electromagnetic or similar capabilities and such other meanings as given to it in the Electronic Transactions Act 1999 of Bermuda as may be amended from time to time;

"full financial statements" shall mean the financial statements that are required under section 87(1) of the Companies Act as may be amended from time to time;

"Group Companies" shall mean the Company and its subsidiaries from time to time, and **"Group Company"** shall mean any one of them;

"Head Office" shall mean such office of the Company as the Directors may from time to time determine to be the principal office of the Company;

"Hong Kong" shall mean the Hong Kong Special Administrative Region of the People's Republic of China;

"HK\$" shall mean Hong Kong dollars or other lawful currency of Hong Kong;

"holding company" and **"subsidiary"** shall have the meanings ascribed to them by the Companies Act;

"Listing Rules" shall mean the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time);

"month" shall mean a calendar month;

"Memorandum of Continuance" shall mean the Memorandum of Continuance of the Company as may be amended from time to time;

"Minimum Shareholding" shall mean ten per cent. (10%) of the total issued share capital of the Company;

"Newspapers" in relation to the publication in newspapers of any notice, shall mean in English in one leading English language daily newspaper and in Chinese in one leading Chinese language daily newspaper published and circulating generally in the Relevant Territory and specified for this purpose by the stock exchange in the Relevant Territory;

"paid up" in relation to a share, shall mean paid up or credited as paid up;

"the Principal Register" shall mean the register of shareholders of the Company maintained in Bermuda;

"Register" shall mean the Principal Register and any branch register to be kept pursuant to the provisions of the Statutes;

"Registered Office" shall mean the registered office of the Company for the time being;

"Registration Office" shall mean in respect of any class of share capital, such place or places in the Relevant Territory or elsewhere where the Directors from time to time determine to keep a branch register of shareholders in respect of that class of share capital and where (except in cases where the Directors otherwise agree) transfers or other documents of title for such class of share capital are to be lodged for registration and are to be registered;

"Relevant Territory" shall mean Hong Kong or such other territory as the Directors may from time to time decide if the issued ordinary share capital of the Company is listed on a stock exchange in such territory;

"Seal" shall mean any one or more common seals from time to time of the Company for use in Bermuda or in any place outside Bermuda;

"Secretary" shall mean the person or corporation for the time being performing the duties of that office;

"Securities Seal" shall mean a seal for use for sealing certificates for shares or other securities issued by the Company which is a facsimile of the Seal of the Company with the addition on its face of the words "Securities Seal";

"share" shall mean a share in the capital of the Company;

"shareholder" shall mean the duly registered holder from time to time of the shares in the capital of the Company;

"Statutes" shall mean the Companies Act, the Electronic Transactions Act 1999 of Bermuda, and every other act (as amended from time to time) for the time being in force of the Legislature of Bermuda applying to or affecting the Company, the Memorandum of Continuance and/or these presents;

"summarized financial statements" shall have the meaning ascribed to it in section 87A(3) of the Companies Act as may be amended from time to time;

"Transfer Office" shall mean the place where the Principal Register is situate for the time being; and

"writing" or **"printing"** shall include writing, printing, lithography, photography, typewriting and every other mode of representing words or figures in a legible and non-transitory form.

(B) In these Bye-laws, unless there be something in the subject or context inconsistent herewith:

General

- (i) words denoting the singular shall include the plural and words denoting the plural shall include the singular;
- (ii) words importing any gender shall include every gender and words importing persons shall include partnerships, firms, companies and corporations;
- (iii) subject as aforesaid, any words or expressions defined in the Companies Act (except any statutory modification thereof not in force when these Bye-laws become binding on the Company) shall, if not inconsistent with the subject and/or context, bear the same meaning in these Bye-laws, save that "company" shall where the context permits include any company incorporated in Bermuda or elsewhere; and
- (iv) references to any statute or statutory provision shall be construed as relating to any statutory modification or re-enactment thereof for the time being in force.

(C) The headings and marginal notes to, and table of contents and the index of, these Bye-laws shall not be deemed to be part of these Bye-laws and shall not affect their interpretation unless there be something in the subject or context inconsistent therewith.

Marginal
notes, etc.

- | | | |
|-----|---|---|
| (D) | A resolution shall be a Special Resolution when it has been passed by a majority of not less than three-fourths of the votes cast by such shareholders as, being entitled so to do, vote in person or by duly authorised corporate representative or, where proxies are allowed, by proxy at a general meeting held in accordance with these presents and of which notice has been given in accordance with Bye-law 63. | Special Resolution |
| (E) | A resolution shall be an Ordinary Resolution when it has been passed by a simple majority of the votes cast by such shareholders as, being entitled so to do, vote in person or by duly authorised corporate representative or, where proxies are allowed, by proxy at a general meeting held in accordance with these presents and of which notice has been given in accordance with Bye-law 63. | Ordinary Resolution |
| (F) | A Special Resolution shall be effective for any purpose for which an Ordinary Resolution is expressed to be required under any provision of these Bye-laws or the Statutes. | Special Resolution effective as Ordinary Resolution |
| 2. | Without prejudice to any other requirements of the Statutes, a Special Resolution shall be required to alter the Memorandum of Continuance, to approve any amendment of these presents or to change the name of the Company (whether in the English language or the Chinese language). | When Special Resolution is required |

SHARES, WARRANTS AND MODIFICATION OF RIGHTS

- | | | |
|----|---|--------------------------------------|
| 3. | <u>Subject to the provisions of these Bye-Laws (including, without limitation, Bye-law 122A and Schedule 1 (<i>Board Reserved Matters</i>)), and Wwithout prejudice to any special rights or restrictions for the time being attaching to any shares or any class of shares, any share may be issued upon such terms and conditions and with such preferred, deferred or other special rights, or such restrictions, whether in regard to dividend, voting, return of capital or otherwise, as the Company may from time to time by Ordinary Resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine) and any preference share may, subject to the Companies Act and with the sanction of a Special Resolution, be issued on the terms that it is liable to be redeemed upon the happening of a specified event or upon a given date and either at the option of the Company or, if so authorised by the Memorandum of Continuance of the Company, at the option of the holder.</u> | Issue of Shares |
| 4. | <u>Subject to the provisions of these Bye-Laws (including, without limitation, Bye-law 122A and Schedule 1 (<i>Board Reserved Matters</i>)), Tthe Board may, subject to the approval by the shareholders in general meeting, issue warrants to subscribe for any class of shares or securities of the Company on such terms as the Board may from time to time determine. Where warrants are issued to bearer, no certificate thereof shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate thereof has been destroyed and the Company has received an indemnity in such form as the Board shall think fit with regard to the issue of any such replacement certificate.</u> | Warrants |
| 5. | (A) For the purposes of section 47 of the Companies Act, if at any time the capital is divided into different classes of shares, all or any of the special rights attached to any class (unless otherwise provided for by the terms of issue of the shares of that class) may, subject to the provisions of <u>these Bye-Laws and the Companies Act</u> , be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a Special Resolution passed at a separate general meeting of the holders of the shares of that class. To every such | How rights of shares may be modified |

separate general meeting the provisions of these Bye-laws relating to general meetings shall mutatis mutandis apply, but so that the necessary quorum shall be not less than two persons holding or representing by proxy one-third in nominal value of the issued shares of that class, and that any holder of shares of the class present in person or by proxy or by a duly authorised corporate representative may demand a poll.

- (B) The provisions of this Bye-law shall apply to the variation or abrogation of the special rights attached to the shares of any class as if each group of shares of the class differently treated formed a separate class the rights whereof are to be varied or abrogated.
- (C) The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be altered by the creation or issue of further shares ranking pari passu therewith.

SHARES AND INCREASE OF CAPITAL

- 6. (A) The authorized share capital of the Company at the date on which these Bye-laws come into effect is HK\$3,000,000,000 divided into 6,000,000,000 shares of HK\$0.5 each.

- (B) Subject to the provisions of these Bye-Laws (including, without limitation, Bye-law 122A and Schedule 1 (*Board Reserved Matters*)) and Subject to the Statutes, the power contained in the Memorandum of Continuance for the Company to purchase or otherwise acquire its shares shall be exercisable by the Board upon such terms and subject to such conditions as it thinks fit. Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender shall be limited to a maximum price, and if purchases are by tender, tenders shall be available to all shareholders alike.

Company to
purchase its
own shares

- (C) Subject, where applicable, to the rules of any relevant stock exchange, the Company may in accordance with an employees' share scheme approved by the shareholders in general meeting provide money on such terms as the Board thinks fit for the acquisition of fully or partly paid shares in the Company or its holding company. For the purposes of this Bye-law, an employees' share scheme is a scheme for encouraging or facilitating the holding of shares or debentures in the Company by or for the benefit of bona fide employees or former employees (including, notwithstanding section 96 of the Companies Act, any such bona fide employee or former employee who is or was also a director) of the Company, a subsidiary of the Company or holding company or a subsidiary of the Company's holding company, or the wives, husbands, widows, widowers or children or step-children under the age of twenty-one of such employees or former employees.
- (D) Subject, where applicable, to the rules of any relevant stock exchange, the Company, a subsidiary of the Company or holding company or a subsidiary of the Company's holding company may make loans to persons (including, notwithstanding section 96 of the Companies Act, any such bona fide employee or former employee who is or was also a director) employed in good faith by the Company with a view to enabling those persons to acquire fully or partly paid shares in the Company or its holding company to be held by them by way of beneficial ownership.

Company to
finance
acquisition
of own
shares

- (E) The conditions subject to which money and loans are provided under paragraphs (C) and (D) of this Bye-law may include a provision to the effect that when an employee ceases to be employed by the Company, the shares acquired with such financial assistance shall or may be sold to the Company on such terms as the Board thinks fit.
7. Subject to the provisions of these Bye-Laws (including, without limitation, Bye-law 122A and Schedule 1 (*Board Reserved Matters*)), ~~The~~ the Company in general meeting may from time to time, whether or not all the shares for the time being authorised shall have been issued and whether or not all the shares for the time being issued shall have been fully paid up, by Ordinary Resolution increase its share capital by the creation of new shares, such new capital to be of such amount and to be divided into shares of such class or classes and of such amounts in Hong Kong dollars or United States dollars or such other currency as the shareholders may think fit and as the resolution may prescribe. Power to increase capital
8. Any new shares shall be issued upon such terms and conditions and with such rights, privileges or restrictions annexed thereto as the general meeting resolving upon the creation thereof shall direct, and if no direction be given, subject to the provisions of the Statutes and of these Bye-laws, as the Board shall determine; and in particular such shares may be issued with a preferential or qualified right to dividends and in the distribution of assets of the Company and with a special right or without any right of voting. On what conditions new shares may be issued
9. Subject to the provisions of these Bye-Laws (including, without limitation, Bye-law 122A and Schedule 1 (*Board Reserved Matters*)), ~~T~~the Company may by Ordinary Resolution, before the issue of any new shares, determine that the same, or any of them, shall be offered in the first instance, and either at par or at a premium, to all the existing holders of any class of shares in proportion as nearly as may be to the number of shares of such class held by them respectively, or make any other provisions as to the issue and allotment of such shares, but in default of any such determination or so far as the same shall not extend, such shares may be dealt with as if they formed part of the capital of the Company existing prior to the issue of the same. When to be offered to existing shareholders
10. Except so far as otherwise provided by the conditions of issue or by these Bye-laws, any capital raised by the creation of new shares shall be treated as if it formed part of the original capital of the Company and such shares shall be subject to the provisions contained in these Bye-laws with reference to the payment of calls and instalments, transfer and transmission, forfeiture, lien, cancellation, surrender, voting and otherwise. New shares to form part of original capital
11. Subject to the provisions of these Bye-Laws (including, without limitation, Bye-law 122A and Schedule 1 (*Board Reserved Matters*)), ~~a~~All unissued shares shall be at the disposal of the Board and it may offer, allot (with or without conferring a right of renunciation), grant options over or otherwise dispose of them to such persons, at such times, for such consideration and generally on such terms as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount. The Directors shall, as regards any offer or allotment of shares, comply with the provisions of the Companies Act, if and so far as such provisions may be applicable thereto. Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such offer, option or shares to shareholders or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the Board, be unlawful or impracticable. Shareholders affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of shareholders for any purpose whatsoever. Shares at the disposal of the Board

12. The Company may at any time pay a commission to any person for subscribing or agreeing to subscribe (whether absolutely or conditionally) for any shares in the Company or procuring or agreeing to procure subscriptions (whether absolute or conditional) for any shares in the Company, but so that the conditions and requirements of the Companies Act shall be observed and complied with, and in each case the commission shall not exceed ten per cent. of the price at which the shares are issued. Company may pay commission
13. Except as otherwise expressly provided by these Bye-laws or as required by law or as ordered by a court of competent jurisdiction, no person shall be recognised by the Company as holding any share upon any trust and, except as aforesaid, the Company shall not be bound by or be compelled in any way to recognise (even when having notice thereof) any equitable, contingent, future or partial interest in any share or any interest in any fractional part of a share or any other right or claim to or in respect of any shares except an absolute right to the entirety thereof of the registered holder. Company not to recognise trusts in respect of shares

REGISTER OF SHAREHOLDERS AND SHARE CERTIFICATES

14. (A) The Board shall cause to be kept a register of the shareholders and there shall be entered therein the particulars required under the Companies Act. Share register
- (B) Subject to the provisions of the Companies Act, if the Board considers it necessary or appropriate, the Company may establish and maintain a local or branch register at such location outside Bermuda as the Board thinks fit and, while the issued share capital of the Company is, with the consent of the Board, listed on any stock exchange in the Relevant Territory, the Company shall keep a branch register in the Relevant Territory. Local or branch Register
- (C) The Principal Register and branch register, as the case may be, shall be open to inspection between 10 a.m. and 12 noon on every business day by shareholders without charge, or by any other person, upon a maximum payment of five Bermuda dollars, at the Registered Office or such other place in Bermuda at which the Principal Register is kept in accordance with the Statutes or, if appropriate, upon a maximum payment of HK\$10, at the Registration Office. Inspection of register
15. Every person whose name is entered as a shareholder in the Register shall be entitled without payment to receive within two months after allotment or lodgment of a transfer (or within such other period as the conditions of issue shall provide or, such shorter period as such stock exchange may from time to time prescribe) one certificate for all his shares, or, if he shall so request, in a case where the allotment or transfer is of a number of shares in excess of the number for the time being forming a stock exchange board lot for the purposes of the stock exchange on which the shares are listed, upon payment, in the case of a transfer, of such sum (not exceeding in the case of any share capital listed on a stock exchange in the Relevant Territory, HK\$2.50 or such greater sum as such stock exchange may from time to time permit, and in the case of any other shares, such sum in such currency as the Board may from time to time determine to be reasonable in the territory in which the relevant register is situate, or otherwise such other sum as the Company may by Ordinary Resolution determine) for every certificate after the first as the Board may from time to time determine, such number of certificates for shares in stock exchange board lots or multiples thereof as he shall request and one for the balance (if any) of the shares in question, provided that in respect of a share or shares held jointly by several persons the Company shall not be bound to issue a certificate or certificates to each such person, and the issue and delivery of a certificate or certificates to one of the joint holders shall be sufficient delivery to all such holders. Share certificates

16. Every certificate for shares, warrants or debentures or representing any other form of securities of the Company shall be issued under the Seal of the Company, which for this purpose may be a Securities Seal. Share certificates to be sealed
17. Every share certificate hereafter issued shall specify the number and class of shares in respect of which it is issued and the amount paid thereon and may otherwise be in such form as the Board may from time to time prescribe. A share certificate shall relate to only one class of shares. Share certificate to specify number and class of shares
18. (A) The Company shall not be bound to register more than four persons as joint holders of any share. Joint holders
- (B) If any share shall stand in the names of two or more persons, the person first named in the Register shall be deemed the sole holder thereof as regards service of notice and, subject to the provisions of these Bye-laws, all or any other matter connected with the Company, except the transfer of the shares.
19. If a share certificate is defaced, lost or destroyed, it may be replaced on payment of such fee, if any, (not exceeding, in the case of any share capital listed on a stock exchange in the Relevant Territory, HK\$2.50 or such greater sum as such stock exchange may from time to time permit, and, in the case of any other capital, such sum in such currency as the Board may from time to time determine to be reasonable in the territory in which the relevant Register is situate, or otherwise such sum as the Company may by Ordinary Resolution determine) as the Board shall from time to time determine and on such terms and conditions, if any, as to publication of notices, evidence and indemnity as the Board thinks fit and in the case of wearing out or defacement, after delivery up of the old certificate. In the case of destruction or loss, the person to whom such replacement certificate is given shall also bear and pay to the Company any exceptional costs and the reasonable out-of-pocket expenses incidental to the investigation by the Company of the evidence of such destruction or loss and of such indemnity. Replacement of share certificates

LIEN

20. The Company shall have a first and paramount lien and charge on every share (not being a fully paid up share) for all moneys, whether presently payable or not, called or payable at a fixed time in respect of such share. The Company shall also have a first and paramount lien and charge on all shares (other than fully paid up shares) standing registered in the name of a shareholder, whether singly or jointly with any other person or persons, for all the debts and liabilities of such shareholders or his estate to the Company and whether the same shall have been incurred before or after notice to the Company of any equitable or other interest of any person other than such shareholder, and whether the period for the payment or discharge of the same shall have actually arrived or not, and notwithstanding that the same are joint debts or liabilities of such shareholder or his estate and any other person, whether a shareholder of the Company or not. The Company's lien (if any) on a share shall extend to all dividends and bonuses declared in respect thereof. The Board may at any time either generally or in any particular case waive any lien that has arisen, or declare any share to be exempt wholly or partially from the provisions of this Bye-law. Company's lien

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| 21. | The Company may sell, in such manner as the Board thinks fit, any shares on which the Company has a lien, but no sale shall be made unless some sum in respect of which the lien exists is presently payable or the liability or engagement in respect of which such lien exists is liable to be presently fulfilled or discharged, nor until the expiration of fourteen days after a notice in writing, stating and demanding payment of the sum presently payable or specifying the liability or engagement and demanding fulfilment or discharge thereof and giving notice of intention to sell in default, shall have been given to the registered holder for the time being of the shares or the person entitled to the shares by reason of such holder's death, bankruptcy or winding-up. | Sale of shares subject to lien |
| 22. | The net proceeds of such sale after the payment of the costs of such sale shall be applied in or towards payment or satisfaction of the debt or liability or engagement in respect whereof the lien exists, so far as the same is presently payable, and any residue shall (subject to a like lien for debts or liabilities not presently payable as existed upon the shares prior to the sale) be paid to the person entitled to the shares at the time of the sale. For the purpose of giving effect to any such sale, the Board may authorise some person to transfer the shares sold to the purchaser thereof and may enter the purchaser's name in the Register as holder of the shares, and the purchaser shall not be bound to see to the application of the purchase money, nor shall his title to the shares be affected by any irregularity or invalidity in the proceedings in relating to the sale. | Application of proceeds of sale |

CALLS ON SHARES

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| 23. | The Board may from time to time make such calls as it may think fit upon the shareholders in respect of any moneys unpaid on the shares held by them respectively (whether on account of the nominal value of shares or by way of premium) and not by the conditions of issue or allotment thereof made payable at a fixed time. A call may be made payable either in one sum or by instalments. | Calls/ instalments |
| 24. | Fourteen days' notice at least of any call shall be given specifying the time and place of payment and to whom such call shall be paid. | Notice of call |
| 25. | A copy of the notice referred to in Bye-law 24 shall be sent to shareholders in the manner in which notices may be sent to shareholders by the Company as herein provided. | Copy of notice to be sent to shareholders |
| 26. | In addition to the giving of notice in accordance with Bye-law 25, notice of the person appointed to receive payment of every call and of the times and places appointed for payment may be given to the shareholders by notice to be published at least once in the Newspapers. | Notice of call may be given |
| 27. | Every shareholder upon whom a call is made shall pay the amount of every call so made on him to the person and at the time or times and place or places as the Board shall appoint. | Time and place for payment of call |
| 28. | A call shall be deemed to have been made at the time when the resolution of the Board authorising such call was passed. | When call deemed to have been made |
| 29. | The joint holders of a share shall be severally as well as jointly liable for the payment of all calls and instalments due in respect of such share or other moneys due in respect thereof. | Liability of joint holders |

30. The Board may from time to time at its discretion extend the time fixed for any call, and may extend such time as regards all or any of the shareholders whom due to residence outside the Relevant Territory or other cause the Board may deem entitled to any such extension but no shareholder shall be entitled to any such extension except as a matter of grace and favour. The Board may extend time fixed for call
31. If the sum payable in respect of any call or instalments is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. per annum as the Board shall fix from the day appointed for the payment thereof to the time of the actual payment, but the Board may waive payment of such interest wholly or in part. Interest on unpaid calls
32. No shareholder shall be entitled to receive any dividend or bonus or to be present and vote (save as proxy for another shareholder) at any general meeting, either personally, or (save as proxy for another shareholder) by proxy or by a duly authorised corporate representative, or be reckoned in a quorum, or to exercise any other privilege as a shareholder until all calls or instalments due from him to the Company, whether alone or jointly with any other person, together with interest and expenses (if any) shall have been paid. Suspension of privileges while call unpaid
33. On the trial or hearing of any action or other proceedings for the recovery of any money due for any call, it shall be sufficient to prove that the name of the shareholder sued is entered in the Register as the holder, or one of the holders, of the shares in respect of which such debt accrued; that the resolution of the Board making the call has been duly recorded in the minute book of the Board; and that notice of such call was duly given to the shareholder sued, in pursuance of these Bye-laws; and it shall not be necessary to prove the appointment of the Board who made such call, nor any other matters whatsoever, but the proof of the matters aforesaid shall be conclusive evidence of the debt. Evidence in action for call
34. Any sum which by the terms of allotment of a share is made payable upon allotment or at any fixed date, whether on account of the nominal value of the share and/or by way of premium, shall for all purposes of these Bye-laws be deemed to be a call duly made, notified, and payable on the date fixed for payment, and in case of non-payment all the relevant provisions of these Bye-laws as to payment of interest and expenses, forfeiture and the like, shall apply as if such sums had become payable by virtue of a call duly made and notified. The Board may on the issue of shares differentiate between the allottees or holders as to the amount of calls to be paid and the time of payment. Sums payable on allotment deemed a call
Shares may be issued subject to different conditions as to calls, etc.
35. The Board may, if it thinks fit, receive from any shareholder willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the moneys so advanced the Company may pay interest at such rate (if any) not exceeding twenty per cent. per annum as the Board may decide but a payment in advance of a call shall not entitle the shareholder to receive any dividend or to exercise any other rights or privileges as a shareholder in respect of the share or the due portion of the shares upon which payment has been advanced by such shareholder before it is called up. The Board may at any time repay the amount so advanced upon giving to such shareholder not less than one month's notice in writing of their intention in that behalf, unless before the expiration of such notice the amount so advanced shall have been called up on the shares in respect of which it was advanced. Payment of calls in advance

TRANSFER OF SHARES

36. Subject to the Companies Act, all transfers of shares may be effected by transfer in writing in the usual or common form or in such other form as the Board may accept and may be under hand or by means of mechanically imprinted signatures or such other manner as the Board may from time to time approve. Form of transfer
37. The instrument of transfer of any share shall be executed by or on behalf of the transferor and by or on behalf of the transferee provided that the Board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its absolute discretion, to do so. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register in respect thereof. Nothing in these Bye-laws shall preclude the Board from recognising a renunciation of the allotment or provisional allotment of any share by the allottee in favour of some other person. Execution of transfer
38. (A) The Board may, in its absolute discretion, at any time and from time to time transfer any share upon the Principal Register to any branch register or any share on any branch register to the Principal Register or any other branch register. Shares registered on the Principal Register, branch register, etc.
- (B) Unless the Board otherwise agrees (which agreement may be on such terms and subject to such conditions as the Board in its absolute discretion may from time to time stipulate, and which agreement it shall, without giving any reason therefor, be entitled in its absolute discretion to give or withhold) no shares on the Principal Register shall be transferred to any branch register nor shall shares on any branch register be transferred to the Principal Register or any other branch register and all transfers and other documents of title shall be lodged for registration, and registered, in the case of any shares on a branch register, at the relevant Registration Office, and, in the case of any shares on the Principal Register, at the Transfer Office. Unless the Board otherwise agrees, all transfers and other documents of title shall be lodged for registration with, and registered at, the relevant Registration Office.
- (C) Notwithstanding anything contained in this Bye-law, the Company shall as soon as practicable and on a regular basis record in the Principal Register all transfers of shares effected on any branch register and shall at all times maintain the Principal Register in all respects in accordance with the Companies Act.
39. The Board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share option scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register a transfer of any share (whether fully paid up or not) to more than four joint holders or a transfer of any shares (not being a fully paid up share) on which the Company has a lien. The Board may refuse to register a transfer
40. The Board may also decline to recognise any instrument of transfer unless:– Requirements as to transfer
- (i) such sum, if any, (not exceeding, in the case of any share capital listed on a stock exchange in the Relevant Territory, HK\$2.50 or such greater sum as such stock exchange may from time to time permit, and, in the case of any other capital, such sum in such currency as the Board may from time to time determine to be reasonable in the territory in which the relevant Register is situate, or otherwise such sum as the Company may by Ordinary Resolution determine) as the Board shall from time to time determine is paid to the Company in respect thereof has been paid;

- (ii) the instrument of transfer is lodged at the relevant Registration Office or, as the case may be, the Transfer Office accompanied by the certificate of the shares to which it relates, and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer (and, if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do);
 - (iii) the instrument of transfer is in respect of only one class of share;
 - (iv) the shares concerned are free of any lien in favour of the Company;
 - (v) if applicable, the instrument of transfer is properly stamped; and
 - (vi) where applicable, the permission of the Bermuda Monetary Authority with respect thereto has been obtained.
41. No transfer of any shares (not being a fully paid up share) shall be made to an infant or to a person of unsound mind or under other legal disability. No transfer to an infant
42. If the Board shall refuse to register a transfer of any share, it shall, within two months after the date on which the transfer was lodged with the Company, send to each of the transferor and the transferee notice of such refusal. Notice of refusal
43. Upon every transfer of shares the certificate held by the transferor shall be given up to be cancelled, and shall forthwith be cancelled accordingly, and a new certificate shall be issued without charge to the transferee in respect of the shares transferred to him, and if any of the shares included in the certificate so given up shall be retained by the transferor a new certificate in respect thereof shall be issued to him without charge. The Company shall also retain the instrument of transfer. Certificate to be given up on transfer
44. Subject to the rules of the Designated Stock Exchange, the registration of transfers may be suspended and the Register may be closed at such times or for such periods not exceeding in the whole 30 days in any year as the Board may determine and either generally or in respect of any class of shares. When transfer books and the Register may be closed

TRANSMISSION OF SHARES

45. In the case of the death of a shareholder, the survivor or survivors where the deceased was a joint holder, and the legal personal representatives of the deceased where he was a sole or only surviving holder, shall be the only persons recognised by the Company as having any title to his interest in the shares; but nothing herein contained shall release the estate of a deceased holder (whether sole or joint) from any liability in respect of any share solely or jointly held by him. Deaths of registered holder or of joint holder of shares
46. Any person becoming entitled to a share in consequence of the death or bankruptcy or winding-up of a shareholder may, upon such evidence as to his title being produced as may from time to time be required by the Board, and subject as hereinafter provided, elect either to be registered himself as holder of the share or to have some person nominated by him registered as the transferee thereof. Registration of personal representatives and trustees in bankruptcy

47. If the person becoming entitled to a share pursuant to Bye-law 46 shall elect to be registered himself, as the holder of such share he shall deliver or send to the Company a notice in writing signed by him at (unless the Board otherwise agrees) the Registration Office, stating that he so elects. If he shall elect to have his nominee registered, he shall testify his election by executing a transfer of such shares to his nominee. All the limitations, restrictions and provisions of these presents relating to the right to transfer and the registration of transfers of shares shall be applicable to any such notice or transfer as aforesaid as if the death, bankruptcy or winding-up of the shareholder had not occurred and the notice or transfer were a transfer executed by such shareholder.
48. A person becoming entitled to a share by reason of the death, bankruptcy or winding-up of the holder shall be entitled to the same dividends and other advantages to which he would be entitled if he were the registered holder of the share. However, the Board may, if it thinks fit, withhold the payment of any dividend payable or other advantages in respect of such share until such person shall become the registered holder of the share or shall have effectually transferred such share, but, subject to the requirements of Bye-law 77 being met, such a person may vote at general meetings of the Company.

Notice of election to be registered and registration of nominee

Retention of dividends, etc. until transfer or transmission of shares of a deceased or bankrupt shareholder

FORFEITURE OF SHARES

49. If a shareholder fails to pay any call or instalment of a call on the day appointed for payment thereof, the Board may, at any time thereafter during such time as any part of the call or instalment remains unpaid, without prejudice to the provisions of Bye-law 32, serve a notice on him requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may thereafter accrue up to the date of actual payment.
50. The notice shall name a further day (not earlier than the expiration of fourteen days from the date of the notice) on or before which the payment required by the notice is to be made, and it shall also name the place where payment is to be made, such place being either the Registered Office or a Registration Office. The notice shall also state that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.
51. If the requirements of any such notice as aforesaid are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture shall include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture. The Directors may accept the surrender of any shares liable to be forfeited hereunder and in such cases references in these Bye-laws to forfeiture shall include surrender.
52. Any share so forfeited shall be deemed to be the property of the Company, and may be sold or otherwise disposed of on such terms and in such manner as the Board thinks fit and at any time before a sale or disposition the forfeiture may be cancelled on such terms as the Board thinks fit.
53. A person whose shares have been forfeited shall cease to be a shareholder in respect of the forfeited shares, but shall, notwithstanding, remain liable to pay to the Company all moneys which, at the date of forfeiture, were payable by him to the Company in respect of the forfeited shares, together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate

If call or instalment not paid notice may be given

Content of notice of call

If notice not complied with shares may be forfeited

Forfeited shares to become property of Company

Arrears to be paid notwithstanding forfeiture

not exceeding twenty per cent. per annum as the Board may prescribe, and the Board may enforce the payment thereof if it thinks fit, and without any deduction or allowance for the value of the shares at the date of forfeiture, but his liability shall cease if and when the Company shall have received payment in full of all such moneys in respect of the shares. For the purposes of this Bye-law any sum which by the terms of issue of a share, is payable thereon at a fixed time which is subsequent to the date of forfeiture, whether on account of the nominal value of the share or by way of premium, shall notwithstanding that such time has not yet arrived be deemed to be payable at the date of forfeiture, and the same shall become due and payable immediately upon the forfeiture, but interest thereon shall only be payable in respect of any period between the said fixed time and the date of actual payment.

54. A statutory declaration in writing that the declarant is a Director or the Secretary of the Company, and that a share in the Company has been duly forfeited or surrendered on a date stated in the declaration, shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the share. The Company may receive the consideration, if any, given for the share on any sale or disposition thereof and may execute a transfer of the share in favour of the person to whom the share is sold or disposed of and he shall thereupon be registered as the holder of the share, and shall not be bound to see to the application of the purchase money, if any, nor shall his title to the share be affected by any irregularity or invalidity in the proceedings in reference to the forfeiture, sale or disposal of the share. Evidence of forfeiture and transfer of forfeited share
55. When any share shall have been forfeited, notice of the forfeiture shall be given to the shareholder in whose name it stood immediately prior to the forfeiture, and an entry of the forfeiture, with the date thereof, shall forthwith be made in the register, but no forfeiture shall be in any manner invalidated by any omission or neglect to give such notice or make any such entry. Notice after forfeiture
56. Notwithstanding any such forfeiture as aforesaid the Board may at any time, before any shares so forfeited shall have been sold, re-allotted or otherwise disposed of, cancel the forfeiture on such terms as the Board thinks fit or permit the shares so forfeited to be bought back or redeemed upon the terms of payment of all calls and interest due upon and expenses incurred in respect of the shares, and upon such further terms (if any) as it thinks fit. Power to redeem forfeited Shares
57. The forfeiture of a share shall not prejudice the right of the Company to any call already made or instalment payment thereon. Forfeiture not to prejudice Company's right to call or instalment payment
58. (A) The provisions of these Bye-laws as to forfeiture shall apply in the case of non-payment of any sum which, by terms of issue of a share, becomes payable at a fixed time, whether on account of the nominal value of the share or by way of premium, as if the same had been payable by virtue of a call duly made and notified. Forfeiture for non-payment of any sum due on shares
- (B) In the event of a forfeiture of shares the shareholder shall be bound to deliver and shall forthwith deliver to the Company the certificate or certificates held by him for the shares so forfeited and in any event the certificates representing shares so forfeited shall be void and of no further effect.

ALTERATION OF CAPITAL

59. (A) Subject to the provisions of these Bye-Laws (including, without limitation, Bye-law 122A and Schedule 1 (Board Reserved Matters)), ~~The~~ Company may from time to time by Ordinary Resolution:–

Increase in capital, consolidation and division of capital and sub-division, cancellation of shares and re-denomination etc.

- (i) increase its capital as provided by Bye-law 7;
- (ii) consolidate or divide all or any of its share capital into shares of larger amount than its existing shares; and on any consolidation of fully paid shares into shares of larger amount, the Board may settle any difficulty which may arise as it thinks expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into a consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Board for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interest or may be paid to the Company for the Company's benefit;
- (iii) divide its shares into several classes and attach thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions;
- (iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Continuance, subject nevertheless to the provisions of the Companies Act, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares;
- (v) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled;
- (vi) make provision for the issue and allotment of shares which do not carry any voting rights; and
- (vii) change the currency denomination of its share capital.

(B) Subject to the provisions of these Bye-Laws (including, without limitation, Bye-law 122A and Schedule 1 (Board Reserved Matters)), ~~The~~ the Company may by Special Resolution reduce its share capital, any capital redemption reserve fund or any share premium account or other undistributable reserve in any manner authorised and subject to any conditions prescribed by law.

Reduction of capital

GENERAL MEETINGS

60. (A) The Company shall in each year hold a general meeting as its annual general meeting in addition to any other meeting in that year and shall specify the meeting as such in the notice calling it; and not more than fifteen months shall elapse between the date of one annual general meeting of the Company and that of the next. The annual general meeting shall be held in the Relevant Territory or elsewhere as may be determined by the Board and at such time and place as the Board shall appoint. A meeting of the shareholders or any class thereof may be held by means of such telephone, electronic or other communication facilities as permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously, and participation in such a meeting shall constitute presence in person at such meeting.
- When
annual
general
meeting to
be held
- (B) Save where a general meeting is required by the Companies Act, a resolution in writing signed (in such manner as to indicate, expressly or impliedly, unconditional approval) by or on behalf of all persons for the time being entitled to receive notice of and to attend and vote at general meetings of the Company shall, for the purposes of these Bye-laws, be treated as an Ordinary Resolution duly passed at a general meeting of the Company and, where relevant, as a Special Resolution so passed. Any such resolution shall be deemed to have been passed at a meeting held on the date on which it was signed by the last shareholder to sign, and where the resolution states a date as being the date of his signature thereof by any shareholder the statement shall be prima facie evidence that it was signed by him on that date. Such a resolution may consist of several documents in the like form, each signed by one or more relevant shareholders.
- Written
Resolutions
of
Shareholders
61. All general meetings other than annual general meetings shall be called special general meetings.
- Special
general
meeting
62. The Board may, whenever it thinks fit, convene a special general meeting, and special general meetings shall also be convened on requisition, as provided by the Companies Act, and, in default, may be convened by the requisitionists.
- Convening
of special
general
meeting
63. Subject to the provisions in the Companies Act, an annual general meeting and a special general meeting called for the passing of a Special Resolution shall be called by at least 21 days' notice in writing, and a meeting of the Company other than an annual general meeting or a special general meeting for the passing of an Ordinary Resolution shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the place, the day and the hour of meeting and, in case of special business, the general nature of that business, and shall be given, in manner hereinafter mentioned or in such other manner, if any, as may be prescribed by the Company in general meeting, to such persons as are, under these Bye-laws, entitled to receive such notices from the Company, provided that, subject to the provisions of the Companies Act and if permitted by the rules of the Designated Stock Exchange, a meeting of the Company shall notwithstanding that it is called by shorter notice than that specified in this Bye-law be deemed to have been duly called if it is so agreed:
- Notice of
meetings
- (i) in the case of a meeting called as the annual general meeting, by all the shareholders entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the shareholders having a right to attend and vote at the meeting, being a majority together holding not less than 95 per cent. in nominal value of issued shares giving that right.

64. (A) The accidental omission to give any notice to, or the non-receipt of any notice by, any person entitled to receive notice shall not invalidate any resolution passed or any proceedings at any such meeting. Omission to give notice
- (B) In the case where instruments of proxy are sent out with any notice, the accidental omission to send such instrument of proxy to, or the non-receipt of such instrument of proxy by, any person entitled to receive notice of the relevant meeting shall not invalidate any resolution passed or any proceeding at any such meeting.

PROCEEDINGS AT GENERAL MEETINGS

65. All business shall be deemed special that is transacted at a special general meeting, and also all business that is transacted at an annual general meeting with the exception of sanctioning dividends, the reading, considering and adopting of the accounts and balance sheet and the reports of the Directors and Auditors and other documents required to be annexed to the balance sheet, the election of Directors and appointment of Auditors and other officers in the place of those retiring, the fixing of the remuneration of the Auditors, and the voting of ordinary or extra or special remuneration to the Directors. Special business, business of annual general meeting
66. For all purposes the quorum for a general meeting shall be two shareholders present in person or by duly authorised corporate representative or by proxy and entitled to vote. No business shall be transacted at any general meeting unless the requisite quorum shall be present at the commencement of the meeting. Quorum
67. If within fifteen minutes from the time appointed for the meeting a quorum is not present, the meeting, if convened upon the requisition of shareholders, shall be dissolved, but in any other case it shall stand adjourned to the same day in the next week and at such time and place as shall be decided by the Board. When if quorum not present meeting to be dissolved and when to be adjourned
68. The Chairman (if any) of the Board or, if he is absent or declines to take the chair at such meeting, the Deputy Chairman (if any) shall take the chair at every general meeting, or, if there be no such Chairman or Deputy Chairman, or, if at any general meeting neither of such Chairman or Deputy Chairman is present within fifteen minutes after the time appointed for holding such meeting, or both such persons decline to take the chair at such meeting, the Directors present shall choose one of their number as Chairman, and if no Director be present or if all the Directors present decline to take the chair or if the Chairman chosen shall retire from the chair, then the shareholders present shall choose one of their number to be Chairman. Chairman of general meeting
69. The Chairman may, with the consent of any general meeting at which a quorum is present, and shall, if so directed by the meeting, adjourn any meeting from time to time and from place to place as the meeting shall determine. Whenever a meeting is adjourned for fourteen days or more, at least seven days' notice, specifying the place, the day and the hour of the adjourned meeting shall be given in the same manner as in the case of an original meeting but it shall not be necessary to specify in such notice the nature of the business to be transacted at the adjourned meeting. Save as aforesaid, no shareholder shall be entitled to any notice of an adjournment or of the business to be transacted at an adjourned meeting. No business shall be transacted at an adjourned meeting other than the business which might have been transacted at the meeting from which the adjournment took place. Power to adjourn general meeting, business of adjourned meeting

70. At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) demanded:–

What is to be
evidence
of the
passing of
a resolution
where poll
not demanded

- (i) by the Chairman of the meeting; or
- (ii) by at least three shareholders present in person or by duly authorised corporate representative or by proxy for the time being entitled to vote at the meeting; or
- (iii) by any shareholder or shareholders present in person or by duly authorised corporate representative or by proxy and representing not less than one-tenth of the total voting rights of all the shareholders having the right to vote at the meeting; or
- (iv) by any shareholder or shareholders present in person or by duly authorised corporate representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Unless a poll be so demanded and the demand is not withdrawn, a declaration by the Chairman that a resolution has on a show of hands been carried or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the book containing the minutes of the proceedings of the Company shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour or against such resolution.

- 70A. Notwithstanding any other provisions of these Bye-laws:

- (a) if the aggregate proxies held by (i) the Chairman of a particular meeting, and (ii) the Directors, account for 5 per cent. or more of the total voting rights at that meeting, and
- (b) if on a show of hands in respect of any resolution, the shareholders at the meeting vote in the opposite manner to that instructed in the proxies referred to in (a) above,

the Chairman of the meeting and/or any Director holding the proxies referred to above shall demand a poll. However, if it is apparent from the total proxies held by the persons referred to in (a) above that a vote taken on a poll will not reverse the vote taken on a show of hands, then no poll shall be required.

71. If a poll is demanded as aforesaid, it shall (subject as provided in Bye-law 72) be taken in such manner (including the use of ballot or voting papers or tickets) and at such time and place not being more than thirty days from the date of the meeting or adjourned meeting at which the poll was demanded, as the Chairman directs. No notice need be given of a poll not taken immediately. The result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded. The demand for a poll may be withdrawn, with the consent of the Chairman, at any time before the close of the meeting at which the poll was demanded or the taking hands of the poll, whichever is the earlier.

Poll

72. Any poll duly demanded on the election of a Chairman of a meeting or on any question of adjournment shall be taken at the meeting and without adjournment. In what case
poll taken
without
adjournment
73. In the case of an equality of votes, whether on a show of hands or on a poll, the Chairman of the meeting at which the show of hands takes place or at which the poll is demanded, shall be entitled to a second or casting vote. In case of any dispute as to the admission or rejection of any vote the Chairman shall determine the same, and such determination shall be final and conclusive. Chairman
to have
casting vote
74. The demand for a poll shall not prevent the continuance of a meeting for the transaction of any business other than the question on which a poll has been demanded. Business may
proceed
notwithstanding
demand for
poll
75. For the purposes of section 106 of the Companies Act, a Special Resolution of the Company, and of any relevant class of shareholders, shall be required to approve any amalgamation agreement as referred to in that section. Approval of
amalgamation
agreement

VOTES OF SHAREHOLDERS

76. Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares and subject to the provisions of these Bye-Laws (including, without limitation, Bye-law 122A and Schedule 1 (*Board Reserved Matters*)), at any general meeting: Votes of
shareholders
- (i) on a show of hands, every shareholder who is present in person or by proxy shall have one vote, provided that (subject to Bye-law 87(B)) where a shareholder has appointed more than one proxy to represent him:
- (a) only one such proxy shall be entitled to cast vote on a show of hands;
- (b) the form of appointment of proxy shall clearly indicate which proxy is designated as the voting proxy for the purposes of a vote on a show of hands; and
- (c) failure by a shareholder to designate the proxy entitled to vote on his behalf on a show of hands, or the designation of more than one proxy so to do, shall preclude any proxy representing that shareholder from voting on a show of hands; and
- (ii) on a poll, every shareholder present in person or by proxy shall have one vote for every share of which he is the holder which is fully paid or credited as fully paid (but so that no amount paid or credited as paid on a share in advance of calls or instalments shall be treated for the purposes of this Bye-law as paid on the share). On a poll a shareholder entitled to more than one vote need not use all his votes or cast all his votes in the same way.
- 76A. Where any shareholder is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

77. Any person entitled under Bye-law 46 to be registered as the holder of any shares may vote at any general meeting in respect thereof in the same manner as if he were the registered holder of such shares, provided that at least 48 hours before the time of the holding of the meeting or adjourned meeting (as the case may be) at which he proposes to vote, he shall satisfy the Board of his right to be registered as the holder of such shares or the Board shall have previously admitted his right to vote at such meeting in respect thereof. Votes in respect of deceased and bankrupt shareholders
78. Where there are joint registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present whose name stands first on the Register in respect of such share shall alone be entitled to vote in respect thereof. Several executors or administrators of a deceased shareholder in whose name any share stands shall for the purposes of this Bye-law be deemed joint holders thereof. Joint holders
79. A shareholder of unsound mind or in respect of whom an order has been made by any court having jurisdiction in lunacy may vote, whether on a show of hands or on a poll, by his committee, receiver, curator bonis or other person in the nature of a committee, receiver or curator bonis appointed by that court, and any such committee, receiver, curator bonis or other person may on a poll vote by proxy. Evidence to the satisfaction of the Board of the authority of the person claiming to exercise the right to vote shall be delivered to such place or one of such places (if any) as is specified in accordance with these Bye-laws for the deposit of instruments of proxy or, if no place is specified, at the Registration Office. Votes of shareholder of unsound mind
80. (A) Save as expressly provided in these Bye-laws, no person other than a shareholder duly registered and who shall have paid everything for the time being due from him payable to the Company in respect of his shares shall be entitled to be present or to vote (save as proxy for another shareholder) either personally or by proxy or to be reckoned in a quorum (save as proxy for another shareholder), at any general meeting. Qualification for voting
- (B) No objection shall be raised to the qualification of any voter except at the meeting or adjourned meeting at which the vote objected to is given or tendered, and every vote not disallowed at such meeting shall be valid for all purposes. Any such objection made in due time shall be referred to the Chairman, whose decision shall be final and conclusive. Objections to votes
81. Any shareholder of the Company entitled to attend and vote at a meeting of the Company or a meeting of the holders of any class of shares in the Company shall be entitled to appoint another person as his proxy to attend and vote instead of him. Votes may be given either personally or by a duly authorised corporate representative or by proxy. A proxy need not be a shareholder of the Company. A shareholder who is the holder of two or more shares may appoint more than one proxy to attend on the same occasion. In addition, a proxy or proxies representing either an individual shareholder or a shareholder which is a corporation, shall be entitled to exercise the same powers on behalf of the shareholder which he or they represent as such shareholder could exercise. Proxies

- 81A. (A) No appointment of a proxy shall be valid unless it names the person appointed and his appointor. The Directors may, unless they are satisfied that the person purporting to act as proxy is the person named in the relevant instrument for his appointment and the validity and authenticity of the signature of his appointor, decline such person's admission to the relevant meeting, reject his vote or demand for a poll. Admissibility of proxy votes
- (B) Subject to Bye-law 87(B), where a shareholder appoints more than one proxy to represent him, as permitted by Bye-law 81, on the same occasion at a general meeting, the relevant proxy forms shall clearly state:
- (i) the class and number of shares which each proxy represents; and
- (ii) which of the two proxies so appointed is designated as the voting proxy for the purpose of voting on a show of hands as required by Bye-law 76,
- and failure to specify either of the foregoing shall, subject to the absolute discretion of the Chairman to decide (upon such terms and conditions as he may see fit) otherwise, invalidate the appointment and form of proxy and prevent either proxy form representing the appointor at the general meeting concerned.
- (C) No shareholder who may be affected by any exercise by the Directors or the Chairman of their powers under this Bye-law shall have any claim against the Directors or Chairman or any of them nor may any such exercise by the Directors or the Chairman of their powers under this Bye-law invalidate the proceedings of the meeting in respect of which they were exercised or any resolution passed or defeated at such meeting.
82. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised. Instrument appointing proxy to be in writing
83. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at such place or one of such places (if any) as is specified in the notice of meeting or in the instrument of proxy issued by the Company (or, if no place is specified, at the Registration Office) not less than forty-eight hours before the time for holding the meeting or adjourned meeting or poll (as the case may be) at which the person named in such instrument proposes to vote, and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of twelve months from the date of its execution, except at an adjourned meeting or on a poll demanded at a meeting or an adjourned meeting in a case where the meeting was originally held within twelve months from such date. Delivery of an instrument appointing a proxy shall not preclude a shareholder from attending and voting in person at the meeting or upon the poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked. Appointment of proxy must be deposited
84. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve. Form of proxy

85. The instrument appointing a proxy to vote at a general meeting shall: (i) be deemed to confer authority upon the proxy to demand or join in demanding a poll and to vote on any resolution (or amendment thereto) put to the meeting for which it is given as the proxy thinks fit. Provided that any form issued to a shareholder for use by him for appointing a proxy to attend and vote at a special general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the shareholder, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business; and (ii) unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates.

Authority
under
instrument
appointing
proxy

86. A vote given in accordance with the terms of an instrument of proxy or power of attorney shall be valid notwithstanding the previous death or insanity of the principal or revocation of the proxy or power of attorney or other authority under which the proxy was executed or the transfer of the share in respect of which the proxy is given, provided that no intimation in writing of such death, insanity, revocation or transfer as aforesaid shall have been received by the Company at its Registration Office, or at such other place as is referred to in Bye-law 83, at least two hours before the commencement of the meeting or adjourned meeting at which the proxy is used.

When vote
by proxy
valid though
authority
revoked

87. (A) Any corporation which is a shareholder of the Company may, by resolution of its directors or other governing body or by power of attorney, authorise such person as it thinks fit to act as its corporate representative at any meeting of the Company or of any class of shareholders of the Company, and the person so authorised shall be entitled to exercise the same powers on behalf of the corporation which he represents as that corporation could exercise if it were an individual shareholder of the Company.

(B) If a Clearing House (or its nominee) is a shareholder of the Company, it may appoint such person or persons as it thinks fit to act as its proxy or proxies or as its corporate representative or representatives, to the extent permitted by the Companies Act, at any meeting of the Company or at any meeting of any class of shareholders of the Company provided that, if more than one proxy or, corporate representative is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy or corporate representative is so appointed. A person so appointed under the provisions of this Bye-law shall be entitled to exercise the same powers on behalf of the Clearing House (or its nominee) which he represents as that Clearing House (or its nominee) could exercise as if it were an individual shareholder. The number of persons a Clearing House (or its nominee) may appoint to act as its corporate representative or representatives shall not exceed the number of shares held by a Clearing House (or its nominee), being shares in respect of which there is an entitlement to attend and vote at the relevant meeting. Any proxies appointed as aforesaid shall not be subject to the provisions of Bye-law 76 or 81A(B) limiting the number of proxies so appointed which may vote on a show of hands or requiring the relevant appointment of proxy to designate which proxy is entitled to vote on a show of hands.

(C) References in these Bye-laws to a shareholder present in person at a meeting shall, unless the context otherwise requires, include a corporation which is a shareholder represented at the meeting by such duly authorised corporate representative or by one or more proxies.

REGISTERED OFFICE

88. The Registered Office shall be at such place in Bermuda as the Board shall from time to time appoint.

Registered
Office

BOARD OF DIRECTORS

89. The number of Directors shall not be less than two. The Company shall keep at the Registered Office a register of its directors and officers in accordance with the Statutes.

Constitution
of the Board

90. A Director may at any time, by notice in writing signed by him delivered to the Registered Office of the Company or at the Head Office or at a meeting of the Directors, appoint any person (including another Director) to act as alternate Director in his place during his absence and may in like manner at any time determine such appointment. If such person is not another Director, such appointment (unless previously approved by the Directors) shall have effect only upon and subject to being so approved. The appointment of an alternate Director shall determine on the happening of any event which, were he a Director, would cause him to vacate such office or if his appointor ceases to be a Director. An alternate Director may act as alternate to more than one Director.

Alternate
Directors

91. (A) An alternate Director shall (subject to his giving to the Company an address, telephone and facsimile number within the territory of the Head Office for the time being for the giving of notices on him and except when absent from the territory in which the Head Office is for the time being situate) be entitled (in addition to his appointor) to receive and (in lieu of his appointor) to waiver notice of meeting of the Directors and of any committee of the Directors of which his appointor is a member and shall be entitled to attend and vote as a Director at any such meeting at which the Directors of which his appointor is a member and shall be entitled to attend and vote as a Director at any such meeting at which the Director appointing him is not personally present and generally at such meeting to perform all the functions of his appointor as a Director and for the purposes of the proceedings at such meeting, the provision of these presents shall apply as if he (instead of his appointor) were a Director. If he shall be himself a Director or shall attend any such meeting as an alternate for more than one Director, his voting rights shall be cumulative. If his appointor is for the time being absent from the territory in which the Head Office is for the time being situate or otherwise not available or unable to act, his signature to any resolution in writing of the Directors or any such committee shall be as effective as the signature of his appointor. His attestation of the affixing of the Seal shall be as effective as the signature and attestation of his appointor. All alternate Directors shall not, save as aforesaid, have power to act as a Director nor shall be deemed to be a Director for the purposes of these Bye-laws.

Powers of
alternate
Directors

- (B) An alternate Director shall be entitled to contract and be interested in and benefit from contracts or arrangements or transactions and to be repaid expenses and to be indemnified to the same extent mutatis mutandis as if he were a Director, but he shall not be entitled to receive from the Company in respect of his appointment as alternate Director any remuneration except only such part (if any) of the ordinary remuneration otherwise payable to his appointor as such appointor may be notice in writing to the Company from time to time direct.

- (C) A certificate by a Director (including for the purpose of this paragraph (C) an alternate Director) or the Secretary that a Director (who may be the one signing the certificate) was at the time of a resolution of the Directors or any committee thereof absent from the territory of the Head Office or otherwise not available or unable to act or has not supplied an address, telephone and facsimile number within the territory of the Head Office for the purposes of giving of notice of him shall in favor of all persons without express notice to the contrary, be conclusive of the matter so certified.
92. A Director or an alternate Director shall not be required to hold any qualification shares but shall nevertheless be entitled to attend and speak at all general meetings of the Company and all meetings of any class of shareholders of the Company. Attendance at general meetings
93. The Directors shall be entitled to receive by way of remuneration for their services as Directors such sum as shall from time to time be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the Board may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. The foregoing provisions shall not apply to a Director who holds any salaried employment or office in the Company except in the case of sums paid in respect of Directors' fees. Directors' remuneration
94. The Directors shall also be entitled to be repaid all travelling, hotel and other expenses reasonably incurred by them respectively in or about the performance of their duties as Directors, including their expenses of travelling to and from board meetings, committee meetings or general meetings or otherwise incurred whilst engaged in the business of the Company or in the discharge of their duties as Directors. Directors' expenses
95. The Board may grant special remuneration to any Director who, being called upon, shall perform any special or extra services to or at the request of the Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as the Board may determine. Special remuneration
96. (A) Notwithstanding Bye-laws 93, 94 and 95, the remuneration of a Managing Director, Joint Managing Director, Deputy Managing Director or an Executive Director or a Director appointed to any other office in the management of the Company may from time to time be fixed by the Board and may be by way of salary, commission, or participation in profits or otherwise or by all or any of those modes and with such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director. Remuneration of Managing Directors, etc.
- (B) Payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting. Payments for compensation for loss of office

97. (A) A Director shall vacate his office:–

When office
of Director to
be vacated

- (i) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (ii) if he becomes a lunatic or of unsound mind;
- (iii) if he absents himself from the meetings of the Board during a continuous period of six months, without special leave of absence from the Board, and his alternate Director (if any) shall not during such period have attended in his stead, and the Board passes a resolution that he has by reason of such absence vacated his office;
- (iv) if he becomes prohibited by law from acting as a Director;
- (v) if by notice in writing delivered to the Company at its Registered Office or at the Head Office he resigns his office;
- (vi) if he shall be removed from office by an Ordinary Resolution of the Company under Bye-law 104.

(B) No Director shall be required to vacate office or be ineligible for re-election or re-appointment as a Director, and no person shall be ineligible for appointment as a Director, by reason only of his having attained any particular age.

98. (A) Subject to the Companies Act, a Director may hold any other office or place of profit with the Company (except that of Auditors) in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) as the Board may determine, and such extra remuneration shall be in addition to any remuneration provided for, by or pursuant to any other Bye-law.

Directors' interests

(B) A Director may act by himself or his firm in a professional capacity for the Company (otherwise than as Auditors) and he or his firm shall be entitled to remuneration for professional services as if he were not a Director.

(C) A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the shareholders for any remuneration, profit or other benefit received by him as a director or officer of or from his interest in such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

- (CA) A Director may be or become a director or other officer of any other company which involve ventures in competition with, or similar to, those of the Company or any other Group Company, provided that such Director shall disclose to the Board any such directorships held by them. Such disclosures shall be made:
- (i) upon appointment as a Director in the case of any such directorships held at the time a Director is appointed; or
 - (ii) at the next Board meeting in the case of the acceptance by a Director of any such directorship during their period of service with the Company.
- (D) A Director shall not vote or be counted in the quorum on any resolution of the Board concerning his own appointment as the holder of any office or place of profit with the Company or any other company in which the Company is interested (including the arrangement or variation of the terms thereof, or the termination thereof).
- (E) Where arrangements are under consideration concerning the appointment (including the arrangement or variation of the terms thereof, or the termination thereof) of two or more Directors to offices or places of profit with the Company or any other company in which the Company is interested, a separate resolution may be put in relation to each Director and in such case each of the Directors concerned shall be entitled to vote (and be counted in the quorum) in respect of each resolution except that concerning his own appointment (or the arrangement or variation of the terms thereof, or the termination thereof) and except (in the case of an office or place of profit with any such other company as aforesaid) where he or any of his associates has a material interests (as defined below) in such other company.
- (F) Subject to the Companies Act and to the next paragraph of this Bye-law, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure or the tenure of any of his associates of any office or place of profit or as vendor, purchaser or in any other manner whatever, nor shall any such contract or any other contract or arrangement in which any Director or any of his associates is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the shareholders for any remuneration, profit or other benefits realised by any such contract or arrangement, by reason only of such Director holding that office or the fiduciary relationship thereby established.
- (G) If a Director or any of his associates, whom to the Director's knowledge, is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company, he shall declare the nature of his interest or the interest of any of his associates at the meeting of the Board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest or the interest of any of his associates then exists, or in any other case at the first meeting of the Board after he knows that he or any of his associates is or has become so interested. For the purposes of this Bye-law, a general notice to the Board by a Director to the effect that by reason of facts specified in such notice, he or any of his associates, is to be regarded as interested in any contract or arrangement which may after the date of the notice be made with that company or firm, shall be deemed to be a sufficient declaration of interest under this Bye-law in relation to any such contract or arrangement; provided that no such notice shall be effective unless either it is given at a meeting of the Board or the Director takes reasonable steps to secure that it is brought up and read at the next Board meeting after it is given.

- (H) A Director shall not vote (nor shall he be counted in the quorum) on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his associates has/have a material interest, and if he shall do so his vote shall not be counted (nor shall he be counted in the quorum for that resolution), but (in the absence of the material interest other than is authorized below) none of these prohibitions shall apply to:–
- (i) the giving of any security or indemnity either:–
 - (a) to the Director or his associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries; or
 - (b) to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;
 - (ii) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
 - (iii) any proposal concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or shareholder or in which the Director or his associate(s) is/are beneficially interested in shares of that company, provided that the Director and any of his associates are not in aggregate beneficially interested in 5% or more of the issued shares of any class of such company (or of any third company through which his interest or that of his associate(s) is derived) or of the voting rights;
 - (iv) any proposal or arrangement concerning the benefit of employees of the Company or its subsidiaries including:–
 - (a) the adoption, modification or operation of any employees' share scheme or any share incentive or share option scheme under which the Director or his associate(s) may benefit; or
 - (b) the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates both to Directors, his associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his associate(s), as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
 - (v) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company,

and so that the interest of a Director or of any of his associates shall not be treated as material in case of any proposal concerning any company other than the Company in which the Director or any of his associates is/are interested only, whether directly or indirectly, as an officer or executive or shareholder or in which the Director or any of his associates is/are beneficially interested in shares of that company, provided that the Director and any of his associates are not in aggregate beneficially interested in 5% or more of the issued shares of any class of such company (or of any third company through which his interest or that of his associates is derived) or of the voting rights.

- (I) If any question shall arise at any meeting of the Board as to the materiality of the interest of a Director or that of his associates (other than the Chairman) or as to the entitlement of any Director (other than such Chairman) to vote or be counted in the quorum and such question is not resolved by his voluntarily agreeing to abstain from voting or not to be counted in the quorum, such question shall be referred to the Chairman and his ruling in relation to such other Director shall be final and conclusive except in a case where the nature or extent of the interest of the Director concerned or that of his associates as known to such Director has not been fairly disclosed to the Board. If any question as aforesaid shall arise in respect of the Chairman or his associates such question shall be decided by a resolution of the Board (for which purpose such Chairman shall not be counted in the quorum and shall not vote thereon) and such resolution shall be final and conclusive except in a case where the nature or extent of the interest of such Chairman or that of his associates as known to him has not been fairly disclosed to the Board.

APPOINTMENT AND RETIREMENT OF DIRECTORS

99. (A) Every Director shall retire from office no later than the third annual general meeting after he was last elected or re-elected.
- (B) At each annual general meeting, if the number of Directors retiring under Bye-law 99(A) is less than one-third (or the number nearest to but not exceeding one-third if the total number of Directors is not three or a multiple of three) of the Directors for the time being, then additional Directors shall retire from office by rotation under this Bye-law 99(B) to make up the shortfall. The Directors to retire by rotation shall include (so far as necessary to obtain the number required) any Director who wishes to retire and not to offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment and so that, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.
- (C) A retiring Director shall be eligible for re-election. The Company at general meeting at which a Director retires may fill the vacated office.
- (D) A retirement under this Bye-law shall not have effect until the conclusion of the meeting, except where a resolution is passed to elect some other person in the place of the retiring Director or a resolution for his re-election is put to the meeting and lost, and, accordingly, a retiring Director who is re-elected or deemed to have been re-elected will continue in office without a break.

Rotation
and
retirement
of Directors

100. If at any general meeting at which an election of Directors ought to take place the places of the retiring Directors are not filled, the retiring Directors or such of them as have not had their places filled shall be deemed to have been re-elected and shall, if willing, continue in office until the next annual general meeting and so on from year to year until their places are filled, unless:–

Retiring
Directors to
remain in
office until
successors
appointed

- (i) it shall be determined at such meeting to reduce the number of Directors; or
- (ii) it is expressly resolved at such meeting not to fill up such vacated offices; or
- (iii) in any such case the resolution for re-election of a Director is put to the meeting and lost; or
- (iv) such Director is required to retire from office at such meeting by virtue of the provisions in Bye-law 99(A);
or
- (v) such Director has given notice in writing to the Company that he is not willing to be re-elected.

101. The Company in general meeting shall from time to time fix and may from time to time by Ordinary Resolution increase or reduce the maximum and minimum number of Directors but so that the number of Directors shall never be less than two.

Power of
general
meeting to
increase or
reduce
number of
Directors

102. (A) The Company may from time to time in general meeting by Ordinary Resolution elect any person to be a Director either to fill a casual vacancy or as an addition to the Board. Any Director so appointed shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at the meeting but shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at such meeting.

Appointment
of Directors

(B) The Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an addition to the Board but so that the number of Directors so appointed shall not exceed the maximum number determined from time to time by the shareholders in general meeting. Any Director so appointed shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at the meeting but shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at such meeting.

103. No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the Head Office or at the Registration Office. The period for lodgment of the notice required under this Bye-law will be at least 7 days commencing no earlier than the day after the despatch of the notice of the general meeting appointed for such election and ending no later than 7 days prior to the date of such general meeting.

Notice of
proposed
Director to
be given

104. The Company may by Ordinary Resolution remove any Director (including a Managing Director or other Executive Director) before the expiration of his period of office notwithstanding anything in these Bye-laws or in any agreement between the Company and such Director (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and may elect another person in his stead. Any person so elected shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at such meeting, but shall not be taken into account in determining the Directors who are to retire by rotation at such meeting.
- Power to remove Director by Ordinary Resolution

BORROWING POWERS

105. The Board may from time to time at its discretion exercise all the powers of the Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of the Company and to mortgage or charge its undertaking, property and uncalled capital or any part thereof.
- Power to borrow
106. The Board may raise or secure the payment or repayment of such sum or sums in such manner and upon such terms and conditions in all respects as it thinks fit and in particular by the issue of debentures, debenture stock, bonds or other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.
- Conditions on which money may be borrowed
107. Debentures, debenture stock, bonds and other securities may be made assignable free from any equities between the Company and the person to whom the same may be issued.
- Assignment of debentures etc.
108. Any debentures, debenture stock, bonds or other securities may be issued at a discount (other than shares), premium or otherwise and with any special privileges as to redemption, surrender, drawings, allotment of shares, attending and voting at general meetings of the Company, appointment of Directors and otherwise.
- Special privileges of debentures etc.
109. (A) The Board shall cause a proper register to be kept of all mortgages and charges specifically affecting the property of the Company and shall duly comply with such provisions of the Companies Act with regard to the registration of mortgages and charges as may be specified or required.
- Register of charges to be kept
- (B) If the Company issues a series of debentures or debenture stock not transferable by delivery, the Board shall cause a proper register to be kept of the holders of such debentures.
110. Where any uncalled capital of the Company is charged, all persons taking any subsequent charge thereon shall take the same subject to such prior charge, and shall not be entitled, by notice to the shareholders or otherwise, to obtain priority over such prior charge.
- Mortgage of uncalled capital

MANAGING DIRECTORS, ETC.

111. The Board may from time to time appoint any one or more of its body to the office of Managing Director, Joint Managing Director, Deputy Managing Director or other Executive Director and/or such other office in the management of the business of the Company as it may decide for such period and upon such terms as it thinks fit (subject always to the provisions of these Bye-Laws, including without limitation, Bye-law 122A and Schedule 1 (Board Reserved Matters)) and upon such terms as to remuneration as it may decide in accordance with Bye-law 96. Powers to appoint Managing Directors, etc.
112. Every Director appointed to an office under Bye-law 111 hereof shall, but without prejudice to any claim for damages for breach of any contract of service between himself and the Company, be liable to be dismissed or removed therefrom by the Board. Removal of Managing Director, etc.
113. A Director appointed to an office under Bye-law 111 shall be subject to the same provisions as to rotation, resignation and removal as the other Directors of the Company, and he shall ipso facto immediately cease to hold such office if he shall cease to hold the office of Director for any cause. Cessation of appointment
114. The Board may from time to time entrust to and confer upon a Managing Director, Joint Managing Director, Deputy Managing Director or Executive Director all or any of the powers of the Board that it may think fit provided that the exercise of all powers by such Director shall be subject to such regulations and restrictions as the Board may from time to time make and impose (including, without limitation, Bye-law 122A and Schedule 1 (Board Reserved Matters)), and the said powers may at any time be withdrawn, revoked or varied, but no person dealing in good faith and without notice of such withdrawal, revocation or variation shall be affected thereby. Powers may be delegated
- 114A. The Board may from time to time appoint any person to an office or employment having a designation or title including the word "Director" or attach to any existing office or employment with the Company such a designation or title. The inclusion of the word "Director" in the designation or title of any office or employment with the Company (other than the office of Managing Director or Joint Managing Director or Deputy Managing Director or Executive Director) shall not imply that the holder thereof is a Director of the Company nor shall such holder be empowered in any respect to act as a Director of the Company or be deemed to be a Director for any of the purposes of these Bye-laws.

MANAGEMENT

115. (A) The management of the business of the Company shall be vested in the Board which, in addition to the powers and authorities expressly conferred upon it by these Bye-laws, may exercise all such powers and do all such acts and things as may be exercised or done or approved by the Company and which are not hereby or by the Statutes expressly directed or required to be exercised or done by the Company in general meeting, but subject nevertheless to the provisions of the Statutes and of these Bye-laws (including, without limitation, Bye-law 122A and Schedule 1 (Board Reserved Matters)) and to any regulations from time to time made by the Company in general meeting not being inconsistent with such provisions of these Bye-laws, provided that no regulation so made shall invalidate any prior act of the Board which would have been valid if such regulation had not been made. General powers of Company vested in the Board

(B) Without prejudice to the general powers conferred by these Bye-laws but subject always to Bye-law 122A and Schedule 1 (*Board Reserved Matters*), it is hereby expressly declared that the Board shall have the following powers:–

- (i) to give to any person the right or option of requiring at a future date that an allotment shall be made to him of any share at par or at such premium and on such other terms as may be agreed; and
- (ii) to give to any Directors, officers or employees of the Company an interest in any particular business or transaction or participation in the profits thereof or in the general profits of the Company either in addition to or in substitution for a salary or other remuneration.

MANAGERS

116. The Board may from time to time appoint a general manager, manager or managers of the business of the Company and may fix his or their remuneration either by way of salary or commission or by conferring the right to participation in the profits of the Company or by a combination of two or more of these modes and pay the working expenses of any of the staff of the general manager, manager or managers who may be employed by him or them upon the business of the Company. Appointment and remuneration of managers
117. The appointment of such general manager, manager or managers may be for such period as the Board may decide and the Board may confer upon him or them all or any of the powers of the Board and such title or titles as it may think fit. Tenure of office and powers
118. The Board may enter into such agreement or agreements with any such general manager, manager or managers upon such terms and conditions in all respects as the Board may in its absolute discretion think fit, including a power for such general manager, manager or managers to appoint an assistant manager or managers or other employees whatsoever under them for the purpose of carrying on the business of the Company. Terms and conditions of appointment

CHAIRMAN AND OTHER OFFICERS

119. The Board shall as soon as practicable following each annual general meeting elect one of its body to the office of Chairman of the Company and another to be the Deputy Chairman (or two or more Deputy Chairman) and may from time to time elect or otherwise appoint other officers and determine the period for which each of them is to hold office. The Chairman or, in his absence, the Deputy Chairman shall preside at meetings of the Board, but if no such Chairman or Deputy Chairman be elected or appointed, or if at any meeting the Chairman or Deputy Chairman is not present within five minutes after the time appointed for holding the same, the Directors present shall choose one of their number to be Chairman of such meeting. All the provisions of Bye-laws 112, 113 and 114 shall mutatis mutandis apply to any Directors elected or otherwise appointed to any office in accordance with the provisions of this Bye-law. Chairman, Deputy Chairman and officers

PROCEEDINGS OF THE DIRECTORS

120. The Board may meet together for the despatch of business, adjourn and otherwise regulate its meetings and proceedings as it thinks fit and may determine the quorum necessary for the transaction of business. Unless otherwise determined two Directors shall be a quorum. For the purpose of this Bye-law an alternate Director shall be counted in a quorum but, notwithstanding that an alternate Director is also a Director or is an alternate for more than one Director, he shall for quorum purposes count as only one Director. A meeting of the Board or any committee of the Board may be held by means of such telephone, electronic or other communication facilities as permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously, and participation in such a meeting shall constitute presence in person at such meeting. Meeting of the Board, quorum, etc.
121. (A) A Director may, and on the request of a Director the Secretary shall, at any time summon a meeting of the Directors which may be held in any part of the world provided that no such meeting shall be summoned to be held outside the territory in which the Head Office is for the time being situate without the prior approval of the Directors. Notice thereof shall be given to each Director and alternate Director in person orally or in writing or by telephone or by telex or telegram or facsimile transmission at the telephone or facsimile number or address from time to time notified to the Company by such Director or in such other manner as the Directors may from time to time determine. A Director may waive notice of any meeting either prospectively or retrospectively. Convening of Board
- (B) A Director absent or intended to be absent from the territory in which the Head Office is for the time being situate may request the Directors or the Secretary that notices of Directors' meetings shall during his absence be sent in writing to him at his last known address, facsimile or telex number or any other address, facsimile or telex number given by him to the Company for this purpose, but such notices need not be given any earlier than notices given to Directors not so absent and, in the absence of any such request, it shall not be necessary to give notice of a Directors' meeting to any Director who is for the time being absent from such territory.
- (C) A Director or alternate Director who fails to supply to the Company an address in the territory of the Head Office, or a telephone, facsimile or telex number for the purposes of giving of notices to him shall not be entitled to receive any notice to him as Director or alternate Director for so long as the failure subsists and shall be deemed to have waived all such notices.
122. Subject to the provisions of these Bye-laws in relation to Board Reserved Matters (as defined below) (including but not limited to Bye-law 122A and Schedule 1 (Board Reserved Matters)), questions arising at any meeting of the Board shall be decided by a majority of votes, and in case of an equality of votes the Chairman shall have a second or casting vote. How questions to be decided

- 122A. (A) Subject to Bye-law 122B, in respect of those matters set out in Schedule 1 (*Board Reserved Matters*) ("Board Reserved Matters"), no action or resolution is to be taken or passed by the Board, the Company or, where applicable, any Group Company without the prior approval of Directors representing two-thirds or more in number of the Directors in attendance and entitled to vote at the relevant Board meeting (the "Board Super Majority") provided that this Bye-law shall cease to have effect and be operative if the aggregate number of shares in the share capital of the Company legally and beneficially held by Kerry Holdings Limited, Kerry Properties Limited and each of its holding company, subsidiary or other subsidiary of such holding company from time to time, falls below the Minimum Shareholding. Board Reserved Matters and Board Super Majority
- (B) Subject to Bye-law 122B, a series of related transactions shall be construed as a single transaction, and any amounts involved in the related transactions shall be aggregated, to determine whether a matter is a Board Reserved Matter.
123. A meeting of the Board for the time being at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions by or under these Bye-laws for the time being vested in or exercisable by the Board generally. Powers of meeting
124. Save for the power to approve the Board Reserved Matters, the Board may delegate any of its powers to committees consisting of such member or members of its body and such other persons as the Board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall in the exercise of the powers so delegated conform to any regulations that may from time to time be imposed upon it by the Board. Power to appoint committee and to delegate
125. All acts done by any such committee in conformity with such regulations and in fulfilment of the purposes for which it is appointed, but not otherwise, shall have the like force and effect as if done by the Board, and the Board shall have power, with the consent of the Company in general meeting, to remunerate the members of any special committee, and charge such remuneration to the current expenses of the Company. Act of committee to be of same effect as acts of the Board
126. The meetings and proceedings of any such committee consisting of two or more members shall be governed by the provisions herein contained for regulating the meetings and proceedings of the Board so far as the same are applicable thereto and are not replaced by any regulations imposed by the Board pursuant to Bye-law 124. Proceedings of committee
127. All acts bona fide done by any meeting of the Board or by any such committee or by any person acting as a Director shall, notwithstanding that it shall be afterwards discovered that there was some defect in the appointment of such Director or persons acting as aforesaid or that they or any of them were disqualified, be as valid as if every such person had been duly appointed and was qualified to be a Director or member of such committee. When acts of the Board or committee to be valid notwithstanding defects
128. The continuing Directors may act notwithstanding any vacancy in their body but, if and so long as their number is reduced below the number fixed by or pursuant to these Bye-laws as the necessary quorum of Directors, the continuing Director or Directors may act for the purpose of increasing the number of Directors to that number or of summoning a general meeting of the Company but for no other purpose. Directors' powers when vacancies exists

129. (A) Subject to Bye-law 122A and Schedule 1 (*Board Reserved Matters*), a resolution in writing signed by all the Directors (or their alternate Directors) except such as are absent from the territory in which the Head Office is for the time being situate or temporarily unable to act through ill-health or disability (or their alternate Directors) shall (so long as such a resolution shall be signed by at least two Directors or their alternates and provided that a copy of such resolution has been given or the contents thereof communicated to all the Directors (or their alternates) for the time being entitled to receive notices of Board meetings) be as valid and effectual as if it had been passed at a meeting of the Board duly convened and held, with the exception that Board Reserved Matters may only be approved in accordance with Bye-law 122A. Any such resolutions in writing may consist of several documents in like form each signed by one or more of the Directors or alternate Directors.
- (B) A certificate signed by a Director (who may be one of the signatories to the relevant resolution in writing) or the Secretary as to any of the matters referred to in paragraph (A) of this Bye-law shall, in the absence of express notice to the contrary of the person relying thereon, be conclusive of the matters stated on such certificate.

Directors' resolutions

MINUTES

130. (A) The Board shall cause minutes to be made of:–
- (i) all appointments of officers made by the Board;
 - (ii) the names of the Directors present at each meeting of the Board and of committees appointed pursuant to Bye-law 124; and
 - (iii) all resolutions and proceedings at all meetings of the Company and of the Board and of such committees.
- (B) Any such minutes shall be conclusive evidence of any such proceedings if they purport to be signed by the chairman of the meeting at which the proceedings were held or by the chairman of the next succeeding meeting.
- (C) The Directors shall duly comply with the provisions of the Companies Act in regard to keeping a register of shareholders and to the production and furnishing of copies of or extracts from such register.
- (D) Any register, index, minute book, book of account or other book required by these presents or the Statutes to be kept by or on behalf of the Company may be kept either by making entries in bound books or by recording them in any other manner which shall include, without prejudice to the generality thereof, recording by means of magnetic tape, microfilm, computer or any other non-manual system of recording. In any case in which bound books are not used, the Directors shall take adequate precautions for guarding against falsification and for facilitating its discovery.

Minutes of proceedings of meetings and Directors

SECRETARY

131. The Secretary shall be appointed by the Board for such term, at such remuneration and upon such conditions as it may think fit, and any Secretary so appointed may be removed by the Board. Anything by the Statutes or these Bye-laws required or authorised to be done by or to the Secretary, if the office is vacant or there is for any other reason no Secretary capable of acting, may be done by or to any assistant or deputy Secretary, or if there is no assistant or deputy Secretary capable of acting, by or to any officer of the Company authorised generally or specially on behalf of the Board. If the Secretary appointed is a corporation or other body, it may act and sign by the hand of any one or more of its directors or officers duly authorised.
132. The duties of the Secretary shall be those prescribed by the Companies Act and these Bye-laws, together with such other duties as may from time to time be prescribed by the Board.
133. A provision of the Statutes or of these Bye-laws requiring or authorising a thing to be done by or to a Director and the Secretary shall not be satisfied by its being done by or to the same person acting both as Director and as, or in place of, the Secretary.

Appointment
of SecretaryDuties of
the SecretarySame person
not to act
in two
capacities
at once

GENERAL MANAGEMENT AND USE OF THE SEAL

134. (A) Subject to the Statutes, the Company shall have one or more Seals as the Directors may determine. The Directors shall provide for the safe custody of each Seal, and no Seal shall be used without the authority of the Directors or a committee authorised by the Directors in that behalf.
- (B) Every instrument to which a Seal shall be affixed shall be signed autographically by one Director and the Secretary or by two Directors or some other person appointed by the Board for the purpose provided that as regards any certificates for shares or debentures or other securities of the Company the Directors may by resolution determine that such signatures or either of them shall be dispensed with or affixed by some method or system of mechanical signature other than autographic as specified in such resolution or that such certificates need not be signed by any person.
- (C) The Company may have a Securities Seal for use for sealing certificates for shares or other securities issued by the Company and no signature of any Director, officer or other person and no mechanical reproduction thereof shall be required on any such certificates or other document and any such certificates or other document to which such Securities Seal is affixed shall be valid and deemed to have been sealed and executed with the authority of the Board notwithstanding the absence of any such signature or mechanical reproduction as aforesaid.
135. All cheques, promissory notes, drafts, bills of exchange and other negotiable instruments, and all receipts for moneys paid to the Company shall be signed, drawn, accepted, endorsed or otherwise executed, as the case may be, in such manner as the Board shall from time to time by resolution determine. The Company's banking accounts shall be kept with such banker or bankers as the Board shall from time to time determine.

Custody of
Seal

Use of Seal

Securities
SealCheques
and banking
arrangements

136. (A) The Board may from time to time and at any time, by power of attorney under the Seal, appoint any company, firm or person or any fluctuating body of persons, whether nominated directly or indirectly by the Board, to be the attorney or attorneys of the Company for such purposes and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the Board under these Bye-laws) and for such period and subject to such conditions as it may think fit, and any such power of attorney may contain such provisions for the protection and convenience of persons dealing with any such attorney as the Board may think fit, and may also authorise any such attorney to sub-delegate all or any of the powers, authorities and discretions vested in him. Power to appoint attorney
- (B) The Company may, by writing under its Seal, empower any person, either generally or in respect of any specified matter, as its attorney to execute deeds and instruments on its behalf and to enter into contracts and sign the same on its behalf and every deed signed by such attorney on behalf of the Company and under his seal shall bind the Company and have the same effect as if it were under the Seal. Execution of deeds by attorney
137. The Board may establish any committees, regional or local boards or agencies for managing any of the affairs of the Company, either in the Relevant Territory or elsewhere, and may appoint any persons to be members of such committees, regional or local boards or agencies and may fix their remuneration, and may delegate to any committee, regional or local board or agent any of the powers, authorities and discretions vested in the Board (other than with respect to Board Reserved Matters and its powers to make calls and forfeit shares), with power to sub-delegate, and may authorise the members of any regional or local board or any of them to fill any vacancies therein and to act notwithstanding any such vacancies, and any such appointment or delegation may be upon such terms and subject to such conditions as the Board may think fit, and the Board may remove any person so appointed and may annul or vary any such delegation, but no person dealing in good faith and without notice of any such annulment or variation shall be affected thereby. Regional or local boards
138. The Board may establish and maintain or procure the establishment and maintenance of any contributory or non-contributory pension or superannuation funds for the benefit of, or give or procure the giving of donations, gratuities, pensions, allowances or emoluments to, any persons who are or were at any time in the employment or service of the Company, or of any company which is a subsidiary of the Company, or is allied or associated with the Company or with any such subsidiary, or who are or were at any time directors or officers of the Company or of any such other company as aforesaid and the spouses, widows, widowers, families and dependants of any such persons. The Board may also establish and subsidise or subscribe to any institutions, associations, clubs or funds calculated to be for the benefit of or to advance the interests and well-being of the Company or of any such other company as aforesaid or of any such persons as aforesaid, and may make payments for or towards the insurance of any such persons as aforesaid, and subscribe or guarantee money for charitable or benevolent objects or for any exhibition or for any public, general or useful object. The Board may do any of the matters aforesaid, either alone or in conjunction with any such other company as aforesaid. Any Director holding any such employment or office shall be entitled to participate in and retain for his own benefit any such donation, gratuity, pension, allowance or emolument. Power to establish pension funds

AUTHENTICATION OF DOCUMENTS

139. Any Director or the Secretary or other authorised officer of the Company shall have power to authenticate any documents affecting the constitution of the Company and any resolutions passed by the Company or the Directors or any committee, and any books, records, documents and accounts relating to the business of the Company, and to certify copies thereof or extracts therefrom as true copies of extracts; and where any books, records, documents or accounts are elsewhere than at the Registered Office or the Head Office, the local manager or such other officer of the Company having the custody thereof shall be deemed to be the authorised officer of the Company as aforesaid. A document purporting to be a copy of a resolution, or an extract from the minutes of a meeting, of the Company or of the Directors or any local board or committee which is certified as aforesaid shall be conclusive evidence in favour of all persons dealing with the Company upon the faith thereof that such resolution has been duly passed or, as the case may be, that any minute so extracted is a true and accurate record of proceedings at a duly constituted meeting.

Power to
authenticate

CAPITALISATION OF RESERVES

140. (A) The Company in general meeting may, upon the recommendation of the Board, resolve to capitalise any part of the Company's reserves (including any contributed surplus account and also including any share premium account or other undistributable reserve, but subject to the provisions of the law with regard to unrealised profits) or undivided profits not required for the payment or provision of the dividend on any shares with a preferential right to dividend, and accordingly that such part be sub-divided amongst the shareholders in such proportion as may be approved by the Board, whether pro-rata to all shareholders or otherwise, on condition that the same be not paid in cash but be applied either in or towards paying up any amounts for the time being unpaid on any shares held by such shareholders respectively or paying up in full unissued shares or debentures or other securities of the Company to be allotted and distributed credited as fully paid to and amongst such shareholders in such proportion as may be approved by the Board as aforesaid, or partly in one way and partly in the other provided that for the purpose of this Bye-law, any amount standing to the credit of any share premium account may only be applied in the paying up of unissued shares to be issued to shareholders of the Company as fully paid and provided further that any sum standing to the credit of the share premium account may only be applied in crediting as fully paid shares of the same class as that from which the relevant share premium was derived.

Power to
capitalise

- (B) Whenever such a resolution as aforesaid shall have been passed the Board shall make all appropriations and applications of the reserves or undivided profits resolved to be capitalised thereby, and all allotments and issues of fully paid shares, debentures, or other securities and generally shall do all acts and things required to give effect thereto. For the purpose of giving effect to any resolution under this Bye-law, the Board may settle any difficulty which may arise in regard to a capitalisation issue as it thinks fit, and in particular may disregard fractional entitlements or round the same up or down and may determine that cash payments shall be made to any shareholders in lieu of fractional entitlements or that fractions of such value as the Board may determine may be disregarded in order to adjust the rights of all parties or that fractional entitlements shall be aggregated and sold and the benefit shall accrue to the Company rather than to the shareholders concerned. The Board may appoint any person to sign on behalf of the persons entitled to share in a capitalisation issue a contract for allotment and such appointment shall be effective and binding upon all concerned, and the contract may provide for the acceptance by such persons of the shares, debentures or other securities to be allotted and distributed to them respectively in satisfaction of their claims in respect of the sum so capitalised.

Effect of
resolution to
capitalize

DIVIDENDS, CONTRIBUTED SURPLUS AND RESERVES

141. (A) The Company may by an Ordinary Resolution declare dividends or make distributions out of assets or funds of the Company legally available therefor, including distributions out of contributed surplus, to the shareholders in any currency, but no such dividends or distributions shall exceed the amount recommended by the Board. Power to declare dividends
- (B) The Board may from time to time make distributions out of assets or funds of the Company legally available therefor, including distributions out of contributed surplus, to the shareholders.
142. (A) The Board may subject to Bye-law 143 from time to time pay to the shareholders such interim dividends as appear to the Board to be justified by the position of the Company and, in particular (but without prejudice to the generality of the foregoing), if at any time the share capital of the Company is divided into different classes, the Board may pay such interim dividends in respect of those shares in the capital of the Company which confer to the holders thereof deferred or non-preferential rights as well as in respect of those shares which confer on the holders thereof preferential rights with regard to dividend and provided that the Board acts bona fide the Board shall not incur any responsibility to the holders of shares conferring any preference for any damage that they may suffer by reason of the payment of an interim dividend on any shares having deferred or non-preferential rights. Board's power to pay interim dividends
- (B) The Board may also pay half-yearly or at other suitable intervals to be settled by it any dividend or distribution out of assets or funds of the Company legally available therefor, including distributions out of contributed surplus, to be payable at a fixed rate if the Board is of the opinion that the payment is justified.
143. (A) No dividend shall be declared or paid and no distribution out of contributed surplus shall be made otherwise than in accordance with the Statutes. No dividend shall be paid otherwise than out of profits or reserves available for distribution. Dividend not to be paid out of capital/ Distribution of contributed surplus
- (B) Subject to the provisions of the Companies Act (but without prejudice to paragraph (A) of this Bye-law), where any asset, business or property is bought by the Company as from a past date (whether such date be before or after the incorporation of the Company) the profits and losses thereof as from such date may at the discretion of the Directors in whole or in part be carried to revenue account and treated for all purposes as profits or losses of the Company, and be available for dividend accordingly. Subject as aforesaid, if any shares or securities are purchased cum dividend or interest, such dividend or interest may at the discretion of the Board be treated as revenue, and it shall not be obligatory to capitalise the same or any part thereof.
- (C) Subject to Bye-law 143 (D) and 146, all dividends, distribution out of contributed surplus and other distributions in respect of shares in the Company shall be stated and discharged, in the case of shares denominated in Hong Kong dollars, in Hong Kong dollars, and in the case of shares denominated in United States dollars, in United States dollars, provided that, in the case of shares denominated in Hong Kong dollars, the Board may determine in the case of any distribution that shareholders may elect to receive the same in United States dollars or any other currency selected by the Board, conversion to be effected at such rate of exchange as the Board may determine.

(D) If, in the opinion of the Board, any dividend or other distribution in respect of shares or any other payment to be made by the Company to any shareholder is of such a small amount as to make payment to that shareholder in the relevant currency impracticable or unduly expensive either for the Company or the shareholder then such dividend or other distribution or other payment may, at the discretion of the Board, be paid or made in the currency of the country of the relevant shareholder (as indicated by the address of such shareholder on the Register).

144. Notice of the declaration of an interim dividend or a distribution shall be given in such manner as the Board shall determine.

Notice of
interim
dividend

145. No dividend, distribution or other moneys payable on or in respect of a share shall bear interest as against the Company.

No interest
on dividend

146. Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared or a distribution be made, the Board may further resolve that such dividend or distribution be satisfied wholly or in part by the distribution of specific assets of any kind and in particular of paid up shares, securities, debentures or warrants to subscribe for securities of the Company or any other company, or in any one or more of such ways, with or without offering any rights to shareholders to elect to receive such dividend or distribution in cash, and where any difficulty arises in regard to the distribution the Board may settle the same as it thinks expedient, and in particular may disregard fractional entitlements or round the same up or down, and may fix the value for distribution of such specific assets, or any part thereof, and may determine that cash payments shall be made to any shareholders upon the footing of the value so fixed in order to adjust the rights of all parties and may determine that fractional entitlements shall be aggregated and sold and the benefit shall accrue to the Company rather than to the shareholders concerned, and may vest any such specific assets in trustees as may seem expedient to the Board and may appoint any person to sign any requisite instruments of transfer and other documents on behalf of the persons entitled to the dividend or distribution and such appointment shall be effective. Where requisite, the Board may appoint any person to sign a contract on behalf of the persons entitled to the dividend or distribution and such appointment shall be effective. The Board may resolve that no such assets shall be made available or paid to shareholders with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the Board, be unlawful or impracticable and in such event the only entitlement of the shareholders aforesaid shall be to receive cash payments as aforesaid. Shareholders affected as a result of the foregoing sentence shall not be or be deemed to be a separate class of shareholders for any purpose whatsoever.

Dividend in
specie

147. (A) Subject to the provisions of these Bye-Laws (including, without limitation, Bye-law 122A and Schedule 1 (Board Reserved Matters)), whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the Board may further resolve:–

either

- (i) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted shall be of the same class or classes as the class or classes already held by the allottee, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment. In such case, the following provisions shall apply:–

- (a) the basis of any such allotment shall be determined by the Board;
- (b) the Board, after determining the basis of allotment, shall give not less than two weeks' notice in writing to the shareholders of the right of election accorded to them and shall send with such notice forms of election and specify the procedure to be followed and the place at which and the latest date and time by which duly completed forms of election must be lodged in order to be effective;
- (c) the right of election may be exercised in respect of the whole or part of that portion of the dividend in respect of which the right of election has been accorded; and
- (d) the dividend (or that part of the dividend to be satisfied by the allotment of shares as aforesaid) shall not be payable in cash on shares in respect whereof the cash election has not been duly exercised ("the non-elected shares") and in lieu and in satisfaction thereof shares shall be allotted credited as fully paid up to the holders of the non-elected shares on the basis of allotment determined as aforesaid and for such purpose the Board shall capitalise and apply out of any part of the undivided profits of the Company or any part of any of the Company's reserve accounts (including any special account, contributed surplus account, share premium account and capital redemption reserve fund (if there be any such reserve)) as the Board may determine a sum equal to the aggregate nominal amount of the shares to be allotted on such basis and apply the same in paying up in full the appropriate number of shares for allotment and distribution to and amongst the holders of the non-elected shares on such basis.

or

- (ii) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Directors may think fit on the basis that the shares so allotted shall be of the same class or classes as the class or classes of shares already held by the allottee. In such case, the following provisions shall apply:–

- (a) the basis of any such allotment shall be determined by the Board;

- (b) the Board, after determining the basis of allotment, shall give not less than two weeks' notice in writing to the shareholder of the right of election accorded to them and shall send with such notice forms of election and specify the procedure to be followed and the place at which and the latest date and time by which duly completed forms of election must be lodged in order to be effective;
 - (c) the right of election may be exercised in respect of the whole or part of that portion of the dividend in respect of which the right of election has been accorded; and
 - (d) the dividend (or that part of the dividend in respect of which a right of election has been accorded) shall not be payable on shares in respect whereof the share election has been duly exercised ("the elected shares") and in lieu thereof shares shall be allotted credited as fully paid up to the holders of the elected shares on the basis of allotment determined as aforesaid and for such purpose the Board shall capitalise and apply out of any part of the undivided profits of the Company or any part of any of the Company's reserve accounts (including any special account, contributed surplus account, share premium account and capital redemption reserve fund (if there be any such reserve)) as the Board may determine a sum equal to the aggregate nominal amount of the shares to be allotted on such basis and apply the same in paying up in full the appropriate number of shares for allotment and distribution to and amongst the holders of the elected shares on such basis.
- (B) The shares allotted pursuant to the provisions of paragraph (A) of this Bye-law shall rank *pari passu* in all respects with the shares then in issue save only as regards participation:–
- (i) in the relevant dividend (or the right to receive or to elect to receive an allotment of shares in lieu thereof as aforesaid); or
 - (ii) in any other distributions, bonuses or rights paid, made, declared or announced prior to or contemporaneously with the payment or declaration of the relevant dividend.

Unless, contemporaneously with the announcement by the Board of its proposal to apply the provisions of sub-paragraph (i) or (ii) of paragraph (A) of this Bye-law in relation to the relevant dividend or contemporaneously with its announcement of the distribution, bonus or rights in question, the Board shall specify that the shares to be allotted pursuant to the provisions of paragraph (A) of this Bye-law shall rank for participation in such distribution, bonus or rights.

- (C) The Board may do all acts and things considered necessary or expedient to give effect to any capitalisation pursuant to the provisions of paragraph (A) of this Bye-law with full power to the Board to make such provisions as they think fit in the case of shares becoming distributable in fractions (including provisions whereby, in whole or in part, fractional entitlements are aggregated and sold and the net proceeds distributed to those entitled, or are disregarded or rounded up or down or whereby the benefit of fractional entitlements accrues to the Company rather than to the shareholders concerned). The Board may authorise any person to enter into on behalf of all shareholders interested an agreement with the Company providing for such capitalisation and matters incidental thereto and any agreement made pursuant to such authority shall be effective and binding on all concerned.

- (D) The Company may, upon the recommendation of the Directors, by Ordinary Resolution resolve in respect of any one particular dividend of the Company that, notwithstanding the provisions of paragraph (A) of this Bye-law, a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.
- (E) The Board may on any occasion determine that rights of election and the allotment of shares under paragraph (A) of this Bye-law shall not be made available or made to any shareholders with registered addresses in any territory where in the absence of a registration statement or other special formalities the circulation of an offer of such rights of election or the allotment of shares would or might be unlawful, and in such event the provisions aforesaid shall be read and construed subject to such determination.
148. The Board may, before recommending any dividend, set aside out of the profits of the Company such sums as it thinks fit as a reserve or reserves which shall, at the discretion of the Board, be applicable for meeting claims on or liabilities of the Company or contingencies or for paying off any loan capital or for equalising dividends or for any other purpose to which the profits of the Company may be properly applied, and pending such application may, at the like discretion, either be employed in the business of the Company or be invested in such investments (other than shares of the Company) as the Board may from time to time think fit, and so that it shall not be necessary to keep any investments constituting the reserve or reserves separate or distinct from any other investments of the Company. The Board may also without placing the same to reserve carry forward any profits which it may think prudent not to distribute by way of dividend. Reserves
149. Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid or credited as paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. For the purposes of this Bye-law no amount paid on a share in advance of calls shall be treated as paid on the share. Dividends to be paid in proportion to paid up capital
150. (A) The Board may retain any dividends or other moneys payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. Retention of dividends etc.
- (B) The Board may deduct from any dividend or bonus payable to any shareholder all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise. Deduction of debts
151. Any general meeting sanctioning a dividend may make a call on the shareholders of such amount as the meeting fixes, but so that the call on each shareholder shall not exceed the dividend payable to him, and so that the call shall be made payable at the same time as the dividend, and the dividend may, if so arranged between the Company and the shareholder, be set off against the call. Dividend and call together
152. A transfer of shares shall not pass the right to any dividend or bonus declared thereon before the registration of the transfer. Effect of transfer

153. If two or more persons are registered as joint holders of any share, any one of such persons may give effectual receipts for any dividends, interim dividends or bonuses and other moneys payable in respect of such shares. Receipt for dividends by joint holders of share
154. Unless otherwise directed by the Board, any dividend or bonus may be paid by cheque or warrant sent through the post to the registered address of the shareholder entitled, or, in case of joint holders, to the registered address of that one whose name stands first in the Register in respect of the joint holding or to such person and to such address as the holder or joint holders may in writing direct. Every cheque or warrant so sent shall be made payable to the order of the person to whom it is sent, and the payment of any such cheque or warrant shall operate as a good discharge to the Company in respect of the dividend and/or bonus represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement thereon has been forged. Payment by post
155. All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the Board and shall revert to the Company. Unclaimed dividend
156. Any resolution declaring a dividend on shares of any class, whether a resolution of the Company in general meeting or a resolution of the Directors, may specify that the same shall be payable or made to the persons registered as the holder of such shares at the close of business on a particular date, notwithstanding that it may be a date prior to that on which the resolution is passed, and thereupon the dividend or other distribution shall be payable or made to them in accordance with their respective holdings so registered, but without prejudice to the rights inter se in respect of such dividend or other distribution between the transferors and transferees of any such shares. The provisions of this Bye-law shall mutatis mutandis apply to bonuses, capitalisation issues, distributions of realised capital profits or offers or grants made by the Company to the shareholders. Record dates

DISTRIBUTION OF REALISED CAPITAL PROFITS

157. The Company in general meeting may at any time and from time to time resolve that any surplus moneys in the hands of the Company representing capital profits arising from moneys received or recovered in respect of or arising from the realisation of any capital assets of the Company or any investments representing the same and not required for the payment or provision of any fixed preferential dividend instead of being applied in the purchase of any other capital assets or for other capital purposes be distributed amongst the ordinary shareholders on the footing that they receive the same as capital and in the shares and proportions in which they would have been entitled to receive the same if it had been distributed by way of dividend, provided that no such profits as aforesaid shall be so distributed unless there shall remain in the hands of the Company a sufficiency of other assets to answer in full the whole of the liabilities and paid-up share capital of the Company for the time being. Distribution of realised capital profits

ANNUAL RETURNS

158. The Board shall make or cause to be made such annual or other returns or filings as may be required to be made in accordance with the Statutes. Annual returns

ACCOUNTS

159. The Board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipts and expenditure take place; and of the property, assets, credits and liabilities of the Company and of all other matters required by the Statutes or necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions. Accounts to be kept
160. The books of account shall be kept at the Head Office or at such other place or places as the Board thinks fit and shall always be open to the inspection of the Directors provided that such records as are required by the Statutes shall also be kept at the Registered Office. Where accounts to be kept
161. No shareholder (not being a Director) or other person shall have any right of inspecting any account or book or document of the Company except as conferred by the Statutes or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting. Inspection by shareholders
162. (A) The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting such profit and loss accounts, balance sheets, group accounts (if any) and reports as are required by the Statutes. Annual profit and loss account and balance sheet
- (B) Subject to paragraph (C) below, every balance sheet of the Company shall be signed on behalf of the Board by two of the Directors and a copy of every balance sheet (including every document required by law to be comprised therein or annexed thereto) and profit and loss account which is to be laid before the Company at its annual general meeting, together with a copy of the Directors' report and a copy of the Auditors' report, shall not less than twenty-one days before the date of the meeting be served or delivered by post, by electronic means or by other means in accordance with these Bye-laws to every shareholder of, and every holder of debentures of, the Company and every other person entitled to receive notices of general meetings of the Company under the provisions of the Companies Act or these Bye-laws, provided that this Bye-law shall not require a copy of those documents to be served or delivered to any person of whose address the Company is not aware or to more than one of the joint holders of any shares or debentures, but any shareholder or holder of debentures to whom a copy of those documents has not been served or delivered shall be entitled to receive a copy free of charge on application at the Head Office or the Registration Office. If all or any of the shares or debentures of the Company shall for the time being be (with the consent of the Company) listed or dealt in on any stock exchange, there shall be forwarded to the appropriate officer of such stock exchange such number of copies of such documents as may for the time being be required under its regulations or practice. Annual report to be sent to shareholders
- (C) The Company may serve or deliver by post, by electronic means or by other means in accordance with these Bye-laws summarized financial statements to shareholders of the Company who have, in accordance with the Statutes and any applicable rules prescribed by the Designated Stock Exchange, consented and elected to receive summarized financial statements in lieu of the full financial statements. The summarized financial statements must be accompanied by an auditor's report and notice informing the shareholder how to notify the Company that he elects to receive the full financial statements. The summarized financial statements, notice and auditor's report must be served or delivered not less than twenty-one days before the general meeting to those shareholders who consented and elected to receive the summarized financial statements.

- (D) Subject to section 88 of the Companies Act, the Company shall serve or deliver the full financial statements to a shareholder within seven days of receipt of the shareholder's election to receive the full financial statements.

AUDITORS

163. (A) Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Companies Act. Appointment of auditors
- (B) The Company shall at each annual general meeting appoint one or more firms of auditors to hold office until the conclusion of the next annual general meeting, but if an appointment is not made, the Auditors in office shall continue in office until a successor is appointed. A Director, officer or employee of the Company or of any of its subsidiaries or a partner, officer or employee of any such Director, officer or employee shall not be capable of being appointed Auditors of the Company. The Board may fill any casual vacancy in the office of Auditors, but while any such vacancy continues the surviving or continuing Auditors (if any) may act. Subject as otherwise provided by the Companies Act, the remuneration of the Auditors shall be fixed by or on the authority of the Company in the annual general meeting except that in any particular year the Company in general meeting may delegate the fixing of such remuneration to the Board and the remuneration of any Auditors appointed to fill any casual vacancy may be fixed by the Directors.
164. The Auditors shall have a right of access at all times to the books and accounts and vouchers of the Company and shall be entitled to require from the Directors and officers of the Company such information as may be necessary for the performance of his or their duties, and the Auditors shall make a report to the shareholders on the accounts examined by them and on every balance sheet, consolidated balance sheet and consolidated profit and loss account intended to be laid before the Company in the annual general meeting during their tenure of office as required by the Statutes. Auditors to have right of access to books and accounts
165. A person other than the retiring Auditors shall not be capable of being appointed Auditors at an annual general meeting unless notice of an intention to nominate that person to the office of Auditors has been given to the Company not less than fourteen days before the annual general meeting, and the Company shall send a copy of any such notice to the retiring Auditors and shall give notice thereof to the shareholders not less than seven days before the annual general meeting provided that the above requirements may be waived by notice in writing by the retiring Auditors to the Secretary provided that if after a notice of the intention to nominate Auditors has been so given an annual general meeting is called for a date fourteen days or less after that notice has been given, the notice, though not given within the time required by this Bye-law, shall be deemed to have been properly given for the purposes thereof, and the notice to be sent or given by the Company may instead of being sent or given within the time required by this provision be sent or given at the same time as the notice of the annual general meeting. Appointment of auditors other than retiring auditors
166. Subject to the provisions of the Companies Act, all acts done by any person acting as Auditors shall, as regards all persons dealing in good faith with the Company, be valid, notwithstanding that there was some defect in their appointment or that they were at the time of their appointment not qualified for appointment or subsequently became disqualified. Defect of appointment

NOTICES

Service of
notices

167. (A) (i) Except where otherwise expressly stated, any notice or document (including any "corporate communication" within the meaning ascribed thereto under the rules of the Designated Stock Exchange) to be given to or by any person pursuant to these Bye-laws shall be in writing or, to the extent permitted by the Statutes and any applicable rules prescribed by the Designated Stock Exchange from time to time and subject to this Bye-law, contained in an electronic communication. A notice calling a meeting of the Directors need not be in writing.
- (ii) Any notice or document to be given to or by any person pursuant to these Bye-laws may be served on or delivered to any shareholder of the Company either personally or by sending it through the post in a prepaid envelope or wrapper addressed to such shareholder at his registered address as appearing in the Register or by leaving it at that address addressed to the shareholder or by any other means authorised in writing by the shareholder concerned or (other than share certificates) by publishing it by way of advertisement in at least one English language newspaper and one Chinese language newspaper circulating generally in Hong Kong. In case of joint holders of a share, all notices shall be given to that one of the joint holders whose name stands first in the Register and notice so given shall be sufficient notice to all the joint holders. Without limiting the generality of the foregoing but subject to the Statutes and any rules prescribed by the Designated Stock Exchange from time to time, a notice or document (including any "corporate communication" within the meaning ascribed thereto under the rules of the Designated Stock Exchange) may be served or delivered by the Company to any shareholder by electronic means to such address as may from time to time be authorised by the shareholder concerned or by publishing it on a website and notifying the shareholder concerned that it has been so published ("notice of availability"). The notice of availability may be given to the shareholder by any of the means set out above (except by way of publishing on a website), subject to compliance with the requirements of the Statutes and the rules of the Designated Stock Exchange.
- (iii) Any such notice or document may be served or delivered by the Company by reference to the Register as it stands at any time not more than fifteen days before the date of service or delivery. No change in the Register after that time shall invalidate that service or delivery. Where any notice or document is served or delivered to any person in respect of a share in accordance with these Bye-laws, no person deriving any title or interest in that share shall be entitled to any further service or delivery of that notice or document.
- (B) (i) Any notice or document required to be sent to or served upon the Company, or upon any officer of the Company, may be sent or served by leaving the same or sending it through the post in a prepaid envelope or wrapper addressed to the Company or to such officer at the Head Office or Registered Office.
- (ii) The Board may from time to time specify the form and manner in which a notice may be given to the Company by electronic means, including one or more addresses for the receipt of an electronic communication, and may prescribe such procedures as they fit for verifying the authenticity or integrity of any such electronic communication. Any notice may be given to the Company by electronic means only if it is given in accordance with the requirements specified by the Board.

168. (A) Where the registered address of the shareholder is outside the Relevant Territory, notice, if given through the post, shall be sent by prepaid airmail letter where practicable. Any shareholder whose registered address is outside the Relevant Territory may notify the Company in writing of an address in the Relevant Territory which for the purpose of service of notice shall be deemed to be his registered address. Shareholders out of the Relevant Territory
- (B) Any shareholder who fails (and, where a share is held by joint holders, where the first joint holder named on the Register fails) to supply his registered address or a correct registered address to the Company for service of notice and documents on him shall not (and where a share is held by joint holders, none of the other joint holders whether or not they have supplied a registered address shall) be entitled to service of any notice of documents by the Company and any notice or document which is otherwise required to be served on him may, if the Directors in their absolute discretion so elect (and subject to them re-electing otherwise from time to time), be served, in the case of notice by displaying a copy of such notice conspicuously at the Registered Office and the Head Office or if the Directors see fit, by advertisement in the Newspapers, and in the case of documents, by posting up a notice conspicuously at the Registered Office and the Head Office addressed to such shareholder which notice shall state the address within the Relevant Territory at which he may obtain a copy of the relevant document. Any notice or document served in the manner so described shall be sufficient service as regards shareholders with no registered or incorrect addresses, provided that nothing in this paragraph (B) shall be construed as requiring the Company to serve any notice or document on any shareholder with no or an incorrect registered address for the service of notice or document on him or on any shareholder other than the first named on the register of members of the Company. Shareholders with no or incorrect addresses
- (C) If on three consecutive occasions notices or other documents have been sent through the post to any shareholder (or, in the case of joint holders of shares, the first holder named on the Register) at his registered address but have been returned undelivered, such shareholder (and, in the case of joint holders of a share, all other joint holders of the share) shall not thereafter be entitled to receive or be served (save as the Directors may elect otherwise pursuant to paragraph (B) of this Bye-law) and shall be deemed to have waived the service of notices and other documents from the Company until he shall have communicated with the Company and supplied in writing a new registered address for the service of notices on him. Where previous notices etc. returned undelivered
169. (A) Any notice or document sent by post shall be deemed to have been served on the day following that on which the envelope or wrapper containing the same is put into a post office situated within the Relevant Territory and in proving such service, it shall be sufficient to prove that the envelope or wrapper containing notice or document was properly prepaid (and in the case of an address outside the Relevant Territory where airmail service is available, airmail postage prepaid), addressed and put into such post office and a certificate in writing signed by the Secretary or other person appointed by the Directors that the envelope or wrapper containing the notice of document was so addressed and put into such post office shall be conclusive evidence thereof. When notice by post deemed to be served
- (B) Any notice or document (including any "corporate communication" within the meaning ascribed thereto under the rules of the Designated Stock Exchange), if sent by electronic means (including through any relevant system), shall be deemed to have been given on the day following that on which the electronic communication was sent by or on behalf of the Company. Any notice or document served or delivered by the Company by any other means authorised in writing by the shareholder concerned shall When notice by electronic means deemed to be served

be deemed to have been served when the Company has carried out the action it has been authorised to take for that purpose. Any notice or document (including any "corporate communication" within the meaning ascribed thereto under the rules of the Designated Stock Exchange) published on a website shall be deemed given by the Company to a shareholder on the later of (i) the date on which a notice of availability is deemed served on such shareholder and (ii) the date on which such notice or document was published on the website.

(C) A notice or document served by way of advertisement in the Newspapers or in an appointed newspaper shall be deemed to have been served or delivered on the day it was so published.

When notice by advertisement deemed to be served

(D) A notice served by display of the same at the Registered Office and Head Office shall be deemed to have been served 24 hours after the notice was first so displayed.

When notice by display deemed to be served

(E) Any notice or document served pursuant to Bye-law 168(B) shall be deemed duly served 24 hours after the relevant notice was first displayed.

170. A notice may be given by the Company to the person entitled to a share in consequence of the death, mental disorder or bankruptcy of a shareholder by sending it through the post in a prepaid envelope or wrapper addressed to him by name, or by the title of representative of the deceased, or trustee of the bankrupt, or by any like description, at the address, if any, supplied for the purpose by the person claiming to be so entitled, or (until such an address has been so supplied) by giving the notice in any manner in which the same might have been given if the death, mental disorder or bankruptcy had not occurred.

Service of notice to persons entitled on death, mental disorder or bankruptcy

171. Any person who by operation of law, transfer or other means whatsoever shall become entitled to any share shall be bound by every notice in respect of such share which prior to his name and address being entered on the Register shall have been duly given to the person from whom he derives his title to such share.

Transferee to be bound by prior notices

172. Any notice or document delivered or sent by post to, or left at the registered address of, any shareholder in pursuance of these presents, shall notwithstanding that such shareholder be then deceased or bankrupt and whether or not the Company has notice of his death or bankruptcy, be deemed to have been duly served in respect of any registered shares whether held solely or jointly with other persons by such shareholder until some other person be registered in his stead as the holder or joint holder thereof, and such service shall for all purposes of these presents be deemed a sufficient service of such notice or document on his personal representatives and all persons (if any) jointly interested with him in any such shares.

Notice valid though shareholder deceased, bankrupt

173. The signature to any notice to be given by the Company may be written or printed.

How notice to be signed

INFORMATION

174. No shareholder (not being a Director) shall be entitled to require discovery of or any information respecting any detail of the Company's trading or any matter which is or may be in the nature of a trade secret, mystery of trade or secret process which may relate to the conduct of the business of the Company which in the opinion of the Board it will be inexpedient in the interests of the shareholders of the Company to communicate to the public.

Shareholders not entitled to information

WINDING UP

175. A resolution that the Company be wound up by the Court or be wound up voluntarily shall be a Special Resolution. Modes of winding up
176. If the Company shall be wound up, the surplus assets remaining after payment to all creditors shall be divided among the shareholders in proportion to the capital paid up on the shares held by them respectively, and if such surplus assets shall be insufficient to repay the whole of the paid up capital, they shall be distributed subject to the rights of any shares which may be issued on special terms and conditions, so that, as nearly as may be, the losses shall be borne by the shareholders in proportion to the capital paid up on the shares held by them respectively. Distribution of assets in winding up
177. If the Company shall be wound up (whether the liquidation is voluntary or ordered by the Court) the liquidator may, with the sanction of a Special Resolution, divide among the shareholders in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the shareholders or different classes of shareholders and the shareholders within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of shareholders as the liquidator, with the like sanction, shall think fit, but so that no shareholder shall be compelled to accept any shares or other assets upon which there is a liability. Assets may be distributed in specie

INDEMNITY

178. (A) Save and except to the extent only that the provisions of this Bye-law shall be avoided by any provisions of the Statutes, the Directors, Managing Directors, alternate Directors, Auditors, Secretary and other officers for the time being of the Company and the trustees (if any) for the time being acting in relation to any of the affairs of the Company, and their respective executors or administrators, shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, liabilities, losses, damages and expenses which they or any of them, their or any of their executors or administrators, shall or may incur or sustain: Indemnity
- (i) in connection with their duties, the exercise of their powers or otherwise in connection with their respective offices or trusts, except such (if any) as they shall incur or sustain through their own wilful neglect, wilful default, fraud or dishonesty, and none of them shall be answerable for the acts, receipts, neglects or defaults of any other of them, or for joining in any receipt for the sake of conformity, or for any bankers or other persons with whom any moneys or effects of the Company shall be lodged or deposited for safe custody, or for the insufficiency or deficiency of any security upon which any moneys of the Company shall be placed out or invested, or for any other loss, misfortune or damage which may arise in the execution of their respective offices or trusts, or in relation thereto, except as the same shall happen by or through their own wilful neglect, wilful default, fraud or dishonesty and the indemnity contained in this Bye-law shall extend to any person acting as a Director or officer in the reasonable belief that has been so appointed or elected notwithstanding any defect in such appointment or election; and

- (ii) in defending any proceedings, whether civil or criminal, in which judgment is given in his favour, or in which he is acquitted, or in connection with any application under the Statutes in which relief from liability is granted to him by the court, and to the extent that any person is entitled to claim an indemnity pursuant to these Bye-laws in respect of amounts paid or discharged by him, such indemnity shall take effect as an obligation of the Company to reimburse the person making such payment or effecting such discharge.
- (B) The Company may take out and pay the premium and other moneys for the maintenance of insurance, bonds and other instruments for the benefit either of the Company or the Directors (and/or other officers and persons referred to in paragraph (A) of this Bye-law) or any of them to indemnify the Company and/or the Directors (and/or other officers and/or other persons) named therein for this purpose against all actions, costs, charges, liabilities, losses, damages and expenses which they may suffer or sustain in connection with any matter in respect of which it may be lawful to insure, including (without limitation) any breach by the Directors (and/or other officers and/or other persons) or any of them of their duties to the Company.

UNTRACEABLE SHAREHOLDERS

- 179. Without prejudice to the rights of the Company under Bye-law 155 and the provisions of Bye-law 180, the Company may cease sending such cheques for dividend entitlements or dividend warrants by post if such cheques or warrants have been left uncashed on two consecutive occasions. However, the Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants after the first occasion on which such a cheque or warrant is returned undelivered.
- 180. The Company shall have the power to sell, in such manner as the Board thinks fit, any shares of a shareholder who is untraceable, but no such sale shall be made unless:–
 - (i) all cheques or warrants, being not less than three in total number, for any sum payable in cash to the holder of such shares in respect of them sent during the relevant period in the manner authorised by these Bye-laws have remained uncashed;
 - (ii) so far as it is aware at the end of the relevant period, the Company has not at any time during the relevant period received any indication of the existence of the shareholder who is the holder of such shares or of a person entitled to such shares by death, bankruptcy or operation of law;
 - (iii) the Company has caused an advertisement to be inserted in the Newspapers of its intention to sell such shares and a period of three months has elapsed since the date of such advertisement; and
 - (iv) the Company has notified the stock exchange in the Relevant Territory of its intention to effect such sale.

Company
cease
sending
dividend
warrants
etc.

Company
may sell
shares of
untraceable
shareholders

For the purpose of the foregoing, "relevant period" means the period commencing twelve years before the date of publication of the advertisement referred to in paragraph (iii) of this Bye-law and ending at the expiry of the period referred to in that paragraph.

To give effect to any such sale, the Board may authorise any person to transfer the said shares and the instrument of transfer signed or otherwise executed by or on behalf of such person shall be as effective as if it had been executed by the registered holder or the person entitled by transmission to such shares, and the purchaser shall not be bound to see to the application of the purchase money nor shall his title to the shares be affected by any irregularity or invalidity in the proceedings relating to the sale. The net proceeds of the sale will belong to the Company and upon receipt by the Company of such proceeds it shall become indebted to the former shareholder for an amount equal to such net proceeds. No trusts shall be created in respect of such debt and no interest shall be payable in respect of it and the Company shall not be required to account for any money earned from the net proceeds which may be employed in the business of the Company or as it thinks fit. Any sale under this Bye-law shall be valid and effective notwithstanding that the shareholder holding the shares sold is dead, bankrupt or otherwise under any legal disability or incapacity.

DESTRUCTION OF DOCUMENTS

181. Subject to the Companies Act, the Company may destroy:–

Destruction
of documents

- (i) any share certificate which has been cancelled at any time after the expiry of one year from the date of such cancellation;
- (ii) any dividend mandate or any variation or cancellation thereof or any notification of change of name or address at any time after the expiry of two years from the date on which such mandate, variation, cancellation or notification was recorded by the Company;
- (iii) any instrument of transfer of shares which has been registered at any time after the expiry of six years from the date of registration; and
- (iv) any other document, on the basis of which any entry in the Register is made, at any time after the expiry of six years from the date on which an entry in the register was first made in respect of it;

and it shall conclusively be presumed in favour of the Company that every share certificate so destroyed was a valid certificate duly and properly cancelled and that every instrument of transfer so destroyed was a valid and effective instrument duly and properly registered and that every other document destroyed hereunder was a valid and effective document in accordance with the recorded particulars thereof in the books or records of the Company. Provided always that:–

- (a) the foregoing provisions of this Bye-law shall apply only to the destruction of a document in good faith and without express notice to the Company that the preservation of such document was relevant to a claim;
- (b) nothing contained in this Bye-law shall be construed as imposing upon the Company any liability in respect of the destruction of any such document earlier than as aforesaid or in any case where the conditions of proviso (i) above are not fulfilled; and
- (c) references in this Bye-law to the destruction of any document include reference to its disposal in any manner.

RESIDENT REPRESENTATIVE

182. Pursuant to the provisions of the Statutes, the Board shall, for so long as the Company does not have a quorum of Directors ordinarily resident in Bermuda, appoint a Resident Representative as defined in the Statutes, to act on its behalf in Bermuda and to maintain all such records as may be required by the Statutes to be maintained in Bermuda and to make all necessary filings with the Ministry of Finance and Registrar of Companies in Bermuda as may be required by the Statutes and to fix his or their or its remuneration either by way of salary or fee for the period of the Resident Representative's service to the Company.

Resident
Representative**MAINTENANCE OF RECORDS**

183. The Company shall keep at the office of its Resident Representative, in accordance with the provisions of the Statutes, the following:–
- (i) minutes of all proceedings of general meetings of the Company;
 - (ii) all financial statements required to be prepared by the Company under the Companies Act together with the Auditors' report thereon;
 - (iii) all records of account required by section 83 of the Companies Act to be kept in Bermuda; and
 - (iv) all such documents as may be required in order to provide evidence of the continued listing of the Company on an appointed stock exchange within the meaning of the Companies Act.

Maintenance
of records**SUBSCRIPTION RIGHT RESERVE**

184. (A) Subject to the Statutes and Bye-law 122A and Schedule 1 (*Board Reserved Matters*) if, so long as any of the rights attaching to any warrants issued by the Company to subscribe for shares of the Company shall remain exercisable, the Company does any act or engages in any transaction which, as a result of any adjustments to the subscription price in accordance with the provisions applicable under the terms and conditions of the warrants, would reduce the subscription price to below the par value of a share, then the following provisions shall apply:–
- (i) as from the date of such act or transaction the Company shall establish and thereafter (subject as provided in this Bye-law) maintain in accordance with the provisions of this Bye-law a reserve (the "Subscription Right Reserve") the amount of which shall at no time be less than the sum which for the time being would be required to be capitalised and applied in paying up in full the nominal amount of the additional shares required to be issued and allotted credited as fully paid pursuant to sub-paragraph (iii) below on the exercise in full of all the subscription rights outstanding and shall apply the Subscription Right Reserve in paying up in full such difference in respect of such additional shares as and when the same are allotted;
 - (ii) the Subscription Right Reserve shall not be used for any purpose other than that specified above unless all other reserves of the Company (other than the share premium account and capital redemption reserve fund) have been used and will only be used to make good losses of the Company if and so far as is required by law;

Subscription
right reserve

(iii) upon the exercise of all or any of the subscription rights represented by any warrant, the relevant subscription rights shall be exercisable in respect of a nominal amount of shares equal to the amount in cash which the holder of such warrant is required to pay on exercise of the subscription rights represented thereby (or, as the case may be the relevant portion thereof in the event of a partial exercise of the subscription rights) and, in addition, there shall be allotted in respect of such subscription rights to the exercising warrant holder, credited as fully paid, such additional nominal amount of shares as is equal to the difference between:–

- (a) the said amount in cash which the holder of such warrant is required to pay on exercise of the subscription rights represented thereby (or, as the case may be, the relevant portion thereof in the event of a partial exercise of the subscription rights); and
- (b) the nominal amount of shares in respect of which such subscription rights would have been exercisable having regard to the provisions of the conditions of the warrants, had it been possible for such subscription rights to represent the right to subscribe for shares at less than par;

and immediately upon such exercise so much of the sum standing to the credit of the Subscription Right Reserve as is required to pay up in full such additional nominal amount of shares shall be capitalised and applied in paying up in full such additional nominal amount of shares which shall forthwith be allotted credited as fully paid to the exercising warrant holder; and

(iv) if upon the exercise of the subscription rights represented by any warrant the amount standing to the credit of the Subscription Right Reserve is not sufficient to pay up in full such additional nominal amount of shares equal to such difference as aforesaid to which the exercising warrant holder is entitled, the Board shall apply any profits or reserves then or thereafter becoming available (including, to the extent permitted by law, contributed surplus account, share premium account and capital redemption reserve fund) for such purpose until such additional nominal amount of shares is paid up and allotted as aforesaid and until then no dividend or other distribution shall be paid or made on the fully paid shares of the Company then in issue. Pending such payment up and allotment, the exercising warrant holder shall be issued by the Company with a certificate evidencing his right to the allotment of such additional nominal amount of shares. The rights represented by any such certificate shall be in registered form and shall be transferable in whole or in part in units of one share in the like manner as the shares for the time being are transferable, and the Company shall make such arrangements in relation to the maintenance of a register therefor and other matters in relation thereto as the Board may think fit and adequate particulars thereof shall be made known to each relevant exercising warrant holder upon the issue of such certificate.

(B) Shares allotted pursuant to the provisions of this Bye-law shall rank *pari passu* in all respects with the other shares allotted on the relevant exercise of the subscription rights represented by the warrant concerned. Notwithstanding anything contained in paragraph (A) of this Bye-law, no fraction of any share shall be allotted on exercise of the subscription rights.

- (C) The provisions of this Bye-law as to the establishment and maintenance of the Subscription Right Reserve shall not be altered or added to in any way which would vary or abrogate, or which would have the effect of varying or abrogating, the provisions for the benefit of any warrant holder or class of warrant holders under this Bye-law without the sanction of a Special Resolution of such warrant holders or class of warrant holders.
- (D) A certificate or report by the Auditors for the time being of the Company as to whether or not the Subscription Right Reserve is required to be established and maintained and if so the amount thereof so required to be established and maintained, as to the purposes for which the Subscription Right Reserve has been used, as to the extent to which it has been used to make good losses of the Company, as to the additional nominal amount of shares required to be allotted to exercising warrant holders credited as fully paid, and as to any other matter concerning the Subscription Right Reserve shall (in the absence of manifest error) be conclusive and binding upon the Company and all warrant holders and shareholders.

RECORD DATES

185. Notwithstanding any other provision of these Bye-laws the Company or the Board may fix any date as the record date for any dividend, distribution, allotment or issue and such record date may be on or at any time before or after any date on which such dividend, distribution, allotment or issue is declared, paid or made.

STOCK

186. The following provisions shall have effect at any time and from time to time that they are not prohibited or inconsistent with the Statutes or these Bye-Laws (including, without limitation, Bye-law 122A and Schedule 1 (Board Reserved Matters)):
- (i) The Company may by Ordinary Resolution convert any paid up shares into stock, and may from time to time by like resolution reconvert any stock into paid up shares of any denomination.
 - (ii) The holders of stock may transfer the same or any part thereof in the same manner, and subject to the same regulations as and subject to which the shares from which the stock arose might prior to conversion have been transferred or as near thereto as circumstances admit, but the Directors may from time to time, if they think fit, fix the minimum amount of stock transferable and restrict or forbid the transfer of fractions of that minimum, but so that such minimum shall not exceed the nominal amount of the shares from which the stock arose. No warrants to bearer shall be issued in respect of any stock.
 - (iii) The holders of stock shall, according to the amount of the stock held by them, have the same rights, privileges and advantages as regards dividends, participation in assets on a winding up, voting at meetings, and other matters, as if they held the shares from which the stock arose, but no such privilege or advantage (except participation in the dividends and profits of the Company) shall be conferred by an amount of stock which would not, if existing in shares, have conferred such privilege or advantage.
 - (iv) Such of the provisions of these Bye-laws as are applicable to paid up shares shall apply to stock, and the words "share" and "shareholder" therein shall include "stock" and "stockholder".

Schedule 1Board Reserved Matters(Bye-law 122A)

The following matters require the agreement or approval of a Board Super Majority in accordance with Bye-law 122A (Board Reserved Matters):

1. Any acquisition by the Company or any Group Company (whether in a single transaction or series of related transactions) of:
 - 1.1 any undertaking, business, company or securities of a company; or
 - 1.2 any assets or property (other than in the ordinary course of business),

in each case having a book or market value in excess of HK\$3,000,000,000.
2. Any change to the issued share capital or the creation or issue of any shares (under any general or specific mandate) or of any other security of any Group Company or the grant of any option (including option to be granted under approved employee share option scheme(s) of the Company) or rights to subscribe for or to convert any instrument into such shares, except where shares are issued pursuant to exercise by option holders of the options:
 - 2.1 already granted to them by the Board under approved employee share option scheme(s) of the Company prior to the date of adoption of these Bye-laws by shareholders of the Company; or
 - 2.2 granted to them by the Board under approved employee share option scheme(s) of the Company subsequent to the date of adoption of these Bye-laws by shareholders of the Company and such grant of options has been approved by a Board Super Majority in accordance with Bye-law 122A (Board Reserved Matters).

NOTICE OF SPECIAL GENERAL MEETING



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 a special general meeting (the “SGM”) of Kerry Logistics Network Limited (the “Company”) will be held at Orchid Room, Lower Level II, Kowloon Shangri-La, 64 Mody Road, Tsimshatsui East, Kowloon, Hong Kong at 3:15 p.m. on Wednesday, 26 May 2021 (or as soon thereafter as the annual general meeting of the Company to be held at the same place and on the same date at 2:30 p.m. shall have been concluded or adjourned) for the purpose of considering and, if thought fit, passing, with or without amendments, the following resolutions. Unless otherwise defined, capitalised terms used in this notice shall have the same meanings as those defined in the circular of the Company dated 3 May 2021 of which this notice forms part (the “Circular”).

ORDINARY RESOLUTIONS

1. **“THAT** the transactions contemplated under the Warehouses Sale Agreement (a copy of the agreement marked “A” and initialled by the chairman of the SGM for the purpose of identification is produced to the SGM) and all actions taken or to be taken by the Company and/or its subsidiaries pursuant to or incidental to the Warehouses Sale Agreement be and are hereby approved, and the directors of the Company be and are hereby authorised to take all such steps, do all such acts and things and to sign, execute, seal (where required) and deliver all such documents which he/she may in his/her absolute discretion, consider necessary, appropriate, desirable or expedient in connection with or to implement or give effect to the Warehouses Sale Agreement and the transactions contemplated thereunder.”
2. **“THAT** the transactions contemplated under each of the Warehouses Management Agreements (copies of the agreements marked “B1” to “B9” and initialled by the chairman of the SGM for the purpose of identification are produced to the SGM) and all actions taken or to be taken by the Company and/or its subsidiaries pursuant to or incidental to the Warehouses Management Agreements be and are hereby approved, and the directors of the Company be and are hereby authorised to take all such steps, do all such acts and things and to sign, execute, seal (where required) and deliver all such documents which he/she may in his/her absolute discretion, consider necessary, appropriate, desirable or expedient in connection with or to implement or give effect to the Warehouses Management Agreements and the transactions contemplated thereunder.”

NOTICE OF SPECIAL GENERAL MEETING

3. **"THAT** the transactions contemplated under the Taiwan Business Sale Agreement (a copy of the agreement marked "C" and initialled by the chairman of the SGM for the purpose of identification is produced to the SGM) and all actions taken or to be taken by the Company and/or its subsidiaries pursuant to or incidental to the Taiwan Business Sale Agreement be and are hereby approved and the directors of the Company be and are hereby authorised to take all such steps, do all such acts and things and to sign, execute, seal (where required) and deliver all such documents which he/she may in his/her absolute discretion, consider necessary, appropriate, desirable or expedient in connection with or to implement or give effect to the Taiwan Business Sale Agreement and the transactions contemplated thereunder."
4. **"THAT** the transactions contemplated under each of the Brand Licence Agreements (copies of the agreements marked "D1" and "D2" and initialled by the chairman of the SGM for the purpose of identification are produced to the SGM) and all actions taken or to be taken by the Company and/or its subsidiaries pursuant to or incidental to the Brand Licence Agreements be and are hereby approved and the directors of the Company be and are hereby authorised to take all such steps, do all such acts and things and to sign, execute, seal (where required) and deliver all such documents which he/she may in his/her absolute discretion, consider necessary, appropriate, desirable or expedient in connection with or to implement or give effect to the Brand Licence Agreements and the transactions contemplated thereunder."
5. **"THAT** the transactions contemplated under the Shareholders' Agreement (a copy of the agreement marked "E" and initialled by the chairman of the SGM for the purpose of identification is produced to the SGM) and all actions taken or to be taken by the Company and/or its subsidiaries pursuant to or incidental to the Shareholders' Agreement be and are hereby approved and the directors of the Company be and are hereby authorised to take all such steps, do all such acts and things and to sign, execute, seal (where required) and deliver all such documents which he/she may in his/her absolute discretion, consider necessary, appropriate, desirable or expedient in connection with or to implement or give effect to the Shareholders' Agreement and the transactions contemplated thereunder."
6. **"THAT** the transactions contemplated under the Framework Services Agreement (a copy of the agreement marked "F" and initialled by the chairman of the SGM for the purpose of identification is produced to the SGM) and all actions taken or to be taken by the Company and/or its subsidiaries pursuant to or incidental to the Framework Services Agreement be and are hereby approved and the directors of the Company be and are hereby authorised to take all such steps, do all such acts and things and to sign, execute, seal (where required) and deliver all such documents which he/she may in his/her absolute discretion, consider necessary, appropriate, desirable or expedient in connection with or to implement or give effect to the Framework Services Agreement and the transactions contemplated thereunder."

NOTICE OF SPECIAL GENERAL MEETING

SPECIAL RESOLUTION

7. “**THAT** the amended and restated Bye-laws (a copy of the document marked “G” and initialled by the chairman of the SGM for the purpose of identification is produced to the SGM) be and are hereby approved and adopted as the bye-laws of the Company in substitution for, and to the exclusion of, the existing bye-laws of the Company and with effect from the Effective Time.”

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

Hong Kong, 3 May 2021

*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 SPECIAL GENERAL MEETING

Notes:

1. Considering the COVID-19 pandemic, certain measures will be implemented at the SGM with a view to minimising the risk of infection to attendees, including, without limitation: (a) compulsory body temperature screening/checks; (b) compulsory health declaration; (c) compulsory wearing of surgical face mask – no mask will be provided at the venue; (d) no admission of attendees who are subject to quarantine prescribed by the Department of Health of Hong Kong; (e) designated seating arrangements to ensure social distancing; and (f) no provision of refreshments or drinks and no corporate gift will be distributed.

The Company reminds attendees that they should carefully consider the risks of attending the SGM, taking into account their own personal circumstances.

Subject to the development of the COVID-19 pandemic situation, the Company will continue to monitor the situation and may implement additional measures at short notice which will be announced closer to the date of the SGM.

2. Every member entitled to attend and vote 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.
3. Where there are joint holders of any share, any one of such persons may vote at the SGM, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at the SGM personally or by proxy, that one of the said persons so present whose name stands first on the registers of members of the Company (the "**Registers of Members**") in respect of such share will alone be entitled to vote in respect thereof.
4. 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 Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not less than 48 hours before the time appointed for the holding of the SGM, i.e. by no later than 3:15 p.m. on Monday, 24 May 2021. Completion and return of the form of proxy will not preclude a member from attending the SGM and voting in person if he so wishes.
5. The Registers of Members will be closed from Friday, 21 May 2021 to Wednesday, 26 May 2021, during which period no transfer of shares will be effected. In order to be entitled to attend and vote 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 Thursday, 20 May 2021.
6. All the resolutions set out in this notice shall be decided by poll.
7. If Typhoon Signal No. 8 or above is expected to be hoisted or a Black Rainstorm Warning Signal is expected to be in force any time after 6:00 a.m. on the date of the SGM, then the SGM will be postponed and the Shareholders will be informed of the date, time and venue of the rescheduled SGM by a supplementary notice posted on the websites of the Company and the Stock Exchange.
8. The SGM will be held as scheduled when an Amber or Red Rainstorm Warning Signal is in force. The Shareholders should decide on their own whether they would attend the SGM under bad weather condition bearing in mind their own situations and if they do so, they are advised to exercise care and caution.