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

Reference is made to the Joint Announcement.

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, pursuant to which the Warehouses Vendor agreed to sell and the Warehouses Purchaser agreed to purchase, all issued shares in the capital of the Target Warehouses Companies for the total consideration of HK$13,500,000,000 (subject to adjustments).

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).

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.

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.

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 the Independent Financial Adviser that the terms of the Warehouses Sale Agreement are fair and reasonable; and (ii) the approval of the Warehouses Sale Agreement by the Independent Shareholders by way of poll at the SGM.

WAREHOUSES MANAGEMENT AGREEMENT

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. In consideration for such Warehouses Management Services, the relevant legal owners shall pay certain management fees to the Warehouses Manager. In addition, under certain Warehouse Management Agreements, the Warehouses Manager has agreed to guarantee certain relevant legal owners of certain Target Warehouses a minimum level of gross revenue during the term of the Warehouses Management Agreement. If the Warehouses Manager is unable to seek tenants for certain Target Warehouses in such Warehouse 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, subject to the Warehouses Manager having duly performed and observed all terms and conditions of the Warehouses Management Agreement 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.

The Company proposes to set the aggregate annual caps for the amounts payable by the Group as principal 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 million, HK$500 million, HK$500 million and HK$367 million, respectively; (ii) 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$183 million, HK$550 million, HK$550 million and HK$367 million, respectively.

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$36 million, HK$40 million, HK$45 million and HK$34 million respectively; (ii) 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$17 million, HK$57 million, HK$65 million and HK$43 million, respectively.

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 would 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 Warehouses Management Agreements together constitute a special deal in relation to the Partial Offer under Note 4 to Rule 25 of the Takeovers Code and require the consent of the Executive. An application has been made by the Company to the Executive for its consent to proceed with the Warehouses Management Agreements under Rule 25 of the Takeovers Code. Such consent, if granted, is expected to be subject to (i) the opinion of the Independent Financial Adviser 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.

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 entire issued share capital of Kerry Logistics (Taiwan) Investments Limited and Pan Asia Airlines Investment Limited. The initial consideration under the Taiwan Business Sale Agreement shall be the USD equivalent of NTD4,537,018,403 (subject to audited completion accounts adjustments and post-closing adjustments) in cash which shall be payable at closing.

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 all are 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.

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 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 Taiwan Business Sale Agreement. Such consent, if granted, is expected to be subject to (i) the opinion of the Independent Financial Adviser that the terms of 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. The Independent Financial Adviser will state in the Circular its opinion on whether the terms of the Taiwan Business Sale Agreement are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

BRAND LICENCE AGREEMENTS

On 25 March 2021 (after trading hours), in connection with the Partial Offer and the Option Offer, the Company entered into the Company Brand Licence Agreement with Kuok Registrations Limited (a fellow subsidiary of Kerry Holdings). Pursuant to the Company Brand Licence Agreement, 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.

On 25 March 2021 (after trading hours), in connection with the Partial Offer and the Option Offer, KE Thailand also entered into the KE Thailand Brand Licence Agreement with Kuok Registrations Limited. Pursuant to the KE Thailand Brand Licence Agreement, 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 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.

The licence fee for each of the Brand Licence Agreements is a nominal one-off amount of HK$100.

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 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 the Independent Financial Adviser that the terms of the Brand Licence Agreements are fair and reasonable; and (ii) the approval of the Brand Licence Agreements by the Independent Shareholders by way of poll at the SGM.

SHAREHOLDERS' AGREEMENT AND PROPOSED AMENDMENTS TO THE 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.

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. Details of the proposed amendments will be set out in the Circular to be despatched to the Shareholders.

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 the Independent Financial Adviser that the terms of the Shareholders' Agreement are fair and reasonable; 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.

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 and 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);

(ii) the Relevant Kerry Holdings Group agreed to lease the Leased Properties to the Group; 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.

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.

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$1,945 million, HK$2,210 million and HK$1,110 million and HK$1,220 million, respectively, and 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$80 million, HK$250 million, HK$320 million and HK$420 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.

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 all are 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.

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.

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 has been 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 the Independent Financial Adviser 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. The Independent Financial Adviser will state in the Circular its opinion on whether the terms of the Framework Services Agreement are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

GENERAL

The SGM will be held for the purpose of considering and, if thought fit, approving the Special Deal Agreements 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 resolution 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 resolution at the SGM.

A Circular containing, among other things, (i) 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 the Independent Financial Adviser to the Independent Board Committees in relation to the Special Deal Agreements; (v) the independent valuation report on the Target Warehouses; and (vi) a notice convening the SGM, is expected to be despatched to the Shareholders on or before 5 May 2021, which is more than 15 Business Days after the publication of this announcement, so as to allow sufficient time for the preparation of the relevant information for inclusion in the Circular.

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 announcement 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 announcement 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.

INTRODUCTION

Reference is made to the Joint Announcement. Unless otherwise stated, capitalised terms used in the Joint Announcement shall have the same meanings when used herein.

The Board is pleased to announce that on 25 March 2021 (after trading hours), in connection with the Partial Offer and the Option Offer, the Company and its wholly-owned subsidiaries entered into the Special Deal Agreements, being (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.

In addition, in connection with the Partial Offer and the Option Offer, 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.

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 or 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.

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;

(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 condition 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.

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.

Financial information of the Target Warehouses Companies

The unaudited consolidated net asset value of the Target Warehouses Companies as at 31 December 2020, and the unaudited consolidated 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) *(HK$'000)*	**Warehouse Co (KC)** *(HK$'000)*	**Warehouse Co (KCC)** *(HK$'000)*	**Warehouse Co (SS)** *(HK$'000)*	**Warehouse Co (TC2)** *(HK$'000)*	**Warehouse Co (TW)** *(HK$'000)*	**Warehouse Co (TC1-A)** *(HK$'000)*	**Warehouse Co (TC1-B)** *(HK$'000)*	**Warehouse Co (TC1-7A2)** *(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	29,190
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	4,955
Net profit after taxation for year ended 2020	42,369	124,057	613,391	147,201	144,565	247,078	62,965	35,686	4,725

The disclosure of (i) net profits attributable to the Target Warehouses Companies for the two financial years immediately preceding the transaction; and (ii) the gains attributable to Shareholders arising from the Warehouses Sale, each of which are unaudited (the "**Required Warehouses 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.

In view of the requirements of timely disclosures of the Required Warehouses Financial Information under the Listing Rules, the Company is required to issue this announcement as soon as practicable and given the time constraints, the Company has encountered genuine practical difficulties in meeting the reporting requirements under Rule 10.4 of the Takeovers Code. Under Rule 10.4 of the Takeovers Code, if the Required Warehouses Financial Information is published first in an announcement, it must be repeated in full, together with the reports from the Company's financial advisers and auditors or accountants on the said profit forecast, in the next document to be sent to the Shareholders. However, if the Required Warehouses Financial Information is audited by the time of release of and set out in the next document to be sent, being the Circular, to the Shareholders, the requirements to report on the audited Required Warehouses Financial Information under Rule 10.4 of the Takeovers Code will no longer apply.

Shareholders and potential investors of the Company should note that the Required Warehouses Financial Information has not been reported on in accordance with the requirements under Rule 10 of the Takeovers Code and does not meet the standard required by Rule 10 of the Takeovers Code. Shareholders and potential investors of the Company should therefore exercise caution in placing reliance on the Required Warehouses Financial Information in assessing the merits and demerits of the Warehouses Sale Agreement and the Partial Offer. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

Financial effects of the Warehouses Sale on the Group

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 unaudited consolidated net asset value of the Target Warehouses Companies as at 31 December 2020, the Group expects to realise a gain upon completion of the Warehouses Sale. The Group estimates the gains attributable to Shareholders arising from the Warehouses Sale to be approximately HK$3.3 billion. 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.

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).

If the Partial Offer lapses, or if, after the Partial Offer becomes or is declared unconditional in all respects, the Warehouse 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 (excluding the members of the LR Independent Board Committee and the Code Independent Board Committee whose view will be given after having been advised by the Independent Financial Adviser) believe that the Warehouses Sale and the distribution of the Special Dividend are fair and reasonable and in the best 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.

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 the Independent Financial Adviser that the terms of the Warehouses Sale Agreement are fair and reasonable; 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

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 Warehouse 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 seek tenants for certain Target Warehouses in such Warehouse 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, 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.

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 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 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 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 are 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

(iii) if KWHK does not exercise its right to renew the management term, 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 exercise 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 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 are 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 is 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).

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) if KWHK does not exercise its right to renew the management term, reimbursement of TC1-7A2'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 exercise 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 are 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 will 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 is 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.

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) if KWHK does not exercise its right to renew the management term, reimbursement of Warehouse Co (TC1-A)'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 exercise 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 are 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) will make up the shortfall within 14 days of demand by KWHK.

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 is 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) if KWHK does not exercise its right to renew the management term, reimbursement of Warehouse Co (TC1-B)'s share of 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 exercise 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 are 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-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) will 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 is 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) if KWHK does not exercise its right to renew the management term, reimbursement of TC2'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 exercise 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 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 are 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 will 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 is 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

(iii) if KWHK does not exercise its right to renew the management term, reimbursement of KC'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 exercise 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 are 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 will 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 is 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).

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 will 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 are 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).

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 will 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 are 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 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 full 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.

The Company proposes to set the aggregate annual caps for the amounts payable by the Group as principal 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 million, HK$500 million, HK$500 million and HK$367 million, respectively; (ii) 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$183 million, HK$550 million, HK$550 million and HK$367 million, respectively.

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$36 million, HK$40 million, HK$45 million and HK$34 million respectively; (ii) 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$17 million, HK$57 million, HK$65 million and HK$43 million, respectively.

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 (excluding the members of the LR Independent Board Committee and the Code Independent Board Committee whose view will be given after having been advised by the Independent Financial Adviser) 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 and in the interests of the Company and the Shareholders as a whole.

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 the Independent Financial Adviser 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. The Independent Financial Adviser will state in the Circular its opinion on whether the terms of the Warehouses Management Agreements are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

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 business. 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 any member of the Taiwan Target Companies and their respective subsidiaries (including the Taiwan Listco), and no 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 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 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 when from such time, and the Taiwan Business Sale Agreement and closing of the Taiwan Business Sale shall 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.

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 (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) 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 net adjustment amount in this paragraph exceeding a de minimis amount of NTD1,000,000 (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, 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 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 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, among other things, all losses and damages suffered (whether directly or indirectly) as a result of or arising in connection with, among other things, (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.

The maximum aggregate liability of the Company and Taiwan Seller (together and not severally) in respect of all indemnification 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 or 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, 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 aggregate consolidated net asset value of the Taiwan Target Companies as at 31 December 2020, and the unaudited aggregate consolidated 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$)
Aggregate consolidated net asset value as at 31 December 2020	1,206,627,000
Net profit before taxation for year ended 2019	430,601,000
Net profit after taxation for year ended 2019 attributable to the Taiwan Seller	147,981,000
Net profit before taxation for year ended 2020	560,237,000
Net profit after taxation for year ended 2020 attributable to the Taiwan Seller	223,286,000

The disclosure of net profits of the Taiwan Target Companies for the two financial years immediately preceding the transaction (the "**Required Taiwan Financial Information**") which is unaudited 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.

In view of the requirements of timely disclosures of the Required Taiwan Financial Information under the Listing Rules, the Company is required to issue this announcement as soon as practicable and given the time constraints, the Company has encountered genuine practical difficulties in meeting the reporting requirements under Rule 10.4 of the Takeovers Code. Under Rule 10.4 of the Takeovers Code, if the Required Taiwan Financial Information is published first in an announcement, it must be repeated in full, together with the reports from the Company's financial advisers and auditors or accountants on the said profit forecast, in the next document, being the Circular, to be sent to the Shareholders.

Shareholders and potential investors of the Company should note that the Required Taiwan Financial Information has not been reported on in accordance with the requirements under Rule 10 of the Takeovers Code and does not meet the standard required by Rule 10 of the Takeovers Code. Shareholders and potential investors of the Company should therefore exercise caution in placing reliance on the Required Taiwan Financial Information in assessing the merits and demerits of the Taiwan Business Sale Agreement and the Partial Offer. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

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 and net asset value of the Taiwan Business as at 31 December 2020, it is expected that the Taiwan Business Sale will not result in any gain or loss to the Group and hence would not bring in any material impact on the financial position of the same. 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 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 and benefits of the Partial Offer, the Board (excluding the members of the LR Independent Board Committee and the Code Independent Board Committee whose view will be given after having been advised by the Independent Financial Adviser) considers that the Taiwan Business Sale is in the interests of the Company and its Shareholders as a whole.

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 consider that the terms of the Taiwan Business Sale Agreement are normal commercial terms, which are fair and reasonable and 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 the Independent Financial Adviser that the terms of 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. The Independent Financial Adviser will state in the Circular its opinion on whether the terms of the Taiwan Business Sale Agreement are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

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-licence 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)

(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-licence 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 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 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.

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.

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 and in connection with the Partial Offer. As the Controlling Shareholders are expected to continue to be involved in the Company as significant Shareholders (i.e., in excess of 30%) 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 (excluding the members of the LR Independent Board Committee and the Code Independent Board Committee whose view will be given after having been advised by the Independent Financial Adviser) believe that the Brand Licence Agreements are fair and reasonable and in the best 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 the Independent Financial Adviser that the terms of the Brand Licence Agreements are fair and reasonable; and (ii) the approval of the Brand Licence Agreements by the Independent Shareholders by way of poll at the SGM.

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 summarised in the Joint Announcement.

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.

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. Details of the proposed amendments will be set out in the Circular to be despatched to the Shareholders.

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 the Independent Financial Adviser that the terms of the Shareholders' Agreement are fair and reasonable; 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. The principal terms of the Framework Services Agreement are set out below:

Date

25 March 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 (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 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.

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 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;

(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; 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.

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.

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 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; 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.

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

There was no historical transaction between the Group and the Relevant Kerry Holdings Group in relation to the provision of services.

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$1,945 million, HK$2,210 million and HK$1,110 million and HK$1,220 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$80 million, HK$250 million, HK$320 million and HK$420 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 independent non-executive Directors) 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 intended 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 will facilitate the operation and growth of the Company's business.

The Board (excluding the members of the LR Independent Board Committee and the Code Independent Board Committee whose view will be given after having been advised by the Independent Financial Adviser) considers that the Framework Services Agreement, the annual caps 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 and in the best 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 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 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 the Independent Financial Adviser 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. The Independent Financial Adviser will state in the Circular its opinion on whether the terms of the Framework Services Agreement are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

GENERAL

The LR Independent Board Committee was established to consider the terms of the Special Deal Agreements and to advise the Independent Shareholders on whether the Special Deal Agreements are in the interests of the Company and the Shareholders as a whole and whether the terms of the Special Deal Agreements are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

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 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 the 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.

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

The SGM will be held for the purpose of considering and, if thought fit, approving the Special Deal Agreements 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 resolution 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 resolution at the SGM.

A circular containing, among other things, (i) 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 the Independent Financial Adviser to the Independent Board Committees in relation to the Special Deal Agreements; (v) the independent valuation report on the Target Warehouses; and (vi) a notice convening the SGM, is expected to be despatched to the Shareholders on or before 5 May 2021, which is more than 15 Business Days after the publication of this announcement, so as to allow sufficient time for the preparation of the relevant information for inclusion in the Circular.

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).

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, the PRC and the Asia Pacific region; hotel ownership in Hong Kong, and hotel ownership and operations in the PRC; and integrated logistics and international freight forwarding.

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 announcement, 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%.

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 announcement 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 announcement 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.

DEFINITIONS

Unless the context requires otherwise, the following expressions shall have the following meanings in this announcement:

"acting in concert"	has the meaning given to it under the Takeovers Code
"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
"Circular"	a circular of the Company in relation to the Special Deal Agreements, and containing, among other things, the notice of the SGM, which is to be despatched to the Shareholders
"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
"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 "*Conditions of the Partial Offer and the Option Offer*" in the Joint Announcement
"Controlling Shareholders"	Kerry Holdings Limited, Kerry Group Limited, Kerry Properties and their respective subsidiaries which hold Shares, being 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 Assets Management Limited, Star Medal Limited and Total Way Investments Limited

"Controlling Shareholders Close Associates"	close associates of the Controlling Shareholders, which as at the date of this announcement, 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 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 open for acceptance for at least 21 days following the Despatch Date
"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
"Framework Services Agreement"	the framework services agreement dated 25 March 2021 entered into between the Company and Kerry Holdings

"Greater China"	for the purpose of this announcement, the Mainland China, Hong Kong, the Macao Special Administrative Region of the People's Republic of China, 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 the People's Republic of China
"Independent Board Committees"	the Code Independent Board Committee and the LR Independent Board Committee
"Independent Financial Adviser"	Somerley Capital Limited, the independent financial adviser to the Independent Board Committees appointed in respect of the Partial Offer, the Option Offer and the Special Deal Agreements
"INEDs"	the independent non-executive Directors
"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
"Joint Announcement"	the announcement jointly published by the Offeror, the Company and Kerry Properties on 10 February 2021
"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
"KC"	Kerry Warehouse (Kwai Chung) Limited, a direct wholly-owned subsidiary of Warehouse Co (KC) and the legal owner of the KC Target Warehouse
"KCC"	Kerry Cargo Centre Limited, a direct wholly-owned subsidiary of Warehouse Co (KCC) and the legal owner of the KCC 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
"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
"Kerry Express Names"	"KERRY EXPRESS" as part of company name, trade name, internet domain names and social media handles
"Kerry Express Trademarks"	certain existing Kerry Express licensed trademarks
"Kerry Names"	"KERRY" as part of company name, trade name, internet domain names and social media handles
"Kerry Trademarks"	certain existing Kerry 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 announcement, excluding the Group)
"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
"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 the 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

"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
"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
"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
"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
"Optionholders"	the holder(s) of the Share Options
"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
"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 which, for the purpose of this announcement, shall exclude Hong Kong and the Macao Special Administrative Region of the People's Republic of China and Taiwan
"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
"Pre-Conditions"	the pre-conditions to the making of the Partial Offer and the Option Offer, as set out under the section headed "*Pre-Conditions to the Partial Offer and the Option Offer*" of the Joint Announcement
"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 Kerry Holdings Group"	Kerry Holdings and its subsidiaries, which for the purpose of the Framework Services Agreement, excludes the 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
"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
"Special Deal Agreements"	the Shareholders' Agreement, the Brand Licence Agreements, the Warehouses Sale Agreement, the Warehouses Management Agreements, the Taiwan Business Sale Agreement and the Framework Services Agreement
"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
"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 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
"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
"Taiwan Unlisted Business Companies"	Kerry Freight International Company Limited, Direct Logistics Company Limited, 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
"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
"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

"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
"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
"United States"	means 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"	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 announcement and the direct holding company of FL
"Warehouse Co (KC)"	Pola Company Limited, an indirect wholly-owned subsidiary of the Company as at the date of this announcement 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 announcement 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 announcement 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 announcement 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 announcement 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 announcement 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 announcement 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 announcement 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
"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 Vendor"	Kerry Warehouse (HK) Holdings Limited, a wholly-owned subsidiary of the Company

"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
"%"	per cent.

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

Hong Kong, 25 March 2021

As at the date of this announcement, the Directors are as follows:

Executive Directors:
Mr. KUOK Khoon Hua, Mr. MA Wing Kai William, Mr. CHEUNG Ping Chuen Vicky and 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 and Mr. ZHANG Yi Kevin

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

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