
THIS COMPOSITE DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Kerry Logistics Network Limited, you should at once hand this Composite Document and the accompanying Form of Approval and Acceptance to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or registered institution in securities, or other agent through whom the sale or transfer was effected, for transmission to the purchaser(s) or the transferee(s).

This Composite Document should be read in conjunction with the accompanying Form of Approval and Acceptance and Form of Option Offer Acceptance, the contents of which form part of the terms and conditions of the Offers.

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this Composite Document and the accompanying Form of Approval and Acceptance and Form of Option Offer Acceptance, make no representation as to their accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Composite Document and the accompanying Form of Approval and Acceptance and Form of Option Offer Acceptance.



Flourish Harmony Holdings Company Limited

(Incorporated in the Cayman Islands with limited liability, an indirectly wholly-owned subsidiary of S.F. Holding Co., Ltd.)



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)
website: www.kln.com

Stock Code: 636

COMPOSITE DOCUMENT RELATING TO VOLUNTARY PARTIAL CASH OFFER AND PARTIAL OPTION OFFER BY J.P. MORGAN ON BEHALF OF THE OFFEROR TO ACQUIRE 931,209,117 SHARES IN THE SHARE CAPITAL OF THE COMPANY AND TO CANCEL 51.8% OUTSTANDING SHARE OPTIONS

J.P.Morgan

Financial adviser to the Offeror



Financial adviser to Kerry Holdings and
Kerry Properties



Financial adviser to the Company



BOC INTERNATIONAL

Financial adviser to Kerry Properties



SOMERLEY CAPITAL LIMITED

Independent financial adviser to the Code Independent Board Committee

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

A letter from J.P. Morgan containing, among other things, the details of the terms and conditions of the Offers is set out on pages 12 to 38 of this Composite Document. A letter from the Board is set out on pages 39 to 48 of this Composite Document. A letter from the Code Independent Board Committee containing its recommendation to the Shareholders and Optionholders in respect of the Offers is set out on pages 49 to 50 of this Composite Document. A letter from Somerley, the Independent Financial Adviser, containing its advice to the Code Independent Board Committee in respect of the Offers is set out on pages 51 to 82 of this Composite Document.

The procedures for approval, acceptance and settlement (where applicable) of the Offers are set out in Appendix I to this Composite Document and in the accompanying Form of Approval and Acceptance and Form of Option Offer Acceptance. Acceptances of the Offers should be received by the Share Registrar by no later than Thursday, 2 September 2021, being the First Closing Date, or such later time and/or date as the Offeror may decide and announce and the Executive may approve.

Any persons including, without limitation, custodians, nominees and trustees, who would, or otherwise intend to, forward this Composite Document and/or the accompanying Form of Approval and Acceptance and Form of Option Offer Acceptance to any jurisdiction outside of Hong Kong should read the sections headed "Important Notice" in this Composite Document and "Overseas Shareholders" in the letter from J.P. Morgan before taking any action. It is the responsibility of each Overseas Shareholder and Overseas Optionholder wishing to accept the Offers to satisfy himself, herself or itself as to full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required and the compliance with other necessary formalities or legal requirements. Overseas Shareholders and Overseas Optionholders are advised to seek professional advice on deciding whether to accept the Offers.

12 August 2021

CONTENTS

	<i>Page</i>
EXPECTED TIMETABLE	ii
IMPORTANT NOTICE	v
DEFINITIONS	1
LETTER FROM J.P. MORGAN	12
LETTER FROM THE BOARD	39
LETTER FROM THE CODE INDEPENDENT BOARD COMMITTEE	49
LETTER FROM SOMERLEY	51
APPENDIX I – FURTHER TERMS OF THE OFFERS	I-1
APPENDIX II – FINANCIAL INFORMATION OF THE GROUP	II-1
APPENDIX III – FINANCIAL INFORMATION OF THE OFFEROR PARENT	III-1
APPENDIX IV – PROPERTY VALUATION REPORTS	IV-1
APPENDIX V – GENERAL INFORMATION	V-1

EXPECTED TIMETABLE

The timetable set out below is indicative only and may be subject to change. Further announcement(s) will be jointly made by the Offeror and the Company as and when appropriate.

All references to time and dates contained in this Composite Document are to Hong Kong time and dates.

Despatch Date and the Offers open for acceptance	Thursday, 12 August 2021
Acceptance of the Partial Offer by the Relevant Controlling Shareholders under the Controlling Shareholders Irrevocable Undertakings (Note 1) and by the Executive Directors under the Executive Directors Irrevocable Undertakings (Note 2)	not later than Monday, 16 August 2021
Expected declaration of the Special Dividend	Tuesday, 17 August 2021
Record Date of the Special Dividend (assuming that the Partial Offer becomes or is declared unconditional in all respects by no later than the date falling 7 days following the Despatch Date)	Wednesday, 1 September 2021
Announcement of the level of acceptances of the Offers as at 4:00 p.m. on the trading day immediately prior to the Final Closing Date (assuming that the Partial Offer becomes or is declared unconditional in all respects by no later than the date falling 7 days following the Despatch Date) to be posted on the website of the Stock Exchange.	no later than 7:00 p.m. on Wednesday, 1 September 2021
First Closing Date (Note 3).	Thursday, 2 September 2021
Latest time and date for approval and acceptance of the Partial Offer by Shareholders and acceptance of the Option Offer by Optionholders on the First Closing Date (Note 4).	4:00 p.m. on Thursday, 2 September 2021
Latest time and date for the acceptance of the Offers (assuming that the Partial Offer becomes or is declared unconditional in all respects by no later than the date falling 7 days following the Despatch Date) (i.e. the Final Closing Date) (Note 4)	4:00 p.m. on Thursday, 2 September 2021
Announcement of the results of the Offers as at the First Closing Date to be posted on the website of the Stock Exchange (Note 3)	no later than 7:00 p.m. on Thursday, 2 September 2021

EXPECTED TIMETABLE

Announcement of the results of the Offers as at the Final Closing Date
to be posted on the website of the Stock Exchange
(assuming that the Partial Offer becomes or is declared
unconditional in all respects by no later than the date falling
7 days following the Despatch Date) (*Note 5*)no later than 7:00 p.m. on
Thursday, 2 September 2021

Designated agent commences providing matching services
for sale and purchase of odd lot holdings of Shares (assuming that
the Partial Offer becomes or is declared unconditional in all respects by
no later than the date falling 7 days following the Despatch Date) 9:00 a.m. on
Friday, 3 September 2021

Latest date for posting of remittances for amounts due in respect
of valid acceptances received under the Offers at or before
4:00 p.m. on the Final Closing Date (assuming that
the Partial Offer becomes or is declared unconditional in
all respects by no later than the date falling 7 days
following the Despatch Date) (*Note 6*)Monday, 13 September 2021

Designated agent ceases providing matching services
for sale and purchase of odd lot holdings of Shares (assuming that
the Partial Offer becomes or is declared unconditional in all respects by
no later than the date falling 7 days following the Despatch Date) 4:00 p.m. on
Friday, 8 October 2021

Latest time and date by which the Partial Offer can become or
be declared unconditional as to acceptances (*Note 4*). 7:00 p.m. on Monday, 11 October 2021

Notes:

1. The Relevant Controlling Shareholders have (subject to the terms of the Controlling Shareholders Irrevocable Undertakings) irrevocably and unconditionally undertaken to duly accept or procure acceptance of the Partial Offer in accordance with its terms in respect of an aggregate of 575,545,164 Shares (representing (i) approximately 31.9% of the Shares in issue as at the Latest Practicable Date, (ii) approximately 31.8% of the Shares in issue as at the Latest Practicable Date on a Fully-Diluted Basis, and (iii) approximately 50.7% of the Shares held by the Controlling Shareholders as at the Latest Practicable Date on a Fully-Diluted Basis), as soon as possible after the commencement of the Acceptance Period and in any event no later than the third Business Day of the Acceptance Period. For the avoidance of doubt, the Relevant Controlling Shareholders may tender more Shares for acceptance than are required under the Controlling Shareholders Irrevocable Undertakings depending on the level of acceptances under the Partial Offer (as may be publicly announced by the Offeror from time to time, such as (i) after trading hours on the trading day immediately prior to the Final Closing Date and (ii) at such other times during the Acceptance Period as the Offeror may decide, after consultation with the Executive) and/or may be required to sell Shares pursuant to the Placing Agreements.
2. The Executive Directors have each (subject to the terms of the Executive Directors Irrevocable Undertakings) irrevocably and unconditionally undertaken to duly accept or procure acceptance of the Partial Offer in accordance with its terms in respect of an aggregate of 18,957,330 Shares (representing (i) approximately 1.0% of the Shares in issue as at the Latest Practicable Date, (ii) approximately 1.0% of the Shares in issue as at the Latest Practicable Date on a Fully-Diluted Basis, and (iii) approximately 50.1% of the Shares held by the Executive Directors as at the Latest Practicable Date on a Fully-Diluted Basis (excluding any unvested Share awards for the Relevant Directors)), as soon as possible after the commencement of the Acceptance Period and in any event no later than the third Business Day of the Acceptance Period. For the avoidance of doubt, the Executive Directors may tender more Shares for acceptance

EXPECTED TIMETABLE

than as required under the Executive Directors Irrevocable Undertakings depending on the level of acceptances under the Partial Offer as may be publicly announced by the Offeror from time to time, such as (i) after trading hours on the trading day immediately prior to the Final Closing Date and (ii) at such other times during the Acceptance Period as the Offeror may decide, after consultation with the Executive.

3. Where the Offers have not become or been declared unconditional as to acceptances by no later than the date falling 21 days following the Despatch Date, the Offeror may extend the closing date of the Offers in accordance with the Takeovers Code. The latest time for receipt of approvals of the Partial Offer and acceptances under the Offers will be 4:00 p.m. on the First Closing Date unless the Offeror revises or extends the Offers in accordance with the Takeovers Code. The Offeror and the Company will issue a joint announcement on the Stock Exchange's website by 7:00 p.m. on the First Closing Date, stating the results of the Offers and whether the Offers have been revised or extended, have expired or have become or been declared unconditional in all respects. Where the Offers have become or been declared unconditional, the Offers will remain open for acceptance for not less than 14 days thereafter in accordance with the Takeovers Code.
4. If the Partial Offer becomes or is declared unconditional in all respects by no later than the date falling 7 days following the Despatch Date, the Offeror shall be entitled to make an announcement to the effect that the Offers will close for acceptance on the date falling 21 days following the Despatch Date. Where the Offers have become or been declared unconditional in all respects, the Offers will remain open for acceptance for not less than 14 days thereafter in accordance with the Takeovers Code, but cannot be further extended. In accordance with the Takeovers Code, except with the consent of the Executive, the Partial Offer may not become or be declared unconditional as to acceptances after 7:00 p.m. on the 60th day after the day this Composite Document was posted. Accordingly, unless the Partial Offer has previously become unconditional as to acceptances, the Offers will lapse after 7:00 p.m. on Monday, 11 October 2021, unless extended with the consent of the Executive.

Beneficial owners of Shares who hold their Shares in CCASS directly as an investor participant or indirectly via a broker or custodian participant should note the timing requirements (set out in Appendix I) for causing instructions to be given to CCASS in accordance with the General Rules of CCASS and CCASS Operational Procedures.

5. The announcement will be jointly issued by the Offeror and the Company, and will comply with the disclosure requirements under Rule 19.1 and Note 7 to Rule 19 of the Takeovers Code and will include, among other things, the results of the Offers and details of the way in which the pro rata entitlement for each Accepting Shareholder was determined.
6. Remittances in respect of the Offer Shares accepted and taken up by the Offeror under the Partial Offer (after deducting seller's ad valorem stamp duty) will be posted to the relevant Accepting Shareholders by ordinary post at their own risk as soon as possible, but in any event within 7 Business Days following the Final Closing Date. Remittances in respect of the Share Options tendered for acceptance and taken up by the Offeror under the Option Offer will be posted to the relevant Optionholders by ordinary post at their own risk as soon as possible, but in any event within 7 Business Days following the Final Closing Date.

IMPORTANT NOTICE

NOTICE TO OVERSEAS SHAREHOLDERS AND OVERSEAS OPTIONHOLDERS

United States

The Offers are being made for the securities of a company incorporated in the British Virgin Islands and continued into Bermuda as an exempted company with limited liability, and are subject to Bermuda and Hong Kong disclosure requirements, which are different from those of the United States. The financial information included in the relevant documentation, including this Composite Document, may not be comparable to financial information of U.S. companies or companies whose financial statements are prepared in accordance with generally accepted accounting principles in the United States.

The Offers will be made in the United States pursuant to the applicable U.S. tender offer rules or certain available exemptions or exceptions therefrom and otherwise in accordance with the requirements of the SFO and the Takeovers Code. Accordingly, the Offers will be subject to disclosure and other procedural requirements, including with respect to withdrawal rights, offer timetable, settlement procedures and timing of payments that are different from those applicable under U.S. domestic tender offer procedures and law.

The receipt of cash pursuant to the Offers by a U.S. holder of Shares may be a taxable transaction for U.S. federal income tax purposes and under applicable state and local, as well as foreign and other tax laws. Each holder of Shares and Optionholder is urged to consult his/her/its independent professional adviser immediately regarding the tax consequences of acceptance of the Offers.

U.S. holders of Shares and Optionholders may encounter difficulty enforcing their rights and any claims arising out of the U.S. federal securities laws, as each of the Offeror and the Company are located in a country outside the United States and some or all of their officers and directors may be residents of a country other than the United States. U.S. holders of Shares and Optionholders may not be able to sue a non-U.S. company or its officers or directors in a non-U.S. court for violations of the U.S. securities laws. Further, U.S. holders of Shares may encounter difficulty compelling a non-U.S. company and its affiliates to subject themselves to a U.S. court's judgment.

In compliance with and to the extent permitted under the Takeovers Code and Rule 14e-5(b) of the U.S. Exchange Act, J.P. Morgan or its affiliates, may from time to time make certain purchases of, or arrangements to purchase, shares or other securities of the Company, other than pursuant to such Offers, before or during the period in which such Offers would remain open for acceptance. These purchases may occur either in the open market at prevailing prices or in private transactions at negotiated prices. Any information about such purchases will be reported to the SFC and, to the extent required to be made public under the Takeovers Code, will be available on the website of the SFC at <http://www.sfc.hk>.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Composite Document contains forward-looking statements, which may be identified by words such as "believe", "expect", "anticipate", "intend", "plan", "seek", "estimate", "will", "would" or words of similar meaning, that involve risks and uncertainties, as well as assumptions. All statements other than statements of historical fact are statements that could be deemed forward-looking statements. The forward-looking statements included herein are made only as at the Latest Practicable Date. The Offeror and the Company assume no obligation to correct or update the forward-looking statements or opinions contained in this Composite Document, except as required pursuant to applicable laws or regulations, including but not limited to the Listing Rules and/or the Takeovers Code.

IMPORTANT NOTICE

ENQUIRIES CONCERNING ADMINISTRATIVE MATTERS

If you have any questions concerning administrative matters, such as dates, documentation and procedures relating to the Partial Offer or the Option Offer, please call the enquiry hotline of the Share Registrar at its enquiry hotline at (852) 2980 1333 during the period between 9:00 a.m. and 4:30 p.m. (Hong Kong time) from Mondays to Fridays (other than public holidays).

The enquiry hotline cannot and will not provide any advice on the merits of the Partial Offer or the Option Offer or give any financial or legal advice. If you are in doubt as to the content of this Composite Document, any aspect of the Partial Offer or the Option Offer or any action to be taken, you are encouraged to consult a licensed securities dealer or registered institution in securities, stockbroker, bank manager, solicitor, professional accountant or other professional adviser and obtain independent professional advice.

DEFINITIONS

In this Composite Document, the following expressions have the meanings set out below unless the context requires otherwise:

“Acceptance Period”	the period in which the Partial Offer is open for acceptance
“Accepting Shareholder(s)”	Shareholder(s) accepting the Partial Offer
“acting in concert”	has the meaning given to it under the Takeovers Code
“ASEAN”	the Association of Southeast Asian Nations
“associate(s)”	has the meaning given to it under the Takeovers Code
“Board”	the board of Directors
“Brand Licensing”	the grant of a licence by the Licensor to each of the Company and KE Thailand, and the right to sub-license to certain of their respective subsidiaries and certain existing pre-approved invested entities of the Company for the use of the Kerry Trademarks, the Kerry Names, the Kerry Express Trademarks and the Kerry Express Names (as the case may be)
“Brand Licence Agreements”	the definitive brand licence agreements entered into between the Licensor and each of the Company and KE Thailand in respect of Brand Licensing dated 25 March 2021
“Business Day(s)”	a day on which the Stock Exchange is open for the transaction of business
“CCASS”	the Central Clearing and Settlement System
“close associate(s)”	has the meaning given to it under the Listing Rules
“Closing Date”	the First Closing Date 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

DEFINITIONS

“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)
“Composite Document”	this composite offer document jointly issued by the Offeror and the Company in connection with the Partial Offer and the Option Offer in compliance with the Takeovers Code
“concert parties”	with respect to a person, parties acting in concert or presumed to be acting in concert with that person for the purposes of the Takeovers Code
“Conditions”	the conditions to which the Partial Offer is subject, as set out under the section headed “Conditions of the Partial Offer” in the letter from J.P. Morgan in this Composite Document
“Controlling Shareholders”	Kerry Holdings, Kerry Group Limited and their respective subsidiaries which hold Shares, being Kerry Properties, Alpha Model Limited, Bright Magic Investments Limited, Ace Time Holdings Limited, Macromind Investments Limited, Marsser Limited, Noblespirit Corporation, Summer Fort Limited, Caninco Investments Limited, Darmex Holdings Limited, Glory Voice International Limited, Moslane Limited, Paruni Limited, Ban Thong Company Limited, Desert Grove Limited, Kerry Asset Management Limited, Star Medal Limited and Total Way Investments Limited
“Controlling Shareholders Close Associates”	close associates of the Controlling Shareholders, which as at the Latest Practicable Date, comprised (i) Shang Holdings Limited, a company which is indirectly owned as to more than 30% by Kerry Holdings; and (ii) Pristine Holdings Limited and Rosy Frontier Limited, each of which is an investment company of a discretionary trust of which Kerry Group Limited and Mr KUOK Khoon Hua (an Executive Director) are discretionary beneficiaries
“Controlling Shareholders Group”	the Controlling Shareholders, together with the Controlling Shareholders Close Associates
“Controlling Shareholders Irrevocable Undertakings”	the irrevocable undertakings executed by the Relevant Controlling Shareholders in favour of the Offeror dated 30 March 2021
“Despatch Date”	the date of despatch of this Composite Document to the Shareholders as required by the Takeovers Code
“Director(s)”	director(s) of the Company for the time being

DEFINITIONS

“Encumbrance”	any encumbrance including any mortgage, pledge, charge, lien, deposit or assignment by way of security, bill of sale, right to acquire, option or right of pre-emption, beneficial ownership (including usufruct and similar entitlements), any provisional or executorial attachment and any other interest or right of any nature held, or claim that could be raised, by a third party, and any agreement, commitment or right to give, create or enforce any of the foregoing
“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
“Executive Directors Close Associates”	close associates of the Executive Directors, which as at the Latest Practicable Date, comprised (i) Peacebright Assets Limited, an investment company of a discretionary trust of which Mr KUOK Khoon Hua is a discretionary beneficiary; and (ii) Lochtenny Investments Limited, an investment company of a discretionary trust of which Mr KUOK Khoon Hua and Mr MA Wing Kai William are discretionary beneficiaries. Each of Mr KUOK Khoon Hua and Mr MA Wing Kai William are Directors
“Executive Directors Irrevocable Undertakings”	the irrevocable undertakings executed by the Executive Directors in favour of the Offeror dated 30 March 2021
“Facility”	the term loan facility of up to HK\$18,000,000,000 under the Facility Agreement
“Facility Agreement”	the facility agreement dated 9 February 2021 and made between SF Holding Limited as borrower, JPMorgan Chase Bank, N.A. acting through its Hong Kong Branch as mandated lead arranger and bookrunner, the financial institutions listed therein as original lenders and JPMorgan Chase Bank, N.A., acting through its Singapore Branch as agent (as it has been or may from time to time be amended, novated, supplemented, extended or restated)
“Final Closing Date”	the date which is (i) the 14th day after the date on which the Partial Offer becomes or is declared unconditional in all respects 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

DEFINITIONS

“First Closing Date”	the date stated in this 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
“Form of Approval and Acceptance”	the form of approval and acceptance in respect of the Partial Offer accompanying this Composite Document
“Form of Option Offer Acceptance”	the form of acceptance in respect of the Option Offer accompanying this Composite Document
“Framework Services Agreement”	the framework services agreement dated 25 March 2021 entered into between the Company and Kerry Holdings for services to be provided in relation to the Warehouses Sale and the Taiwan Business Sale, as amended pursuant to an amendment agreement dated 30 April 2021
“Fully-Diluted Basis”	(in the context of the number of Shares in issue) means such number of Shares on the assumption that all the outstanding Share Options have been exercised in full
“FY2020”	the financial year ended 31 December 2020
“FY2020 Final Dividend”	any final dividend declared, paid or made in the ordinary course for FY2020
“FY2020 Final Dividend Threshold”	up to 35% of the annual core net profit as disclosed in the annual report of the Company for FY2020 minus the interim dividend declared and paid for FY2020
“FY2021”	the financial year ending 31 December 2021
“FY2021 Interim Dividend”	any interim dividend declared, paid or made in the ordinary course for FY2021
“FY2021 Interim Dividend Threshold”	up to 25% of the interim core net profit as disclosed in the interim report of the Company for the six months ended 30 June 2021
“Greater China”	for the purpose of this Composite Document, the Mainland China, Hong Kong, Macau and Taiwan
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

DEFINITIONS

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HSBC”	The Hongkong and Shanghai Banking Corporation Limited, financial adviser to the Company in respect of the Partial Offer. HSBC is a registered institution under the SFO, registered to carry on Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO and a licensed bank under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)
“Independent Shareholders”	Shareholders other than any Shareholders who are involved in or interested in the Special Deal Agreements, and their respective associates (as defined in the Listing Rules) and any persons acting in concert with any of them
“INEDs”	the independent non-executive Directors
“Irrevocable Undertakings”	the Controlling Shareholders Irrevocable Undertakings and the Executive Directors Irrevocable Undertakings
“J.P. Morgan”	J.P. Morgan Securities (Asia Pacific) Limited, the financial adviser to the Offeror. J.P. Morgan is a registered institution under the SFO, licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 7 (providing automated trading services) regulated activities under the SFO
“Joint Announcement”	the announcement jointly published by the Offeror, the Company and Kerry Properties on 10 February 2021
“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 Holdings”	Kerry Holdings Limited, one of the Controlling Shareholders
“Kerry Names”	“KERRY” as part of company name, trade name, internet domain names and social media handles
“Kerry Properties”	Kerry Properties Limited, an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 683) and one of the Controlling Shareholders

DEFINITIONS

“Kerry Trademarks”	certain existing Kerry licensed trademarks
“KE Thailand”	the Company’s Thailand-listed subsidiary, Kerry Express (Thailand) Public Company Limited, the shares of which are listed on The Stock Exchange of Thailand (Stock Code: KEX)
“Last Trading Day”	4 February 2021, being the last trading day for the Shares immediately before the publication of the Joint Announcement
“Latest Practicable Date”	9 August 2021, being the latest practicable date prior to the despatch of this Composite Document for the purpose of ascertaining certain information contained herein
“Licensor”	Kuok Registrations Limited, being a fellow subsidiary of Kerry Holdings
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	9 August 2021, or such other date as the Offeror and the Controlling Shareholders may agree in writing
“Macau”	the Macao Special Administrative Region of the PRC
“Mainland China”	the PRC, excluding, for the purpose of this Composite Document, Hong Kong, Macau and Taiwan
“Offeror”	Flourish Harmony Holdings Company Limited, a company incorporated in the Cayman Islands, which is indirectly wholly-owned by the Offeror Parent
“Offeror Parent”	S.F. Holding Co., Ltd., a joint stock company incorporated in the PRC with limited liability, the shares of which are listed on the Shenzhen Stock Exchange (Stock Code: 002352.SZ)
“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, the Founder and Chairman of the Offeror Parent
“Offer Period”	has the meaning given to it under the Takeovers Code

DEFINITIONS

“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
“Offers”	the Partial Offer and the Option Offer
“Optionholders”	the holder(s) of the Share Options
“Option Offer”	the appropriate partial offer 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
“Option Offer Price”	HK\$8.60 for cancellation of each Share Option
“Overseas Optionholder(s)”	the Optionholder(s) whose address(es) as shown on the register of Optionholders is/are outside Hong Kong
“Overseas Shareholder(s)”	the Shareholder(s) whose address(es) as shown on the Register is/are outside Hong Kong
“Partial Offer”	the pre-conditional voluntary partial cash offer 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 this Composite Document, and in compliance with the Takeovers Code
“Placing Agreements”	the placing agreements dated 9 August 2021 entered into between Kerry Properties, Darmex Holdings Limited (each being a member of the Controlling Shareholders) and the respective places
“PRC”	the People’s Republic of China
“Pre-Conditions”	the pre-conditions to the making of the Partial Offer and the Option Offer, as set out in the Joint Announcement
“Qualifying Shareholder”	each Shareholder other than the Offeror or any parties acting, or presumed to be acting, in concert with it, including the Controlling Shareholders, Mr KUOK Khoon Hua, Mr MA Wing Kai William, Mr CHEUNG Ping Chuen Vicky and Mr NG Kin Hang (being all the Executive Directors), the Controlling Shareholders Close Associates and the Executive Directors Close Associates, and “Qualifying Shareholders” shall be construed accordingly

DEFINITIONS

“Record Date”	means the date immediately prior to the Final Closing Date, being the record date for determining Shareholders’ entitlement to the Special Dividend
“Register”	the register of members of the Company
“Relevant Authority”	any government, governmental, quasi-governmental, statutory or regulatory body, court or agency in any jurisdiction
“Relevant Controlling Shareholders”	all the Controlling Shareholders which directly hold Shares (being all the Controlling Shareholders other than Kerry Holdings and Kerry Group Limited)
“Relevant Directors”	the directors of the Company and its subsidiaries
“Relevant Period”	the period commencing on 9 August 2020 (i.e. the date falling six months prior to 9 February 2021, being the commencement date of the Offer Period), and up to the Latest Practicable Date (both dates inclusive)
“relevant securities”	has the meaning given to it under Note 4 to Rule 22 of the Takeovers Code
“rights over shares”	has the meaning given to it under the Takeovers Code
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“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 Share Option Scheme, where one Share Option represents the right to subscribe for one Share with an exercise price of HK\$10.20 for each Share
“Share Option Scheme”	the pre-IPO share option scheme adopted by the Company on 25 November 2013
“Share Registrar”	Tricor Investor Services Limited, whose address is situated at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong
“Shareholder”	a holder of any Shares, and “Shareholders” shall be construed accordingly

DEFINITIONS

“Shareholders’ Agreement”	the shareholders’ agreement entered into between the Offeror and certain members of the Controlling Shareholders Group 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 dated 10 February 2021
“Somerley” or “Independent Financial Adviser”	Somerley Capital Limited, a corporation licensed to carry out type 1 regulated activity (dealing in securities) and type 6 regulated activity (advising on corporate finance) under the SFO, being the independent financial adviser to the Code Independent Board Committee and the Independent Shareholders in relation to the Offers and the Special Deal Agreements
“Special Deal Agreements”	the Warehouses Sale Agreement, the Warehouses Management Agreements, the Taiwan Business Sale Agreement, the Brand Licence Agreements, the Shareholders’ Agreement and the Framework Services Agreement
“Special 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
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	has the meaning given to it under the Listing Rules
“substantial shareholder”	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 hold approximately 49.7% shareholding interest in the Taiwan Listco
“Taiwan Business Sale”	the proposed sale of the Taiwan Business by the Company to Treasure Seeker Group Limited, an indirectly wholly-owned subsidiary of Kerry Holdings, pursuant to the Taiwan Business Sale Agreement
“Taiwan Business Sale Agreement”	the sale agreement entered into between the Company and Treasure Seeker Group Limited, an indirectly wholly-owned subsidiary of Kerry Holdings, for the Taiwan Business Sale dated 25 March 2021

DEFINITIONS

“Taiwan Business Sale Continuing Conditions”	has the meaning given to it under the Joint Announcement
“Taiwan Business Sale Pre-Conditional Conditions”	has the meaning given to it under the Joint Announcement
“Taiwan Listco”	Kerry TJ Logistics Company Limited, a company listed on the Taiwan Stock Exchange (Stock Code: 2608.TW)
“Taiwan Target Companies”	Kerry Logistics (Taiwan) Investments Limited and Pan Asia Airlines Investment Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Target Warehouse Companies”	nine indirectly wholly-owned subsidiaries of the Company as at the date of the Joint Announcement, and each a direct or indirect owner of the Target Warehouses
“Target Warehouses”	all the landed properties directly or indirectly owned by the Target Warehouses Companies, which comprise of properties known as: (i) Kwai Chung Town Lot No. 326 (Nos. 4-6 Kwai Tai Road, Kwai Chung, New Territories, Hong Kong), (ii) Fanling Sheung Shui Town Lot No. 109, New Territories, Hong Kong, (iii) Fanling Sheung Shui Town Lot No. 45 and Fanling Sheung Shui Town Lot No. 46 (No. 39 On Lok Mun Street, Fanling, New Territories, Hong Kong), (iv) Kwai Chung Town Lot No. 455 (No. 55 Wing Kei Road, Kwai Chung, New Territories, Hong Kong), (v) Kwai Chung Town Lot No. 452 (No. 3 Shing Yiu Street, Kwai Chung, New Territories, Hong Kong), (vi) Kwai Chung Town Lot No. 437 (No. 35 Wing Kei Road, Kwai Chung, New Territories, Hong Kong), (vii) 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, (viii) 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, and (ix) 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
“United States”	the United States of America, its territories and possessions, any State of the United States and the District of Columbia
“Unlisted Taiwan Business”	the international freight forwarding and coffee trading business in Taiwan

DEFINITIONS

“Warehouses Management”	the provision of building management services, leasing management services, operation of warehouses facilities and other related services including accounting, IT support, human resources and administration in relation to the Target Warehouses
“Warehouses Management Agreements”	the definitive management agreements entered into among the owners of the Target Warehouses and the Warehouses Manager for the Warehouses Management services dated 25 March 2021, and each as amended pursuant to amendment agreements dated 30 April 2021
“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
“Warehouses Sale”	the sale of the entire issued share capital of each of the Target Warehouse Companies by Kerry Warehouse (HK) Holdings Limited (a wholly-owned subsidiary of the Company) to Urban Treasure Holdings Limited (a wholly-owned subsidiary of Kerry Holdings)
“Warehouses Sale Agreement”	the sale agreement entered into among the Company, Kerry Warehouse (HK) Holdings Limited (a wholly-owned subsidiary of the Company), Kerry Holdings and its wholly-owned subsidiary, Urban Treasure Holdings Limited, for the Warehouses Sale dated 25 March 2021
“%”	per cent

J.P.Morgan

12 August 2021

To Shareholders and Optionholders

Dear Sir or Madam,

**VOLUNTARY PARTIAL CASH OFFER AND PARTIAL OPTION OFFER BY
J.P. MORGAN ON BEHALF OF THE OFFEROR TO ACQUIRE 931,209,117 SHARES
IN THE SHARE CAPITAL OF THE COMPANY AND TO CANCEL
51.8% OUTSTANDING SHARE OPTIONS**

INTRODUCTION

Pursuant to the Joint Announcement jointly published by the Offeror, the Company and Kerry Properties on 10 February 2021, it was jointly announced that J.P. Morgan, on behalf of the Offeror, subject to the satisfaction or waiver (where applicable) of the Pre-Conditions, would make a voluntary conditional partial cash offer to Shareholders to acquire 931,209,117 Offer Shares (representing approximately 51.8% of the Shares in issue as at the date of the Joint Announcement and approximately 51.5% of the Shares in issue as at the date of the Joint Announcement on a Fully-Diluted Basis), at the Offer Price of HK\$18.80 per Offer Share. The Offeror would extend an appropriate partial offer to the Optionholders to cancel such number of Share Options representing 51.8% of the outstanding Share Options as at the Final Closing Date (i.e. the record date for determining the number of Share Options to be taken up by the Offeror under the Option Offer) (which, for illustrative purposes, is equal to 1,272,622 Share Options based on the number of outstanding Share Options as at the Latest Practicable Date) pursuant to Rule 13 of the Takeovers Code.

On 9 August 2021, the Offeror and the Company jointly announced that the Pre-Conditions had been satisfied (or, where applicable, waived).

This letter forms part of the Composite Document and sets out certain background information of the Offeror, the reasons for making the Offers and the intentions of the Offeror in relation to the Company. The terms of the Offers are set out in this letter, Appendix I to the Composite Document and in the accompanying Form of Approval and Acceptance and Form of Option Offer Acceptance.

Your attention is drawn to the letter from the Board on pages 39 to 48, the letter from the Code Independent Board Committee on pages 49 to 50 and the letter from Somerley on pages 51 to 82 in the Composite Document.

LETTER FROM J.P. MORGAN

THE PARTIAL OFFER AND THE OPTION OFFER

Partial Offer

The Partial Offer is being made by J.P. Morgan, on behalf of the Offeror, on the following basis:

For each Offer ShareHK\$18.80 in cash

Offer Price plus Special Dividend per Offer Share taken up by the Offeror under the Partial Offer

In addition to the Offer Price, conditional on completion of the Warehouses Sale (which is conditional upon, amongst other conditions, the Partial Offer becoming or being declared unconditional in all respects), the Company will declare the Special Dividend of HK\$7.28 per Share.

Therefore, the Offer Price plus Special Dividend received by a Shareholder for every Share in respect of which that Shareholder validly accepts the Partial Offer and which is taken up by the Offeror under the Partial Offer would be HK\$26.08, comprising the Offer Price of HK\$18.80 per Share taken up by the Offeror and the Special Dividend of HK\$7.28 per Share. For the avoidance of doubt, whether or not a Shareholder tenders any Share for the acceptance of the Partial Offer, conditional on completion of the Warehouses Sale (which is conditional upon, amongst other conditions, the Partial Offer becoming or being declared unconditional in all respects), every Shareholder as at the Record Date will receive the Special Dividend. If the Partial Offer lapses, or if, after the Partial Offer becomes or is declared unconditional in all respects, the Warehouses Sale Agreement does not complete because the Company, the Controlling Shareholders or their respective subsidiaries breach their respective closing obligations in the Warehouses Sale Agreement, the Special Dividend will not be paid.

The Company, the Controlling Shareholders and their respective subsidiaries have no intention of breaching their respective closing obligations in the Warehouses Sale Agreement.

If, after the date of the Joint Announcement, any dividend or other distribution (other than (i) the Special Dividend, (ii) the FY2020 Final Dividend the amount of which shall not exceed the FY2020 Final Dividend Threshold or (iii) the FY2021 Interim Dividend the amount of which shall not exceed the FY2021 Interim Dividend Threshold) is declared, paid, made or agreed to be paid or made in respect of the Shares, the Offeror reserves the right to reduce the Offer Price and the Option Offer Price by an amount equal to the amount of such dividend or other distribution (and, in the case of (ii), the portion of the FY2020 Final Dividend in excess of the FY2020 Final Dividend Threshold and, in the case of (iii), the portion of the FY2021 Interim Dividend in excess of the FY2021 Interim Dividend Threshold) per Share, after consultation with the Executive.

The Offer Price was determined on a commercial basis after taking into account, among other things, the value of the Company after the completion of the Warehouses Sale and the Taiwan Business Sale, the payment of the Special Dividend, as well as the historical prices of the Shares traded on the Stock Exchange.

LETTER FROM J.P. MORGAN

Option Offer

The Option Offer is being made by J.P. Morgan, on behalf of the Offeror, to cancel such number of Share Options representing 51.8% of the outstanding Share Options as at the Final Closing Date (i.e. the record date for determining the number of Share Options to be taken up by the Offeror under the Option Offer) (which, for illustrative purposes, is equal to 1,272,622 Share Options based on the number of outstanding Share Options as at the Latest Practicable Date) on the following basis:

For cancellation of each Share Option HK\$8.60 in cash

As all the Share Options are in-the-money, the Option Offer Price represents the difference between the Offer Price and the exercise price of HK\$10.20 of the Share Options.

The Partial Offer and the Option Offer are made in compliance with the Takeovers Code.

Conditions of the Partial Offer

The Partial Offer is subject to the fulfilment of the following conditions:

- (i) valid acceptances of the Partial Offer being received in respect of 931,209,117 Offer Shares for the Partial Offer by 4:00 p.m. on or prior to the First Closing Date (or such later time(s) and/or date(s) as the Offeror may decide and the Executive may approve);
- (ii) approval of the Partial Offer pursuant to Rule 28.5 of the Takeovers Code by Qualifying Shareholders who are registered as Shareholders in the Register as at the First Closing Date holding over 50% of the Shares not held by the Offeror and parties acting in concert with it, signified by means of a separate tick box on the Form of Approval and Acceptance specifying the number of Shares in respect of which the Partial Offer is approved;
- (iii) (a) there having been no imposition by any Relevant Authority (and no written notification has been received from any Relevant Authority of its proposed imposition and there has been no indication, as agreed by the Offeror and the Company acting reasonably and in good faith, that there would be such imposition) of any injunction, regulatory penalty, fine, punishment or other civil penalty on any member of the Offeror Parent Group, the Group or the Controlling Shareholders Group, which has materially adversely affected or would materially adversely affect the Offeror Parent Group's, the Group's or the Controlling Shareholders Group's ongoing business operations; and (b) no criminal penalty having been imposed and no regulatory investigation having been made on any member of the Offeror Parent Group, the Group, the Controlling Shareholders Group or any of their respective officers or employees; and
- (iv) all Taiwan Business Sale Continuing Conditions under the Taiwan Business Sale Agreement having been satisfied.

LETTER FROM J.P. MORGAN

Save for Conditions (iii) and (iv) which are waivable by the Offeror with the prior written consent of the Company, none of the Conditions may be waived. Condition (iv) is not considered subjective given that: (a) as a Pre-Condition, each of the Taiwan Business Sale Pre-Conditional Conditions will have been satisfied (or, in the case of the Taiwan Business Sale Pre-Conditional Conditions set out in paragraphs (i)(c), (i)(d) and (i)(e) in the section of the Joint Announcement headed "*Proposed Sale of the Taiwan Business*", waived); and (b) none of the Taiwan Business Sale Continuing Conditions depends on judgements by the Offeror or the Company (or any of their respective concert parties) or the fulfilment of which is in their respective hands.

Pursuant to Note 2 to Rule 30.1, the Offeror will not invoke any of the Conditions, other than Conditions (i) and (ii) above, so as to cause the Partial Offer to lapse unless the circumstances which give rise to the right to invoke the Condition are of material significance to the Offeror in the context of the Partial Offer.

The Option Offer will only become unconditional if the Partial Offer becomes or is declared unconditional in all respects.

In the event that valid acceptances are received:

- (a) for less than 931,209,117 Shares by the First Closing Date, unless the First Closing Date is extended in accordance with the Takeovers Code, the Partial Offer will not proceed and will lapse immediately; or
- (b) for 931,209,117 Shares or more on or before the First Closing Date, the Offeror will declare the Partial Offer unconditional as to acceptances on or before the First Closing Date.

Each of the Relevant Controlling Shareholders has (subject to the terms of the Controlling Shareholders Irrevocable Undertakings which are set out in the section of this letter headed "*Irrevocable Undertakings*") irrevocably and unconditionally undertaken to duly accept or procure acceptance of the Partial Offer in accordance with its terms in respect of an aggregate of 575,545,164 Shares (representing (i) approximately 31.9% of the Shares in issue as at the Latest Practicable Date, (ii) approximately 31.8% of the Shares in issue as at the Latest Practicable Date on a Fully-Diluted Basis, and (iii) approximately 50.7% of the Shares held by the Controlling Shareholders as at the Latest Practicable Date on a Fully-Diluted Basis), as soon as possible after the commencement of the Acceptance Period and in any event no later than the third Business Day of the Acceptance Period. For the avoidance of doubt, the Relevant Controlling Shareholders may tender more Shares for acceptance than as required under the Controlling Shareholders Irrevocable Undertakings depending on the level of acceptances under the Partial Offer (as may be publicly announced by the Offeror from time to time, such as (i) after trading hours on the trading day immediately prior to the Final Closing Date and (ii) at such other times during the Acceptance Period as the Offeror may decide, after consultation with the Executive) and/or may be required to sell Shares pursuant to the Placing Agreements.

The Executive Directors have each (subject to the terms of the Executive Directors Irrevocable Undertakings which are set out in the section of this letter headed "*Irrevocable Undertakings*") irrevocably and unconditionally undertaken to duly accept or procure acceptance of the Partial Offer in accordance with its terms in respect of an aggregate of 18,957,330 Shares (representing (i) approximately 1.0% of the Shares in issue as at the Latest Practicable Date, (ii) approximately 1.0% of the Shares in issue as at the Latest Practicable Date on a Fully-Diluted Basis, and (iii) approximately 50.1% of the Shares held by the Executive Directors as at the Latest Practicable Date on a Fully-Diluted Basis (excluding any unvested Share awards for the Relevant Directors)), as soon as possible after the commencement of the Acceptance Period and in any event no later than the third Business Day of the Acceptance Period. For the avoidance of doubt, the Executive Directors may tender more Shares for acceptance than as required under the Executive Directors Irrevocable Undertakings depending on the level of acceptances under the Partial Offer as may be publicly announced by the Offeror from time to time, such as (i) after trading hours on the trading day immediately prior to the Final Closing Date and (ii) at such other times during the Acceptance Period as the Offeror may decide, after consultation with the Executive.

LETTER FROM J.P. MORGAN

Accordingly, if Shareholders (other than the Controlling Shareholders and the Executive Directors) tender less than 336,706,623 Shares (being the minimum number of Shares tendered by such Shareholders to allow the Partial Offer to become unconditional) by the First Closing Date (which is the date falling 21 days after the despatch of the Offer Document or as further extended in accordance with the Takeovers Code), the Partial Offer will not proceed and will lapse.

In the event that the Conditions are not fulfilled (or, where applicable, waived) by the First Closing Date (which is the date falling 21 days after the despatch of the Offer Document or as further extended in accordance with the Takeovers Code), the Partial Offer and the Option Offer will not proceed and will immediately lapse.

Pursuant to Rule 15.1 of the Takeovers Code, the Offers must initially be open for acceptance for at least 21 days following the Despatch Date.

Pursuant to Rule 15.3 of the Takeovers Code, where a conditional offer becomes or is declared unconditional (whether as to acceptances or in all respects), it should remain open for acceptances for not less than 14 days thereafter. Pursuant to the Takeovers Code, if the Partial Offer has been declared unconditional in all respects, the Offeror cannot extend the Final Closing Date to a day beyond the 14th day thereafter. Accordingly, if the Partial Offer is declared unconditional in all respects on or before the seventh day after the Despatch Date, then the Final Closing Date would be on (but no earlier than) the First Closing Date. If the Partial Offer is declared unconditional in all respects later than the seventh day after the Despatch Date, then the Final Closing Date would be 14 days after the date of such declaration.

WARNING: Shareholders and potential investors of the Company should note that the Partial Offer and the Option Offer are subject to the satisfaction of the Conditions. Accordingly, the Partial Offer and the Option Offer may or may not become unconditional. Shareholders and potential investors of the Company 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.

Under Rule 28.5 of the Takeovers Code, a partial offer which could result in the offeror holding 30% or more of the voting rights of a company must normally be conditional on the approval by shareholders holding over 50% of the voting rights not held by the offeror and parties acting in concert with it by means of signifying their approval on a separate box on the form of approval and acceptance.

The Controlling Shareholders, Mr KUOK Khoon Hua, Mr MA Wing Kai William, Mr CHEUNG Ping Chuen Vicky and Mr NG Kin Hang (being all the Executive Directors), the Controlling Shareholder Close Associates and the Executive Directors Close Associates are regarded as concert parties of the Offeror. None of them are Qualifying Shareholders nor are they entitled to indicate their approval of the Partial Offer under Rule 28.5 of the Takeovers Code.

LETTER FROM J.P. MORGAN

Pursuant to Rule 28.6 of the Takeovers Code, since the Offeror will be interested in more than 50% of the voting rights of the Company if the Partial Offer becomes unconditional in all respects, the Offeror will by then be free, subject to Rule 28.3 of the Takeovers Code (where the Offeror or its concert parties may not acquire voting rights of the Company during the 12 month period immediately following the end of the Offer Period, except with the consent of the Executive), to acquire further Shares without incurring any obligation to make a general offer.

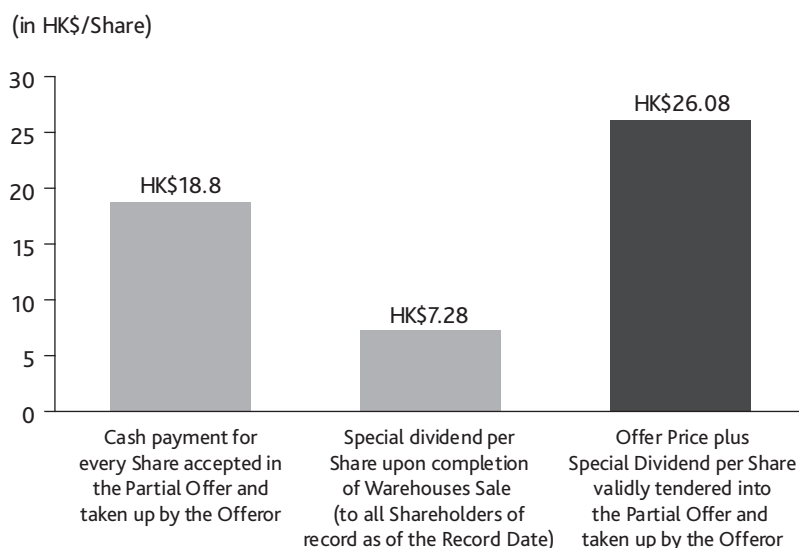
Whether or not the Shareholders accept the Partial Offer or, where applicable, the Option Offer, they may approve the Partial Offer AND specify the number of Shares in respect of which they signify their approval of the Partial Offer in the Form of Approval and Acceptance.

VALUE OF THE PARTIAL OFFER

Upon the Partial Offer becoming or being declared unconditional in all respects, each Shareholder:

- (i) will receive a payment of HK\$18.80 in cash for every Share in respect of which that Shareholder validly accepts the Partial Offer and which is taken up by the Offeror under the Partial Offer (less the seller's ad valorem stamp duty arising therefrom); and
- (ii) will receive the Special Dividend of HK\$7.28 per Share which each Shareholder holds as at the Record Date that the Company would declare for distributing substantially all of the proceeds from the Warehouses Sale upon the Warehouses Sale Agreement being completed (which is conditional upon, amongst other conditions, the Partial Offer becoming or being declared unconditional in all respects). For the avoidance of doubt, whether or not a Shareholder tenders any Share for the acceptance of the Partial Offer, conditional on completion of the Warehouses Sale (which is conditional upon, amongst other conditions, the Partial Offer becoming or being declared unconditional in all respects), every Shareholder as at the Record Date will receive the Special Dividend. If the Partial Offer lapses, or if, after the Partial Offer becomes or is declared unconditional in all respects, the Warehouses Sale Agreement does not complete because the Company, the Controlling Shareholders or their respective subsidiaries breach their respective closing obligations in the Warehouses Sale Agreement, the Special Dividend will not be paid.

The Company, the Controlling Shareholders and their respective subsidiaries have no intention of breaching their respective closing obligations in the Warehouses Sale Agreement.



LETTER FROM J.P. MORGAN

Comparison of value

The Offer Price of HK\$18.80 per Offer Share represents:

- (i) a discount of approximately 19.14% to the closing price of HK\$23.25 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 19.83% to the closing price of HK\$23.45 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a premium of approximately 0.70% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 5 consecutive trading days up to and including the Last Trading Day;
- (iv) a premium of approximately 7.79% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the Last Trading Day;
- (v) a premium of approximately 12.61% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 30 consecutive trading days up to and including the Last Trading Day;
- (vi) a premium of approximately 12.10% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 60 consecutive trading days up to and including the Last Trading Day;
- (vii) a premium of approximately 15.68% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 90 consecutive trading days up to and including the Last Trading Day;
- (viii) a premium of approximately 21.63% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 120 consecutive trading days up to and including the Last Trading Day;
- (ix) a premium of approximately 28.11% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 150 consecutive trading days up to and including the Last Trading Day;
- (x) a premium of approximately 34.69% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 180 consecutive trading days up to and including the Last Trading Day;
- (xi) a premium of approximately 23.52% over the audited consolidated net asset value per Share attributable to Shareholders of approximately HK\$15.22 as at 31 December 2020, calculated based on the audited consolidated net asset value attributable to Shareholders of approximately HK\$27,482,899,000 as at 31 December 2020 and 1,805,716,742 Shares as at the Latest Practicable Date; and
- (xii) a premium of approximately 57.49% over the adjusted net asset value per Share attributable to Shareholders of approximately HK\$11.94 as at 31 December 2020 (note 1).

Note:

1. *Details of the computation of the adjusted net asset value of the Group are set out in note 2 to the table in the sub-section headed "(a) Price performance of the Shares" in the section headed "3. Analysis of price performance and trading liquidity of the Shares" in the Letter from Somerley.*

LETTER FROM J.P. MORGAN

Shareholders and potential investors should note that the comparisons of the Offer Price to current and historical trading prices do not necessarily represent a fair comparison to demonstrate the premium of the Offer Price over the trading prices as the Offer Price does not include the value of the Target Warehouse Companies to be sold, which is embedded in the current and historical trading prices. For this reason, the comparisons of the Offer Price plus Special Dividend to current and historical trading prices are included below in order to present a more meaningful comparison to the Shareholders and potential investors.

The Offer Price plus Special Dividend of HK\$26.08 for every Share in respect of which a Shareholder validly accepts the Partial Offer and which is taken up by the Offeror under the Partial Offer (being the Offer Price plus the Special Dividend which every Shareholder as at the Record Date will receive whether or not he/she/it tenders any Share for the acceptance of the Partial Offer, provided that the Warehouses Sale has been completed and the Partial Offer has become unconditional in all respects) represents:

- (i) a premium of approximately 12.17% over the closing price of HK\$23.25 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a premium of approximately 11.22% over the closing price of HK\$23.45 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a premium of approximately 39.69% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 5 consecutive trading days up to and including the Last Trading Day;
- (iv) a premium of approximately 49.53% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the Last Trading Day;
- (v) a premium of approximately 56.22% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 30 consecutive trading days up to and including the Last Trading Day;
- (vi) a premium of approximately 55.51% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 60 consecutive trading days up to and including the Last Trading Day;
- (vii) a premium of approximately 60.47% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 90 consecutive trading days up to and including the Last Trading Day;
- (viii) a premium of approximately 68.72% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 120 consecutive trading days up to and including the Last Trading Day;
- (ix) a premium of approximately 77.72% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 150 consecutive trading days up to and including the Last Trading Day;
- (x) a premium of approximately 86.85% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 180 consecutive trading days up to and including the Last Trading Day; and

LETTER FROM J.P. MORGAN

- (xi) a premium of approximately 71.35% over the audited consolidated net asset value per Share attributable to Shareholders of approximately HK\$15.22 as at 31 December 2020, calculated based on the audited consolidated net asset value attributable to Shareholders of approximately HK\$27,482,899,000 as at 31 December 2020 and 1,805,716,742 Shares as at the Latest Practicable Date.

The Offer Price plus Special Dividend will only be received by a Shareholder for each Share which is tendered for acceptance into the Partial Offer and validly accepted and taken up by the Offeror under the Partial Offer. For those Shares which are not tendered for acceptance or which are tendered but not accepted or taken up by the Offeror under the Partial Offer, no Offer Price will be received in respect of such Shares. Unless the Partial Offer lapses, conditional on completion of the Warehouses Sale, all Shareholders on the Record Date will receive the Special Dividend, regardless of whether they tender any Shares to the Partial Offer, whether they validly accept the Partial Offer or whether their Shares have been taken up by the Offeror under the Partial Offer.

Highest and lowest Share prices

During the Relevant Period, the highest and lowest closing prices of the Shares as quoted on the Stock Exchange were HK\$24.75 on 10 February 2021 and HK\$11.64 on 10 August 2020.

Total consideration of the Partial Offer and the Option Offer

Assuming full acceptance of the Partial Offer in respect of 931,209,117 Shares (representing approximately 51.8% of the Shares in issue as at the date of the Joint Announcement and approximately 51.5% of the Shares in issue as at the date of the Joint Announcement on a Fully-Diluted Basis) and the Option Offer in respect of such number of Share Options representing 51.8% of the outstanding Share Options as at the Final Closing Date (which, for illustrative purposes, is equal to 1,272,622 Share Options as at the Latest Practicable Date), the aggregate cash consideration payable by the Offeror under the Partial Offer and the Option Offer will amount to approximately HK\$17,517,675,949.

BENEFITS TO THE SHAREHOLDERS AND OPTIONHOLDERS

Upon the Partial Offer becoming or being declared unconditional in all respects, each Accepting Shareholder:

- (i) will receive a payment of HK\$18.80 in cash for every Share in respect of which that Shareholder validly accepts the Partial Offer and which is taken up by the Offeror under the Partial Offer (less the seller's ad valorem stamp duty arising therefrom);

LETTER FROM J.P. MORGAN

- (ii) conditional upon completion of the Warehouses Sale (which is conditional upon, amongst other conditions, the Partial Offer becoming or being declared unconditional in all respects), will receive the Special Dividend of HK\$7.28 per Share; and
- (iii) will have the opportunity of retaining an interest in the Company with respect to any Shares which are not accepted or taken up by the Offeror under the Partial Offer going forward and benefiting from the partnership of two complementary businesses.

Upon the Option Offer becoming unconditional, each Optionholder:

- (i) will receive a payment of HK\$8.60 in cash for every Share Option in respect of which that Optionholder validly accepts the Option Offer and which is taken up by the Offeror under the Option Offer; and
- (ii) will be able to retain the option interest with respect to any Share Option which is not accepted or taken up by the Offeror under the Option Offer as such Share Option will not be deemed to have lapsed after the Final Closing Date.

OTHER TERMS OF THE PARTIAL OFFER AND THE OPTION OFFER

Acceptance of the Partial Offer and the Option Offer

The number of Offer Shares to be taken up by the Offeror pursuant to the Partial Offer is 931,209,117 Shares, which represent approximately 51.8% of the Shares in issue and approximately 51.5% of the Shares in issue on a Fully-Diluted Basis, respectively, as at the date of the Joint Announcement.

While the number of Shares to be taken up by the Offeror pursuant to the Partial Offer represents approximately 51.8% of the Shares held by the Shareholders as at the date of the Joint Announcement, Shareholders may accept the Partial Offer in respect of some (which may be more than such percentage) or all of the Shares held by them. Subject to the Partial Offer becoming or being declared unconditional in all respects: (i) if valid acceptances are received for 931,209,117 Shares, all Shares validly accepted will be taken up; and (ii) if valid acceptances are received for more than 931,209,117 Shares, the total number of Shares to be taken up by the Offeror from each Accepting Shareholder will be determined by the total number of Offer Shares tendered for acceptance in accordance with the following formula:

$$\frac{A}{B} \times C$$

A = 931,209,117 Shares, being the total number of Offer Shares for which the Partial Offer is made

B = the total number of Offer Shares tendered by all Shareholders under the Partial Offer

C = the number of Offer Shares tendered by the relevant individual Shareholder under the Partial Offer

LETTER FROM J.P. MORGAN

Optionholders may accept the Option Offer in respect of some or all of the Share Options held by them. Subject to the Option Offer becoming unconditional in all respects: (i) if valid acceptances are received for such number of Share Options representing 51.8% of the outstanding Share Options as at the Final Closing Date or fewer, all Share Options validly accepted will be taken up and cancelled; and (ii) if valid acceptances are received for more than such number of Share Options, the total number of Share Options to be taken up by the Offeror from each Optionholder and cancelled will be determined in accordance with the following formula:

$$\frac{X}{Y} \times Z$$

X = the total number of Share Options for which the Option Offer is made

Y = the total number of Share Options tendered by all the Optionholders under the Option Offer

Z = the number of Share Options tendered by the relevant individual Optionholder under the Option Offer

Partial nature of the Partial Offer and the Option Offer and effect of fractions

It is possible that, if a Shareholder or Optionholder tenders all his/her/its Shares or Share Options (as the case may be) for acceptance under the Partial Offer or Option Offer, not all of such securities will be taken up.

Fractions of Shares and Share Options will not be taken up under the Partial Offer and, accordingly, the number of Shares and Share Options that the Offeror will take up from each Shareholder and Optionholder in accordance with the above formula will be rounded up or down to the nearest whole number at the discretion of the Offeror.

Odd lots

Shareholders should note that acceptance of the Partial Offer may result in their holding odd lots of Shares. Accordingly, Guotai Junan Securities (Hong Kong) Limited, whose address is at 27/F, Low Block, Grand Millennium Plaza, 181 Queen's Road Central, Hong Kong (telephone number: 22500855, office hours: 9:00 a.m. to 4:00 p.m.), has been appointed as the designated agent to match sales and purchases of odd lot holdings of Shares in the market for a period of six weeks following the closing of the Partial Offer to enable such Shareholders to dispose of their odd lots or to top up their odd lots to whole board lots of 500 Shares each. Shareholders should note that the matching of odd lots is not guaranteed. Shareholders who would like to match odd lots are recommended to make an appointment in advance by dialling the telephone number of the odd lots matching agent set out above. Shareholders who are in any doubt about the matching arrangements described above are recommended to consult their own professional advisers.

An accepting Optionholder may, as a result of accepting the Option Offer, hold Share Options entitling him/her/it to subscribe for odd lots of the Shares. Pursuant to the terms of the Share Option Scheme, Share Options are not transferable and no matching sales or purchases of the resultant odd lot holdings of the Share Options will be arranged.

Effect of accepting the Partial Offer and the Option Offer

By validly accepting the Partial Offer, the Shareholders will sell to the Offeror their tendered Shares which are finally taken up by the Offeror in accordance with the formula set out in the section headed "Acceptance of the Partial Offer and the Option Offer" above.

LETTER FROM J.P. MORGAN

By validly accepting the Option Offer, Optionholders will tender Share Options to the Offeror which are finally taken up by the Offeror in accordance with the formula set out in the section headed "Acceptance of the Partial Offer and the Option Offer" above and the tendered and finally taken up Share Options will be cancelled on the Final Closing Date.

Acceptance of the Partial Offer and the Option Offer by any Shareholder or Optionholder will be deemed to constitute a warranty by such person that all the Shares or Share Options (as the case may be) sold by such person under the Partial Offer or the Option Offer are free from all Encumbrances and sold together with all rights and benefits attaching to them as at or after the Final Closing Date, including but not limited to (in the case of Shares) the right to receive all dividends, distributions and any return of capital, if any, which may be paid, made or declared, or agreed to be made or paid thereon or in respect thereof on or after the Final Closing Date, except that the Special Dividend and any FY2021 Interim Dividend will in any event be payable to such Shareholder (which, for the avoidance of doubt, excludes the Offeror).

Acceptance of the Partial Offer and the Option Offer shall be irrevocable and shall not be capable of being withdrawn, except as permitted under the Takeovers Code.

Settlement of consideration

Partial Offer

Provided that the Partial Offer becomes or is declared unconditional in all respects and a duly completed Form of Approval and Acceptance and the relevant documents required to tender the relevant acceptance under the Partial Offer are received by the Share Registrar by no later than 4:00 p.m. on Thursday, 2 September 2021, being the First Closing Date, or such later time and/or date as the Offeror may decide and announce and the Executive may approve, and are in good order in all respects and in accordance with the Takeovers Code, the Share Registrar will send to the relevant Accepting Shareholder by ordinary post, at his/her/its own risk, (a) a remittance for the amount due to him/her/it under the Partial Offer (taking into account any scaling down of his/her/its acceptance, seller's ad valorem stamp duty payable by the relevant Accepting Shareholder and, if applicable, the fees payable to the Share Registrar in respect of lost or unavailable Share certificates) as soon as possible, but in any event within 7 Business Days following the Final Closing Date; and (b) (if applicable) any Share certificate(s) and/or any transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities in respect thereof) (if applicable) for Shares not taken up by the Offeror as soon as possible but in any event within ten days following the Final Closing Date.

Settlement of the consideration to which any Accepting Shareholder is entitled under the Partial Offer will be implemented in full in accordance with the terms of the Partial Offer (save with respect to payment of seller's ad valorem stamp duty) without regard to any lien, right of set-off, counterclaim, or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Accepting Shareholder.

If the Partial Offer does not become unconditional in all respects, the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any indemnity or indemnities in respect thereof) (as the case may be) will be returned and/or sent to each Accepting Shareholder (by ordinary post at his/her/its own risk) as soon as possible but in any event within ten days following the lapse of the Partial Offer. Where such Accepting Shareholder has sent one or more transfer receipt(s) and in the meantime one or more Share certificate(s) have been collected on that Accepting Shareholder's behalf in respect thereof, that Accepting Shareholder will be sent (by ordinary post at his/her/its own risk) such Share certificate(s) in lieu of the transfer receipt(s).

LETTER FROM J.P. MORGAN

Option Offer

Subject to the Partial Offer becoming or being declared unconditional in all respects and provided that a valid Form of Option Offer Acceptance and (if any) the relevant certificate(s), letter(s) of grant and/or other document(s) evidencing the grant, as the case may be, of the Share Options are complete and in good order in all respects and have been received by the Company no later than the latest time for acceptance (i.e. 4:00 p.m. on the Final Closing Date, or such other time and/or date as the Offeror may decide and announce and the Executive may approve), (a) a remittance for the amount due to the relevant accepting Optionholder in respect of the Share Options surrendered by him/her/it under the Option Offer will be despatched to the relevant accepting Optionholder by ordinary post at his/her/its own risk as soon as possible, but in any event within 7 Business Days following the Final Closing Date and (b) (if any) the certificate(s) or letter(s) of grant or other document(s) evidencing the grant, as the case may be, in relation to the Share Options which are not successfully tendered and/or accepted under the Option Offer will be despatched to the relevant accepting Optionholder by ordinary post at his/her/its own risk as soon as possible but in any event within ten days following the Final Closing Date.

Settlement of the consideration to which any accepting Optionholder is entitled under the Option Offer will be implemented in full in accordance with the terms of the Option Offer without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such accepting Optionholder.

If the Partial Offer does not become unconditional in all respects, the relevant certificate(s), letter(s) of grant and/or other document(s) evidencing the grant, as the case may be, in relation to the Share Option(s) tendered will be returned and/or sent to each accepting Optionholder as soon as possible but in any event within ten days following the lapse of the Partial Offer.

No fractions of a cent will be payable and the amount of cash consideration payable to an Accepting Shareholder or Optionholder will be rounded up to the nearest cent.

Cheque(s) not presented for payment within six months from the date of issue of the cheque will not be honoured and will be of no further effect, and in such circumstances, cheque holder(s) should contact the Offeror for payment.

CONFIRMATION OF FINANCIAL RESOURCES

Assuming full acceptance of the Partial Offer in respect of 931,209,117 Shares (representing approximately 51.8% of the Shares in issue as at the date of the Joint Announcement and approximately 51.5% of the Shares in issue as at the date of the Joint Announcement on a Fully-Diluted Basis) and the Option Offer in respect of such number of Share Options representing 51.8% of the outstanding Share Options as at the Final Closing Date (which, for illustrative purposes, is equal to 1,272,622 Share Options as at the Latest Practicable Date), the aggregate cash consideration payable by the Offeror under the Partial Offer and the Option Offer will amount to approximately HK\$17,517,675,949.

The funds required by the Offeror to satisfy the consideration for the Offers will be financed by the Facility. The Offeror does not intend that the payment of interest on, or repayment of or security (if any) for any liability (contingent or otherwise) relating to, the Facility will depend to any significant extent on the business of the Company.

J.P. Morgan, as the financial adviser to the Offeror, is satisfied that sufficient financial resources are available to the Offeror to satisfy the aggregate cash consideration payable under the Offers.

IRREVOCABLE UNDERTAKINGS

As at the Latest Practicable Date, Kerry Properties held 718,340,998 Shares, the Relevant Controlling Shareholders (other than Kerry Properties) held 415,929,636 Shares, and the Executive Directors held 37,825,314 Shares, respectively representing approximately 39.7%, 23.0% and 2.1% of the Shares in issue as at the Latest Practicable Date on a Fully-Diluted Basis. Details of each of their respective shareholdings are set out in the section of the Composite Document headed "*Shareholding structure of the Company and effect of the Partial Offer and the Option Offer*".

The Controlling Shareholders Irrevocable Undertakings

Date:

30 March 2021

Parties:

- (1) the Offeror; and
- (2) each of the Relevant Controlling Shareholders

Irrevocable undertaking to accept the Partial Offer:

The Relevant Controlling Shareholders have irrevocably and unconditionally undertaken to duly accept or procure acceptance of the Partial Offer in accordance with its terms in respect of an aggregate of 575,545,164 Shares (representing (i) approximately 31.9% of the Shares in issue as at the Latest Practicable Date, (ii) approximately 31.8% of the Shares in issue as at the Latest Practicable Date on a Fully-Diluted Basis, and (iii) approximately 50.7% of the Shares held by the Controlling Shareholders as at the Latest Practicable Date on a Fully-Diluted Basis) (the "**Controlling Shareholders Undertaking Shares**"), as soon as possible after the commencement of the Acceptance Period and in any event no later than the third Business Day of the Acceptance Period.

For the avoidance of doubt, the Relevant Controlling Shareholders may tender more Shares for acceptance than as required under the Controlling Shareholders Irrevocable Undertakings depending on the level of acceptances under the Partial Offer (as may be publicly announced by the Offeror from time to time, such as (i) after trading hours on the trading day immediately prior to the Final Closing Date and (ii) at such other times during the Acceptance Period as the Offeror may decide, after consultation with the Executive) and/or may be required to sell Shares pursuant to the Placing Agreements.

LETTER FROM J.P. MORGAN

No withdrawal:

Notwithstanding that the terms of the Composite Document confer rights of withdrawal on Accepting Shareholders, the Relevant Controlling Shareholders shall not withdraw any acceptance of the Partial Offer in respect of any of the Controlling Shareholders Undertaking Shares and shall procure that no rights to withdraw any acceptance in respect of any of the Controlling Shareholders Undertaking Shares are exercised.

Termination:

The Relevant Controlling Shareholders' obligation to tender acceptances terminates automatically if, without the prior written consent of the Controlling Shareholders:

- (1) any of the Pre-Conditions (iv), (viii), (ix), (xiv), (xv) and (xvi) set out in the Joint Announcement headed "*The Partial Offer and the Option Offer – Pre-Conditions to the Partial Offer and the Option Offer*" are waived; or
- (2) save for the Taiwan Business Sale, the Group makes any disposal of assets that may be required in order to implement the Partial Offer under, and in compliance with, all applicable law in the relevant jurisdictions (for example, to comply with any applicable merger control or foreign investment restrictions),

or if any of the Pre-Conditions have not been satisfied or (without prejudice to paragraph (1) above) waived by the Long Stop Date or the Partial Offer does not otherwise become unconditional in all respects, is withdrawn or lapses.

Save as set out above, the undertakings given in the Controlling Shareholders Irrevocable Undertakings are irrevocable and unconditional and shall not cease to be binding in any circumstances.

In respect of the Controlling Shareholders Irrevocable Undertakings executed by Kerry Properties, such undertakings have been approved by independent shareholders of Kerry Properties on 27 May 2021 pursuant to Chapters 14 and 14A of the Listing Rules.

The Executive Directors Irrevocable Undertakings

Date:

30 March 2021

Parties:

- (1) the Offeror; and
- (2) each of the Executive Directors

LETTER FROM J.P. MORGAN

As at the Latest Practicable Date, the identity and shareholdings of the Executive Directors and the Executive Directors Close Associates were as follows:

	Interests directly held	Share Options	Interests of Executive Directors Close Associates	Total interests
KUOK Khoon Hua	1,101,000	0	3,018,492	4,119,492
MA Wing Kai William	4,999,611	0	1,300,000	6,299,611
CHEUNG Ping Chuen Vicky	31,514,956	0	0	31,514,956
NG Kin Hang	209,747	0	0	209,747

Irrevocable undertaking to accept the Partial Offer:

The Executive Directors have each (subject to the terms of the Executive Directors Irrevocable Undertakings) irrevocably and unconditionally undertaken to duly accept or procure acceptance of the Partial Offer in accordance with its terms in respect of an aggregate of 18,957,330 Shares (representing (i) approximately 1.0% of the Shares in issue as at the Latest Practicable Date, (ii) approximately 1.0% of the Shares in issue as at the Latest Practicable Date on a Fully-Diluted Basis, and (iii) approximately 50.1% of the Shares held by the Executive Directors as at the Latest Practicable Date on a Fully-Diluted Basis (excluding any unvested Share awards for the Relevant Directors)) (the “Executive Directors Undertaking Shares”), as soon as possible after the commencement of the Acceptance Period and in any event no later than the third Business Day of the Acceptance Period.

Each Executive Director has also undertaken to exercise such number of Share Options granted to the relevant Executive Director (if applicable) as soon as practicable such that from the commencement of the Acceptance Period until such time as the obligations to accept the Partial Offer are fulfilled, the relevant Executive Director will be able to comply with obligations to accept the Partial Offer under the Executive Directors Irrevocable Undertakings. As at the Latest Practicable Date, each Executive Director has exercised all of their Share Options and has sufficient number of Shares to comply with their obligations under the Executive Directors Irrevocable Undertakings.

For the avoidance of doubt, the Executive Directors may tender more Shares for acceptance than as required under the Executive Directors Irrevocable Undertakings depending on the level of acceptances under the Partial Offer as may be publicly announced by the Offeror from time to time, such as (i) after trading hours on the trading day immediately prior to the Final Closing Date and (ii) at such other times during the Acceptance Period as the Offeror may decide, after consultation with the Executive.

No withdrawal:

Notwithstanding that the terms of the Composite Document confer rights of withdrawal on Accepting Shareholders, the Executive Directors shall not withdraw any acceptance of the Partial Offer in respect of any of the Executive Directors Undertaking Shares and shall procure that no rights to withdraw any acceptance in respect of any of the Executive Directors Undertaking Shares are exercised.

LETTER FROM J.P. MORGAN

Termination:

The Executive Directors' obligation to tender acceptances terminates automatically if, without the prior written consent of the Controlling Shareholders:

- (1) any of the Pre-Conditions (iv), (viii), (ix), (xiv), (xv) and (xvi) set out in the Joint Announcement headed "*The Partial Offer and the Option Offer – Pre-Conditions to the Partial Offer and the Option Offer*" are waived; or
- (2) save for the Taiwan Business Sale, the Group makes any disposal of assets that may be required in order to implement the Partial Offer under, and in compliance with, all applicable law in the relevant jurisdictions (for example, to comply with any applicable merger control or foreign investment restrictions),

or if any of the Pre-Conditions have not been satisfied or (without prejudice to paragraph (1) above) waived by the Long Stop Date or the Partial Offer does not otherwise become unconditional in all respects, is withdrawn or lapses.

Save as set out above, the undertakings given in the Executive Directors Irrevocable Undertakings are irrevocable and unconditional and shall not cease to be binding in any circumstances.

The total number of these Shares that are taken up by the Offeror from the Relevant Controlling Shareholders and the Executive Directors pursuant to the Partial Offer, and accordingly the percentage shareholding of the Relevant Controlling Shareholders and the Executive Directors immediately following completion of the Partial Offer, will depend on the number of Shares tendered for acceptance by persons other than the Relevant Controlling Shareholders and the Executive Directors.

The number of Shares to be taken up by the Offeror from each of the Relevant Controlling Shareholders, the Executive Directors and other Shareholders is calculated in the manner set out in the section of this letter headed "*Other Terms of the Partial Offer and the Option Offer – Acceptance of the Partial Offer and the Option Offer*".

However, immediately following completion of the Partial Offer and the Placing Agreements (i.e., taking into account all the Shares of the Relevant Controlling Shareholders and the Executive Directors that may be taken up by the Offeror pursuant to the Partial Offer and the Shares that may be sold by the Relevant Controlling Shareholders pursuant to the Placing Agreements), it is expected that:

- (i) assuming the Relevant Controlling Shareholders tender only such number of Shares required under the Relevant Controlling Shareholders Irrevocable Undertakings (i.e. 575,545,164 Shares), the Relevant Controlling Shareholders will hold in aggregate between:
 - (a) 558,725,470 Shares (representing approximately 30.9% of the Shares in issue as at the Latest Practicable Date and approximately 30.9% of the Shares in issue as at the Latest Practicable Date on a Fully-Diluted Basis) (assuming (1) the Executive Directors tender 18,957,330 Shares pursuant to the Executive Directors Irrevocable Undertakings; (2) the Controlling Shareholders Close Associates, the Relevant Directors (other than the Executive Directors), Executive Directors Close

LETTER FROM J.P. MORGAN

Associates, and all other Shareholders tender a total of 336,706,623 Shares (being the minimum number of Shares tendered by all such other Shareholders to allow the Partial Offer to become unconditional); and (3) none of the outstanding Share Options are exercised); and

- (b) 593,155,256 Shares (representing approximately 32.8% of the Shares in issue as at the Latest Practicable Date and approximately 32.8% of the Shares in issue as at the Latest Practicable Date on a Fully-Diluted Basis) (assuming (1) the Executive Directors tender all of their Shares; (2) the Controlling Shareholders Close Associates, the Relevant Directors (other than the Executive Directors) and Executive Directors Close Associates, and all other Shareholders tender all of their Shares; (3) all outstanding Share Options are exercised; and (4) all unvested Share awards for the Relevant Directors are vested and tendered by the Relevant Directors); and
- (ii) assuming the Executive Directors tender only such number of Shares required under the Executive Directors Irrevocable Undertakings (i.e. 18,957,330 Shares), the Executive Directors will hold in aggregate between:
 - (a) 18,867,984 Shares (representing approximately 1.0% of the Shares in issue as at the Latest Practicable Date and approximately 1.0% of the Shares in issue as at the Latest Practicable Date on a Fully-Diluted Basis) (assuming (1) the Relevant Controlling Shareholders tender 575,545,164 Shares pursuant to the Controlling Shareholders Irrevocable Undertakings; (2) the Controlling Shareholders Close Associates, the Relevant Directors (other than the Executive Directors), Executive Directors Close Associates, and all other Shareholders tender a total of 336,706,623 Shares (being the minimum number of Shares tendered by all such other Shareholders to allow the Partial Offer to become unconditional); and (3) none of the outstanding Share Options are exercised); and
 - (b) 28,691,263 Shares (representing approximately 1.6% of the Shares in issue as at the Latest Practicable Date and approximately 1.6% of the Shares in issue as at the Latest Practicable Date on a Fully-Diluted Basis) (assuming (1) the Relevant Controlling Shareholders tender all of their Shares; (2) the Controlling Shareholders Close Associates, the Relevant Directors (other than the Executive Directors) and Executive Directors Close Associates, and all other Shareholders tender all of their Shares; (3) all outstanding Share Options are exercised; and (4) all unvested Share awards for the Relevant Directors are vested, but only tendered by the Relevant Directors (other than the Executive Directors)).

If Shareholders (other than the Relevant Controlling Shareholders and the Executive Directors) tender less than 336,706,623 Shares (being the minimum number of Shares tendered by such Shareholders to allow the Partial Offer to become unconditional) by the First Closing Date (which is the date falling 21 days after the despatch of the Offer Document or as further extended in accordance with the Takeovers Code), the Partial Offer will not proceed and will lapse.

REASONS FOR THE OFFERS AND INTENTION OF THE OFFEROR

Intention of the Offeror

If the Offers become unconditional and are closed, the Offeror intends that the Company will continue to carry on its existing businesses. The Offeror intends to build on the Company's current brand and business model. As at the Latest Practicable Date, the Offeror had no plans, if the Offers are closed, to: (i) make any major disposal or redeployment of fixed assets of the Group (other than in the ordinary course of business); or (ii) discontinue the employment of the employees of the Group (other than in the ordinary course of business).

After closing of the Offers, the Offeror Parent and the Offeror will discuss with the Company and review its businesses, and determine what changes, if any, would be necessary, appropriate or desirable, long term and short term, in order to best organise the businesses and operations of the Company and to integrate the same within the Offeror Parent Group.

The Offeror has decided to proceed with the Partial Offer instead of a general offer because it intends to acquire statutory control of the Company whilst maintaining the listing status of the Company, for which the Company has obtained a waiver from the Stock Exchange to permit a minimum public float of 15.0%.

The Offeror wishes to achieve a shareholding above 50% in the Company to enable the consolidation of the financial results of the Company as a subsidiary in the consolidated financial statements of the Offeror Parent Group. Taking into account such commercial requirements, acquiring a 51.8% shareholding through the Partial Offer gives the Offeror sufficient headroom to stay above its minimum of 50% if the Company issues any Shares in the future, including pursuant to the Share Option Scheme.

Significant synergies and growth opportunities

The Offeror and the Directors believe that the Partial Offer will bring together the core competencies of the Offeror Parent Group and the Group across multiple verticals to create the leading Asia-based global logistics platform.

The Group currently is a market leader in the integrated logistics, international freight forwarding and supply chain solutions industries with a global network of 60 countries and territories. The Offeror Parent Group is a leading integrated express logistic services provider in Mainland China, supported by the largest cargo freighter fleet in China, an extensive ground service network in China and industry leading technologies applicable to supply chain management. After the close of the Offers, the Group will continue to operate its existing business in Greater China (excluding Taiwan). The Offeror Parent intends that its existing businesses in Greater China (excluding Taiwan) will continue to be carried out by the Offeror Parent Group. This includes the supply chain business of the Offeror Parent Group in Greater China (excluding Taiwan) being carried out through its relevant subsidiaries as part of its strategic business cooperation with partners. Although the Offeror Parent and the Group will each continue to operate their respective businesses in Greater China (excluding Taiwan), the resources which the Offeror Parent Group brings to the Group are expected to create significant synergies and growth opportunities for the Company.

LETTER FROM J.P. MORGAN

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

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

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

With this clear business focus and complementary strengths of both parties, the Company is expected to be well-positioned to further accelerate growth and strengthen its leadership in the logistics sector.

Unlocking Significant Shareholder Value

Shareholders will be able to lock in significant value via (i) the Partial Offer and (ii) the Special Dividend, should the Partial Offer and the Warehouses Sale be completed. In addition, Shareholders also have the opportunity to enjoy further potential upside from any retained ownership in the Company post the Partial Offer as a result of the current structure.

PUBLIC FLOAT

The Company had a public float of approximately 34.5% of the Shares in issue as at the Latest Practicable Date. If the Partial Offer is implemented and taking into account the Controlling Shareholders Irrevocable Undertakings and the Executive Directors Irrevocable Undertakings, the public float of the Company may fall to a minimum of approximately 8.2% of the total issued Shares as at the Latest Practicable Date on a Fully-Diluted Basis, (assuming (1) the Relevant Controlling Shareholders tender 575,545,164 Shares pursuant to the Controlling Shareholders Irrevocable Undertakings, (2) Executive Directors tender 18,957,330 Shares pursuant to the Executive Directors Irrevocable Undertakings, (3) the Controlling Shareholders Close Associates, the Relevant Directors (other than the Executive Directors) and Executive Directors Close Associates do not tender any of their shares, (4) all other Shareholders tender all their Shares, and (5) no new single shareholder owns 10% or more of the total issued Shares) which is below the minimum prescribed percentage of 25% under Rule 8.08(1)(a) of the Listing Rules.

The Company has applied to the Stock Exchange and has obtained a waiver from strict compliance with Rule 8.08(1)(a) of the Listing Rules to permit a minimum public float of 15.0% upon completion of the Partial Offer. As one of the conditions to the waiver from the Stock Exchange,

- (i) each of the Offeror and the Offeror Parent has undertaken to the Stock Exchange not to acquire additional Shares or interests in Shares which, so far as it is aware, will directly and immediately result in the Company's public float falling below 15.0% (other than pursuant to a transaction implemented in accordance with the Takeovers Code). Each of the Offeror's and the Offeror Parent's undertaking is effective from completion of the Partial Offer and shall terminate if and when the Offeror ceases to hold 30.0% or more of the Shares and, for the avoidance of doubt, the undertaking shall not be treated as having been breached as a result of actions not taken by each of the Offeror and the Offeror Parent, including share buybacks carried on by the Company; and

LETTER FROM J.P. MORGAN

- (ii) the Controlling Shareholders have undertaken to the Stock Exchange not to acquire additional Shares or interests in Shares which, so far as they are aware, will directly and immediately result in the Company's public float falling below 15.0% (other than pursuant to a transaction implemented in compliance with the Takeovers Code). The Controlling Shareholders' undertakings shall take effect from the Final Closing Date after the Partial Offer becomes or is declared unconditional in all respects, and shall terminate (i) (with respect to the Controlling Shareholders giving the undertaking (other than Kerry Properties)) if and when the Controlling Shareholders (together with Kerry Properties, for so long as Kerry Properties is a subsidiary of Kerry Group Limited) collectively hold less than 10.0% of the issued Shares from time to time; and (ii) (with respect to Kerry Properties) if and when Kerry Properties ceases to be a subsidiary of Kerry Group Limited and Kerry Properties holds less than 10.0% of the issued Shares from time to time, or if Kerry Properties is a subsidiary of Kerry Group Limited and the Controlling Shareholders collectively hold less than 10.0% of the issued Shares from time to time. For the avoidance of doubt, the undertaking shall not be treated as having been breached as a result of actions not taken by the Controlling Shareholders, including share buybacks carried on by the Company.

As noted in the Joint Announcement, a Pre-Condition of the Partial Offer (which may be waived by the Offeror with the prior written consent of the Group) was the Controlling Shareholders having entered into the Placing Agreements to sell up to approximately 6.9% of the total issued Shares as at the date of the Joint Announcement (or approximately 6.9% of the total issued Shares as at the date of the Joint Announcement on a Fully-Diluted Basis) to restore the public float of the Shares to 15.0% within 14 days following the Final Closing Date, in the event the public float is less than 15.0% of the total issued Shares immediately following the Final Closing Date otherwise than due to the holdings of any Directors nominated by the Offeror or of any close associates (as defined in the Listing Rules) of the Offeror or any such nominee Director.

Pursuant to the Shareholders' Agreement, if the public float falls below 15% of the total issued Shares immediately following the Final Closing Date, the Controlling Shareholders will take action to restore the public float by placing down up to 6.9% of the total issued Shares as at the date of the Joint Announcement in accordance with the Placing Agreements, and the Offeror will take action to restore the public float to the extent in excess of 6.9% of the total issued Shares or otherwise due to the holdings of any Directors nominated by the Offeror or of any close associates of the Offeror or any such nominee Director.

Certain Relevant Controlling Shareholders have entered into the relevant Placing Agreements, pursuant to which such Relevant Controlling Shareholders agreed to sell up to approximately 6.9% of the total issued Shares as at the date of the Joint Announcement (or approximately 6.9% of the total issued Shares as at the date of the Joint Announcement on a Fully-Diluted Basis) to restore the public float of the Shares to 15.0% within 14 days following the Final Closing Date, in the event the public float is less than 15.0% of the total issued Shares immediately following the Final Closing Date otherwise than due to the holdings of any Directors nominated by the Offeror or of any close associates (as defined in the Listing Rules) of the Offeror or any such nominee Director.

In addition, the Offeror has confirmed that for the purpose of the Placing Agreements, the Offeror will not nominate any persons who, or whose close associates, have interests in the Shares as Directors upon completion of the Partial Offer. On that basis, the public float of the Company immediately following the Final Closing Date, or immediately following the completion of the sell down by the relevant Controlling Shareholders pursuant to the Placing Agreements, is expected to be not less than 15.0%.

It is intended that following closing of the Partial Offer and the Option Offer, the Company will maintain its listing on the Stock Exchange.

LETTER FROM J.P. MORGAN

The Stock Exchange has stated that if, at the closing of the Partial Offer, less than the minimum prescribed percentage applicable to the Company, being 15% of the issued Shares, are held by the public, or if the Stock Exchange believes that:

- (i) a false market exists or may exist in the trading of the Shares; or
- (ii) there are insufficient Shares in public hands to maintain an orderly market,

then it will consider exercising its discretion to suspend dealings in the Shares.

HONG KONG STAMP DUTY

In Hong Kong, the seller's ad valorem stamp duty arising in connection with acceptance of the Partial Offer will be payable by the relevant Accepting Shareholders in respect of their Offer Shares which are taken up by the Offeror under the Partial Offer at a rate of 0.13% of (i) the market value of such Offer Shares; or (ii) the consideration payable by the Offeror in respect of the relevant acceptance of the Partial Offer, whichever is higher, and will be deducted from the cash amount payable by the Offeror to such Accepting Shareholder on acceptance of the Partial Offer (where the stamp duty calculated includes a fraction of HK\$1, the stamp duty would be rounded-up to the nearest HK\$1). The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of the relevant Accepting Shareholders accepting the Partial Offer and will pay the buyer's ad valorem stamp duty in connection with the acceptance of the Partial Offer and the transfer of the Offer Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

No stamp duty is payable in connection with the acceptances of the Option Offer.

Shareholders and Optionholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Offers. None of the Offeror, J.P. Morgan, the Company and their respective ultimate beneficial owners, directors, officers, agents, advisers or associates or any other person involved in the Offers accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offers.

CONSENT FROM THE EXECUTIVE

Pursuant to Rule 28.1 of the Takeovers Code, the Executive has consented to the Offeror making the Partial Offer.

OVERSEAS SHAREHOLDERS AND OVERSEAS OPTIONHOLDERS

The Composite Document will not be filed or registered under the applicable securities or equivalent legislation or rules of any jurisdiction other than Hong Kong.

LETTER FROM J.P. MORGAN

The making of the Offers to Overseas Shareholders and Overseas Optionholders who are citizens, residents or nationals of jurisdictions outside Hong Kong may be subject to the laws and regulations of the relevant jurisdictions. Such Overseas Shareholders or Overseas Optionholders may be prohibited from participating in the Partial Offer or affected by the laws of the relevant jurisdictions and it is the responsibility of each such Overseas Shareholder or Overseas Optionholder who wishes to accept the Partial Offer or the Option Offer to satisfy himself/herself/itself as to the full observance of the laws and regulations of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents, or filing and registration requirements which may be required to comply with all necessary formalities or legal or regulatory requirements and the payment of any transfer or other taxes due from such accepting Overseas Shareholder and Overseas Optionholders in such relevant jurisdictions.

Any acceptance of the Offers by any Shareholder or Optionholder will be deemed to constitute a representation and warranty from such Shareholder or Optionholder to the Offeror and the Company that all local laws and requirements in connection with such acceptance have been complied with and that the Partial Offer and Option Offer can be accepted by such Shareholder or Optionholder lawfully under the laws and regulations of the relevant jurisdiction and such acceptance shall be valid and binding in accordance with all applicable laws and regulations. Shareholders and Optionholders should consult their professional advisers if in doubt.

INFORMATION ABOUT THE OFFEROR AND THE OFFEROR PARENT

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 Latest Practicable Date, the Offeror Parent was owned as to 59.3% by the Offeror Parent Holdco which was in turn controlled by the Offeror Ultimate Controlling Shareholder, Mr WANG Wei (the Founder and Chairman of the Offeror Parent) as to 99.9%.

As at the Latest Practicable Date, the Offeror Parent and the Controlling Shareholders were not related parties of each other and the Partial Offer does not constitute a related party transaction or a material asset restructuring under the Measures for the Administration of the Material Asset Restructurings of Listed Companies.

There will be no competing interests between the Offeror Parent and any of its related parties upon completion of the Partial Offer.

COMPULSORY ACQUISITION

The Offeror does not intend to avail itself of any powers of compulsory acquisition.

FURTHER TERMS OF ACCEPTANCE OF THE PARTIAL OFFER AND THE OPTION OFFER

Further terms of acceptance of the Partial Offer and the Option Offer, including, among other things, procedures for acceptance and settlement and the acceptance period, are set out in Appendix I to the Composite Document and the accompanying Form of Approval and Acceptance and Form of Option Offer Acceptance.

LETTER FROM J.P. MORGAN

SHAREHOLDING STRUCTURE OF THE COMPANY AND EFFECT OF THE PARTIAL OFFER AND THE OPTION OFFER

The shareholding structure of the Company (a) as at the Latest Practicable Date and (b) immediately after the closing of the Partial Offer and the Option Offer and (c) immediately after the closing of the Partial Offer and the Option Offer and immediately upon completion of the Placing Agreements, which, for illustration purposes, assumes that (i) there will be no change to the issued share capital of the Company between the Latest Practicable Date and up to the Final Closing Date; and (ii) all Shareholders validly elect to accept the Partial Offer in respect of all of their Shares (except for (1) the Relevant Controlling Shareholders who will tender 575,545,164 Shares pursuant to the Controlling Shareholders Irrevocable Undertakings, and who may or may not tender more Shares for acceptances than as required under the Controlling Shareholders Irrevocable Undertakings; (2) the Executive Directors who will tender 18,957,330 Shares pursuant to the Executive Directors Irrevocable Undertakings and who may or may not tender more Shares for acceptances than as required under the Executive Directors Irrevocable Undertakings; (3) the Controlling Shareholders Close Associates, the Relevant Directors (other than the Executive Directors) and Executive Directors Close Associates who will tender their Shares in the same proportion as regards their respective own shareholdings as the Controlling Shareholders; and (4) all unvested Share awards for the Relevant Directors are vested and tendered in the same proportion as regards their respective own shareholdings as the Controlling Shareholders) and all Share Options are exercised, is set out below:

	As at the Latest Practicable Date		Shares tendered for acceptance in respect of the Partial Offer		Immediately after the completion of the Partial Offer and the Option Offer		Immediately after the completion of the Partial Offer and the Option Offer and immediately upon completion of the Placing Agreements	
	No. of Shares	Approx. %	No. of Shares	Approx. %	No. of Shares	Approx. %	No. of Shares	Approx. %
The Offeror	-	-	-	-	931,209,117	51.5	931,209,117	51.5
<i>The Offeror and parties acting in concert with it</i>								
<i>Controlling Shareholders</i>								
Kerry Properties	718,340,998	39.7	364,496,510	20.2	441,233,684	24.4	364,287,026	20.1
Caninco Investments Limited	156,124,097	8.6	79,219,603	4.4	95,897,645	5.3	95,897,645	5.3
Darmex Holdings Limited	128,449,630	7.1	65,030,344	3.6	79,010,518	4.4	34,457,310	1.9
Desert Grove Limited	18,502,856	1.0	9,388,614	0.5	11,365,192	0.6	11,365,192	0.6
Glory Voice International Limited	7,842,163	0.4	3,979,226	0.2	4,816,969	0.3	4,816,969	0.3
Kerry Asset Management Limited	67,971	0.0	67,971	0.0	16,296	0.0	16,296	0.0
Star Medal Limited	28,851	0.0	28,851	0.0	6,917	0.0	6,917	0.0
Total Way Investments Limited	201,273	0.0	201,273	0.0	48,256	0.0	48,256	0.0
Moslane Limited	36,910,748	2.0	18,729,042	1.0	22,672,053	1.3	22,672,053	1.3
Paruni Limited	12,844,175	0.7	6,517,318	0.4	7,889,405	0.4	7,889,405	0.4
Ban Thong Company Limited	9,189,586	0.5	4,662,928	0.3	5,644,610	0.3	5,644,610	0.3
Alpha Model Limited	4,448,313	0.2	2,257,138	0.1	2,732,331	0.2	2,732,331	0.2

LETTER FROM J.P. MORGAN

	As at the Latest Practicable Date		Shares tendered for acceptance in respect of the Partial Offer		Immediately after the completion of the Partial Offer and the Option Offer		Immediately after the completion of the Partial Offer and the Option Offer and immediately upon completion of the Placing Agreements	
	No. of Shares	Approx. %	No. of Shares	Approx. %	No. of Shares	Approx. %	No. of Shares	Approx. %
Bright Magic Investments Limited	5,182,183	0.3	2,629,514	0.1	3,183,103	0.2	3,183,103	0.2
Ace Time Holdings Limited	701,118	0.0	701,118	0.0	168,095	0.0	168,095	0.0
Marcromind Investments Limited	5,290,234	0.3	2,684,340	0.1	3,249,473	0.2	3,249,473	0.2
Marsser Limited	1,586,871	0.1	805,201	0.0	974,719	0.1	974,719	0.1
Noblespirit Corporation	12,095,067	0.7	6,137,210	0.3	7,429,273	0.4	7,429,273	0.4
Summer Fort Limited	16,464,500	0.9	8,008,963	0.4	10,375,712	0.6	10,375,712	0.6
Sub-total of the Controlling Shareholders (Note 1)	1,134,270,634	62.7	575,545,164	31.8	696,714,251	38.5	575,214,385	31.8
<i>Executive Directors</i>								
KUOK Khoon Hua	1,101,000	0.1	558,663	0.0	676,278	0.0	676,278	0.0
MA Wing Kai William	4,999,611	0.3	2,328,403	0.1	3,229,450	0.2	3,229,450	0.2
CHEUNG Ping Chuen Vicky	31,514,956	1.7	15,991,140	0.9	19,357,743	1.1	19,357,743	1.1
NG Kin Hang	209,747	0.0	79,124	0.0	149,593	0.0	149,593	0.0
Sub-total of Executive Directors (Note 2)	37,825,314	2.1	18,957,330	1.0	23,413,064	1.3	23,413,064	1.3
<i>Controlling Shareholders Close Associates</i>								
Shang Holdings Limited	2,241,725	0.1	1,137,483	0.1	1,376,957	0.1	1,376,957	0.1
Pristine Holdings Limited	981,835	0.1	498,197	0.0	603,082	0.0	603,082	0.0
Rosy Frontier Limited	473,047	0.0	240,031	0.0	290,564	0.0	290,564	0.0
Sub-total of Controlling Shareholders Close Associates (Note 3)	3,696,607	0.2	1,875,711	0.1	2,270,603	0.1	2,270,603	0.1
<i>Executive Directors Close Associates</i>								
Peacebright Assets Limited	263,610	0.0	133,759	0.0	161,920	0.0	161,920	0.0
Lochtenny Investments Limited	1,300,000	0.1	659,639	0.0	798,512	0.0	798,512	0.0
Subtotal of Executive Directors Close Associates (Note 4)	1,563,610	0.1	793,398	0.0	960,432	0.1	960,432	0.1
Sub-total of the Offeror and parties acting in concert with it	1,177,356,165	65.1	597,171,603	33.0	1,654,567,467	91.5	1,533,067,601	84.8

LETTER FROM J.P. MORGAN

	As at the Latest Practicable Date		Shares tendered for acceptance in respect of the Partial Offer		Immediately after the completion of the Partial Offer and the Option Offer		Immediately after the completion of the Partial Offer and the Option Offer and immediately upon completion of the Placing Agreements	
	No. of Shares	Approx. %	No. of Shares	Approx. %	No. of Shares	Approx. %	No. of Shares	Approx. %
<i>Relevant Directors (excluding Executive Directors) and close associates of the Relevant Directors (excluding Executive Directors Close Associates)</i>								
WONG Yu Pok Marina	200,000	0.0	101,483	0.0	122,848	0.0	122,848	0.0
YEO Philip Liat Kok	200,000	0.0	101,483	0.0	122,848	0.0	122,848	0.0
Directors of subsidiaries	4,022,517	0.2	2,041,083	0.1	2,470,790	0.1	2,470,790	0.1
Sub-total of Relevant Directors (excluding Executive Directors) and close associates of the Relevant Directors (excluding Executive Directors)	4,422,517	0.2	2,244,049	0.1	2,716,486	0.2	2,716,486	0.2
Unvested Share awards for Relevant Directors (other than INEDs)	1,893,394	0.1	960,735	0.1	1,162,998	0.1	1,162,998	0.1
Public Shareholders	624,500,966	34.5	624,500,966	34.5	149,726,091	8.3	271,225,957	15.0
Total	1,808,173,042	100.0	1,224,877,353	67.7	1,808,173,042	100.0	1,808,173,042	100.0

Notes:

- The Relevant Controlling Shareholders will tender 575,545,164 Shares pursuant to the Controlling Shareholders Irrevocable Undertakings, and may or may not tender more Shares for acceptances than as required under the Controlling Shareholders Irrevocable Undertakings.
- The Executive Directors will tender 18,957,330 Shares pursuant to the Executive Directors Irrevocable Undertakings, and may or may not tender more Shares for acceptances than as required under the Executive Directors Irrevocable Undertakings.
- Controlling Shareholders Close Associates comprise (i) Shang Holdings Limited, a company which is indirectly owned as to more than 30% by Kerry Holdings; and (ii) Pristine Holdings Limited and Rosy Frontier Limited, each of which is an investment company of a discretionary trust of which Kerry Group Limited and Mr. KUOK Khoon Hua are discretionary beneficiaries.
- Executive Directors Close Associates comprise (i) Peacebright Assets Limited, an investment company of a discretionary trust of which Mr KUOK Khoon Hua is a discretionary beneficiary; and (ii) Lochtenny Investments Limited, an investment company of a discretionary trust of which Mr KUOK Khoon Hua and Mr MA Wing Kai William are discretionary beneficiaries. Each of Mr KUOK Khoon Hua and Mr MA Wing Kai William are Directors.
- J.P. Morgan is the financial adviser to the Offeror in respect of the Partial Offer. Accordingly, J.P. Morgan and persons controlling, controlled by or under the same control as J.P. Morgan (except exempt principal traders and exempt fund managers, in each case recognised by the Executive as such for the purpose of the Takeovers Code) are presumed to be acting in concert with the Offeror in relation to the Company in accordance with class 5 of the definition of "acting in concert" under the Takeovers Code. As at the Latest Practicable Date, members of the J.P. Morgan group do not legally or beneficially own, control or have direction over any Shares (except in respect of Shares held by exempt principal traders or exempt fund managers, in each case recognised by the Executive as such for the

LETTER FROM J.P. MORGAN

purposes of the Takeovers Code and also excluding Shares held on behalf of non-discretionary investment clients of the J.P. Morgan group). Nor were there any borrowing or lending of, or dealing in, Shares (or options, rights over Shares, warrants or derivatives in respect of them) by any members of the J.P. Morgan group during the Relevant Period (except in respect of Shares held by exempt principal traders or exempt fund managers, in each case recognised by the Executive as such for the purposes of the Takeovers Code and also excluding the Shares held on behalf of non-discretionary investment clients of the J.P. Morgan group). Notwithstanding that connected exempt principal traders within the J.P. Morgan group are not acting in concert with the Offeror, Shares held by any such connected exempt principal traders must not be assented to the Partial Offer until the Partial Offer becomes or is declared unconditional as to acceptances in accordance with the requirements of Rule 35.3 of the Takeovers Code, and must not approve the Partial Offer and the Special Deal Agreements in accordance with the requirements of Rule 35.4 of the Takeovers Code, unless (i) the relevant connected exempt principal trader holds the Shares as a simple custodian for and on behalf of non-discretionary clients, and (ii) there are contractual arrangements in place between the relevant connected exempt principal trader and its clients that strictly prohibit the relevant connected exempt principal trader from exercising any voting discretion over the relevant Shares, and all voting instructions shall originate from the client only, and if no instructions are given, then no votes shall be cast for the relevant Shares held by the relevant connected exempt principal trader. For this purpose, a written confirmation of the matters set out in points (i) and (ii) above and whether the relevant underlying clients are entitled to vote in the context of the Partial Offer will be submitted to the Executive prior to the publication of the Composite Document.

ADDITIONAL INFORMATION

To ensure equality of treatment of all Shareholders, registered Shareholders who hold Shares as nominees for more than one beneficial owner should, as far as practicable, treat the holding of Shares by each beneficial owner separately. In order for the beneficial owners of Shares whose investments are registered in nominee names (including those whose interests in Shares are held through CCASS) to approve and/or accept the Partial Offer, it is essential that they provide instructions to their nominees of their intentions with regard to the Partial Offer.

Your attention is drawn to the letter from the Board on pages 39 to 48, the letter from the Code Independent Board Committee on pages 49 to 50 and the letter from Somerley on pages 51 to 82 in the Composite Document.

In considering what action to take in connection with the Partial Offer, you should consider your own tax and financial positions and, if you are in doubt, you should consult your professional advisers.

Yours faithfully
For and on behalf of
J.P. Morgan Securities (Asia Pacific) Limited
Sanjeev Malkani
Managing Director

LETTER FROM THE BOARD



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

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

Stock Code 636

Executive Directors:

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

Non-executive Director:

Ms TONG Shao Ming

Independent Non-executive Directors:

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

Registered Office:

Victoria Place
5th Floor
31 Victoria Street
Hamilton HM 10
Bermuda

*Corporate Headquarters and Principal
Place of Business in Hong Kong:*

16/F, Kerry Cargo Centre
55 Wing Kei Road
Kwai Chung
New Territories
Hong Kong

12 August 2021

To the Shareholders and Optionholders

Dear Sir or Madam,

**VOLUNTARY PARTIAL CASH OFFER AND PARTIAL OPTION OFFER BY
J.P. MORGAN ON BEHALF OF THE OFFEROR TO ACQUIRE 931,209,117 SHARES
IN THE SHARE CAPITAL OF THE COMPANY AND TO CANCEL
51.8% OUTSTANDING SHARE OPTIONS**

INTRODUCTION

Pursuant to the Joint Announcement, it was jointly announced that J.P. Morgan, on behalf of the Offeror, subject to the satisfaction or waiver (where applicable) of the Pre-Conditions, will make a voluntary conditional partial cash offer to Shareholders to acquire 931,209,117 Offer Shares (representing approximately 51.8% of the Shares in issue as at the date of the Joint Announcement and approximately 51.5% of the Shares in issue as at the date of the Joint Announcement on a Fully-Diluted Basis), at the Offer Price of HK\$18.80 per Offer Share. The Offeror will extend an appropriate partial offer to the Optionholders to cancel such number of Share Options representing 51.8% of the outstanding Share Options as at the Final Closing Date (i.e. the record date for determining the number of Share Options to be taken up by the Offeror under the Option Offer) (which, for illustrative purposes, is equal to 1,272,622 Share Options based on the number of outstanding Share Options as at the Latest Practicable Date) pursuant to Rule 13 of the Takeovers Code.

The making of the Offers was subject to the satisfaction of the Pre-Conditions and on 9 August 2021, the Offeror and the Company jointly announced that the Pre-Conditions had been satisfied (or, where applicable, waived).

LETTER FROM THE BOARD

The purpose of the Composite Document (of which this letter forms part) is to provide you with, among other things, (i) further information relating to the Company, the Offeror and the Offers, (ii) the letter from J.P. Morgan containing details of the Offers; (iii) the letter from the Code Independent Board Committee containing its recommendation and advice to the Shareholders and Optionholders in respect of the Offers, as to acceptance and approval of the Partial Offer and as to the acceptance of the Option Offer; and (iv) the letter from Somerley containing its advice to the Code Independent Board Committee on whether the terms of the Offers are fair and reasonable so far as the Shareholders and Optionholders are concerned, acceptance and approval of the Partial Offer and as to the acceptance of the Option Offer.

Unless the context otherwise requires, terms defined in the Composite Document shall have the same meanings when used in this letter.

CODE INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Code Independent Board Committee has been established for the purpose of making a recommendation to the Shareholders and Optionholders as to whether the Partial Offer and the Option Offer are fair and reasonable and as to acceptance. The Code Independent Board Committee comprises Mr YEO Philip Liat Kok and Mr ZHANG Yi Kevin, being all the INEDs other than (i) Ms KHOO Shulamite N K who is also an independent non-executive director of Shangri-La Asia Limited which is the parent company of Shang Holdings Limited (which is a Controlling Shareholders Close Associate); and (ii) Ms WONG Yu Pok Marina who is also an independent non-executive director of Kerry Properties. Ms TONG Shao Ming, being the non-executive Director, is also an investment director of Kerry Holdings and is therefore not on the Code Independent Board Committee given the conflicts of interest in respect of the Special Deal Agreements.

Somerley has, with the approval of the Code Independent Board Committee, been appointed as the Independent Financial Adviser to advise the Code Independent Board Committee in connection with the Offers. Somerley has advised the Code Independent Board Committee that it considers the terms of the Offers (including the Offer Price and the Option Offer Price) to be fair and reasonable so far as the Shareholders and Optionholders are concerned, and accordingly, it recommends the Code Independent Board Committee to advise the Shareholders to accept and/or approve the Partial Offer and the Optionholders to accept the Option Offer. The Code Independent Board Committee, having been so advised, considers the terms of the Offers (including the Offer Price and the Option Offer Price) to be fair and reasonable so far as the Shareholders and Optionholders are concerned, and accordingly, recommends the Shareholders to accept and/or approve the Partial Offer and the Optionholders to accept the Option Offer.

The full texts of the letter from the Code Independent Board Committee addressed to the Shareholders and Optionholders and the letter from Somerley addressed to the Code Independent Board Committee are set out in the Composite Document. You are advised to read both letters and the additional information contained in the appendices to the Composite Document carefully before taking any action in respect of the Offers.

THE OFFERS

Partial Offer

J.P. Morgan is, on behalf of the Offeror, making the Partial Offer on the following basis:

For each Offer Share HK\$18.80 in cash

In addition to the Offer Price, conditional on completion of the Warehouses Sale (which is conditional upon, amongst other conditions, the Partial Offer becoming or being declared unconditional in all respects), the Company will declare the Special Dividend of HK\$7.28 per Share.

LETTER FROM THE BOARD

Option Offer

J.P. Morgan is, on behalf of the Offeror, making the Option Offer to cancel such number of Share Options representing 51.8% of the outstanding Share Options as at the Final Closing Date (i.e. the record date for determining the number of Share Options to be taken up by the Offeror under the Option Offer) (which, for illustrative purposes, is equal to 1,272,622 Share Options based on the number of outstanding Share Options as at the Latest Practicable Date) on the following basis:

For cancellation of each Share Option HK\$8.60 in cash

As all the Share Options are in-the-money, the Option Offer Price represents the difference between the Offer Price and the exercise price of HK\$10.20 of the Share Options.

The Partial Offer and the Option Offer are made in compliance with the Takeovers Code.

Conditions of the Partial Offer

The Partial Offer is subject to the fulfilment of the following Conditions:

- (i) valid acceptances of the Partial Offer being received in respect of 931,209,117 Offer Shares for the Partial Offer by 4:00 p.m. on or prior to the First Closing Date (or such later time(s) and/or date(s) as the Offeror may decide and the Executive may approve);
- (ii) approval of the Partial Offer pursuant to Rule 28.5 of the Takeovers Code by Qualifying Shareholders who are registered as Shareholders in the Register as at the First Closing Date holding over 50% of the Shares not held by the Offeror and parties acting in concert with it, signified by means of a separate tick box on the Form of Approval and Acceptance specifying the number of Shares in respect of which the Partial Offer is approved;
- (iii) (a) there having been no imposition by any Relevant Authority (and no written notification has been received from any Relevant Authority of its proposed imposition and there has been no indication, as agreed by the Offeror and the Company acting reasonably and in good faith, that there would be such imposition) of any injunction, regulatory penalty, fine, punishment or other civil penalty on any member of the Offeror Parent Group, the Group or the Controlling Shareholders Group, which has materially adversely affected or would materially adversely affect the Offeror Parent Group's, the Group's or the Controlling Shareholders Group's ongoing business operations; and (b) no criminal penalty having been imposed and no regulatory investigation having been made on any member of the Offeror Parent Group, the Group, the Controlling Shareholders Group or any of their respective officers or employees; and
- (iv) all Taiwan Business Sale Continuing Conditions under the Taiwan Business Sale Agreement having been satisfied.

Save for Conditions (iii) and (iv) which are waivable by the Offeror with the prior written consent of the Company, none of the Conditions may be waived.

LETTER FROM THE BOARD

The Relevant Controlling Shareholders have entered into the Controlling Shareholders Irrevocable Undertakings and the Executive Directors have entered into the Executive Directors Irrevocable Undertakings in favour of the Offeror on 30 March 2021. Terms of the Controlling Shareholders Irrevocable Undertakings and the Executive Directors Irrevocable Undertakings are set out in the section of the letter from J.P. Morgan headed “Irrevocable Undertakings” in the Composite Document.

Accordingly, if Shareholders (other than the Controlling Shareholders and the Executive Directors) tender less than 336,706,623 Shares (being the minimum number of Shares tendered by such Shareholders to allow the Partial Offer to become unconditional) by the First Closing Date (which is the date falling 21 days after the despatch of the Offer Document or as further extended in accordance with the Takeovers Code), the Partial Offer will not proceed and will lapse.

The Option Offer will only become unconditional if the Partial Offer becomes or is declared unconditional in all respects.

If the Partial Offer and the Option Offer do not proceed or otherwise lapses, there are restrictions under the Takeovers Code on the Offeror making subsequent offers, to the effect that neither the Offeror nor any person who acted in concert with it in the course of the Partial Offer and the Option Offer (nor any person who is subsequently acting in concert with any of them) may within 12 months from the date on which the Partial Offer and the Option Offer do not proceed or otherwise lapses announce an offer or possible offer for the Company, except with the consent of the Executive.

Further details of the Offers including, among others, the expected timetable, the conditions, terms and procedures of acceptance of the Offers, are set out in the Composite Document, Form(s) of Approval and Acceptance and Form(s) of Option Offer Acceptance.

WARNING: Shareholders and potential investors of the Company should note that the Partial Offer and the Option Offer are subject to the satisfaction of the Conditions. Accordingly, the Partial Offer and the Option Offer may or may not become unconditional. Shareholders and potential investors of the Company 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.

INFORMATION OF THE GROUP

As at the Latest Practicable Date, 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.

Your attention is drawn to the financial information of the Group, the valuation of the Property and the general information of the Group set out in Appendices II, IV and V to the Composite Document, respectively.

LETTER FROM THE BOARD

INFORMATION OF THE OFFEROR AND THE OFFEROR PARENT

Please refer to the letter from J.P. Morgan contained in the Composite Document for information relating to the Offeror and the Offeror Parent.

INTENTION OF THE OFFEROR WITH REGARD TO THE COMPANY

Your attention is drawn to the letter from J.P. Morgan contained in the Composite Document which sets out the intentions of the Offeror regarding the business of the Company. The Board notes and welcomes in particular that (i) the Offeror has no plans to discontinue the employment of the employees of the Group (other than in the ordinary course of business); and (ii) the Offeror's intention relating to the maintenance of the listing status of the Company following closing of the Partial Offer, all as disclosed in the letter from J.P. Morgan in the Composite Document.

MAINTAINING THE LISTING STATUS OF THE COMPANY

According to the letter from J.P. Morgan contained in the Composite Document, the Company understands that the Offeror intends to maintain the listing status of the Company following closing of the Partial Offer.

The Company had a public float of approximately 34.5% of the Shares in issue as at the Latest Practicable Date. If the Partial Offer is implemented and taking into account the Controlling Shareholders Irrevocable Undertakings and the Executive Directors Irrevocable Undertakings, the public float of the Company may fall to a minimum of approximately 8.2% of the total issued Shares as at the Latest Practicable Date on a Fully-Diluted Basis, (assuming (1) the Relevant Controlling Shareholders tender 575,545,164 Shares pursuant to the Controlling Shareholders Irrevocable Undertakings; (2) Executive Directors tender 18,957,330 Shares pursuant to the Executive Directors Irrevocable Undertakings; (3) the Controlling Shareholders Close Associates, the Relevant Directors (other than the Executive Directors) and close associates of the Relevant Directors do not tender any of their shares; (4) all other Shareholders tender all their Shares; and (5) no new single shareholder owns 10% or more of the total issued Shares) which is below the minimum prescribed percentage of 25% under Rule 8.08(1)(a) of the Listing Rules.

On the basis of the reasons set out below, the Company has therefore applied to the Stock Exchange for a waiver from strict compliance with Rule 8.08(1)(a) of the Listing Rules and to permit a minimum public float of 15.0% upon completion of the Partial Offer.

(a) A partial offer is the only available transaction structure to achieve the desired commercial objectives

The Partial Offer is intended to achieve a set of unique commercial objectives:

- (i) the partnership of two complementary businesses of two highly reputable companies;
- (ii) the ongoing use of the Kerry Names; and
- (iii) maintaining the ongoing independence and listing status of the Company.

LETTER FROM THE BOARD

These commercial objectives give rise to a number of important transaction parameters which can only be satisfied through the making of a partial offer in accordance with the Takeovers Code:

- as described in the section headed "Reasons for the Offers and intention of the Offeror" in the letter from J.P. Morgan, the Offeror wishes to achieve a shareholding above 50% in the Company to enable the consolidation of the financial results of the Company as a subsidiary in the consolidated financial statements of the Offeror Parent Group and to allow the Company to be positioned as the Offeror Parent's primary vehicle for international expansion. In addition to the existing businesses of the Company which will continue to be carried on by the Company, the Offeror Parent intends that its logistics businesses outside Greater China, including, without limitation, its international freight forwarding business, will be carried out through the Company. Taking into account such commercial requirements, acquiring a 51.8% shareholding through the Partial Offer gives the Offeror sufficient headroom to stay above its minimum of 50% if the Company issues any Shares in the future, including pursuant to the Share Option Scheme; and
- the Controlling Shareholders wish to retain a shareholding of at least 30% in the Company after the Partial Offer in order to be supportive of the Partial Offer and to justify the ongoing use by the Company of the Kerry Names. It would not be commercially desirable for Controlling Shareholders to allow the Kerry Names to be used, whilst not being able to have an effective voting right to contribute towards developing and executing the strategy of the Group. As noted in the Joint Announcement and pursuant to the Brand Licence Agreement, the Licensor will be entitled to terminate the Brand Licence Agreement if the Controlling Shareholders ceases to hold 30% or more of the voting rights in the Company. From the perspective of complying with the Takeovers Code, if the Controlling Shareholders holds less than 30% of the issued Shares, and any one of them acquires voting rights which has the effect of increasing their collective holding of voting rights to 30% or more in the Company, the Controlling Shareholders may trigger the requirement to make a mandatory general offer for Shares pursuant to the Takeovers Code. This would effectively operate as a cap to keep the Controlling Shareholders' interests in the Company under 30%, which commercially is unacceptable to them. Taking into account such commercial requirements, the Controlling Shareholders require a minimum shareholding of 30.9% to be retained following completion of the Partial Offer to give them sufficient headroom to stay above their minimum shareholding of 30% if the Company issues any Shares in the future, including pursuant to the Share Option Scheme.

Other than a partial offer, there is no other transaction structure which could give effect to these transaction parameters.

(b) The market capitalisation of the Group has satisfied the conditions for a minimum public float waiver ordinarily applied to a new listing

The Company did not seek a waiver to reduce its minimum public float requirement at the time of its listing as the listing was structured as a spin-off via distribution-in-specie. At the time of the spin-off listing, due to the distribution-in-specie, the Company had a significant public float. As a result, the Company had no basis to apply to reduce its minimum public float to below 25% at the time of the spin-off listing. This was the case notwithstanding the Company's market capitalisation would have satisfied the relevant condition for such a waiver under Rule 8.08(1)(d) of the Listing Rules.

LETTER FROM THE BOARD

Since the time of the spin-off listing and as at the date of submitting the public float waiver application on 1 February 2021, the Company had also maintained a market capitalisation well in excess of HK\$10 billion and the Company would therefore have qualified for a waiver under Rule 8.08(1)(d) of the Listing Rules at the time of listing or at the time of submitting the public float waiver application. The market capitalisation of the Company as at 1 February 2021 was approximately HK\$30.4 billion. More importantly, the Company has recorded a steady increase in market liquidity since its listing, with average daily trading volumes (both in absolute number of Shares terms as well as in value terms) consistently increasing since its listing in 2013. As a result, a lower minimum public float of 15.0% would unlikely affect the provision of an open, fair and orderly market for the trading in Shares having regard to (i) the large shareholder base and the extra demand for Shares which is expected to be driven by the Partial Offer; and (ii) the public market capitalisation which had been over HK\$10 billion since listing and at the time of submitting the public float waiver application.

(c) Mechanism to ensure public float would not be less than 15.0%

As noted in a joint announcement published by the Offeror and the Company dated 9 August 2021 and in fulfilment of Pre-Condition (xiv), certain Relevant Controlling Shareholders entered into the Placing Agreements to sell up to approximately 6.9% of the total issued Shares on a Fully-Diluted Basis to restore the public float of the Shares to 15.0% within 14 days following the Final Closing Date, in the event the public float is less than 15.0% of the total issued Shares immediately following the Final Closing Date otherwise than due to the holdings of any Directors nominated by the Offeror or of any close associates (as defined in the Listing Rules) of the Offeror or any such nominee Director. The actual number of placing shares to be sold under the Placing Agreements will be determined by the actual number of Shortfall Shares (as defined in the Placing Agreements) in the Company. Shortfall Shares under the Placing Agreement means such number of Shares as is equal to (i) 15.0% of the then total issued Shares, less (ii) the number of Shares held by the public, less (iii) the number of Shares held by (a) any person nominated by the Offeror as directors of the Company, (b) any close associate of any such nominee director (if any), or (c) any subsidiary or close associates of the Offeror. As such, under the Placing Agreements, the Relevant Controlling Shareholders shall not be responsible for any shortfall caused by Shares held by persons listed in paragraphs (iii)(a), (b) and (c) above. Where any Shares are held by any such persons in paragraphs (iii)(a), (b) and (c) above, it is the responsibility of the Offeror to restore the public float pursuant to the Shareholders' Agreement.

Pursuant to the Shareholders' Agreement, if the public float falls below 15% of the total issued Shares immediately following the Final Closing Date, the Controlling Shareholders will take action to restore the public float by placing down up to 6.9% of the total issued Shares, and the Offeror will take action to restore the public float to the extent in excess of 6.9% of the total issued Shares or otherwise due to the holdings of any Directors nominated by the Offeror or of any close associates of the Offeror or any such nominee Director.

Completion of the placing under the Placing Agreements is conditional upon (among others) the Partial Offer becoming or being declared unconditional in all respects, and the number of Shares held by the public immediately after completion of the Partial Offer and the Option Offer being or will be less than 15.0% of the then total issued Shares (otherwise than due to the holding of Shares by (a) any person nominated by the Offeror as Directors, (b) any close associate of any such nominee Director (if any), or (c) any subsidiary or close associates of the Offeror).

In addition, the Offeror has confirmed that it will not nominate any persons who, or whose close associates, have interests in the Shares as Directors upon completion of the Partial Offer. On that basis, the public float of the Company immediately following the Final Closing Date, or immediately following the completion of the sell down by the relevant Controlling Shareholders pursuant to the Placing Agreements, will not be less than 15.0%.

LETTER FROM THE BOARD

With the Placing Agreements in place together with the undertakings provided by the Offeror, the Offeror Parent and the Controlling Shareholders to the Stock Exchange in the terms as set out below, the Company can ensure that the 15.0% public float will be maintained after completion of the Partial Offer and that if the need to restore the public float arises after completion of the Partial Offer, the placing down can be completed promptly pursuant to the Placing Agreements.

As a condition to the waiver from the Stock Exchange,

- (i) each of the Offeror and the Offeror Parent has undertaken to the Stock Exchange not to acquire additional Shares or interests in Shares which, so far as it is aware, will directly and immediately result in the Company's public float falling below 15.0% (other than pursuant to a transaction implemented in accordance with the Takeovers Code). Each of the Offeror's and the Offeror Parent's undertaking is effective from completion of the Partial Offer and shall terminate if and when the Offeror ceases to hold 30.0% or more of the Shares and, for the avoidance of doubt, the undertaking shall not be treated as having been breached as a result of actions not taken by each of the Offeror and the Offeror Parent, including share buybacks carried on by the Company; and
- (ii) the Controlling Shareholders have undertaken to the Stock Exchange not to acquire additional Shares or interests in Shares which, so far as they are aware, will directly and immediately result in the Company's public float falling below 15.0% (other than pursuant to a transaction implemented in compliance with the Takeovers Code). The Controlling Shareholders' undertakings shall take effect from the Final Closing Date after the Partial Offer becomes or is declared unconditional in all respects, and shall terminate (i) (with respect to the Controlling Shareholders giving the undertaking (other than Kerry Properties)) if and when the Controlling Shareholders (together with Kerry Properties, for so long as Kerry Properties is a subsidiary of Kerry Group Limited) collectively hold less than 10.0% of the issued Shares from time to time; and (ii) (with respect to Kerry Properties) if and when Kerry Properties ceases to be a subsidiary of Kerry Group Limited and Kerry Properties holds less than 10.0% of the issued Shares from time to time, or if Kerry Properties is a subsidiary of Kerry Group Limited and the Controlling Shareholders collectively hold less than 10.0% of the issued Shares from time to time. For the avoidance of doubt, the undertaking shall not be treated as having been breached as a result of actions not taken by the Controlling Shareholders, including share buybacks carried on by the Company.

It is intended that following closing of the Partial Offer and the Option Offer, the Company will maintain its listing on the Stock Exchange. The Stock Exchange has stated that if, at the close of the Partial Offer, less than the minimum prescribed percentage applicable to the Company, being 15% of the issued Shares, are held by the public, or if the Stock Exchange believes that:-

- a false market exists or may exist in the trading of the Shares; or
- that there are insufficient Shares in public hands to maintain an orderly market;

it will consider exercising its discretion to suspend dealings in the Shares. By reason of the undertakings provided to the Stock Exchange by each of the Offeror, the Offeror Parent and the Controlling Shareholders and the mechanisms to restore public float as detailed in this paragraph (c), the Company considers that the public float will not fall short of the minimum prescribed percentage of 15.0% of the issued Shares.

LETTER FROM THE BOARD

(d) Giving minority Shareholders an opportunity to consider a compelling offer

The Board notes that as set out in the letter from J.P. Morgan contained in the Composite Document, the Offeror intends to acquire statutory control of the Company (i.e. 50% or more Shares) whilst maintaining the listing status of the Company. The Controlling Shareholders also wish to retain a controlling shareholding (i.e. 30% or more Shares) in the Company. In other words, a lesser public float of 15.0% would be the highest achievable level of public float.

A strict enforcement of the minimum public float requirement under Rule 8.08(1)(a) of the Listing Rules would mean that the Company cannot proceed with the Partial Offer. Taking into consideration the reasons and benefits of the Offeror for the Partial Offer and the Option Offer as set out in the letter from J.P. Morgan contained in the Composite Document, this would in turn deprive minority Shareholders of the opportunity to consider what the Board believes to be a compelling offer. Accordingly, the Board considers it is in the best interest of the minority Shareholders to be given the opportunity to consider the Partial Offer.

(e) Driving extra demand for the Shares

Introducing the Offeror as a majority Shareholder is expected to drive extra demand for the Shares. For instance, there are only a few overlapping institutional shareholders amongst the top institutional shareholders of each of the Company and the Offeror Parent. The Partial Offer is therefore likely to attract institutional shareholders of each of the Company and the Offeror Parent to the other, thereby further enhancing institutional investor interests in the Company.

In addition, the Partial Offer is expected to attract additional research coverage on the Company and further enhance its institutional investor reach for extra sources of liquidity. Given the background of the Offeror Parent, the Partial Offer is also likely to introduce the Company to a new universe of Chinese investors.

On the basis of the above, notwithstanding the smaller percentage of public float, the Partial Offer will likely drive extra demand for the Shares.

(f) Safeguards for minority Shareholders

The Board believes that adequate safeguards have been provided to the minority Shareholders under the proposed transaction structure and that they would be able to consider (and effectively vote on) whether it would be in their best interest to accept the reduced public float when they vote on the two relevant Shareholders' approvals: (i) the first being the Independent Shareholders' approval in respect of the Warehouses Sale Agreement, the Warehouses Management Agreements, the Taiwan Business Sale Agreement, the Brand Licence Agreements and the Shareholders' Agreement obtained on 26 May 2021, without which the Partial Offer could not proceed; and (ii) the second being the approval from Shareholders holding not less than 50% of the issued share capital of the Company not held by the Offeror or its concert parties, which is one of the Conditions to the Partial Offer.

The waiver from strict compliance with Rule 8.08(1)(a) of the Listing Rules was granted by the Stock Exchange to the Company on 5 February 2021.

LETTER FROM THE BOARD

FURTHER INFORMATION ON THE PARTIAL OFFER AND THE OPTION OFFER

Please refer to the letter from J.P. Morgan contained in the Composite Document, Appendix I to the Composite Document, the Form of Approval and Acceptance and the Form of Option Offer Acceptance for further information in relation to the Partial Offer and the Option Offer, including their extension to Overseas Shareholders and information on taxation, acceptance and settlement procedures.

RECOMMENDATION

Your attention is drawn to (i) the letter from the Code Independent Board Committee set out in the Composite Document, which contains its advice and recommendations to the Shareholders and Optionholders in relation to the Offers; and (ii) the letter from Somerley set out in the Composite Document, which contains its advice to the Code Independent Board Committee in relation to the Offers, and the principal factors considered by it before arriving at its recommendation. You are also advised to read the remainder of the Composite Document, the Form of Approval and Acceptance and the Form of Option Offer Acceptance in respect of the acceptance and settlement procedures for the Partial Offer and the Option Offer.

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



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

12 August 2021

To the Shareholders and Optionholders

Dear Sirs or Madams,

**VOLUNTARY PARTIAL CASH OFFER AND PARTIAL OPTION OFFER BY
J.P. MORGAN ON BEHALF OF THE OFFEROR TO ACQUIRE 931,209,117 SHARES
IN THE SHARE CAPITAL OF THE COMPANY AND TO CANCEL
51.8% OUTSTANDING SHARE OPTIONS**

We refer to the Composite Document dated 12 August 2021 in respect of the Partial Offer and the Option Offer jointly issued by the Offeror and the Company, of which this letter forms part. Unless the context otherwise requires, terms used in this letter shall have the same meanings as defined in the Composite Document.

We have been appointed by the Board as members of the Code Independent Board Committee to consider, among other things, the terms of the Partial Offer and the Option Offer and to advise you (i.e. the Shareholders and Optionholders), among other things, as to whether or not the terms of the Offers are fair and reasonable, the acceptance and approval of the Partial Offer and the acceptance of the Option Offer. Somerley has been appointed as the Independent Financial Adviser to make a recommendation to us in respect of, among other things, whether the terms of the Offers are fair and reasonable, as to the acceptance and approval of the Partial Offer and the acceptance of the Option Offer. Details of its advice and recommendation, together with the principal factors and reasons which it has considered before arriving at such recommendation, are set out in the "Letter from Somerley" in the Composite Document.

We also wish to draw your attention to the "Letter from the Board", the "Letter from J.P. Morgan" and the additional information set out in the appendices to the Composite Document.

Having taken into account the principal factors set out in the "Letter from Somerley" in the Composite Document and summarised in the section headed "*Discussion and Analysis*" therein, we consider that the terms of the Offers (including the Offer Price and the Option Offer Price) are fair and reasonable so far as the Shareholders and Optionholders are concerned and accordingly we recommend the Shareholders and Optionholders to approve and/or accept the Offers.

Shareholders or Optionholders may consider retaining all or part of their Shares or Share Options if they would like to preserve any potential upside of the Group having considering the information on the Offeror and the future intentions of the Offeror regarding the Group. If acceptances under the Partial Offer are received in respect of more

LETTER FROM THE CODE INDEPENDENT BOARD COMMITTEE

than 931,209,117 Shares, not all Shares tendered will be taken up under the Partial Offer, so Shareholders will continue to hold some Shares in any event, unless they sell in the market. If acceptances under the Option Offer are received in respect of more than 51.8% of the outstanding Share Options as at the Final Closing Date (i.e. the record date for determining the number of Share Options to be taken up by the Offeror under the Option Offer), not all Share Options tendered will be taken up under the Option Offer and Optionholders will continue to hold some Share Options. Such Share Options will not be deemed to have lapsed after the Final Closing Date, pursuant to the rules of the Share Option Scheme.

Some Shareholders, particularly those holding a small number of board lots, who are concerned about the drawbacks of being left with an odd lot, may consider selling their Shares in the market before the close of the Partial Offer instead. Such Shareholders should note, however, that if they sell in the market before the Record Date in respect of the Special Dividend, they will not receive the Special Dividend. They should therefore exercise caution when comparing the current price of the Shares (and future cum-rights trading prices up to the last day of dealings with entitlement to the Special Dividend of HK\$7.28 (i.e. before the ex-date)), with the Offer Price of HK\$18.80 which does not include an entitlement to the Special Dividend.

The procedures for acceptance of the Offers are set out in Appendix I to the Composite Document and the accompanying Form of Approval and Acceptance and Form of Option Offer Acceptance. Shareholders and Optionholders are urged to read the timetable set out in the Composite Document and any revised timetable (if any) to be announced by the Offeror and to carefully act accordingly if they wish to accept the Offers.

The Shareholders and the Optionholders are also strongly recommended to read the full text of the "Letter from Somerley" set out in the Composite Document.

Yours faithfully
For and on behalf of the Code
Independent Board Committee
YEO Philip Liat Kok
ZHANG Yi Kevin
Independent non-executive Directors

LETTER FROM SOMERLEY

Set out below is the letter of advice from Somerley Capital Limited, the independent financial adviser to the Code Independent Board Committee in respect of the Partial Offer and the Option Offer, which has been prepared for the purpose of inclusion in the Composite Document.



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

12 August 2021

To: the Code Independent Board Committee of Kerry Logistics Network Limited

Dear Sirs,

**VOLUNTARY PARTIAL CASH OFFER AND PARTIAL OPTION OFFER
BY J.P. MORGAN ON BEHALF OF THE OFFEROR
TO ACQUIRE 931,209,117 SHARES IN THE SHARE CAPITAL OF THE COMPANY
AND
TO CANCEL 51.8% OUTSTANDING SHARE OPTIONS**

INTRODUCTION

We refer to our appointment as independent financial adviser to advise the Code Independent Board Committee in relation to the Partial Offer and the Option Offer as follow:

- (i) to acquire 931,209,117 Offer Shares (representing approximately 51.8% of the Shares in issue as at the date of the Joint Announcement and approximately 51.5% of the Shares in issue as at the date of the Joint Announcement on a Fully-Diluted Basis) at the Offer Price of HK\$18.80 per Offer Share; and
- (ii) to extend an appropriate partial offer to the Optionholders to cancel such number of Share Options representing 51.8% of the outstanding Share Options as at the Final Closing Date (i.e. the record date for determining the number of Share Options to be taken up by the Offeror under the Option Offer) pursuant to Rule 13 of the Takeovers Code.

In addition to the Offer Price, conditional on completion of the Warehouses Sale (which is conditional upon, amongst other conditions, the Partial Offer becoming or being declared unconditional in all respects), the Company will declare the Special Dividend of HK\$7.28 per Share. Therefore, the Offer Price plus the Special Dividend received by a Shareholder for every Share in respect of which that Shareholder validly accepts the Partial Offer and which is taken up by the Offeror under the Partial Offer would be HK\$26.08, comprising the Offer Price of HK\$18.80 per Share taken up by the Offeror and the Special Dividend of HK\$7.28 per Share.

LETTER FROM SOMERLEY

On 9 August 2021, the Offeror (an indirectly wholly-owned subsidiary of the Offeror Parent, namely S.F. Holding Co., Ltd.) and the Company jointly announced the Pre-Conditions had been satisfied (or, where applicable, waived). Details of the Offers are contained in the Composite Document dated 12 August 2021 (the “**Composite Document**”), of which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as those defined in the Composite Document.

The Board currently consists of four executive Directors, one non-executive Director and four independent non-executive Directors. In accordance with Rule 2.8 of the Code, members of the Code Independent Board Committee should comprise all non-executive directors who have no direct or indirect interest in the Offers. The Code 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. Ms TONG Shao Ming, being the non-executive Director, is also an investment director of Kerry Holdings and is therefore not on the Code Independent Board Committee given the conflicts of interest in respect of the Special Deal Agreements. The Code Independent Board Committee has approved our appointment as the Independent Financial Adviser to advise them on the Offers. The Code Independent Board Committee has been established for the purpose of making a recommendation to, among other things, the Shareholders and the Optionholders as to whether the terms of the Offers are fair and reasonable and as to the acceptance.

We are not associated or connected with the Company or the Offeror, their respective substantial shareholder (the “**Parties**”) or any party acting, or presumed to be acting, in concert with any of them and, accordingly, are considered eligible to give independent advice on the Offers. Apart from normal professional fees payable to us in connection with this and similar appointments, no arrangement exists whereby we will receive any fees or benefits from the Parties or any party acting, or presumed to be acting, in concert with any of them.

In formulating our opinion, we have reviewed, among other things, (i) the Joint Announcement; (ii) the Special Deal Agreements; (iii) the circular of the Company dated 3 May 2021 in relation to the Special Deal Agreements (the “**Special Deals Circular**”); (iv) the annual reports of the Company for the years ended 31 December 2020 (the “**2020 Annual Report**”) and 31 December 2019 (the “**2019 Annual Report**”) (together, the “**Annual Reports**”); (v) the valuation report in relation to the properties of the Group (the “**Valuation Report**”) issued by Cushman & Wakefield Limited (the “**Valuer**”), an independent property valuer appointed by the Company, as set out in appendix IV to the Composite Document; and (vi) the information as set out in the Composite Document. We have discussed the business and prospects of the Group as they may be affected by the transactions contemplated under the Special Deal Agreements with the management of the Group (the “**Management**”) and we have also discussed the valuation methodology and bases and assumptions used in the Valuation Report with the Valuer.

We have relied on the information and facts supplied, and the opinions expressed, by the Directors and the Management, and have assumed that the information and facts provided and opinions expressed to us are true, accurate and complete in all material respects at the time they were made and up to the Latest Practicable Date. We have further assumed that all representations contained or referred to in the Composite Document are true, accurate and complete at the time they were made and at the Latest Practicable Date. The Shareholders and the Optionholders will be informed as soon as practicable if we become aware of any material change to such information. We have also sought and received confirmation from the Directors that no material facts have been

LETTER FROM SOMERLEY

omitted from the information supplied and opinions expressed to us. We consider that the information we have received is sufficient for us to reach our advices and recommendations as set out in this letter. We have no reason to believe that any material information has been omitted or withheld, or doubt the truth or accuracy of the information provided. We have, however, not conducted any independent investigation into the business and affairs of the Group or the Parties nor have we carried out any independent verification of the information supplied.

We have not considered the tax implications of accepting the Partial Offer and the Option Offer for the Shareholders and the Optionholders respectively since these depend on their individual circumstances. In particular, the Shareholders and the Optionholders who are resident overseas or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax positions and, if in any doubt, should consult their own professional advisers.

PRINCIPAL TERMS OF THE OFFERS

1. The Partial Offer and the Offer Price

J.P. Morgan, on behalf of the Offeror (an indirectly wholly-owned subsidiary of the Offeror Parent, namely S.F. Holding Co., Ltd.), is making the Partial Offer in compliance with the Takeovers Code to the Shareholders to acquire 931,209,117 Offer Shares (representing approximately 51.8% of the Shares in issue as at the date of the Joint Announcement and approximately 51.5% of the Shares in issue as at the date of the Joint Announcement on a Fully-Diluted Basis) on the following basis:

For each Offer Share HK\$18.80 in cash

In addition to the Offer Price, conditional on completion of the Warehouses Sale (which is conditional upon, amongst other conditions, the Partial Offer becoming or being declared unconditional in all respects), the Company will declare the Special Dividend of HK\$7.28 per Share. Therefore, the Offer Price plus Special Dividend received by a Shareholder for every Share in respect of which that Shareholder validly accepts the Partial Offer and which is taken up by the Offeror under the Partial Offer would be HK\$26.08, comprising the Offer Price of HK\$18.80 per Share taken up by the Offeror and the Special Dividend of HK\$7.28 per Share. For the avoidance of doubt, whether or not a Shareholder tenders any Share for the acceptance of the Partial Offer, conditional on completion of the Warehouses Sale, every Shareholder as at the Record Date will receive the Special Dividend.

2. The Option Offer and the Option Offer Price

J.P. Morgan, on behalf of the Offeror, is making the Option Offer in compliance with the Takeovers Code to cancel such number of Share Options representing 51.8% of the outstanding Share Options as at the Final Closing Date (i.e. the record date for determining the number of Share Options to be taken up by the Offeror under the Option Offer) (which, for illustrative purposes, is equal to 1,272,622 Share Options based on the number of outstanding Share Options as at the Latest Practicable Date) on the following basis:

For cancellation of each Share Option HK\$8.60 in cash

As all the Share Options are in-the-money, the Option Offer Price represents the difference between the Offer Price and the exercise price of HK\$10.20 of the Share Options.

LETTER FROM SOMERLEY

3. Conditions of the Offers

The Partial Offer is subject to the fulfillment of the following conditions:

- (a) valid acceptances of the Partial Offer being received in respect of 931,209,117 Offer Shares for the Partial Offer by 4:00 p.m. on or prior to the First Closing Date (or such later time(s) and/or date(s) as the Offeror may decide and the Executive may approve);
- (b) approval of the Partial Offer pursuant to Rule 28.5 of the Takeovers Code by Qualifying Shareholders who are registered as Shareholders in the Register as at the First Closing Date holding over 50% of the Shares not held by the Offeror and parties acting in concert with it, signified by means of a separate tick box on the Form of Approval and Acceptance specifying the number of Shares in respect of which the Partial Offer is approved;
- (c) (a) there having been no imposition by any Relevant Authority (and no written notification has been received from any Relevant Authority of its proposed imposition and there has been no indication, as agreed by the Offeror and the Company acting reasonably and in good faith, that there would be such imposition) of any injunction, regulatory penalty, fine, punishment or other civil penalty on any member of the Offeror Parent Group, the Group or the Controlling Shareholders Group, which has materially adversely affected or would materially adversely affect the Offeror Parent Group's, the Group's or the Controlling Shareholders Group's ongoing business operations; and (b) no criminal penalty having been imposed and no regulatory investigation having been made on any member of the Offeror Parent Group, the Group, the Controlling Shareholders Group or any of their respective officers or employees; and
- (d) all Taiwan Business Sale Continuing Conditions under the Taiwan Business Sale Agreement having been satisfied.

Save for Conditions (c) and (d) which are waivable by the Offeror with the prior written consent of the Company, none of the Conditions may be waived. As at the Latest Practicable Date, none of the Conditions had been fulfilled or waived so far as we understand.

The Option Offer will only become unconditional if the Partial Offer becomes or is declared unconditional in all respects.

In the event that valid acceptances are received:

- (a) for less than 931,209,117 Shares by the First Closing Date, unless the First Closing Date is extended in accordance with the Takeovers Code, the Partial Offer will not proceed and will lapse immediately; or
- (b) for 931,209,117 Shares or more on or before the First Closing Date, the Offeror will declare the Partial Offer unconditional as to acceptances on or before the First Closing Date.

Further details of the terms of the Offers and the procedures for acceptance of the Offers are contained in the letter from J.P. Morgan, appendix I to the Composite Document, the Form of Approval and Acceptance and the Form of Option Offer Acceptance. The Shareholders and the Optionholders are urged to read the relevant sections of the aforesaid documents in full.

4. The Irrevocable Undertakings

On 30 March 2021, all the Controlling Shareholders which directly hold Shares (being all the Controlling Shareholders other than Kerry Holdings Limited and Kerry Group Limited) (the “**Relevant Controlling Shareholders**”) have executed the Controlling Shareholders Irrevocable Undertakings and the Executive Directors have executed the Executive Directors Irrevocable Undertakings, both in favour of the Offeror.

Pursuant to the Controlling Shareholders Irrevocable Undertakings, the Relevant Controlling Shareholders have irrevocably and unconditionally undertaken to duly accept or procure acceptance of the Partial Offer in accordance with its terms in respect of an aggregate of 575,545,164 Shares, representing approximately 31.9% of the total issued Shares as at the Latest Practicable Date.

Pursuant to the Executive Directors Irrevocable Undertakings, the Executive Directors have each irrevocably and unconditionally undertaken to duly accept or procure acceptance of the Partial Offer in accordance with its terms in respect of an aggregate of 18,957,330 Shares, representing approximately 1.0% of the total issued Shares as at the Latest Practicable Date.

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

1. Information of the Group

(a) Business activities of the Group

The Group’s core business encompasses integrated logistics, international freight forwarding and supply chain solutions. With headquarters in Hong Kong, the Group has a far-reaching global network that stretches across six continents and includes one of the largest distribution network and hub operations in Greater China and the ASEAN region. In particular, the Group provides (i) integrated logistics services, including storage and value-added services, trucking and distribution, returns management and various ancillary services, primarily in Asia; (ii) leasing of warehousing space in Hong Kong; and (iii) international freight forwarding services intra-Asia and between Asia and Europe to transport cargo using air freight, ocean freight and cross-border road freight forwarding services. Revenue of the Group mainly generated from Mainland China, Taiwan, Hong Kong and Asia, which contributed approximately 72% of the Group’s total revenue for the year ended 31 December 2020.

In connection with the Offers, the Group entered into the Warehouses Sale Agreement and the Taiwan Business Sale Agreement in March 2021 to dispose of the warehouses in Hong Kong and the logistics and trading businesses in Taiwan respectively, which are conditional on, among other things, the Partial Offer becoming or being declared unconditional in all respects. In addition, the Group also entered into the Warehouses Management Agreements to manage the aforesaid warehouses in Hong Kong after these warehouses are sold under the Warehouses Sale Agreement. Further details of the above transactions were set out in the Special Deals Circular.

LETTER FROM SOMERLEY

(b) Financial performance of the Group

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

	Year ended 31 December		
	2020 <i>HK\$ (million)</i>	2019 <i>HK\$ (million)</i>	2018 <i>HK\$ (million)</i>
Revenue	53,360.5	41,139.1	38,138.5
Direct operating expenses	<u>(47,187.5)</u>	<u>(35,736.6)</u>	<u>(33,382.9)</u>
Gross profit	6,173.0	5,402.5	4,755.6
Other income and net gains	257.5	199.8	176.5
Administrative expenses	<u>(3,072.5)</u>	<u>(2,841.7)</u>	<u>(2,538.3)</u>
Operating profit before gain on disposal of warehouses and fair value change of investment properties	3,358.0	2,760.6	2,393.8
Gain on disposal of warehouses	–	1,957.5	–
Change in fair value of investment properties	<u>1,069.2</u>	<u>482.9</u>	<u>1,097.9</u>
Operating profit	4,427.2	5,201.0	3,491.7
Finance costs	(303.1)	(358.1)	(224.2)
Share of results of associates and joint ventures	<u>118.2</u>	<u>85.5</u>	<u>110.7</u>
Profit before taxation	4,242.3	4,928.4	3,378.2
Taxation	<u>(772.7)</u>	<u>(589.0)</u>	<u>(506.6)</u>
Profit for the year	<u><u>3,469.6</u></u>	<u><u>4,339.4</u></u>	<u><u>2,871.6</u></u>
Profit for the year attributable to:			
the Shareholders	2,895.8	3,788.3	2,439.8
non-controlling interests	<u>573.8</u>	<u>551.1</u>	<u>431.8</u>
	<u><u>3,469.6</u></u>	<u><u>4,339.4</u></u>	<u><u>2,871.6</u></u>
Core net profit	1,828.4	1,374.1	1,326.3
Dividend per Share (HK cents)	48.6	62.0	37.0

LETTER FROM SOMERLEY

(i) *Revenue and gross margin*

Set out below is a summary of the Group's segmental revenue for the years ended 31 December 2020, 2019 and 2018.

	Year ended 31 December		
	2020	2019	2018
	<i>HK\$ (million)</i>	<i>HK\$ (million)</i>	<i>HK\$ (million)</i>
Logistics operations	21,074.2	19,243.5	16,526.5
Hong Kong warehouse	205.8	268.3	340.7
International freight forwarding	<u>32,080.5</u>	<u>21,627.3</u>	<u>21,271.3</u>
	<u><u>53,360.5</u></u>	<u><u>41,139.1</u></u>	<u><u>38,138.5</u></u>

For the years ended 31 December 2020 versus 2019

The Group achieved a revenue of approximately HK\$53,360.5 million for the year ended 31 December 2020, representing a growth of approximately 29.7% from that for the year ended 31 December 2019. The gross margin of the Group narrowed from approximately 13.1% for the year ended 31 December 2019 by approximately 1.5% to approximately 11.6% for the year ended 31 December 2020 as the international freight forwarding business (the "**IFF Segment**"), which has a lower profit margin than the logistics operations segment and the Hong Kong warehouse segment (together, the "**IL Segment**"), grew and accounted for a higher percentage of the Group's total revenue for the year ended 31 December 2020 than that for the year ended 31 December 2019. As stated in the 2020 Annual Report, the IL Segment of the Group recorded a segment revenue growth of approximately 9.1% in 2020 which was mainly driven by the strong performance in Hong Kong and Taiwan. In addition, the IFF Segment surged by approximately 48.3% in revenue for the year ended 31 December 2020, which was mainly driven by a high global demand for pandemic-related goods as well as production and exports from Mainland China.

For the years ended 31 December 2019 versus 2018

The Group achieved a revenue of approximately HK\$41,139.1 million for the year ended 31 December 2019, representing a growth of approximately 7.9% from that for the year ended 31 December 2018. The gross margin of the Group enhanced from approximately 12.5% for the year ended 31 December 2018 by approximately 0.6% to approximately 13.1% for the year ended 31 December 2019 as the IL Segment, which has a higher profit margin than the IFF Segment, grew and accounted for a higher percentage of the Group's total revenue for the year ended 31 December 2019 than that for the year ended 31 December 2018. As stated in the 2019 Annual Report, the IL Segment recorded a segment revenue growth of approximately 15.7% for the year ended 31 December 2019 which was resulted from the improved business performance across its major business regions, such as increased business in the cold chain logistics operation in China, rise in e-commerce business as well as new customer wins in the food and beverage industry, pharmaceutical and general services verticals in Hong Kong and the sustained strong performance of the operation in Thailand. Meanwhile, the revenue of the IFF Segment recorded a mild growth of approximately 1.7% for the year ended 31 December 2019.

LETTER FROM SOMERLEY

(ii) *Administrative expenses*

For the years ended 31 December 2020 versus 2019

The Group recorded administrative expenses of approximately HK\$3,072.5 million for the year ended 31 December 2020, representing a growth of approximately 8.1% from that for the year ended 31 December 2019, which was mainly attributable to the increase in employee benefit expenses.

For the years ended 31 December 2019 versus 2018

The Group recorded administrative expenses of approximately HK\$2,841.7 million for the year ended 31 December 2019, representing a growth of approximately 12.0% from that for the year ended 31 December 2018, which was mainly attributable to the increase in employee benefit expenses.

(iii) *Gain on disposal of warehouses*

In March 2019, the Group entered into agreements with certain subsidiary of Kerry Properties to dispose of two wholly-owned subsidiaries holding two warehouses in Hong Kong for a cash consideration of HK\$3,600 million. The aforesaid disposals were completed in June 2019 with a disposal gain of approximately HK\$1,957.5 million.

(iv) *Change in fair value of investment properties*

The change in fair value of investment properties of the Group amounted to approximately HK\$1,069.2 million, HK\$482.9 million and HK\$1,097.9 million for the years ended 31 December 2020, 2019 and 2018 respectively. The investment properties of the Group were mainly warehouses and logistics centres in Hong Kong, Mainland China and Vietnam. The Group records its investment properties at fair value as assessed by qualified valuer on an annual basis.

(v) *Finance costs*

For the years ended 31 December 2020 versus 2019

The Group's finance costs decreased by approximately 15.4% from approximately HK\$358.1 million for the year ended 31 December 2019 to approximately HK\$303.1 million for the year ended 31 December 2020 as a result of reduced bank loans and overdraft.

For the years ended 31 December 2019 versus 2018

The Group's finance costs increased by approximately 59.7% from approximately HK\$224.2 million for the year ended 31 December 2018 to approximately HK\$358.1 million for the year ended 31 December 2019 mainly due to the increase in interest expenses on lease liabilities.

LETTER FROM SOMERLEY

(vi) *Profit for the year attributable to the Shareholders and core net profit*

For the years ended 31 December 2020 versus 2019

The Group's profit attributable to the Shareholders for the year ended 31 December 2020 decreased by approximately 23.6% from the prior year to approximately HK\$2,895.8 million. However, the Group's core net profit, which represents the profit attributable to the Shareholders before the after-tax effect of change in fair value of investment properties, gain on disposal of warehouses, fair value change of financial instruments and impairment, grew by approximately 33.1% to approximately HK\$1,828.4 million for the year ended 31 December 2020 primarily due to the absence of one-off disposal gain of warehouses which only incurred in 2019. The increase in core net profit was mainly attributable to (i) normalised growth rate of approximately 8% for the IL segment, which was driven by the strong performance in Hong Kong and Taiwan; and (ii) 64% growth of the IFF segment, which was mainly driven by a high global demand for pandemic-related goods as well as production and exports from Mainland China.

As mentioned in the sub-section headed "(a) Business activities of the Group" in this section, upon the Partial Offer becoming unconditional or being declared unconditional, the warehouses in Hong Kong and the logistics and trading businesses in Taiwan will be sold by the Group and the warehouses in Hong Kong will be managed by the Group. To illustrate the effect of the above transactions on the profitability of the Group upon the Partial Offer becoming unconditional or being declared unconditional, we have calculated the adjusted core net profit of the Group for the year ended 31 December 2020 as if the aforesaid transactions had been taken place or commenced (as the case may be) at the beginning of the year ended 31 December 2020. On the above basis and after excluding the one-off gains (if any) on disposals of the warehouses in Hong Kong and the logistics and trading businesses in Taiwan, the adjusted core net profit of the Group for the year ended 31 December 2020 would become approximately HK\$1,244.6 million, representing a decrease of approximately 31.9% from the historical amount. Details of the computation of the adjusted core net profit of the Group are set out in note 8 to the table in the section headed "4. The Comparable Companies analysis" in this letter.

For the years ended 31 December 2019 versus 2018

The Group's profit attributable to the Shareholders increased by approximately 55.3% from the prior year to approximately HK\$3,788.3 million for the year ended 31 December 2019. Nevertheless, the Group's core net profit only grew by approximately 3.6% to approximately HK\$1,374.1 million for the year ended 31 December 2019. The increase in the core net profit was primarily driven by (i) business growth for the IL Segment in major operating regions such as Mainland China, Hong Kong and Taiwan; and (ii) growth of the IFF Segment, which was partly attributable to the trade war between Mainland China and the United States of America (the "US") and resulted in frontloading by the Group's customers to get goods from Mainland China to the US.

LETTER FROM SOMERLEY

(vii) Dividend

The Company paid interim and final cash dividends in the past three years. The total of interim and final dividends were 34.8 Hong Kong cents ("HK cents") per Share, 27 HK cents per Share and 25 HK cents per Share for the years ended 31 December 2020, 2019 and 2018 respectively. The Company also declared special dividends of 13.8 HK cents per Share, 35 HK cents per Share and 12 HK cents per Share for the years ended 31 December 2020, 2019 and 2018 respectively. The total cash dividends were approximately HK\$872.9 million, HK\$1,063.2 million and HK\$629.9 million for the years ended 31 December 2020, 2019 and 2018 respectively.

(c) Financial position of the Group

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

	As at 31 December		
	2020 <i>HK\$ (million)</i>	2019 <i>HK\$ (million)</i>	2018 <i>HK\$ (million)</i>
Non-current assets			
Intangible assets	4,771.9	4,764.9	4,250.9
Investment properties	11,503.2	10,308.1	11,039.0
Property, plant and equipment	11,693.2	11,343.5	10,347.0
Other non-current assets	<u>7,200.3</u>	<u>5,789.0</u>	<u>2,511.8</u>
	35,168.6	32,205.5	28,148.7
Current assets			
Accounts receivable, prepayments and deposits	12,358.6	10,149.0	9,502.9
Cash and bank balances	8,470.8	5,825.2	4,305.9
Other current assets	<u>902.0</u>	<u>1,024.3</u>	<u>1,075.1</u>
	21,731.4	16,998.5	14,883.9
Current liabilities			
Accounts payable, deposits received and accrued charges	9,269.2	7,387.8	6,795.7
Short-term bank loans and current portion of long-term bank loans	3,941.8	1,947.8	4,936.9
Other current liabilities	<u>1,697.6</u>	<u>1,645.2</u>	<u>586.3</u>
	14,908.6	10,980.8	12,318.9
Net current assets	<u>6,822.8</u>	<u>6,017.7</u>	<u>2,565.0</u>

LETTER FROM SOMERLEY

	As at 31 December		
	2020	2019	2018
	<i>HK\$ (million)</i>	<i>HK\$ (million)</i>	<i>HK\$ (million)</i>
Non-current liabilities			
Long-term bank loans	5,069.4	6,173.8	4,569.6
Other non-current liabilities	4,442.1	4,974.9	2,476.6
	9,511.5	11,148.7	7,046.2
Equity			
Capital and reserves attributable to the			
Shareholders	27,482.9	23,013.3	20,043.2
Non-controlling interests	4,997.0	4,061.2	3,624.3
	32,479.9	27,074.5	23,667.5

(i) Investment properties

As at 31 December 2020, investment properties of the Group amounted to approximately HK\$11,503.2 million, which comprised warehouses and logistics centres mainly in Hong Kong, Mainland China, Singapore and Vietnam leased out by the Group for rental income. The balance increased by approximately 11.6% from that as at 31 December 2019 largely due to appreciation in the fair value of the investment properties.

(ii) Property, plant and equipment

As at 31 December 2020, (i) warehouse and logistics centres; (ii) staff quarters; (iii) freehold land and buildings; and (iv) port facilities altogether amounted to over half of the Group's property, plant and equipment ("PP&E"). Approximately 28.0% of the Group's PP&E were warehouse operating equipment and motor vehicles, furniture, fixtures and office equipment. The remainder were leasehold improvements and construction in progress. As at 31 December 2020, the Group's PP&E was approximately HK\$11,693.2 million, representing an increase of approximately 3.1% from that as at 31 December 2019.

(iii) Cash and bank balances

The Group expanded its operational size and recorded increasing revenue and profits in recent years. The Group had cash and bank balances of approximately HK\$8,470.8 million as at 31 December 2020, representing an increase of approximately 45.4% from that as at 31 December 2019. The increase was mainly due to the improvement in net cash generated from operations from approximately HK\$3,203.7 million for the year ended 31 December 2019 to approximately HK\$4,326.2 million for the year ended 31 December 2020 and reduced net cash used in financing activities from approximately HK\$3,701.2 million for the year ended 31 December 2019 to approximately HK\$255.8 million for the year ended 31 December 2020. The reduced net cash used in financing activities was due to, among other things, the net cash consideration received from the separate listing of KE Thailand on the stock exchange of Thailand in 2020.

LETTER FROM SOMERLEY

(iv) *Short-term bank loans and current portion of long-term bank loans (the “Short-term Borrowings”)*

The Short-term Borrowings of the Group as at 31 December 2020 were approximately HK\$3,941.8 million, representing an increase of approximately 1.02 times from that as at 31 December 2019. The increase was due to (i) certain long-term bank loans become due within 12 months, which were subject to refinancing; and (ii) the increase in short-term bank loan and current portion of long-term bank loan to fund certain acquisitions and operating activities. As at 31 December 2020, approximately 97.6% of the Short-term Borrowings were unsecured.

(v) *Long-term bank loans*

The long-term bank loans of the Group as at 31 December 2020 was approximately HK\$5,069.4 million, representing a decrease of approximately 17.9% from that as at 31 December 2019. The decrease was due to certain long-term bank loans become due for repayment within the next 12 months, which were re-classified as current portion of long-term bank loans. As at 31 December 2020, approximately 85.4% of the Group's long-term bank loans were unsecured.

(vi) *Gearing ratio*

The Group's gearing ratio, being total bank loans and overdrafts divided by equity attributable to the Shareholders excluding put options written on non-controlling interests, had dropped slightly to approximately 33.6% as at 31 December 2020, which was approximately 1.0% lower than that as at 31 December 2019. Nevertheless, approximately 43.7% of the bank loans were due within 12 months from 31 December 2020 as compared with that of approximately 24.0% from 31 December 2019.

(vii) *Net asset value (the “NAV”)*

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

As mentioned in the sub-section headed “(a) Business activities of the Group” in this section, upon the Partial Offer becoming unconditional or being declared unconditional, the warehouses in Hong Kong and the logistics and trading businesses in Taiwan will be sold by the Group. In addition, as mentioned in the section headed “1. The Partial Offer and the Offer Price” in this letter, the Special Dividend will also be paid to the Shareholders on completion of the Warehouse Sale (which is conditional upon, amongst other conditions, the Partial Offer becoming or being declared unconditional in all respects). To illustrate the effect of the above events and the appreciation in the value of the Group's properties (details of the valuation of the properties are disclosed in the Valuation Report as set out in appendix IV to the Composite Document) on the NAV of the Group upon the Partial Offer becoming or being declared unconditional in all respects, we have calculated the adjusted NAV of the Group as at 31 December 2020 as if the aforesaid events had been taken place as at 31 December 2020. On the above basis, the adjusted NAV of the Group as at 31 December 2020 would become approximately HK\$21,555.6 million,

representing a decrease of approximately 21.6% from the historical NAV of the Group as at 31 December 2020. Details of the computation of the adjusted NAV of the Group are set out in note 2 to the table in the sub-section headed "(a) Price performance of the Shares" in the section headed "3. Analysis of price performance and trading liquidity of the Shares" in this letter.

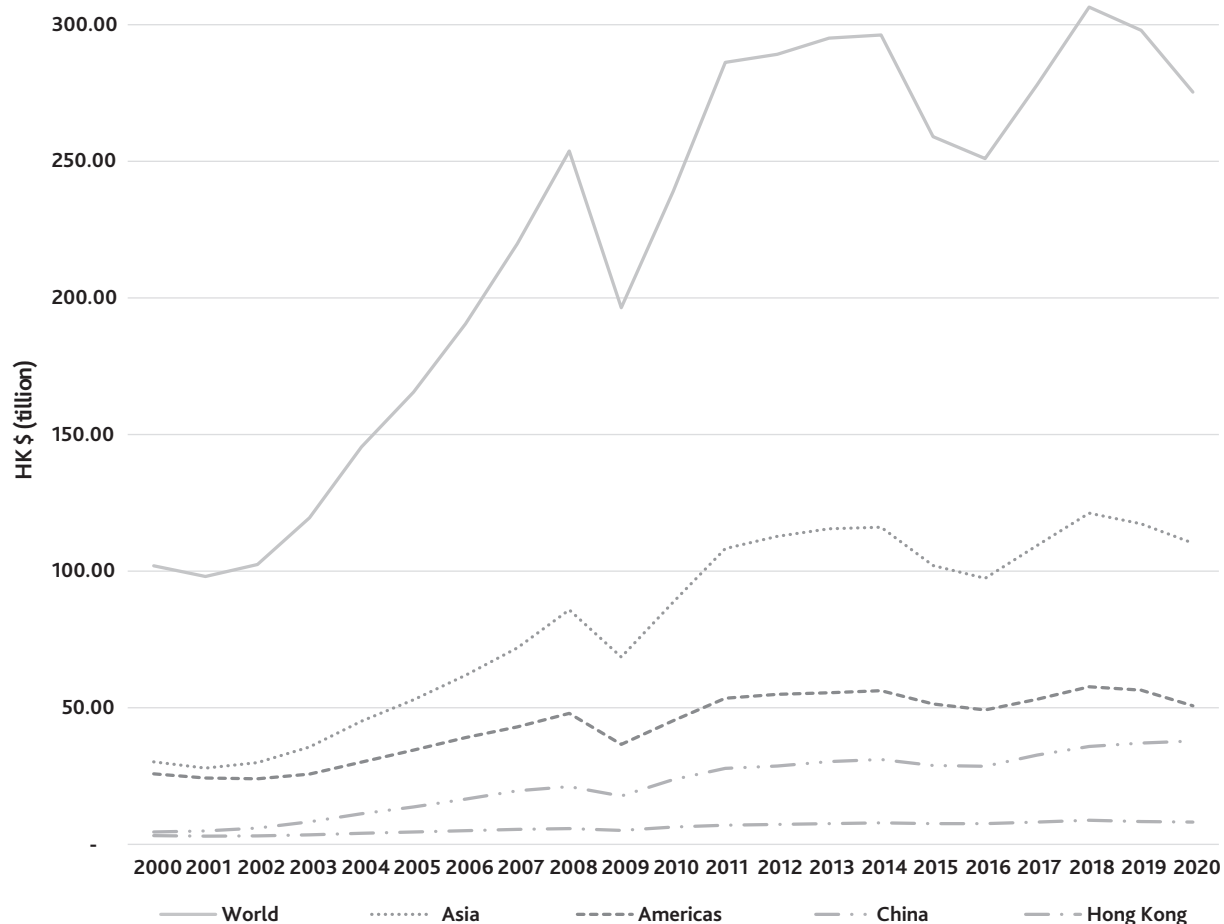
2. Industry outlook and prospects of the Group

In 2020, the global economy faced unprecedented challenges caused by the outbreak of the COVID-19 pandemic (the "**Pandemic**") and countries around the world were forced to implement various pandemic control restrictions including, among others, cities and border locked down and social distancing measures. According to the report titled "World Economic Outlook" published by the International Monetary Fund in April 2021 (the "**IMF Report**"), the contraction of the world's total gross domestic product ("**GDP**") in 2020 was estimated to be approximately 3.3% and, in particular, contraction of GDP of advanced economies and emerging and developing Asia reached 4.7% and 1.0% respectively in 2020. In contrast, China recorded a GDP growth of approximately 2.3% in 2020. Despite the world's economy is taking a hit from the impact caused by the Pandemic, it is recovering owing to the much-needed effort from the governments around the globe on the monetary and fiscal sides.

That being said, world trade has recovered quickly and demonstrated a V-shape rebound in 2020 according to the report titled "Global Trade Update" published by United Nations Conference on Trade and Development ("**UNCTAD**") in May 2021 (the "**UNCTAD Report**"). As stated in the UNCTAD Report, world trade dropped as much as approximately 20% in the middle of 2020 and it then rebounded rapidly and had fully recovered by the fourth quarter in 2020, which was faster than the last two major trade recessions in 2015 and 2009. The UNCTAD Report further pointed out that much of the trade resilience was due to East Asian economies, whose early success in pandemic mitigation allowed them to rebound faster and to capitalise on booming global demand for COVID-19 related products. The positive trends in the last few months of 2020 carried on in early 2021. In the first quarter of 2021, the value of global trade in goods and services grew by approximately 4% quarter-over-quarter and by approximately 10% year-over-year. Noteworthy, global trade in the first quarter of 2021 was higher than the pre-crisis level, with an increase of about 3% relative to that in the first quarter of 2019. UNCTAD expected the world trading outlook for 2021 to remain positive but would be largely dependent on subsiding pandemic restrictions and several potentially hindering factors such as (i) uneven economic recovery; (ii) continued trade tensions between major economies especially due to the recent changes in production patterns of global value chains by scaling down segmentation and shift production closer to consumers, which might negatively affect the demand for international logistics services; and (iii) changes in consumers' spending behaviour after the Pandemic which led to increased demand for certain sectors such as healthcare products, digital services, communication and home office equipment and declined demand for other sectors such as transportation equipment, international travel and hospitality services, and some of these recent changes might not necessarily be enduring which might also affect the demand for foreign goods and services.

LETTER FROM SOMERLEY

Besides the recent impact caused by the Pandemic in the global economic landscape, we also looked into the historical trends in trade amount of the world, America, Asia, China and Hong Kong in the past two decades as set out below:



Source: UNCTAD, The National Bureau of Statistics of China and The Census and Statistics Department of Hong Kong

As shown in the chart above, the world's trading amount illustrated rapid growth in the first decade of this century, part of which was attributable to the rising commodity prices and the Mainland China's accession to the World Trade Organisation. Between 2010 and 2020, the world's trading continued to grow but it took place at a slower pace. In the past two decades, there were several major economic recessions in the world. Between 2007 and 2009, the global economy was severely disrupted primarily due to the shocks caused by the financial crisis. Between 2014 and 2016, we note from the World Trade Organisation that the weakness of trade was caused by various factors including an economic slowdown in China, a severe recession in Brazil, falling prices of oil and other commodities, and exchange rate volatility. Between 2018 and 2019, we note from UNCTAD that the recession was attributable to the trade tensions between the US and China, fears of a disorderly Brexit in Europe and a negative global output outlook.

LETTER FROM SOMERLEY

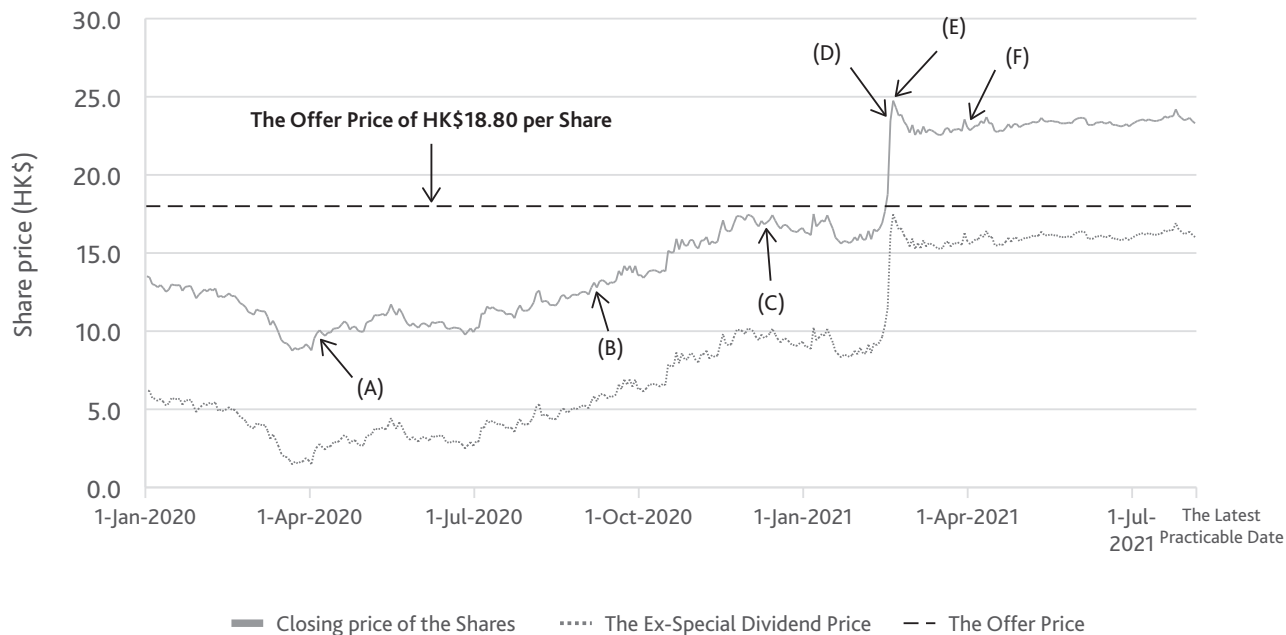
According to the 2020 Annual Report, the Company stated that notwithstanding the current vaccination campaigns, there is still a very long way to go in achieving global herd immunity and a return to the "pre-pandemic normal", particularly given the resurgent waves and the emergence of new variants of the virus. However, as vaccination programmes gather pace, economies will begin to reopen, and with it, a boost for domestic consumption which will in turn bring recovery to the integrated logistics business. According to our discussion with the Management, we were given to understand that the Pandemic has reduced the growth rate of this sector as the growth rate of the IL Segment revenue of the Group had shrunk from approximately 15.7% in 2019 to approximately 9.1% in 2020. The Management expected the sector's growth rate to recover as vaccination rate gradually becomes higher. For the international freight forwarding business, the demand will remain strong. The overall market situation in the first half of 2021 was expected to remain similar to the second half of 2020 but with lower volatility. The global supply chain is not likely to see normality until after 2021. Furthermore, the Management expressed that as economical order gradually restored, international freight forwarding demand also recovered accordingly. However, air logistics services supply has been severely disrupted as the number of planes available for aviation logistics has reduced due to drastic reduced air travelling and, hence, driving the shipment rates up. As a result, they expected the international freight forwarding business to stay strong and supply chain normality is not to be seen yet as the Pandemic persists. Scale and technological advances are crucial for any company in this industry to retain its competitiveness over its peers and drive changes in the global logistics arena. Given the above, the Group's view remains largely in line with the forecast from UNCTAD. Also, it is understood that the Group's business geographical coverage mainly includes Mainland China, Hong Kong, Asia and America, which together contributed approximately 81.7% of the Group's total revenue for the year ended 31 December 2020. These four regions' trade amounts illustrated a similar pattern to that of the total world trade which had exhibited growth in the past two decades despite having experienced certain trade recessions in the past as outlined above, except for Mainland China which demonstrated a stronger resilience to trade recession in the past three years and, as pointed out by UNCTAD, East Asian economies had continued to be one of the main drivers in world trade, which might bring further business opportunities to the Group.

Overall, despite the global trade has demonstrated recoveries from the recession in 2020 caused by the Pandemic and recovery trend has been forecasted to continue, some uncertainties might undermine the efforts made into such recovery including endured Pandemic situation, uneven economic recovery, continued trade tensions between major economies and changes in consumers' spending behaviour after the Pandemic. We have therefore remained cautiously optimistic about the global trade prospects in the near future.

3. Analysis of price performance and trading liquidity of the Shares

(a) Price performance of the Shares

Set out below are the movements of the closing prices of the Shares and the implied closing prices of the Shares excluding the Special Dividend (the “Ex-Special Dividend Price”) during the period from 1 January 2020 to the Latest Practicable Date (the “Review Period”):



Source: The website of the Stock Exchange

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

Date	Details of the announcements
(A) 31 March 2020	Publication of annual results for the year ended 31 December 2019
(B) 27 August 2020	Publication of interim results for the six months ended 30 June 2020
(C) 1 December 2020	Publication of updates on proposed spin-off and separate listing of KE Thailand on the stock exchange of Thailand
(D) 5 February 2021	Trading halt
(E) 10 February 2021	Publication of the Joint Announcement
(F) 25 March 2021	Publication of annual results for the year ended 31 December 2020

During the period from January 2020 to March 2020, the closing price of the Shares gradually went downwards and reached its lowest point of approximately HK\$8.75 during the Review Period on 19 March 2020. The slide of the Share price in the first quarter of 2020 was generally in line with the collapse of the stock markets in Hong Kong and other major economies due to the outbreak of the Pandemic. Since then, the closing price of the Shares gradually picked up along with the recovery of the general stock markets and reached approximately HK\$17.45 on 20 November 2020. On 1 December 2020, the Company announced that the application for the initial public offering of shares of KE Thailand had been approved and expected the proposed

LETTER FROM SOMERLEY

spin-off would be completed in December 2020. Afterwards, the closing price of the Shares had been fluctuated from HK\$15.60 to HK\$18.76 with an average of approximately HK\$16.60 during the period from late November 2020 to the beginning of February 2021 before the Last Trading Day (i.e. 4 February 2021). The closing price of the Shares surged to HK\$23.45 on the Last Trading Day, which could possibly due to the rumours of the possible transaction between the Company and the Offeror Parent. Trading in the Shares was suspended from 5 February 2021 to 9 February 2021 pending the publication of the Joint Announcement. Following the publication of the Joint Announcement and the resumption of trading in the Shares on 10 February 2021, the closing price of the Shares reached HK\$24.75 on that day. Since then and up to the Latest Practicable Date, the Share price closed in the range between HK\$22.55 and HK\$24.75 and closed at HK\$23.25 on the Latest Practicable Date.

As set out in the letter from J.P. Morgan contained in the Composite Document, conditional on completion of the Warehouses Sale (which is conditional upon, amongst other conditions, the Partial Offer becoming or being declared unconditional in all respects), the Company will declare the Special Dividend of HK\$7.28 per Share. Accordingly, upon the Partial Offer becoming or being declared unconditional in all respects, every Shareholder as at the Record Date will receive the Special Dividend regardless the Shareholder tenders any Share for the acceptance of the Partial Offer. Therefore, to have a “like for like” analysis of the Offer Price and the Share prices, the Special Dividend of HK\$7.28 per Share has been deducted from the closing prices of the Shares (i.e. the Ex-Special Dividend Price) since the value of the Special Dividend has been embedded in the Share price.

In summary, the Offer Price represents:

		Closing/ average closing price of the Shares (HK\$)	Premium over/ (Discount to) the Share price	Premium over the Ex-Special Dividend Price (Note 1)
(1)	The Last Trading Day	23.45	(19.8)%	16.3%
(2)	Last 5 trading days immediately prior to and including the Last Trading Day	18.67	0.7%	65.1%
(3)	Last 10 trading days immediately prior to and including the Last Trading Day	17.44	7.8%	85.0%
(4)	Last 30 trading days immediately prior to and including the Last Trading Day	16.69	12.6%	99.8%
(5)	Last 180 trading days immediately prior to and including the Last Trading Day	13.96	34.7%	181.4%
(6)	The Latest Practicable Date	23.25	(19.1)%	17.7%

LETTER FROM SOMERLEY

	Adjusted NAV per Share (HK\$)	Premium over the Adjusted NAV per Share
(7) As at 31 December 2020, as if the Special Deal Agreements had been completed as at 31 December 2020 (Note 2)	11.94	57.5%

Notes:

1. The Ex-Special Dividend Prices are calculated based on the closing or average closing price of the Shares as quoted on the Stock Exchange and deducted by the Special Dividend of HK\$7.28 per Share.
2. Since the transactions contemplated under the Special Deal Agreements, details of which were set out in the Special Deals Circular, will be executed upon the Partial Offer becoming or being declared unconditional in all respects, therefore we have calculated the adjusted NAV (the "Adjusted NAV") of the Group attributable to the Shareholders as at 31 December 2020 as if the Special Deal Agreements had been completed as at 31 December 2020. For illustration purpose only, the adjusted NAV of the Group attributable to the Shareholders as at 31 December 2020 is calculated as follows:

	<i>HK\$ (million)</i>
The NAV of the Group attributable to the Shareholders (Note i)	27,482.9
Less: audited NAV of the Target Warehouse Companies as at 31 December 2020 which hold the Target Warehouses to be sold by the Company (Note ii)	(10,037.9)
Less: unaudited NAV of the Taiwan Target Companies as at 31 December 2020 attributable to the Company (Note iii)	(313.8)
Add: cash considerations under the Warehouses Sale Agreement and the Taiwan Business Sale Agreement (Note iv)	14,571.6
Add: re-valuation surplus of the properties held by the Group (Note v)	2,998.4
Less: the Special Dividend of HK\$7.28 per Share (Note vi)	(13,145.6)
The Adjusted NAV of the Group attributable to the Shareholders	21,555.6

Notes:

- (i) The amount is extracted from the 2020 Annual Report.
- (ii) The amount is extracted from the Special Deals Circular.
- (iii) It is calculated based on the combined NAV attributable to the seller of the Taiwan Business of approximately HK\$1,206.6 million as extracted from the Special Deals Circular less goodwill debited to reserves (acquisition reserves) of approximately HK\$892.8 million as at 31 December 2020.
- (iv) Upon completions of the Warehouses Sale Agreement and the Taiwan Business Sale Agreement, cash considerations of approximately HK\$13,365.0 million (being consideration net of transaction costs) and approximately HK\$1,206.6 million (being the NAV of the Taiwan Target Companies as at 31 December 2020) respectively will be received by the Group.
- (v) Based on the Valuation Report issued by the independent valuer, there was a re-valuation surplus of the remaining properties (i.e. properties of the Group excluding, among other things, the warehouses in Hong Kong and properties in Taiwan to be sold under the Warehouses Sale Agreement and the Taiwan Business Sale Agreement) held by the Group over the book value of these properties as at 31 December 2020. Therefore, an adjustment is made to reflect the difference between the revalued amount and the book value of these properties.
- (vi) It is calculated based on the Special Dividend of HK\$7.28 per Share multiplies by the 1,805,716,742 Shares outstanding as at the Latest Practicable Date.

LETTER FROM SOMERLEY

As shown in the graph of the movements of the closing prices of the Shares, the Offer Price had been above the Ex-Special Dividend Prices of the Shares during the Review Period. In addition, as set out in the Offer Price comparison table above, the premiums represented by the Offer Price over the Ex-Special Dividend Prices of the Shares were ranging from approximately 16.3% to 181.4%. Lastly, the Offer Price represented a premium of approximately 57.5% over the Adjusted NAV of the Group attributable to the Shareholders per Share as at 31 December 2020.

(b) Trading liquidity

Set out below are the monthly total trading volumes of the Shares and the percentages of the monthly total trading volume to the total issued Shares and the public float of the Company for the Review Period:

	Monthly total trading volume of the Shares	Percentage of the monthly total trading volume of the Shares to the total issued Shares (Note 1)	Percentage of the monthly total trading volume of the Shares to the public float of the Company (Note 2)
2020			
January	10,262,068	0.6%	1.6%
February	12,587,116	0.7%	2.0%
March	22,973,712	1.3%	3.7%
April	27,653,492	1.5%	4.4%
May	25,558,955	1.4%	4.1%
June	27,424,635	1.5%	4.4%
July	39,739,874	2.2%	6.4%
August	32,086,808	1.8%	5.2%
September	47,205,505	2.6%	7.6%
October	59,820,448	3.3%	9.6%
November	70,223,241	3.9%	11.3%
December	43,767,816	2.4%	7.0%
2021			
January	53,609,135	3.0%	8.6%
February	229,227,687	12.7%	36.8%
March	69,925,301	3.9%	11.2%
April	35,015,781	1.9%	5.6%
May	22,694,886	1.3%	3.6%
June	22,558,456	1.2%	3.6%
July	37,497,347	2.1%	6.0%
From 1 August 2021 up to the Latest Practicable Date	4,827,323	0.3%	0.8%

Source: Bloomberg and the website of the Stock Exchange

Notes:

1. The calculation is based on the monthly total trading volume of the Shares divided by the total issued share capital of the Company at the Latest Practicable Date.
2. The calculation is based on the monthly total trading volume of the Shares divided by the total number of Shares held by the public (i.e. the Shareholders other than the Controlling Shareholders, the Relevant Directors and their respective close associates) as at the Latest Practicable Date.

LETTER FROM SOMERLEY

Based on the above table, the liquidity of the Shares during the Review Period has been, in our view, generally thin. The relatively higher trading volume following the publication of the Joint Announcement in February 2021 was, in our view, principally related to Shareholders' positive expectation regarding the Partial Offer and the Special Dividend, and may not continue after the close of the Partial Offer and/or the Shares go ex-Special Dividend. If the Partial Offer becomes unconditional, there will be fewer Shares in the market and trading liquidity may further reduce.

4. The Comparable Companies analysis

The Group operates as a leading logistics service provider in Asia principally engaged in the integrated logistics and international freight forwarding businesses. For the year ended 31 December 2020, over 50% of its revenue was generated in Asia. Therefore, we have identified 6 companies (including the Company, the "Comparable Companies") which (i) are listed on the Mainboard of the Stock Exchange or recognised stock exchanges in other developed Asian countries with market capitalisation between HK\$20 billion and HK\$60 billion; (ii) are principally engaged in the logistics services with not less than 50% of revenue derived from such business activities in Asia in the latest full financial year. We consider the Comparable Companies (to be exhaustive based on the selection criteria as set out above), in general, would serve as a fair and representative sample for the purpose of drawing a meaningful comparison to the Offer Price. Details of the Comparable Companies are set out as below:

Company name	Stock code	Listing location	Principal business activities	Market capitalisation as at the Latest Practicable Date <i>HK\$ (million)</i> <i>(Note 1)</i>	P/E Multiple <i>(times)</i> <i>(Note 2)</i>	Dividend yield <i>%</i> <i>(Note 3)</i>
Nippon Express Co., Ltd. ("Nippon Express")	9062	Japan	Nippon Express transports freight via its rail, truck, marine, and air transportation network, and provides logistics, international intermodal transportation, door-to-door parcel delivery, express freight transportation, international air cargo, and moving services.	54,118	13.54	2.23
The Company	636	Hong Kong	The Company provides logistics services and offers supply chain solutions from integrated logistics, freight forwarding by air, ocean, road, rail, and multimodal, industrial projects, to cross-border e-commerce, last-mile fulfilment, and infrastructure investment services.	42,148 <i>(Note 4)</i>	23.05 <i>(Note 4)</i>	1.48 <i>(Note 4)</i>

LETTER FROM SOMERLEY

Company name	Stock code	Listing location	Principal business activities	Market capitalisation as at the Latest Practicable Date <i>HK\$ (million)</i> <i>(Note 1)</i>	P/E Multiple <i>(times)</i> <i>(Note 2)</i>	Dividend yield <i>%</i> <i>(Note 3)</i>
Sinotrans Limited ("Sinotrans")	598	Hong Kong	Sinotrans provides freight forwarding services and offers marine freight forwarding, air freight forwarding, international express, shipping agency, and other services.	35,342 <i>(Note 5)</i>	6.46 <i>(Note 5)</i>	4.94 <i>(Note 5)</i>
Hitachi Transport System Limited ("Hitachi Transport System")	9086	Japan	Hitachi Transport System provides freight truck, port harbor, and marine transportation, logistics, cargo handling, warehousing, and customs clearing services.	26,255	17.25	1.14
CJ Logistics Corporation ("CJ Logistics")	000120	Korea	CJ Logistics provides logistics services, including land transportation, maritime transportation, harbour unloading, cargo storage, international logistics processing, and other services.	22,897	Not meaningful <i>(Note 6)</i>	0.00
Sankyu Inc ("Sankyu")	9065	Japan	Sankyu provides truckload, logistics, freight rail transportation, freight air transportation, marine cargo transportation, cargo handling, and warehousing services around the world.	20,816	12.02	2.25
				Average	14.46	2.01
				Median	13.54	1.86
				Maximum	23.05	4.94
				Minimum	6.46	0.00
The Offer Price					27.28 <i>(Note 9)</i>	1.85 <i>(Note 10)</i>

Source: Bloomberg, the website of the Stock Exchange and the latest published financial statements/information of the respective Comparable Companies.

LETTER FROM SOMERLEY

Notes:

1. Except for the Company and Sinotrans, the market capitalisation of the Comparable Companies are calculated as the closing share price of the Comparable Companies as at the Latest Practicable Date multiplies by the latest number of outstanding shares of the Comparable Companies based on the information published by the Comparable Companies.
2. Except for the Company and Sinotrans, the price-to-earnings multiples (“P/E Multiples”) of the Comparable Companies are calculated as the market capitalisation of the Comparable Companies divided by the profit attributable to the shareholders of the Comparable Companies for the latest 12-month period as shown in their respective latest financial statements.
3. Except for the Company and Sinotrans, the dividend yields of the Comparable Companies are calculated as the total dividends (excluding special dividend, if any) per share declared and/or proposed by the Comparable Companies in the latest 12-month period prior to the Latest Practicable Date divided by the closing share price of the Comparable Companies as at the Latest Practicable Date.
4. The market capitalisation of the Company is calculated as the closing share price of the Company as at the Last Trading Day multiplies by the number of outstanding shares of the Company as at the date of the Joint Announcement. The P/E Multiple of the Company is calculated as the market capitalisation of the Company divided by the core net profit of the Group for the year ended 31 December 2020. The dividend yield of the Company is calculated as the total dividends (excluding special dividend) per Share declared and/or proposed by the Company in the latest 12-month period prior to the Latest Practicable Date divided by the closing Share price as at the Last Trading Day.
5. The market capitalisation of Sinotrans is calculated as the sum of the closing prices of the A-shares and the H-shares of Sinotrans as at the Latest Practicable Date multiply by the latest respective number of outstanding shares based on the information published by Sinotrans. The P/E Multiple of Sinotrans is calculated as the market capitalisation of Sinotrans H-shares divided by the profit attributable to the shareholders of Sinotrans for the latest 12-month period as shown in its latest financial statements attributable to H-shares of Sinotrans. The dividend yield of Sinotrans is calculated as the total dividends (excluding special dividend, if any) per share declared and/or proposed by Sinotrans in the latest 12-month period prior to the Latest Practicable Date divided by the closing share price of the H-share of Sinotrans as at the Latest Practicable Date.
6. The P/E Multiple of CJ Logistics is over 100 times, which renders its P/E Multiple not meaningful for the analysis above.
7. For illustration purpose and where applicable, conversions of the foreign currencies into the Hong Kong dollars in the table above are based on the approximate exchange rates of US\$1 to HK\$7.7768, RMB1 to HK\$1.2028, JPY100 to HK\$7.1219 and KRW100 to HK\$0.6773.
8. Since the transactions contemplated under the Special Deal Agreements, details of which were set out in the Special Deals Circular, will be executed upon the Partial Offer becoming or being declared unconditional in all respects, therefore we have calculated the adjusted core net profit of the Group for the year ended 31 December 2020 as if the Special Deal Agreements had been completed at the beginning of the year ended 31 December 2020. For illustration purpose only, the adjusted core net profit of the Group (excluding any one-off gains on disposals of the Target Warehouse Companies and the Target Taiwan Companies) for the year ended 31 December 2020 is calculated as follows:

	<i>HK\$ (million)</i>
Core net profit of the Group for the year ended 31 December 2020 (<i>Note i</i>)	1,828.4
Less: audited net profit after taxation (excluding the change in fair value of investment properties) of the Target Warehouse Companies for the year ended 31 December 2020 which hold the Target Warehouses to be sold by the Company (<i>Note ii</i>)	(360.5)
Less: unaudited net profit after tax of the Taiwan Target Companies for the year ended 31 December 2020 attributable to the Company (<i>Note iii</i>)	(223.3)
The adjusted core net profit of the Group for the year ended 31 December 2020 (<i>Note iv</i>)	1,244.6

Notes:

- (i) The amount is extracted from the 2020 Annual Report.
- (ii) The amount is extracted from the Special Deals Circular.
- (iii) The amount is extracted from the Special Deal Circular and was reported on by us and the auditor of the Company pursuant to Rule 10 of the Takeovers Code as set out in the Special Deals Circular.

LETTER FROM SOMERLEY

- (iv) Upon completion of the Warehouses Sale Agreement, the Group will enter into the Warehouses Management Agreements and be retained as the Warehouses Manager. Assuming the Warehouses Sale was completed and the Warehouses Management Agreements was commenced on 1 January 2020, the management fees received by the Group (net of tax) would have been immaterial in the context of calculating the adjusted core net profit of the Group for the year ended 31 December 2020.
9. The implied P/E Multiple of the Offer Price of approximately 27.28 times is calculated based on the Offer Price of HK\$18.80 per share multiplies by the number of issued shares of the Company as at the Latest Practicable Date of 1,805,716,742 Shares and divided by the adjusted core net profit of the Group for the year ended 31 December 2020 of approximately HK\$1,244.6 million (as calculated in note 8 above).
10. The implied dividend yield of the Offer Price is calculated based on the sum of the final dividend of the Company declared for the year ended 31 December 2020 of HK\$0.238 per Share and the interim dividend of the Company declared for the year ended 31 December 2020 of HK\$0.11 per Share, excluding the special dividend of the Company declared on 7 December 2020 of HK\$0.138 per Share, divided by the Offer Price of HK\$18.80 per Share.

As set out in the table above, the P/E Multiples of the Comparable Companies range from approximately 6.46 times to approximately 23.05 times and have an average and a median of approximately 14.46 times and 13.54 times respectively. The implied P/E Multiple of the Offer Price of 27.28 times is higher than the average and median of the P/E Multiples of the Comparable Companies and is also higher than the range of that of the Comparable Companies, which is considered favourable.

As set out in the table above, the dividend yields of the Comparable Companies range from 0.00% to approximately 4.94% and have an average and a median of approximately 2.01% and 1.86% respectively. The implied dividend yield of the Company (excluding the special dividends) represented by the Offer Price of approximately 1.85% is below the average and the median of the dividend yields of the Comparable Companies and is within the range of that of the Comparable Companies. On this basis, accepting Shareholders could, if they wished, reinvest the proceeds of accepting the Partial Offer in certain Comparable Companies to achieve a higher yield.

5. Partial offer precedents

We have compared the Partial Offer with other partial cash offer precedents in Hong Kong identified from the website of the Stock Exchange. Given the Partial Offer, if success, will be a takeover situation, we have identified all the successful partial cash offer proposals with (i) the shareholding held by the offeror increased from a non-controlling position (i.e. below 30%) to a statutory controlling position (i.e. over 50%) upon completion, which is similar to the Partial Offer; and (ii) valid acceptances received over the required partial offer percentage in the past 10 years involving Hong Kong listed companies (the "Precedents"). Details of Precedents are set out below:

Announcement date	Company name	Principal activities	Premium of offer price over the closing share price/the average closing share price prior to the partial offer proposal					Premium/ (Discount) of offer price over/(to) the consolidated NAV per share	Shareholding of the offeror in the offeree company before	
			Last trading day	5 trading days	10 trading days	30 trading days	180 trading days		the partial offer	after the partial offer
7 August 2013	Chong Hing Bank Limited (stock code: 1111) ("Chong Hing Bank")	Provision of banking and financial related services	99.0% (Note 1)	97.5% (Note 1)	101.9% (Note 1)	111.8% (Note 1)	161.1% (Note 1)	183.2% (Note 1)	0.0%	75.0%

LETTER FROM SOMERLEY

Announcement date	Company name	Principal activities	Premium of offer price over the closing share price/the average closing share price prior to the partial offer proposal					Premium/ (Discount) of offer price over/(to) the consolidated NAV per share	Shareholding of the offeror in the offeree company before the partial offer	
			Last trading day	5 trading days	10 trading days	30 trading days	180 trading days		the partial offer	after the partial offer
15 September 2015	Baoxin Auto Group Limited (stock code: 1293)	Sale and service of automobiles	132.2%	145.9%	146.2%	94.4%	29.2%	155.7%	0.0%	75.0%
9 April 2018	AAG Energy Holdings Limited (stock code: 2686)	Coalbed methane exploration and development sector in the PRC	15.1%	26.8%	28.7%	30.6%	56.3%	(2.8)%	0.0%	50.5%
		Average	82.1%	90.1%	92.3%	78.9%	82.2%	112.0%		
		Maximum	132.2%	145.9%	146.2%	111.8%	161.1%	183.2%		
		Minimum	15.1%	26.8%	28.7%	30.6%	29.2%	(2.8)%		

The Partial Offer	– using the Last Trading Day (i.e. 4 February 2021) as the last trading day (Note 2)	16.3%	65.1%	85.0%	99.8%	181.4%	57.5% (Note 3)	0.0%	51.8%
	– using 3 February 2021 as the last trading day (Note 4)	63.8%	88.4%	100.0%	104.8%	184.4%			

Notes:

- Comparisons between the offer price and the closing share prices are made based on the closing/average closing share price on the last trading day and various periods as stated above after deducting a special interim cash dividend of HK\$4.5195 per share of Chong Hing Bank in connection with the partial offer.
- Comparisons between the Offer Price and the closing Share prices are made based on the Ex-Special Dividend Price on the Last Trading Day and various periods as stated above after deducting the Special Dividend of HK\$7.28 per Share.
- Comparison between the Offer Price and the NAV per Share is calculated using the Adjusted NAV of the Group divided by 1,805,716,742 Shares outstanding as the Latest Practicable Date. Details of the reconciliation between the NAV of the Group and the Adjusted NAV of the Group can be referred to the sub-section headed "(a) Price performance of the Shares" under the section headed "3. Analysis of price performance and trading liquidity of the Shares" as set out in this letter.
- Comparisons between the Offer Price and the closing Share prices are made based on (i) using 3 February 2021 as the last trading day instead of the Last Trading Day (i.e. 4 February 2021); and (ii) the Ex-Special Dividend Price on the Last Trading Day and various periods as stated above after deducting the Special Dividend of HK\$7.28 per Share.

LETTER FROM SOMERLEY

The premiums of the Precedents represented by the offer price over their respective closing or average closing share price on the last trading day, 5-, 10-, 30- and 180-trading day (up to and including the last trading day) are ranged from approximately 15.1% to 132.2%, 26.8% to 145.9%, 28.7% to 146.2%, 30.6% to 111.8% and 29.2% to 161.1% with averages of approximately 82.1%, 90.1%, 92.3%, 78.9% and 82.2%, respectively. The premiums represented by the Offer Price over the last 30- and 180-trading day average closing Share prices (up to and including the Last Trading Day) of approximately 99.8% and 181.4% respectively are noticeably higher than the average of that of the Precedents, while the premiums represented by the Offer Price over the Last Trading Day closing Share price and the last 5- and 10-trading day average closing Share prices (up to and including the Last Trading Day) of approximately 16.3%, 65.1% and 85.0% respectively are lower than the average of that of the Precedents.

However, we note that the closing Share price surged significantly by approximately 25.0% on the Last Trading Day. In view of this, we also conducted an additional comparison by applying the closing Share price (the “Undisturbed Share Price”) on 3 February 2021 as the last trading day (the “Undisturbed Last Trading Day”) instead of the Last Trading Day since we consider the Undisturbed Share Price was less distorted by the Partial Offer. On the above basis, the premiums represented by the Offer Price over the Undisturbed Last Trading Day closing Share price and last 5-trading day average closing Share price prior to the Undisturbed Last Trading Day become approximately 63.8% and 88.4% respectively, which are significantly higher than the premiums calculated based on the Last Trading Day and much closer to that of the average of the Precedents. Furthermore, the premiums represented by the Offer Price over the last 10-, 30- and 180-trading day average closing Share prices prior to the Undisturbed Last Trading Day become approximately 100.0%, 104.8% and 184.4% respectively, which are higher than that of the average of the Precedents.

Moreover, the premiums and discount of the Precedents represented by the offer price to their respective NAV per share ranged from a discount of approximately 2.8% to a premium of 183.2% and the Offer Price represents a premium over the NAV per Share of approximately 57.5%, which is lower than the average of that of the Precedents of approximately 112.0%.

6. Background of and reasons for the Offers

(a) Information about the Offeror

As set out in the letter from J.P. Morgan contained in the Composite Document, the Offeror is a company incorporated in the Cayman Islands and is wholly owned by the Offeror Parent (i.e. S.F. Holding Co., Ltd.). 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 Group is a leading integrated express logistic services provider in Mainland China, supported by the largest cargo freighter fleet in China, an extensive ground service network in China and industry leading technologies applicable to supply chain management. According to its 2020 annual report, the Offeror Parent recorded consolidated revenue of approximately RMB154.0 billion (equivalent to approximately HK\$184.8 billion) and consolidated net profit of approximately RMB6.9 billion (equivalent to approximately HK\$8.3 billion) for the year ended 31 December 2020 and net assets attributable to its shareholders of approximately RMB56.4 billion (equivalent to approximately HK\$67.7 billion) at the end of 2020. As at the Latest Practicable Date, the Offeror Parent was owned as to 59.3% by the Offeror Parent Holdco which was in turn controlled by the Offeror Ultimate Controlling Shareholder, Mr WANG Wei (the Founder and Chairman of the Offeror Parent) as to 99.9%.

LETTER FROM SOMERLEY

(b) *Reasons for the Offers and intention of the Offeror*

As stated in the letter from J.P. Morgan contained in the Composite Document, if the Offers become unconditional and are closed, the Offeror intends that the Company will continue to carry on its existing businesses. The Offeror has decided to proceed with the Partial Offer instead of a general offer because it intends to acquire statutory control of the Company whilst maintaining the listing status of the Company, for which the Company has obtained a waiver from the Stock Exchange to permit a minimum public float of 15.0%.

As further stated in the letter from J.P. Morgan contained in the Composite Document, the Offeror proposes to make the Offers for the following reasons:

(i) *Significant synergies and growth opportunities*

The Offeror and the Directors believe that the Partial Offer will bring together the core competencies of the Offeror Parent Group and the Group across multiple verticals to create the leading Asia-based global logistics platform.

The Group currently is a market leader in the integrated logistics, international freight forwarding and supply chain solutions industries. The Offeror Parent Group is a leading integrated express logistic services provider in Mainland China. The resources which the Offeror Parent Group brings to the Group are expected to create significant synergies and growth opportunities for the Company.

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

With clear business focus and complementary strengths of both parties, the Company is expected to be well-positioned to further accelerate growth and strengthen its leadership in the logistics sector.

(ii) *Unlocking significant shareholder value*

Shareholders will be able to unlock significant value via (1) the Partial Offer and (2) the Special Dividend, should the Partial Offer and the Warehouses Sale be completed. In addition, Shareholders also have the opportunity to enjoy further potential upside from any retained ownership in the Company post the Partial Offer as a result of the current structure.

Further details of the reasons for the Offers are set out in the letter from J.P. Morgan contained in the Composite Document.

In addition to the above, the Offeror and the Offeror Parent entered into the Shareholders' Agreement with Kerry Holdings and Kerry Properties regarding certain corporate governance matters in relation to the Company, including the business arrangement that the Offeror Parent Group will carry out its logistics

LETTER FROM SOMERLEY

businesses outside Greater China through the Group in the future. In view of the aforesaid, we have discussed with the Management and they expected the proposed strategic cooperation with the Offeror Parent Group might scale up the Group's operations and enhance its research and development capabilities as well as competitiveness in the global logistics market. Having said the above, we note that the Offeror Parent Group's revenue for the year ended 31 December 2020 generated in Hong Kong, Macau and overseas was relatively small to that of both the Group and the Offeror Parent Group and we were given to understand that the detailed business cooperation model has yet to be formulated and therefore the extent of the impact of the aforesaid cooperation to the Group shall remain to be seen.

7. Maintenance of listing status

The Company had a public float of approximately 34.5% of the Shares in issue as at the Latest Practicable Date. If the Partial Offer is implemented and taking into account the Controlling Shareholders Irrevocable Undertakings and the Executive Directors Irrevocable Undertakings, the public float of the Company may fall to a minimum of approximately 8.2% of the total issued Shares as at the Latest Practicable Date on a Fully-Diluted Basis, which is below the minimum prescribed percentage of 25% under Rule 8.08(1)(a) of the Listing Rules.

As stated in the letter from J.P. Morgan contained in the Composite Document, the Company has applied to the Stock Exchange and has obtained a waiver from strict compliance with Rule 8.08(1)(a) of the Listing Rules to permit a minimum public float of 15.0% upon completion of the Partial Offer. Pursuant to the Shareholders' Agreement, if the public float falls below 15% of the total issued Shares immediately following the Final Closing Date, the Controlling Shareholders will take action to restore the public float by placing down up to 6.9% of the total issued Shares as at the date of the Joint Announcement in accordance with the Placing Agreements, and the Offeror will take action to restore the public float to the extent in excess of 6.9% of the total issued Shares.

Certain Relevant Controlling Shareholders have entered into the relevant Placing Agreements, pursuant to which the Relevant Controlling Shareholders agreed to sell up to approximately 6.9% of the total issued Shares as at the date of the Joint Announcement (or approximately 6.9% of the total issued Shares as at the date of the Joint Announcement on a Fully-Diluted Basis) to restore the public float of the Shares to 15.0% within 14 days following the Final Closing Date. In addition, the Offeror has confirmed that for the purpose of the Placing Agreements, the Offeror will not nominate any persons who, or whose close associates, have interests in the Shares as Directors upon completion of the Partial Offer. On that basis, the public float of the Company immediately following the Final Closing Date, or immediately following the completion of the sell down by the relevant Controlling Shareholders pursuant to the Placing Agreements, is expected to be not less than 15.0%.

Please refer to further details about the public float of the Shares in the section headed "Public float" in the letter from J.P. Morgan contained in the Composite Document.

8. The Option Offer

As at the Latest Practicable Date, there were 2,456,300 outstanding Share Options to subscribe for up to 2,456,300 Shares, of which 925,800 Share Options were held by Relevant Directors and 1,530,500 Share Options were held by employees of the Group. The exercise price of each of the outstanding Share Option is HK\$10.20. As advised by the Management, no adjustment to the exercise price of the Share Options will be made as a result of the payment of the Special Dividend.

LETTER FROM SOMERLEY

The Offeror is making the Option Offer to the Optionholders to cancel such number of Share Options representing 51.8% of the outstanding Share Options as at the Final Closing Date (i.e. the record date for determining the number of Share Options to be taken up by the Offeror under the Option Offer) (which, for illustrative purposes, is equal to 1,272,622 Share Options based on the number of outstanding Share Options as at the Latest Practicable Date) at HK\$8.60 in cash for cancellation of each Share Option pursuant to Rule 13 of the Takeovers Code. As set out in the Composite Document, the Share Options that are not tendered for acceptance under the Option Offer will not be deemed to have lapsed after the Final Closing Date.

We note that it is a common market practice to adopt a “see-through” price (representing the difference between the share offer price and the exercise price of the options) as the minimum offer/cancellation price for any options in connection with a general offer for ordinary shares. As the exercise price of all outstanding Share Options is HK\$10.20 each, the Option Offer Price of HK\$8.60 each represents the difference between the Offer Price and the exercise price of the Share Options based on the aforesaid “see-through” approach. Therefore, we consider such basis of determining the Option Offer Price acceptable and in line with market practices.

Upon the Option Offer becoming unconditional or being declared unconditional, the Optionholders may elect to, among other things, (a) accept the Option Offer (“**Option A**”); or (b) exercise their Share Options to subscribe for the Shares, accept the Partial Offer and receive the Special Dividend (“**Option B**”). Given (i) the Option Offer Price of HK\$8.60 for each Share Option represents the difference between the Offer Price of HK\$18.80 for each Share and the exercise price of the Share Options of HK\$10.20 for each Share Option; (ii) all Shareholders on the Record Date will be entitled to the Special Dividend (on the basis that the Option Offer becoming unconditional or being declared unconditional); (iii) the Optionholders will not be entitled to the Special Dividend and no adjustment to the exercise price of the Share Options will be made as a result of the payment of the Special Dividend; and (iv) the Special Dividend of HK\$7.28 per Share represents a significant portion, around 27.9%, of the total combined value of the Offer Price of HK\$18.80 for each Share and the Special Dividend, it is very likely that the Optionholders will be more beneficial by electing Option B, as compared with electing Option A. The Optionholders who wish to elect Option B are reminded that the potential risk of the Partial Offer may or may not becoming or being declared unconditional.

DISCUSSION AND ANALYSIS

1. Features of the Partial Offer

The Partial Offer of HK\$18.80 in cash per Share is being made for 931,209,117 Offer Shares (representing approximately 51.8% of the Shares in issue as at the date of the Joint Announcement and approximately 51.5% of the Shares in issue as at the date of the Joint Announcement on a Fully-Diluted Basis). We understand that one of the reasons for the Partial Offer, in contrast to a full general offer, is to allow the Offeror to acquire the statutory control of the Company and at the same time to have a better chance to maintain a wider spread of public shareholders following the close of the Partial Offer. In this regard, the Company has applied to the Stock Exchange and has obtained a waiver to permit a minimum public float of 15.0% upon completion of the Partial Offer. Certain Relevant Controlling Shareholders have entered into the Placing Agreements such that the number of Shares held by the public immediately after completion of the Partial Offer will be no less than 15.0% of the then total issued Shares.

The Partial Offer is now conditional only on valid acceptances being received in respect of 931,209,117 Offer Shares (i.e. slightly above 50% of the Shares in issue as at the date of the Joint Announcement) and the approval of the Partial Offer by the Qualifying Shareholders holding over 50% of the Shares. In this connection, the Relevant

LETTER FROM SOMERLEY

Controlling Shareholders and the Executive Directors have already undertaken to duly accept or procure the acceptance of the Partial Offer in respect of 575,545,164 Shares and 18,957,330 Shares respectively. Accordingly, if Shareholders (other than the Controlling Shareholders and the Executive Directors) tender less than 336,706,623 Shares (being the minimum number of Shares to allow the Partial Offer to become unconditional) by the First Closing Date (which is the date falling 21 days after the despatch of the offer document or as further extended in accordance with the Takeovers Code), the Partial Offer will not proceed and will lapse.

One consequence of the Partial Offer is that if acceptances are received for over 931,209,117 Shares, acceptances will be scaled down pro rata, so the Shareholders accepting the Partial Offer will nonetheless retain some Shares. Their remaining holdings will most probably include an odd lot (note: the board lot size of the Shares is 500). Odd lots are generally less marketable than whole board lots and realisable at a lesser market value. With this in mind, Guotai Junan Securities (Hong Kong) Limited has been appointed to match sales and purchases of odd lot holdings on a best effort basis for a period of six weeks following the close of the Partial Offer. The matching of odd lots is not guaranteed.

It is stated in section headed "Expected timetable" in the Composite Document that the First Closing Date of the Partial Offer is Thursday, 2 September 2021. Pursuant to Rule 15.3 of the Takeovers Code, where a conditional offer becomes or is declared unconditional (whether as to acceptances or in all respects), it should remain open for acceptances for not less than 14 days thereafter. Pursuant to Rule 28.4 of the Takeovers Code, if the Partial Offer has been declared unconditional as to acceptances on the First Closing Date, the Offeror cannot extend the Final Closing Date to a day beyond the 14th day after the First Closing Date. Accordingly, if the Partial Offer is declared unconditional as to acceptances on or before the seventh day after the Despatch Date, then the Final Closing Date would be on (but no earlier than) the First Closing Date. If the Partial Offer is declared unconditional in all respects later than the seventh day after the Despatch Date, then the Final Closing Date would be 14 days after the date of such declaration.

2. Entitlement to the Special Dividend of HK\$7.28 per Share

The Special Dividend will be paid out of the proceeds from the Warehouses Sale and therefore is 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 Record Date for the Special Dividend will be the date immediately before the Final Closing Date. For the avoidance of doubt, Shareholders as at the Record Date will receive the Special Dividend regardless the Shareholder tenders any Share for acceptance of the Partial Offer.

3. Financial performance and financial position of the Group

A summary of the financial performance and the financial position of the Group in recent years are set out in sub-sections headed "(b) Financial performance of the Group" and "(c) Financial position of the Group" under the section headed "1. Information of the Group" in this letter.

In summary, the results of the Group for the years ended 31 December 2018 to 2020 showed a satisfactory performance, with some exciting growth driven by, among other factors, the Pandemic. Nevertheless, the disposals of the Hong Kong warehouses and the Taiwan logistics and trading arm are expected to have some negative impact on the financial results of the Group going forward, as illustrated by the core net profit of the Group would have been down by nearly one-third for the last year if the disposals had been completed at the beginning of 2020.

LETTER FROM SOMERLEY

The financial position showed a reasonably solid position, with increasing NAV and net working capital during the period under review. We consider the share price of about HK\$15 to HK\$19 per Share before the Joint Announcement was supported by these fundamentals, but that the subsequent significant increase to about HK\$23 to HK\$24 per Share currently was due principally to the Partial Offer and the Special Dividend.

4. Prospects of the Group

The global trade has demonstrated recoveries from the recession in 2020 caused by the Pandemic and recovery trend has been forecasted to continue. Nevertheless some uncertainties might undermine the efforts made into such recovery including endured Pandemic situation, uneven economic recovery, continued trade tensions between major economies and changes in consumers' spending behaviour after the Pandemic. We have therefore remained cautiously optimistic about the global trade prospects in the near future.

In addition, the Offeror Parent Group, being a leading integrated express logistic services provider in Mainland China, intends to carry out its logistics businesses outside Greater China through the Group in the future. Such proposed strategic cooperation may create synergies and growth opportunities for the Group. Nonetheless, given the current relatively small overseas operations of the Offeror Parent Group and the lack of details of the business cooperation model, the extent of the impact of the aforesaid cooperation to the Group shall remain to be seen.

5. Market price and NAV comparisons and liquidity

As set out in the section headed "3. Analysis of the price performance and trading liquidity of the Shares" in this letter, the Offer Price of HK\$18.80 per Offer Share represents premiums over the historical Ex-Special Dividend Price prior to the publication of the Joint Announcement. Excluding the relatively small premium on the Last Trading Day which might be due to the speculation on the possible transaction between the Company and the Offeror Parent Company, the premiums ranged from approximately 65.1% to 181.4% up to the last 180 trading days immediately prior to and including the Last Trading Day. The Offer Price also represents a premium of approximately 57.5% over the Adjusted NAV per Share, which has taken account of, among other things, the disposals of the Hong Kong warehouses and the logistics and trading arm in Taiwan. We consider the above premiums are significant and fair and reasonable to the Shareholders in the context of the Partial Offer.

The trading liquidity of the Shares, in our view, has been generally thin. The relatively higher trading volume following the publication of the Joint Announcement in February 2021 was, in our view, principally related to Shareholders' positive expectation regarding the Partial Offer and the Special Dividend, and may not continue after the close of the Partial Offer and/or the Shares go ex-Special Dividend. Accordingly, the Partial Offer does provide an opportunity for the Shareholders to realise at least half of their Shares, although there will be less public float and possibly less active trading in the remaining Shares upon the Partial Offer succeeds.

6. Implied P/E Multiple and dividend yield

The Partial Offer terms also compare favourably on the grounds of the P/E Multiple and dividend yield. The implied P/E Multiple of the Offer Price of 27.28 times is higher than the average and median of the P/E Multiples of the Comparable Companies of approximately 14.46 times and 13.54 times respectively. The implied dividend yield of the Company, excluding the special dividends, represented by the Offer Price of approximately 1.85% is below the average and the median of the dividend yields of the Comparable Companies of approximately 2.01% and 1.86% respectively.

LETTER FROM SOMERLEY

A higher P/E Multiple of the Offer Price indicates an attractive price for the Shareholders, whereas a lower dividend yield indicates that the Shareholders could accept the Partial Offer and reinvest the proceeds in shares of similar businesses at a higher yield.

7. Partial offer precedents

Whilst the subject companies in the Precedents are engaged in dissimilar industries and have different financial characteristics, we still consider some useful insights can be drawn on the structure of the Partial Offer and the premium involved. In the three Precedents, the offerors held no share at the beginning and acquired statutory control (i.e. over 50% shareholding) after the partial offers. The premiums of the Partial Offer, calculated by using the Undisturbed Share Price, over the various periods are either within or above the range of the Precedents and are generally close to, if not higher than, the average premiums of the Precedents.

The premiums of the Partial Offer indicate the Offer Price is reasonable as they are in line with the Precedents.

OPINIONS AND RECOMMENDATIONS

In respect of the Partial Offer

Based on the above principal factors and reasons including:

1. the expected impact on the financial results of the Group upon completions of the disposals of the Hong Kong warehouses and the Taiwan logistics and trading arm;
2. the anticipated recovery of global trade and the potential uncertainties to the recovery;
3. the significant premium of the Offer Price as compared to the historical Ex-Special Dividend Price and the Adjusted NAV per Share;
4. the favourable results of Partial Offer terms on the ground of the P/E Multiple and dividend yield; and
5. the comparable premiums of the Partial Offer as compared to that of the Precedents;

we consider the Partial Offer is fair and reasonable so far as the Shareholders are concerned. Accordingly, we advise the Code Independent Board Committee to recommend the Shareholders to give their consents to and accept the Partial Offer.

Shareholders should note that while the Shares have been traded below the sum of the Offer Price and the Special Dividend since the publication of the Joint Announcement and up to the Latest Practicable Date, there is still a possibility that the Share price may nevertheless exceed the sum of the Offer Price and the Special Dividend during the Offer Period. Accordingly, the Shareholders are reminded to monitor the trading price and liquidity of the Shares during the Offer Period and should, having regard to their own circumstances, consider selling their Shares in the open market instead of accepting the Partial Offer and receiving the Special Dividend if the sum of the net proceeds obtained from such disposal of the Shares and the Special Dividend (if applicable and after deducting all transaction costs) would be higher than the sum of the net proceeds from accepting the Partial Offer and receiving the Special Dividend.

Those Shareholders who, after considering the information on the Offeror Parent and the Offeror and the future intentions of the Offeror regarding the Group, are attracted by the prospects of the Group following the Partial Offer, may consider retaining their Shares or tendering less than all their Shares under the Partial Offer. If acceptances are received in respect of more than 931,209,117 Shares, not all Shares tendered will be taken up under the Partial Offer, so the Shareholders will continue to hold some Shares in any event, unless they sell in the market.

LETTER FROM SOMERLEY

For Shareholders of one or only a few board lot(s), the potential odd lot resulting from acceptance may be significant. Odd lots are less marketable than, and typically trade at a discount to, whole lots. A designated broker has been appointed for matching sales and purchases of odd lot holdings of the Shares in the market, details of which are set out in the letter from J.P. Morgan contained in the Composite Document. Shareholders who are concerned about the drawbacks of being left with an odd lot, may also consider selling their Shares in the market before the close of the Partial Offer to achieve a complete sale. Such Shareholders should note however that if they sell their Shares in the market on or before the last day of dealings with entitlement to the Special Dividend, they will not receive the Special Dividend. Consequently, they should exercise caution when comparing the current price of the Shares (and future prices up to the last day of dealings with entitlement to the Special Dividend of HK\$7.28 per Share) with the Offer Price of HK\$18.80, which does not include an entitlement to the Special Dividend.

In respect of the Option Offer

Given our view that the Partial Offer is fair and reasonable, we consider the Option Offer, which is made based on the difference between the Offer Price and the exercise price of the Share Options, is fair and reasonable so far as the Optionholders are concerned. Accordingly, we advise the Code Independent Board Committee to recommend the Optionholders to accept the Option Offer. Nevertheless, as set out in the section headed "8. The Option Offer" in this letter, it is very likely that the Optionholders will be more beneficial by exercising their Share Options to subscribe for the Shares, accepting the Partial Offer and receiving the Special Dividend, as compared with accepting the Option Offer. Therefore the Optionholders may consider exercising their Share Options, accepting the Partial Offer and receiving the Special Dividend, instead of accepting the Option Offer. The Optionholders who wish to exercise their Share Options and accept the Partial Offer and receive the Special Dividend are reminded that the potential risk of the Partial Offer may or may not becoming or being declared unconditional.

The Optionholders should note that there will be a time lag between the exercise of the Share Options and the receipt of the Shares due to the time required for the administrative procedures for exercising the Share Options.

The Optionholders who have decided to exercise their Share Options are reminded to read our opinion and recommendation to the Shareholders in the sub-section headed "In respect of the Partial Offer" above in this section carefully.

In general

The Shareholders and the Optionholders should read carefully the procedures for accepting the Partial Offer and the Option Offer respectively as detailed in the Composite Document, the appendices to the Composite Document and the respective form of approval (for the Partial Offer only) and acceptance, if they wish to accept the respective Offers or convert their Share Options and accept the Partial Offer.

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

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

PROCEDURES FOR APPROVAL, ACCEPTANCE AND SETTLEMENT

1. General Procedure for Approval and Acceptance

The Partial Offer:

- 1.1 While the number of Shares to be taken up by the Offeror pursuant to the Partial Offer represents approximately 51.8% of the Shares in issue as at the date of the Joint Announcement, Shareholders may accept the Partial Offer in respect of **some (which may be more than such percentage) or all** of the Shares held by them. Subject to the Partial Offer becoming or being declared unconditional in all respects: (i) if valid acceptances are received for 931,209,117 Shares, all Shares validly accepted will be taken up; and (ii) if valid acceptances are received for more than 931,209,117 Shares, the total number of Shares to be taken up by the Offeror from each Accepting Shareholder will be determined by the total number of Offer Shares tendered for acceptance in accordance with the following formula:

$$\frac{A}{B} \times C$$

- A = 931,209,117 Shares, being the total number of Offer Shares for which the Partial Offer is made
- B = the total number of Offer Shares tendered by all Shareholders under the Partial Offer
- C = the number of Offer Shares tendered by the relevant individual Shareholder under the Partial Offer

As a result, it is possible that if a Shareholder tenders all his/her/its Shares for acceptance under the Partial Offer, not all of such Shares will be taken up. Fractions of Shares will not be taken up under the Partial Offer and, accordingly, the number of Shares that the Offeror will take up from each Shareholder in accordance with the above formula will be rounded up or down to the nearest whole number at the discretion of the Offeror.

- 1.2 Whether or not the Shareholders accept the Partial Offer or, where applicable, the Option Offer, they may approve the Partial Offer and specify the number of Shares in respect of which they approve the Partial Offer in the accompanying Form of Approval and Acceptance. Each Share, fully paid up, shall be entitled to ONE vote only. Multiple votes in respect of the same Share will not be taken into account in counting the approval of the Partial Offer. Only ONE vote for each Share may be cast. If a Qualifying Shareholder has put a tick "✓" to indicate his/her/its approval of the Partial Offer on the Form of Approval and Acceptance but no number of Shares in respect of such approval is specified or any other information in Box A of the Form of Approval and Acceptance is, in the Offeror's view, missing, incomplete or erroneous, the approval of the Partial Offer by such Shareholder will not be considered as valid until the number of Shares in respect of such approval is specified and/or such missing, incomplete or erroneous information has been completed and rectified in such Form of Approval and Acceptance. Qualifying Shareholders may vote in respect of the total number of Shares held by him/her/it even though he/she/it does not intend to accept the Partial Offer and/or the number of Shares voted may be more than the

number of Shares tendered for acceptance. Irrespective of the above, Shareholders may specify the number of Shares in respect of which they tender for acceptance of the Partial Offer. If no number of Shares in respect of such acceptance is specified or any other information in Box B of the Form of Approval and Acceptance is, in the Offeror's view, missing, incomplete or erroneous, the acceptance of the Partial Offer by such Shareholder will not be considered as valid until the number of Shares in respect of such acceptance is specified and/or such missing, incomplete or erroneous information has been completed and rectified in such Form of Approval and Acceptance. Where reasonably practicable, the incomplete Form of Approval and Acceptance will be returned to the Shareholder for correction and resubmission. Any corrected Form of Approval and Acceptance must be resubmitted and received by the Share Registrar by not later than 4:00 p.m. on the Final Closing Date.

- 1.3 If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) (if applicable) in respect of the Shares is/are in the name of the Shareholder(s), and he/she/it wishes to accept the Partial Offer whether in full or in respect of part of his/her/its holding of Shares, he/she/it should complete and return the accompanying Form of Approval and Acceptance in accordance with the instructions printed in this Composite Document and the instructions printed on the Form of Approval and Acceptance. The instructions in this Composite Document should be read together with the instructions on the Form of Approval and Acceptance (which instructions form part of the terms of the Partial Offer).
- 1.4 In order to be valid, the completed Form of Approval and Acceptance should be forwarded, together with the Share certificate(s), transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) (if applicable) for not less than the number of Shares in respect of which the relevant Shareholder wishes to accept the Partial Offer, by post or by hand to the Share Registrar, namely Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong in an envelope marked "Kerry Logistics Network Limited – Partial Offer" as soon as possible after receipt of the Form of Approval and Acceptance but in any event by no later than 4:00 p.m. (Hong Kong time) on Thursday, 2 September 2021, being the First Closing Date, or such later time and/or date as the Offeror may, subject to the Takeovers Code, decide and announce and the Executive may approve. In accordance with Rule 15.1 of the Takeovers Code, the Partial Offer must initially be open for acceptance for at least 21 days following the Despatch Date. Pursuant to Rule 15.3 of the Takeovers Code, where a conditional offer becomes or is declared unconditional (whether as to acceptances or in all respects), it should remain open for acceptances for not less than 14 days thereafter. Pursuant to the Takeovers Code, if the Partial Offer has been declared unconditional in all respects, the Offeror cannot extend the Final Closing Date to a day beyond the 14th day thereafter.
- 1.5 Unless the Partial Offer is extended or revised in accordance with the Takeovers Code, no Form of Approval and Acceptance received after the Final Closing Date will be accepted.
- 1.6 If the Form of Approval and Acceptance is executed by a person other than the registered holder, appropriate documentary evidence of authority (e.g. a grant of probate or certified copy of a power of attorney) to the satisfaction of the Share Registrar must be delivered to the Share Registrar with the completed Form of Approval and Acceptance.

- 1.7 No acknowledgement of receipt of any Form of Approval and Acceptance, Share certificate(s), transfer receipt(s) or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) (if applicable) will be given.
- 1.8 In relation to any acceptance(s) of the Partial Offer in respect of Shares held in CCASS, the Offeror reserves the right to make such alterations, additions or modifications to the terms of the Partial Offer as may be necessary or desirable to give effect to any purported acceptance of the Partial Offer, whether to comply with the facilities or requirements of CCASS or otherwise, provided such alterations, additions or modifications are consistent with the requirements of the Takeovers Code or are otherwise made with the Executive's consent.

The Option Offer:

- 1.9 Optionholders may accept the Option Offer in respect of **some or all** of the Share Options held by them. Subject to the Option Offer becoming unconditional in all respects: (i) if valid acceptances are received for such number of Share Options representing 51.8% of the outstanding Share Options as at the Final Closing Date or fewer, all Share Options validly accepted will be taken up and cancelled; and (ii) if valid acceptances are received for more than such number of Share Options, the total number of Share Options to be taken up by the Offeror from each Optionholder and cancelled will be determined in accordance with the following formula:

$$\frac{X}{Y} \times Z$$

X = the total number of Share Options for which the Option Offer is made

Y = the total number of Share Options tendered by all the Optionholders under the Option Offer

Z = the number of Share Options tendered by the relevant individual Optionholder under the Option Offer

- 1.10 To accept the Option Offer, Optionholders should complete and sign the accompanying Form of Option Offer Acceptance in accordance with the instructions printed thereon (which instructions form part of the terms of the Option Offer).
- 1.11 The completed and signed Form of Option Offer Acceptance should then be forwarded, together with (if any) the relevant certificate(s), letter(s) of grant and/or other document(s) evidencing the grant, as the case may be, for not less than the number of Share Options the Optionholder intends to tender, stating the number of the Share Options in respect of which the Optionholder intends to accept the Option Offer, by post or by hand to the Company at 16/F, Kerry Cargo Centre, 55 Wing Kei Road, Kwai Chung, New Territories, Hong Kong in an envelope marked "Kerry Logistics Network Limited – Option Offer", as soon as possible after receipt of this Composite Document and in any event no later than 4:00 p.m. on the First Closing Date, or such later time and/or date as the Offeror may, subject to the Takeovers Code, decide and announce and the Executive may approve. If the number of Share Options held by the

Optionholder is less than the number of the Share Options stated in the Form of Option Offer Acceptance or if no number of Share Options is stated in the Form of Option Offer Acceptance or any other information in the Form of Option Offer Acceptance is, in the Offeror's view, missing, incomplete or erroneous, his/her/its acceptance would be invalid. Where reasonably practicable, the incomplete Form of Option Offer Acceptance will be returned to the Optionholder for correction and resubmission. Any corrected Form of Option Offer Acceptance must be resubmitted and received by the Company by not later than 4:00 p.m. on the Final Closing Date. If the number of Share Options held by the Optionholder is more than the number of the Share Options stated in the Form of Option Offer Acceptance, his/her/its acceptance in respect of the Share Options stated in the Form of Option Offer Acceptance would be valid and the Company will provide a confirmation letter in relation to the balance of Share Options to such Optionholder. Acceptance will only be valid if the Share Options tendered by the Optionholder have not lapsed as at the Final Closing Date.

- 1.12 Unless the Option Offer is extended or revised in accordance with the Takeovers Code, no Form of Option Offer Acceptance received after 4:00 p.m. on the Final Closing Date will be accepted.
- 1.13 No acknowledgement of receipt of any Form of Option Offer Acceptance and (if any) relevant certificate(s), letter(s) of grant and/or other document(s) evidencing the grant, as the case may be, of the Share Options will be given.

2. Nominee Holdings

- 2.1 If the Share certificate(s), transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) (if applicable) in respect of a Shareholder's share(s) is/are in the name of a nominee company or some name other than his/her/its own, and such Shareholder wishes to approve and/or accept the Partial Offer (either in full or in respect of part of his/her/its holding(s) of Shares), he/she/it must either:
 - (i) lodge the Share certificate(s), transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) (if applicable) with the nominee company, or other nominee, with instructions authorising it to approve and/or accept the Partial Offer on his/her/its behalf and requesting it to deliver the Form of Approval and Acceptance duly completed and signed together with the relevant Share certificate(s), transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) (if applicable) to the Share Registrar, within such deadline (which may be earlier than the deadline specified under the Partial Offer) as may be stipulated by the nominee; or
 - (ii) arrange for the Shares to be registered in his/her/its name by the Company through the Share Registrar and send the Form of Approval and Acceptance duly completed and signed together with the relevant Share certificate(s), transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) (if applicable) to the Share Registrar by no later than 4:00 p.m. on Thursday, 2 September 2021, being the First Closing Date, or such later time and/or date as the Offeror may, subject to the Takeovers Code, decide and announce and the Executive may approve; or

- (iii) where his/her/its Shares are deposited in CCASS via his/her/its licensed securities dealer/broker/custodian bank, instruct his/her/its licensed securities dealer/broker/custodian bank to authorise HKSCC Nominees Limited to approve and/or accept the Partial Offer on his/her/its behalf on or before the deadline set by HKSCC Nominees Limited or any other date as shall be determined by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, that Shareholder should check with his/her/its licensed securities dealer/broker/custodian bank for the timing on processing his/her/its instruction, and submit such instruction to his/her/its licensed securities dealer/broker/custodian bank as required by them; or
- (iv) if the Shares have been lodged with his/her/its Investor Participant Account with CCASS, authorise his/her/its instruction via the CCASS Phone System or CCASS Internet System no later than one Business Day before the deadline set by HKSCC Nominees Limited or any other date as shall be determined by HKSCC Nominees Limited.

2.2 Shareholders with such a nominee holding of Shares should ensure that they take the above applicable course of action promptly to allow their nominee(s) sufficient time to complete the acceptance procedure on his/her/its behalf before the First Closing Date, or such later time and/or date as the Offeror may, subject to the Takeovers Code, decide and announce and the Executive may approve.

3. Recent Transfers

If a Shareholder has lodged transfer(s) of Shares for registration in his/her/its name and has not yet received the Share certificate(s) and wishes to approve and/or accept the Partial Offer, he/she/it should nevertheless complete and sign the Form of Approval and Acceptance and deliver it to the Share Registrar together with the transfer receipt(s) duly signed by him/her/it. Such action will be deemed to be an irrevocable authority to the Offeror Parent, the Offeror, J.P. Morgan and/or any of their respective agent(s) or such other person(s) as any of them may direct for the purpose of collecting from the Company or the Share Registrar by or on his/her/its behalf the relevant Share certificate(s) when issued and to deliver such Share certificate(s), subject to the terms of the Partial Offer, as if it was/they were delivered to the Share Registrar with the Form of Approval and Acceptance.

4. Lost or Unavailable Share Certificates

4.1 If the Share certificate(s), transfer receipt(s) and/or any other document(s) of title is/are not readily available and/or is/are lost and a Shareholder wishes to approve and/or accept the Partial Offer, the Form of Approval and Acceptance should nevertheless be completed, signed and delivered, together with a letter stating that he/she/it has lost one or more of his/her/its Share certificate(s) and/or transfer receipts and/or other document(s) of title or that it/they is/are not readily available, to the Share Registrar so as to reach the Share Registrar no later than 4:00 p.m. on Thursday, 2 September 2021, being the First Closing Date, or such later time and/or date as the Offeror may, subject to the Takeovers Code, decide and announce and the Executive may approve. If the Shareholder finds such document(s) or if it/they become available, the relevant Share certificate(s), transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) (if applicable) should be forwarded to the Share Registrar as soon as possible thereafter and in any event no later than 4:00 p.m. on Thursday, 2 September 2021, being the First Closing Date, or such later time and/or date as the Offeror may, subject to the Takeovers Code, decide and announce and the Executive may approve.

- 4.2 If a Shareholder has lost his/her/its Share certificate(s), transfer receipt(s) and/or any other document(s) of title, he/she/it should write to the Share Registrar and request a letter of indemnity in respect of the lost Share certificate(s), transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) (as the case may be) which, when completed in accordance with the instructions given, should be returned, together with the Form of Approval and Acceptance and any Share certificate(s), transfer receipt(s) and/or any other document(s) of title which are available, to the Share Registrar either by post or by hand, so as to arrive not later than 4:00 p.m. on the First Closing Date, or such later time and/or date as the Offeror may, subject to the Takeovers Code, decide and announce and the Executive may approve. In such cases, the Shareholder will be informed of the fees and/or expenses payable to the Share Registrar for which he/she/it will be responsible. The Offeror shall have the absolute discretion to decide whether any Shares in respect of which the Share certificate(s), transfer receipt(s) and/or any other document(s) of title is/are not readily available and/or is/are lost will be taken up by the Offeror.

5. Additional Form of Approval and Acceptance and Form of Option Offer Acceptance

If a Shareholder and/or Optionholder has lost the accompanying Form of Approval and Acceptance and/or Form of Option Offer Acceptance or such original has become unusable, and requires a replacement of such form, he/she/it should write to the Share Registrar or visit the Share Registrar at its office and request an additional Form of Approval and Acceptance and/or Form of Option Offer Acceptance for completion by such Shareholder. Alternatively, he/she/it could download it from the website of the Stock Exchange at www.hkexnews.hk or the website of the Company at www.kln.com.

6. Settlement

Partial Offer

- 6.1 Provided that the Partial Offer becomes or is declared unconditional in all respects and a duly completed Form of Approval and Acceptance, accompanied by the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) (if applicable) are received by the Share Registrar by no later than 4:00 p.m. on the First Closing Date (or such later time and/or date as the Offeror may, subject to the Takeovers Code, decide and announce and the Executive may approve) and are in order in all respects and in accordance with the Takeovers Code, the Share Registrar will send to the relevant Accepting Shareholder by ordinary post, at his/her/its own risks, (a) a remittance for the amount due to him/her/it under the Partial Offer (taking into account of any scaling down of his/her/its acceptance, stamp duty and, if applicable, the fees payable to the Share Registrar in respect of lost or unavailable Share certificates) as soon as possible, but in any event within 7 Business Days following the Final Closing Date; and (b) (if applicable) any Share certificate(s) and/or any transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) (if applicable) for Shares not taken up by the Offeror as soon as possible but in any event within ten days following the Final Closing Date. Settlement of the consideration to which any Accepting Shareholder is entitled under the Partial Offer will be implemented in full in accordance with the terms of the Partial Offer (save with respect to payment of seller's ad valorem stamp duty) without regard to any lien, right of set-off, counterclaim, or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Accepting Shareholder.

6.2 If the Partial Offer does not become unconditional in all respects, the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) (as the case may be) will be returned and/or sent to each Accepting Shareholder (by ordinary post, at that Accepting Shareholder's own risk) as soon as possible but in any event within 10 days of the lapse of the Partial Offer. Where such Accepting Shareholder has sent one or more transfer receipt(s) and in the meantime one or more Share certificate(s) has/have been collected by or on behalf of that Accepting Shareholder in respect thereof, that Accepting Shareholder will be sent (by ordinary post, at that Accepting Shareholder's own risk) such Share certificate(s) in lieu of the transfer receipt(s).

Option Offer

6.3 Subject to the Partial Offer becoming or being declared unconditional in all respects and provided that a valid Form of Option Offer Acceptance and (if any) the relevant certificate(s), letter(s) of grant and/or other document(s) evidencing the grant, as the case may be, of the Share Options are complete and in good order in all respects and have been received by the Company no later than the latest time for acceptance (i.e. 4:00 p.m. on the Final Closing Date, or such other time and/or date as the Offeror may, subject to the Takeovers Code, decide and announce and the Executive may approve), (a) a remittance for the amount due to the relevant accepting Optionholder in respect of the Share Options surrendered by him/her/it under the Option Offer will be despatched to the relevant accepting Option holder by ordinary post at his/her/its own risk as soon as possible, but in any event within 7 Business Days following the Final Closing Date and (b) (if any) the relevant certificate(s), letter(s) of grant and/or other document(s) evidencing the grant, as the case may be, in relation to the Share Options which are not successfully tendered and/or accepted under the Option Offer will be despatched to the relevant accepting Optionholder by ordinary post at his/her/its own risk as soon as possible but in any event within ten days following the Final Closing Date. If the Partial Offer does not become unconditional in all respects, the relevant certificate(s), letter(s) of grant and/or other document(s) evidencing the grant, as the case may be, in relation to the Share Option(s) tendered will be returned and/or sent to each accepting Optionholder as soon as possible but in any event within 10 days following the lapse of the Partial Offer.

6.4 Settlement of the consideration to which any accepting Optionholder is entitled under the Option Offer will be implemented in full in accordance with the terms of the Option Offer without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such accepting Optionholder.

6.5 No fractions of a cent will be payable and the amount of cash consideration payable to an Accepting Shareholder or accepting Optionholder will be rounded up to the nearest cent.

6.6 Cheque(s) not presented for payment within six months from the date of issue of the cheque will not be honoured and be of no further effect, and in such circumstances, cheque holder(s) should contact the Offeror for payment.

7. New Shareholders

Any new Shareholder may collect a copy of this Composite Document, together with a blank Form of Approval and Acceptance from the Share Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong during the period from the Despatch Date to the Final Closing Date (both days inclusive), between 9:00 a.m. and 4:30 p.m. (Hong Kong time) from Monday to Friday (other than public holidays). Such Shareholder may also contact the Share Registrar (through the enquiry hotline at (852) 2980-1333) and request a copy of this Composite Document and a blank Form of Approval and Acceptance (as appropriate) to be sent to his/her/its registered address as recorded in the Register.

8. Exercise of Share Options

An Optionholder who wishes to accept the Partial Offer may exercise the Share Options (to the extent exercisable) by operating online through his/her own securities account maintained with BOCI Securities Limited ("BOCI") online system for exercising the Share Options, together with a remittance for payment of the full amount of the aggregate subscription price for the Share Options to BOCI, or in any other methods of exercising the Share Options acceptable by the Company no later than 10 Business Days before the Final Closing Date, or such other time and/or date as the Offeror may, subject to the Takeovers Code, decide and announce and the Executive may approve. The Optionholders are reminded to activate their BOCI securities accounts in advance to ensure the Share Options may be exercised in time.

The Optionholder who has exercised the Share Options should at the same time complete and sign the Form of Approval and Acceptance and deliver it to the Share Registrar together with a copy set of the documents delivered to BOCI for exercising the Share Options. Exercises of the Share Options are subject to the terms and conditions of the Share Option Scheme and the terms attaching to the grant of the relevant Share Options. Delivery of the completed and signed Form of Approval and Acceptance to the Share Registrar will not serve to complete the exercise of the Share Options but will only be deemed to be an irrevocable authority to the Offeror Parent, the Offeror and/or J.P. Morgan and/or any of their respective agent(s) or such other person(s) as they may direct to collect from the Company or the Share Registrar on his/her/its behalf the relevant Share certificate(s) when issued on exercise of the Share Options as if it was/they were delivered to the Share Registrar with the Form of Approval and Acceptance. If an Optionholder fails to exercise his/her/its Share Options as aforesaid, there is no guarantee that the Company may issue the relevant Share certificate in respect of the Shares allotted pursuant to his/her/its exercise of the Share Option(s) to such Optionholder in time for him/her/it to accept the Partial Offer as a Shareholder of such Shares under the terms of the Partial Offer.

9. Lapse of Share Options

Share Options that are not tendered for acceptance under the Option Offer will not be deemed to have lapsed after the Final Closing Date, pursuant to the rules of the Share Option Scheme.

EFFECT OF ACCEPTANCE OF THE OFFERS

By validly accepting the Partial Offer, the Shareholders will sell their tendered Shares which are finally taken up by the Offeror in accordance with the above formula under the section headed "Other terms of the Partial Offer and the Option Offer" in the letter from J.P. Morgan free from all Encumbrances and together with all rights and benefits accruing and attaching thereto as at or after the Final Closing Date, including but not limited to (in the case of Shares) the right to receive all dividends, distributions and any return of capital, if any, which may be paid, made or declared, or agreed to be made or paid thereon or in respect thereof on or after the Final Closing Date, except that the Special Dividend and any FY2021 Interim Dividend will in any event be payable to such Shareholder (which, for the avoidance of doubt, excludes the Offeror).

The Offeror will not be entitled to any dividends or other distributions declared, made or paid before the Final Closing Date (which, for the avoidance of doubt, includes the Special Dividend and any FY2021 Interim Dividend), in respect of the Shares which are taken up by the Offeror under the Partial Offer. Any such dividends or other distributions will be paid to the Shareholders who are qualified for such dividends or distributions.

By validly accepting the Option Offer, Optionholders will tender Share Options to the Offeror which are finally taken up by the Offeror in accordance with the formula set out in the section headed "Acceptance of the Partial Offer and the Option Offer" in the letter from J.P. Morgan and the tendered and finally taken up Share Options will be cancelled on the Final Closing Date.

An Optionholder may exercise all or any part of the Share Options, to the extent exercisable, in accordance with the Share Option Scheme. Any Shares allotted as a result of the exercise of any Share Options will be subject to and be eligible to participate in accepting the Partial Offer in accordance with its terms as set out in this Appendix and in the letter from J.P. Morgan in this Composite Document.

Each Shareholder or Optionholder (as the case may be) by whom, or on whose behalf, a Form of Approval and Acceptance or Form of Option Offer Acceptance is executed irrevocably undertakes, represents, warrants and agrees to and with the Offeror Parent, the Offeror and J.P. Morgan (so as to bind him/her/it, his/her/its personal representatives, heirs, successors and assigns) to the following effect:

1. Irrevocable Acceptances

That the Form of Approval and Acceptance or Form of Option Offer Acceptance, which has been duly completed and received by the Share Registrar or the Company respectively will constitute irrevocable acceptance of the Partial Offer or the Option Offer, except in compliance with Rule 17 of the Takeovers Code or in the circumstances that the Executive requires that such Accepting Shareholder is granted a right to withdraw in accordance with Rule 19.2 of the Takeovers Code. Rule 19.2 of the Takeovers Code relates to failure to announce the results of the Partial Offer as set out in the section headed "Announcements" in this Appendix and provides that the Executive may require that Accepting Shareholders or accepting Optionholders be granted a right of withdrawal, on terms acceptable to the Executive, until the requirements of Rule 19 of the Takeovers Code can be met. Rule 17 of the Takeovers Code relates to the right of the Accepting Shareholder or accepting Optionholder to withdraw his/her/its acceptance of the Partial Offer or the Option Offer after 21 days from the First Closing Date, if the Partial Offer has not by then become unconditional as to acceptances. The Offeror will make an announcement in the event such situation arises to advise on the right of withdrawal.

If acceptance of the Partial Offer or the Option Offer is withdrawn by the Accepting Shareholders or the accepting Optionholders with the consent of the Executive in accordance with the Takeovers Code, the Offeror shall, as soon as possible but in any event within 10 days thereof, return the relevant Share certificate(s) and/or transfer receipt(s) or (if any) certificates, letters of grant or other document(s) evidencing the grant, as the case may be, in respect of the Share Options and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) (if applicable) in respect of such number of Shares or Share Options lodged with the Form of Approval and Acceptance or Form of Option Offer Acceptance to the relevant Accepting Shareholder(s) or accepting Optionholders by ordinary post.

2. Execution

That the due execution of the Form of Approval and Acceptance, subject to Rule 19.2 of the Takeovers Code, shall constitute approval by the relevant Shareholder of the Partial Offer in respect of the number of Shares inserted in Box A and an acceptance by the relevant Shareholder of the Partial Offer in respect of the number of the Shares inserted in Box B of the Form of Approval and Acceptance and subject to the terms and conditions set out or referred to in this Composite Document and the Form of Approval and Acceptance and that, once lodged, such acceptance shall be irrevocable, unless withdrawn in accordance with the Takeovers Code.

That the due execution of the Form of Option Offer Acceptance, subject to Rule 19.2 of the Takeovers Code, shall constitute acceptance by the relevant Optionholder of the Option Offer in respect of the number of Share Options inserted in the Form of Option Offer Acceptance and subject to the terms and conditions set out or referred to in this Composite Document and the Form of Option Offer Acceptance and that, once lodged, such acceptance shall be irrevocable, unless withdrawn in accordance with the Takeovers Code.

3. Representations and Warranties

- (a) That if he/she/it is a resident or a citizen of a jurisdiction outside Hong Kong, he/she/it hereby represents and warrants that (i) all local laws and requirements in connection with such acceptance have been complied with and (ii) the Partial Offer and Option Offer can be accepted by such Overseas Shareholder or Overseas Optionholder under the laws and regulations of the relevant jurisdiction and such acceptance shall be valid and binding in accordance with all applicable laws and regulations. Overseas Shareholders and Overseas Optionholders should consult their professional advisers if in doubt.
- (b) That acceptance of the Partial Offer or Option Offer by any persons will be deemed to constitute a warranty by such persons to the Offeror Parent, the Offeror and J.P Morgan that he/she/it has full power and authority to tender, sell, assign and transfer all the Shares (together with all rights accruing or attaching thereto) specified in such Form of Approval and Acceptance, and the Share Options under the Form of Option Offer Acceptance under the Partial Offer and the Option Offer, respectively and that the Shares acquired under the Partial Offer are fully paid and sold by any such persons free from all Encumbrances and together with all rights and benefits accruing and attaching thereto as at or after the Final Closing Date, including but not limited to (in the case of Shares) the right to receive all dividends, distributions and any return of capital, if any, which may be paid, made or declared, or agreed to be made or paid thereon or in respect thereof on or after the Final Closing Date, except that the Special Dividend and any FY2021 Interim Dividend will in any event be payable to such Shareholder (which, for the avoidance of doubt, excludes the Offeror).

4. Appointment and Authority

That the due execution of the Form of Approval and Acceptance and the Form of Option Offer Acceptance constitutes:

- (a) the irrevocable appointment of the Offeror Parent, the Offeror, J.P. Morgan, any director or officer of the Offeror Parent, the Offeror or J.P. Morgan, or such other person as any of them may direct, as such Shareholder's or Optionholder's agent ("**Agent**"); and
- (b) an irrevocable instruction to the Agent to complete and execute the Form of Approval and Acceptance, the Form of Option Offer Acceptance and/or any other document at the Agent's discretion on behalf of the person accepting the Partial Offer and to do any other acts or things (such as, among others, due execution of instruments of transfer to effect transfers of Shares accepted by the Offeror pursuant to the Partial Offer to the Offeror and to tender the relevant Share certificate(s) for cancellation) as may in the opinion of the Agent be necessary, expedient or desirable for the purpose of the Offeror to acquire some or all of the Shares and/or the Share Options (as the Offeror may in its absolute discretion determine in accordance with the formula as set out in the section headed "Other terms of the Partial Offer and the Option Offer" in the letter from J.P. Morgan in respect of which such person has accepted the Partial Offer or the Option Offer).

5. Undertakings

That by executing the Form of Approval and Acceptance or the Form of Option Offer Acceptance, he/she/it:

- (a) agrees to ratify and confirm each and every act or thing which may be done or effected by the Offeror Parent, the Offeror or any Agent in the proper exercise of his/her/its powers and/or authorities under the terms of the Partial Offer or the Option Offer (such as, among others, acts or things effecting the transfer of Offer Shares accepted by the Offeror pursuant to the Partial Offer);
- (b) undertakes to deliver to the Share Registrar the Share certificate(s), transfer receipt(s), certificates and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) (if applicable) in respect of the Shares for which the Partial Offer is accepted, or an indemnity or indemnities acceptable to the Offeror in lieu thereof, or to procure the delivery of such document(s) to the Share Registrar as soon as possible thereafter and, in any event, no later than 4:00 p.m. on Thursday, 2 September 2021, being the First Closing Date (or such later time and/or date as the Offeror may, subject to the Takeovers Code, decide and announce and the Executive may approve);
- (c) undertakes to deliver to the Company (if any) the certificate(s), letter(s) of grant and/or other document(s) evidencing the grant and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) (if applicable) in respect of the Shares Option for which the Option Offer is accepted, or to procure the delivery of such document(s) to the Company as soon as possible thereafter and, in any event, no later than 4:00 p.m. on Thursday, 2 September 2021, being the First Closing Date (or such later time and/or date as the Offeror may, subject to the Takeovers Code, decide and announce and the Executive may approve);

- (d) accepts that the provisions of the Form of Approval and Acceptance and the other terms and conditions in this Composite Document are deemed to be incorporated into the terms and conditions of the Partial Offer, and that the provisions of the Form of Option Offer Acceptance and other terms and conditions in this Composite Document are deemed to be incorporated into the terms and conditions of the Option Offer;
- (e) undertakes to do all such acts and things and execute all such deeds and documents as may be necessary to carry into effect or to give legal effect to his/her/its acceptance of the Partial Offer or the Option Offer, including, without limitation, to acquire any Shares in respect of which he/she/it has accepted the Partial Offer free from all liens, charges, options, claims, equities, adverse interests, third parties rights or Encumbrances whatsoever and together with all rights and benefits accruing or attaching thereto as at or after the Final Closing Date, including but not limited to (in the case of Shares) the right to receive all dividends, distributions and any return of capital, if any, which may be paid, made or declared, or agreed to be made or paid thereon or in respect thereof on or after the Final Closing Date, except that the Special Dividend and any FY2021 Interim Dividend will in any event be payable to such Shareholder (which, for the avoidance of doubt, excludes the Offeror), and/or to perfect any of the authorities expressed to be given hereunder;
- (f) authorises the Offeror Parent, the Offeror or the Agent to procure the despatch by post of the consideration to which he/she/it is entitled at his/her/its risk, in respect of the Partial Offer, to the address of the registered Shareholder or the first-named of joint registered Shareholders on the Register or, if different, to the name and address of the person as specified on the Form of Approval and Acceptance, or in respect of the Option Offer, the address of the registered Optionholder or, if different, to the name and address of the person as specified on the Form of Option Offer Acceptance; and
- (g) submits to the non-exclusive jurisdiction of the courts of Hong Kong in relation to all matters arising out of or in connection with the Partial Offer, the Option Offer, the Form of Approval and Acceptance or the Form of Option Offer Acceptance.

6. General

That:

- (a) in making their decisions, the Shareholders and Optionholders must rely on their own examination of the Group and the terms of the Partial Offer and the Option Offer including the merits and risks involved. The contents of this Composite Document, including any general advice or recommendation contained herein, together with the Form of Approval and Acceptance and Form of Option Offer Acceptance, shall not be construed as any legal or business advice on the part of the Offeror Parent, the Offeror, the Company, J.P. Morgan, or their respective professional advisers (other than Somerley). Shareholders and Optionholders should consult their own professional advisers for professional advice in relation to their decisions.
- (b) the Shareholders may approve and/or accept the Partial Offer by completing the Form of Approval and Acceptance in accordance with the instructions set out in the Form of Approval and Acceptance (which constitute part of the terms of the Partial Offer). A Form of Approval and Acceptance will be rejected as invalid if the procedures contained in this Composite Document and in the Form of Approval and Acceptance are not complied with;

- (c) the Partial Offer, the Option Offer and all acceptances of the Offers, the Form of Approval and Acceptance, the Form of Option Offer Acceptance and all contracts made pursuant to the Partial Offer or the Option Offer, and all actions taken or made or deemed to be taken or made pursuant to these terms will be governed by and construed in accordance with Hong Kong laws. Delivery of a Form of Approval and Acceptance or the Form of Option Offer Acceptance will constitute submission to the non-exclusive jurisdiction of the Hong Kong courts;
- (d) the accidental omission to despatch, or failure of any person to receive this Composite Document or the Form of Approval and Acceptance or the Form of Option Offer Acceptance will not invalidate any aspect of the Partial Offer or the Option Offer. Extra prints of these documents are available to any Shareholder or Optionholder at the office of the Share Registrar during the period from the Despatch Date to the Final Closing Date (both days inclusive), between 9:00 a.m. and 4:00 p.m. (Hong Kong time) from Monday to Friday (other than public holidays), and on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.kln.com;
- (e) the Offeror reserves the right, subject to any applicable law or regulatory requirements (including the Takeovers Code) and the requirements of the Executive, to amend the Offer Price, the Option Offer Price or other terms of the Offers. In the event of such amendment, a supplemental document, new Form of Approval and Acceptance ("**Revised Form of Approval and Acceptance**") and Form of Option Offer Acceptance ("**Revised Form of Option Offer Acceptance**") will be despatched to the Shareholders and Optionholders. Any revised Offers will be kept open for at least 14 days following the date on which the revised offer document is despatched. If in the course of the Offers, the Offeror revises the terms of the Offers, all Shareholders and Optionholders, whether they have accepted the Partial Offer, the Option Offer or not, will be entitled to the revised terms. Shareholders and Optionholders, whether or not they have submitted the Form of Approval and Acceptance or the Form of Option Offer Acceptance to the Share Registrar and whether or not they have approved and/or accepted the Offers, may submit the Revised Form of Approval and Acceptance or Revised Form of Option Offer Acceptance. If a Shareholder or an Optionholder chooses to submit the Revised Form of Approval and Acceptance or Revised Form of Option Offer Acceptance (as the case may be), the approval, acceptance and number of Shares or Share Options specified for approval and/or acceptance as stated on the Revised Form of Approval and Acceptance or Revised Form of Option Offer Acceptance (as the case may be) completed and lodged in accordance with the instructions set out therein shall prevail, otherwise, the execution of the Form of Approval and Acceptance by or on behalf of any Shareholder who has accepted the Partial Offer, or the execution of the Form of Option Offer Acceptance by or on behalf of any Optionholder who has accepted the Option Offer, shall be deemed to constitute valid acceptance of the revised Offers unless such Shareholder or Optionholder becomes entitled to withdraw his or her acceptance and has duly done so in accordance with the terms of the Partial Offer or the Option Offer as set out in this Composite Document and/or the relevant supplemental document. Accordingly, Shareholders or Optionholders who have accepted the Offers and lodged the completed Form of Approval and Acceptance or Form of Option Offer Acceptance in accordance with the instructions set out therein prior to the despatch of the relevant supplemental document need not complete and submit the Revised Form of Approval and Acceptance or the Revised Form of Option Offer Acceptance;
- (f) the right of acceptance of the Offers is personal to the Shareholders and Optionholders and is not capable of being assigned or renounced in favour of others or otherwise transferred by the Shareholders or Optionholders;

- (g) subject to (i) the terms of the Offers as set out in this Composite Document; (ii) the provisions of the Takeovers Code; and (iii) any requirements of the Executive, the Offeror shall determine the calculation of the number of Shares or Share Options to be taken up by the Offeror from each Accepting Shareholder or accepting Optionholder, the Offer Price or Option Offer Price to be paid therefor, whether an acceptance tendered fully complies with the terms of the Offers and all other questions as to the validity, form and eligibility (including the time of receipt) of an acceptance (provided that this is determined consistently with the requirement of the Takeovers Code or otherwise with the Executive's consent). In the absence of manifest error, such a determination by the Offeror shall be conclusive;
- (h) any irregular acceptance failing to satisfy the requirements of Rule 30.2 of the Takeovers Code and the notes thereto will not be counted towards fulfilling the acceptance condition of the Partial Offer and approval requirements under Rule 28.5. None of the Offeror Parent, the Offeror, the Company, J.P. Morgan, the Share Registrar or any of their respective directors or any other person involved in the Offers is or will be obliged to give notice of any defects or irregularities in acceptances and none of them will incur any liability for failure to give any such notice; and
- (i) all communications, notices, Form(s) of Approval and Acceptance, Form(s) of Option Offer Acceptance, Share certificate(s), transfer receipt(s), or certificates, letters of grant and/or other document(s) evidencing the grant, as the case may be, in respect of the Share Options and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and remittances to be delivered or sent by, to or from the Shareholders and Optionholders will be delivered or sent by, to and from them, or their designated agents, at their own risks and none of the Offeror Parent, the Offeror, the Company, J.P. Morgan, Somerley or the Share Registrar or any of their respective directors or professional advisers or any other person involved in the Partial Offer and the Option Offer accepts any liability for any loss or any other liabilities whatsoever which may arise as a result.

OVERSEAS SHAREHOLDERS AND OVERSEAS OPTIONHOLDERS

This Composite Document will not be filed or registered under the applicable securities or equivalent legislation or rules of any jurisdiction other than Hong Kong.

The making of the Offers to Shareholders and Optionholders who are citizens, residents or nationals of jurisdictions outside Hong Kong may be subject to the laws and regulations of the relevant jurisdictions. Such Shareholders or Optionholders may be prohibited from participating in the Partial Offer or the Option Offer or affected by the laws and regulations of the relevant jurisdictions and it is the responsibility of each such Shareholder or Optionholder who wishes to accept the Partial Offer or the Option Offer to satisfy himself/herself/itself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents, or filing and registration requirements which may be required to comply with all necessary formalities or legal or regulatory requirements and the payment of any transfer or other taxes due from such Shareholder in such relevant jurisdictions.

Any acceptance by any Shareholder or Optionholder will be deemed to constitute a representation and warranty from such Shareholder or Optionholder to the Offeror and the Company that all local laws and requirements in connection with such acceptance have been complied with and that the Partial Offer and Option Offer can be accepted by such Shareholder or Optionholder lawfully under the laws and regulations of the relevant jurisdiction and such acceptance shall be valid and binding in accordance with all applicable laws and regulations. Shareholders and Optionholders should consult their professional advisers if in doubt.

TAXATION

Shareholders and Optionholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of their acceptance of the Partial Offer and the Option Offer. It is emphasized that none of the Offeror Parent, the Offeror, the Company and their ultimate beneficial owners and parties acting in concert with any of them, J.P. Morgan, the Registrar or any of their respective directors or professional advisers or any persons involved in the Partial Offer accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance of the Partial Offer or the Option Offer.

ANNOUNCEMENTS

The announcement of the results of the Partial Offer and the Option Offer will be jointly issued by the Offeror and the Company on the website of the Stock Exchange by 7:00 p.m. on the day when the Partial Offer has become or has been declared unconditional as to acceptances (if such date is prior to the First Closing Date) or on the First Closing Date, as the case may be, and on the trading day before the Final Closing Date and the Final Closing Date. Such announcement will comply with the disclosure requirements under Rule 19.1 and Note 7 to Rule 19 of the Takeovers Code and will include, amongst other things, the results of the Partial Offer and the Option Offer, and details of the way in which each Accepting Shareholder's and accepting Optionholder's pro-rata entitlement was determined.

In any announcement of an extension of the Partial Offer and the Option Offer, either the next closing date must be stated or, if the Partial Offer and the Option Offer is unconditional in all respects, a statement may be made that the Partial Offer and the Option Offer will remain open for acceptance for 14 days thereafter in accordance with the Takeovers Code. Pursuant to the Takeovers Code, if the Partial Offer has been declared unconditional in all respects, the Offeror cannot extend the Final Closing Date to a day beyond the 14th day thereafter. If the Partial Offer becomes or is declared unconditional in all respects by no later than the date falling 7 days following the Despatch Date, the Offeror shall be entitled to make an announcement to the effect that the Partial Offer and the Option Offer will close for acceptance on the date falling 21 days following the Despatch Date (i.e. the First Closing Date).

The results announcements shall specify the total number of Shares:

- (a) for which acceptances of the Partial Offer and the Option Offer have been received;
- (b) held, controlled or directed by the Offeror or parties acting in concert with it before the Offer Period; and
- (c) acquired or agreed to be acquired during the Offer Period by the Offeror or any parties acting in concert with it.

The results announcements must include the details of the way in which each Accepting Shareholder's and accepting Optionholder's pro-rata entitlement was/is to be determined in compliance with Note 7 to Rule 19 of the Takeovers Code.

The results announcements must include details of any relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company which the Offeror or any parties acting in concert with it has borrowed or lent, save for any borrowed Shares which have been either on-lent or sold.

The results announcements shall include the percentages of the relevant classes of share capital of the Company, and the percentages of voting rights represented by these numbers.

If the Offeror, any parties acting in concert with it or its advisers make any statement about the level of acceptances or the number or percentage of Accepting Shareholders and accepting Optionholders during the Offer Period, then the Offeror must make an immediate announcement in compliance with Note 2 to Rule 19 of the Takeovers Code.

As required under the Takeovers Code, all announcements in relation to the Partial Offer, in respect of which the Executive have confirmed that they have no further comments thereon, will be published on the websites of the Stock Exchange and the Company.

INTERPRETATION

A reference in this Composite Document to a Shareholder includes a reference to a person(s) who, by reason of an acquisition or transfer of Shares is entitled to execute a Form of Approval and Acceptance and in the event of more than one person executing a Form of Approval and Acceptance, the provisions of this Composite Document apply to them jointly and severally.

A reference in this Composite Document, the Form of Approval and Acceptance to the Partial Offer and the Form of Option Offer Acceptance to the Option Offer shall include any extension and/or revision thereof.

A reference in this Composite Document, the Form of Approval and Acceptance and the Form of Option Offer Acceptance to the masculine gender includes the feminine and neuter genders, and a reference to the singular includes the plural, and vice versa.

1. FINANCIAL SUMMARY

The following is a summary of the audited financial results of the Group for each of the three years ended 31 December 2018, 2019 and 2020, which is extracted from the audited consolidated financial statements of the Group as set forth in the annual reports of the Company for the three years ended 31 December 2018, 2019 and 2020.

The auditor's reports issued by the auditor of the Company, PricewaterhouseCoopers, in respect of the audited consolidated financial statements of the Group for each of the three years ended 31 December 2018, 2019 and 2020 did not contain any modified opinion, emphasis of matter or material uncertainty related to going concern.

Summary of Consolidated Income Statement and Consolidated Statement of Comprehensive Income

As at 31 December of Year	2020	2019	2018
<i>HK\$'000</i>			
Revenue	53,360,540	41,139,102	38,138,528
Profit before taxation (<i>Note 1</i>)	4,242,265	4,928,351	3,378,183
Profit attributable to owners of the company	2,895,757	3,788,323	2,439,775
Profit attributable to non-controlling interests	573,762	551,077	431,847
Comprehensive income attributable to owners	3,396,454	3,877,802	2,025,173
Comprehensive income attributable to non-controlling interest	727,750	584,502	319,131
Tax expense	772,746	588,951	506,561
Any other material items	–	–	–
Dividend to owners (<i>Note 2</i>)	872,874	1,077,207	631,027
Earnings per share – Basic (HKD)	1.63	2.21	1.44
Earnings per share – Diluted (HKD)	1.63	2.21	1.43
Dividend per share (HKD cent)	48.6	62	37

Note 1: As disclosed in the consolidated financial results of the Group for each of the three years ended 31 December 2020, 2019 and 2018, the core net profit of the Group was HK\$1,828,442,000, HK\$1,374,098,000 and HK\$1,326,330,000, respectively.

Note 2: Dividend to owners in 2020 included proposed final dividend as disclosed in 2020 Annual Report

Save as disclosed above, there was no item of any income or expense which was material in respect of the consolidated financial results of the Group for each of the three years ended 31 December 2018, 2019 and 2020.

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS

The Company is required to set out or refer to in this Composite Document the consolidated statement of financial position, consolidated statement of cash flows and any other primary statement as shown in (i) the audited consolidated financial statements of the Group for the year ended 31 December 2018 (the "2018 Financial Statements"), (ii) the audited consolidated financial statements of the Group for the year ended 31 December 2019 (the "2019 Financial Statements"), and (iii) the audited consolidated financial statements of the Group for the year ended 31 December 2020 (the "2020 Financial Statements"), together with the significant accounting policies and any points from the notes to the relevant published accounts which are of major relevance to the appreciation of the above financial information.

The 2018 Financial Statements are set out on pages 108 to 197 in the annual report of the Company for the year ended 31 December 2018 (the “**2018 Annual Report**”). The 2018 Annual Report was posted on the respective websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (www.kln.com), and is accessible via the following website addresses:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0429/ltn201904291751.pdf>

https://www.kln.com/media/bublm3ff/e_00636ar_20190430_web.pdf

The 2019 Financial Statements are set out on pages 108 to 202 in the annual report of the Company for the year ended 31 December 2019 (the “**2019 Annual Report**”). The 2019 Annual Report was posted on the respective websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (www.kln.com), and is accessible via the following website addresses:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0427/2020042701569.pdf>

https://www.kln.com/media/1vklczyx/e_00636ar_20200428_web.pdf

Accounting policies have been changed upon the adoption of the new accounting standards for the years ended 31 December 2018 and 2019. For details of the relevant accounting policies upon the adoption of the new accounting standards, please refer to financial note 2(a)(II) as disclosed in the 2018 Annual Report and 2019 Annual Report.

The 2020 Financial Statements are set out on pages 126 to 221 in the annual report of the Company for the year ended 31 December 2020 (the “**2020 Annual Report**”). The 2020 Annual Report was posted on the respective websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (www.kln.com), and is accessible via the following website addresses:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0423/2021042300975.pdf>

<https://www.kln.com/media/r2xfuzvm/e-00636ar-20210426-web.pdf>

The 2018 Financial Statements, the 2019 Financial Statements, and the 2020 Financial Statements (but not any other part of the 2018 Annual Report, the 2019 Annual Report and the 2020 Annual Report) are incorporated by reference into this Composite Document and form part of this Composite Document.

3. INDEBTEDNESS STATEMENT

Bank loans and bank overdrafts

As at the close of business on 30 June 2021, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Composite Document, the Group had total bank loans of approximately HK\$9,038 million, of which approximately HK\$5,321 million (representing approximately 59%) was repayable within one year, and approximately HK\$3,717 million (representing approximately 41%) were due after

one year. The Group maintains most of its bank loans on an unsecured basis, of which approximately HK\$8,447 million were unsecured and approximately HK\$591 million were secured. The Group's total bank overdrafts of approximately HK\$245 million, of which approximately HK\$210 million were unsecured and approximately HK\$35 million were secured.

Loan from non-controlling interests

As at the close of business on 30 June 2021, the Group had total interest-free loans from non-controlling interests of approximately HK\$223 million of which approximately HK\$36 million were repayable within one year, and of which approximately HK\$187 million were due after one year.

Pledge of assets

As at the close of business on 30 June 2021, the Group's total bank loans of approximately HK\$9,038 million included an aggregate amount of approximately HK\$591 million which is secured. The securities provided for the secured banking facilities available to the Group are as follows:

- (i) legal charges over certain investment properties, leasehold land and land use rights, freehold land and buildings, warehouse and logistics centres and port facilities with an aggregate net book value of approximately HK\$2,473 million;
- (ii) assignments of insurance proceeds of certain properties; and
- (iii) certain balances of restricted and pledged deposits.

Lease liabilities

As at the close of business on 30 June 2021, the Group had lease liabilities of approximately HK\$4,321 million, of which approximately HK\$1,146 million were due within one year and approximately HK\$3,175 million were due after one year.

Contingent liabilities and guarantees

As at the close of business on 30 June 2021, the Group had no material contingent liabilities and guarantees.

Save as set out above and apart from intra-group liabilities and guarantees, the Group did not have material outstanding indebtedness in respect of mortgages, charges, debentures or loan capital, bank overdrafts, loans, debt securities or other similar indebtedness or acceptance credits (other than trade bills in the ordinary and usual course of the business) or hire purchase commitments or any guarantees or other material contingent liabilities at the close of business on 30 June 2021.

4. MATERIAL CHANGE

The Directors noted that the Group recorded:

- (i) an increase in revenue by approximately HK\$12,098 million from approximately HK\$17,906 million for the five months ended 31 May 2020 (the "Previous Period") to approximately HK\$30,004 million for the five months ended 31 May 2021 (the "Current Period") due to (i) a gradual recovery of global business activities and trading volume in the Current Period (after restrictions and country-wide lock downs were implemented by various countries to control the outbreak of COVID-19 during the Previous Period); and (ii) an increase in shipping rates due to increase in global trading volumes;
- (ii) an increase in direct operating expenses by approximately HK\$10,894 million from approximately HK\$15,705 million during the Previous Period to approximately HK\$26,599 million for the Current Period, primarily due to the business growth as explained in (i) above; and
- (iii) an increase in administrative expenses by approximately HK\$340 million from approximately HK\$1,127 million for the Previous Period to approximately HK\$1,467 million for the Current Period primarily due to (i) an increase in employee benefit expenses as a result of an increase in headcount, and (ii) an increase in other administrative expenses.

These changes reflect the pick-up in global trade following a general business recovery post COVID-19 that commenced and was reflected in the second half of 2020. Since the date to which the last published audited accounts were made up and up to the Latest Practicable Date, the Group's financial and trading position and outlook have remained stable at a level similar to the second half of 2020.

Based on the above, the Directors confirm that there has been no material change in the financial or trading position or outlook of the Group since 31 December 2020 and up to the Latest Practicable Date.

1. THE OFFEROR

As the Offeror was incorporated on 21 December 2020, no audited financial information on the Offeror was available as at the Latest Practicable Date.

2. THE OFFEROR PARENT

A. Three-Year Summary of Financial Information

Set out below is a summary of the financial information of the Offeror Parent for the three financial years ended 31 December 2020 as extracted from the audited consolidated financial statements of the Offeror Parent.

The auditors of the Offeror Parent, PricewaterhouseCoopers Zhong Tian LLP, did not issue any qualified opinion on the financial statements of the Offeror Parent in any of the three years ended 31 December 2020. These audited consolidated financial statements were prepared under “Chinese Accounting Standards” (CAS) by the Offeror Parent in Chinese only. The below financial information of the Offeror Parent has been translated from these audited consolidated financial statements into English for inclusion in this Composite Document for information only.

Item <i>Unit: RMB Yuan</i>	Year ended 31 December		
	2018	2019	2020
Revenue	90,942,694,239.83	112,193,396,064.26	153,986,870,053.07
Cost of revenue	-74,642,182,863.72	-92,649,616,205.69	-128,810,033,247.58
Taxes and surcharges	-222,303,763.80	-279,618,311.94	-378,972,136.47
Selling and distribution expenses	-1,825,817,910.47	-1,996,887,445.06	-2,252,380,750.02
General and administrative expenses	-8,414,610,190.56	-9,699,267,908.83	-11,599,761,414.28
Research and development expenses	-984,314,148.53	-1,193,281,876.00	-1,741,558,376.19
Financial costs including:	-286,430,888.05	-682,991,065.31	-852,547,212.49
– Interest expenses	-644,167,308.71	-900,620,301.08	-1,016,748,355.30
– Interest income	397,659,268.76	285,283,463.71	185,707,902.94
Other income	212,969,288.91	740,361,688.71	1,318,934,057.45
Investment income including:	1,166,485,997.95	1,075,803,394.65	850,811,265.93
– Investment losses from associates and joint ventures	-37,319,918.07	-97,816,023.63	-21,819,195.60
Gains/(Losses) arising from changes in fair value	-5,784,709.35	350,137,339.23	134,117,993.80
Credit impairment losses	–	-237,999,735.04	-472,755,027.90
Asset impairment losses	-103,540,525.99	-178,620,910.23	-35,057,913.15
Losses on disposal of assets	-19,187,676.04	-32,806,730.61	-12,163,517.04
Operating profit/(loss)	5,817,976,850.18	7,408,608,298.14	10,135,503,775.13
Non-operating income	148,049,933.34	213,003,573.49	229,226,190.56
Non-operating expenses	-98,620,082.51	-195,300,786.51	-326,074,129.95
Total profit	5,867,406,701.01	7,426,311,085.12	10,038,655,835.74
Income tax expenses	-1,403,280,110.74	-1,801,517,474.48	-3,106,622,903.15
Net profit	4,464,126,590.27	5,624,793,610.64	6,932,032,932.59

Item	Year ended 31 December		
	2018	2019	2020
<i>Unit: RMB Yuan</i>			
Including:			
Net loss of the acquiree in a business combination involving enterprises under common control before the combination date	-43,047,655.76	-2,123,517.28	-
Net profit			
Classified by continuity of operations:			
Net profit from continuing operations	4,464,126,590.27	5,624,793,610.64	6,932,032,932.59
Net profit from discontinued operations	0.00	0.00	0.00
Classified by ownership of the equity:			
Attributable to shareholders of the Company	4,555,906,237.39	5,796,505,532.20	7,326,078,775.95
Minority interests	-91,779,647.12	-171,711,921.56	-394,045,843.36
Other comprehensive income, net of tax	305,674,794.42	403,822,743.78	141,847,036.95
Attributable to shareholders of the Company, net of tax	307,354,065.02	403,732,053.04	139,455,357.09
– Other comprehensive income items which will not be reclassified subsequently to profit or loss	-	311,887,070.53	490,425,439.99
– Changes in fair value of other equity instruments and exchange rate changes	-	313,946,990.35	489,552,426.35
– Other comprehensive income items which will not be transferred to profit or loss under the equity method	-	-2,059,919.82	873,013.64
– Other comprehensive income items which will be reclassified subsequently to profit or loss	307,354,065.02	91,844,982.51	-350,970,082.90
– Cash flow hedging reserve	133,486,505.05	0.00	-22,857,620.11
– Exchange differences on translation of foreign currency financial statements	173,867,559.97	91,844,982.51	-328,112,462.79
Attributable to minority interests, net of tax	-1,679,270.60	90,690.74	2,391,679.86
Total comprehensive income	4,769,801,384.69	6,028,616,354.42	7,073,879,969.54
Attributable to shareholders of the Company	4,863,260,302.41	6,200,237,585.24	7,465,534,133.04
Attributable to minority interests	-93,458,917.72	-171,621,230.82	-391,654,163.50
Earnings per share			
Basic earnings per share (RMB Yuan)	1.03	1.32	1.64
Diluted earnings per share (RMB Yuan)	1.03	1.32	1.64
Distribution to shareholders	925,536,348.03	1,188,891,051.30	1,499,991,809.58
Dividends per share	0.21	0.27	0.33

B. Financial Information of the Offeror Parent for the Year Ended 31 December 2020

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2020

(All amounts in RMB Yuan unless otherwise stated)

(English translation for reference only)

ASSETS	Note	31 December 2020 Consolidated	31 December 2019 Consolidated
Current assets			
Cash at bank and on hand	4(1)	16,417,891,707.19	18,520,991,737.10
Placements with and loans to banks and other financial institutions	4(2)	–	200,728,611.11
Financial assets held for trading	4(3)	6,276,922,669.69	2,910,172,928.20
Notes receivable		166,476,628.34	43,004,793.59
Accounts receivable	4(4)	16,849,064,250.79	12,044,542,725.83
Advances to suppliers	4(5)	3,176,518,926.99	2,654,244,964.25
Factoring receivables	4(6)	309,932.28	52,697,167.86
Loans and advances	4(7)	60,917,899.18	81,742,106.20
Other receivables	4(8)	2,493,564,401.11	2,102,207,239.40
Inventories	4(9)	986,950,595.04	881,658,973.69
Contract assets	4(10)	399,035,179.94	–
Current portion of non-current assets	4(12)	156,240,777.09	105,344,257.09
Other current assets	4(11)	4,693,077,389.66	3,299,684,720.94
Total current assets		<u>51,676,970,357.30</u>	<u>42,897,020,225.26</u>
Non-current assets			
Long-term receivables	4(12)	607,103,640.21	465,733,312.28
Long-term equity investments	4(13)	3,647,231,277.90	2,221,512,673.14
Investments in other equity instruments	4(14)	5,027,489,054.30	4,933,692,937.19
Other non-current financial assets	4(15)	831,526,041.08	479,040,431.62
Investment properties	4(16)	2,219,404,821.35	2,019,525,900.61
Fixed assets	4(17)	22,356,651,754.60	18,903,827,062.42
Construction in progress	4(18)	5,379,854,462.06	3,116,490,618.26
Intangible assets	4(19)	10,633,114,090.26	10,008,036,356.04
Capitalised development expenditures	4(20)	540,903,450.14	582,627,977.20
Goodwill	4(21)	3,377,141,391.71	3,564,540,458.80
Long-term prepaid expenses	4(22)	1,860,736,934.89	1,714,173,133.47
Deferred tax assets	4(39)	1,539,267,775.98	1,066,079,111.56
Other non-current assets	4(23)	1,462,647,209.19	563,086,609.99
Total non-current assets		<u>59,483,071,903.67</u>	<u>49,638,366,582.58</u>
TOTAL ASSETS		<u><u>111,160,042,260.97</u></u>	<u><u>92,535,386,807.84</u></u>

LIABILITIES AND EQUITY	Note	31 December 2020 Consolidated	31 December 2019 Consolidated
Current liabilities			
Short-term borrowings	4(25)	7,996,570,312.73	6,053,374,642.50
Financial liabilities held for trading		22,155,013.53	–
Deposits from customers		3,654,785.86	3,778,707.92
Notes payable		–	30,000,000.00
Accounts payable	4(26)	15,484,940,351.95	11,988,256,010.34
Advances from customers	4(27)	27,575,669.47	669,948,930.72
Contract liabilities	4(28)	1,539,264,096.14	–
Employee benefits payable	4(29)	4,310,829,146.80	3,281,062,510.03
Taxes payable	4(30)	1,855,263,509.24	1,139,144,005.66
Other payables	4(31)	7,530,793,784.24	4,707,159,830.62
Current portion of non-current liabilities	4(32)	2,945,350,894.28	2,091,892,291.74
Other current liabilities	4(33)	92,355,845.77	1,017,446,858.50
Total current liabilities		<u>41,808,753,410.01</u>	<u>30,982,063,788.03</u>
Non-current liabilities			
Long-term borrowings	4(34)	1,865,820,266.05	6,539,556,784.41
Debentures payable	4(35)	8,425,430,468.77	10,597,985,016.52
Long-term payables	4(36)	10,201,626.90	78,310,329.77
Long-term employee benefits payable	4(37)	145,540,226.93	204,466,446.73
Deferred income	4(38)	414,736,204.81	201,496,411.81
Deferred tax liabilities	4(39)	1,687,605,941.56	1,387,699,268.53
Provisions		42,253,056.91	50,197,780.66
Total non-current liabilities		<u>12,591,587,791.93</u>	<u>19,059,712,038.43</u>
Total liabilities		<u>54,400,341,201.94</u>	<u>50,041,775,826.46</u>
Equity			
Share capital	4(40)	4,556,440,455.00	4,414,585,265.00
Other equity instruments	4(41)	–	768,938,484.90
Capital reserve	4(42)	24,405,217,286.50	16,124,018,594.16
Less: Treasury stock	4(43)	(394,992,892.71)	(454,761,306.79)
Other comprehensive income	4(64)	1,143,969,091.52	1,002,715,607.38
General risk reserve		279,142,491.29	225,783,247.34
Surplus reserve	4(45)	745,043,348.45	601,241,237.54
Retained earnings	4(46)	25,708,230,458.34	19,737,192,610.27
Total equity attributable to shareholders of the Company		<u>56,443,050,238.39</u>	<u>42,419,713,739.80</u>
Minority interests	4(47)	316,650,820.64	73,897,241.58
Total equity		<u>56,759,701,059.03</u>	<u>42,493,610,981.38</u>
TOTAL LIABILITIES AND EQUITY		<u><u>111,160,042,260.97</u></u>	<u><u>92,535,386,807.84</u></u>

The accompanying notes form an integral part of these financial statements.

**COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2020**

(All amounts in RMB Yuan unless otherwise stated)
(English translation for reference only)

ASSETS	Note	31 December 2020 Company	31 December 2019 Company
Current assets			
Cash at bank and on hand	16(1)	58,098,498.15	967,647,842.56
Financial assets held for trading		200,376,712.32	2,416,892,164.39
Advances to suppliers		991,345.81	881,289.27
Other receivables	16(2)	6,960,858,841.98	3,364,547,392.85
Other current assets		70,727.68	606,990,464.38
Total current assets		<u>7,220,396,125.94</u>	<u>7,356,959,153.45</u>
Non-current assets			
Long-term receivables	16(3)	82,496,567.74	7,691,259,432.16
Long-term equity investments	16(4)	50,997,093,513.91	43,323,539,117.29
Intangible assets		396,121,670.15	1,687,542.87
Capitalised development expenditures		–	246,398.52
Long-term prepaid expenses		27,611.60	69,028.99
Total non-current assets		<u>51,475,739,363.40</u>	<u>51,016,801,519.83</u>
TOTAL ASSETS		<u><u>58,696,135,489.34</u></u>	<u><u>58,373,760,673.28</u></u>
LIABILITIES AND EQUITY			
Current liabilities			
Employee benefits payable		226,666.65	380,000.00
Other payables		15,926,205.73	63,611,663.06
Taxes payable		21,397,863.68	–
Current portion of non-current liabilities		–	1,366,575.34
Total current liabilities		<u>37,550,736.06</u>	<u>65,358,238.40</u>
Non-current liabilities			
Debentures payable		–	5,031,969,368.14
Deferred tax liabilities		94,178.08	1,723,041.10
Total non-current liabilities		<u>94,178.08</u>	<u>5,033,692,409.24</u>
Total liabilities		<u>37,644,914.14</u>	<u>5,099,050,647.64</u>
Equity			
Share capital	4(40)	4,556,440,455.00	4,414,585,265.00
Other equity instruments	4(41)	–	768,938,484.90
Capital reserve		52,344,320,322.55	46,642,944,149.90
Less: Treasury stock	4(43)	(394,992,892.71)	(454,761,306.79)
Surplus reserve		591,998,348.14	448,196,237.23
Retained earnings		1,560,724,342.22	1,454,807,195.40
Total equity		<u>58,658,490,575.20</u>	<u>53,274,710,025.64</u>
TOTAL LIABILITIES AND EQUITY		<u><u>58,696,135,489.34</u></u>	<u><u>58,373,760,673.28</u></u>

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED AND COMPANY INCOME STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RMB Yuan unless otherwise stated)

(English translation for reference only)

Item	Note	2020 Consolidated	2019 Consolidated	2020 Company	2019 Company
1. Revenue	4(48)	153,986,870,053.07	112,193,396,064.26	-	-
Less: Cost of revenue	4(48)	(128,810,033,247.58)	(92,649,616,205.69)	-	-
Taxes and surcharges	4(49)	(378,972,136.47)	(279,618,311.94)	(1,900,963.32)	(33,567.67)
Selling and distribution expenses	4(50)	(2,252,380,750.02)	(1,996,887,445.06)	-	-
General and administrative expenses	4(51)	(11,599,761,414.28)	(9,699,267,908.83)	(16,687,623.25)	(10,317,090.62)
Research and development expenses	4(52)	(1,741,558,376.19)	(1,193,281,876.00)	(17,300.79)	-
Financial costs	4(53)	(852,547,212.49)	(682,991,065.31)	(89,526,266.70)	(4,939,129.76)
Including: Interest expenses		(1,016,748,355.30)	(900,620,301.08)	(108,232,600.15)	(25,181,200.44)
Interest income		185,707,902.94	285,283,463.71	18,727,002.34	20,257,990.40
Add: Other income	4(55)	1,318,934,057.45	740,361,688.71	45,744.03	-
Investment income	4(56)	850,811,265.93	1,075,803,394.65	1,565,868,447.32	5,833,980.63
Including: Investment losses from associates and joint ventures	16(5)	(21,819,195.60)	(97,816,023.63)	-	-
Gains/(Losses) arising from changes in fair value	4(57)	134,117,993.80	350,137,339.23	(6,515,452.07)	6,892,164.39
Credit impairment losses	4(58)	(472,755,027.90)	(237,999,735.04)	-	-
Asset impairment losses	4(59)	(35,057,913.15)	(178,620,910.23)	-	-
Losses on disposal of assets	4(60)	(12,163,517.04)	(32,806,730.61)	-	-
2. Operating profit/(loss)		10,135,503,775.13	7,408,608,298.14	1,451,266,585.22	(2,563,643.03)
Add: Non-operating income	4(61)(a)	229,226,190.56	213,003,573.49	4,725,852.13	5,191,019.24
Less: Non-operating expenses	4(61)(b)	(326,074,129.95)	(195,300,786.51)	-	-
3. Total profit		10,038,655,835.74	7,426,311,085.12	1,455,992,437.35	2,627,376.21
Less: Income tax expenses	4(62)	(3,106,622,903.15)	(1,801,517,474.48)	(17,971,328.26)	(1,543,903.97)
4. Net profit		<u>6,932,032,932.59</u>	<u>5,624,793,610.64</u>	<u>1,438,021,109.09</u>	<u>1,083,472.24</u>

Item	Note	2020 Consolidated	2019 Consolidated	2020 Company	2019 Company
Including: Net loss of the acquiree in a business combination involving enterprises under common control before the combination date		-	(2,123,517.28)	Not applicable	Not applicable
Classified by continuity of operations:					
Net profit from continuing operations		6,932,032,932.59	5,624,793,610.64	1,438,021,109.09	1,083,472.24
Net profit from discontinued operations		-	-	-	-
Classified by ownership of the equity:					
Attributable to shareholders of the Company		7,326,078,775.95	5,796,505,532.20	1,438,021,109.09	1,083,472.24
Minority interests		(394,045,843.36)	(171,711,921.56)	-	-
5. Other comprehensive income, net of tax		141,847,036.95	403,822,743.78	-	-
Attributable to shareholders of the Company, net of tax		139,455,357.09	403,732,053.04	-	-
Other comprehensive income items which will not be reclassified subsequently to profit or loss		490,425,439.99	311,887,070.53	-	-
Changes in fair value of other equity instruments and exchange rate changes	4(64)	489,552,426.35	313,946,990.35	-	-
Other comprehensive income items which will not be transferred to profit or loss under the equity method	4(64)	873,013.64	(2,059,919.82)	-	-

Item	Note	2020 Consolidated	2019 Consolidated	2020 Company	2019 Company
Other comprehensive income items which will be reclassified subsequently to profit or loss		(350,970,082.90)	91,844,982.51	-	-
Cash flow hedging reserve	4(64)	(22,857,620.11)	-	-	-
Exchange differences on translation of foreign currency financial statements	4(64)	(328,112,462.79)	91,844,982.51	-	-
Attributable to minority interests, net of tax	4(64)	2,391,679.86	90,690.74	-	-
6. Total comprehensive income		<u>7,073,879,969.54</u>	<u>6,028,616,354.42</u>	<u>1,438,021,109.09</u>	<u>1,083,472.24</u>
Attributable to shareholders of the Company		7,465,534,133.04	6,200,237,585.24	1,438,021,109.09	1,083,472.24
Attributable to minority interests		(391,654,163.50)	(171,621,230.82)	-	-
7. Earnings per share					
Basic earnings per share (RMB Yuan)	4(63)	1.64	1.32	Not applicable	Not applicable
Diluted earnings per share (RMB Yuan)	4(63)	<u>1.64</u>	<u>1.32</u>	<u>Not applicable</u>	<u>Not applicable</u>

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RMB Yuan unless otherwise stated)

(English translation for reference only)

Item	Note	2020 Consolidated	2019 Consolidated	2020 Company	2019 Company
1. Cash flows from operating activities					
Cash received from sales of goods or rendering of services		155,436,620,788.86	115,563,984,795.27	-	-
Net decrease in loans to customers		-	341,164,411.56	-	-
Net decrease in balances with central bank		-	90,792,733.32	-	-
Net decrease in placements with and loans to banks and other financial institutions		200,000,000.00	-	-	-
Refund of taxes and levies		116,716,202.89	127,688,921.13	-	-
Cash received relating to other operating activities	4(65)(a)	83,555,578,163.91	58,652,958,123.42	27,887,511.47	27,788,543.83
Sub-total of operating cash inflows		<u>239,308,915,155.66</u>	<u>174,776,588,984.70</u>	<u>27,887,511.47</u>	<u>27,788,543.83</u>
Cash paid for goods and services		(103,380,570,859.40)	(71,025,146,726.15)	-	-
Net decrease in deposits from customers, banks and other financial institutions		(349,047.06)	(6,490,834.59)	-	-
Net increase in loans to customers		(58,914,114.94)	-	-	-
Net increase in balances with central bank		(216,325,814.34)	-	-	-
Net increase in placements with and loans to banks and other financial institutions		-	(200,000,000.00)	-	-
Cash paid to and on behalf of employees		(23,940,816,710.78)	(21,327,109,178.85)	(3,761,753.36)	(2,240,000.00)
Payments of taxes and levies		(5,193,062,915.36)	(3,523,330,659.86)	(4,319,608.97)	(12,428,891.32)
Cash paid relating to other operating activities	4(65)(b)	(95,194,956,139.54)	(69,573,238,109.76)	(12,182,598.83)	(8,232,006.00)
Sub-total of operating cash outflows		<u>(227,984,995,601.42)</u>	<u>(165,655,315,509.21)</u>	<u>(20,263,961.16)</u>	<u>(22,900,897.32)</u>
Net cash flows from operating activities	4(66)(a)	<u>11,323,919,554.24</u>	<u>9,121,273,475.49</u>	<u>7,623,550.31</u>	<u>4,887,646.51</u>

Item	Note	2020 Consolidated	2019 Consolidated	2020 Company	2019 Company
2. Cash flows used in investing activities					
Cash received from disposal of investments		644,549,417.62	419,217,366.05	-	-
Cash received from returns on investments		506,633,059.11	258,922,603.68	1,189,143,659.28	1,004,492,602.75
Cash received from disposal of fixed assets and other long-term assets		64,920,908.80	49,125,406.40	-	-
Net cash received from disposal of subsidiaries and other business units		65,129,103.06	220,169,289.29	-	-
Net cash received from acquisition of subsidiaries	4(65)(c)	799,000,000.00	939,000,000.00	-	-
Cash received relating to other investing activities	4(65)(d)	112,187,103,321.49	47,171,108,814.70	23,613,762,864.42	2,070,418,479.15
Sub-total of investing cash inflows		<u>114,267,335,810.08</u>	<u>49,057,543,480.12</u>	<u>24,802,906,523.70</u>	<u>3,074,911,081.90</u>
Cash paid to acquire fixed assets and other long-term assets		(12,267,471,561.05)	(6,421,460,049.83)	(386,603,437.20)	(2,452,174.50)
Cash paid to acquire investments		(1,794,099,886.49)	(1,325,534,437.21)	(7,673,580,000.00)	-
Net cash paid to acquire subsidiaries	4(65)(c)	(92,043,418.92)	(5,167,526,650.16)	-	-
Cash paid relating to other investing activities	4(65)(e)	(114,998,027,175.18)	(50,191,733,497.02)	(16,403,068,581.94)	(7,594,667,711.54)
Sub-total of investing cash outflows		<u>(129,151,642,041.64)</u>	<u>(63,106,254,634.22)</u>	<u>(24,463,252,019.14)</u>	<u>(7,597,119,886.04)</u>
Net cash flows (used in)/from investing activities		<u>(14,884,306,231.56)</u>	<u>(14,048,711,154.10)</u>	<u>339,654,504.56</u>	<u>(4,522,208,804.14)</u>

Item	Note	2020 Consolidated	2019 Consolidated	2020 Company	2019 Company
3. Cash flows from financing activities					
Cash received from capital contributions		686,746,448.52	203,711,460.07	-	-
Including: Cash received from capital contributions by minority interests of subsidiaries		686,746,448.52	203,711,460.07	-	-
Cash received from borrowings and issue of debentures		19,954,815,962.79	24,966,303,173.99	-	5,780,496,000.00
Sub-total of financing cash inflows		<u>20,641,562,411.31</u>	<u>25,170,014,634.06</u>	<u>-</u>	<u>5,780,496,000.00</u>
Cash repayments of borrowings		(17,307,160,430.95)	(15,341,594,253.22)	(6,029,679.43)	-
Cash payments for interest expenses and distribution of dividends or profits		(1,917,306,385.41)	(1,791,167,110.14)	(1,190,371,675.27)	(926,755,859.89)
Cash payments relating to other financing activities	4(65)(f)	(85,444,675.88)	(665,491,765.85)	(59,418,005.17)	(505,927,086.00)
Sub-total of financing cash outflows		<u>(19,309,911,492.24)</u>	<u>(17,798,253,129.21)</u>	<u>(1,255,819,359.87)</u>	<u>(1,432,682,945.89)</u>
Net cash flows from/(used in) financing activities		<u>1,331,650,919.07</u>	<u>7,371,761,504.85</u>	<u>(1,255,819,359.87)</u>	<u>4,347,813,054.11</u>
4. Effect of foreign exchange rate changes on cash and cash equivalents		<u>(69,228,934.27)</u>	<u>20,853,078.03</u>	<u>(489.41)</u>	<u>(186.03)</u>
5. Net (decrease)/increase in cash and cash equivalents	4(66)(b)	<u>(2,297,964,692.52)</u>	<u>2,465,176,904.27</u>	<u>(908,541,794.41)</u>	<u>(169,508,289.55)</u>
Add: Cash and cash equivalents at the beginning of the year	4(66)(b)	<u>17,764,448,498.26</u>	<u>15,299,271,593.99</u>	<u>966,640,292.56</u>	<u>1,136,148,582.11</u>
6. Cash and cash equivalents at the end of the year	4(66)(c)	<u><u>15,466,483,805.74</u></u>	<u><u>17,764,448,498.26</u></u>	<u><u>58,098,498.15</u></u>	<u><u>966,640,292.56</u></u>

The accompanying notes form an integral part of these financial statements.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020**
(All amounts in RMB Yuan unless otherwise stated)
(English translation for reference only)

	Note	Share capital	Other equity instruments	Capital reserve	Equity attributable to shareholders of the parent company						Total equity	
					Less: Treasury stock	Other comprehensive income	General risk reserve	Special reserve	Surplus reserve	Retained earnings		Minority interests
Balance at 1 January 2019		4,418,767,258.00	-	16,219,619,165.67	(200,928,467.28)	544,649,395.59	185,084,995.61	-	60,132,890.32	14,960,062,609.04	352,991,633.27	37,081,319,480.22
Movements for the year ended												
31 December 2019												
Total comprehensive income		-	-	-	-	-	-	-	-	5,796,505,532.20	(171,711,921.56)	5,624,793,610.64
Net profit		-	-	-	-	403,732,053.04	-	-	-	-	90,690.74	403,822,743.78
Other comprehensive income												
Total comprehensive income for the year		-	-	-	-	403,732,053.04	-	-	-	5,796,505,532.20	(171,621,230.82)	6,028,616,354.42
Capital contribution and withdrawal by shareholders												
Capital contribution by shareholders		-	-	160,086,629.14	-	-	-	-	-	-	44,959,839.86	205,046,469.00
Capital contribution by holders of convertible corporate debentures	4(41)	-	768,938,484.90	-	-	-	-	-	-	-	-	768,938,484.90
Shares repurchased	4(43)	-	-	-	(394,992,892.71)	-	-	-	-	-	-	(394,992,892.71)
Changes in share-based payment restricted shares		(4,181,993.00)	-	(104,584,725.90)	141,160,053.20	-	-	-	-	-	-	32,393,334.30
Share-based payments included in equity	9(1)	-	-	2,045,330.63	-	-	-	-	-	-	2,593,151.12	4,638,445.75
Others		-	-	(13,258,412.85)	-	-	-	-	-	-	(161,437,173.06)	(174,695,585.91)
Transfer within equity												
Transfer from other comprehensive income to retained earnings		-	-	-	-	54,334,158.75	-	-	-	(54,334,158.75)	-	-

	Note	Equity attributable to shareholders of the parent company											
		Share capital	Other equity instruments	Capital reserve	Less: Treasury stock	Other comprehensive income	General risk reserve	Special reserve	Surplus reserve	Retained earnings	Minority interests	Total equity	
Business combination involving enterprises not under common control		-	-	-	-	-	-	-	-	-	-	6,471,057.21	6,471,057.21
Consideration for business combinations involving enterprises under common control		-	-	(150,607,200.00)	-	-	-	-	-	-	-	-	(150,607,200.00)
Profit distribution		-	-	-	-	-	-	-	-	-	-	-	-
Appropriation to general risk reserve	4(46)	-	-	-	-	40,698,251.73	-	-	(40,698,251.73)	-	-	-	-
Appropriation to surplus reserve	4(45)	-	-	-	-	-	-	108,347.22	(108,347.22)	-	-	-	-
Distribution to shareholders	4(46)	-	-	-	-	-	-	-	(924,234,773.27)	-	-	-	(924,234,773.27)
Other movements in capital reserve		-	-	10,717,807.47	-	-	-	-	-	-	-	-	10,717,807.47
Safety reserve		-	-	-	-	-	-	-	-	-	-	-	-
Appropriation	4(44)	-	-	-	-	-	-	7,552,986.74	-	-	-	-	7,552,986.74
Utilisation	4(44)	-	-	-	-	-	-	(7,552,986.74)	-	-	-	-	(7,552,986.74)
Balance at 31 December 2019		4,414,585,265.00	768,938,484.90	16,124,018,594.16	(454,761,306.79)	1,002,715,607.38	225,783,247.34	601,241,237.54	19,737,192,610.27	73,897,241.58	42,493,610,981.38	42,493,610,981.38	
Balance at 31 December 2019		4,414,585,265.00	768,938,484.90	16,124,018,594.16	(454,761,306.79)	1,002,715,607.38	225,783,247.34	601,241,237.54	19,737,192,610.27	73,897,241.58	42,493,610,981.38	42,493,610,981.38	
Changes in accounting policies	2(31)	-	-	-	-	-	-	-	32,220,405.39	-	-	-	32,220,405.39
Balance at 1 January 2020		4,414,585,265.00	768,938,484.90	16,124,018,594.16	(454,761,306.79)	1,002,715,607.38	225,783,247.34	601,241,237.54	19,769,413,015.66	73,897,241.58	42,525,831,386.77	42,525,831,386.77	
Movements for the year ended 31 December 2020		-	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income		-	-	-	-	-	-	-	7,326,078,775.95	(394,045,843.36)	6,932,032,932.59	6,932,032,932.59	
Net profit		-	-	-	-	-	-	-	-	2,391,679.86	141,847,036.95	141,847,036.95	
Other comprehensive income		-	-	-	-	139,455,357.09	-	-	-	-	-	-	
Total comprehensive income for the year		-	-	-	-	139,455,357.09	-	-	7,326,078,775.95	(391,654,163.50)	7,073,879,969.54	7,073,879,969.54	

	Note	Equity attributable to shareholders of the parent company										
		Share capital	Other equity instruments	Capital reserve	Less: Treasury stock	Other comprehensive income	General risk reserve	Special reserve	Surplus reserve	Retained earnings	Minority interests	Total equity
Capital contribution and withdrawal by shareholders		-	-	472,144,048.80	-	-	-	-	-	-	214,602,399.72	686,746,448.52
Capital contribution by shareholders		-	-	-	-	-	-	-	-	-	-	-
Transfer of convertible corporate debentures to share capital and capital reserve	4(35)(d)	144,311,758.00	(768,938,484.90)	5,758,688,018.73	-	-	-	-	-	-	-	5,134,061,291.83
Transfer of convertible corporate debentures issued by subsidiaries to equity	4(33)(b)	-	-	1,980,870,478.56	-	-	-	-	-	-	237,344,309.47	2,218,214,788.03
Changes in share-based payment restricted shares	4(43)	(2,456,568.00)	-	(57,311,846.08)	59,768,414.08	-	-	-	-	-	-	-
Share-based payments included in equity	9(f)	-	-	217,625,854.42	-	-	-	-	-	-	25,062,413.21	242,688,267.63
Others		-	-	(146,471,544.87)	-	-	-	-	-	-	154,713,538.52	8,242,013.65
Profit distribution												
Appropriation to general risk reserve	4(46)	-	-	-	-	53,359,243.95	-	-	(53,359,243.95)	-	-	-
Appropriation to surplus reserve	4(46)	-	-	-	-	-	-	143,802,110.91	(143,802,110.91)	-	-	-
Distribution to shareholders	4(46)	-	-	-	-	-	-	-	(1,188,301,851.36)	-	-	(1,188,301,851.36)
Transfer within equity												
Transfer from other comprehensive income to retained earnings		-	-	-	-	-	1,798,127.05	-	(1,798,127.05)	-	-	-
Other movements in capital reserve		-	-	55,653,682.78	-	-	-	-	-	-	2,685,061.64	58,338,744.42
Safety reserve												
Appropriation	4(44)	-	-	-	-	-	-	26,655,465.99	-	-	-	26,655,465.99
Utilisation	4(44)	-	-	-	-	-	-	(26,655,465.99)	-	-	-	(26,655,465.99)
Balance at 31 December 2020		4,556,440,455.00	-	24,405,217,286.50	(394,992,892.71)	1,143,969,091.52	279,142,491.29	-	745,043,348.45	25,708,230,458.34	316,650,820.64	56,759,701,059.03

The accompanying notes form an integral part of these financial statements.

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020**
(All amounts in RMB Yuan unless otherwise stated)
(English translation for reference only)

	Note	Share capital	Other equity instruments	Capital reserve	Less: Treasury stock	Surplus reserve	Retained earnings	Total equity
Balance at 1 January 2019		4,418,767,258.00	-	46,760,852,084.19	(200,928,467.28)	448,087,890.01	2,378,066,843.65	53,804,845,608.57
Movements for the year ended 31 December 2019								
Total comprehensive income								
Net profit		-	-	-	-	-	1,083,472.24	1,083,472.24
Capital contribution and withdrawal by shareholders								
Shares repurchased		-	-	-	(394,992,892.71)	-	-	(394,992,892.71)
Capital contribution by holders of convertible corporate debentures		-	768,938,484.90	-	-	-	-	768,938,484.90
Changes in share-based payment restricted shares		(4,181,993.00)	-	(104,584,725.90)	141,160,053.20	-	-	32,393,334.30
Share-based payments included in equity		-	-	(13,323,208.39)	-	-	-	(13,323,208.39)
Profit distribution								
Appropriation to surplus reserve		-	-	-	-	108,347.22	(108,347.22)	-
Distribution to shareholders		-	-	-	-	-	(924,234,773.27)	(924,234,773.27)
Balance at 31 December 2019		4,414,585,265.00	768,938,484.90	46,642,944,149.90	(454,761,306.79)	448,196,237.23	1,454,807,195.40	53,274,710,025.64
Balance at 1 January 2020		4,414,585,265.00	768,938,484.90	46,642,944,149.90	(454,761,306.79)	448,196,237.23	1,454,807,195.40	53,274,710,025.64
Movements for the year ended 31 December 2020								
Total comprehensive income								
Net profit		-	-	-	-	-	1,438,021,109.09	1,438,021,109.09
Capital contribution and withdrawal by shareholders								
Changes in share-based payment restricted shares	4(43)	(2,456,568.00)	-	(57,311,846.08)	59,768,414.08	-	-	-
Transfer of convertible corporate debentures to share capital and capital reserve	4(35)(d)	144,311,758.00	(768,938,484.90)	5,758,688,018.73	-	-	-	5,134,061,291.83
Profit distribution								
Appropriation to surplus reserve	4(46)	-	-	-	-	143,802,110.91	(143,802,110.91)	-
Distribution to shareholders	4(46)	-	-	-	-	-	(1,188,301,851.36)	(1,188,301,851.36)
Balance at 31 December 2020		4,556,440,455.00	-	52,344,320,322.55	(394,992,892.71)	591,998,348.14	1,560,724,342.22	58,658,490,575.20

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RMB Yuan unless otherwise stated)
(English translation for reference only)

1 GENERAL INFORMATION AND HISTORICAL DEVELOPMENT

S.F. Holding Co., Ltd. (formerly "Ma'anshan Dingtai Rare Earth and New Materials Co., Ltd.", hereinafter "S.F. Holding" or "the Company"), formerly known as Ma'anshan Dingtai Science & Technology Co., Ltd., was established by 11 natural persons including Liu Jilu and the Labour Union of Ma'anshan Dingtai Metallic Products Co., Ltd. by cash contribution on 13 May 2003. Initiated by the original shareholders of the Company, the Company was formally changed as Ma'anshan Dingtai Rare Earth and New Materials Co., Ltd. with a registered capital of RMB50 million as approved by the shareholders' meeting on 18 October 2007 and the inaugural meeting on 22 October 2007.

On 11 January 2010, the Company successfully issued 19,500,000 ordinary shares at par value of RMB1.00 per share at Shenzhen Stock Exchange under the Regulatory Permission [2010] No. 41 as approved by the China Securities Regulatory Commission. The outstanding shares were listed for trading at Shenzhen Stock Exchange on 5 February 2010. After the shares were issued, the total share capital of the Company was changed to 77,830,780 shares.

Pursuant to the *Proposal on the Profit Distribution Plan for 2014* approved by 2014 annual shareholders' meeting held by the Company on 19 May 2015, the Company converted capital reserve into new shares on the basis of 5 shares for every 10 existing shares, with 77,830,780 shares in total at the end of 2014 as base. After the conversion, the total share capital of the Company was increased by 38,915,390 shares to 116,746,170 shares.

Pursuant to the *Proposal on the Profit Distribution Plan for 2015* approved by the 2015 annual shareholders' meeting held by the Company on 17 May 2016, the Company, with 116,746,170 shares in total at the end of 2015 as base, converted capital reserve into new shares on the basis of 10 shares for every 10 existing shares. After the conversion, the total share capital of the Company was increased by 116,746,170 shares to 233,492,340 shares.

Pursuant to the resolution of the 13th session of the 3rd Board of Directors of the Company dated 22 May 2016 and relevant resolutions approved on the first interim shareholders' meeting in 2016 held by the Company on 30 June 2016, including the *Resolution Concerning the Company Qualifying for Criteria for Major Assets Restructuring of Listed Companies*, the *Resolution on Related-party Transaction Composed of Major Assets Swap and Issuing Shares to Purchase Assets and Raise Matching Fund* and the *Resolution on 'Major Assets Swap and Issuing Shares to Purchase Assets and Raise Matching Fund and Related-party Transaction Report (Draft) of Ma'anshan Dingtai Rare Earth and New Materials Co., Ltd.' and Summaries*, the Company conducted a series of major assets restructuring as follows:

(1) Major assets swap

In December 2016, the Company swapped all the assets and liabilities ("exchange-out assets") it held as at 31 December 2015 ("assessment base date") for the equivalent portion ("exchange-in assets") of 68.40%, 9.93%, 6.75%, 6.75%, 6.75%, 1.35% and 0.07% of the equities in Shenzhen S.F. Taisen Holdings (Group) Co., Ltd. (formerly "S.F. Holding (Group) Co., Ltd.", "Taisen Holdings") respectively held by Shenzhen Mingde Holdings Development Co., Ltd. ("Mingde Holdings"), Ningbo Shunda Fengrun Investment Management Partnership (Limited Partnership) ("Shunda Fengrun"), Jiaqiang Shunfeng (Shenzhen) Equity Investment Partnership (Limited Partnership) ("Jiaqiang Shunfeng"), Shenzhen Zhaoguang Investment Co., Ltd. ("Zhaoguang Investment"), Suzhou Industrial Park Oriza Shunfeng Equity Investment Company (Limited Partnership) ("Oriza Shunfeng"), Suzhou Guyu Qiuchuang Equity Investment Partnership (Limited Partnership) ("Guyu Qiuchuang") and Ningbo Shunxin Fenghe Investment Management Partnership (Limited Partnership) ("Shunxin Fenghe"). For this transaction, the exchange-out assets were priced at RMB796 million and the exchange-in assets were priced at RMB43.30 billion. Pursuant to the second interim shareholders' meeting in 2016 dated 28 December 2016 ("restructuring date"), the Company approved and reelected a new Board of Directors, which indicated the completion of major assets swap transaction and the successful listing of Taisen Holdings on Shenzhen Stock Exchange through back door listing.

(2) Issuing shares to purchase assets

In December 2016, the Company issued 3,950,185,873 ordinary shares (A shares) at par value of RMB1.00 per share at an issuing price of RMB10.76 per share to Mingde Holdings, Shunda Fengrun, Jiaqiang Shunfeng, Zhaoguang Investment, Oriza Shunfeng, Guyu Qiuchuang and Shunxin Fenghe to cover the difference of the above swap (RMB42,504,000,000). The difference between the value of shares and the share capital amounting to RMB38,553,814,120.48 was recognised as capital reserve. The total share capital was changed to 4,183,678,213 shares. After the new shares were issued, Mingde Holdings, Shunda Fengrun, Jiaqiang Shunfeng, Zhaoguang Investment, Oriza Shunfeng and other shareholders held 64.58%, 9.38%, 6.37%, 6.37%, 6.37% and 6.92% respectively of the equities in the Company. The China Securities Regulatory Commission approved the above assets restructuring plan of the Company on 12 December 2016. The share change above was verified by PricewaterhouseCoopers Zhong Tian LLP with a capital verification report of PwC ZT Yan Zi (2016) No. 1757 issued on 28 December 2016. The Company registered the additional 3.95 billion shares at China Securities Depository and the Clearing Corporation Limited Shenzhen Branch on 18 January 2017.

(3) Raising matching fund

In July 2017, the Company issued 227,337,311 ordinary shares (A shares) at par value of RMB1.00 per share to specific investors through non-public offering at RMB35.19 per share. The total fund raised amounted to RMB7,999,999,974.09. Net of underwriter and sponsor's fees and other transaction costs, the net fund raised amounted to RMB7,822,179,636.78, including an increment of share capital of RMB227,337,311.00 and an increment of capital reserve by RMB7,604,681,212.80. The aforesaid fund was received on 31 July 2017 and verified by PricewaterhouseCoopers Zhong Tian LLP with a capital verification report of PwC ZT Yan Zi (2017) No. 745 issued.

The Company registered the additional shares at China Securities Depository and the Clearing Corporation Limited Shenzhen Branch on 15 August 2017. The total share capital was changed to 4,411,015,524 shares. Mingde Holdings, Shunda Fengrun, Jiaqiang Shunfeng, Zhaoguang Investment, Oriza Shunfeng and other shareholders held 61.25%, 8.89%, 6.04%, 6.04%, 6.04% and 11.74% of the equities in the Company respectively.

Afterwards, the Company conducted several restricted shares incentive plans, share repurchase and transfer of convertible corporate debentures to share capital. The total share capital of the Company as at 31 December 2020 was changed to 4,556,440,455 shares.

The approved business scope of the Company and its subsidiaries ("the Group") includes: assets management, capital management, investment management (trusts, financial assets management and security assets management are not allowed); auto rent; enterprise headquarters management; customs brokerage, inspection brokerage; investment in industries; domestic trade; marketing planning; investment consultancy and other information consultancy (excluding human resources intermediary service, securities and restricted projects); engagement in the development of network technology, information technology and electronic product technology and related technology services, consultancy and transfer of network technology, and provision of network information, E-Commerce service platform, business management, investment consultancy, investment management, enterprise management consulting, etc.; call centre business and information service (both are second type value-added telecommunication services) and road transportation of common cargo; international freight forwarding for air transportation and road transportation of imported and exported goods or transit goods, including solicitation, booking, shipping, warehousing and packaging; type-1 and type-2 (international and domestic) sales agency of air transport; common cargo transportation, stowage and logistics services; science and technology information consulting, project investment consulting and logistics information consulting; data processing; research and development and sales of communication equipment, and related technology services (projects subject to approval could only be implemented after approval by relevant authorities), research and development of unmanned aerial vehicle ("UAV") and spare parts; supply chain management and related supporting services, and engagement in both export and import business; development, construction and operation of industrial park; property management; self-owned property leasing; network marketing promotion; E-Commerce training; information technology outsourcing and information services outsourcing; data mining, data analysis and data services; development and application of general software, industry application software and embedded software; operation of on-line trading, on-line consulting, on-line auction and on-line advertising; network business service and database service; services in respect of development and application of electronic government affairs system; communications industry value-added business services; international freight forwarding, domestic and international express (excluding business exclusively operated by postal enterprises), transportation of cargo shipping containers and large objects, economic and technical consulting, technical information consulting, and engagement in commercial activities by way of franchising; transport services of domestic (including Hong Kong, Macau and Taiwan) and international aviation cargo and related services, and import and export of goods and technology; cargo express agent services; international freight forwarding (excluding shipping agency business), loading, unloading and handling; international and domestic freight forwarding; technology development of software and hardware for financial payment systems; internet payment, bank card acquiring, supply chain management; non-securities equity investment activities and relevant consulting services; finance leasing; leasing; purchase of leased property from home and abroad; residual value processing and maintenance of leased property; leasing consulting; commercial factoring related to main operating activities; delivery of goods; freight equipment leasing; container yard operation and container leasing service; railway cargo transportation; ship freight; product marketing design and planning for enterprises and individuals and related business agency services; non-vessel operating common carrier business; maritime international freight forwarding business; building construction engineering; wholesale of medicine and medical equipment; sales of food; human resources service.

First-tier and second-tier subsidiaries included in the consolidation scope of the financial statements are detailed in Note 6(1). The changes in the scope of consolidation for the current year are set out in Note 5.

Mingde Holdings is the parent company and ultimate controlling company of the Company.

These financial statements were authorised for issue by the Board of Directors of the Company on 17 March 2021.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

The Group determines the specific accounting policies and estimates based on its features of production and operation, primarily comprising the methods of provision for expected credit losses on receivables and contract assets (Note 2(9)), valuation of inventories (Note 2(10)), measurement model of investment properties (Note 2(12)), depreciation of fixed assets and amortisation of intangible assets (Note 2(13), (16)), criterion for capitalisation of capitalised development expenditures (Note 2(17)), recognition and measurement of revenue (Note 2(25)), etc.

Details of the Group's critical judgements, critical accounting estimates and key assumptions used in determining significant accounting policies are set forth in Note 2(30).

(1) Basis of preparation

The financial statements are prepared in accordance with the *Accounting Standards for Business Enterprises – Basic Standard*, and the specific accounting standards and other relevant regulations issued by the Ministry of Finance on 15 February 2006 and in subsequent periods (hereafter, referred to as "the Accounting Standards for Business Enterprises" or "CASs") and the disclosure requirements in the *Preparation Convention of Information Disclosure by Companies Offering Securities to the Public No. 15 – General Rules on Financial Reporting* issued by the China Securities Regulatory Commission.

The financial statements are prepared on a going concern basis.

(2) Statement of compliance with the Accounting Standards for Business Enterprises

The financial statements of the Company for the year ended 31 December 2020 are in compliance with the Accounting Standards for Business Enterprises, and truly and completely present the consolidated and company financial position of the Company as at 31 December 2020 and their financial performance, cash flows and other information for the year then ended.

(3) Accounting year

The Company's accounting year starts on 1 January and ends on 31 December.

(4) Recording currency

The Company's recording currency is Renminbi (RMB). The Company's subsidiaries decide their recording currencies in line with the economic environments in which they operate, while the subsidiaries in Hong Kong and abroad mainly adopt currencies including HKD, USD, KRW, EUR, etc. as their recording currencies. The financial statements are presented in RMB.

(5) Business combinations

(a) *Business combinations involving enterprises under common control*

The consideration paid and net assets obtained by the Group in a business combination are measured at the carrying amount. If the acquiree is acquired from a third party by the ultimate controlling party in a prior year, the consideration paid and net assets obtained by the Group are measured based on the carrying amounts of the acquiree's assets and liabilities (including the goodwill arising from the acquisition of the acquiree by the ultimate controlling party) presented in the consolidated financial statements of the ultimate controlling party. The difference between the carrying amount of the net assets obtained from the combination and the carrying amount of the consideration paid for the combination is treated as an adjustment to capital reserve (share premium). If the capital reserve (share premium) is not sufficient to absorb the difference, the remaining balance is adjusted against retained earnings. Costs directly attributable to the business combination are included in profit or loss in the period in which they are incurred. Transaction costs associated with the issue of equity or debt securities for the business combination are included in the initially recognised amounts of the equity or debt securities.

(b) *Business combinations involving enterprises not under common control*

The combination cost and identifiable net assets obtained by the Group in a business combination are measured at fair value at the acquisition date. Where the combination cost exceeds the Group's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised as goodwill; where the combination cost is lower than the Group's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised in profit or loss for the current period. Costs directly attributable to the combination are included in profit or loss in the period in which they are incurred. Transaction costs associated with the issue of equity or debt securities for the business combination are included in the initially recognised amounts of the equity or debt securities.

(6) Preparation of consolidated financial statements

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries.

Subsidiaries are consolidated from the date on which the Group obtains control and are de-consolidated from the date on which such control ceases. For a subsidiary that is acquired in a business combination involving enterprises under common control, it is included in the consolidated financial statements from the date when it, together with the Company, comes under common control of the ultimate controlling party. The portion of the net profits realised before the combination date is presented separately in the consolidated income statement.

In preparing the consolidated financial statements, where the accounting policies and the accounting periods of the Company and subsidiaries are inconsistent, the financial statements of the subsidiaries are adjusted in accordance with the accounting policies and the accounting period of the Company. For subsidiaries acquired from business combinations involving enterprises not under common control, the individual financial statements of the subsidiaries are adjusted based on the fair value of the identifiable net assets at the acquisition date.

All significant intra-group balances, transactions and unrealised profits are eliminated in the consolidated financial statements. The portion of subsidiaries' equity and the portion of subsidiaries' net profit or loss and comprehensive income for the period not attributable to the Company are recognised as minority interests, minority interest income and total comprehensive income attributable to minority shareholders and presented separately in the consolidated financial statements under equity, net profit and total comprehensive income respectively. Where the loss for the current period attributable to the minority shareholders of the subsidiaries exceeds the share of the minority interests in the opening balance of equity, the excess is still deducted against minority interests. Unrealised profits and losses resulting from the sale of assets by the Company to its subsidiaries are fully eliminated against net profit attributable to owners of the parent. Unrealised profits and losses resulting from the sale of assets by a subsidiary to the Company are eliminated and allocated between net profit attributable to owners of the parent and minority interest income in accordance with the allocation proportion of the parent in the subsidiary. Unrealised profits and losses resulting from the sale of assets by one subsidiary to another are eliminated and allocated between net profit attributable to owners of the parent and minority interest income in accordance with the allocation proportion of the parent in the selling subsidiary.

If the accounting treatment of a transaction is inconsistent in the financial statements at the Group level and at the Company or its subsidiary level, adjustment will be made from the perspective of the Group.

(7) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits that can be readily drawn on demand, and short-term and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(8) Foreign currency translation**(a) Foreign currency transactions**

Foreign currency transactions are translated into recording currency using the spot exchange rates and approximate exchange rates prevailing at the dates of the transactions.

At the balance sheet date, monetary items denominated in foreign currencies are translated into recording currency using the spot exchange rates on the balance sheet date. Exchange differences arising from these translations are recognised in profit or loss for the current period, except for those attributable to foreign currency borrowings that have been taken out specifically for acquisition or construction of qualifying assets, which are capitalised as part of the cost of those assets. Non-monetary items denominated in foreign currencies that are measured at historical costs are translated at the balance sheet date using the spot exchange rates at the date of the transactions. The effect of exchange rate changes on cash is presented separately in the cash flow statement.

(b) Translation of foreign currency financial statements

The asset and liability items in the balance sheets for overseas operations are translated at the spot exchange rates on the balance sheet date. Among the equity items, the items other than retained earnings are translated at the spot exchange rates of the transaction dates. The income and expense items in the income statement of foreign operations are translated at the spot exchange rates of the transaction dates. The differences arising from the above translation are recognised in other comprehensive income. The cash flows of foreign operations are translated at the spot exchange rates on the dates of the cash flows. The effect of exchange rate changes on cash is presented separately in the cash flow statement.

(9) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. A financial asset or a financial liability is recognised when the Group becomes a party to the contractual provisions of the instrument.

(a) Financial assets*(i) Classification and measurement*

Based on the business model for managing the financial assets and the contractual cash flow characteristics of the financial assets, financial assets are classified as: (1) financial assets at amortised cost; (2) financial assets at fair value through other comprehensive income; (3) financial assets at fair value through profit or loss.

The financial assets are measured at fair value at initial recognition. Related transaction costs that are attributable to the acquisition of the financial assets are included in the initially recognised amounts, except for the financial assets at fair value through profit or loss, the related transaction costs of which are recognised directly in profit or loss for the current period. Accounts receivable or notes receivable arising from sales of products or rendering of services (excluding or without regard to significant financing components) are initially recognised at the consideration that is entitled to be charged by the Group as expected.

Debt instruments

The debt instruments held by the Group refer to the instruments that meet the definition of financial liabilities from the perspective of the issuer, and are measured in the following ways:

Measured at amortised cost:

The objective of the Group's business model is to hold the financial assets to collect the contractual cash flows, and the contractual cash flow characteristics are consistent with a basic lending arrangement, which gives rise on specified dates to the contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. The interest income of such financial assets is recognised using the effective interest method. Such financial assets mainly comprise cash at bank and on hand, placements with and loans to banks and other financial institutions, notes receivable, accounts receivable, factoring receivables, loans and advances, other receivables and long-term receivables. Long-term receivables that are due within one year (inclusive) as from the balance sheet date are included in the current portion of non-current assets.

Measured at fair value through profit or loss:

Debt instruments held by the Group that are not divided into those at amortised cost, or those measured at fair value through other comprehensive income, are measured at fair value through profit or loss. At initial recognition, the Group designates a portion of financial assets as at fair value through profit or loss to eliminate or significantly reduce an accounting mismatch. Financial assets measured at fair value through profit or loss that are due after one year (inclusive) as from the balance sheet date and are expected to be held over one year are included in other non-current financial assets, and others are included in financial assets held for trading.

Equity instruments

Investments in equity instruments, over which the Group has no control, joint control or significant influence, are measured at fair value through profit or loss under financial assets held for trading; investments in equity instruments expected to be held over one year as from the balance sheet date are included in other non-current financial assets.

In addition, a portion of certain investments in equity instruments not held for trading are designated as financial assets at fair value through other comprehensive income under other investments in equity instruments. The relevant dividend income of such financial assets is recognised in profit or loss for the current period.

(ii) Impairment

The Group confirms the loss provision based on expected credit losses for financial assets and contract assets measured at amortised cost.

Giving consideration to reasonable and supportable information on past events, current conditions and forecasts of future economic conditions, as well as the default risk weight, the Group recognises the expected credit loss as the probability-weighted amount of the present value of the difference between the cash flows receivable from the contract and the cash flows expected to collect.

As at each balance sheet date, the expected credit losses of financial instruments at different stages are measured respectively. 12-month expected credit loss provision is recognised for financial instruments in Stage 1 that have not had a significant increase in credit risk since initial recognition; lifetime expected credit loss provision is recognised for financial instruments in Stage 2 that have had a significant increase in credit risk yet without credit impairment since initial recognition; and lifetime expected credit loss provision is recognised for financial instruments in Stage 3 that have had credit impairment since initial recognition.

For the financial instruments with lower credit risk on the balance sheet date, the Group assumes there is no significant increase in credit risk since initial recognition and recognises the 12-month expected credit loss provision.

For the financial instruments in Stage 1, Stage 2 and with lower credit risk, the Group calculates the interest income by applying the effective interest rate to the gross carrying amount (before deduction of the impairment provision). For the financial instruments in Stage 3, the interest income is calculated by applying the effective interest rate to the amortised cost (after deduction of the impairment provision from the gross carrying amount).

For notes and accounts receivables and contract assets, the Group recognises the lifetime expected credit loss provision regardless of whether there exists a significant financing component.

In case the expected credit losses of an individually assessed financial asset cannot be evaluated with reasonable cost, the Group divides the receivables into certain groupings based on credit risk characteristics, and calculates the expected credit losses for the groupings. Basis for determining groupings and methods for provision are presented as follows:

Bank acceptance notes	Group of bank notes with low credit risk
Accounts receivable, other receivables	Group of receivables from related parties
Accounts receivable, other receivables and contract assets	Group of receivables from non-related parties
Long-term receivables	Group of finance leases
Long-term receivables	Group of interest-free loans to employees

Based on the exposure at default and the lifetime expected credit loss rate, the Group calculates the expected credit losses of notes and accounts receivables and contract assets that are classified into groupings with consideration to historical credit losses experience, current conditions and forecasts of future economic conditions.

Based on the exposure at default and the 12-month/lifetime expected credit loss rate, the Group calculates the expected credit losses of other receivables, factoring receivables, loans and advances, and long-term receivables that are classified into groupings with consideration to historical credit losses experience, the current conditions and forecasts of future economic conditions.

The Group recognises the loss provision made or reversed into profit or loss for the current period.

(iii) Derecognition

A financial asset is derecognised when any of the below criteria is met: (1) the contractual rights to receive the cash flows from the financial asset expire; (2) the financial asset has been transferred and the Group transfers substantially all the risks and rewards of ownership of the financial asset to the transferee; or (3) the financial asset has been transferred and the Group has not retained control of the financial asset, although the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset.

When a financial asset is derecognised, the difference between the carrying amount and the sum of the consideration received and the cumulative changes in fair value that are previously recognised directly in other comprehensive income is recognised in profit or loss for the current period, except for those as investments in other equity instruments, the difference aforementioned is recognised in retained earnings instead.

(b) Financial liabilities

Financial liabilities are classified as financial liabilities at amortised cost and financial liabilities at fair value through profit or loss at initial recognition.

Financial liabilities of the Group mainly comprise financial liabilities at amortised cost, including convertible corporate debentures and other financial liabilities.

Convertible corporate debentures

Convertible corporate debentures comprise liability portion and equity portion. The liability portion is classified as liabilities, which reflects the obligation to pay fixed principal and interest, and its fair value is calculated by the market interest rate of similar debentures without embedded convertible option at initial recognition, and is subsequently measured at amortised cost using the effective interest method. The equity portion reflects the embedded option that converts liabilities into ordinary shares and is recognised as equity by the difference between the overall proceeds of issuance of convertible corporate debentures and the liability portion. Direct transaction costs are allocated based on the shares of the liability portion and the equity portion in issuance proceeds.

When convertible corporate debentures are converted into stock shares, the amount calculated by the number of shares converted and the par value per share is recognised as share capital, and the difference between the balance of relevant portion of convertible corporate debentures and the above share capital is recognised as share premium in capital reserve.

Other financial liabilities

Other financial liabilities measured at amortised cost mainly comprise notes and accounts payables, other payables, borrowings, other debentures payable except for convertible corporate debentures, etc. Such financial liabilities are initially recognised at fair value, net of transaction costs incurred, and subsequently measured using the effective interest method. Financial liabilities that are due within one year (inclusive) are classified as current liabilities; those with maturities over one year but are due within one year (inclusive) as from the balance sheet date are classified as current portion of non-current liabilities. Others are classified as non-current liabilities.

A financial liability is derecognised or partly derecognised when the underlying present obligation is discharged or partly discharged. The difference between the carrying amount of the derecognised part of the financial liability and the consideration paid is recognised in profit or loss for the current period.

(c) Equity instruments

An equity instrument is a contract that represents a residual interest in the assets of an entity after deducting all of its liabilities.

(d) Determination of fair value of financial instruments

The fair value of a financial instrument that is traded in an active market is determined at the quoted price in the active market. The fair value of a financial instrument that is not traded in an active market is determined by using a valuation technique. In valuation, the Group adopts valuation techniques applicable in the current situation and supported by adequate available data and other information, selects inputs with the same characteristics as those of assets or liabilities considered in relevant transactions of assets or liabilities by market participants, and gives priority to the use of relevant observable inputs. When relevant observable inputs are not available or feasible, unobservable inputs are adopted.

(e) Hedge accounting

The hedge accounting method refers to a method to recognise gains or losses arising from a hedging instrument and a hedged item in profit or loss for the current period (or other comprehensive income) to reflect the effect of the risk management activities.

The hedged item refers to an item which exposes the Group to risks of changes in fair value or cash flows and is designated as being hedged and can be measured reliably. The hedged item designated by the Group is the 5-year debentures denominated in USD which exposes the Group to risks of changes in cash flows.

The hedging instrument refers to a financial instrument which is designated by the Group and by which it is expected that changes in its fair value or cash flow can offset the changes in fair value or cash flow of the hedged item. The Group's hedging instruments are the 5-year forward exchange contracts denominated in USD.

The Group, on an ongoing basis, assess at inception of the hedging relationship and in subsequent periods, whether a hedging relationship qualifies for hedge accounting. A hedging relationship qualifies for hedge accounting only if all of the following criteria are met:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship;
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

If a hedging relationship becomes ineffective due to the hedge ratio but the risk management objective for designating such hedging relationship remains the same, the Group will make an adjustment to the quantity of the hedged item or the hedging instrument in the existing hedging relationship for the purpose of realigning the hedge ratio to achieve hedge effectiveness.

The hedging accounting is discontinued in case of one of the following conditions:

- the hedging relationship no longer meets the risk management objective on the basis of which it qualified for hedge accounting;
- the hedging instrument or instruments have been due, sold, or the contract has been terminated or exercised;
- there is no longer an economic relationship between the hedged item and the hedging instrument or the effect of credit risk starts to dominate the value changes that result from that economic relationship;
- other conditions that a hedging relationship no longer qualifies for hedge accounting.

(i) Cash flow hedge

The Group adopts the cash flow hedge. A cash flow hedge refers to a hedge of the exposure to changes in cash flows. The effective portion of gains or losses arising from the hedging instrument is recognised as cash flow hedging reserve in other comprehensive income. Amount of cash flow hedging reserve is the lower of the following two (in absolute amount):

- the cumulative gains or losses arising from the hedging instrument since inception of the hedge;
- the cumulative change in present value of the expected future cash flows on the hedged item since inception of the hedge.

The amount of cash flow hedging reserve included in other comprehensive income during each period represents the change in cash flow hedging reserve for the current period.

The ineffective portion of gains or losses arising from hedging instrument is recognised in profit or loss for the current period.

When the Group discontinues hedge accounting for a cash flow hedge, it shall account for the amount that has been accumulated in the cash flow hedging reserve recognised in other comprehensive income in accordance with the accounting policies as follows:

- if the hedged future cash flows are still expected to occur, that amount shall remain in the cash flow hedging reserve and be accounted for in accordance with the above-mentioned accounting policies;
- if the hedged future cash flows are not expected to occur, that amount shall be immediately reclassified from other comprehensive income to profit or loss for the current period.

(10) Inventories

(a) Classification

Inventories comprise low-value consumables, raw materials in stock, finished goods, aviation consumables and properties under development, and are stated at the lower of cost and net realisable value.

(b) Valuation method for inventory issued

Raw materials in stock and finished goods are accounted for using the weighted average method upon issuance. Aviation consumables are accounted for using the specific-unit-cost method upon issuance. Properties under development comprise land costs relating to real estate development, construction costs, other direct and indirect development expenses, etc., and are transferred to completed properties held for sale at actual cost upon completion.

(c) *Amortisation methods of low-value consumables*

Low-value consumables are amortised into expenses in full when issued for use.

(d) *Basis for determining the net realisable value of inventories and provision for decline in the value of inventories*

Provision for decline in the value of inventories is determined at the excess amount of the carrying amounts of the inventories over their net realisable value. Net realisable value is determined based on the estimated selling price in the ordinary course of business, less the estimated costs and estimated costs necessary to make the sale and related taxes.

(e) *The Group adopts the perpetual inventory system.*

(11) **Long-term equity investments**

Long-term equity investments comprise the Company's long-term equity investments in its subsidiaries, and the Group's long-term equity investments in its joint ventures and associates.

A subsidiary is an investee over which the Company is able to exercise control. A joint venture is a joint arrangement which is structured through a separate vehicle over which the Group has joint control together with other parties and only has rights to the net assets of the arrangement based on legal forms, contractual terms and other facts and circumstances. An associate is the investee over which the Group has significant influence by participating in the financial and operating policy decisions.

Investments in subsidiaries are presented in the Company's financial statements using the cost method, and are adjusted to the equity method when preparing the consolidated financial statements, and investments in joint ventures and associates are accounted for using the equity method.

(a) *Determination of investment cost*

For long-term equity investments arising from business combination involving enterprises under common control, the initial investment cost shall be the share of the carrying amount of equity of the acquiree in the consolidated financial statements of the ultimate controlling party as at the combination date; for long-term equity investments arising from business combination involving enterprises not under common control, the investment cost shall be the combination cost.

For long-term equity investments acquired not through a business combination: for long-term equity investments acquired by payment in cash, the initial investment cost shall be the purchase price actually paid; for long-term equity investments acquired by issuing equity securities, the initial investment cost shall be the fair value of the equity securities issued.

(b) *Subsequent measurement and recognition methods of gains and losses*

Long-term equity investments accounted for using the cost method are measured at the initial investment cost. Cash dividend or profit distribution declared by an investee is recognised as investment income in profit or loss for the current period.

For long-term equity investments that are accounted for using the equity method, where the initial investment cost exceeds the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, the investment is initially measured at cost. Where the initial investment cost is less than the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, the difference is included in profit or loss for the current period and the cost of the long-term equity investment is adjusted upwards accordingly.

Under the equity method, the Group recognises the investment income according to its share of net profit or loss of the investee. The Group discontinues recognising its share of the net losses of an investee after the carrying amounts of the long-term equity investment together with any long-term interests that in substance form part of the investor's net investment in the investee are reduced to zero. However, if the Group has obligations for additional losses and the criteria with respect to recognition of provisions are satisfied, the Group continues recognising the estimated losses that it needs to bear. The changes of the Group's share of the investee's equity other than those arising from the net profit or loss, other comprehensive income and profit distribution, are recognised in the Group's capital reserve and the carrying amounts of the long-term equity investment are adjusted accordingly. The carrying amount of the investment is reduced by the Group's share of the profit distribution or cash dividends declared by an investee. The unrealised profits or losses arising from the transactions between the Group and its investees are eliminated in proportion to the Group's equity interest in the investees, based on which the investment gain or losses are recognised. For the loss on the intra-group transaction amongst the Group and its investees attributable to asset impairment losses, any unrealised loss is not eliminated.

(c) Basis for determining existence of control, joint control, significant influence over investees

Control means having power over an investee, enjoying variable returns through involvement in relevant activities of the investee, and being able to impact the amount of such variable returns by using the power over the investee.

Joint control is the agreed sharing of control over an arrangement, and the decision of activities relating to such arrangement requires the unanimous consent of the Group and other parties sharing control.

Significant influence is the power to participate in making the decisions on financial and operating policies of the investee, but is not control or joint control over making those policies.

(d) Impairment of long-term equity investments

The carrying amounts of long-term equity investments in subsidiaries, joint ventures and associates are reduced to the recoverable amounts when the recoverable amounts are below their carrying amounts (Note 2(19)).

(12) Investment properties

Investment properties, including land use rights that have already been leased out, buildings that are held for the purpose of leasing and buildings that are being constructed or developed for future use for leasing, are measured initially at cost. Subsequent expenditures incurred in relation to an investment property are included in the cost of the investment property when it is probable that the associated economic benefits will flow to the Group and their costs can be reliably measured; otherwise, the expenditures are recognised in profit or loss for the period in which they are incurred.

The Group adopts the cost model for subsequent measurement of investment properties. Buildings and land use rights are depreciated or amortised to their estimated net residual values over their estimated useful lives. The estimated useful lives, the estimated net residual values that are expressed as a percentage of cost and the annual depreciation rates of investment properties are presented as follows:

	Estimated useful lives	Estimated net residual values	Annual depreciation/ amortisation rates
Buildings	10 to 50 years	5%	9.50% – 1.90%
Land use rights	20 to 50 years	0%	5.00% – 2.00%

The investment property's estimated useful life, net residual value and depreciation (amortisation) method applied are reviewed and adjusted as appropriate at each year-end.

An investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. The net amount of proceeds from sale, transfer, retirement or damage of an investment property net of its carrying amount and related taxes and expenses is recognised in profit or loss for the current period.

(13) Fixed assets**(a) Recognition and initial measurement of fixed assets**

Fixed assets comprise buildings, motor vehicles, computers and electronic equipment, aircraft and aircraft engines, rotables and high-value aircraft maintenance tools, machinery and equipment, office equipment and other equipment.

Fixed assets are recognised when it is probable that the associated economic benefits will flow to the Group and the related cost can be reliably measured. Fixed assets purchased or constructed are initially measured at cost at the time of acquisition.

Subsequent expenditures incurred for a fixed asset are included in the cost of the fixed asset when it is probable that the associated economic benefits will flow to the Group and the related cost can be reliably measured. The carrying amount of the replaced part is derecognised. All the other subsequent expenditures are recognised in profit or loss for the period in which they are incurred.

(b) Depreciation method for fixed assets

Except for replacement parts for overhaul of engine, fixed assets are depreciated using the straight-line method to allocate the recorded amount of the assets to their estimated residual values over their estimated useful lives. For the fixed assets that have been provided for impairment loss, the related depreciation charge is prospectively determined based upon the adjusted carrying amounts over their remaining useful lives.

The estimated useful lives, the estimated net residual values expressed as a percentage of cost and the annual depreciation rates of fixed assets are presented as follows:

	Estimated useful lives	Estimated net residual values	Annual depreciation rates
Buildings	10 to 50 years	5%	9.50% – 1.90%
Motor vehicles (excluding electromobiles)	2 to 5 years	0% – 5%	50.00% – 19.00%
Motor vehicles (electromobiles)	2 years	5%	47.50%
Machinery and equipment (excluding automatic sorting equipment imported from abroad)	2 to 10 years	0% – 5%	50.00% – 9.50%
Machinery and equipment (automatic sorting equipment imported from abroad)	15 years	5%	6.33%
Computers and electronic equipment	2 to 5 years	0% – 5%	50.00% – 19.00%
Aircraft and engine bodies	10 years	5%	9.50%
Replacement parts for overhaul of aircraft fuselage	1.5 to 10 years	0%	66.67% – 8.33%
Rotables	10 years	5%	9.50%
High-value aircraft maintenance tools	5 years	5%	19.00%
Office equipment and other equipment	2 to 10 years	0% – 5%	50.00% – 9.50%

Replacement parts for overhaul of engines are depreciated using the units-of-production method and taking the expected usable recurring number as the unit of production.

The estimated useful life/expected usable recurring number and the estimated net residual value of a fixed asset and the depreciation method applied to the asset are reviewed, and adjusted as appropriate at each year-end.

(c) *The carrying amounts of fixed assets are reduced to the recoverable amounts when the recoverable amounts are below their carrying amounts (Note 2(19)).*

(d) *Basis for identification of fixed assets held under finance leases and related measurement*

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. The leased asset is recognised at the lower of the fair value of the leased asset and the present value of the minimum lease payments. The difference between the recorded amount of the leased asset and the minimum lease payments is accounted for as unrecognised finance charge (Note 2(28)(b)).

Fixed assets held under a finance lease is depreciated on a basis consistent with the depreciation policy adopted for fixed assets that are self-owned. When a leased asset can be reasonably determined that its ownership will be transferred at the end of the lease term, it is depreciated over its estimated useful life; otherwise, the leased asset is depreciated over the shorter period of the lease term and its estimated useful life.

(e) *Disposal of fixed assets*

A fixed asset is derecognised on disposal or when no future economic benefit is expected from its use or disposal. The amount of proceeds from disposals on sale, transfer, retirement or damage of a fixed asset net of its carrying amount and related taxes and expenses is recognised in profit or loss for the current period.

(14) Construction in progress

Construction in progress is measured at actual cost. Actual cost comprises construction costs, installation costs, borrowing costs that are eligible for capitalisation and other costs necessary to bring the construction in progress ready for their intended use. Construction in progress is transferred to fixed assets when the assets are ready for their intended use, and depreciation begins from the following month. The carrying amount of construction in progress is reduced to the recoverable amount when the recoverable amount is below its carrying amount (Note 2(19)).

(15) Borrowing costs

The Group's borrowing costs that are directly attributable to the acquisition and construction of a fixed asset that needs a substantially long period of time for its intended use commence to be capitalised and recorded as part of the cost of the asset when expenditures for the asset and borrowing costs have been incurred, and the activities relating to the acquisition and construction that are necessary to prepare the asset for its intended use have commenced. The capitalisation of borrowing costs ceases when the asset under acquisition or construction becomes ready for its intended use and the borrowing costs incurred thereafter are recognised in profit or loss for the current period. Capitalisation of borrowing costs is suspended during periods in which the acquisition or construction of a fixed asset is interrupted abnormally and the interruption lasts for more than 3 months, until the acquisition or construction is resumed.

For the specific borrowings obtained for the acquisition or construction of an asset qualifying for capitalisation, the amount of borrowing costs eligible for capitalisation is determined by deducting any interest income earned from depositing the unused specific borrowings in the banks or any investment income arising on the temporary investment of those borrowings during the capitalisation period.

For general borrowings utilised for the acquisition and construction of an asset qualifying for capitalisation, the capitalised amount of the general borrowings is determined by the weighted average of the excess of accumulated capital expenditure over capital expenditure of the special borrowings multiplied by the weighted average effective interest rate of the utilised general borrowings. The effective interest rate is the interest rate at which the future cash flows of the borrowings over the estimated life or a shorter applicable period are discounted into the initial recognised amount of the borrowings.

(16) Intangible assets

Intangible assets include software, land use rights, trademark rights, customer relationships, patents, etc.

(a) Software

Software is measured at actual cost and amortised on the straight-line basis over 2 to 10 years.

(b) Land use rights

Land use rights are amortised on the straight-line basis over 33 to 50 years.

(c) Trademark rights

Purchased trademark rights are measured at cost at the time of acquisition. Trademark rights recognised under business combinations involving enterprises not under common control are recorded at fair value. Trademark rights are amortised on the straight-line basis over 5 to 20 years.

(d) Customer relationships

Customer relationships refer to intangible assets recognised under business combinations involving enterprises not under common control. Customer relationships are recorded at fair value and amortised on the straight-line basis over the expected beneficial period.

(e) Patents

Patents are amortised on the straight-line basis over 5 to 10 years.

(f) Periodical review of useful life and amortisation method

For an intangible asset with a finite useful life, review of its useful life and amortisation method is performed at each year-end, with adjustment made as appropriate.

(g) Impairment of intangible assets

The carrying amounts of intangible assets are reduced to the recoverable amounts when the recoverable amounts are below their carrying amounts (Note 2(19)).

(17) Research and development

The expenditure on an internal research and development project is classified into expenditure on the research phase and expenditure on the development phase based on its nature and whether there is material uncertainty that the research and development activities can form an intangible asset at the end of the project.

Expenditure on the research phase is recognised in profit or loss in the period in which it is incurred. Expenditure on the development phase is capitalised only if all of the following conditions are satisfied:

- it is technically feasible to complete the intangible asset so that it will be available for use or sales;
- management intends to complete the intangible asset, and use or sell it;
- it can be demonstrated how the intangible asset will generate economic benefits;
- there are adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset; and
- the expenditure attributable to the intangible asset during its development phase can be reliably measured.

Other development expenditures that do not meet the conditions above are recognised in profit or loss in the period in which they are incurred. Capitalised development expenditures previously recognised as expenses are not recognised as an asset in a subsequent period. Capitalised expenditure on the development phase is presented as capitalised development expenditures in the balance sheet and transferred to intangible assets at the date when the asset is ready for its intended use.

(18) Long-term prepaid expenses

Long-term prepaid expenses include settling-in allowance and introduction fee for pilots, the expenditure for improvements to fixed assets held under operating leases, and other expenditures that have been incurred but should be recognised as expenses over more than one year in the current and subsequent periods. Long-term prepaid expenses are amortised on a straight-line basis over the expected beneficial period (2 to 15 years) and are presented at actual expenditure net of accumulated amortisation.

(19) Impairment of long-term assets

Fixed assets, construction in progress, intangible assets with finite useful lives, investment properties measured using the cost model and long-term equity investments in subsidiaries, joint ventures and associates are tested for impairment if there is any indication that the assets may be impaired at the balance sheet date; intangible assets not ready for their intended use are tested at least annually for impairment, irrespective of whether there is any indication that it may be impaired. If the result of the impairment test indicates that the recoverable amount of an asset is less than its carrying amount, a provision for impairment and an asset impairment loss are recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. Provision for asset impairment is determined and recognised on individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of a group of assets to which the asset belongs is determined. A group of assets is the smallest group of assets that is able to generate independent cash inflows.

Goodwill that is separately presented in the financial statements is tested at least annually for impairment, irrespective of whether there is any indication that it may be impaired. In conducting the test, the carrying amount of goodwill is allocated to the related asset groups or sets of asset groups which are expected to benefit from the synergies of the business combination. If the result of the test indicates that the recoverable amount of an asset group or a set of asset groups, including the allocated goodwill, is lower than its carrying amount, the corresponding impairment loss is recognised. The impairment loss is first deducted from the carrying amount of goodwill that is allocated to the asset group or the set of asset groups, and then deducted from the carrying amounts of other assets within the asset group or the set of asset groups in proportion to the carrying amounts of assets other than goodwill.

Once the above asset impairment loss is recognised, it will not be reversed for the value recovered in the subsequent periods.

(20) Employee benefits

Employee benefits refer to all forms of consideration or compensation given by the Group in exchange for service rendered by employees or for termination of employment relationship, which include short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits.

(a) Short-term employee benefits

Short-term employee benefits include employee wages or salaries, bonus, allowances and subsidies, staff welfare, premiums or contributions on medical insurance, work injury insurance and maternity insurance, housing funds, union running costs and employee education costs. The employee benefit liabilities are recognised in the accounting period in which the service is rendered by the employees, with a corresponding charge to the profit or loss for the current period or the cost of relevant assets. Employee benefits which are non-monetary benefits are measured at fair value.

(b) Post-employment benefits

The Group classifies post-employment benefits plans into defined contribution plans and defined benefit plans. Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into a separate fund and will have no obligation to pay further contributions; and defined benefit plans are post-employment benefit plans other than defined contribution plans. During the reporting period, the Group's post-employment benefits mainly included basic pension insurance and unemployment insurance, both of which belong to defined contribution plans.

Basic pension insurance

The Group's employees participate in the basic pension plan set up and administered by local authorities of Ministry of Human Resource and Social Security. Monthly payments of premiums on the pensions are calculated according to local regulations for pension plan. When employees retire, the local labour and social security authority is obliged to pay the basic pensions to them. The amounts based on the above calculations are recognised as liabilities in the accounting period in which the service has been rendered by the employees, with a corresponding charge to the profit or loss for the current period or the cost of relevant assets.

(c) Termination benefits

The Group provides compensation for terminating the employment relationship with employees before the end of the employment contracts or as an offer to encourage employees to accept voluntary redundancy before the end of the employment contracts. The Group recognises a liability arising from compensation for termination of the employment relationship with employees, with a corresponding charge to profit or loss for the current period at the earlier of the following dates: 1) when the Group cannot unilaterally withdraw an employment termination plan or a curtailment proposal; 2) when the Group recognises costs or expenses related to a restructuring that involves the payment of termination benefits.

The termination benefits expected to be settled within one year since the balance sheet date are classified as current liabilities.

(d) Employee incentives

The Group provides incentive plans for on-the-job employees who comply with certain conditions, and makes payments based on the schedule. Provisions for employee incentives are initially measured at the best estimate necessary to settle the present obligation, and expensed as incurred. The Group integrates separation rate, time value of money and other factors into account at initial measurement. Where the effect of the time value of money is material, the best estimate is determined by discounting the related future cash outflows. The increase in the discounted amount of the provision arising from passage of time is expensed as incurred. The carrying amount of provisions for employee incentives is reviewed at each balance sheet date and adjusted to reflect the current best estimate.

(21) Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liabilities are calculated and recognised based on the differences arising between the tax bases of assets and liabilities and their carrying amounts (temporary differences). Deferred tax asset is recognised for the deductible tax losses that can be carried forward to subsequent years for deduction of the taxable profit in accordance with the tax laws. No deferred tax liability is recognised for a temporary difference arising from the initial recognition of goodwill. No deferred tax asset or deferred tax liability is recognised for the temporary differences resulting from the initial recognition of assets or liabilities due to a transaction other than a business combination, which affects neither accounting profit nor taxable profit (or deductible tax losses). At the balance sheet date, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled.

Deferred tax assets are only recognised for deductible temporary differences, deductible tax losses and tax credits to the extent that it is probable that taxable profit will be available in the future against which the deductible temporary differences, deductible tax losses and tax credits can be utilised.

Deferred tax liabilities are recognised for temporary differences arising from investments in subsidiaries, associates and joint ventures, except where the Group is able to control the timing of reversal of the temporary difference, and it is probable that the temporary difference will not reverse in the foreseeable future. When it is probable that the temporary differences arising from investments in subsidiaries, associates and joint ventures will be reversed in the foreseeable future and that the taxable profit will be available in the future against which the temporary differences can be utilised, the corresponding deferred tax assets are recognised.

Deferred tax assets and deferred tax liabilities are offset when:

- the deferred tax assets and liabilities are related to the same tax payer within the Group and the same taxation authority; and
- that tax payer within the Group has a legally enforceable right to offset current tax assets against current tax liabilities.

(22) Provisions

Provisions are recognised when the Group has a present obligation, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be measured reliably.

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors surrounding a contingency, such as the risks, uncertainties and the time value of money, are taken into account as a whole in reaching the best estimate of a provision. Where the effect of the time value of money is material, the best estimate is determined by discounting the related future cash outflows. The increase in the discounted amount of the provision arising from passage of time is recognised as interest expense.

The carrying amount of provisions is reviewed at each balance sheet date and adjusted to reflect the current best estimate.

The provisions expected to be settled within one year since the balance sheet date are classified as current liabilities.

(23) Share-based payments

(a) *Categories of share-based payments*

A share-based payment is a transaction in which an enterprise grants equity instruments or assumes liabilities that are determined based on equity instruments, in exchange for services rendered by employees or another party. Equity instruments include the equity instruments that are linked to the enterprise, the parent company of the enterprise or another accounting entity within the same group. Share-based payments comprise equity-settled and cash-settled payments.

(b) *Basis for determining the best estimate of exercisable equity instruments*

At each balance sheet date in the vesting period, the Group would make best estimate in accordance with the newly acquired information such as changes in the number of employees entitled to equity instruments, and amend the number of exercisable equity instruments. On the exercisable date, the ultimate estimated number of exercisable equity instruments coincides with the actual number.

(c) *Accounting treatment of implementation of share-based payments*

(i) *Equity-settled share-based payments*

The equity-settled share-based payments where the Group grants shares or other equity instruments as a consideration in return for services, is measured at the fair value of the equity instruments at the grant date. Where the share-based payments are not exercisable until the service in the vesting period is completed or specified performance conditions are met, then at each balance sheet date within the vesting period, the service obtained in the current period shall be included in relevant cost or expenses and in capital reserve at the fair value of the equity instruments at the grant date based on the best estimates of the quantity of exercisable equity instruments made by the Group, in accordance with latest changes in the number of exercisable employees and subsequent information.

(ii) *Cash-settled share-based payments*

The cash-settled share-based payments where the Group calculates and determines the cash payments or any other asset obligation on the basis of shares or other equity instruments in return for services, is measured at the fair value of the liabilities calculated based on relevant equity instruments. Where the share-based payments is not exercisable until the service in the vesting period is completed or specified performance conditions are met, then at each balance sheet date within the vesting period, the service obtained in the current period shall be included in cost or expenses and in liabilities at the fair value of the Group's liabilities based on the best estimates of the quantity of exercisable equity instruments made by the Group. At each balance sheet date and settlement date before relevant liabilities are settled, the fair value of the liabilities is remeasured and the changes are recognised in profit or loss.

(24) Factoring

The factoring business of the Group mainly represents factoring with recourse. Factoring with recourse is a kind of financing activity where the customer transfers the creditor's rights of accounts receivable that meet relevant requirements and are accepted by the Group to the Group according to the purchase and sale contract and relevant agreements, so as to obtain short-term trade financing, and agrees to repurchase the financing business in full if the creditor's rights cannot be recovered in full. The Group's factoring business is accounted for with factoring receivables based on the amount paid for the creditor's rights of accounts receivable (Note 2(9)).

(25) Revenue recognition

The Group recognises revenue at the consideration that the Group is entitled to charge as expected when the Group has fulfilled the performance obligations in the contract, that is, the customer obtains control over relevant goods or services.

The Group transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control over relevant goods or services.

In respect of a contract obligation that is to be fulfilled within a period, the Group should recognise the revenue based on the progress of the obligation fulfilment within the period, except that the progress of the obligation fulfilment fails to be reasonably determined; in respect of a contract obligation that is to be fulfilled at a point in time, the Group should recognise the revenue once the customer obtains the control over relevant goods.

(a) *Rendering express & logistics and supply chain services*

The Group's revenue from express & logistics and supply chain services includes revenue from inbound express delivery services including time-definite express and economy express, revenue from outbound express delivery services, revenue from cold-chain transportation services, revenue from domestic and international transport services of aviation cargoes, revenue from express delivery agency services; revenue from rendering of warehousing service; revenue from freight services; revenue from intra-city instant delivery and revenue from supply chain service etc.

The Group recognises revenue based on the progress of the service performed within period, which is determined based on proportion of costs incurred to date to the estimated total costs. As at the balance sheet date, the Group re-estimates the progress of the service performed to reflect the actual status of contract performance.

When the Group recognises revenue based on the progress of the service performed, the amount with unconditional right to consideration obtained by the Group is recognised as accounts receivable, and the rest is recognised as contract assets. Meanwhile, provision for accounts receivable and contract assets is recognised on the basis of expected credit losses (Note 2(9)). If the contract consideration received or receivable exceeds the progress of the service performed, the excess portion will be recognised as contract liabilities. Contract assets and contract liabilities under the same contract are presented on a net basis.

Contract costs include costs to fulfil a contract and costs to obtain a contract. Costs incurred for provision of the aforesaid services are recognised as costs to fulfil a contract, which is carried forward to the cost of revenue when revenue recognised based on the progress of the service performed. Incremental costs incurred by the Group for the acquisition of the aforesaid service contract are recognised as the costs to obtain a contract. For the costs to obtain a contract with the amortisation period within one year, the costs are charged to profit or loss when incurred. For the costs to obtain a contract with the amortisation period beyond one year, the costs are charged in the current profit or loss on the same basis as aforesaid revenue of rendering of services recognised under the relevant contract. If the carrying amount of the contract costs is higher than the remaining consideration expected to be obtained by rendering of the service net of the estimated cost to be incurred, the Group makes provision for impairment on the excess portion and recognises it as asset impairment losses. As at the balance sheet date, based on whether the amortisation period of the costs to fulfil a contract is more than one year when initially recognised, the amount of the Group's costs to fulfil a contract net of related provision for asset impairment is presented as inventories or other non-current assets. For costs to obtain a contract with amortisation period beyond one year at the initial recognition, the amount net of related provision for asset impairment is presented as other non-current assets.

(b) Sales of goods

Revenue from sales of goods is recognised when the Group has delivered goods to the agreed delivery location pursuant to the contract and the customer has confirmed the acceptance of the goods, and the delivery note is signed by both parties.

The credit terms granted to customers by the Group are generally short, in line with industry practice, and do not have a significant financing component.

(c) Other services

The Group's services also includes communication service, maintenance service, research and development and technical service and other services.

With regard to certain maintenance service and research and development services, the Group recognises revenue at a point in time when the services are delivered to customers. For other services, the Group recognises revenue based on the progress of the service performed within period, which is determined based on proportion of costs incurred to date to the estimated total costs as at the balance sheet date.

(26) Government grants

Government grants refer to the monetary or non-monetary assets obtained by the Group from the government, including tax return, fiscal subsidy, etc.

Government grants are recognised when the grants can be received and the Group can comply with all attached conditions. If a government grant is a monetary asset, it will be measured at the amount received or receivable. If a government grant is a non-monetary asset, it will be measured at its fair value. If it is unable to obtain its fair value reliably, it will be measured at its nominal amount.

Government grants related to assets refer to the government grants which are obtained by the Group for the purposes of purchase, construction or acquisition of the long-term assets. Government grants related to income refer to the government grants other than those related to assets.

Government grants related to assets are recorded as deferred income and recognised in profit or loss on a systemic basis over the useful lives of the assets. Government grants related to income that compensate the future costs, expenses or losses are recorded as deferred income and recognised in profit or loss, or deducted against related costs, expenses or losses in reporting the related expenses; government grants related to income that compensate the incurred costs, expenses or losses are recognised in profit or loss, or deducted against related costs, expenses or losses directly in the current period. The Group applies the presentation method consistently to the similar government grants in the financial statements.

Government grants related to daily corporate activities are included in operating profit. Government grants not related to daily corporate activities are included in non-operating income or expenses.

Policy-based loans with prime rate to the Group are recorded at actual amount of borrowing received, and related borrowing costs are calculated with borrowing principal and policy-based prime rate. Financial discounts directly received by the Group are deducted against related borrowing costs.

(27) Dividend distribution

Cash dividends are recognised as liabilities in the period in which the dividends are approved by the shareholders' meeting.

(28) Leases

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. An operating lease is a lease other than a finance lease.

(a) Operating leases

Lease payments under an operating lease are recognised on a straight-line basis over the period of the lease, and are either capitalised as part of the cost of related assets, or charged as an expense for the current period.

Lease income under an operating lease is recognised on a straight-line basis over the period of the lease.

For the rental exemptions directly due to COVID-19 and being granted before 30 June 2021 only, the Group applies the practical expedient and records the exemption amount in profit or loss in the exemption period.

(b) Finance leases (as the lessee)

The leased asset is recognised at the lower of the fair value of the leased asset and the present value of the minimum lease payments. The difference between the recorded amount of the leased asset and the minimum lease payments is accounted for as unrecognised finance charge and is amortised using the effective interest method over the period of the lease. A long-term payable is recorded at the amount equal to the minimum lease payments less the unrecognised finance charge.

(c) Finance leases (as the lessor)

At the commencement date of the lease term, lease finance receivables are accounted at the sum of the minimum lease proceeds and the initial direct cost on the lease commencement date; unrealised finance gains are recognised at the difference between the sum of the minimum lease proceeds and the initial direct cost and its present value. Finance lease income is recognised using the effective interest method over the lease term.

(29) Segment information

The Group identifies operating segments based on the internal organisation structure, management requirements and internal reporting system, and discloses segment information of reportable segments which is determined on the basis of operating segments.

An operating segment is a component of the Group that satisfies all of the following conditions: (1) the component is able to earn revenue and incur expenses from its ordinary activities; (2) whose operating results are regularly reviewed by the Group's management to make decisions about resources to be allocated to the segment and to assess its performance, and (3) for which the information on financial position, operating results and cash flows is available to the Group. If two or more operating segments have similar economic characteristics and satisfy certain conditions, they are aggregated into one single operating segment.

(30) Critical accounting estimates and judgements

The Group continually evaluates the critical accounting estimates and key judgements applied based on historical experience and other factors, including expectations of future events that are believed to be reasonable.

(a) Critical accounting estimates and key assumptions**(i) Measurement of expected credit losses**

For financial assets and contract assets at amortised cost, the Group calculates expected credit losses based on exposure at default and expected credit loss rates. When determining expected credit loss rates, the Group refers to internal historical information, such as credit losses, and evaluates its impact on historic credit loss experience according to current situation and forward-looking information, and management takes the customer's credit status, credit history, operating status as well as collaterals and the guarantee ability of the guarantor into consideration. The Group monitors and reviews relevant assumptions about expected credit losses regularly. Where there is a difference between the actual bad debts and the original estimate, such difference will affect the Group's provision for bad debts of the above assets in the future period.

(ii) *Risk of impairment on long-term assets other than goodwill*

As described in Note 2(19), fixed assets with impairment indication, construction in progress, intangible assets, investment properties measured using cost model, long-term equity investments and other long-term assets are tested for impairment annually at the end of each year.

When assessing whether the above assets are impaired, management mainly evaluates and analyses: (1) whether events affecting asset impairment occurred; (2) whether the present value of expected cash flows arising from the continuing use or disposal of the asset is lower than its carrying amount; and (3) whether the significant assumptions used in the calculation of the present value of the estimated cash flows are appropriate.

Relevant assumptions adopted by the Group to determine impairment, e.g. changes in assumptions on discount rate and growth rate used to calculate the present value of future cash flows, may have material impact on the present value used in the impairment test, and cause impairment in the above-mentioned long-term assets of the Group.

(iii) *Provision for impairment of goodwill*

The Group performed impairment assessment of goodwill at each balance sheet date. The recoverable amounts of asset groups and sets of asset groups that include goodwill have been determined by the higher of the fair value less costs of disposal and the present value of the future cash flows expected to be derived from the assets. These calculations require estimations and judgements. When the estimated recoverable amount is marginal, goodwill might suffer impairment. The details of the key assumptions applied by management please refer to Note 4(21).

(iv) *Determination of fair value of financial instruments by valuation techniques*

The fair value of a financial instrument that is not traded in an active market is determined by valuation techniques. Valuation techniques primarily refer to direct comparison method and income method, including reference to the prices used in recent orderly transactions between market participants, reference to the current fair value of other financial instruments that are substantially identical, discounted cash flow analysis, option pricing models, etc. Observable market information is applied in valuation techniques to the extent possible. When observable market information is not available, management will make estimate of significant unobservable information included in the valuation method. Different valuation techniques or inputs may lead to significant differences between fair value estimates.

(v) *Recognition of deferred tax assets*

Deferred tax assets are recognised for the deductible tax losses and deductible temporary differences that can be carried forward to subsequent years to the extent that it is probable that taxable profit in the future will be available against which the deductible tax losses and deductible temporary differences can be utilised. Whether to recognise the deferred tax assets arising from deductible tax losses and deductible temporary differences largely depends on the judgement of management on: (i) whether the accumulated deductible tax losses and deductible temporary differences in prior years are still effective, and (ii) whether sufficient taxable income that can be used to deduct deductible tax losses and deductible temporary differences can be obtained in the future period. Where there is a difference between the situation and the original estimate, such difference will affect the Group's deferred tax assets and income tax expenses in the future period.

(b) *Critical judgements in applying the accounting policies*

(i) *Judgement on significant influence of the Group over investees*

The investees over which the Group has significant influence are accounted for under the equity method. In judging the significant influence over an investee, management considers based on one or more of the following circumstances and all facts and circumstances: (1) the shareholding in the investee; (2) whether it appoints representative in the Board of Directors or a similar authority of the investee; (3) whether it participates in making decisions on financial and operating policies of the investee; (4) whether it has significant transaction with the investee; (5) whether it assigns management personnel to the investee; (6) whether it provides key technical materials to the investee, and all facts and circumstances are considered.

(ii) Determination of the scope of consolidation

As stated in Note 2(6), the Group consolidates a subsidiary from the date of obtaining actual control, and excludes it out of the scope of consolidation from the date of losing the actual control. Control exists when the Group has all three of the following elements: (1) the investor possesses power over the investee; (2) has exposure to variable returns from its involvement with the investee's related activities; and (3) the ability to use the power over the investee to affect the returns.

When assessing whether it has powers over the asset-backed special scheme ("Special Scheme") entity, the Group mainly considers the following aspects: (1) related activities of the Special Scheme and ways to make decisions on such activities; (2) the scope of decision-making authority of the Group, including the proportion of the equity-grade securities it held, the right to carry out daily operation management of the logistics industrial parks under entrustment and certain other rights entitled to and other obligations undertaken by the Group to the Special Scheme; and (3) other parties' substantive rights.

When assessing the entitlements to variable returns in virtue of participation in related activities of the Special Scheme, the Group mainly considers the return level for the Group and the risks borne by the Group, including return on its investment in equity-grade securities and compensation and commitment for property operation management service provided.

Where variations in relevant facts and circumstances cause a change of these factors, a reassessment will be made.

(31) Significant changes in accounting policies

The Ministry of Finance released the revised *CAS 14 – Revenue* ("new revenue standard") in 2017, the *Circular on Accounting Regulations of Rental Waivers Against COVID-19* (Cai Kuai [2020] No. 10) in 2020 and the *Q&A on the Implementation of Accounting Standards for Business Enterprises* (issued on 11 December 2020). The financial statements for the year ended 31 December 2020 are prepared in accordance with the above standard, circular and Q&A, and impacts on the Group and the Company's financial statements are as follows:

(a) Revenue

In accordance with relevant provisions of the new revenue standard, the Group and the Company recognised the cumulative effect of initially applying the standard as an adjustment to the opening balance of retained earnings and other relevant line items in the financial statements at the beginning of 2020. The comparatives for the year ended 31 December 2019 were not restated.

The contents and reasons of the changes in accounting policies	The line items affected	The amounts affected 1 January 2020	
		Consolidated	Company
Due to the implementation of the new revenue standard, the Group changed the revenue recognition of rendering of part of services from at a point in time to over time based on the progress of the service performed, and recognised contract assets and accounts payable, with an adjustment to the opening balance of retained earnings accordingly.	Contract assets	281,523,856.59	–
	Accounts payable	238,563,316.07	–
	Taxes payable	10,740,135.13	–
	Retained earnings	32,220,405.39	–
Due to the implementation of the new revenue standard, the Group reclassified the advances from customers relevant to service provision to contract liabilities.	Contract liabilities	647,619,339.93	–
	Advances from customers	(647,619,339.93)	–

Compared with the original revenue standard, the impact of the implementation of the new revenue standard on related items of the financial statements for the year ended 31 December 2020 is as follows:

Balance sheet items affected	The amounts affected 31 December 2020	
	Consolidated	Company
Contract assets – Cost	401,040,381.85	–
Contract assets – Provision for impairment	(2,005,201.91)	–
Deferred tax assets	501,300.48	–
Accounts payable	339,805,764.62	–

Balance sheet items affected	The amounts affected 31 December 2020	
	Consolidated	Company
Contract liabilities	1,539,264,096.14	–
Advances from customers	(1,631,619,941.91)	–
Other current liabilities	92,355,845.77	–
Taxes payable	15,308,654.31	–
Retained earnings	44,422,061.49	–
Income statement items affected	The amounts affected For the year ended 31 December 2020	
	Consolidated	Company
Revenue	119,516,525.26	–
Cost of revenue	(101,242,448.55)	–
Asset impairment losses	(2,005,201.91)	–
Income tax expenses	(4,067,218.70)	–

(b) Accounting treatment of rental waivers against COVID-19

For the rental waivers as a result of COVID-19, agreed with lessees and lessors respectively and for the period ended 30 June 2021 only, the Group and the Company have applied the practical expedient in the above circular for the preparation of the financial statements for the year ended 31 December 2020; and the circular exerts no significant impacts on the Group and the Company's financial statements.

3 TAXATION

The main categories and rates of taxes applicable to the Group are set out below:

Category	Tax rate	Tax base
Enterprise income tax	Note (1)	Taxable income
Value-added tax ("VAT")	Note (2)	Taxable value-added amount (Tax payable is calculated using the taxable sales amount/taxable service income multiplied by the applicable tax rate less deductible VAT input of the current period or taxable turnover amount multiplied by the VAT rate)
City maintenance and construction tax	7%, 5%, 1%	Amount of VAT paid
Educational surcharge	3%	Amount of VAT paid
Local educational surcharge	2%	Amount of VAT paid
Customs duty	At applicable tax rate	Customs dutiable value through examination and approval of the Customs

In addition, pursuant to the *Interim Measures for the Collection, Use and Management of the Civil Aviation Development Fund* (Cai Zong [2012] No. 17) issued by the Ministry of Finance, SF Airlines Company Limited ("SF Airlines") pays the civil aviation development fund based on classification of flight routes, maximum take-off weight, flight mileage and applicable collection standards, and includes such payment in cost.

Pursuant to the *Announcement on the Exemption of Certain Administrative Fees and Government-managed Funds During the Prevention and Control of the Outbreak of Novel Coronavirus Pneumonia (COVID-19)* (Announcement [2020] No. 11) jointly issued by the Ministry of Finance and the National Development and Reform Commission on 6 February 2020, and the *Announcement on the Implementation Period of the Tax and Fee Policies Supporting the Prevention and Control of the COVID-19 Outbreak, the Guarantee of Supply during the COVID-19 Outbreak and Other Matters* (Announcement [2020] No. 28) jointly issued by the Ministry of Finance and the State Taxation Administration on 15 May 2020, the Group shall be exempted from the above civil aviation development funds from 1 January 2020 to 31 December 2020.

(1) Enterprise income tax

Pursuant to the *Announcement on Implementation of the Policy of Deduction of Relevant Enterprise Income Tax for Equipment and Appliance* (Cai Shui [2018] No. 54) and related regulations issued by the State Taxation Administration, for equipment newly purchased from 1 January 2018 to 31 December 2020 and with a unit value of less than RMB5 million, the one-time period cost can be deducted against the taxable income in the following month after the asset is put into use, instead of being deducted annually in its useful life.

Besides, the preferential enterprise income tax policies to which the Group is entitled mainly include:

- (a) Pursuant to the *Notice on the Policies and Catalogue of Income Tax Preferences for Enterprises in Guangdong Hengqin New Area, Fujian Pingtan Comprehensive Experimental Zone, and Shenzhen Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperative Zone* (Cai Shui [2014] No. 26) jointly issued by the Ministry of Finance and the State Taxation Administration, the Group's subsidiaries as below are subject to enterprise income tax at the preferential rate of 15% from 2014 to 2020.

Name of subsidiary	Local statutory tax rate	Preferential tax rate
Guangdong S.F. E-commerce Co., Ltd.	25%	15%
Shenzhen S.F. Supply Chain Co., Ltd.	25%	15%
Shenzhen S.F. International Logistics Co., Ltd.	25%	15%
Shenzhen S.F. Information Service Technology Co., Ltd.	25%	15%

- (b) Pursuant to the *Notice on Tax Policy Issues Concerning Further Implementing the Western China Development Strategy* (Cai Shui [2011] No. 58) and the *Notice on Issues Concerning the Implementation of the Tax Policies for the Development of Western China by Ganzhou City* (Cai Shui [2013] No. 4) jointly issued by the Ministry of Finance, the General Administration of Customs and the State Taxation Administration, and the *Announcement on Continuing the Enterprise Income Tax Policies for the Development of Western China* (Announcement [2020] No. 23) jointly issued by the Ministry of Finance, the State Taxation Administration and the National Development and Reform Commission on 23 April 2020, the Group's subsidiaries as below are subject to enterprise income tax at the preferential rate of 15% until the end of 2030:

Name of subsidiary	Local statutory tax rate	Preferential tax rate
Xi'an Shunlu Logistics Co., Ltd.	25%	15%
Chengdu Taishun Logistics Co., Ltd.	25%	15%
Chongqing Huiyifeng Logistics Co., Ltd.	25%	15%
S.F. Express (Chongqing) Co., Ltd.	25%	15%
Guizhou S.F. Express Co., Ltd.	25%	15%
Yunnan S.F. Express Co., Ltd.	25%	15%
Sichuan S.F. Express Co., Ltd.	25%	15%
Ganzhou S.F. Express Co., Ltd.	25%	15%
Xi'an S.F. Express Co., Ltd.	25%	15%
Guangxi S.F. Express Co., Ltd.	25%	15%
S.F. Express (Ningxia) Co., Ltd.	25%	15%
Inner Mongolia S.F. Express Co., Ltd.	25%	15%
Xinjiang S.F. Express Co., Ltd.	25%	15%
Qinghai S.F. Express Co., Ltd.	25%	15%
Lanzhou S.F. Express Co., Ltd.	25%	15%
Yunnan Shunhe Freight Co., Ltd.	25%	15%
Qinghai S.F. Juyi Supply Chain Management Co., Ltd.	25%	15%
Gansu Shunhefeng Freight Co., Ltd.	25%	15%
Sichuan Wu Lian Yi Da Technology Co., Ltd.	25%	15%
Chongqing Xuefeng Refrigerates Logistics Co., Ltd.	25%	15%
Ningxia S.F. Freight Co., Ltd.	25%	15%

- (c) Pursuant to the *Notice on Tax Policy Issues Concerning Further Implementing the Western China Development Strategy* (Cai Shui [2011] No. 58) jointly issued by the Ministry of Finance, the General Administration of Customs and the State Taxation Administration, and the *Announcement on Continuing the Enterprise Income Tax Policies for the Development of Western China* (Announcement [2020] No. 23) jointly issued by the Ministry of Finance, the State Taxation Administration and the National Development and Reform Commission on 23 April 2020, the Group's subsidiaries, which are registered in Tibet Autonomous Region, are subject to enterprise income tax at the preferential rate of 15% as stipulated in the Western China Development Strategy from 1 January 2011 to 31 December 2030. Pursuant to the *Notice of the People's Government of the Tibet Autonomous Region on Issuing the Regulations on Preferential Policies for Investment Promotion of the Tibet Autonomous Region (Provisional)* (Zang Zheng Fa [2018] No. 25), the Group's subsidiaries, which are registered in Tibet Autonomous Region are temporarily exempt from the region's share of entitlement to enterprise income tax payable from 1 January 2018 to 31 December 2021. In other words, the region's share of entitlement to 40% in the enterprise income tax payable at the rate of 15% is exempted during the above period.

Name of subsidiary	Local statutory tax rate	Preferential tax rate
Tibet S.F. Express Co., Ltd.	25%	9%

- (d) In accordance with Article 2 of the *Notice on Implementing the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises* (Cai Shui [2019] No. 13) jointly issued by the Ministry of Finance and the State Taxation Administration, the portion of annual taxable income of the Group's subsidiaries not exceeding RMB1 million is recognised at 25%; the portion of annual taxable income of the Group's subsidiaries exceeding RMB1 million but not exceeding RMB3 million is recognised at 50%, and they are subject to enterprise income tax at the rate of 20%:

Name of subsidiary	Local statutory tax rate	Preferential tax rate
Ningbo Shuncheng Logistics Co., Ltd.	25%	20%
Guizhou Shunlu Logistics Co., Ltd.	25%	20%
Ezhou Shunlu Logistics Co., Ltd.	25%	20%
Zhengzhou Shuncheng Logistics Co., Ltd.	25%	20%
Shenzhen S.F. Research Institution Co., Ltd.	25%	20%
Shanghai Chengbai Technology Co., Ltd.	25%	20%
Shenyang Fengtai E-Commerce Industrial Park Management Co., Ltd.	25%	20%
Xuzhou Fengtai Industrial Park Management Co., Ltd.	25%	20%
Ezhou Fengtai Qisheng Logistics Development Co., Ltd.	25%	20%
Ezhou Fengyutai Helin Logistics Development Co., Ltd.	25%	20%
Ganzhou Fengtai Industrial Park Management Co., Ltd.	25%	20%
Yangzhou Fengyutai Enterprise Management Co., Ltd.	25%	20%
Shanghai Fengtai Yuanxing Property Management Service Co., Ltd.	25%	20%
Shenzhen Fengtai E-Commerce Industrial Park Property Service Co., Ltd.	25%	20%
Taizhou Fengtai E-Commerce Industrial Park Operation and Management Co., Ltd.	25%	20%
Taixing Fengtai Industrial Park Operation and Management Co., Ltd.	25%	20%
Wuxi Jietai Enterprise Management Co., Ltd.	25%	20%
Huai'an Fengtai Enterprise Management Co., Ltd.	25%	20%
Quanzhou Fengyutai Enterprise Management Co., Ltd.	25%	20%
Hefei Jietai Enterprise Management Co., Ltd.	25%	20%
Beijing Fengyutai Operations and Management Co., Ltd.	25%	20%
Shenzhen Shunfeng Runtai Management Consulting Co., Ltd.	25%	20%
Guangxi Shunnongfengwei Technology Co., Ltd.	25%	20%
Caihuilian Technology (Shenzhen) Co., Ltd.	25%	20%
Dongguan Jiada Express Service Co., Ltd.	25%	20%
Shenzhen Xuefeng Cold Chain Logistics Co., Ltd.	25%	20%
Changsha Xueyuan Cold Chain Logistics Co., Ltd.	25%	20%
Shanghai S.F. Cold Chain Co., Ltd.	25%	20%
Shanghai Taigenrun Enterprise Management Co., Ltd.	25%	20%
Dongguan Fengtai Enterprise Management Co., Ltd.	25%	20%
Beijing Fengjietai Enterprise Management Co., Ltd.	25%	20%

Name of subsidiary	Local statutory tax rate	Preferential tax rate
Dalian Fengtai Industrial Park Operation and Management Co., Ltd.	25%	20%
Liuzhou Fengyutai Industrial Park Management Co., Ltd.	25%	20%
Jinan Fengtai Industrial Park Management Co., Ltd.	25%	20%
Weifang Fengtai Industrial Park Management Co., Ltd.	25%	20%
Exel Supply Chain (Xiamen) Co., Ltd.	25%	20%
Shanxi S.F. Zhida Supply Chain Management Co., Ltd.	25%	20%

- (e) Pursuant to the *Notice on Enterprise Income Tax Policies for Further Encouraging the Development of Software and Integrated Circuit Industries* (Cai Shui [2012] No. 27) jointly issued by the Ministry of Finance and the State Taxation Administration, the *Notice on the Issues of the Policies of Enterprise Income Tax Preferences for Software and Integrated Circuit Industries* (Cai Shui [2016] No. 49) jointly issued by the Ministry of Finance, the State Taxation Administration, National Development and Reform Commission and the Ministry of Industry and Information Technology, and the *Announcement on Issuing the Revised Measures for the Matters Concerning Preferential Enterprise Income Tax Policies* (Announcement [2018] No. 23) issued by the State Taxation Administration, and through filing with Shenzhen Nanshan District Taxation Bureau, the Group's subsidiary below is subject to enterprise income tax at the preferential rate of 10% from 1 January 2017 as a key software enterprise under the national planning and layout:

Name of subsidiary	Local statutory tax rate	Preferential tax rate
SF Technology Co., Ltd. ("SF Technology")	25%	10%

- (f) As per Article 28 of the *Enterprise Income Tax Law of the People's Republic of China*, the high and new technology enterprises eligible for key support from the State are entitled to a reduced tax rate of 15%. Through filing with local taxation bureaus, the Group's subsidiaries as below are qualified as high and new technology enterprises, and entitled to the preferential tax rates for high and new technology enterprises eligible for key support from the State. The subsidiaries as below are subject to a tax rate of 15% in the reporting period.

Name of subsidiary	Local statutory tax rate	Preferential tax rate
S.F. Hengtong Pay Co., Ltd.	25%	15%
Beijing S.F. Intra-city Technology Co., Ltd.	25%	15%
Shenzhen Fengyi Technology Co., Ltd.	25%	15%
Fengtuo Technology (Shenzhen) Co., Ltd.	25%	15%

- (g) Pursuant to the *Notice on the Policies of Income Tax Preferences for Enterprises in Hainan Free Trade Port* (Cai Shui [2020] No. 31) jointly issued by the Ministry of Finance and the State Taxation Administration, the Group's subsidiaries, which are registered in Hainan Free Trade Port, are subject to enterprise income tax at the preferential rate of 15% from 1 January 2020 to 31 December 2024.

Name of subsidiary	Local statutory tax rate	Preferential tax rate
Hainan S.F. Express Co., Ltd.	25%	15%
Hainan SF Freight Co., Ltd.	25%	15%

In addition, the Group's subsidiaries located in Hong Kong, Macao, Singapore, Japan, Korea and USA are subject to enterprise income tax at the rates of 16.5%, 12%, 17%, 23.2%, 22% and 21% respectively in the reporting period.

In addition to the above subsidiaries, the Company and the Group's other major subsidiaries are subject to enterprise income tax at the rate of 25%.

(2) VAT

According to different businesses, VAT rates applicable to the Group include:

Business type	Applicable VAT rates
Sales of goods and leasing (i)	16% (before 1 April 2019), 13% (since 1 April 2019)
Transportation service (i) (ii) (iii)	10% (before 1 April 2019), 9% (since 1 April 2019)
Logistics supporting service (ii) (iii) (iv)	6% 3% (applicable to small-scale taxpayers before 1 March 2020) 1% (applicable to small-scale taxpayers excluding those of Hubei Province from 1 March to 31 December 2020), 0% (applicable to small-scale taxpayers of Hubei Province from 1 March to 31 December 2020)
Research and development and technical service	6%
Information technology service	6%
Property leases (i)	10% (before 1 April 2019), 9% (since 1 April 2019)

- (i) Pursuant to the *Announcement on Policies for Deepening the Value-Added Tax Reform* (Cai Shui [2019] No. 39), the VAT taxable sales or goods import, which were subject to the tax rates of 16% and 10%, are subject to 13% and 9% respectively upon adjustment. The aforesaid circular has been effective since 1 April 2019.
- (ii) Pursuant to the *Announcement on Policies for Deepening the Value-Added Tax Reform* (Cai Shui [2019] No. 39) and the *Announcement on Clarifying the Additional Value-Added Tax Credit Policy for the Life Service Industry* (Cai Shui [2019] No. 87), from 1 April 2019 to 31 December 2021, taxpayers whose sales amount from providing postal service, telecommunication service, modern service and life services accounts for more than 50% of the total sales amount are allowed to credit the amount of input tax deductible in the current period plus 10% thereof against the amount of taxes payable; from 1 October 2019 to 31 December 2021, taxpayers whose sales amount from providing life services accounts for more than 50% of the total sales amount are allowed to credit the amount of input tax deductible in the current period plus 15% thereof against the amount of taxes payable.
- (iii) In accordance with the *Announcement on Relevant Tax Policies Supporting the Prevention and Control of the Outbreak of Novel Coronavirus Pneumonia (COVID-19)* (Announcement [2020] No. 8) and the *Announcement on the Implementation Period of the Tax and Fee Policies Supporting the Prevention and Control of the COVID-19 Outbreak, the Guarantee of Supply During the COVID-19 Outbreak and Other Matters* (Announcement [2020] No. 28) jointly issued by the Ministry of Finance and the State Taxation Administration on 6 February 2020 and 15 May 2020 respectively, from 1 January 2020 to 31 December 2020, taxpayers' revenue from transportation of key supporting materials for epidemic prevention and control, provision of public transportation services, living services as well as the express delivery service of essential living materials for residents will be exempted from VAT, city maintenance and construction tax, educational surcharge and local educational surcharge.
- (iv) Pursuant to the *Announcement on the Value-Added Tax Policies on Supporting the Resumption of Work and Business of Individual Industrial and Commercial Households* (Announcement [2020] No. 13) and the *Announcement on Extending the Applicable Period of the Policies for Reduction and Exemption of Value-added Tax on Small-scale Taxpayers* (Announcement [2020] No. 24) jointly issued by the Ministry of Finance and the State Taxation Administration on 28 February 2020 and 30 April 2020 respectively, from 1 March to 31 December 2020, taxable sales revenue of small-scale taxpayers of Hubei Province subject to VAT at the rate of 3% before shall be exempted from VAT; while the prepaid VAT items subject to the prepaid collection rate of 3% before shall be suspended for the prepayment of VAT. Taxable sales revenue of small-scale taxpayers in other provinces, autonomous regions and municipalities directly under the central government excluding Hubei Province subject to VAT at the rate of 3% before shall be subject to VAT at the preferential rate of 1%; while the prepaid VAT items in such regions subject to the prepaid collection rate of 3% before shall be subject to prepaid VAT at the preferential rate of 1%.

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(1) Cash at bank and on hand

	31 December 2020	31 December 2019
Cash on hand	78,882.36	188,281.28
Cash at bank	15,197,052,949.11	17,654,474,529.50
Balances with central bank from Group Finance Company	1,066,630,262.57	792,594,922.81
Including: Balances with central bank		
– statutory reserve (a)	1,001,338,112.80	785,012,298.46
Balances with central bank		
– excess reserve (b)	65,292,149.77	7,582,624.35
Other cash balances (c)	126,993,032.50	51,599,389.56
Accrued interest	27,136,580.65	22,134,613.95
	<u>16,417,891,707.19</u>	<u>18,520,991,737.10</u>
Including: Total overseas deposits	<u>1,478,584,839.35</u>	<u>967,339,663.84</u>

- (a) On 18 September 2016, the Group incorporated S.F. Holding Group Finance Co., Ltd. (“Group Finance Company”). Statutory reserve of Group Finance Company deposited with the central bank represents required statutory reserve paid by financial enterprises in the People’s Bank of China (“PBOC”) at 6% of deposits from customers denominated in RMB. Statutory reserve deposits are not available for use by the Group in its day to day operations, which are restricted cash.
- (b) Surplus reserve of Group Finance Company deposited with the central bank represents the excess over the required statutory reserve paid by financial institutions in the central bank, and it is bank deposit that can be readily drawn on demand.
- (c) As at 31 December 2019, RMB30,000,000.00 of the other cash balances represented guarantees for bank acceptance notes and was restricted.

(2) Placements with and loans to banks and other financial institutions

As at 31 December 2019, placements with and loans to banks and other financial institutions came from the Group Finance Company, a subsidiary of the Group.

	31 December 2020	31 December 2019
Placements with domestic banks	–	200,000,000.00
Accrued interest	–	728,611.11
Less: Provision for impairment loss	–	–
	<u>–</u>	<u>200,728,611.11</u>

(3) Financial assets held for trading

	31 December 2020	31 December 2019
Structural deposits	6,276,847,839.67	2,909,852,581.06
Others	74,830.02	320,347.14
	<u>6,276,922,669.69</u>	<u>2,910,172,928.20</u>

(4) Accounts receivable

	31 December 2020	31 December 2019
Accounts receivable	17,076,916,966.24	12,170,272,296.49
Less: Provision for bad debts	<u>(227,852,715.45)</u>	<u>(125,729,570.66)</u>
	<u>16,849,064,250.79</u>	<u>12,044,542,725.83</u>

The Group adopts regular settlement method for logistic services provided to some customers. At each month-end, the outstanding part becomes accounts receivable.

(a) The ageing of accounts receivable is analysed as follows:

	31 December 2020	31 December 2019
Within 1 year (inclusive)	16,941,299,144.73	12,064,412,162.95
1 to 2 years (inclusive)	102,274,081.92	82,722,342.92
Over 2 years	<u>33,343,739.59</u>	<u>23,137,790.62</u>
	<u>17,076,916,966.24</u>	<u>12,170,272,296.49</u>

(b) As at 31 December 2020, the five largest accounts receivable aggregated by debtor were summarised and analysed as follows:

	31 December 2020	
	Amount	Amount of provision for bad debts
		% of total balance
Sum of the five largest accounts receivable	<u>2,366,200,543.68</u>	<u>(11,831,002.72)</u> 13.86%

(c) Provision for bad debts

For accounts receivable, the Group recognises the lifetime expected credit loss provision.

As at 31 December 2020, accounts receivable for which the related provision for bad debts was provided on the individual basis were analysed as follows:

	Ending balance	Lifetime expected credit loss rate	Provision for bad debts	Reason
Receivables from related parties	–	–	–	
Receivables from non-related parties	130,646,629.92	100.00%	(130,646,629.92)	The debtor encountered financial distress, etc.
	<u>130,646,629.92</u>		<u>(130,646,629.92)</u>	

As at 31 December 2019, accounts receivable for which the related provision for bad debts was provided on the individual basis were analysed as follows:

	Ending balance	Lifetime expected credit loss rate	Provision for bad debts	Reason
Receivables from related parties	–	–	–	
Receivables from non-related parties	56,740,345.11	100.00%	(56,740,345.11)	The debtor encountered financial distress, etc.
	<u>56,740,345.11</u>		<u>(56,740,345.11)</u>	

As at 31 December 2020, accounts receivable for which the related provision for bad debts was provided on the grouping basis were analysed as follows:

	Ending balance	31 December 2020 Provision for bad debts	
	Amount	Lifetime expected credit loss rate	Amount
Related party grouping	292,870,255.13	–	–
Non-related party grouping	16,653,400,081.19	0.58%	(97,206,085.53)
	<u>16,946,270,336.32</u>		<u>(97,206,085.53)</u>

As at 31 December 2019, accounts receivable for which the related provision for bad debts was provided on the grouping basis were analysed as follows:

	Ending balance	31 December 2019 Provision for bad debts	
	Amount	Lifetime expected credit loss rate	Amount
Related party grouping	231,430,940.86	–	–
Non-related party grouping	11,882,101,010.52	0.58%	(68,989,225.55)
	<u>12,113,531,951.38</u>		<u>(68,989,225.55)</u>

(d) In 2020, the Group's provision for bad debts amounted to RMB218,487,810.06 (2019: RMB142,227,367.20), and there was no provision for bad debts reversed (Note 4(24)).

(e) For the year ended 31 December 2020, the provision for bad debts of accounts receivable that was written off amounted to RMB116,334,085.59 (Note 4(24)) and no accounts receivable with amounts that were individually significant were written off.

(5) Advances to suppliers

(a) The ageing of advances to suppliers was analysed below:

Ageing	31 December 2020		31 December 2019	
	Amount	% of total balance	Amount	% of total balance
Within 1 year (inclusive)	2,985,169,213.54	93.97%	2,595,294,276.41	97.78%
1 to 2 years (inclusive)	165,666,219.04	5.22%	31,784,063.41	1.20%
Over 2 years	25,683,494.41	0.81%	27,166,624.43	1.02%
	<u>3,176,518,926.99</u>	<u>100.00%</u>	<u>2,654,244,964.25</u>	<u>100.00%</u>

As at 31 December 2020, advances to suppliers with ageing over one year were mainly prepaid property rents, materials, transportation expenses, etc. That is because relevant business transactions were still being performed.

(b) As at 31 December 2020, the amount of top five advances to suppliers was analysed as follows:

	31 December 2020	
	Amount	% of total balance
Sum of the five largest advances to suppliers	<u>397,555,889.94</u>	<u>12.52%</u>

(6) Factoring receivables

As at 31 December 2020 and 31 December 2019, factoring receivables were from Shenzhen Shuncheng Lefeng Factoring Co., Ltd. ("Lefeng Factoring"), a subsidiary of the Group, for provision of factoring business to external parties.

	31 December 2020	31 December 2019
Factoring receivables	124,396,330.79	127,216,839.72
Less: Provision for bad debts	<u>(124,086,398.51)</u>	<u>(74,519,671.86)</u>
	<u>309,932.28</u>	<u>52,697,167.86</u>

(a) Factoring receivables are disclosed by category as follows:

	31 December 2020			
	Amount	Proportion	Provision for bad debts	Net amount
Factoring with recourse	<u>124,396,330.79</u>	<u>100.00%</u>	<u>(124,086,398.51)</u>	<u>309,932.28</u>

	31 December 2019			
	Amount	Proportion	Provision for bad debts	Net amount
Factoring with recourse	<u>127,216,839.72</u>	<u>100.00%</u>	<u>(74,519,671.86)</u>	<u>52,697,167.86</u>

(b) Overdue factoring receivables are presented by past-due ageing as follows:

	31 December 2020				
	Within 1 month	1 to 6 months	6 months to 1 year	Over 1 year (inclusive)	Total
Factoring receivables	–	–	476,489.89	123,919,840.90	124,396,330.79
Less: Provision for bad debts	<u>–</u>	<u>–</u>	<u>(166,557.61)</u>	<u>(123,919,840.90)</u>	<u>(124,086,398.51)</u>
	<u>–</u>	<u>–</u>	<u>309,932.28</u>	<u>–</u>	<u>309,932.28</u>

	31 December 2019				Total
	Within 1 month	1 to 6 months	6 months to 1 year	Over 1 year (inclusive)	
Factoring receivables	–	19,221.36	1,190,999.41	122,709,620.13	123,919,840.90
Less: Provision for bad debts	–	(6,608.30)	(895,670.51)	(73,617,393.05)	(74,519,671.86)
	–	12,613.06	295,328.90	49,092,227.08	49,400,169.04

As at 31 December 2020, the book balance of the Group's third-stage factoring receivables was RMB123,919,840.90, and bad debts have been fully accrued.

- (c) For the year ended 31 December 2020, the Group's provision for bad debts amounted to RMB49,566,726.65, and there was no provision for bad debts reversed or written-off (Note 4(24)).
- (d) As at 31 December 2020, the Group's factoring receivables for which the provision for bad debts was provided on the individual basis amounted to RMB123,919,840.90, of which the provision for bad debts amounted to RMB123,919,840.90.

(7) Loans and advances

As at 31 December 2020, the balance of loans and advances was formed by the external loans issued by S.F. Finance (Hong Kong) Limited ("S.F. Finance"), a subsidiary of the Group in Hong Kong, and Group Finance Company; as at 31 December 2019, the balance of loans and advances was formed by the external loans issued by S.F. Finance.

(a) Loans and advances by individual and enterprise

	31 December 2020	31 December 2019
Personal loans	74,684.98	111,590.41
Enterprise loans		
Non-related party loans	92,660,902.41	96,849,628.97
Related party loans (Note 8(4)(c))	63,938,698.94	–
Loans and advances – total	156,674,286.33	96,961,219.38
Less: Provision for loan losses	(95,756,387.15)	(15,219,113.18)
Loans and advances – net	60,917,899.18	81,742,106.20

(b) Loans and advances analysed by type of collateral

	31 December 2020	31 December 2019
Credit loans	149,699,752.35	89,672,228.97
Guaranteed loans	6,974,533.98	7,288,990.41
Loans and advances – total	156,674,286.33	96,961,219.38

- (c) Overdue loans are presented by pass-due ageing as follows:

	31 December 2020				Total
	Within 3 months	3 months to 1 year	1 to 3 years	Over 3 years	
Credit loans	1,380,133.04	6,634,930.14	5,292,970.93	–	13,308,034.11

	31 December 2019				Total
	Within 3 months	3 months to 1 year	1 to 3 years	Over 3 years	
Credit loans	<u>1,680,290.35</u>	<u>3,264,446.60</u>	<u>591,181.80</u>	<u>–</u>	<u>5,535,918.75</u>

As at 31 December 2020, the book balance of the Group's third-stage loan is RMB94,197,354.49, and bad debts have been fully accrued.

(d) In 2020, the Group's provision for bad debts amounted to RMB88,209,290.56 (2019: RMB4,060,387.27), and there was no provision for bad debts reversed (Note 4(24)).

(e) As at 31 December 2020, the Group's loans and advances for which the provision for bad debts was provided on the individual basis amounted to RMB94,197,354.49 (31 December 2019: RMB21,218,553.90), of which the provision for bad debts amounted to RMB94,197,354.49 (31 December 2019: RMB14,459,712.52).

(8) Other receivables

	31 December 2020	31 December 2019
Current accounts receivable from related parties (Note 8(4)(d))	325,199,649.05	294,204,283.58
Guarantees and deposits	844,765,330.84	680,953,317.24
Cash on delivery service	504,889,025.07	284,688,435.91
Receivables from equity transfer and capital reductions	207,603,864.00	156,997,540.37
Airlines subsidy and financial rebate	202,548,660.91	148,867,767.85
Tax collected by others	118,849,744.78	143,431,840.62
Employee borrowings and advances	76,333,587.99	145,969,805.47
Entrusted loan principal receivable	27,000,000.00	27,000,000.00
Social insurance premium prepaid	18,053,631.18	21,044,410.69
Others	296,137,075.61	226,255,553.81
	<u>2,621,380,569.43</u>	<u>2,129,412,955.54</u>
Less: Provision for bad debts	<u>(127,816,168.32)</u>	<u>(27,205,716.14)</u>
	<u>2,493,564,401.11</u>	<u>2,102,207,239.40</u>

(a) The ageing of other receivables based on the point of occurrence is analysed as follows:

	31 December 2020	31 December 2019
Within 1 year (inclusive)	2,001,897,653.15	1,709,844,656.77
1 to 2 years (inclusive)	333,174,159.82	187,996,839.38
Over 2 years	286,308,756.46	231,571,459.39
	<u>2,621,380,569.43</u>	<u>2,129,412,955.54</u>

As at 31 December 2020, other receivables with ageing over 1 year mainly represented guarantees, deposits and receivables from equity transfer.

(b) Provision for losses and changes in book balance statements

- (i) The Group measures the loss provision for other receivables based on the expected credit losses for the next twelve months or the entire duration.

	Stage 1 Expected credit losses in the following 12 months (Portfolio)		Stage 3 Lifetime expected credit losses (credit impaired)		Total Provision for bad debts
	Ending balance	Provision for bad debts	Ending balance	Provision for bad debts	
31 December 2019	2,102,161,329.94	(10,754,090.54)	27,251,625.60	(16,451,625.60)	(27,205,716.14)
Net increase/provision in the current year	504,447,441.83	(15,229,703.12)	–	(97,860,577.00)	(113,090,280.12)
Write-off/Disposal in the current year	–	–	(12,479,827.94)	12,479,827.94	12,479,827.94
Transfer to Stage 3	(111,551,394.34)	13,690,817.34	111,551,394.34	(13,690,817.34)	–
31 December 2020	<u>2,495,057,377.43</u>	<u>(12,292,976.32)</u>	<u>126,323,192.00</u>	<u>(115,523,192.00)</u>	<u>(127,816,168.32)</u>

As at 31 December 2020 and 31 December 2019, the Group did not have any other receivables at Stage 1 for which the related provision for bad debts was provided on the individual basis.

As at 31 December 2020, other receivables at Stage 1 for which the related provision for bad debts was provided on the grouping basis were analysed as follows:

	Ending balance	Expected credit loss rate in the following 12 months	Provision for bad debts	Reason
Provided on the grouping basis:				
Related party grouping	325,199,649.05	–	–	
Non-related party grouping	2,169,857,728.38	0.57%	(12,292,976.32)	Expected credit loss method
	<u>2,495,057,377.43</u>		<u>(12,292,976.32)</u>	

As at 31 December 2019, other receivables at Stage 1 for which the related provision for bad debts was provided on the grouping basis were analysed as follows:

	Ending balance	Expected credit loss rate in the following 12 months	Provision for bad debts	Reason
Provided on the grouping basis:				
Related party grouping	294,204,283.58	–	–	
Non-related party grouping	1,807,957,046.36	0.59%	(10,754,090.54)	Expected credit loss method
	<u>2,102,161,329.94</u>		<u>(10,754,090.54)</u>	

As at 31 December 2020 and 31 December 2019, the Group did not have any other receivables at Stage 2.

As at 31 December 2020, other receivables at Stage 3 for which the related provision for bad debts was provided on the individual basis were analysed as follows:

	Ending balance	Lifetime expected credit losses	Provision for bad debts	Reason
Provided on the individual basis:				
Entrusted loans receivable	27,000,000.00	60.00%	(16,200,000.00)	The debtor encountered financial distress
Receivables from equity transfer and capital reductions	92,455,115.00	100.00%	(92,455,115.00)	The debtor encountered financial distress
Others	6,868,077.00	100.00%	(6,868,077.00)	The debtor encountered financial distress
	<u>126,323,192.00</u>		<u>(115,523,192.00)</u>	

As at 31 December 2019, other receivables at Stage 3 for which the related provision for bad debts was provided on the individual basis were analysed as follows:

	Ending balance	Lifetime expected credit losses	Provision for bad debts	Reason
Provided on the individual basis:				
Entrusted loans receivable	27,000,000.00	60.00%	(16,200,000.00)	The debtor encountered financial distress
Others	251,625.60	100.00%	(251,625.60)	The debtor encountered financial distress
	<u>27,251,625.60</u>		<u>(16,451,625.60)</u>	

As at 31 December 2020 and 31 December 2019, the Group did not have any other receivables at Stage 3 for which the related provision for bad debts was provided on the grouping basis.

- (c) In 2020, the Group's provision for bad debts amounted to RMB113,090,280.12 (2019: RMB26,821,581.16), and there was no provision for bad debts reversed (Note 4(24)).
- (d) For the year ended 31 December 2020, the provision for bad debts of other receivables that was written off amounted to RMB12,474,573.41 (Note 4(24)) and no other receivables with amounts that were individually significant were written off.

(e) As at 31 December 2020, the five largest other receivables aggregated by debtor were summarised and analysed as follows:

	Nature of business	Ageing	31 December 2020		
			Amount	Amount of provision for bad debts	% of total balance
Shenzhen Hive Box Technology Co., Ltd. ("Hive Box Technology")	Agency collection and payment	Within 3 months	279,996,905.15	–	10.68%
Changsha Municipal People's Government	Airlines subsidy	Within 1 year	78,600,000.00	(393,000.00)	3.00%
Hangzhou International Airport	Airlines subsidy	Within 1 year	59,593,800.00	(297,969.00)	2.27%
IKEA	Agency collection and payment	Within 1 year	45,459,601.54	(227,298.01)	1.73%
Suzhou Lake District Development Co., Ltd.	Deposit margin	Within 1 year	40,000,000.00	(200,000.00)	1.53%
			<u>503,650,306.69</u>	<u>(1,118,267.01)</u>	<u>19.21%</u>

(9) Inventories

Inventories are summarised by category as follows:

	31 December 2020		
	Ending balance	Provision for decline in the value of inventories	Carrying amount
Raw materials in stock	423,928,000.21	–	423,928,000.21
Aviation consumables	241,874,487.58	–	241,874,487.58
Finished goods	191,150,994.59	(5,279,698.19)	185,871,296.40
Properties under development	79,095,456.31	–	79,095,456.31
Low-value consumables	56,181,354.54	–	56,181,354.54
	<u>992,230,293.23</u>	<u>(5,279,698.19)</u>	<u>986,950,595.04</u>
	31 December 2019		
	Ending balance	Provision for decline in the value of inventories	Carrying amount
Raw materials in stock	386,155,813.35	–	386,155,813.35
Aviation consumables	184,488,934.08	–	184,488,934.08
Finished goods	198,782,950.13	–	198,782,950.13
Properties under development	79,095,456.31	–	79,095,456.31
Low-value consumables	33,135,819.82	–	33,135,819.82
	<u>881,658,973.69</u>	<u>–</u>	<u>881,658,973.69</u>

(10) Contract assets

	31 December 2020	31 December 2019
Contract assets	401,040,381.85	–
Less: Provision for impairment of contract assets	(2,005,201.91)	–
	<u>399,035,179.94</u>	<u>–</u>

(11) Other current assets

	31 December 2020	31 December 2019
Input VAT to be offset	4,536,908,043.47	2,608,089,009.64
Prepaid enterprise income tax	153,562,561.05	67,680,195.25
Bank wealth management products	–	622,533,561.64
Others	2,606,785.14	1,381,954.41
	<u>4,693,077,389.66</u>	<u>3,299,684,720.94</u>

(12) Long-term receivables

	31 December 2020	31 December 2019
Interest-free loans to employees receivable (a)	377,265,003.74	321,819,622.61
Deposit for house purchase	277,904,430.00	246,757,710.00
Finance lease receivables	122,344,982.71	13,269,315.40
Less: Current portion of long-term receivables	(156,240,777.09)	(105,344,257.09)
Provision for bad debts	(14,169,999.15)	(10,769,078.64)
	<u>607,103,640.21</u>	<u>465,733,312.28</u>

(a) Interest-free loans to employees receivable

	31 December 2020	31 December 2019
Interest-free loans to employees receivable	406,677,491.48	349,400,218.00
Less: Prepaid discount interest	(29,412,487.74)	(27,580,595.39)
Amortised cost of interest-free loans to employees	377,265,003.74	321,819,622.61
Less: Current portion of interest-free loans to employees	(124,107,464.52)	(101,130,736.14)
Provision for bad debts	(2,033,387.46)	(1,713,284.19)
	<u>251,124,151.76</u>	<u>218,975,602.28</u>

Interest-free loans to employees receivable represented the interest-free loans to qualified employees with a term of 5 years.

(13) Long-term equity investments

	31 December 2020	31 December 2019
Cost:		
Joint ventures	2,457,553,213.43	1,363,650,397.32
Associates	<u>1,337,754,074.20</u>	<u>1,018,085,534.62</u>
	<u>3,795,307,287.63</u>	<u>2,381,735,931.94</u>
Less: Provision for impairment of long-term equity investments		
– Joint ventures	(22,587,342.22)	(22,587,342.22)
– Associates	<u>(125,488,667.51)</u>	<u>(137,635,916.58)</u>
	<u>(148,076,009.73)</u>	<u>(160,223,258.80)</u>
Joint ventures (a)	2,434,965,871.21	1,341,063,055.10
Associates (b)	<u>1,212,265,406.69</u>	<u>880,449,618.04</u>
	<u><u>3,647,231,277.90</u></u>	<u><u>2,221,512,673.14</u></u>

(a) Joint ventures

	Movements in the current year										Balance of provision for impairment loss at the end of the year
	Carrying amount as at 31 December 2019	Increase in investments	Decrease in investments	Share of net profit/(loss) under equity method	Exchange differences on translation of foreign currency financial statements	Cash dividends or profits declared	Other changes in equity (i)	Provision for impairment loss	Carrying amount as at 31 December 2020		
Hubei International Logistics Airport Co., Ltd.	919,124,467.58	460,000,000.00	-	(5,823,490.59)	-	-	-	-	1,373,300,976.99	-	
Gem-year Logistics Co., Ltd.	-	488,603,002.00	-	2,058,573.24	-	-	-	-	490,661,575.24	-	
ZBHA Group Co., Ltd. ("ZBHA")	216,803,467.42	-	-	13,625,738.69	-	-	-	-	230,429,226.11	-	
Jinfeng Bolun (Xiamen) Equity Investment Partnership (Limited Partnership)	-	150,000,000.00	-	(645,958.52)	-	-	-	-	149,354,041.48	-	
Beijing Wulian Shuntong Technology Co., Ltd. ("Wulian Shuntong")	94,963,169.82	-	-	(5,391,653.64)	-	-	-	-	89,571,516.18	-	
CR-SF International Express Co., Ltd.	24,837,458.98	-	-	4,984,277.52	-	(67,483.26)	-	-	29,754,253.24	-	
Shenzhen Fensu Technology Co., Ltd.	-	20,846,880.10	-	2,058,054.64	-	-	-	-	22,904,934.74	-	
POSTTIOU	25,772,983.59	-	-	(1,506,653.77)	(1,825,219.18)	-	-	-	22,441,110.64	-	
Shenzhen Shanghai Information Service Co., Ltd. ("Shanghai Information")	8,736,100.81	-	-	1,847,291.69	-	(5,086,621.00)	-	-	5,496,771.50	-	
JY PT Surya Fajar Indonesia	-	4,629,172.50	-	-	(128,871.31)	-	-	-	4,500,301.19	-	
Global Connect Holding Limited	2,284,910.20	-	-	2,358,251.35	(262,058.60)	-	-	-	4,381,102.95	-	
Xiaoyi Technology (Shanghai) Co., Ltd.	-	3,000,000.00	-	(322,848.90)	-	-	-	-	2,677,151.10	-	
Smarcle (Zhuhai) Brand Management Co., Ltd.	-	2,000,000.00	-	-	-	-	-	-	2,000,000.00	-	
REX Logistics Co., Ltd.	-	2,662,416.86	-	(652,030.40)	(79,217.01)	-	-	-	1,931,169.45	-	
Wenzhou Fengbaoke Technology Co., Ltd.	720,959.64	-	-	850,301.67	-	52,072.58	-	-	1,623,333.89	-	
Shanghai Geling Information Technology Co., Ltd. ("Geling Information")	2,098,546.48	-	-	(632,041.17)	-	-	-	-	1,466,505.31	-	
Shanghai Fengdu Haixuan Digital Technology Co., Ltd.	-	1,510,000.00	-	(311,979.33)	-	-	-	-	1,198,020.67	-	
Beijing Shunhe Tongxin Technology Co., Ltd.	3,151,501.44	-	-	(2,203,785.91)	-	-	-	-	947,715.53	-	
CC-SF China Logistics Properties Investment GP Limited	-	357,315.00	-	-	(31,150.00)	-	-	-	326,165.00	-	
Shanghai Pharma International Supply Chain Co., Ltd.	1,974,388.13	-	(1,974,388.13)	-	-	-	-	-	-	(22,587,342.22)	
Zhongyunda Aviation Ground Services Co., Ltd.	-	-	-	-	-	-	-	-	-	-	
Hubei International Aviation Industry Metro Development Co., Ltd.	40,595,101.01	-	(40,000,000.00)	(595,101.01)	-	-	-	-	-	-	
	1,341,063,055.10	1,133,608,786.46	(41,974,388.13)	9,696,965.56	(2,326,516.10)	(5,086,621.00)	(15,410.68)	-	2,434,965,871.21	(22,587,342.22)	

(b) Associates

	Carrying amount as at 31 December 2019	Increase in investments	Decrease in investments	Share of net profit/(loss) under equity method	Movements in the current year				Carrying amount as at 31 December 2020	Balance of provision for impairment loss at the end of the year
					Exchange differences on translation of foreign currency financial statements	Cash dividends or profits declared	Share of other comprehensive income	Other changes in equity (i)		
Amass Freight International Co. Ltd.	-	208,700,000.00	-	-	-	-	-	-	208,700,000.00	-
Zhejiang Galaxis Technology Co., Ltd.	161,882,794.44	-	-	(2,418,527.53)	-	-	46,470,765.33	-	205,935,032.24	-
Zhuhai Biyao Industrial Technology Co. Ltd.	112,362,306.63	-	-	(137,621.93)	-	-	-	-	112,224,684.70	(8,031,343.63)
Jiangsu Chiafa Foton Co., Ltd.	107,476,830.50	-	-	(4,766,558.11)	-	-	-	-	102,710,272.39	-
Beijing Dazhangfang Network Technology Co., Ltd. ("Beijing Dazhangfang")	103,704,048.34	-	-	(9,075,140.29)	-	-	5,276,959.79	-	99,905,867.84	-
KENGIC Intelligent Technology Co., Ltd. ("KENGIC Intelligent")	-	100,726,338.75	(28,638,114.18)	3,304,651.46	-	-	813,166.24	-	76,206,042.27	-
Dunhuo Wei-Heng (Zhuhai) Supply Chain Management Co., Ltd.	63,171,010.36	-	-	(815,164.07)	-	-	-	-	62,355,846.29	-
Feng Wang Investment Co., Ltd.	48,457,487.11	-	-	(1,517,207.69)	-	873,013.64	-	-	47,813,293.06	-
Langxing UAV System Co., Ltd.	40,463,275.86	-	-	(1176,812.65)	-	-	-	-	39,286,463.21	-
Shenzhen Canbeidou Supply Chain Management Co., Ltd. ("Canbeidou Supply Chain")	32,044,873.83	-	-	(1,016,192.81)	-	-	-	-	31,028,681.02	-
Beijing GreenValley Technology Limited	23,280,413.84	-	-	1,470,826.51	-	-	5,176,651.46	-	29,927,891.81	-
SCS Logistics Co., Ltd.	-	31,914,566.93	-	1,087,831.84	-	(3,150,000.00)	-	-	29,852,398.77	-
Shenzhen Zhi Hang UAV Co., Ltd.	18,053,709.37	-	-	5,121,497.28	-	-	616,612.28	-	23,791,818.93	-
KOSPA	26,979,321.88	-	-	(2,722,931.15)	(1,522,047.32)	-	-	-	22,734,343.41	-
Guangdong Shucheng Technology Co., Ltd.	9,586,857.99	11,111,112.00	-	(1,555,089.60)	-	-	-	-	19,142,880.39	-
Wuhan Shunluo Supply Chain Management Co., Ltd.	173,444,007.27	-	-	(1,036,537.19)	-	-	-	-	16,307,470.08	-
PT TRIADI BERSAMA	14,764,955.26	10,240,467.14	-	(9,786,939.71)	(882,975.74)	-	-	-	14,335,506.95	-
Shenzhen Shunjie Fengdia Express Co., Ltd. ("Shenzhen Shunjie Fengdia")	11,743,640.56	-	-	2,139,212.16	-	-	-	-	13,882,852.72	(20,480,557.60)
Shanghai EYouTong Technology Development Co., Ltd.	5,000,000.00	5,000,000.00	-	(610,835.66)	-	-	-	-	9,389,164.34	-
Xi'an Huahan Air Passenger and Freight Service Co., Ltd.	8,563,952.67	-	-	(24,917.20)	-	-	-	-	8,539,035.47	-

	Carrying amount as at 31 December 2019	Increase in investments	Decrease in investments	Share of net profit/(loss) under equity method	Exchange differences on translation of foreign currency financial statements	Cash dividends or profits declared	Share of other comprehensive income	Other changes in equity (i)	Provision for impairment loss	Carrying amount as at 31 December 2020	Balance of provision for impairment loss at the end of the year
State Grid E-Commerce Yunfeng Logistics Technology Co., Ltd.	-	7,840,000.00	-	59,507.00	-	-	-	-	-	7,899,507.00	-
Zhongshun Xintean Supply Chain Co., Ltd.	7,271,247.64	-	-	(916,183.22)	-	-	-	-	-	6,355,064.42	-
PT ADI SARANA LOGISTIK	5,680,228.00	-	-	(935,068.50)	(329,133.55)	-	-	-	-	4,416,025.95	-
Chongqing Boqiang Logistics Co., Ltd.	4,444,827.25	-	-	(68,078.52)	-	-	-	-	-	4,376,748.73	-
Wuhan Jinyu Shunhao Logistics Co., Ltd.	3,575,499.44	-	-	(91,037.60)	-	-	-	-	-	3,484,461.84	-
Qingdao Dakai Cargo Agency Co., Ltd.	3,076,701.10	-	-	16,816.75	-	-	-	-	-	3,093,517.85	-
Shenzhen Zhongwang Finance and Tax Management Co., Ltd.	3,776,552.80	-	-	(919,692.42)	-	-	-	-	-	2,856,860.38	-
KINGS (HK) INTERNATIONAL LIMITED	2,425,798.14	-	-	(90,672.73)	(143,086.71)	-	-	-	-	2,192,038.70	-
Shanghai Tingdi Logistics Service Co., Ltd.	-	2,000,000.00	-	(263,364.15)	-	-	-	-	-	1,736,635.85	-
Shenzhen Fengyi Intelligent Technology Co., Ltd.	1,000,000.00	-	-	(159,382.23)	-	-	-	-	-	840,617.77	-
Qingdao Shunlianda Agricultural Science and Technology Co., Ltd.	2,371,202.69	-	-	(1,759,910.81)	-	-	-	-	-	611,291.88	-
Shenzhen Changfeng Electronic Information Co., Ltd.	-	400,000.00	-	(66,909.67)	-	-	-	-	-	333,090.33	-
Little Red Hat Issuance Co., Ltd. ("Little Red Hat")	19,589,988.00	-	(20,445,708.79)	855,720.79	-	-	-	-	-	-	-
Kin Shun Information Technology Limited	3,782,528.57	-	-	(3,782,528.57)	-	-	-	-	-	-	-
GS EXPRESS HOLDINGS PTE LTD	14,169,210.35	-	(13,832,113.45)	(53,054.62)	(284,042.28)	-	-	-	-	-	-
Beijing Prettyfeather Brand Management Co., Ltd.	4,038,975.21	-	-	(338,493.48)	-	-	-	-	(3,700,481.73)	-	(3,700,481.73)
Shenzhen Xiaofeng Technology Co., Ltd. ("Xiaofeng Technology")	367,372.94	-	(900,000.00)	532,627.06	-	-	-	-	-	-	-
Shenzhen Bai Mi Life Co., Ltd.	-	-	-	-	-	-	-	-	-	-	(93,276,284.55)
	880,449,618.04	377,932,484.82	(63,815,936.42)	(31,516,161.16)	(3,161,285.60)	(3,150,000.00)	873,013.64	58,354,155.10	(3,700,481.73)	1,212,265,406.69	(125,488,667.51)

(i) Those represent changes in equity resulting from capital injections by investors other than the Group.

(14) Investments in other equity instruments

	31 December 2020	31 December 2019
Equity of listed companies	891,158,779.32	806,383,940.40
Equity of unlisted companies	4,136,330,274.98	4,127,308,996.79
	<u>5,027,489,054.30</u>	<u>4,933,692,937.19</u>
	<u>5,027,489,054.30</u>	<u>4,933,692,937.19</u>
Item	Dividend income recognised in the current year	Accumulated gains or losses recognised in other comprehensive income
Equity of listed companies	29,554,237.74	281,809,283.93
Equity of unlisted companies	–	937,163,570.29
	<u>29,554,237.74</u>	<u>1,218,972,854.22</u>
	<u>29,554,237.74</u>	<u>1,218,972,854.22</u>

	31 December 2019	Increase in the current year	Changes in fair value in the current year	Decrease in the current year	Exchange rate changes in the current year	Exchange differences on translation of foreign currency financial statements	31 December 2020
Equity of listed companies	806,383,940.40	–	284,066,169.33	(143,873,225.00)	–	(55,418,105.41)	891,158,779.32
Equity of unlisted companies	4,127,308,996.79	650,000.00	270,577,309.36	–	(10,179,812.50)	(252,026,218.67)	4,136,330,274.98
	<u>4,933,692,937.19</u>	<u>650,000.00</u>	<u>554,643,478.69</u>	<u>(143,873,225.00)</u>	<u>(10,179,812.50)</u>	<u>(307,444,324.08)</u>	<u>5,027,489,054.30</u>
	<u>4,933,692,937.19</u>	<u>650,000.00</u>	<u>554,643,478.69</u>	<u>(143,873,225.00)</u>	<u>(10,179,812.50)</u>	<u>(307,444,324.08)</u>	<u>5,027,489,054.30</u>

(15) Other non-current financial assets

	31 December 2020	31 December 2019
Financial assets held for trading (over 1 year):		
Industry fund investments	441,134,721.34	218,615,943.17
Special scheme equity-class securities	390,391,319.74	260,424,488.45
	<u>831,526,041.08</u>	<u>479,040,431.62</u>
	<u>831,526,041.08</u>	<u>479,040,431.62</u>

(16) Investment properties

	Buildings	Land use rights	Total
Cost			
31 December 2019	1,242,691,385.60	943,851,986.13	2,186,543,371.73
Transfer from self-used assets in the current year (Note 4(17), (18), (19))	1,340,119,894.77	125,302,756.44	1,465,422,651.21
Transfer to self-used assets in the current year (Note 4(17), (19))	(922,752,948.92)	(212,487,498.78)	(1,135,240,447.70)
Effect of translation of foreign currency financial statements	<u>(28,682,617.26)</u>	<u>(40,247,550.34)</u>	<u>(68,930,167.60)</u>
31 December 2020	<u>1,631,375,714.19</u>	<u>816,419,693.45</u>	<u>2,447,795,407.64</u>
Accumulated depreciation			
31 December 2019	80,869,528.27	86,147,942.85	167,017,471.12
Transfer from self-used assets in the current year (Note 4(17), (19))	55,210,474.53	10,532,872.32	65,743,346.85
Provision in the current year	36,682,999.05	17,836,823.03	54,519,822.08
Transfer to self-used assets in the current year (Note 4(17), (19))	(29,695,495.74)	(22,360,071.44)	(52,055,567.18)
Effect of translation of foreign currency financial statements	<u>(3,075,942.42)</u>	<u>(3,758,544.16)</u>	<u>(6,834,486.58)</u>
31 December 2020	<u>139,991,563.69</u>	<u>88,399,022.60</u>	<u>228,390,586.29</u>
Carrying amount			
31 December 2020	<u><u>1,491,384,150.50</u></u>	<u><u>728,020,670.85</u></u>	<u><u>2,219,404,821.35</u></u>
31 December 2019	<u><u>1,161,821,857.33</u></u>	<u><u>857,704,043.28</u></u>	<u><u>2,019,525,900.61</u></u>

As at 31 December 2020, the Group was still in the process of applying for certificates of ownership for certain buildings with carrying amount of RMB656,266,461.64 (cost of RMB671,020,713.68) (31 December 2019: carrying amount of RMB365,383,308.15 and cost of RMB374,700,631.83). As at 31 December 2020, the Group had no land use rights without certificates of ownership (31 December 2019: carrying amount of RMB9,641,930.52 and cost of RMB9,924,283.34).

As at 31 December 2020, investment properties with carrying amount of RMB77,180,832.16 (cost of RMB81,475,559.44) (31 December 2019: carrying amount of RMB260,204,371.91 and cost of RMB275,172,362.41) were pledged as collateral for long-term borrowings (Note 4(34)(b)).

As at 31 December 2020 and 31 December 2019, the Group assessed that no impairment loss should be recognised for investment properties.

(17) Fixed assets

	Buildings	Motor vehicles	Computers and electronic equipment	Aircraft, aircraft engines, rotables and high-value maintenance tools	Machinery and equipment	Office equipment and other equipment	Total
Cost							
31 December 2019	7,393,215,121.80	5,091,728,471.88	3,216,929,397.29	7,801,375,592.48	3,070,600,492.08	4,143,569,817.71	30,717,418,893.24
Increase arising from business combination involving enterprises not under common control	5,439,225.92	17,047,016.36	1,165,001.45	–	47,763,436.00	2,862,756.76	74,277,436.49
Transfer from construction in progress (Note 4(18))	288,208,172.82	113,091,153.33	38,370,032.42	1,166,475,994.03	1,135,608,989.95	1,953,656,690.56	4,695,411,033.11
Transfer from investment properties in the current year (Note 4(16))	922,752,948.92	–	–	–	–	–	922,752,948.92
Increase in the current year	172,399,025.73	946,012,450.18	699,945,102.70	246,296,610.33	281,093,132.59	246,052,875.57	2,591,799,197.10
Transfer to investment properties in the current year (Note 4(16))	(163,225,465.67)	–	–	–	–	–	(163,225,465.67)
Decrease in the current year	(25,000.00)	(677,661,588.64)	(333,908,797.62)	(40,076,808.64)	(54,337,708.19)	(172,888,155.43)	(1,278,898,058.52)
Decrease due to disposal of subsidiaries in the current year	(793,870,584.78)	(25,431.03)	(1,105,871.12)	–	(4,759,100.00)	(412,558.84)	(800,173,545.77)
Effect of translation of foreign currency financial statements	(88,894,272.25)	(14,561,734.16)	(5,677,775.28)	(2,085,981.17)	(19,070,161.62)	(1,504,733.07)	(131,794,657.55)
31 December 2020	<u>7,735,999,172.49</u>	<u>5,475,630,337.92</u>	<u>3,615,717,089.84</u>	<u>9,171,985,407.03</u>	<u>4,456,899,080.81</u>	<u>6,171,336,693.26</u>	<u>36,627,567,781.35</u>
Accumulated depreciation							
31 December 2019	714,065,052.65	3,517,214,219.88	1,955,602,800.09	2,584,195,303.06	928,504,641.35	2,114,009,813.79	11,813,591,830.82
Increase arising from business combination involving enterprises not under common control	1,019,740.65	14,344,403.40	516,327.40	–	9,425,721.44	2,184,806.87	27,490,999.76
Transfer from investment properties in the current year (Note 4(16))	29,695,495.74	–	–	–	–	–	29,695,495.74
Provision in the current year	229,024,260.99	780,502,253.76	668,122,878.46	946,365,593.23	279,302,267.36	726,644,406.06	3,629,961,659.86
Transfer to investment properties in the current year (Note 4(16))	(55,210,474.53)	–	–	–	–	–	(55,210,474.53)
Decrease in the current year	(25,000.00)	(621,459,356.08)	(288,337,403.01)	(25,933,453.16)	(30,942,025.57)	(135,804,897.45)	(1,102,502,135.27)
Decrease due to disposal of subsidiaries in the current year	(39,077,568.36)	(24,159.48)	(431,635.79)	–	(1,043,476.04)	(144,088.59)	(40,720,928.26)
Effect of translation of foreign currency financial statements	(8,990,476.10)	(9,591,103.57)	(4,106,494.19)	(162,086.94)	(7,122,430.21)	(1,417,830.36)	(31,390,421.37)
31 December 2020	<u>870,501,031.04</u>	<u>3,680,986,257.91</u>	<u>2,331,366,472.96</u>	<u>3,504,465,356.19</u>	<u>1,178,124,698.33</u>	<u>2,705,472,210.32</u>	<u>14,270,916,026.75</u>
Carrying amount							
31 December 2020	<u>6,865,498,141.45</u>	<u>1,794,644,080.01</u>	<u>1,284,350,616.88</u>	<u>5,667,520,050.84</u>	<u>3,278,774,382.48</u>	<u>3,465,864,482.94</u>	<u>22,356,651,754.60</u>
31 December 2019	<u>6,679,150,069.15</u>	<u>1,574,514,252.00</u>	<u>1,261,326,597.20</u>	<u>5,217,180,289.42</u>	<u>2,142,095,850.73</u>	<u>2,029,560,003.92</u>	<u>18,903,827,062.42</u>

- (i) In 2020, the amount of depreciation expenses charged to cost of revenue, selling and distribution expenses, general and administrative expenses and research and development expenses was RMB3,580,529,910.34 (2019: RMB3,005,247,806.88).
- (ii) As at 31 December 2020, fixed assets with carrying amount of RMB181,287,156.79 (cost of RMB185,653,990.63) (31 December 2019: carrying amount of RMB249,515,825.00 and cost of RMB263,866,480.94) were pledged as collateral for long-term borrowings (Note 4(34)(b)).

(iii) Fixed assets with pending certificates of ownership

	31 December 2020			
	Cost	Accumulated depreciation	Provision for impairment loss	Carrying amount
Buildings	<u>1,782,960,049.03</u>	<u>(96,133,702.99)</u>	<u>–</u>	<u>1,686,826,346.04</u>

	31 December 2019			
	Cost	Accumulated depreciation	Provision for impairment loss	Carrying amount
Buildings	<u>3,832,878,464.87</u>	<u>(7,512,115.30)</u>	<u>–</u>	<u>3,825,366,349.57</u>

In addition, as at 31 December 2020, buildings with carrying amount of RMB22,375,366.18 and cost of RMB29,844,036.64 (31 December 2019: carrying amount of RMB23,782,253.69 and cost of RMB29,844,036.64) represented public rental houses with restricted property rights purchased by the Group for enterprise talents.

(iv) As at 31 December 2020 and 31 December 2019, the Group assessed that no impairment loss should be recognised for fixed assets.

(v) Disposal of aircraft engines, rotables and high-value maintenance tools

	Reason for disposal	2020			
		Cost	Accumulated depreciation	Provision for impairment loss	Carrying amount
Aircraft rotables	Scrapped	2,022,695.60	(641,044.12)	–	1,381,651.48
Aircraft rotables	Sold	1,826,802.84	(75,222.29)	–	1,751,580.55
High-value maintenance tools	Scrapped	<u>34,126.62</u>	<u>(22,908.94)</u>	<u>–</u>	<u>11,217.68</u>
		<u>3,883,625.06</u>	<u>(739,175.35)</u>	<u>–</u>	<u>3,144,449.71</u>

	Reason for disposal	2019			
		Cost	Accumulated depreciation	Provision for impairment loss	Carrying amount
Aircraft rotables	Scrapped	6,350,577.09	(2,465,588.66)	–	3,884,988.43
Aircraft rotables	Sold	49,746.38	(6,204.17)	–	43,542.21
High-value maintenance tools	Scrapped	<u>20,211.45</u>	<u>(19,200.88)</u>	<u>–</u>	<u>1,010.57</u>
		<u>6,420,534.92</u>	<u>(2,490,993.71)</u>	<u>–</u>	<u>3,929,541.21</u>

(18) Construction in progress

	31 December 2020	31 December 2019
Aircraft import and refit	848,657,662.30	316,317,636.93
Wuhan E-Commerce Industrial Park Project	522,065,007.56	316,888,129.83
Qianhai S.F. Headquarters Office	724,189,959.49	613,625,693.09
Relocation and Renovation Project of Distribution Hubs	614,476,732.51	3,008,930.56
Xi'an E-Commerce Industrial Park Project	304,437,146.68	38,419,568.13
Tianjin Fengtai E-Commerce Industrial Park Project	268,165,252.88	293,070,248.84
Chengdu Fengtai E-Commerce Industrial Park Project	256,888,014.72	18,618,059.67
Guiyang Fengtai E-Commerce Industrial Park Project	194,125,117.04	4,813,433.58
Beijing S.F. Full-automatic Storage & Sorting Centre and Supporting Facilities Project	168,730,745.48	22,441,091.92
S.F. Nanjing Innovation Industrial Park Project	164,512,642.20	64,145,993.56
Ezhou Civil Airport Transit Centre	117,410,589.62	8,638,051.09
Changsha E-Commerce Industrial Park Project	96,068,074.65	61,192,813.43
Haikou Fengtai Industrial Park Project	77,924,993.11	5,960,194.22
Ganzhou Fengtai Industrial Park Project	77,904,906.75	3,123,497.70
Hangzhou Beicheng Intelligent Park	76,320,340.29	1,405,340.94
Jiaxing Xiuzhou Phase I	74,696,103.44	–
Zhengzhou S.F. E-Commerce Industrial Park Project	69,219,841.76	76,581,451.75
S.F. Nantong Smart E-Commerce Logistics Park	67,188,215.88	–
Changchun E-Commerce Industrial Park Project	66,553,674.01	169,493,927.07
Nanchang Fengtai Industrial Park Project	61,065,523.07	1,360,924.95
Shanghai Headquarters & Intelligent Logistics Technology Industrial Park Project	43,260,355.40	–
Tibet Lhasa E-Commerce Industrial Park Project	40,949,714.68	4,432,335.54
Intelligent Sorting Hefei Base Project	30,750,245.51	239,469,936.44
Nanning S.F. Innovation Industrial Base	19,686,338.93	–
S.F. Ma'anshan Innovation Industrial Park Project	6,480,824.53	21,659,696.90
Foshan Guicheng Fengtai E-Commerce Industrial Park Project	1,653,739.60	166,000,698.78
Weihai S.F. E-Commerce Industrial Park Project	–	91,088,518.37
Dongguan Songshan Lake Zhigu Industrial Park Project	–	55,700,314.11
Chongqing Fengtai E-Commerce Industrial Park Project	–	245,524,145.25
Others	386,472,699.97	273,509,985.61
	<u>5,379,854,462.06</u>	<u>3,116,490,618.26</u>

As at 31 December 2020, the Group considered that no impairment loss should be recognised for construction in progress.

Name of projects	Budget	31 December 2019	Increase in the current year	Transfer to other long-term assets in the current year (iii)	Decrease in the current year	31 December 2020	% of project investment in budget (ii)	Progress of project	Accumulative amount of capitalised borrowing costs	Including: Borrowing costs capitalised in the current year (Note 4(53))	Capitalisation rate	Source of funds
Aircraft import and reft	2,000,923,805.45	316,317,636.93	1,753,382,733.32	(1,221,042,707.95)	-	848,657,662.30	87.63%	100.00%	-	-	-	Self-owned funds
Wujian E-Commerce Industrial Park Project	641,214,351.51	316,888,129.83	249,746,152.61	(44,569,274.88)	-	522,065,007.56	88.37%	88.37%	-	-	-	Self-owned funds
Qianhai S.F. Headquarters Office	854,177,097.57	613,625,693.09	110,564,266.40	-	-	724,189,959.49	84.78%	84.78%	78,692,093.55	20,049,818.68	4.73%	Self-owned funds and loans from financial institutions
Relocation and Renovation Project of Distribution Hubs	4,413,991,335.83	3,008,930.56	2,925,534,542.82	(2,306,897,478.45)	(7169,262.42)	614,476,732.51	66.28%	66.28%	-	-	-	Self-owned funds
Xi'an E-Commerce Industrial Park Project	473,295,722.77	38,419,568.13	266,017,578.55	-	-	304,437,146.68	64.32%	64.32%	-	-	-	Self-owned funds
Tianjin Fengtai E-Commerce	687,809,082.89	293,070,248.84	132,778,276.07	(157,683,272.03)	-	268,165,252.88	92.22%	92.22%	-	-	-	Self-owned funds
Industrial Park Project Chengdu Fengtai E-Commerce	483,030,955.57	18,618,059.67	238,269,955.05	-	-	256,888,014.72	53.18%	53.18%	-	-	-	Self-owned funds
Industrial Park Project Guiyang Fengtai E-Commerce	362,753,996.14	4,813,433.58	189,311,683.46	-	-	194,125,117.04	53.51%	53.51%	-	-	-	Self-owned funds
Beijing S.F. Full-automatic Storage & Sorting Centre and Supporting Facilities Project	333,402,731.55	22,441,091.92	146,289,653.56	-	-	168,730,745.48	50.61%	50.61%	-	-	-	Self-owned funds
S.F. Nanjing Innovation Industrial Park Project	186,322,638.06	64,145,993.56	100,366,648.64	-	-	164,512,642.20	88.29%	88.29%	-	-	-	Self-owned funds
Ezhou Civil Airport Transit Centre	1,450,260,000.00	8,638,051.09	108,772,538.53	-	-	117,410,589.62	8.02%	8.02%	-	-	-	Self-owned funds
Changsha E-Commerce Industrial Park Project	462,495,439.26	61,192,813.43	74,827,943.44	(39,952,682.22)	-	96,068,074.65	77.11%	77.11%	-	-	-	Self-owned funds
Haikou Fengtai Industrial Park Project	230,682,991.79	5,960,194.22	71,964,798.89	-	-	77,924,993.11	31.20%	31.20%	-	-	-	Self-owned funds
Ganzhou Fengtai Industrial Park Project	227,737,393.75	3,123,497.70	74,781,409.05	-	-	77,904,906.75	34.21%	34.21%	-	-	-	Self-owned funds
Hangzhou Beicheng Intelligent Park	397,372,626.61	1,405,340.94	74,914,999.35	-	-	76,320,340.29	19.21%	19.21%	-	-	-	Self-owned funds
Jiaxing Xuzhou Phase I	374,138,297.94	-	74,696,103.44	-	-	74,696,103.44	19.96%	19.96%	-	-	-	Self-owned funds
Zhengzhou S.F. E-Commerce Industrial Park Project	479,605,898.08	76,581,451.75	174,332,553.10	(181,694,163.09)	-	69,219,841.76	52.32%	52.32%	-	-	-	Self-owned funds
S.F. Nantong Smart Park	104,234,548.68	-	67,188,215.88	-	-	67,188,215.88	64.46%	64.46%	-	-	-	Self-owned funds
Changchun E-Commerce Industrial Park Project	409,451,249.44	169,493,927.07	48,800,463.21	(150,854,111.65)	(886,604.62)	66,553,674.01	53.31%	53.31%	-	-	-	Self-owned funds

Name of projects	Budget	31 December 2019	Increase in the current year	Transfer to other long-term assets in the current year (iii)	Decrease in the current year	31 December 2020	% of project investment in budget (ii)	Progress of project	Accumulative amount of capitalised borrowing costs	Including: Borrowing costs capitalised in the current year (Note 4(33))	Capitalisation rate	Source of funds
Nanchang Fengtai Industrial Park Project	251,082,066.74	1,360,924.95	59,704,598.12	-	-	61,065,523.07	23.78%	23.78%	-	-	-	Self-owned funds
Shanghai Headquarters & Intelligent Logistics Technology Industrial Park Project	547,923,528.67	-	43,260,355.40	-	-	43,260,355.40	7.90%	7.90%	-	-	-	Self-owned funds
Tibet Lhasa E-Commerce Industrial Park Project	116,728,188.53	4,432,335.54	36,517,379.14	-	-	40,949,714.68	31.28%	31.28%	-	-	-	Self-owned funds
Intelligent Sorting Hefei Base Project	536,693,808.46	239,469,936.44	14,103,270.55	(222,822,961.48)	-	30,750,245.51	75.83%	75.83%	-	-	-	Self-owned funds
Nanning S.F. Innovation Industrial Base	105,849,353.40	-	19,686,338.93	-	-	19,686,338.93	18.60%	18.60%	-	-	-	Self-owned funds
S.F. Ma'anshan Innovation Industrial Park Project	268,120,145.01	21,659,696.90	10,630,373.38	(25,809,245.75)	-	6,480,824.53	50.42%	50.42%	-	-	-	Self-owned funds
Foshan Guicheng Fengtai E-Commerce Industrial Park Project	249,991,372.12	166,000,698.78	58,739,732.64	(223,086,691.82)	-	1,653,739.60	89.90%	89.90%	-	-	-	Self-owned funds
Weihai S.F. E-Commerce Industrial Park Project	110,834,072.72	91,088,518.37	4,788,484.71	(95,877,003.08)	-	-	86.50%	100.00%	-	-	-	Self-owned funds
Dongguan Songshan Lake Zhigu Industrial Park Project	455,809,848.49	55,700,314.11	3,513,985.06	(59,214,299.17)	-	-	100.00%	100.00%	-	-	-	Self-owned funds
Chongqing Fengtai E-Commerce Industrial Park Project	254,645,174.90	245,524,145.25	9,121,029.65	(254,645,174.90)	-	-	100.00%	100.00%	-	-	-	Self-owned funds
Others	-	273,509,985.61	1,656,945,321.79	(1,502,869,630.31)	(41,112,977.12)	386,472,699.97	-	-	-	-	-	-
		<u>3,116,490,618.26</u>	<u>8,799,551,384.74</u>	<u>(6,487,018,696.78)</u>	<u>(49,168,844.16)</u>	<u>5,379,854,462.06</u>			<u>78,692,093.55</u>	<u>20,049,818.68</u>		

- (i) As at 31 December 2020, construction in progress with carrying amount of RMB52,268,484.85 (31 December 2019: RMB171,224,485.06) was pledged as collateral for long-term borrowings (Note 4(34)(b)).
- (ii) For aircraft import and refit, the percentage of project investment in budget is related to the investment for the current period; for the other projects, the percentage of project investment in budget is related to the accumulative investment.
- (iii) The construction in progress transferred to other long-term assets for the current year amounted to RMB6,487,018,696.78, including RMB4,695,411,033.11 transferred to fixed assets, RMB1,176,894,429.10 transferred to investment properties and RMB614,713,234.57 transferred to long-term prepaid expenses.

(19) Intangible assets

	Land use rights	Purchased software	Self-developed software	Patents	Trademark rights	Customer relationships	Others	Total
Cost								
31 December 2019	5,474,502,965.31	511,321,828.19	2,875,846,805.97	15,543,605.12	236,061,827.88	2,710,578,325.00	105,616,019.64	11,929,471,377.11
Business combination involving enterprises not under common control	-	996,273.84	-	-	-	48,000,000.00	-	48,996,273.84
Transfer from investment properties in the current year (Note 4(16))	212,487,498.78	-	-	-	-	-	-	212,487,498.78
Transfer from capitalised development expenditures in the current year (Note 4(20))	-	-	1,251,316,311.52	-	-	-	-	1,251,316,311.52
Addition in the current year	819,240,389.96	103,568,444.47	-	3,909,228.04	2,875,307.70	-	2,449,935.84	932,043,306.01
Transfer to investment properties in the current year (Note 4(16))	(125,302,756.44)	-	-	-	-	-	-	(125,302,756.44)
Disposal in the current year	-	(18,218,830.55)	(147,075,360.97)	(251,623.54)	(594,454.77)	-	(22,270,284.79)	(188,410,554.62)
Decrease due to disposal of subsidiaries	(183,389,755.78)	(21,026,191.21)	-	-	-	-	-	(204,415,946.99)
Effect of translation of foreign currency financial statements	(119,782,828.31)	(2,388,738.62)	-	(100,538.48)	(14,321,973.54)	(168,373,539.22)	(536,652.37)	(305,504,270.54)
31 December 2020	6,077,755,513.52	574,252,786.12	3,980,087,756.52	19,100,671.14	224,020,707.27	2,590,204,785.78	85,259,018.32	13,550,681,238.67
Accumulated amortisation								
31 December 2019	460,386,321.83	342,788,423.42	903,112,992.48	3,674,397.90	17,911,578.99	143,915,537.75	19,532,258.90	1,891,321,511.27
Business combination involving enterprises not under common control	-	834,417.40	-	-	-	-	-	834,417.40
Transfer from investment properties in the current year (Note 4(16))	22,360,071.44	-	-	-	-	-	-	22,360,071.44
Provision in the current year	120,843,118.54	105,888,000.87	659,529,182.96	1,733,060.04	12,325,551.01	157,205,726.20	13,634,959.92	1,071,159,599.54
Transfer to investment properties in the current year (Note 4(16))	(10,532,872.32)	-	-	-	-	-	-	(10,532,872.32)
Disposal in the current year	-	(1,208,997.04)	(38,173,110.85)	(232,243.82)	(195,501.41)	-	(7,017,283.29)	(46,827,136.41)
Decrease due to disposal of subsidiaries	(23,528,883.01)	(6,068,439.22)	-	-	-	-	-	(29,597,322.23)
Effect of translation of foreign currency financial statements	(11,313,834.54)	(1,699,118.38)	-	(82,137.72)	(1,850,168.41)	(20,260,354.82)	(131,547.53)	(35,337,161.40)
31 December 2020	558,213,921.94	440,534,287.05	1,524,469,064.59	5,093,076.40	28,191,460.18	280,860,909.13	26,018,388.00	2,863,381,107.29

	Land use rights	Purchased software	Self-developed software	Patents	Trademark rights	Customer relationships	Others	Total
Provision for impairment loss								
31 December 2019	-	-	30,113,509.80	-	-	-	-	30,113,509.80
Increase in the current year (d)	-	-	24,072,531.32	-	-	-	-	24,072,531.32
31 December 2020	-	-	54,186,041.12	-	-	-	-	54,186,041.12
Carrying amount								
31 December 2020	<u>5,519,541,591.58</u>	<u>133,718,499.07</u>	<u>2,401,432,650.81</u>	<u>14,007,594.74</u>	<u>195,829,247.09</u>	<u>2,309,343,876.65</u>	<u>59,240,630.32</u>	<u>10,633,114,090.26</u>
31 December 2019	<u>5,014,116,643.48</u>	<u>168,533,404.77</u>	<u>1,942,620,303.69</u>	<u>11,869,207.22</u>	<u>218,150,248.89</u>	<u>2,566,662,787.25</u>	<u>86,083,760.74</u>	<u>10,008,036,356.04</u>

In 2020, the amount of amortisation expenses charged to cost of revenue, selling and distribution expenses, general and administrative expenses and research and development expenses was RMB982,309,961.19 (2019: RMB735,757,728.66).

- (a) The Group's land use rights pledged as collateral for long-term borrowings (Note 4(34)(b)):

	Cost	31 December 2020 Accumulated amortisation	Carrying amount
Land use rights	<u>1,480,732,998.05</u>	<u>(193,471,483.90)</u>	<u>1,287,261,514.15</u>
	Cost	31 December 2019 Accumulated amortisation	Carrying amount
Land use rights	<u>1,403,515,678.80</u>	<u>(153,966,421.27)</u>	<u>1,249,549,257.53</u>

- (b) As at 31 December 2020, the Group was still in the process of applying for certificates of ownership for land use rights with carrying amount of RMB589,104,756.34 (cost of RMB595,620,420.23) (31 December 2019: carrying amount of RMB359,996,671.97 and cost of RMB366,392,599.88).
- (c) As at 31 December 2020, the intangible assets developed by the Group accounted for 22.58% (31 December 2019: 19.41%) of the carrying amount of intangible assets.

	31 December 2020	31 December 2019
Carrying amount of self-developed intangible assets	2,401,432,650.81	1,942,620,303.69
Carrying amount of intangible assets	10,633,114,090.26	10,008,036,356.04
Proportion	<u>22.58%</u>	<u>19.41%</u>

- (d) As at 31 December 2020, due to the discontinuation or upcoming discontinuation of some self-developed software, the Group made a provision for impairment loss of RMB24,072,531.32 upon assessment (31 December 2019: RMB45,275,469.86).

(20) Capitalised development expenditures

	31 December 2019	Increase in the current year	Transfer to intangible assets in the current year (Note 4(19))	31 December 2020
Unmanned Aerial Vehicle Project	72,918,596.25	22,219,062.82	(34,487,273.41)	60,650,385.66
International Business System	11,262,048.03	89,168,511.93	(63,449,884.08)	36,980,675.88
Customer Service System	10,147,670.43	62,548,561.20	(51,239,732.96)	21,456,498.67
SF Intra-city projects	3,094,056.20	34,244,988.31	(15,962,966.68)	21,376,077.83
Ezhou Airport Project Management System	7,322,855.00	13,995,660.06	–	21,318,515.06
Warehousing Management System	14,088,760.28	30,493,463.55	(24,010,546.98)	20,571,676.85
Settlement Platform System	25,836,659.51	43,413,901.54	(50,610,164.53)	18,640,396.52
Quick Delivery System	13,858,061.23	11,793,230.84	(7,577,971.43)	18,073,320.64
Big Data Platform System	4,507,666.55	30,187,382.19	(19,342,438.87)	15,352,609.87
Geographic Information System	11,331,994.60	6,267,855.36	(4,419,564.59)	13,180,285.37
Car-free Carriage Platform	5,389,841.00	39,478,999.71	(31,732,416.10)	13,136,424.61
Airfreight Capacity Platform Phase II	5,268,376.56	23,996,632.36	(17,708,835.97)	11,556,172.95
TS Industrial Solutions System	9,720,902.26	30,866,196.18	(29,303,284.26)	11,283,814.18
Fengyuan Platform	2,561,555.00	20,226,184.52	(12,051,518.62)	10,736,220.90
Fengsheng System	40,743,943.72	23,031,182.20	(53,630,701.67)	10,144,424.25
Others	344,574,990.58	727,659,971.69	(835,789,011.37)	236,445,950.90
	<u>582,627,977.20</u>	<u>1,209,591,784.46</u>	<u>(1,251,316,311.52)</u>	<u>540,903,450.14</u>

As at 31 December 2020, the Group assessed that no impairment loss should be recognised for capitalised development expenditures.

(21) Goodwill

	31 December 2019	Increase in the current year	Decrease in the current year	Exchange differences on translation of foreign currency financial statements	31 December 2020
Cost:					
SF Supply Chain Business	3,040,084,262.82	–	–	(188,841,496.29)	2,851,242,766.53
SF\Havi China Logistics(Cayman islands) (“New Havi”)	362,722,412.14	–	–	(22,531,301.06)	340,191,111.08
Guangdong Shunxin Freight Co., Ltd. (“Guangdong Shunxin”)	149,587,124.73	–	–	–	149,587,124.73
Chongqing Xuefeng Refrigerates Logistics Co., Ltd.	–	24,068,704.92	–	–	24,068,704.92
Suzhou Hengding Logistics Co., Ltd.	5,677,452.73	–	–	–	5,677,452.73
Sichuan Wu Lian Yi Da Technology Co., Ltd. (“Wu Lian Yi Da”)	4,940,247.25	–	–	–	4,940,247.25
Chengdu Shunyifeng Pharmaceuticals Co., Ltd.	2,434,509.81	–	–	–	2,434,509.81
Hanxing Industrial Co., Ltd.	1,528,959.13	–	–	(94,974.66)	1,433,984.47
	<u>3,566,974,968.61</u>	<u>24,068,704.92</u>	<u>–</u>	<u>(211,467,772.01)</u>	<u>3,379,575,901.52</u>

	31 December 2019	Increase in the current year	Decrease in the current year	Exchange differences on translation of foreign currency financial statements	31 December 2020
Less: Provision for impairment loss (Note 4(24)) Chengdu Shunyifeng Pharmaceuticals Co., Ltd.	(2,434,509.81)	–	–	–	(2,434,509.81)
	<u>3,564,540,458.80</u>	<u>24,068,704.92</u>	<u>–</u>	<u>(211,467,772.01)</u>	<u>3,377,141,391.71</u>

During the goodwill impairment assessment, the Group compares the carrying amount of the relevant assets or sets of asset groups (including goodwill) with their recoverable amount. If the recoverable amount is lower than the carrying amount, the difference shall be recognised in profit or loss for the current period.

The Group's allocation of goodwill was not changed for the year ended 31 December 2020.

The recoverable amounts of SF Supply Chain Business's relevant asset group are calculated based on the eight-year forecast approved by management, together with a long-term growth rate in the remaining forecast period, determined by the present value of the future cash flows.

The major assumptions applied in cash flows projections are presented as follows:

	2020	2019
Revenue growth rates in the first eight-year forecast period	3.60%~32.10%	3.00%~29.00%
Long-term growth rate	3.00%	3.00%
Profit margin	0.80%~6.87%	1.70%~8.80%
Pre-tax discount rate	12.50%	11.80%

The Group determined revenue growth rates and profit margin based on past performance and expectations of market development. Long-term growth rate is for the remaining forecast period which exclude first eight-year forecast period. According to the long-term inflation rate of Mainland China and Hong Kong, the Group adopts a long-term growth rate of 3%. The discount rate adopted by management is the pre-tax interest rates which is able to reflect the risks specific to the related asset groups and sets of asset groups.

(22) Long-term prepaid expenses

	31 December 2019	Increase in the current year	Amortisation in the current year	Decrease in the current year	Decrease due to disposal of subsidiaries in the current year	31 December 2020
Leasehold improvements	1,168,505,861.57	787,083,511.64	(582,343,833.77)	(64,659,346.49)	(11,388,993.54)	1,297,197,199.41
Settling-in allowance and introduction fee for pilots	492,115,710.89	101,477,816.67	(71,094,947.93)	(2,949,671.44)	–	519,548,908.19
Prepaid discount interest on interest-free loans to employees	27,580,595.39	22,195,004.06	(11,957,226.30)	(8,405,885.41)	–	29,412,487.74
Others	<u>25,970,965.62</u>	<u>1,749,609.16</u>	<u>(9,280,127.54)</u>	<u>(3,472,021.65)</u>	<u>(390,086.04)</u>	<u>14,578,339.55</u>
	<u>1,714,173,133.47</u>	<u>912,505,941.53</u>	<u>(674,676,135.54)</u>	<u>(79,486,924.99)</u>	<u>(11,779,079.58)</u>	<u>1,860,736,934.89</u>

(23) Other non-current assets

	31 December 2020	31 December 2019
Advances for engineering equipment	804,531,338.54	532,637,819.99
Prepaid land use rights	405,424,800.00	30,448,790.00
Prepaid leases	222,391,070.65	–
Prepaid equity	30,300,000.00	–
	<u>1,462,647,209.19</u>	<u>563,086,609.99</u>

(24) Asset/Credit impairment and provision for losses

	31 December 2019	Provision in the current year	Decrease in the current year				31 December 2020
			Reversal in the current year	Write-off in the current year	Decrease due to disposal of subsidiaries/ long-term equity investment in the current year	Exchange differences on translation of foreign currency financial statements	
Provision for bad debts	163,704,365.44	334,979,010.69	–	(128,808,659.00)	(35,834.21)	–	369,838,882.92
Including: Provision for bad debts of accounts receivable (Note 4(4))	125,729,570.66	218,487,810.06	–	(116,334,085.59)	(30,579.68)	–	227,852,715.45
Provision for bad debts of other receivables (Note 4(8))	27,205,716.14	113,090,280.12	–	(12,474,573.41)	(5,254.53)	–	127,816,168.32
Provision for bad debts of long-term receivables (Note 4(12))	10,769,078.64	3,400,920.51	–	–	–	–	14,169,999.15
Provision for impairment of factoring receivables (Note 4(6))	74,519,671.86	49,566,726.65	–	–	–	–	124,086,398.51
Provision for impairment of loans and advances (Note 4(7))	15,219,113.18	88,209,290.56	–	–	–	(7,672,016.59)	95,756,387.15
Sub-total	<u>253,443,150.48</u>	<u>472,755,027.90</u>	<u>–</u>	<u>(128,808,659.00)</u>	<u>(35,834.21)</u>	<u>(7,672,016.59)</u>	<u>589,681,668.58</u>
Provision for impairment of long-term equity investments (Note 4(13))	160,223,258.80	3,700,481.73	–	–	(15,847,730.80)	–	148,076,009.73
Provision for impairment of intangible assets (Note 4(19))	30,113,509.80	24,072,531.32	–	–	–	–	54,186,041.12
Provision for impairment of goodwill (Note 4(21))	2,434,509.81	–	–	–	–	–	2,434,509.81
Provision for impairment of inventory (Note 4(9))	–	5,279,698.19	–	–	–	–	5,279,698.19
Provision for impairment of contract assets (Note 4(10))	–	2,005,201.91	–	–	–	–	2,005,201.91
Sub-total	<u>192,771,278.41</u>	<u>35,057,913.15</u>	<u>–</u>	<u>–</u>	<u>(15,847,730.80)</u>	<u>–</u>	<u>211,981,460.76</u>
	<u>446,214,428.89</u>	<u>507,812,941.05</u>	<u>–</u>	<u>(128,808,659.00)</u>	<u>(15,883,565.01)</u>	<u>(7,672,016.59)</u>	<u>801,663,129.34</u>

(25) Short-term borrowings

	31 December 2020	31 December 2019
Unsecured borrowings	7,438,650,702.16	5,807,413,760.65
Guaranteed borrowings (a)	440,749,083.34	135,486,216.75
Rediscounted notes (b)	102,356,334.16	110,474,665.10
Re-factoring	14,814,193.07	–
	<u>7,996,570,312.73</u>	<u>6,053,374,642.50</u>

- (a) As at 31 December 2020, guaranteed borrowings of RMB440,749,083.34 (31 December 2019: RMB135,486,216.75) were guaranteed by subsidiaries within the Group.
- (b) As at 31 December 2020, the amount of unmatured notes held by the Group that are rediscounted by the PBOC was RMB102,356,334.16 (31 December 2019: RMB110,474,665.10) with a rediscounted interest rate of 2.90% (31 December 2019: 2.25%).
- (c) As at 31 December 2020, the range of annual interest rate of short-term borrowings was 2.50% to 4.35% (31 December 2019: 2.25% to 5.00%).

(26) Accounts payable

	31 December 2020	31 December 2019
Payables to related parties (Note 8(4)(g))	314,264,984.33	235,963,975.43
Outsourcing cost payable	10,065,154,438.11	7,389,860,646.60
Transportation cost payable	2,044,198,469.96	1,806,769,493.30
Supply and material expenses payable	1,261,801,093.96	1,239,591,306.99
Office and rental fees payable	1,005,735,544.46	864,876,400.59
Customs cost payable	37,069,556.32	30,614,446.33
Others	756,716,264.81	420,579,741.10
	<u>15,484,940,351.95</u>	<u>11,988,256,010.34</u>

Accounts payable with ageing over 1 year are analysed as follows:

	31 December 2020	31 December 2019	Main reason for unsettlement
Office and rental fees payable	25,312,773.48	15,360,331.60	No invoice issued by supplier
Outsourcing cost payable	12,029,708.68	13,790,520.88	No invoice issued by supplier
Supply and material expenses payable	10,962,158.40	8,255,987.64	No invoice issued by supplier
Transportation cost payable	5,657,852.76	3,125,442.73	No invoice issued by supplier
Others	50,095,317.02	19,775,522.07	
	<u>104,057,810.34</u>	<u>60,307,804.92</u>	

(27) Advances from customers

	31 December 2020	31 December 2019
Advances from related parties (<i>Note 8(4)(h)</i>)	37,417.86	33,825,257.10
Advances of freight charges and others	–	613,794,082.83
Advances of rental and others	27,538,251.61	22,329,590.79
	<u>27,575,669.47</u>	<u>669,948,930.72</u>

As at 31 December 2020, the Group had no advances from customers with ageing over 1 year (31 December 2019: Nil).

(28) Contract liabilities

	31 December 2020	31 December 2019
Advances from related parties (<i>Note 8(4)(i)</i>)	19,977,073.17	–
Advances of freight charges and others	1,519,287,022.97	–
	<u>1,539,264,096.14</u>	<u>–</u>

As at 1 January 2020, the balance of the Group's contract liabilities was RMB647,619,339.93, which had been transferred to revenue for the year ended 31 December 2020.

(29) Employee benefits payable

	31 December 2020	31 December 2019
Short-term employee benefits payable (a)	4,276,901,616.86	3,251,514,851.48
Defined contribution plans payable (b)	33,927,529.94	29,547,658.55
	<u>4,310,829,146.80</u>	<u>3,281,062,510.03</u>

(a) Short-term employee benefits payable

	31 December 2019	Increase in the current year	Decrease in the current year	31 December 2020
Wages and salaries, bonus, allowances and subsidies	2,876,056,562.67	22,007,818,805.49	(21,023,919,034.88)	3,859,956,333.28
Employee welfare	7,584,222.03	346,952,707.81	(347,453,660.85)	7,083,268.99
Social security contributions	9,894,134.53	449,222,412.66	(441,293,895.25)	17,822,651.94
Including: Medical insurance	8,617,050.36	390,393,427.11	(382,494,754.84)	16,515,722.63
Work injury insurance	66,242.02	36,126,730.24	(35,463,280.14)	729,692.12
Maternity insurance	1,210,842.15	22,702,255.31	(23,335,860.27)	577,237.19
Housing funds	11,030,177.99	291,464,599.61	(290,788,837.95)	11,705,939.65
Labour union funds and employee education funds	302,729,297.48	235,988,596.14	(185,758,903.23)	352,958,990.39

	31 December 2019	Increase in the current year	Decrease in the current year	31 December 2020
Non-monetary welfare	17,537,841.99	1,065,965,129.36	(1,059,460,415.07)	24,042,556.28
Others	26,682,614.79	249,750,034.06	(273,100,772.52)	3,331,876.33
	<u>3,251,514,851.48</u>	<u>24,647,162,285.13</u>	<u>(23,621,775,519.75)</u>	<u>4,276,901,616.86</u>

Non-monetary welfare provided by the Group for employees primarily was non-monetary subsidies in various forms which were measured at fair value.

(b) *Defined contribution plans*

	31 December 2019	Increase in the current year	Decrease in the current year	31 December 2020
Basic pension insurance	28,370,990.71	511,352,368.59	(506,701,539.84)	33,021,819.46
Unemployment insurance	1,176,667.84	15,358,795.61	(15,629,752.97)	905,710.48
	<u>29,547,658.55</u>	<u>526,711,164.20</u>	<u>(522,331,292.81)</u>	<u>33,927,529.94</u>

(30) *Taxes payable*

	31 December 2020	31 December 2019
Enterprise income tax payable	1,264,422,727.03	681,286,022.05
Unpaid VAT	448,742,681.47	317,323,139.66
Individual income tax payable	90,188,333.18	98,726,851.56
City maintenance and construction tax payable	20,748,815.50	13,065,277.94
Educational surcharge payable	15,255,154.95	9,980,350.61
Others	15,905,797.11	18,762,363.84
	<u>1,855,263,509.24</u>	<u>1,139,144,005.66</u>

(31) *Other payables*

	31 December 2020	31 December 2019
Current accounts payable to related parties (Note 8(4)(j))	375,953,817.77	30,142,576.37
Engineering equipment payable	3,681,941,835.74	1,955,006,954.01
Payables of cash on delivery service	1,393,659,038.39	1,395,911,162.92
Deposits payable	901,720,755.25	553,202,067.88
Management fees payable	186,269,115.84	93,317,776.80
Warranty deposits payable	128,945,874.86	138,508,695.73
Temporary collection payable	65,391,753.40	76,437,292.85
Professional service fee payable	11,551,338.02	5,472,382.85
Investments payable	–	26,710,805.23
Restricted share repurchases payable	–	59,252,503.45
Others	785,360,254.97	373,197,612.53
	<u>7,530,793,784.24</u>	<u>4,707,159,830.62</u>

Other payables with ageing over 1 year:

	31 December 2020	31 December 2019	Main reason for unsettlement
Deposits payable	282,912,917.46	287,706,582.64	Continuing business not expired
Management fees payable	66,999,357.73	–	Management service fees unsettled
Engineering equipment payable	63,932,116.06	116,856,305.32	Project payment unsettled
Warranty deposits payable	30,852,760.05	28,617,237.83	Warranty in effect
Others	29,589,206.06	16,264,052.12	Other payments on hold
	<u>474,286,357.36</u>	<u>449,444,177.91</u>	

(32) Current portion of non-current liabilities

	31 December 2020	31 December 2019
Current portion of debentures payable (a)	1,939,714,467.86	1,304,443,269.76
Current portion of long-term borrowings (Note 4(34))	803,722,191.93	743,765,598.22
Current portion of employee incentives (Note 4(37))	189,480,233.50	40,000,000.00
Current portion of long-term payables (Note 4(36))	12,434,000.99	3,683,423.76
	<u>2,945,350,894.28</u>	<u>2,091,892,291.74</u>

(a) Current portion of debentures payable

	31 December 2019	Interest accrual at par value	Amortisation of premium/discount	Repayment for the current year	Reclassification from debentures payable in the current year (Note 4(35))	Reclassification to debentures payable in the current year (Note 4(35))	Conversion amount in the current year	Exchange differences on translation of foreign currency financial statements	31 December 2020
The First Debentures of 2017	534,903,660.11	28,021,666.67	175,506.61	(179,459,166.72)	–	(380,000,000.00)	–	–	3,641,666.67
The First Debentures of 2018	14,204,666.67	–	–	(14,204,666.67)	814,009,100.82	–	–	–	814,009,100.82
The Second Debentures of 2018	675,055,504.81	27,939,000.00	221,861.86	(703,216,366.67)	–	–	–	–	–
Overseas debentures denominated in USD of 2018	62,773,077.61	–	–	(134,543,111.23)	125,880,701.07	–	–	4,498,523.59	58,609,191.04
Overseas debentures denominated in USD of 2020	–	–	–	(65,640,688.93)	113,477,495.06	–	–	–	47,836,806.13
The First Middle-term Notes of 2018	13,034,035.22	–	–	(12,636,666.72)	1,012,114,584.70	–	–	–	1,012,511,953.20
The First Debentures of 2019	3,105,750.00	–	–	(3,105,750.00)	3,105,750.00	–	–	–	3,105,750.00
Convertible corporate debentures	1,366,575.34	–	–	–	–	–	(1,366,575.34)	–	–
	<u>1,304,443,269.76</u>	<u>55,960,666.67</u>	<u>397,368.47</u>	<u>(1,112,806,416.94)</u>	<u>2,068,587,631.65</u>	<u>(380,000,000.00)</u>	<u>(1,366,575.34)</u>	<u>4,498,523.59</u>	<u>1,939,714,467.86</u>

(33) Other current liabilities

	31 December 2020	31 December 2019
Super&short term commercial paper (a):		
The First Phase of 2019	–	511,760,777.99
The Third Phase of 2019	–	505,686,080.51
Convertible corporate debentures of Shenzhen S.F. Express Co., Ltd. (“Convertible Corporate Debentures of S.F. Express”) (b)	–	–
Output VAT to be transferred (contract liabilities)	92,355,845.77	–
	<u>92,355,845.77</u>	<u>1,017,446,858.50</u>

(a) Super&short term commercial paper is detailed as follows:

	Par value (RMB)	Date of issue	Term	Interest rate
The First Phase of 2019	500,000,000.00	10 April 2019	270 days	3.20%
The Third Phase of 2019	500,000,000.00	23 August 2019	270 days	3.30%

(b) On 28 February 2020, Shenzhen S.F. Express Co., Ltd. (“S.F. Express”), a subsidiary of the Company, entered into a convertible corporate debentures agreement with investors. Pursuant to the agreement, the investors will subscribe the Convertible Corporate Debentures of S.F. Express with a total consideration of USD300,000,000.00 or equivalent in RMB according to the terms and conditions of the agreement. Such debentures are interest free and have a term of 1 year. Subject to the conditions agreed upon, the Convertible Corporate Debentures of S.F. Express will be converted into 150 million ordinary shares newly issued by S.F. Express with a par value of RMB1 per share at a price of USD2 per share or equivalent in RMB. The settlement date of the Convertible Corporate Debentures of S.F. Express is 25 March 2020, and any amount denominated in USD involved in the agreement will be converted into RMB at the mid-price of RMB against USD as announced by the PBOC two working days prior to the settlement date. On 23 November 2020, S.F. Express and all its shareholders concluded a Shareholder Agreement with investors, under which all parties agreed to convert the Convertible Corporate Debentures of USD300 million provided by the investors for S.F. Express into 150 million of ordinary shares newly issued by S.F. Express.

The Convertible Corporate Debentures of S.F. Express are listed as follows:

	Liability portion	Equity portion	Total
Amount of Convertible Corporate Debentures issued	1,989,243,749.00	138,956,251.00	2,128,200,000.00
Direct issuance expenses	<u>(6,893,375.17)</u>	<u>(191,724.83)</u>	<u>(7,085,100.00)</u>
Balance at the date of issue	<u>1,982,350,373.83</u>	<u>138,764,526.17</u>	<u>2,121,114,900.00</u>
Amortisation in the current year	97,099,888.03	–	97,099,888.03
Conversion amount in the current year	<u>(2,079,450,261.86)</u>	<u>(138,764,526.17)</u>	<u>(2,218,214,788.03)</u>
Balance as at 31 December 2020	<u>–</u>	<u>–</u>	<u>–</u>

(34) Long-term borrowings

	31 December 2020	31 December 2019
Unsecured borrowings	1,955,997,660.72	1,775,899,754.43
Guaranteed borrowings (a)	202,750,385.20	4,802,429,633.76
Secured borrowings (b)	510,794,412.06	704,992,994.44
	<u>2,669,542,457.98</u>	<u>7,283,322,382.63</u>
Less: Current portion of long-term borrowings (Note 4(32))		
Unsecured borrowings	(636,019,395.23)	(571,699,370.26)
Guaranteed borrowings	(102,750,385.20)	(110,367,331.68)
Secured borrowings	(64,952,411.50)	(61,698,896.28)
	<u>(803,722,191.93)</u>	<u>(743,765,598.22)</u>
	<u>1,865,820,266.05</u>	<u>6,539,556,784.41</u>

(a) As at 31 December 2020, the Group's guaranteed borrowings of RMB140,000,000.00 (31 December 2019: RMB4,727,304,787.70) were guaranteed by subsidiaries within the Group and guaranteed borrowings of RMB60,000,000.00 (31 December 2019: RMB70,000,000.00) were guaranteed by Taisen Holdings and Havi Group LP (U.S.).

(b) As at 31 December 2020, the secured bank borrowings of RMB103,270,000.00 (31 December 2019: RMB123,270,000.00) were secured by construction in progress with carrying amount of RMB52,268,484.85 (31 December 2019: RMB171,224,485.06), fixed assets with carrying amount of RMB181,287,156.79 (31 December 2019: RMB52,082,818.28), investment properties with carrying amount of RMB77,180,832.16 (31 December 2019: RMB83,440,831.58) and intangible assets with carrying amount of RMB110,836,987.85 (31 December 2019: RMB10,716,573.85) respectively and were fully guaranteed by Taisen Holdings. The interest is paid quarterly. The principal should be repaid during the period from 19 October 2020 to 20 October 2033 by instalments.

As at 31 December 2020, the secured bank borrowings of RMB406,788,098.16 (31 December 2019: RMB433,317,756.72) were secured by the Group's intangible assets with carrying amount of RMB1,176,424,526.30 (31 December 2019: RMB1,210,441,621.04). The interest is paid quarterly. The principal should be repaid during the period from 18 November 2019 to 18 November 2026 by instalments.

In addition, as at 31 December 2019, the secured bank borrowings of RMB76,800,000.00 were secured by the Group's intangible assets with carrying amount of RMB18,990,102.62, fixed assets with carrying amount of RMB151,669,732.02 and investment properties with carrying amount of RMB27,374,741.45 and were fully guaranteed by Taisen Holdings. The borrowings were repaid in advance on 5 June 2020. The secured bank borrowings of RMB70,661,000.00 were secured by fixed assets with carrying amount of RMB45,763,274.70, intangible assets with carrying amount of RMB9,400,960.02 and investment properties with carrying amount of RMB149,388,798.88 and were fully guaranteed by Taisen Holdings. The borrowings were repaid in advance on 12 October 2020.

(c) As at 31 December 2020, the rate of long-term borrowings ranged from 3.20% to 5.39% (31 December 2019: 3.33% to 5.39%).

(35) Debentures payable

	31 December 2019	Issued in the current year	Issuance expenses	Amortisation of premium/discount	Interest expenses	Exchange differences on translation of foreign currency financial statements	Conversion amount in the current year	Payment in cash	Current portion of non-current liabilities reclassified to debentures payable	Reclassification to current portion of non-current liabilities	31 December 2020
Overseas debentures denominated in USD of 2020	-	4,903,115,000.00	(74,204,391.98)	5,241,847.23	113,477,495.06	(332,448,921.07)	-	-	-	(113,477,495.06)	4,501,703,534.18
Overseas debentures denominated in USD of 2018	3,467,514,126.93	-	-	6,405,729.46	125,880,701.07	(230,008,548.42)	-	-	-	(125,880,701.07)	3,243,911,307.97
The First Debentures of 2017	-	-	-	-	-	-	-	-	380,000,000.00	-	380,000,000.00
The First Debentures of 2019	299,713,387.03	-	-	102,239.59	3,105,750.00	-	-	-	-	(3,105,750.00)	299,815,626.62
The First Debentures of 2018	799,478,889.93	-	-	325,544.22	14,204,666.67	-	-	-	-	(814,009,100.82)	-
The First Middle-term Notes of 2018	999,309,244.49	-	-	168,673.45	12,636,666.76	-	-	-	-	(1,012,114,584.70)	-
Convertible corporate debentures	5,031,969,368.14	-	-	100,622,868.28	6,132,159.50	-	(5,133,373,135.78)	(5,351,260.14)	-	-	-
	10,597,985,016.52	4,903,115,000.00	(74,204,391.98)	112,866,902.23	275,437,439.06	(562,457,469.49)	(5,133,373,135.78)	(5,351,260.14)	380,000,000.00	(2,068,587,631.65)	8,425,430,468.77

	Currency	Par value	Date of issue	Term	Amount (equivalent to RMB)
The First Debentures of 2017 (a)	RMB	530,000,000.00	17 October 2017	3+2 years	530,000,000.00
The First Debentures of 2018 (a) (Note 4(32(a)))	RMB	800,000,000.00	From 1 August 2018 to 2 August 2018	3 years	800,000,000.00
The Second Debentures of 2018 (a) (Note 4(32(a)))	RMB	670,000,000.00	From 22 October 2018 to 23 October 2018	2+1 years	670,000,000.00
Overseas debentures denominated in USD of 2018 (b)	USD	500,000,000.00	27 July 2018	5 years	3,407,508,933.00
The First Middle-term Notes of 2018 (c) (Note 4(32(a)))	RMB	1,000,000,000.00	19 September 2018	3 years	1,000,000,000.00
The First Debentures of 2019 (a)	RMB	300,000,000.00	20 September 2019	3 years	300,000,000.00
Convertible corporate debentures (d)	RMB	5,800,000,000.00	18 November 2019	6 years	5,800,000,000.00
Overseas debentures denominated in USD of 2020 (e)	USD	700,000,000.00	20 February 2020	10 years	4,903,115,000.00

- (a) Taisen Holdings was approved to issue corporate debentures of no more than RMB2 billion (inclusive) in instalments to the public under the Regulatory Permission [2017] No. 1015 as issued by the China Securities Regulatory Commission. In 2017, Taisen Holdings publicly issued the corporate debentures (1st instalment) ("the First Debentures of 2017") to qualified investors. The debenture interest shall be annually calculated at simple interest rate, and the nominal interest rate is 4.6%, with interest paid annually and the final instalment of interest paid with the principal. The debenture has the put options for investors, and investors are entitled to the right to choose to put all or part of the debenture held by them at par value to Taisen Holdings on the interest payment date for the third year since issued such debenture, namely in October 2020. In October 2020, the debenture at par value of RMB150,000,000.00 was paid in advance.

In 2018, Taisen Holdings publicly issued the corporate debentures (1st instalment) ("the First Debentures of 2018") to qualified investors. The debenture interest shall be annually calculated at simple interest rate, and the nominal interest rate is 4.29%, with interest paid annually and the final instalment of interest paid with the principal. Such debentures are included in current portion of non-current liabilities as they will be due in August 2021.

In 2018, Taisen Holdings publicly issued the corporate debentures (2nd instalment) ("the Second Debentures of 2018") to qualified investors. The debenture interest shall be annually calculated at simple interest rate, and the nominal interest rate is 4.17%, with interest paid annually and the final instalment of interest paid with the principal. The debenture has the put options for investors, and investors are entitled to the right to choose to put all or part of the debenture held by them at par value to Taisen Holdings on the interest payment date which is expected in October 2020 for the second year since issued such debenture. On 29 October 2020, the Second Debentures of 2018 was fully paid in advance.

Taisen Holdings was approved to issue corporate debentures of no more than RMB2 billion (inclusive) in instalments to the public under the Regulatory Permission [2019] No. 388 as issued by the China Securities Regulatory Commission. In 2019, Taisen Holdings publicly issued the corporate debentures (1st instalment) ("the First Debentures of 2019") to qualified investors. The debenture interest shall be annually calculated at simple interest rate, and the nominal interest rate is 3.69%, with interest paid annually and the final instalment of interest paid with the principal.

- (b) On 26 July 2018, S.F. Holding Investment Limited, a wholly-owned overseas subsidiary of the Company, issued debentures of USD500 million overseas. The debentures were listed on the Stock Exchange of Hong Kong Limited on 27 July 2018. The nominal interest rate is 4.13% per annum, and the interest is paid semi-annually, for which the Company provides unconditional and irrevocable cross-border guarantee.
- (c) According to the *Notice of Acceptance of Registration* issued by the National Association of Financial Market Institutional Dealers (Zhong Shi Zhu Xie [2017] MTN443), Taisen Holdings' quota of middle-term notes was RMB2 billion. On 19 September 2018, Taisen Holdings issued the first middle-term notes of 2018 ("the First Middle-term Notes of 2018") totalling RMB1 billion at a nominal interest rate of 4.46%, with interest paid annually and the final instalment of interest paid with the principal. Such middle-term notes are included in the current portion of non-current liabilities as they will be due in September 2021.

- (d) The Company publicly issued convertible corporate debentures (“Convertible Corporate Debentures”) totalling RMB5.8 billion on 18 November 2019 under the Regulatory Permission [2019] No. 1903 as issued by the China Securities Regulatory Commission. The Convertible Corporate Debentures have a term of six years, that is, from 18 November 2019 to 18 November 2025, with a nominal interest rate of 0.20% for the first year, and thereafter it will be gradually increased to 2.00% over the remaining years. Holders of the Convertible Corporate Debentures can exercise the right to convert the Convertible Corporate Debentures into shares of the Company at the current conversion price during the period from the first trading day after six months following the end of the issuance of Convertible Corporate Debentures to the maturity date (the “Conversion Period”), from 22 May 2020 to 18 November 2025. Within five trading days after the expiration of the Conversion Period, the Company will redeem all the Convertible Corporate Debentures that have not been converted at 106% of the par value of such Convertible Corporate Debentures (including the final instalment of interest).

During the Conversion Period, if the closing price of the Company’s shares is not less than 130% (inclusive) of the current conversion price for at least 15 out of 30 consecutive trading days, the Company shall have the right to redeem all or part of the outstanding Convertible Corporate Debentures at par value of the Convertible Corporate Debentures plus the current accrued interest.

In addition, the Company shall have the right to redeem all or part of the outstanding Convertible Corporate Debentures at par value of the debentures plus the current accrued interest if the balance of the outstanding Convertible Corporate Debentures is less than RMB30 million.

Such Convertible Corporate Debentures were issued at the initial conversion price of RMB40.41 per share, which was not less than the average trading price of the Company’s stocks in the first twenty trading days before the announcement date of the prospectus (the average trading price on the trading day before adjustment shall be adjusted accordingly in case of stock price adjustment arising from ex-right and ex-dividend within such twenty trading days), and the average trading price on the previous trading day. After the issuance, the Company will adjust the conversion price accordingly in the event of bonus shares distribution, transfer to share capital, issuance of new shares (excluding share capital increased due to issuance of Convertible Corporate Debentures into shares), allotment of shares and distribution of cash dividends. During the duration of the Convertible Corporate Debentures issued, where the closing price of the Company’s shares is lower than 80% of the current conversion price in at least 15 of 30 consecutive trading days, the Board of Directors of the Company shall have the right to propose a plan for conversion price reduction and submit it to the shareholders’ meeting of the Company for deliberation and voting.

The Company implemented the annual equity distribution scheme of 2019 on 24 April 2020. Pursuant to issuance provisions stipulated in the *Prospectus for the Public Issuance of Convertible Corporate Debentures of S.F. Holding Co., Ltd.* and relevant regulations of China Securities Regulatory Commission on issuance of convertible corporate debentures, the conversion price of Convertible Corporate Debentures was adjusted from RMB40.41 per share to RMB40.14 per share since 24 April 2020. In June 2020, the Company completed the repurchase and cancellation procedures for restricted shares at China Securities Depository and the Clearing Corporation Limited Shenzhen Branch. The total share capital of the Company decreased by 2,182,222.00 shares from 4,422,030,407.00 shares to 4,419,848,185.00 shares. Pursuant to issuance provisions stipulated in the *Prospectus for the Public Issuance of Convertible Corporate Debentures of S.F. Holding Co., Ltd.* and relevant regulations of China Securities Regulatory Commission on issuance of convertible corporate debentures, the conversion price of Convertible Corporate Debentures was adjusted from RMB40.14 per share to RMB40.15 per share since 19 June 2020.

As the Convertible Corporate Debentures met the provisions of conditional redemption set out in the Prospectus, on 4 August 2020, the Company exercised the right to redeem the registered Convertible Corporate Debentures of S.F. Holding in full as of the redemption registration date (the trading day prior to the redemption date: 3 August 2020) after the market close.

In 2020, 144,311,758 A-share ordinary shares (2019: Nil) were converted from the convertible corporate debentures upon the exercise of conversion rights. The share capital was increased by RMB144,311,758.00 and the capital reserve increased by RMB5,758,688,018.73, while other equity instruments were written down by RMB768,938,484.90.

Convertible Corporate Debentures are listed as follows:

	Liability portion (including current portion of debentures payable)	Equity portion	Total
Amount of Convertible Corporate Debentures issued	5,028,196,096.65	771,803,903.35	5,800,000,000.00
Direct issuance expenses	<u>(18,667,806.36)</u>	<u>(2,865,418.45)</u>	<u>(21,533,224.81)</u>
Balance at the date of issue	<u>5,009,528,290.29</u>	<u>768,938,484.90</u>	<u>5,778,466,775.19</u>
Accumulated amortisation at the beginning of the year	<u>22,441,077.85</u>	<u>–</u>	<u>22,441,077.85</u>
Accumulated interest expenses accrued at the beginning of the year	<u>1,366,575.34</u>	<u>–</u>	<u>1,366,575.34</u>
Balance as at 1 January 2020	<u>5,033,335,943.48</u>	<u>768,938,484.90</u>	<u>5,802,274,428.38</u>
Amortisation in the current year	100,622,868.28	–	100,622,868.28
Interest expenses accrued for the current year	6,132,159.50	–	6,132,159.50
Conversion amount in the current year	(5,134,739,711.12)	(768,260,065.61)	(5,902,999,776.73)
Payment in cash	<u>(5,351,260.14)</u>	<u>(678,419.29)</u>	<u>(6,029,679.43)</u>
Balance as at 31 December 2020	<u>–</u>	<u>–</u>	<u>–</u>

- (e) On 20 February 2020, SF Holding Investment Limited, a wholly-owned overseas subsidiary of the Company, completed the issuance of USD700 million debentures. The debentures were listed on the Stock Exchange of Hong Kong Limited on 21 February 2020. The nominal interest rate is 2.875% per annum, the interest is paid semi-annually and guaranteed by the Company.

(36) Long-term payables

	31 December 2020	31 December 2019
Finance leases payable	15,131,771.29	3,467,874.00
Long-term advances payable	–	45,895,615.85
Long-term payables to China Development Fund Co., Ltd.	–	20,362,534.49
Others	7,503,856.60	12,267,729.19
Less: Current portion of long-term payables (<i>Note 4(32)</i>)	<u>(12,434,000.99)</u>	<u>(3,683,423.76)</u>
	<u>10,201,626.90</u>	<u>78,310,329.77</u>

(37) Long-term employee benefits payable

	31 December 2020	31 December 2019
Employee incentives	189,480,233.50	158,434,634.21
Less: Current portion of employee incentives (<i>Note 4(32)</i>)	<u>(189,480,233.50)</u>	<u>(40,000,000.00)</u>
Cash-settled share-based payments	119,062,850.83	69,392,342.16
Long-term service bonus	<u>26,477,376.10</u>	<u>16,639,470.36</u>
	<u>145,540,226.93</u>	<u>204,466,446.73</u>

(38) Deferred income

	31 December 2019	Increase in the current year	Decrease in the current year	31 December 2020	Source
Government grants (a)	201,496,411.81	277,518,885.01	(64,279,092.01)	414,736,204.81	Received government grants pending for future recognition in income

(a) The government grants related to deferred income in the current year are presented as follows:

Government grants	31 December 2019	Increase in grants in the current year	Amount recognised in other income in the current year (Note 4(55))	Decrease in disposal of subsidiaries in the current year	31 December 2020	Related to assets/income
Huanggang Baitan Lake Organising Committee Project	-	203,324,004.00	-	-	203,324,004.00	Related to assets
Construction development fund for Tianjin Project	41,742,674.75	-	(412,331.28)	-	41,330,343.47	Related to assets
Grant for maintenance of aircraft engines	9,502,005.06	21,188,766.00	(2,185,298.05)	-	28,505,473.01	Related to assets
Ancillary grant of infrastructure for Wuhu E-Commerce Industrial Park	25,869,122.25	-	(561,251.76)	-	25,307,870.49	Related to assets
Comprehensive pilot program of Shanghai modern service industry	25,927,848.88	-	(1,009,584.96)	-	24,918,263.92	Related to assets
Weihai industrial development support fund	16,389,000.00	-	(77,768.55)	-	16,311,231.45	Related to assets
Ma'anshan Industrial Park Project	11,441,226.58	3,000,000.00	(240,338.44)	-	14,200,888.14	Related to assets
Subsidy for new energy vehicles	6,306,194.54	4,222,500.00	(1,397,312.60)	-	9,131,381.94	Related to assets
Guangzhou Modern Supply Chain System Construction Project	-	10,825,500.00	(1,759,135.20)	-	9,066,364.80	Related to assets
Subsidy for investment and construction of Ganzhou Development Zone	3,000,000.00	3,488,685.00	-	-	6,488,685.00	Related to assets
Special fund for service industry development in Changchun	-	4,200,000.00	(39,033.45)	-	4,160,966.55	Related to assets
Subsidy for Guangdong Yue Cai Ke Jiao Projects	-	3,200,000.00	-	-	3,200,000.00	Related to assets
Subsidy for Nanjing Fengtai Industrial Park Project	-	3,000,000.00	-	-	3,000,000.00	Related to assets
Shenzhen intelligent logistics project fund	4,488,888.88	-	(1,666,666.68)	-	2,822,222.20	Related to assets
Special fund of Shenzhen industrial design development	2,789,473.68	-	(20,000.04)	-	2,769,473.64	Related to assets
Commercial circulation development project	2,531,991.51	-	(748,622.39)	-	1,783,369.12	Related to assets

Government grants	31 December 2019	Increase in grants in the current year	Amount recognised in other income in the current year (Note 4(55))	Decrease in disposal of subsidiaries in the current year	31 December 2020	Related to assets/income
Tianjin Port Free Trade Zone supply chain system construction project	2,751,248.24	-	(1,037,292.68)	-	1,713,955.56	Related to assets
Compensation for land acquisition of Nanning Distribution Hub	2,603,441.31	-	(1,007,459.31)	-	1,595,982.00	Related to assets
Enterprise Expansion Fund	8,799,344.09	1,000,000.00	(1,601,220.30)	(7,514,911.39)	683,212.40	Related to assets
Special subsidy for logistics standardisation granted by the Bureau of Commerce	2,543,361.74	-	(2,199,734.36)	-	343,627.38	Related to assets
Yancheng Smart E-Commerce Logistics Park Project	14,959,794.08	-	(297,035.64)	(14,662,758.44)	-	Related to assets
Others	19,850,796.22	20,069,430.01	(23,010,350.57)	(2,830,985.92)	14,078,889.74	Related to assets
	<u>201,496,411.81</u>	<u>277,518,885.01</u>	<u>(39,270,436.26)</u>	<u>(25,008,655.75)</u>	<u>414,736,204.81</u>	

(39) Deferred tax assets and deferred tax liabilities

(a) Deferred tax assets not taking into consideration the offsetting of balances

	31 December 2020		31 December 2019	
	Deductible temporary differences and deductible tax losses	Deferred tax assets	Deductible temporary differences and deductible tax losses	Deferred tax assets
Deductible tax losses	4,293,803,363.96	1,019,822,622.30	3,024,282,948.11	733,828,350.94
Accrued expenses	916,494,818.02	211,149,453.98	775,827,657.83	184,724,565.33
Unrealised profits from internal transactions	567,805,482.90	141,951,370.73	466,329,274.44	116,582,318.61
Employee incentives	-	-	118,166,438.48	29,541,609.62
Provision for asset impairment	418,871,236.81	97,647,556.61	251,281,539.04	61,105,136.91
Deferred income	379,953,251.04	93,473,271.68	183,305,261.85	44,134,413.21
Depreciation and amortisation differences	803,136,041.33	176,076,498.61	482,238,954.05	101,302,957.45
	<u>7,380,064,194.06</u>	<u>1,740,120,773.91</u>	<u>5,301,432,073.80</u>	<u>1,271,219,352.07</u>
Including:				
Expected to be recovered within 1 year (inclusive)		385,849,550.76		294,225,505.65
Expected to be recovered after 1 year		1,354,271,223.15		976,993,846.42
		<u>1,740,120,773.91</u>		<u>1,271,219,352.07</u>

(b) Deductible tax losses and deductible temporary differences that are not recognised as deferred tax assets are analysed as follows:

	31 December 2020	31 December 2019
Deductible tax losses (c)	6,200,346,659.44	3,224,474,481.50
Deductible temporary differences	229,507,703.41	28,468,543.55
	<u>6,429,854,362.85</u>	<u>3,252,943,025.05</u>

(c) The following table shows unrecognised deductible tax losses based on its expiration date:

	31 December 2020	31 December 2019
2020	–	235,896,007.94
2021	221,049,045.31	307,466,976.93
2022	249,846,567.01	284,043,639.97
2023	523,916,110.63	626,565,480.16
2024	1,508,970,519.19	1,116,618,889.70
2025 and subsequent years	3,696,564,417.30	653,883,486.80
	<u>6,200,346,659.44</u>	<u>3,224,474,481.50</u>

(d) *Deferred tax liabilities before offsetting*

	31 December 2020		31 December 2019	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Changes in fair value of investments in other equity instruments	932,870,364.02	233,217,591.00	744,088,970.00	186,022,242.50
Changes in fair value of other non-current financial assets	27,391,319.76	6,847,829.94	9,424,488.44	2,356,122.11
Changes in fair value upon reclassification of remaining equity of Hive Box Technology	446,796,225.96	111,699,056.49	446,796,225.96	111,699,056.49
Changes in fair value upon reclassification of remaining equity of Shenzhen Fengyi Technology Co., Ltd. ("Fengyi Technology")	28,000,000.00	7,000,000.00	28,000,000.00	7,000,000.00
Depreciation of fixed assets	3,824,110,621.39	905,252,293.68	2,713,479,796.13	594,029,414.30
Appreciation in asset value arising from business combination involving enterprises not under common control	2,629,788,996.63	613,610,691.51	2,905,562,109.35	682,576,336.29
Changes in fair value of financial assets held for trading	16,847,854.84	4,211,963.71	9,852,581.08	2,463,145.27
Others	26,478,052.63	6,619,513.16	26,772,768.32	6,693,192.08
	<u>7,932,283,435.23</u>	<u>1,888,458,939.49</u>	<u>6,883,976,939.28</u>	<u>1,592,839,509.04</u>
Including:				
Expected to be recovered within 1 year (inclusive)		323,259,120.82		214,142,463.75
Expected to be recovered after 1 year		1,565,199,818.67		1,378,697,045.29
		<u>1,888,458,939.49</u>		<u>1,592,839,509.04</u>

(e) The net balances of deferred tax assets and liabilities after offsetting are as follows:

	31 December 2020	31 December 2019
Deferred tax assets – net	<u>1,539,267,775.98</u>	<u>1,066,079,111.56</u>
Deferred tax liabilities – net	<u>1,687,605,941.56</u>	<u>1,387,699,268.53</u>

(40) Share capital

	31 December 2019	Increase in the current year (Note 4(35)(d))	Decrease in the current year (Note 9(1))	31 December 2020
Ordinary shares denominated in RMB	<u>4,414,585,265.00</u>	<u>144,311,758.00</u>	<u>(2,456,568.00)</u>	<u>4,556,440,455.00</u>
	31 December 2018	Increase in the current year	Decrease in the current year	31 December 2019
Ordinary shares denominated in RMB	<u>4,418,767,258.00</u>	<u>–</u>	<u>(4,181,993.00)</u>	<u>4,414,585,265.00</u>

(41) Other equity instruments

	31 December 2020	31 December 2019
Convertible corporate debentures (Note 4(35)(d))	<u>–</u>	<u>768,938,484.90</u>

(42) Capital reserve

	31 December 2019	Increase in the current year	Decrease in the current year	31 December 2020
Share premium				
– Capital contribution by shareholders	15,768,464,376.95	–	–	15,768,464,376.95
– Business combinations involving enterprises under common control	(76,633,221.35)	–	–	(76,633,221.35)
– Transfer of convertible corporate debentures to equity	–	5,758,688,018.73	–	5,758,688,018.73
– Share-based payments in capital contribution by shareholders (Note 4(43))	88,760,253.39	–	(57,311,846.08)	31,448,407.31
Other capital reserve				
– Amount of share-based payments recognised in capital reserve (Note 9(2))	47,011,172.79	217,625,854.42	–	264,637,027.21
– Transfer of convertible corporate debentures issued by subsidiaries to equity	–	1,980,870,478.56	–	1,980,870,478.56
– Others (i)	<u>296,416,012.38</u>	<u>527,797,731.58</u>	<u>(146,471,544.87)</u>	<u>677,742,199.09</u>
	<u>16,124,018,594.16</u>	<u>8,484,982,083.29</u>	<u>(203,783,390.95)</u>	<u>24,405,217,286.50</u>

	31 December 2018	Increase in the current year	Decrease in the current year	31 December 2019
Share premium				
– Capital contribution by shareholders	15,768,464,376.95	–	–	15,768,464,376.95
– Business combinations involving enterprises under common control	73,973,978.65	–	(150,607,200.00)	(76,633,221.35)
– Share-based payments in capital contribution by shareholders (Note 4(43))	193,344,979.29	–	(104,584,725.90)	88,760,253.39
Other capital reserve				
– Amount of share-based payments recognised in capital reserve	44,965,842.16	2,045,330.63	–	47,011,172.79
– Others	138,869,988.62	160,086,629.14	(2,540,605.38)	296,416,012.38
	<u>16,219,619,165.67</u>	<u>162,131,959.77</u>	<u>(257,732,531.28)</u>	<u>16,124,018,594.16</u>

- (i) Movements in the current year represent changes in equity resulting from transactions with minority shareholders and the changes of the Group's share of the investee's equity other than those arising from the net profit or loss and other comprehensive income.

(43) Treasury stock

	31 December 2019	Increase in the current year	Decrease in the current year	31 December 2020
Treasury stock	<u>454,761,306.79</u>	<u>–</u>	<u>(59,768,414.08)</u>	<u>394,992,892.71</u>
	31 December 2018	Increase in the current year	Decrease in the current year	31 December 2019
Treasury stock	<u>200,928,467.28</u>	<u>394,992,892.71</u>	<u>(141,160,053.20)</u>	<u>454,761,306.79</u>

As stated in Note 9(2), ordinary A shares, which were issued by the Company to the incentive recipients of the restricted shares incentive plan in 2017 and 2018, counted at 7,788,643.00 shares with raised funds totalling RMB202,255,537.22, including an increment of share capital of RMB7,788,643.00 and an increment of capital reserve of RMB194,466,894.22. In addition, the repurchasing obligation is recognised in liabilities (as purchase of treasury stock) at the number of restricted shares issued multiplied by the repurchasing price.

In 2018, some of the Company's original incentive recipients resigned and lost their right to receive incentives, therefore the Company repurchased and cancelled the restricted shares previously held by these incentive recipients (36,909.00 shares in total) with a deduction from the treasury share of RMB1,082,171.88, including a reduction of RMB36,909.00 in share capital, and RMB1,045,262.88 in capital reserve.

As at 31 December 2018, the Company adjusted the treasury stock by RMB244,898.06 based on the revocable cash dividends distributed to holders whose restricted shares were expected to be unlocked in the restricted shares incentive plan for 2017.

As at 3 January 2019, the Company held the 18th session of the 4th Board of Directors, at which the *Proposal of the Accomplishment of the Unlocking Conditions of the First Post Lock-up Period for the Restricted Shares for 2017* was reviewed. The Company recognised that the unlocking conditions for the first post lock-up period for the restricted shares for 2017 were met, and the treasury stock of RMB32,393,334.30 were deducted. In addition, the criteria of the performance assessment for the second post lock-up period for the restricted shares incentive plan for 2017 and the first post lock-up period for the restricted shares incentive plan for 2018 were not met, therefore the Company repurchased and cancelled the restricted shares previously held by these incentive recipients (3,741,407.00 shares in total) in 2019 with a deduction from the treasury share of RMB96,583,654.60, including a reduction of RMB3,741,407.00 in share capital, and RMB92,842,247.60 in capital reserve.

In 2019, some of the Company's original incentive recipients resigned and lost their right to receive incentives, therefore the Company repurchased and cancelled the restricted shares previously held by these incentive recipients (440,586.00 shares in total) with a deduction from the treasury share of RMB12,183,064.30, including a reduction of RMB440,586.00 in share capital, and RMB11,742,478.30 in capital reserve.

In 2020, some of the Company's original incentive recipients resigned and lost their right to receive incentives, therefore the Company repurchased and cancelled the restricted shares previously held by these incentive recipients (274,346 shares in total) with a deduction from the treasury share of RMB6,674,838.18, including a reduction of RMB274,346.00 in share capital, and RMB6,400,492.18 in capital reserve.

As at 23 March 2020, at the 3rd session of the 5th Board of Directors, the *Proposal of Repurchasing and Cancelling Certain Restricted Shares* was approved: the criteria of the performance assessment for the second post lock-up period for the restricted shares incentive plan for 2018 were not met, therefore the Company repurchased and cancelled the restricted shares previously held by these incentive recipients (2,182,222 shares in total) in 2020 with a deduction from the treasury share of RMB53,093,575.90, including a reduction of RMB2,182,222.00 in share capital, and RMB50,911,353.90 in capital reserve.

In addition, as at 31 January 2019, at the 19th session of the 4th Board of Directors, the *Proposal of Repurchasing Shares by Centralised Price Bidding* was approved, under which the Company repurchased a portion of corporate shares for employee stock ownership plan or share-based incentive plan through centralised price bidding by self-owned funds; a total of 11,010,729.00 shares were repurchased and treasury stock of RMB394,992,892.71 was recognised.

(44) Special reserve

	31 December 2019	Increase in the current year	Decrease in the current year	31 December 2020
Safety reserve	–	26,655,465.99	(26,655,465.99)	–
	31 December 2018	Increase in the current year	Decrease in the current year	31 December 2019
Safety reserve	–	7,552,986.74	(7,552,986.74)	–

Pursuant to the *Administrative Measures for the Collection and Utilisation of Enterprise Work Safety Funds* (Cai Qi [2012] No. 16) issued by the Ministry of Finance and the State Administration of Work Safety on 14 February 2012, 1% of the income from the "Common cargo transportation business" which is operated by certain subsidiaries of the Group is appropriated to safety reserve. The safety reserve is recognised in profit or loss as the "Special reserve" item for the current period. When the accrued safety reserve is used under the prescribed conditions, it is written off against the original amount directly.

(45) Surplus reserve

	31 December 2019	Increase in the current year	Decrease in the current year	31 December 2020
Statutory surplus reserve	601,241,237.54	143,802,110.91	–	745,043,348.45
	31 December 2018	Increase in the current year	Decrease in the current year	31 December 2019
Statutory surplus reserve	601,132,890.32	108,347.22	–	601,241,237.54

(46) Retained earnings

	2020	2019
Retained earnings at the end of the prior year before adjustment	19,737,192,610.27	14,960,062,609.04
Adjust for: Changes in accounting policies (Note 2(31))	<u>32,220,405.39</u>	<u>–</u>
Retained earnings at the beginning of the year after adjustment	<u>19,769,413,015.66</u>	<u>14,960,062,609.04</u>
Add: Net profit attributable to shareholders of the parent company for the current year	7,326,078,775.95	5,796,505,532.20
Less: Ordinary share dividends payable (a)	(1,188,301,851.36)	(924,234,773.27)
Appropriation to statutory surplus reserve	(143,802,110.91)	(108,347.22)
Appropriation to general risk reserve	(53,359,243.95)	(40,698,251.73)
Transfer from other comprehensive income to retained earnings	<u>(1,798,127.05)</u>	<u>(54,334,158.75)</u>
Retained earnings at the end of the year	<u><u>25,708,230,458.34</u></u>	<u><u>19,737,192,610.27</u></u>

- (a) The Company held a shareholders' meeting on 15 April 2020. On the basis of the total share capital at the registration date on which the 2019 profit distribution plan was implemented less the special shares repurchased by the Company, a total of RMB1,188,891,051.30 of cash dividends were distributed to all shareholders at RMB2.70 (including tax) per 10 shares, without bonus shares being given or capital reserve being transferred into the share capital.

During the reporting period, the Company adjusted ordinary share dividends by RMB589,199.94 in total, based on the number of restricted shares that were expected not to be unlocked for the restricted shares incentive plan for 2018 and thus the ordinary share dividends payable was changed to RMB1,188,301,851.36.

(47) Minority interests

	31 December 2020	31 December 2019
S.F. Express	204,187,038.94	–
New Havi	186,219,284.07	178,891,025.84
Chongqing Fonair UAS Technology Co., Ltd.	68,350,562.60	–
Hangzhou SF Intra-city Industrial Co., Ltd.	64,563,927.89	–
Guangdong Fengxing Zhitu Technology Co., Ltd.	57,772,424.84	–
Beijing S.F. Intra-city Technology Co., Ltd.	35,220,504.42	27,723,750.30
Chongqing Xuefeng Refrigerates Logistics Co., Ltd.	27,715,827.08	–
Wu Lian Yi Da	24,022,486.09	29,887,545.67
Chengdu Fengcheng Logistics Co., Ltd.	(10,909,045.82)	(14,361,885.94)
Guangdong Shunxin	(395,350,884.73)	(156,475,162.33)
Others	<u>54,858,695.26</u>	<u>8,231,968.04</u>
	<u><u>316,650,820.64</u></u>	<u><u>73,897,241.58</u></u>

(48) Revenue and cost of revenue

	2020	2019
Revenue from main operations (a)	153,756,899,410.51	112,034,972,464.87
Revenue from other operations (b)	<u>229,970,642.56</u>	<u>158,423,599.39</u>
Total revenue	<u><u>153,986,870,053.07</u></u>	<u><u>112,193,396,064.26</u></u>
Cost of revenue from main operations (a)	128,664,140,440.66	92,567,869,864.45
Cost of revenue from other operations (b)	<u>145,892,806.92</u>	<u>81,746,341.24</u>
Total cost of revenue	<u><u>128,810,033,247.58</u></u>	<u><u>92,649,616,205.69</u></u>

(a) Revenue and cost of revenue from main operations:

	2020		2019	
	Revenue from main operations	Cost of revenue from main operations	Revenue from main operations	Cost of revenue from main operations
Express & logistics and supply chain services	151,743,162,336.64	126,907,806,028.98	110,901,420,494.93	91,617,157,215.40
Sales of goods	1,180,983,047.56	1,130,999,451.98	491,341,448.53	482,862,092.06
Others	<u>832,754,026.31</u>	<u>625,334,959.70</u>	<u>642,210,521.41</u>	<u>467,850,556.99</u>
	<u><u>153,756,899,410.51</u></u>	<u><u>128,664,140,440.66</u></u>	<u><u>112,034,972,464.87</u></u>	<u><u>92,567,869,864.45</u></u>

(b) Revenue and cost of revenue from other operations:

	2020		2019	
	Revenue from other operations	Cost of revenue from other operations	Revenue from other operations	Cost of revenue from other operations
Disposal of materials	10,148,078.52	6,341,315.41	10,667,474.19	6,068,573.82
Others	<u>219,822,564.04</u>	<u>139,551,491.51</u>	<u>147,756,125.20</u>	<u>75,677,767.42</u>
	<u><u>229,970,642.56</u></u>	<u><u>145,892,806.92</u></u>	<u><u>158,423,599.39</u></u>	<u><u>81,746,341.24</u></u>

(c) The Group's revenue for the year ended 31 December 2020 is disaggregated as follows:

	2020			Total
	Express & logistics and supply chain services	Sales of goods	Others	
Revenue from main operations				
Including: At a point in time	–	1,180,983,047.56	242,264,363.47	1,423,247,411.03
Over time	151,743,162,336.64	–	477,956,114.03	152,221,118,450.67
Lease income	–	–	112,533,548.81	112,533,548.81
	<u>151,743,162,336.64</u>	<u>1,180,983,047.56</u>	<u>832,754,026.31</u>	<u>153,756,899,410.51</u>
Revenue from other operations				
Including: At a point in time	–	–	10,148,078.51	10,148,078.51
Over time	–	–	96,681,107.51	96,681,107.51
Lease income	–	–	123,141,456.54	123,141,456.54
	<u>–</u>	<u>–</u>	<u>229,970,642.56</u>	<u>229,970,642.56</u>

(i) As at 31 December 2020, the performance obligation of the Group that had been contracted but not yet performed or not fulfilled was part of the contracts with expected maturity within one year.

(49) Taxes and surcharges

	2020	2019	Payment criteria
City maintenance and construction tax	140,380,500.69	95,756,391.67	Refer to Note 3
Educational surcharge	104,949,501.41	70,968,952.51	Refer to Note 3
Stamp tax	76,894,015.57	52,591,427.68	
Property tax	44,801,203.19	43,923,946.33	
Land use tax	9,246,637.78	12,984,991.91	
Flood-control project expenses	215,932.89	247,169.70	
Others	2,484,344.94	3,145,432.14	
	<u>378,972,136.47</u>	<u>279,618,311.94</u>	

(50) Selling and distribution expenses

	2020	2019
Employee benefits	804,288,757.35	724,242,030.61
Outsourcing expenses of information technology service	646,012,965.13	454,791,065.39
Marketing expenses	207,323,812.25	276,716,291.70
IT and information platform expenses	187,144,719.50	177,817,773.13
Depreciation and amortisation expenses	178,082,993.20	161,129,962.60
Office and rental fees	104,404,076.71	108,156,672.44
Supply and material expenses	27,386,887.53	25,711,504.41
Travelling and transportation expenses	23,905,399.83	28,193,431.52
Others	73,831,138.52	40,128,713.26
	<u>2,252,380,750.02</u>	<u>1,996,887,445.06</u>

(51) General and administrative expenses

	2020	2019
Employee benefits	9,480,246,521.23	7,697,613,748.17
Office and rental fees	522,019,686.99	527,320,254.24
Depreciation and amortisation expenses	292,167,248.31	356,748,517.99
Outsourcing expenses	278,957,024.04	114,545,070.37
Professional service fees	270,578,174.59	283,929,501.89
Entertainment expenses	163,811,059.86	188,338,698.84
Supply and material expenses	138,241,081.50	77,725,345.78
Brand royalties	117,488,958.62	95,347,113.56
Travelling and transportation expenses	103,476,009.01	140,421,029.92
IT and information platform expenses	47,939,300.29	71,410,570.17
Taxes	35,328,285.92	45,576,620.45
Others	149,508,063.92	100,291,437.45
	<u>11,599,761,414.28</u>	<u>9,699,267,908.83</u>

(52) Research and development expenses

	2020	2019
Employee benefits	981,257,375.03	623,711,330.55
Depreciation and amortisation expenses	365,045,949.98	244,467,968.88
IT and information platform expenses	156,177,841.55	131,823,592.01
Outsourcing expenses	110,436,873.78	60,463,379.57
Supply and material expenses	47,002,164.92	23,954,845.68
Office and rental fees	27,794,399.70	37,954,522.40
Professional service fees	25,379,761.82	31,496,388.64
Travelling and transportation expenses	9,738,369.81	18,554,027.59
Others	18,725,639.60	20,855,820.68
	<u>1,741,558,376.19</u>	<u>1,193,281,876.00</u>

(53) Financial costs

	2020	2019
Interest on borrowings	1,036,798,173.98	921,111,335.15
Less: Capitalised interest (<i>Note 4(18)</i>)	(20,049,818.68)	(20,491,034.07)
Interest expenses	1,016,748,355.30	900,620,301.08
Less: Interest income	(185,707,902.94)	(285,283,463.71)
Net gains on exchange	(23,664,268.10)	(2,853,868.84)
Commission expenses and others	45,171,028.23	70,508,096.78
	<u>852,547,212.49</u>	<u>682,991,065.31</u>

(54) Expenses by nature

The cost of revenue, selling and distribution expenses, general and administrative expenses and research and development expenses in the income statement are listed as follows by nature:

	2020	2019
Outsourcing cost	81,938,687,018.15	54,483,184,583.60
Employee benefits	24,312,484,487.28	20,737,783,295.56
Transportation cost	14,267,067,925.57	10,403,529,548.46
Including: Aircraft maintenance costs	<u>367,941,907.39</u>	<u>229,400,688.84</u>
Office and rental fees	8,119,714,991.54	7,129,048,860.26
Depreciation and amortisation expenses	5,280,078,602.85	4,503,333,732.61
Supply and material expenses	4,826,753,015.27	4,036,645,787.93
Claims expenses	1,165,538,916.11	845,900,713.64
Cost of revenue of goods	1,130,999,451.98	482,862,092.06
IT and information platform expenses	828,385,049.98	714,128,812.71
Customs cost	374,554,515.27	284,526,670.27
Professional service fees	316,567,112.20	336,640,736.07
Travelling and transportation expenses	232,548,314.27	277,569,947.38
Marketing expenses	208,626,469.45	277,263,306.64
Brand royalties	117,488,958.62	95,347,113.56
Taxes	43,248,806.03	51,864,087.82
Others	<u>1,240,990,153.50</u>	<u>879,424,147.01</u>
	<u><u>144,403,733,788.07</u></u>	<u><u>105,539,053,435.58</u></u>

- (i) In 2020, the Group's government grants which were offset against cost and expenses amounted to RMB496,557,341.58 (2019: RMB89,295,302.70) and were fully offset against the cost of revenue. Therein, the amount that was recognised in non-recurring profit or loss amounted to RMB369,387,741.58 (2019: RMB89,295,302.70).

(55) Other income

	2020	2019	Related to assets/income
Tax preference	752,593,169.26	364,628,555.62	Related to income
Fiscal appropriation for logistics	428,912,271.90	301,787,264.19	Related to income
Grant from Social Security Bureau	98,158,180.03	41,598,376.96	Related to income
Amortisation of deferred income (Note 4(38))	<u>39,270,436.26</u>	<u>32,347,491.94</u>	Related to assets
	<u><u>1,318,934,057.45</u></u>	<u><u>740,361,688.71</u></u>	

(56) Investment income

	2020	2019
Investment income from disposal of subsidiaries (<i>Note 5(1)</i>)	443,625,451.41	848,211,045.94
Investment income from financial assets held for trading	410,806,376.56	195,523,310.99
Share of net gains or losses of investees under equity method (<i>Note 4(13)</i>)	(21,819,195.60)	(97,816,023.63)
Investment income from remeasurement of the remaining equity interests in Fengyi Technology at fair value	–	64,204,908.21
Investment income from wealth management products	29,379,413.13	48,335,455.75
Investments income from dividends of investment in other equity instruments	29,554,237.74	17,386,137.80
Losses on disposal of other long-term equity investments	(40,735,017.31)	(41,440.41)
	<u>850,811,265.93</u>	<u>1,075,803,394.65</u>

There is no significant restriction on recovery of investment income of the Group.

(57) Gains arising from changes in fair value

	2020	2019
Industry fund investments	109,402,113.46	25,812,257.12
Special scheme equity-class securities	17,966,831.29	9,424,488.45
Structural deposits	6,992,329.19	9,852,581.06
SAFE and discounted warrants	–	305,521,134.62
Others	(243,280.14)	(473,122.02)
	<u>134,117,993.80</u>	<u>350,137,339.23</u>

(58) Credit impairment losses

	2020	2019
Losses on bad debts of accounts receivable	218,487,810.06	142,227,367.20
Losses on bad debts of other receivables	113,090,280.12	26,821,581.16
Losses on impairment of loans and advances	88,209,290.56	4,060,387.27
Losses on impairment of factoring receivables	49,566,726.65	64,864,587.70
Losses on impairment of long-term receivables	3,400,920.51	25,811.71
	<u>472,755,027.90</u>	<u>237,999,735.04</u>

(59) Asset impairment losses

	2020	2019
Losses on impairment of intangible assets	24,072,531.32	45,275,469.86
Inventory impairment losses	5,279,698.19	–
Losses on impairment of long-term equity investments	3,700,481.73	133,345,440.37
Losses on impairment of contract assets	2,005,201.91	–
	<u>35,057,913.15</u>	<u>178,620,910.23</u>

(60) Losses on disposal of assets

	2020	Amount recognised in non-recurring profit or loss in 2020	2019	Amount recognised in non-recurring profit or loss in 2019
Losses on disposal of fixed assets	11,623,908.32	11,623,908.32	32,689,467.76	32,689,467.76
Losses on disposal of intangible assets	539,608.72	539,608.72	117,262.85	117,262.85
	<u>12,163,517.04</u>	<u>12,163,517.04</u>	<u>32,806,730.61</u>	<u>32,806,730.61</u>

(61) Non-operating income and expenses

(a) Non-operating income

	2020	Amount recognised in non-recurring profit or loss in 2020	2019	Amount recognised in non-recurring profit or loss in 2019
Government grants (i)	56,378,947.73	56,378,947.73	56,554,506.80	56,554,506.80
Compensation income	32,582,574.40	32,582,574.40	15,703,427.17	15,703,427.17
Income from penalty	3,790,665.79	3,790,665.79	2,403,133.50	2,403,133.50
Others	136,474,002.64	136,474,002.64	138,342,506.02	138,342,506.02
	<u>229,226,190.56</u>	<u>229,226,190.56</u>	<u>213,003,573.49</u>	<u>213,003,573.49</u>

(i) Details of government grants

	2020	Related to assets/income	2019	Related to assets/income
General fiscal appropriation	54,293,334.96	Related to income	54,475,959.85	Related to income
Others	2,085,612.77	Related to income	2,078,546.95	Related to income
	<u>56,378,947.73</u>		<u>56,554,506.80</u>	

(b) Non-operating expenses

	2020	Amount recognised in non-recurring profit or loss in 2020	2019	Amount recognised in non-recurring profit or loss in 2019
Losses on scrapping of fixed assets and intangible assets	175,536,010.37	175,536,010.37	45,031,486.20	45,031,486.20
Compensation expenses	51,349,632.82	51,349,632.82	52,698,561.13	52,698,561.13
Penalties and overdue fines	25,076,337.95	25,076,337.95	16,691,968.99	16,691,968.99
Donation expenses	24,868,500.40	24,868,500.40	36,103,989.17	36,103,989.17
Others	49,243,648.41	49,243,648.41	44,774,781.02	44,774,781.02
	<u>326,074,129.95</u>	<u>326,074,129.95</u>	<u>195,300,786.51</u>	<u>195,300,786.51</u>

(62) Income tax expenses

	2020	2019
Current income tax	3,323,134,983.32	2,077,672,964.03
Deferred income tax	<u>(216,512,080.17)</u>	<u>(276,155,489.55)</u>
	<u>3,106,622,903.15</u>	<u>1,801,517,474.48</u>

The reconciliation from income tax calculated based on the applicable tax rates and total profit presented in the income statement to the income tax expenses is listed below:

	2020	2019
Total profit	<u>10,038,655,835.74</u>	<u>7,426,311,085.12</u>
Income tax expenses calculated at the standard tax rate of 25%	2,509,663,958.94	1,856,577,771.28
Costs, expenses and losses not deductible for tax purposes	227,848,830.29	178,311,638.65
Effect of last-year tax filing differences	25,761,923.79	4,768,804.35
Effect of different tax rates among different subsidiaries and branches on income tax expenses	<u>(229,531,343.69)</u>	<u>(92,746,590.73)</u>
Deductible tax losses and deductible temporary differences for which no deferred tax asset was recognised in the current year	858,997,924.62	321,624,103.28
Reversal of previously recognised deductible tax losses for which deferred tax asset was recognised	49,843,113.46	113,420,471.41
Utilisation of deductible tax losses and deductible temporary differences for which no deferred tax asset was recognised in prior periods	<u>(67,624,041.60)</u>	<u>(217,876,031.38)</u>
Recognition of deductible tax losses and deductible temporary differences for which no deferred tax asset was recognised in prior periods	<u>(40,957,510.08)</u>	<u>(19,485,661.44)</u>
Effect of tax preference	<u>(96,431,604.60)</u>	<u>(77,208,257.64)</u>
Income not subject to tax	<u>(130,948,347.98)</u>	<u>(265,868,773.30)</u>
Income tax expenses	<u>3,106,622,903.15</u>	<u>1,801,517,474.48</u>

(63) Earnings per share**(a) Basic earnings per share**

Basic earnings per share are calculated by dividing consolidated net profit attributable to ordinary shareholders of the parent company by the weighted average number of outstanding ordinary shares of the parent company:

	2020	2019
Consolidated net profit attributable to ordinary shareholders of the parent company	<u>7,326,078,775.95</u>	<u>5,796,505,532.20</u>
Adjusted consolidated net profit attributable to ordinary shareholders of the parent company for calculation of earnings per share	7,326,078,775.95	5,796,505,532.20
Weighted average number of outstanding ordinary shares of the Company	<u>4,464,060,194.17</u>	<u>4,404,269,766.75</u>
Basic earnings per share	<u>1.64</u>	<u>1.32</u>
Including:		
– Basic earnings per share from continuing operations	<u>1.64</u>	<u>1.32</u>

(b) Diluted earnings per share

Diluted earnings per share are calculated by dividing consolidated net profit attributable to ordinary shareholders of the parent company adjusted based on the dilutive potential ordinary shares by the adjusted weighted average number of outstanding ordinary shares of the Company. In 2020, the Company had dilutive potential ordinary shares (2019: the same):

	2020	2019
Consolidated net profit attributable to ordinary shareholders of the parent company	7,326,078,775.95	5,796,505,532.20
Add: Interest expenses from convertible corporate debentures of the company (net of tax)	<u>110,103,398.11</u>	<u>17,855,739.89</u>
Adjusted consolidated net profit attributable to ordinary shareholders of the parent company for calculation of earnings per share	<u>7,436,182,174.06</u>	<u>5,814,361,272.09</u>
Weighted average number of outstanding ordinary shares of the Company	4,464,060,194.17	4,404,269,766.75
Add: Weighted average number of ordinary shares which convertible corporate debentures assumed to be fully converted into ordinary shares	<u>81,369,531.83</u>	<u>16,908,875.80</u>
Weighted average number of outstanding diluted ordinary shares	<u>4,545,429,726.00</u>	<u>4,421,178,642.55</u>
Diluted earnings per share	<u>1.64</u>	<u>1.32</u>

(64) Other comprehensive income

Other comprehensive income, the related income tax effect and the reclassifications to profit or loss in 2020 and 2019:

	Other comprehensive income in the balance sheet			Other comprehensive income in the income statement for the year ended 31 December 2020				
	31 December 2019	Attributable to the parent company in the current year – net of tax	Other comprehensive income transferred into retained earnings	31 December 2020	Amount incurred before income tax for the current year	Less: Income tax	Attributable to the parent company – net of tax	Attributable to minority shareholders – net of tax
Other comprehensive income items which will not be reclassified subsequently to profit or loss	721,903,970.41	489,552,426.35	1,798,127.05	1,213,254,523.81	544,463,666.19	(54,911,239.84)	489,552,426.35	-
Changes in fair value of investments in other equity instruments and exchange rate changes	(2,059,919.82)	873,013.64	-	(1,186,906.18)	873,013.64	-	873,013.64	-
Other comprehensive income items which will not be transferred to profit or loss under the equity method	-	(22,857,620.11)	-	(22,857,620.11)	(22,857,620.11)	-	(22,857,620.11)	-
Other comprehensive income items which will be reclassified subsequently to profit or loss	282,871,556.79	(328,112,462.79)	-	(45,240,906.00)	(325,720,782.93)	-	(328,112,462.79)	2,391,679.86
Cash flow hedging reserve	1,002,715,607.38	139,455,357.09	1,798,127.05	1,143,969,091.52	196,758,276.79	(54,911,239.84)	139,455,357.09	2,391,679.86
Exchange differences on translation of foreign currency financial statements								

	Other comprehensive income in the balance sheet			Other comprehensive income in the income statement for the year ended 31 December 2019						
	31 December 2018	Changes in accounting policies	31 December 2019	Attributable to the parent company in the current year – net of tax	Other comprehensive income transferred into retained earnings	31 December 2019	Amount incurred before income tax for the current year	Less: Income tax	Attributable to the parent company – net of tax	Attributable to minority shareholders – net of tax
Other comprehensive income items which will not be reclassified subsequently to profit or loss										
Changes in fair value of investments in other equity instruments	-	353,622,821.31	353,622,821.31	313,946,990.35	54,334,158.75	721,903,970.41	485,040,606.69	(171,093,616.34)	313,946,990.35	-
Other comprehensive income items which will not be transferred to profit or loss under the equity method	-	-	-	(2,059,919.82)	-	(2,059,919.82)	(2,059,919.82)	-	(2,059,919.82)	-
Other comprehensive income items which will be reclassified subsequently to profit or loss										
Changes in fair value of available-for-sale financial assets	336,157,723.57	(336,157,723.57)	-	-	-	-	-	-	-	-
Exchange differences on translation of foreign currency financial statements	191,026,574.28	-	191,026,574.28	91,844,982.51	-	282,871,556.79	91,935,673.25	-	91,844,982.51	90,690.74
	527,184,297.85	17,465,097.74	544,649,395.59	403,732,053.04	54,334,158.75	1,002,715,607.38	574,916,360.12	(171,093,616.34)	403,732,053.04	90,690.74

(65) Notes to the cash flow statement

(a) Cash received relating to other operating activities

	2020	2019
Inflows from cash on delivery service	80,856,644,853.55	56,826,527,536.97
Government grants	1,296,976,656.04	608,650,150.52
Interest income	168,534,784.86	292,594,362.21
Net cash received from Mingde Holdings	–	11,501,375.29
Others	1,233,421,869.46	913,684,698.43
	<u>83,555,578,163.91</u>	<u>58,652,958,123.42</u>

(b) Cash paid relating to other operating activities

	2020	2019
Outflows from cash on delivery service	80,458,460,799.97	57,359,107,476.23
Office and rental fees	8,687,678,278.06	7,425,983,507.52
Claims expenses	1,165,538,916.11	845,900,713.64
IT and information platform expenses	878,088,152.98	756,976,541.47
Customs cost	368,099,405.29	275,356,257.47
Professional service fees	329,482,183.76	359,586,350.59
Travelling and transportation expenses	246,501,213.13	294,224,144.22
Marketing expenses	221,144,057.61	293,899,105.04
Entertainment expenses	178,452,438.83	202,656,199.43
Compensation and penalty	76,425,970.77	69,390,530.12
Bank charges	45,171,028.23	70,508,096.78
Donation expenses	24,868,500.40	36,103,989.17
Others	2,515,045,194.40	1,583,545,198.08
	<u>95,194,956,139.54</u>	<u>69,573,238,109.76</u>

(c) Net cash paid to acquire subsidiaries

	2020	2019
Cash and cash equivalents paid in the current year for acquisition of subsidiaries incurred in the current year	77,680,092.88	5,346,964,309.54
Including: SF Supply Chain Business	–	5,325,964,309.54
Other companies	77,680,092.88	21,000,000.00
Less: Cash and cash equivalents held by subsidiaries at the acquisition date	(811,347,479.24)	(1,204,848,954.38)
Including: SF Supply Chain Business	–	(254,733,022.95)
Cash received from acquisition of subsidiaries through equity replacement	(799,000,000.00)	(939,000,000.00)
Other companies	(12,347,479.24)	(11,115,931.43)
Add: Cash paid in the current year for acquisition of subsidiaries incurred in prior periods	26,710,805.28	86,411,295.00
	<u>(706,956,581.08)</u>	<u>4,228,526,650.16</u>
Including: Net cash paid to acquire subsidiaries	(92,043,418.92)	(5,167,526,650.16)
Net cash received from acquisition of subsidiaries	799,000,000.00	939,000,000.00

(d) Cash received relating to other investing activities

	2020	2019
Redemption of bank wealth management products and structural deposits	112,187,103,321.49	47,171,108,814.70

(e) Cash paid relating to other investing activities

	2020	2019
Purchase of bank wealth management products and structural deposits	114,927,403,498.91	50,131,477,609.38
Net cash paid for disposal of subsidiaries	70,623,676.27	60,255,887.64
	<u>114,998,027,175.18</u>	<u>50,191,733,497.02</u>

(f) Cash payments relating to other financing activities

	2020	2019
Repurchase of shares	58,663,220.22	503,763,032.93
Payment of financing expenses	16,807,089.37	11,121,532.92
Acquisition of minority interests	8,083,700.00	–
Payment for acquiring subsidiaries under common control	–	150,607,200.00
Others	1,890,666.29	–
	<u>85,444,675.88</u>	<u>665,491,765.85</u>

(66) Supplementary information to the cash flow statement**(a) Reconciliation from net profit to cash flows from operating activities**

	2020	2019
Net profit	6,932,032,932.59	5,624,793,610.64
Add: Asset impairment losses	35,057,913.15	178,620,910.23
Credit impairment losses	472,755,027.90	237,999,735.04
Depreciation of fixed assets	3,580,529,910.34	3,005,247,806.88
Depreciation of investment properties	54,519,822.08	64,296,755.36
Amortisation of intangible assets	982,309,961.19	735,757,728.66
Amortisation of long-term prepaid expenses	674,676,135.54	698,031,441.71
Losses on disposal of fixed assets and intangible assets	187,699,527.41	77,838,216.81
Gains arising from changes in fair value	(134,117,993.80)	(350,137,339.23)
Financial costs	981,126,860.90	892,343,655.10
Investment income	(850,811,265.93)	(1,075,803,394.65)
Recognised expenses on equity-settled share-based payments	242,688,267.63	4,638,445.75
Increase in deferred tax assets	(493,664,415.56)	(492,055,830.52)
Increase in deferred tax liabilities	277,152,335.39	215,900,340.97
Amortisation of deferred income	(39,270,436.26)	(32,347,491.94)
Increase in inventories	(110,529,092.06)	(72,763,068.97)
Increase in operating receivables	(8,488,670,569.10)	(4,128,062,981.70)
Increase in operating payables	7,020,434,632.83	3,536,974,935.35
	<u>11,323,919,554.24</u>	<u>9,121,273,475.49</u>
Net cash flows from operating activities	<u>11,323,919,554.24</u>	<u>9,121,273,475.49</u>

(b) Net increase/(decrease) in cash and cash equivalents

	2020	2019
Cash and cash equivalents at the end of the year	15,466,483,805.74	17,764,448,498.26
Less: Cash and cash equivalents at the beginning of the year	<u>(17,764,448,498.26)</u>	<u>(15,299,271,593.99)</u>
Net (decrease)/increase in cash and cash equivalents	<u><u>(2,297,964,692.52)</u></u>	<u><u>2,465,176,904.27</u></u>

(c) Cash and cash equivalents

	31 December 2020	31 December 2019
Cash on hand	78,882.36	188,281.28
Cash at bank that can be readily drawn on demand	15,262,345,098.88	17,662,057,153.84
Other cash balances that can be readily drawn on demand	126,993,032.50	21,599,389.56
Other balances that can be readily drawn on demand	<u>77,066,792.00</u>	<u>80,603,673.58</u>
	<u><u>15,466,483,805.74</u></u>	<u><u>17,764,448,498.26</u></u>

(67) Monetary items denominated in foreign currency

As at 31 December 2020, the Group's companies whose recording currency is RMB held financial assets and liabilities denominated in non-recording currency (mainly USD, HKD and EUR), excluding financial assets and liabilities denominated in non-recording currency held by related parties within the Group, of which the equivalent amounts in RMB (presentation currency of these financial statements) are listed as below (31 December 2019: Immaterial):

	31 December 2020		
	Amount in the original currency	Exchange rate to RMB	Equivalent to RMB
Cash at bank and on hand –			
USD	10,721,146.84	6.5249	69,954,411.02
HKD	11,806,587.62	0.8416	9,936,424.14
EUR	99,878.10	8.0250	801,521.75
Receivables –			
USD	10,074,431.73	6.5249	65,734,659.60
HKD	191,100.03	0.8416	160,829.79
EUR	115,688.92	8.0250	928,403.58
Payables –			
USD	9,251,234.57	6.5249	60,363,380.45
HKD	2,245,888.08	0.8416	1,890,139.41
EUR	<u>424,100.74</u>	<u>8.0250</u>	<u>3,403,408.44</u>

5 CHANGES IN THE CONSOLIDATION SCOPE

(1) Disposal of subsidiaries

Aggregated information of subsidiaries disposed in the current year:

Name of subsidiary	Proceeds from disposal	Disposal proportion	Method of disposal	Timing of losing control	Basis for judgement of timing of losing control	Difference between proceeds from disposal after deducting disposal costs and corresponding shares of net assets in the consolidated financial statements	Amount transferred from other comprehensive income etc. related to initial equity investment to investment income or loss
Wuxi Fengtai E-Commerce Industrial Park Management Co., Ltd. ("Wuxi Fengtai") (i)	325,000,000.00	100.00%	Equity replacement	23 November 2020	Transfer of control right	211,515,614.73	-
Quanzhou Fengyutai Enterprise Management Co., Ltd. ("Quanzhou Fengyutai") (i)	184,000,000.00	100.00%	Equity replacement	23 November 2020	Transfer of control right	108,663,239.30	-
Jiaxing Fengtai E-Commerce Industrial Park Management Co., Ltd. ("Jiaxing Fengtai") (i)	85,000,000.00	100.00%	Equity replacement	23 November 2020	Transfer of control right	23,210,269.10	-
Yancheng Fengtai E-Commerce Industrial Park Management Co., Ltd. ("Yancheng Fengtai") (i)	86,000,000.00	100.00%	Equity replacement	23 November 2020	Transfer of control right	13,434,997.17	-
Ningbo Fengtai E-Commerce Industrial Park Management Co., Ltd. ("Ningbo Fengtai") (i)	119,000,000.00	100.00%	Equity replacement	23 November 2020	Transfer of control right	47,943,628.37	-
Shenzhen Nianfeng DDJ Technology Co., Ltd. and its subsidiaries	4,000,000.00	80.00%	Sales of equity	30 April 2020	Transfer of control right	20,402,632.21	-
Shenzhen Fongsu Technology Co., Ltd. and its subsidiaries	17,720,000.00	33.52%	Sales of equity	30 November 2020	Transfer of control right	18,528,915.13	(73,844.60)
	820,720,000.00					443,699,296.01	(73,844.60)

(i) *Asset-backed special plan*

On 29 June 2020, the Company used Wuxi Fengtai, Quanzhou Fengyutai, Jiaxing Fengtai, Yancheng Fengtai and Ningbo Fengtai Logistics Industry Park held by its wholly-owned subsidiary Shenzhen Fengtai E-Commerce Industrial Park Asset Management Ltd. ("Shenzhen Fengtai Industrial Park") as underlying assets for asset-support ("Special Scheme") by issuing asset-backed securities through Huatai Securities (Shanghai) Asset Management Co., Ltd. ("Huatai Asset Management"). On 21 November 2018, the Special Scheme was granted by Shenzhen Stock Exchange *the No Objection Letter on the Listing of Huatai Asset Management's 'Huatai Jiayue – S.F. Industrial Park Phase I Asset-backed Special Scheme' on Shenzhen Stock Exchange* (Shen Zheng Han [2018] No. 666, "No Objection Letter"), under which the shelf offering of RMB5 billion was approved for a term of 2 years; this Special Scheme fell into Phrase III. The Special Scheme was formally established and started to issue securities on 17 November 2020.

The Group used approximately RMB112 million self-owned funds to subscribe 19% of the equity-grade securities issued by the Special Scheme (about 8.08% of the whole Special Scheme). Afterwards, Shenzhen Fengtai Industrial Park signed an equity replacement agreement with the Special Scheme, under which, it exchanged 100% equity in Shenzhen Fengyikai Technology Co., Ltd., Shenzhen Runhuitai Technology Co., Ltd., Shenzhen Yujietai Technology Co., Ltd., Shenzhen Xingyaotai Technology Co., Ltd. and Shenzhen Shenghetai Technology Co., Ltd. held by the Special Scheme with its 100% equity in Wuxi Fengtai, Quanzhou Fengyutai, Jiaxing Fengtai, Yancheng Fengtai and Ningbo Fengtai, with a consideration totalling RMB799 million. Through the equity replacement, the Group obtained cash and cash equivalents of RMB799 million which was held by the above-mentioned subsidiaries (Note 4(65)(c)). In addition, based on a series of agreements between the Group and the Special Scheme, the Group was engaged in the daily operation management of the transferred Wuxi Fengtai, Quanzhou Fengyutai, Jiaxing Fengtai, Yancheng Fengtai and Ningbo Fengtai, and was entitled with certain rights and obligations with regard to the Special Scheme.

The above equity replacement was completed on 30 November 2020. As a result, Wuxi Fengtai, Quanzhou Fengyutai, Jiaxing Fengtai, Yancheng Fengtai and Ningbo Fengtai were no longer included in the consolidation scope since December 2020. The excess of the consideration of the equity replacement over the carrying amount of net assets of Wuxi Fengtai, Quanzhou Fengyutai, Jiaxing Fengtai, Yancheng Fengtai and Ningbo Fengtai, approximately RMB405 million, was recognised as investment income by the Group.

(2) **Other changes in the consolidation scope**

(a) *In 2020, the Group set up the following subsidiaries by cash:*

- Shunlu Smart Pharmaceutical (Shanghai) Co., Ltd.
- Shunluo Supply Chain Management (Chongqing) Co., Ltd.
- Shunyang Zhanghu (Chongqing) Senior Care Services Co., Ltd.
- Shunyuan Commercial Factoring (Tianjin) Co., Ltd.
- S.F. Xiangyu (Shangdong) Pharmaceutical Logistics Co., Ltd.
- S.F. Digital Technology (Shenzhen) Services Co., Ltd.
- S.F. Pharmaceutical Supply Chain Chongqing Co., Ltd.
- S.F. Pharmaceutical Supply Chain (Fujian) Co., Ltd.
- S.F. (Ningbo) Logistics Technology Co., Ltd.
- Changsha E-Plus Technology Co., Ltd.
- Changsha S.F. E-commerce Co., Ltd.
- Changsha Fengyi Supply Chain Management Co., Ltd.
- Chongqing Fonair UAS Technology Co., Ltd.
- Ezhou S.F. International Airfreight Depot Co., Ltd.
- Xi'an E-Plus Technology Co., Ltd.

Exel Technology (Shanghai) Co., Ltd.

Exel Supply Chain Management (Shanghai) Co., Ltd.

Exel Supply Chain (Xi'an) Co., Ltd.

Exel Supply Chain (Dalian) Co., Ltd.

Exel Supply Chain (Xiamen) Co., Ltd.

Exel Supply Chain (Nanjing) Co., Ltd.

Exel Supply Chain (Shanghai) Co., Ltd.

Fujian Lijie Supply Chain Management Co., Ltd.

Qidong Fengnong Technology Co., Ltd.

Zhuhai Shunbang Investment Co., Ltd.

Weifang Fengtai Industrial Park Management Co., Ltd.

Hunan S.F. Pharmaceutical Supply Chain Co., Ltd.

Shenzhen Shunlian Technology Co., Ltd.

Shenzhen S.F. Shuntai Logistics Co., Ltd.

Shenzhen S.F. International Network Co., Ltd.

Shenzhen S.F. International Industry Co., Ltd.

Shenzhen S.F. International Supply Chain Management Co., Ltd.

Shenzhen Shunxin Cross-Border Express Co., Ltd.

Shenzhen Shunkang Network Technology Co., Ltd.

Shenzhen S.F. Cross-Border Express Co., Ltd.

Shenzhen S.F. Kuaicha Technology Co., Ltd.

Shenzhen Kuaichijunma Information Technology Co., Ltd.

Shenzhen Weifengqi Technology Co., Ltd.

Shenzhen Fengyun Investment Co., Ltd.

Shenzhen Bingzhi Supply Chain Management Co., Ltd.

Shenzhen Fengwang Express Co., Ltd.

Jinan Fengtai Industrial Park Management Co., Ltd.

Luoyang Fengtai Industrial Park Management Co., Ltd.

Henan S.F. Pharmaceutical Supply Chain Co., Ltd.

Henan Xixia Letinous Edodes Integrated Service Industry Co., Ltd.

Jiangxi S.F. Zhida Network Technology Co., Ltd.

Jiangxi S.F. Pharmaceutical Supply Chain Management Co., Ltd.

Jiangxi Kangfeng Information Technology Services Co., Ltd.

Wuhan E-Plus Technology Co., Ltd.

Wuhan S.F. Cold Chain Co., Ltd.

Yulin Fonair UAS Technology Co., Ltd.

Meizhou Yoududu Fruit Industry Co., Ltd.

Liuzhou Fengyutai Industrial Park Management Co., Ltd.

Zhijiang Fengnong Technology Co., Ltd.

Hangzhou E-Plus Technology Co., Ltd.

Hangzhou Fengwang Express Co., Ltd.

Hangzhou Fengyou Energy Technology Co., Ltd.

Dunhuang Fengzhao Technology Co., Ltd.

Huizhou Fengyutai Enterprise Management Co., Ltd.

Guangxi Shunnong Fengnong Agricultural Technology Co., Ltd.

Guangzhou S.F. Cold Chain Co., Ltd.

Guangzhou Chengyi Information Technology Co., Ltd.

Guangdong Shuangjie Supply Chain Co., Ltd.

Dingxi Fengnong Technology Co., Ltd.

Zonghao Supply Chain Consulting (Shenzhen) Co., Ltd.

Tianjin S.F. Juyi Logistics Co., Ltd.

Dalian Fengtai Industrial Park Operation and Management Co., Ltd.

Guofeng Wulianshuzhi Supply Chain (Guangdong) Co., Ltd.

Sichuan Guda Technology Co., Ltd.

Cheng Run Limited.

Jilin S.F. Smart Pharmaceutical Supply Chain Co., Ltd.

Hefei Exel Supply Chain Co., Ltd.

Xiamen E-Plus Technology Co., Ltd.

Xiamen Fengyi Supply Chain Management Co., Ltd.

Nanjing E-Plus Information Technology Co., Ltd.

Beijing S.F. International Network Co., Ltd.

Beijing Zhenlanwuxian Technology Co., Ltd.

Beijing Fengjietai Enterprise Management Co., Ltd.

SF Supply Chain Chongqing (Hong Kong) Limited.

FH Supply Chain Xiaogan (Hong Kong) Limited

SF Supply Chain (Yunnan) Co., Ltd.

Fengmeng Technology Co., Ltd.

FS TECHNOLOGY MACAU CO.,LTD.

Dongguan Fengtai Enterprise Management Co., Ltd.

Shanghai Shuntai Express Co., Ltd.

Shanghai S.F. Pharmaceutical Supply Chain Holding Co., Ltd.

Shanghai S.F. Cold Chain Co., Ltd.

Shanghai Taigenrun Enterprise Management Co., Ltd.

Shanghai Yongfang Supply Chain Technology Co., Ltd.

Shanghai Chengming Supply Chain Technology Co., Ltd.

Shanghai Bingzhi Supply Chain Management Co., Ltd.

Shanghai Fengzan Technology Co., Ltd.

Wuhu Industrial Park Limited

Wuhu Fengtai (Hong Kong) Limited

Wenzhou Industrial Park Limited

Wenzhou Fengtai (Hong Kong) Limited

SZSF Global Express (Kenya) Limited

SF Reit Asset Management Limited

SF Pharm Supply Chain (Hong Kong) Limited

SF Logistics Holdings Limited

SF International Network Limited

SF International Holdings Group Limited

SF International Holding Company Limited

SF International Development Pte. Ltd.

SF International (Hong Kong) Management Company Limited

SF Fengtai Industrial Park Holdings Limited

SF Express South Africa Proprietary Limited

SF Express Philippines Inc.

SF Express Nigeria Limited

SF Express (Switzerland) Ag

SF Express (Panama), S.A.

SF Express (NI) B.V.

SF Express (Middle East) DWC-LLC

SF Express (Germany) GMBH

SF Express (France) SAS

SF Express (Belgium) BV

S.F. E&L International (Cambodia) CO., LTD.

NH Logistics Limited

Moral Up Corporation Limited

Golden Bauhinia Logistics Holdings Limited

Foshan Industrial Park Limited

Foshan Fengtai (Hong Kong) Limited

Abundant Harvest Investments Limited

SF Technology Solution (Hong Kong) Limited

(b) In 2020, the Group cancelled the following subsidiaries:

Chengdu Yifeng Daojia Technology Service Co., Ltd.

Guangdong Zhifan Technology Co., Ltd.

Hengyang Hongyue Network Co., Ltd.

Hengyang Wanwei Information Technology Co., Ltd.

Changsha DHL Warehousing Logistics. Co., Ltd.

Hangzhou Shunyifeng Import & Export Trading Co., Ltd.

Hangzhou S.F. E-commerce Co., Ltd.

(c) In 2020, subsidiaries acquired by the Group are listed as follows:

HIGH SPRING GLOBAL LIMITED.

JADE AFFLUENT LIMITED.

HE CHANG TRADE LIMITED.

UNITED WIN ASIA LIMITED

Chongqing Xuefeng Refrigerates Logistics Co., Ltd.

Shenzhen Xuefeng Cold Chain Logistics Co., Ltd.

Changsha Xueyuan Cold Chain Logistics Co., Ltd.

(d) In 2020, subsidiaries acquired by the Group through equity replacement are listed as follows:

Shenzhen Fengyikai Technology Co., Ltd.

Shenzhen Runhuitai Technology Co., Ltd.

Shenzhen Yujietai Technology Co., Ltd.

Shenzhen Xingyaotai Technology Co., Ltd.

Shenzhen Shenghetai Technology Co., Ltd.

Shenzhen Fengrui Industrial Park Management Co., Ltd.

Shenzhen Run'an Industrial Park Management Co., Ltd.

Shenzhen Yujia Industrial Park Management Co., Ltd.

Shenzhen Xingyi Industrial Park Management Co., Ltd.

Shenzhen Shengheng Industrial Park Management Co., Ltd.

(e) In 2020, other subsidiaries sold by the Group are listed as follows:

Global Fortitude International Limited

6 INTERESTS IN OTHER SUBSIDIARIES

(1) Interests in subsidiaries

(a) *First-tier and second-tier subsidiaries of the Group are listed as follows:*

	Place of registration	Major business location	Registered capital	Nature of business	Shareholding (%)		Method of acquisition
					Direct	Indirect	
Taisen Holdings S.F. Express Co., Ltd.	Shenzhen Shenzhen	Shenzhen Shenzhen	RMB2,010 million RMB150 million	Investment holding International freight forwarding, inbound and outbound express deliver, etc.	100.00% –	– 100.00%	Reverse acquisitions Business combination involving enterprises under common control
SF Technology	Shenzhen	Shenzhen	RMB60 million	Technical maintenance and development service	–	100.00%	By new establishment
Shenzhen Shunlu Logistics Co., Ltd.	Shenzhen	Shenzhen	RMB160 million	Cargo transportation and freight forwarding	–	100.00%	Business combination involving enterprises under common control
Anhui S.F. Telecommunication Service Co., Ltd.	Anhui	Anhui	RMB50 million	Value-added telecommunication service	–	100.00%	By new establishment
Shenzhen Yuhui Management Consulting Co., Ltd.	Shenzhen	Shenzhen	RMB250 million	Consulting service	–	100.00%	Business combination involving enterprises under common control
Shenzhen S.F. Supply Chain Co., Ltd.	Shenzhen	Shenzhen	RMB1,500 million	Supply chain management and other services	–	100.00%	By new establishment
SF Airlines	Shenzhen	Shenzhen	RMB1,510 million	Transport service of aviation cargo	–	100.00%	Business combination involving enterprises under common control
Shenzhen Fengtai Industrial Park	Shenzhen	Shenzhen	RMB5,100 million	E-Commerce industrial park asset management	–	100.00%	Business combination involving enterprises under common control
Shenzhen Fengtai E-Commerce Industrial Park Investment Ltd.	Shenzhen	Shenzhen	RMB58 million	Management consulting	–	100.00%	By new establishment
Shenzhen S. F. Airport Investment Co., Ltd.	Shenzhen	Shenzhen	RMB100 million	Industrial investment	–	100.00%	By new establishment
SF Holding Limited	Hong Kong	Hong Kong	HKD2,260 million	Investment holding	–	100.00%	Business combination involving enterprises under common control
Group Finance Company	Shenzhen	Shenzhen	RMB1,000 million	Financing, wealth management and consulting services	–	100.00%	By new establishment

	Place of registration	Major business location	Registered capital	Nature of business	Shareholding (%)		Method of acquisition
					Direct	Indirect	
Shenzhen SF Chuangxing Investment Co., Ltd.	Shenzhen	Shenzhen	RMB150 million	Industrial investment	-	100.00%	By new establishment
Shenzhen Fengnong Technology Co., Ltd.	Shenzhen	Shenzhen	RMB15 million	Retail	-	100.00%	By new establishment
Shenzhen Fenglang Supply Chain Co., Ltd.	Shenzhen	Shenzhen	RMB30 million	Supply chain management and other services	-	100.00%	By new establishment
Shenzhen Shunfeng Runtai Management Consulting Co., Ltd.	Shenzhen	Shenzhen	RMB5 million	Consulting service	-	100.00%	By new establishment
Shuyuan Financial Leasing (Tianjin) Co., Ltd.	Tianjin	Tianjin	RMB370 million	Leasing business	-	100.00%	By new establishment
SF Multimodal Co., Ltd.	Shenzhen	Shenzhen	RMB242 million	Goods delivery services	-	100.00%	By new establishment
Shenzhen Shunxi Management Consulting Co., Ltd.	Shenzhen	Shenzhen	RMB2 million	Management consulting	-	100.00%	By new establishment
S.F. Insurance Broker (Shenzhen) Co., Ltd.	Shenzhen	Shenzhen	RMB50 million	Insurance business	-	100.00%	By new establishment
S.F. Duolian Technology Co., Ltd.	Dongguan	Dongguan	RMB150 million	Technology development	-	100.00%	By new establishment
Dongguan SF Taisen Enterprise Management Co., Ltd.	Dongguan	Dongguan	RMB30 million	Property management	-	100.00%	By new establishment
SF Innovative Technology Co., Ltd.	Dongguan	Dongguan	RMB450 million	Information technology service	-	100.00%	By new establishment
Shenzhen Shunheng Rongfeng Supply Chain Technology Co., Ltd.	Shenzhen	Shenzhen	RMB100 million	Consulting service	-	100.00%	Business combination involving enterprises under common control
Shenzhen Hengyi Logistics Service Co., Ltd.	Shenzhen	Shenzhen	RMB100 million	Freight forwarding service	-	100.00%	Business combination involving enterprises under common control
Lefeng Factoring	Shenzhen	Shenzhen	RMB62.5 million	Factoring	-	100.00%	Business combination involving enterprises under common control
Hangzhou SF Intra-city Industrial Co., Ltd.	Hangzhou	Hangzhou	RMB666.63 million	Supply chain management and other services	-	85.56%	By new establishment

	Place of registration	Major business location	Registered capital	Nature of business	Shareholding (%)		Method of acquisition
					Direct	Indirect	
SF Intra-city Holdings Limited	Hangzhou	Hangzhou	RMB425 million	Supply chain management and other services	-	96.63%	By new establishment
Shenzhen SF Express Zhongyuan Network Technology Co., Ltd.	Shenzhen	Shenzhen	RMB10 million	Technology development and consulting services	-	100.00%	By new establishment
SF Sharing Precision Information Technology (Shenzhen) Co., Ltd.	Shenzhen	Shenzhen	RMB30 million	Information technology service	-	100.00%	By new establishment
Hangzhou Shuangjie Supply Chain Co., Ltd.	Hangzhou	Hangzhou	RMB50 million	Supply chain management and other services	-	100.00%	By new establishment
S.F. Express	Shenzhen	Shenzhen	RMB1,495 million	Domestic and international freight forwarding	-	87.80%	By new establishment
Huanggang Xiufeng Education Investment Co., Ltd.	Huanggang	Huanggang	RMB90 million	Consulting services regarding business information and management	-	100.00%	By new establishment
Junhe Information Technology (Shenzhen) Co., Ltd.	Shenzhen	Shenzhen	RMB10 million	Information technology and development services	-	51.00%	By new establishment
S.F. Digital Technology (Shenzhen) Services Co., Ltd.	Shenzhen	Shenzhen	RMB250 million	Technology and consulting services	-	100.00%	By new establishment
Shenzhen S.F. International Industry Co., Ltd.	Shenzhen	Shenzhen	RMB10 million	Information technology and consulting services	-	100.00%	By new establishment

(b) Subsidiaries in which the Group has significant minority interests

As at 31 December 2020 and 31 December 2019, minority interests of the Group's subsidiaries had no significant influence on the Group.

(2) Interests in joint ventures and associates**(a) The Group's associates have no significant influence on the Group and are summarised as follows:**

	Ending balance/Amount in the current year	Opening balance/Amount in the prior year
Aggregated carrying amount of investments (Note 4(13)(b))	1,212,265,406.69	880,449,618.04
Aggregation of the following items in proportion:		
Net loss	(31,516,161.16)	(82,756,579.99)
Other comprehensive income	873,013.64	3,657,757.63
	<u>(30,643,147.52)</u>	<u>(79,098,822.36)</u>
Total comprehensive income	<u>(30,643,147.52)</u>	<u>(79,098,822.36)</u>

(b) The Group's joint ventures have no significant influence on the Group and are summarised as follows:

	Ending balance/Amount in the current year	Opening balance/Amount in the prior year
Aggregated carrying amount of investments (Note 4(13)(a))	2,434,965,871.21	1,341,063,055.10
Aggregation of the following items in proportion:		
Net profit/(loss)	9,696,965.56	(15,059,443.64)
Other comprehensive income	–	909,877.01
	<u>9,696,965.56</u>	<u>(14,149,566.63)</u>
Total comprehensive income	<u>9,696,965.56</u>	<u>(14,149,566.63)</u>

All of the Group's long-term equity investments for its joint ventures and associates had no public offers.

7 SEGMENT INFORMATION

The reportable segments of the Group are the business units that provide different logistics services. Different businesses require different technologies and marketing strategies, and the Group, therefore, independently manages their operations and evaluates operating results, in order to make decisions about resources allocations and performance evaluations.

In 2020, the Group mainly had three reportable segments, including:

- Express segment, which provides time-definite express, economy product and cold chain delivery service;
- Freight segment, which provides freight service;
- Other segments, including other services and undistributed parts such as supply chain and intra-city delivery.

Inter-segment transfer prices are determined by reference to pricing policy of related party transactions.

In 2019, data of other segments was not significant to the Group except the express segment. Giving consideration to significance and cost-effectiveness, the Group did not prepared segment report for the year ended 31 December 2019 following the framework of the segment report for the year ended 31 December 2020 as comparative information.

(a) Segment information as at and for the year ended 31 December 2020 is as follows:

	Express segment	Freight segment	Others	Inter-segment elimination	Total
Revenue from external customers	123,397,003,466.64	19,336,602,655.75	11,253,263,930.68	–	153,986,870,053.07
Inter-segment revenue	9,871,934,319.06	3,041,230,746.55	6,571,555,755.02	(19,484,720,820.63)	–
Cost of revenue	107,996,130,713.20	22,509,478,682.23	16,056,140,180.61	(17,751,716,328.46)	128,810,033,247.58
Total profit/ (Total loss)	12,283,613,426.37	(1,157,574,860.97)	(1,064,340,538.75)	(23,042,190.91)	10,038,655,835.74
Income tax expenses	3,296,378,773.56	(249,424,178.02)	60,875,310.21	(1,207,002.60)	3,106,622,903.15
Net profit/(Net loss)	8,987,234,652.81	(908,150,682.95)	(1,125,215,848.96)	(21,835,188.31)	6,932,032,932.59
Total assets	58,621,172,612.98	6,768,399,942.78	93,415,514,135.99	(47,645,044,430.78)	111,160,042,260.97
Total liabilities	37,443,764,886.58	5,924,381,036.41	48,203,830,097.53	(37,171,634,818.58)	54,400,341,201.94
Depreciation and amortisation expenses	4,114,397,974.45	159,091,387.87	1,010,882,849.67	(4,293,609.14)	5,280,078,602.85
Credit impairment losses	206,357,911.71	6,689,173.97	268,607,875.66	(8,899,933.44)	472,755,027.90

In 2020, no revenue from a single customer exceeded 10% or more of the Group's total revenue.

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS

(1) General information of the controlling shareholder and subsidiaries

The general information and other related information of the subsidiaries are set out in Note 6(1).

(a) General information of the controlling shareholder

	Place of registration	Nature of business
Mingde Holdings	Shenzhen	Investment

The Company's ultimate holding company is Mingde Holdings, and the ultimate controlling person is Wang Wei.

(b) The balances and changes of registered capital of the controlling shareholder

	31 December 2019	Increase in the current year	Decrease in the current year	31 December 2020
Mingde Holdings	113,405,734.21	–	–	113,405,734.21

(c) The percentages of shareholding and voting rights in the Company held by the controlling shareholder

	31 December 2020		31 December 2019	
	Shareholding (%)	Voting rights (%)	Shareholding (%)	Voting rights (%)
Mingde Holdings	59.30%	59.30%	61.20%	61.20%

(2) Nature of related parties that do not control/are not controlled by the Company

Major related parties are listed as follows:

	Relationship with the Company in the reporting period
Fengyi Technology	Controlled by the ultimate controlling person of the Company
Shenzhen Shunshang Investment Co., Ltd.	Controlled by the ultimate controlling person of the Company
Suzhou Fengchengda Network Technology Co., Ltd.	Controlled by the ultimate controlling person of the Company
Shenzhen S.F. Hefeng Microfinance Co., Ltd.	Controlled by the ultimate controlling person of the Company
Shenzhen Mingde Fengtai Investment Co., Ltd. ("Mingde Investment")	Controlled by the ultimate controlling person of the Company
Hangzhou Fengtai E-Commerce Industrial Park Management Ltd.	Controlled by the ultimate controlling person of the Company
Mingde Holdings	Controlled by the ultimate controlling person of the Company
S. F. Holding (Group) Commerce Co., Ltd. <i>Note 1</i>	Controlled by the ultimate controlling person of the Company before November 2020
Qinghai Shunxiaofeng Commerce Co., Ltd. <i>Note 1</i>	Controlled by the ultimate controlling person of the Company before November 2020
Anhui Shunxiaofeng Commerce Co., Ltd. <i>Note 1</i>	Controlled by the ultimate controlling person of the Company before November 2020
Dongguan Shunxiaofeng Commerce Co., Ltd. <i>Note 1</i>	Controlled by the ultimate controlling person of the Company before November 2020
Zhuhai Shunxiaofeng Commercial Co., Ltd. <i>Note 1</i>	Controlled by the ultimate controlling person of the Company before November 2020
Zhongshan Shunxiaofeng Commerce Co., Ltd. <i>Note 1</i>	Controlled by the ultimate controlling person of the Company before November 2020
Huizhou S.F. Commercial Co., Ltd. <i>Note 1</i>	Controlled by the ultimate controlling person of the Company before November 2020
Jiangmen Shunyifeng Commercial Co., Ltd. <i>Note 1</i>	Controlled by the ultimate controlling person of the Company before November 2020
Jiangsu Shunxiaofeng Commerce Co., Ltd. <i>Note 1</i>	Controlled by the ultimate controlling person of the Company before November 2020
Suzhou Industrial Park Shunhengshun Commerce Co., Ltd. <i>Note 1</i>	Controlled by the ultimate controlling person of the Company before November 2020
Zhenjiang S.F. Commerce Co., Ltd. <i>Note 1</i>	Controlled by the ultimate controlling person of the Company before November 2020
Taizhou Shunjiefeng Commerce Co., Ltd. <i>Note 1</i>	Controlled by the ultimate controlling person of the Company before November 2020
Yancheng Shunxiaofeng Commerce Co., Ltd. <i>Note 1</i>	Controlled by the ultimate controlling person of the Company before November 2020
Zhejiang S.F. Commerce Co., Ltd. <i>Note 1</i>	Controlled by the ultimate controlling person of the Company before November 2020
Ningbo Shunxiaofeng Commerce Co., Ltd. <i>Note 1</i>	Controlled by the ultimate controlling person of the Company before November 2020
Shenzhen S.F. Commerce Co., Ltd. <i>Note 1</i>	Controlled by the ultimate controlling person of the Company before November 2020
Foshan Shunxiaofeng Commerce Co., Ltd. <i>Note 1</i>	Controlled by the ultimate controlling person of the Company before November 2020
Dalian S.F. Commerce Co., Ltd. <i>Note 1</i>	Controlled by the ultimate controlling person of the Company before November 2020
Shandong Shunxiaofeng Commerce Co., Ltd. <i>Note 1</i>	Controlled by the ultimate controlling person of the Company before November 2020
Qingdao Shunyifeng Commercial Co., Ltd. <i>Note 1</i>	Controlled by the ultimate controlling person of the Company before November 2020
Beijing Shunxiaofeng Commercial Co., Ltd. <i>Note 1</i>	Controlled by the ultimate controlling person of the Company before November 2020
Shanghai S.F. Industrial Co., Ltd. <i>Note 1</i>	Controlled by the ultimate controlling person of the Company before November 2020
Jiangxi Shunxiaofeng Commerce Co., Ltd. <i>Note 1</i>	Controlled by the ultimate controlling person of the Company before November 2020
Tianjin Shunfengshun Commerce Co., Ltd. <i>Note 1</i>	Controlled by the ultimate controlling person of the Company before November 2020
Inner Mongolia S.F. Commerce Co., Ltd. <i>Note 1</i>	Controlled by the ultimate controlling person of the Company before November 2020

	Relationship with the Company in the reporting period
Shanxi Shunxiaofeng Commerce Co., Ltd. ^{Note 1}	Controlled by the ultimate controlling person of the Company before November 2020
Jilin S.F. Commerce Co., Ltd. ^{Note 1}	Controlled by the ultimate controlling person of the Company before November 2020
Guangxi Shunyifeng Commerce Co., Ltd. ^{Note 1}	Controlled by the ultimate controlling person of the Company before November 2020
Hainan S.F. Commercial Co., Ltd. ^{Note 1}	Controlled by the ultimate controlling person of the Company before November 2020
Shanxi Shunyifeng Commerce Co., Ltd. ^{Note 1}	Controlled by the ultimate controlling person of the Company before November 2020
Hunan Shunyifeng Commercial Co., Ltd. ^{Note 1}	Controlled by the ultimate controlling person of the Company before November 2020
Hubei Shunyifeng Commercial Co., Ltd. ^{Note 1}	Controlled by the ultimate controlling person of the Company before November 2020
Henan Shunyifeng Commerce Co., Ltd. ^{Note 1}	Controlled by the ultimate controlling person of the Company before November 2020
Gansu S.F. Commercial Co., Ltd. ^{Note 1}	Controlled by the ultimate controlling person of the Company before November 2020
Hebei Shunxiaofeng Commerce Co., Ltd. ^{Note 1}	Controlled by the ultimate controlling person of the Company before November 2020
Fujian Shunyifeng Commercial Co., Ltd. ^{Note 1}	Controlled by the ultimate controlling person of the Company before November 2020
Zhaoqing Shunyifeng Commerce Co., Ltd. ^{Note 1}	Controlled by the ultimate controlling person of the Company before November 2020
Dongguan S.F. Commercial Co., Ltd. ^{Note 1}	Controlled by the ultimate controlling person of the Company before November 2020
Shenzhen S.F. Electronic Commerce Co., Ltd. ^{Note 1}	Controlled by the ultimate controlling person of the Company before November 2020
Beijing S.F. E-Commerce Co., Ltd. ^{Note 1}	Controlled by the ultimate controlling person of the Company before November 2020
S. F. You Xuan International Co., Ltd. ^{Note 1}	Controlled by the ultimate controlling person of the Company before November 2020
Hive Box Technology and its subsidiaries	Held by the ultimate controlling person
Shanghai Qianqu Network Technology Co., Ltd. ("Qianqu Network") and its subsidiaries	The Group's associate
Chongqing Boqiang Logistics Co., Ltd.	The Group's associate
Kin Shun Information Technology Limited	The Group's associate
Shenzhen Bai Mi Life Co., Ltd.	The Group's associate
Hubei Jiuzhou Tongda Technology Development Co., Ltd.	The Group's associate
Shenzhen Zhongwang Finance and Tax Management Co., Ltd.	The Group's associate
Shenzhen Shunjie Fengda and its subsidiaries	The Group's associate
Xi'an Huahan Air Passenger and Freight Service Co., Ltd.	The Group's associate
Qingdao Dakai Cargo Agency Co., Ltd.	The Group's associate
Beijing Dazhangfang and its subsidiaries	The Group's associate
Canbeidou Supply Chain and its subsidiaries	The Group's associate
Wuhan Shunluo Supply Chain Management Co., Ltd.	The Group's associate
DHL Weiheng (Zhuhai) Supply Chain Management Co., Ltd.	The Group's associate
State Grid E-Commerce Yunfeng Logistics Technology (Tianjin) Co., Ltd. ^{Note 2}	The Group's associate
SCS Logistics Co., Ltd. ^{Note 2}	The Group's associate
KENGIC Intelligent and its subsidiaries ^{Note 2}	The Group's associate
Shenzhen Fengsu Technology Co., Ltd. ^{Note 3}	The Group's joint venture
Little Red Hat and its subsidiaries ^{Note 4}	The Group's associate before August 2020
Shanghai Information POST110Ü	The Group's joint venture
ZBHA and its subsidiaries	The Group's joint venture
CR-SF International Express Co., Ltd.	The Group's joint venture
Wenzhou Fengbaoke Technology Co., Ltd.	The Group's joint venture
Zhongyunda Aviation Ground Services Co., Ltd.	The Group's joint venture
Geling Information and its subsidiaries	The Group's joint venture
Global Connect Holding Limited	The Group's joint venture

	Relationship with the Company in the reporting period
Wulian Shuntong and its subsidiaries	The Group's joint venture
Beijing Shunhe Tongxin Technology Co., Ltd.	The Group's joint venture
Guangzhou Leshou Network Technology Co., Ltd. ("Leshou Network") and its subsidiaries ^{Note 5}	The Group's joint venture before 31 December 2019
China Vanke Co., Ltd. and its subsidiaries ^{Note 2}	Significantly influenced by the key management of the Company
China International Marine Containers (Group) Ltd. ("China International Marine") and its subsidiaries ^{Note 2}	Significantly influenced by the key management of the Company
CITIC Securities Co., Ltd. ("CITIC Securities") and its subsidiaries	Significantly influenced by the key management of the Company
Golden Arches (China) Co., Ltd. ("Golden Arches") and its subsidiaries	Significantly influenced by the key management of the Company
DBS Bank (China) Limited ^{Note 6}	Significantly influenced by the key management of the Company before July 2020
Ping An Insurance (Group) Company of China, Ltd. ("Ping An Insurance") and its subsidiaries ^{Note 7}	Significantly influenced by the key management of the Company before July 2019
China Pacific Insurance (Group) Co., Ltd. ("Pacific Insurance") and its subsidiaries ^{Note 7}	Significantly influenced by the key management of the Company before July 2019
Shenzhen Henglu Logistics Co., Ltd. ^{Note 8}	Significantly influenced by the key management of the Company before September 2018
Zhaoguang Investment and its subsidiaries	Other companies holding more than 5% equity of the Company
SF Charity Foundation	Organisation sponsored by controlling shareholders and the Company's subsidiaries, in which director and senior managers of the company serve on the Board of Management

Note 1: They are S.F. Holding (Group) Commerce Co., Ltd. and its subsidiaries, which are referred as "Commerce Holding and its subsidiaries". The ultimate controlling person disposed Commerce Holding and its subsidiaries in November 2020. Pursuant to the *Listing Rules of Shenzhen Stock Exchange*, Commerce Holding and its subsidiaries were still related parties of the Group before 31 November 2021, so their related party transactions with the Group for the year ended 31 December 2020 refer to the transaction volumes made during the period from January to December 2020.

Note 2: It was a new related party of the Group in 2020, so its related party transactions with the Group for the year ended 31 December 2019 and balance as at 31 December 2019 are presented as "Not applicable".

Note 3: It used to be a subsidiary of the Group. As stated in Note 5(1), the Group lost actual control over Shenzhen Fengsu Technology Co., Ltd. since 1 December 2020 and ceased to include it in the consolidation scope, so the related party transactions with Shenzhen Fengsu Technology Co., Ltd. disclosed in the financial statements refer to the transaction volumes made in December 2020, while its transactions with the Group during the period from January to December 2019 are presented as "Not applicable".

Note 4: It was an associate disposed by the Group in August 2020. The related party transactions with Little Red Hat and its subsidiaries disclosed in the financial statements refer to the transaction volumes made during the period from January to August 2020.

Note 5: It was a joint venture disposed by the Group in 2019, so its related party transactions with the Group for the year ended 31 December 2020 are presented as "Not applicable".

Note 6: It was a company significantly influenced by the key management of the Group before July 2020. Pursuant to the *Listing Rules of Shenzhen Stock Exchange*, it was still related parties of the Group before 31 July 2021, so their related party transactions with the Group for the year ended 31 December 2020 refer to the transaction volumes made during the period from January to December 2020.

Note 7: It was a company significantly influenced by the key management of the Group before July 2019. Pursuant to the *Listing Rules of Shenzhen Stock Exchange*, it was no longer a related party of the Group since August 2020, so its related party transactions with the Group refer to the transaction volumes made during the period from January to July 2020 while balance as at 31 December 2020 are presented as "Not applicable".

Note 8: It was a company significantly influenced by the key management of the Group before September 2018. Pursuant to the *Listing Rules of Shenzhen Stock Exchange*, Shenzhen Henglu Logistics Co., Ltd. was no longer a related party of the Group since September 2019, so its related party transactions with the Group for the year ended 31 December 2020 are presented as "Not applicable".

(3) Related party transactions

(a) Pricing policies

The pricing method of transactions and transaction price between the Group and related parties are determined, following arm's length principle, by making reference to the market price or through negotiation between both parties.

(b) Income from courier service, combined transport and freight forwarding services

	2020	2019
Golden Arches and its subsidiaries	1,291,573,295.07	1,193,201,876.11
CR-SF International Express Co., Ltd.	130,041,968.68	16,539,368.60
Ping An Insurance and its subsidiaries	65,152,725.66	109,466,644.41
Fengyi Technology	28,668,227.12	14,954,797.51
Commerce Holding and its subsidiaries	22,500,404.90	74,480,512.35
SF Charity Foundation	16,777,628.80	38,443.40
Pacific Insurance and its subsidiaries	12,852,595.58	26,320,843.49
State Grid E-Commerce Yunfeng Logistics Technology (Tianjin) Co., Ltd.	5,388,274.87	Not applicable
Hive Box Technology and its subsidiaries	5,360,875.79	1,122,511.80
Suzhou Fengchengda Network Technology Co., Ltd.	4,486,896.06	7,539,205.97
CITIC Securities and its subsidiaries	4,211,460.69	2,503,365.22
Geling Information and its subsidiaries	3,406,594.68	663,418.54
Wenzhou Fengbaoke Technology Co., Ltd.	3,018,116.87	586,025.44
SCS Logistics Co., Ltd.	2,773,151.28	Not applicable
China Vanke Co., Ltd. and its subsidiaries	2,435,425.57	Not applicable
China International Marine and its subsidiaries	1,306,357.34	Not applicable
Shenzhen Bai Mi Life Co., Ltd.	1,056,354.23	18,413.13
Canbeidou Supply Chain and its subsidiaries	965,361.74	387,770.68
DBS Bank (China) Limited	752,862.67	641,560.08
Xi'an Huahan Air Passenger and Freight Service Co., Ltd.	608,209.79	491,206.55
Hubei Jiuzhou Tongda Technology Development Co., Ltd.	502,501.43	314,547.71
Zhongyunda Aviation Ground Services Co., Ltd.	268,798.77	26,935,338.48
Shenzhen Henglu Logistics Co., Ltd.	Not applicable	1,532,153.26
Others	6,513,760.47	3,468,287.55
	<u>1,610,621,848.06</u>	<u>1,481,206,290.28</u>

(c) Communication income

	2020	2019
Hive Box Technology and its subsidiaries	21,646,093.77	23,533,909.13
Shenzhen S.F. Hefeng Microfinance Co., Ltd.	3,474,686.28	849,255.58
Fengyi Technology	3,372,766.98	2,020,165.13
	<u>28,493,547.03</u>	<u>26,403,329.84</u>

(d) Commission income for collection and settlement on behalf of related parties

	2020	2019
Shenzhen S.F. Hefeng Microfinance Co., Ltd.	4,821,178.14	4,764,302.08
Others	220,564.82	365,816.58
	<u>5,041,742.96</u>	<u>5,130,118.66</u>

(e) Income from platform and other services

	2020	2019
Fengyi Technology	45,413,621.51	7,802,799.12
CR-SF International Express Co., Ltd.	7,996,537.02	8,798,343.40
Commerce Holding and its subsidiaries	378,791.05	677,532.24
Others	579,785.14	604,059.94
	<u>54,368,734.72</u>	<u>17,882,734.70</u>

(f) Technology development service income

	2020	2019
Hive Box Technology and its subsidiaries	2,567,093.97	848,679.25
Mingde Holdings	1,374,598.30	1,254,245.30
Commerce Holding and its subsidiaries	–	1,386,459.91
Others	444,922.52	785,131.57
	<u>4,386,614.79</u>	<u>4,274,516.03</u>

(g) Revenue from rent and property management

	2020	2019
Hangzhou Fengtai E-Commerce Industrial Park Management Ltd.	3,012,058.70	284,915.26
Fengyi Technology	2,055,104.34	1,055,209.03
Commerce Holding and its subsidiaries	394,872.47	865,164.86
Kin Shun Information Technology Limited	371,170.36	927,515.71
Others	930,117.99	510,621.20
	<u>6,763,323.86</u>	<u>3,643,426.06</u>

(h) Revenue from sales of goods

	2020	2019
Shenzhen Shunjie Fengda and its subsidiaries	37,925,009.44	–
Hive Box Technology and its subsidiaries	5,337,138.04	–
Others	275,906.71	–
	<u>43,538,054.19</u>	<u>–</u>

(i) Interest income

	2020	2019
DHL Weiheng (Zhuhai) Supply Chain Management Co., Ltd.	1,143,975.35	–
Wuhan Shunluo Supply Chain Management Co., Ltd.	998,473.63	–
Kin Shun Information Technology Limited	159,301.34	–
	<u>2,301,750.32</u>	<u>–</u>

(j) Sales of equity

	2020	2019
Mingde Holdings	–	135,000,000.00

(k) Purchase of equity

	2020	2019
Mingde Investment	–	150,607,200.00

(l) Combined transport and freight forwarding expenses

	2020	2019
CR-SF International Express Co., Ltd.	488,038,463.03	230,791,907.60
Shenzhen Shunjie Fengda and its subsidiaries	211,347,435.34	174,935,509.02
Wulian Shuntong and its subsidiaries	171,965,010.90	46,890,464.53
Kin Shun Information Technology Limited	108,556,004.21	92,647,274.32
POST11OÜ	34,311,831.20	69,883,742.11
Qingdao Dakai Cargo Agency Co., Ltd.	22,991,350.38	25,578,831.28
Xi'an Huahan Air Passenger and Freight Service Co., Ltd.	22,053,292.43	29,965,556.38
Zhongyunda Aviation Ground Services Co., Ltd.	11,597,443.82	23,734,436.93
Chongqing Boqiang Logistics Co., Ltd.	10,355,641.03	15,348,865.13
Little Red Hat and its subsidiaries	4,689,850.27	13,093,401.16
Others	4,045,004.38	–
	<u>1,089,951,326.99</u>	<u>722,869,988.46</u>

(m) Express delivery agent and other service fees

	2020	2019
Hive Box Technology and its subsidiaries	120,816,646.12	47,275,658.86
Beijing Dazhangfang and its subsidiaries	57,311,519.90	978,494.92
Shenzhen Zhongwang Finance and Tax Management Co., Ltd.	7,248,806.02	–
Fengyi Technology	5,230,188.69	–
Global Connect Holding Limited	2,718,287.34	510,519.23
Commerce Holding and its subsidiaries	2,659,417.54	4,656,050.82
Leshou Network and its subsidiaries	Not applicable	1,999,529.77
Others	21,741.51	12,850.35
	<u>196,006,607.12</u>	<u>55,433,103.95</u>

(n) Interest expenses

	2020	2019
Shenzhen Zhongwang Finance and Tax Management Co., Ltd.	76,430.74	–
Others	9,325.43	–
	<u>85,756.17</u>	<u>–</u>

(o)	Collection commissions fee		
		2020	2019
	Hive Box Technology and its subsidiaries	94,828,845.83	82,961,170.55
(p)	Security service fee		
		2020	2019
	ZBHA and its subsidiaries	153,842,870.06	134,335,262.62
(q)	Rent and property management fees		
		2020	2019
	Commerce Holding and its subsidiaries	47,238,444.25	22,511,404.28
	Zhaoguang Investment and its subsidiaries	17,483,784.82	–
	Shenghai Information	10,456,248.02	16,102,996.80
	Canbeidou Supply Chain and its subsidiaries	5,400,472.06	8,993,150.78
	Beijing Dazhangfang and its subsidiaries	4,378,983.11	2,754,039.58
	Others	1,129,654.34	565,776.26
		<u>86,087,586.60</u>	<u>50,927,367.70</u>
(r)	Technology development and operation & maintenance service fee		
		2020	2019
	Shenghai Information	26,947,320.62	28,406,292.95
	Beijing Shunhe Tongxin Technology Co., Ltd.	7,072,415.34	5,483,678.48
	Others	1,027,006.97	686,036.91
		<u>35,046,742.93</u>	<u>34,576,008.34</u>
(s)	Promotion fee		
		2020	2019
	Commerce Holding and its subsidiaries	2,084,770.45	7,831,955.69
	Hive Box Technology and its subsidiaries	382,110.36	12,097,448.41
	Others	297,077.50	481,682.05
		<u>2,763,958.31</u>	<u>20,411,086.15</u>
(t)	Purchase of materials		
		2020	2019
	KENGIC Intelligent and its subsidiaries	543,507,299.22	Not applicable
	Fengyi Technology	215,901,823.46	84,166,009.07
	China International Marine and its subsidiaries	199,062,686.43	Not applicable
	Hubei Jiuzhou Tongda Technology Development Co., Ltd.	138,213,702.98	117,450,617.15
	Commerce Holding and its subsidiaries	62,614,942.78	89,036,580.84
	Wenzhou Fengbaoke Technology Co., Ltd.	55,447,551.53	22,496,881.42
	Shenghai Information	84,848.86	552,711.81
	Others	289,168.05	26,561.48
		<u>1,215,122,023.31</u>	<u>313,729,361.77</u>

(u) Insurance premium

	2020	2019
Pacific Insurance and its subsidiaries	42,968,622.79	88,511,898.21
Ping An Insurance and its subsidiaries	20,282,044.90	7,722,706.61
	<u>63,250,667.69</u>	<u>96,234,604.82</u>

Insurance premium represents the amount amortised over the benefit period of insurance policies.

(v) Donation expenses

	2020	2019
SF Charity Foundation	<u>21,025,789.93</u>	<u>6,000,000.00</u>

(w) Remuneration of key management

	2020	2019
Remuneration of key management	<u>28,538,200.81</u>	<u>38,235,900.00</u>

(4) Receivables from and payables to related parties**(a) Accounts receivable**

	31 December 2020	31 December 2019
Golden Arches and its subsidiaries	163,467,065.39	148,822,448.84
Fengyi Technology	50,109,913.29	20,394,717.59
Shenzhen Shunjie Fengda and its subsidiaries	30,567,588.38	–
CR-SF International Express Co., Ltd.	27,064,970.00	10,490,672.84
Zhongyunda Aviation Ground Services Co., Ltd.	4,003,205.75	4,077,129.23
State Grid E-Commerce Yunfeng Logistics Technology (Tianjin) Co., Ltd.	3,684,971.98	Not applicable
Hive Box Technology and its subsidiaries	3,335,084.30	784,860.38
Shenzhen S.F. Hefeng Microfinance Co., Ltd.	1,907,815.33	702,659.05
Suzhou Fengchengda Network Technology Co., Ltd.	1,465,961.90	1,489,069.64
Hangzhou Fengtai E-Commerce Industrial Park Management Ltd.	929,865.04	317.00
Geling Information and its subsidiaries	752,230.94	480,246.01
Wenzhou Fengbaoke Technology Co., Ltd.	701,034.00	1,108,935.00
China International Marine and its subsidiaries	538,172.82	Not applicable
China Vanke Co., Ltd. and its subsidiaries	537,775.10	Not applicable
Commerce Holding and its subsidiaries	465,834.80	20,238,017.63
Mingde Holdings	303,694.34	900,666.60
Kin Shun Information Technology Limited	–	551,749.80
Ping An Insurance and its subsidiaries	Not applicable	14,293,115.93
Pacific Insurance and its subsidiaries	Not applicable	5,432,033.59
Others	3,035,071.77	1,664,301.73
	<u>292,870,255.13</u>	<u>231,430,940.86</u>

(b) Advances to suppliers

	31 December 2020	31 December 2019
Hive Box Technology and its subsidiaries	23,154,566.76	26,709,547.43
CR-SF International Express Co., Ltd.	15,601,911.29	10,123,755.55
Hangzhou Fengtai E-Commerce Industrial Park Management Ltd.	3,256,643.57	–
Shenzhen Zhongwang Finance and Tax Management Co., Ltd.	552,931.60	533,715.17
Commerce Holding and its subsidiaries	503,741.24	441,774.53
Beijing Dazhangfang and its subsidiaries	113,986.35	3,133,950.68
Pacific Insurance and its subsidiaries	Not applicable	32,753,736.15
Ping An Insurance and its subsidiaries	Not applicable	919,101.65
Others	1,242,794.42	777,792.61
	<u>44,426,575.23</u>	<u>75,393,373.77</u>

(c) Loans and advances

	31 December 2020	31 December 2019
DHL Weiheng (Zhuhai) Supply Chain Management Co., Ltd.	34,352,402.78	–
Wuhan Shunluo Supply Chain Management Co., Ltd.	24,406,159.15	–
Kin Shun Information Technology Limited	5,180,137.01	–
	<u>63,938,698.94</u>	<u>–</u>

(d) Other receivables

	31 December 2020	31 December 2019
Hive Box Technology and its subsidiaries	279,996,905.15	237,357,559.02
Golden Arches and its subsidiaries	29,396,756.33	36,592,188.91
China International Marine and its subsidiaries	9,385,463.00	Not applicable
Commerce Holding and its subsidiaries	3,039,688.93	3,361,587.61
Shenzhen Shunjie Fengda and its subsidiaries	1,948,867.55	38,554.30
Beijing Dazhangfang and its subsidiaries	693,347.52	7,919,259.83
Kin Shun Information Technology Limited	–	2,101,888.05
Ping An Insurance and its subsidiaries	Not applicable	5,868,998.93
Pacific Insurance and its subsidiaries	Not applicable	64,871.11
Others	738,620.57	899,375.82
	<u>325,199,649.05</u>	<u>294,204,283.58</u>

(e) Other non-current assets

	31 December 2020	31 December 2019
KENGIC Intelligent and its subsidiaries	22,178,241.29	Not applicable
China International Marine and its subsidiaries	5,847,429.00	Not applicable
Others	394,633.86	–
	<u>28,420,304.15</u>	<u>–</u>

(f) Deposits from customers

	31 December 2020	31 December 2019
Shenzhen Zhongwang Finance and Tax Management Co., Ltd.	3,530,459.67	3,778,707.92
Others	573.80	–
	<u>3,531,033.47</u>	<u>3,778,707.92</u>

(g) Accounts payable

	31 December 2020	31 December 2019
CR-SF International Express Co., Ltd.	98,127,753.58	55,309,253.45
Wulian Shuntong and its subsidiaries	71,206,423.49	22,789,086.87
Hubei Jiuzhou Tongda Technology Development Co., Ltd.	32,040,569.87	15,173,062.43
Shenzhen Shunjie Fengda and its subsidiaries	29,564,305.16	22,175,003.97
ZBHA and its subsidiaries	16,083,449.36	11,793,545.33
Fengyi Technology	15,059,348.69	16,346,318.11
Commerce Holding and its subsidiaries	13,641,816.30	13,653,370.47
Wenzhou Fengbaoke Technology Co., Ltd.	8,889,063.90	10,151,946.46
Shanghai Information	8,378,757.78	5,910,649.64
POST11OÜ	4,056,630.21	18,256,861.71
Xi'an Huahan Air Passenger and Freight Service Co., Ltd.	2,692,517.44	3,015,475.32
Hive Box Technology and its subsidiaries	2,429,841.97	6,088,200.10
Beijing Shunhe Tongxin Technology Co., Ltd.	2,359,931.55	2,299,515.96
Shenzhen Fengsu Technology Co., Ltd.	2,176,036.69	Not applicable
Zhongyunda Aviation Ground Services Co., Ltd.	1,983,543.81	2,843,434.73
Shenzhen Zhongwang Finance and Tax Management Co., Ltd.	1,530,237.94	–
Qingdao Dakai Cargo Agency Co., Ltd.	1,344,356.56	2,366,749.33
Beijing Dazhangfang and its subsidiaries	1,108,614.10	3,066,989.00
Kin Shun Information Technology Limited	420.73	2,313,127.99
Canbeidou Supply Chain and its subsidiaries	–	3,394,554.90
Ping An Insurance and its subsidiaries	Not applicable	101,738.80
Pacific Insurance and its subsidiaries	Not applicable	17,670,710.48
Others	1,591,365.20	1,244,380.38
	<u>314,264,984.33</u>	<u>235,963,975.43</u>

(h) Advances from customers

	31 December 2020	31 December 2019
Fengyi Technology	2,660.36	912,733.08
Golden Arches and its subsidiaries	–	28,345,182.30
Commerce Holding and its subsidiaries	–	3,286,804.02
Ping An Insurance and its subsidiaries	Not applicable	538,781.51
Others	34,757.50	741,756.19
	<u>37,417.86</u>	<u>33,825,257.10</u>

(i) Contract liabilities

	31 December 2020	31 December 2019
Fengyi Technology	9,024,111.33	–
Golden Arches and its subsidiaries	5,194,604.30	–
Shenzhen Shunjie Fengda and its subsidiaries	4,816,000.00	–
Others	942,357.54	–
	<u>19,977,073.17</u>	<u>–</u>

(j) Other payables

	31 December 2020	31 December 2019
KENGIC Intelligent and its subsidiaries	216,779,866.78	Not applicable
China International Marine and its subsidiaries	102,948,509.14	Not applicable
Hubei Jiuzhou Tongda Technology Development Co., Ltd.	29,842,072.53	11,558,007.28
Golden Arches and its subsidiaries	18,474,046.06	10,839,555.86
Fengyi Technology	2,713,575.77	793,117.19
Zhaoguang Investment and its subsidiaries	2,180,000.00	–
Shanghai Information	834,287.27	158,850.31
Qianqu Network and its subsidiaries	187,001.53	897,104.92
Kin Shun Information Technology Limited	167,735.59	1,603,423.64
Zhongyunda Aviation Ground Services Co., Ltd.	–	1,434,872.00
Ping An Insurance and its subsidiaries	Not applicable	492,024.74
Pacific Insurance and its subsidiaries	Not applicable	430,366.74
Others	1,826,723.10	1,935,253.69
	<u>375,953,817.77</u>	<u>30,142,576.37</u>

9 SHARE-BASED PAYMENTS**(1) Overview of share-based payments**

	2020
Total restricted shares granted at the beginning of the year	2,456,568.00
Total restricted shares repurchased in the current year	(2,456,568.00)
The exercise price of outstanding restricted shares at the end of the year and residual life of the restricted shares contracts	–

Expenses recognised for the year arising from share-based payments were as follows:

	2020	2019
Equity-settled share-based payments	242,688,267.63	4,638,445.75
Cash-settled share-based payments	58,630,658.16	56,274,474.44
	<u>301,318,925.79</u>	<u>60,912,920.19</u>

(2) Information on equity-settled share-based payments

(a) Information on share-based payments of the Company

On 30 November 2017, the Company held the 4th interim shareholders' meeting in 2017, at which the proposal of the *Restricted Shares Incentive Plan (Draft) and Summary for 2017* was approved. Authorised by the 4th interim shareholders' meeting in 2017, the Company held the 11th meeting of the 4th Board of Directors on 27 December 2017, at which the *Proposal of Granting Restricted Shares to Incentive Recipients* was approved. The restricted shares were granted on 27 December 2017 and entitled the holders to purchase restricted shares at a price of RMB29.32 per share, which was 50% of RMB58.63, the average share price on the prior trading day (total transaction amount on the prior trading day/total transaction volume on the prior trading day) before the *Restricted Shares Incentive Plan (Draft) of S.F. Holding Co., Ltd. for 2017* was released. The Company's Board of Directors was authorised to grant 802 qualified employees restricted ordinary A shares with a total number of 2,705,400 shares at a consideration of RMB29.32 per share, accounting for about 0.06% of the Company's total shares, which totalled 4,411,015,500 shares upon announcement of the incentive plan.

On 17 May 2018, the Company held the 2nd interim shareholders' meeting in 2018, at which the proposal of the *Restricted Shares Incentive Plan (Draft) and Summary for 2018* was approved. Authorised by the 2nd interim shareholders' meeting in 2018, the Company held the 15th meeting of the 4th Board of Directors on 13 June 2018, at which the *Proposal of Granting Restricted Shares to Incentive Recipients for 2018* was approved. The restricted shares were granted on 13 June 2018 and entitled the holders to purchase restricted shares at a price of RMB24.33 per share, which was 50% of RMB48.65, the average share price on the prior 20 trading days (total transaction amount on the prior 20 trading days/total transaction volume on the prior 20 trading days) before the *Restricted Shares Incentive Plan (Draft) of S.F. Holding Co., Ltd. for 2018* was released. The Group's Board of Directors was authorised to grant 1,181 qualified employees restricted ordinary A shares with a total number of 5,421,900 shares at a consideration of RMB24.33 per share, accounting for about 0.12% of the Company's total shares, which totalled 4,413,572,200 shares upon announcement of the incentive plan.

The post lock-up periods and their schedules for the restricted shares for 2017 and 2018 are presented in the table below:

Post lock-up period	Timing	Proportion of shares exercisable
1st post lock-up period	From the first trading day after 12 months since the registration of granting to the last trading day within 24 months after the registration of granting	50.00%
2nd post lock-up period	From the first trading day after 24 months since the registration of granting to the last trading day within 36 months after the registration of granting	50.00%

In addition to the Company's performance, individual performance assessment, which is specified in the *Restricted Shares Incentive Plan*, has also to be satisfied to unlock the restricted shares.

After it comes into the post lock-up period, the Group deals with unlocking procedures for the holders that meet unlocking conditions as well as repurchases and cancels the restricted shares that do not meet unlocking conditions. The repurchasing price comprises the granting price plus the interest accruing thereon at the current deposit rate.

If the Company transfers capital reserve to paid-in capital, distributes share dividends, splits shares, pays dividends, allocates shares or reduces shares after restricted shares are granted, the number and the price of repurchasing restricted shares shall be adjusted in accordance with the *Restricted Shares Incentive Plan*.

In 2017, the Group issued 2,556,661 ordinary A shares denominated in RMB according to the restricted shares incentive plan for 2017, with raised funds totalling RMB74,961,331.87. On 9 January 2018, the Company completed the granting and registration of the restricted shares incentive plan for 2017.

In 2018, the Group issued 5,231,982 ordinary A shares denominated in RMB according to the restricted shares incentive plan for 2018, with raised funds totalling RMB127,294,205.35. On 25 June 2018, the Company completed the granting and registration of the restricted shares incentive plan for 2018.

In 2019, the unlocking conditions for the first post lock-up period for the restricted shares incentive plan for 2017 were met and 1,113,173 restricted shares were released.

As stated in Note 4(43), as at 31 December 2020, certain of the former incentive recipients resigned due to personal reasons and did not meet the incentive conditions. Therefore, the Company repurchased and cancelled 751,841 restricted shares that had been granted but not yet released from restrictions.

As stated in Note 4(43), as at 31 December 2020, according to the Group's performance in 2018 and 2019, the unlocking conditions for the second post lock-up period for the restricted shares incentive plan for 2017 and for the first and the second post lock-up period for the restricted shares incentive plan for 2018 were not met; therefore, the Company repurchased and cancelled a total of 5,923,629 restricted shares that had been granted but not yet released from restrictions.

As at 31 December 2020, the above incentive plan of the Company was fully implemented.

As at 31 December 2020, the equity-settled share-based payments recognised in the capital reserve accumulated to RMB23,632,662.79 (31 December 2019: RMB23,632,662.79). In 2020, there was no expenses recognised for equity-settled share-based payments (expenses reversed for equity-settled share-based payments in 2019: RMB13,323,208.39).

(b) Information on share-based payments of the Company's subsidiaries

The Group granted some equities or share options of several subsidiaries, to the senior management and other employees of the aforesaid companies or other subsidiaries within the Group respectively.

As at 31 December 2020, the equity-settled share-based payments of these companies recognised by the Group accumulated to RMB270,006,129.16 (31 December 2019: RMB27,317,861.53), including accumulated amounts attributable to shareholders of the parent company of RMB241,004,364.42 (31 December 2019: RMB23,378,510.00). In 2020, expenses recognised for equity-settled share-based payments amounted to RMB242,688,267.63 (2019: RMB17,961,654.14). The fair value at the grant date was recognized based on the discount cash flow model and the binomial tree model etc.

(3) Information on cash-settled share-based payments

(a) Information on share-based payments of the Company

On 30 November 2017, the Company held the 4th interim shareholders' meeting in 2017, at which the proposal of the *Incentive Plan of Share Appreciation Rights (Draft) and Summary for 2017* was approved. Authorised by the 4th interim shareholders' meeting in 2017, the Company held the 11th meeting of the 4th Board of Directors on 27 December 2017, at which the *Proposal of Granting Share Appreciation Rights to Incentive Recipients* was approved. The share appreciation rights were granted on 27 December 2017. The exercise price of the share appreciation rights was RMB29.32 per share. The incentive recipients of the plan refer to 20 key foreign talents.

On 17 May 2018, the Company held the 2nd interim shareholders' meeting in 2018, at which the proposal of the *Incentive Plan of Share Appreciation Rights (Draft) and Summary for 2018* was approved. Authorised by the 2nd interim shareholders' meeting in 2018, the Company held the 15th meeting of the 4th Board of Directors on 13 June 2018, at which the *Proposal of Granting Share Appreciation Rights to Incentive Recipients* was approved. The share appreciation rights were granted on 13 June 2018. The exercise price of the share appreciation rights was RMB24.33 per share. The incentive recipients of the plan refer to 29 key foreign talents.

The exercise periods and their schedules for the share appreciation rights for 2017 and 2018 are presented in the table below:

Exercise period	Timing	Exercise proportion
1st exercise period	From the first trading day after 12 months since the registration of granting to the last trading day within 24 months after the registration of granting	50.00%
2nd exercise period	From the first trading day after 24 months since the registration of granting to the last trading day within 36 months after the registration of granting	50.00%

In addition to the Company's performance, individual performance assessment, which is specified in the *Restricted Shares Incentive Plan*, has also to be satisfied for the share appreciation rights granted.

As at 31 December 2020, there were no liabilities arising from the cash-settled share-based payments (31 December 2019: RMB94,340.00). In 2020, there was no expenses recognised for cash-settled share-based payments (expenses reversed for cash-settled share-based payments in 2019: RMB129,605.97).

(b) Information on share-based payments of the Company's subsidiaries

The Group granted the senior management of subsidiaries with the equities or share options of the subsidiaries with repurchase terms.

As at 31 December 2020, liabilities arising from the cash-settled share-based payments accumulated to RMB129,586,444.06 (31 December 2019: RMB70,955,785.90). In 2020, expenses recognised for cash-settled share-based payments amounted to RMB58,630,658.16 (2019: RMB56,404,080.41). The fair value on the balance sheet date was recognized based on the discount cash flow model and the binomial tree model etc.

10 COMMITMENTS

(1) Capital commitments

Capital expenditures contracted for by the Group but are not yet necessary to be recognised on the balance sheet as at the balance sheet date are as follows:

	31 December 2020	31 December 2019
Investment contracts that have been signed but not fulfilled or not absolutely fulfilled		
Buildings, machinery and equipment	2,200,898,059.29	2,235,936,315.03
Others	4,169,824,245.83	2,499,921,937.09
	<u>4,897,375.00</u>	<u>36,618,770.00</u>
	<u>6,375,619,680.12</u>	<u>4,772,477,022.12</u>

(2) Operating lease commitments

The future minimum lease payments due under the signed irrevocable operating leases contracts are summarised as follows:

	31 December 2020	31 December 2019
Within 1 year	4,724,858,532.49	5,101,875,264.17
1 to 2 years	3,635,973,901.83	2,981,614,327.74
2 to 3 years	2,111,254,121.07	1,785,237,235.00
Over 3 years	<u>2,771,317,173.21</u>	<u>3,148,454,559.67</u>
	<u>13,243,403,728.60</u>	<u>13,017,181,386.58</u>

(3) Other commitments

- (i) In November 2020, the Group issued asset-backed securities through the Special Scheme set up by Huatai Securities (Shanghai) Asset Management Co., Ltd. by using five logistics industrial parks held by it as underlying assets. Yiwu Fengyutai Enterprise Management Co., Ltd., Quanzhou Fengyutai Enterprise Management Co., Ltd., Wuxi Jietai Enterprise Management Co., Ltd. and Huai'an Fengtai Enterprise Management Co., Ltd. (collectively, "Property Operators"), wholly-owned subsidiaries of the Group, worked as the property operators of the Special Scheme. In case that the actual operating income of the property assets does not reach 90% but is not lower than 80% of the target amount, the Property Operators were committed to compensating the insufficient part of the target amount with Taisen Holdings providing guarantee for the compensation obligation.

At the end of each three years, the manager of the above Special Scheme accepts open-ended withdrawal and subscription of preferred securities within the withdrawal registering period. If the preferred securities shares that have not completed open-ended withdrawal are less than 20% of total undistributed principal of the preferred securities of RMB788 million, at the extension operation announcement date, Taisen Holdings will purchase such preferred securities.

- (ii) In September 2019, the Group issued asset-backed securities through the Special Scheme set up by Huatai Securities (Shanghai) Asset Management Co., Ltd. by using three logistics industrial parks held by it as underlying assets. Shenzhen Fengtai E-Commerce Industrial Park Property Service Co., Ltd., Yiwu Fengyutai Enterprise Management Co., Ltd. and Huai'an Fengtai Enterprise Management Co., Ltd. (collectively, "Property Operators"), wholly-owned subsidiaries of the Group, worked as the property operators of the Special Scheme. In case that the actual operating income of the property assets does not reach 90% but is not lower than 80% of the target amount, the Property Operators were committed to compensating the insufficient part of the target amount with Taisen Holdings providing guarantee for the compensation obligation.

At the end of each three years, the manager of the above Special Scheme accepts open-ended withdrawal and subscription of preferred securities within the withdrawal registering period. If the preferred securities shares that have not completed open-ended withdrawal are less than 20% of total undistributed principal of the preferred securities of RMB765 million, at the extension operation announcement date, Taisen Holdings will purchase such preferred securities.

- (iii) In December 2018, the Group issued asset-backed securities through the Special Scheme set up by Huatai Securities (Shanghai) Asset Management Co., Ltd. by using two logistics industrial parks held by it as underlying assets. Shanghai Fengtai Yuanxing Property Management Service Co., Ltd. ("Fengtai Yuanxing"), a wholly-owned subsidiary of the Group, worked as the property operator of the special scheme. In case that the actual operating income of the property assets does not reach 90% but is not lower than 80% of the target amount, Fengtai Yuanxing was committed to compensating the insufficient part of the target amount with Taisen Holdings providing guarantee for the compensation obligation.

At the end of each three years, the manager of the above Special Scheme accepts open-ended withdrawal and subscription of preferred securities within the withdrawal registering period. If the preferred securities shares that have not completed open-ended withdrawal are less than 20% of total undistributed principal of the preferred securities of RMB1.12 billion, at the extension operation announcement date, Taisen Holdings will purchase such preferred securities.

11 EVENTS AFTER THE BALANCE SHEET DATE

(1) Profit distribution after the balance sheet date

On 17 March 2021, the Company's Board of Directors approved that based on the share capital of 4,545,429,726 (calculated by deducting the 11,010,729 shares in the Company's repurchase special accounts from the total share capital 4,556,440,455 as of 17 March 2021), a cash dividend of RMB3.30 (including tax) per 10 shares will be distributed to all shareholders. No equity dividends will be distributed during the year, and the equity reserves will not be transferred to share capital. The remaining undistributed profits will be carried forward to the following year. This proposal is subject to the approval of the shareholders' meeting. Cash dividends proposed to be distributed after the balance sheet date was not recognised as liabilities at the balance sheet date.

(2) Targeted issuance

On 2 March 2021, as approved in the 2nd interim shareholders' meeting in 2021, the Company intended to issue shares to no more than 35 specific investors through private placement. The number of shares to be issued did not exceed 10% (i.e., 455,644,045 shares (inclusive)) of the total share capital of the Company before this private placement and the total funds to be raised did not exceed RMB22 billion (inclusive). As at the date on which the financial statements were authorised for issue, this matter was pending for approval from China Securities Regulatory Commission.

(3) Tender offer

On 8 February 2021, as approved in the 11th session of the 5th Board of Directors, the Company intended to, through its wholly-owned subsidiary, Flourish Harmony Holdings Company Limited, issue tender offers to eligible shareholders and share option holders of Kerry Logistics Network Limited (the target company, listed on the Main Board of the Hong Kong Stock Exchange), to acquire 931,209,117 shares (approximately 51.8% of the issued share capital and 51.5% of the fully diluted share capital) of the target company in cash, and cancel 51.8% of the target company's share options that had not been exercised as at the final vesting date held by the target company's share option holders on behalf of the target company. As at the date on which the financial statements were authorised for issue, such matter was pending for approval through both parties' shareholders' meeting, and was subject to a series of legal approvals and fillings to the Securities & Futures Commission of Hong Kong ("HKSF"), the Stock Exchange of Hong Kong Ltd. ("SEHK"), the National Development and Reform Commission, the Ministry of Commerce and the Anti-monopoly Bureau.

(4) Debt financing

On 2 March 2021, as approved at the 2nd interim shareholders' meeting in 2021, the Company proposed to roll out debt financing products with an equivalent amount below RMB20 billion (inclusive) at home and abroad through its wholly-owned subsidiaries, Taisen Holdings and SF Holding Investment 2021 Limited. Debt financing products include but are not limited to overseas debentures denominated in USD, domestic corporate debentures, middle-term notes, short-term corporate debentures, super&short term commercial papers, enterprise debentures and other debt financing products. As at the date on which the financial statements were authorised for issue, such debt financing products had not been rolled out.

(5) Setting up a real estate investment trust that is intended to go public

The Group planned to set up a real estate investment trust in Hong Kong with the three properties located in Foshan, Wuhu and Hong Kong within China in respective as its foundation assets which are indirectly held by the Group through its overseas holding subsidiaries. On 10 February 2021, the Company's holding subsidiary SF Holding Limited submitted application for approval of the establishment of the real estate investment trust to HKSF through its wholly-owned subsidiary SF REIT Asset Management Limited in Hong Kong. As at the date on which the financial statements were approved for issue, such transactions should be subject to the corresponding approval procedures pursuant to the Articles of Association of the Company and the relevant regulations and to the approval of HKSF and SEHK.

(6) Revision of accounting standards

The Ministry of Finance revised the *Accounting Standard for Business Enterprises No. 21 – Lease* (“New Lease Standard”) in 2018. The revised version optimised the definition of lease and added content on identification of lease, separation and combination of lease contracts, etc.; a lessee is no longer required to classify leases as finance leases or operating leases and shall recognise right-of-use assets and lease liabilities for all leases (except for short-term leases and leases of low-value assets); more guidance is given on subsequent measurement for lessees, including reassessment of option and accounting treatment in case of lease changes. The above revision was effective from 1 January 2021.

For the cumulative effect of initially applying the New Lease Standard, the Group chooses the simplified processing method and only adjusts the data at the beginning of 2021, leaving those comparative figures of prior years unchanged. According to the assessment of management, the implementation of the New Lease Standard does not have significant influence on the leases of the Group as a lessor. The effect on the leases of the Group as a lessee is as follows: lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as at 1 January 2021 while the right-of-use assets were recognised based on the value of the lease liabilities and some adjustments and such implementation had no influence on the Group’s net assets.

12 BUSINESS COMBINATIONS

Refer to Note 5(1).

13 FINANCIAL INSTRUMENT AND RISK

The Group’s activities expose it to a variety of financial risks: market risk (primarily including foreign exchange risk, interest rate risk and other price risk), credit risk and liquidity risk. The above financial risks and the Group’s risk management policies to mitigate the risks are as follows:

The Board of Directors is responsible for planning and establishing the Group’s risk management framework, formulating the Group’s risk management policies and related guidelines, and supervising the implementation of risk management measures. The Group has established risk management policies to identify and analyse the risks faced by the Group. These risk management policies specify the risks such as market risk, credit risk and liquidity risk management. The Group regularly evaluates the market environment and changes in the Group’s operating activities to determine whether to update the risk management policies and systems or not. The Group’s risk management is carried out by the Risk Management Committee under policies approved by the Board of Directors. The Risk Management Committee encourages the departments of the Group to work closely together to identify, evaluate and avoid relevant risks. The internal audit department of the Group conducts periodical audit to the controls and procedures for risk management and reports the audit results to the Audit Committee of the Group.

(1) Market risk**(a) Foreign exchange risk**

The Group’s major operational activities are carried out in Mainland China and a majority of the transactions are denominated in RMB. Some operational activities are carried out in regions/countries including Hong Kong, America, Korea and Europe and relevant transactions are settled in HKD, USD, KRW and EUR. The Group is exposed to foreign exchange risk arising from the recognised financial assets and financial liabilities denominated in non-recording currencies, and future transactions denominated in non-recording currencies. Management is responsible for monitoring the amount of financial assets and liabilities, and transactions denominated in non-recording currencies, to reduce foreign exchange risk to the greatest extent. In 2020, the Group entered into foreign exchange forward contracts amounting to USD500 million to hedge foreign exchange risk of long-term debentures of USD500 million.

As at 31 December 2020, the Group’s companies whose recording currency is RMB held the financial assets and the financial liabilities denominated in non-recording currencies (mainly USD, HKD and EUR), of which the equivalent amounts in RMB are listed as below (31 December 2019: Immaterial):

	31 December 2020			
	USD (RMB)	HKD (RMB)	EUR (RMB)	Total (RMB)
Financial assets				
Cash at bank and on hand	69,954,411.02	9,936,424.14	801,521.75	80,692,356.91
Receivables	65,734,659.60	160,829.79	928,403.58	66,823,892.97
	<u>135,689,070.62</u>	<u>10,097,253.93</u>	<u>1,729,925.33</u>	<u>147,516,249.88</u>
Financial liabilities				
Payables	60,363,380.45	1,890,139.41	3,403,408.44	65,656,928.30

As at 31 December 2020, if the RMB had strengthened/weakened by 5% against the USD while all other variables had been held constant, the Group's profit before tax for the year would have been approximately RMB3,766,000.00 lower/higher respectively while all other variables had been held constant, for the above various financial assets and liabilities denominated in USD.

The changes in exchange rate of other foreign currencies against RMB have no significant influence on the Group's operating activities.

As at 31 December 2020 and 31 December 2019, the Group's overseas subsidiaries, except for those operating in Hong Kong, held no significant financial assets and liabilities denominated in non-recording currencies. Those companies operating in Hong Kong with HKD as recording currency held financial assets and liabilities denominated in non-recording currency (mainly USD, RMB and EUR), of which the equivalent amounts in HKD (recording currency of companies operating in Hong Kong) and RMB (presentation currency of these financial statements) are listed as below:

	31 December 2020				
	RMB (HKD)	USD (HKD)	EUR (HKD)	Total (HKD)	Total (RMB)
Financial assets					
Cash at bank and on hand	19,443,969.60	196,888,978.93	3,276,180.71	219,609,129.24	184,825,054.08
Receivables	2,138,130.11	52,560,416.11	–	54,698,546.22	46,034,797.36
Investments in other equity instruments	–	2,477,430,490.86	–	2,477,430,490.86	2,085,104,598.33
	<u>21,582,099.71</u>	<u>2,726,879,885.90</u>	<u>3,276,180.71</u>	<u>2,751,738,166.32</u>	<u>2,315,964,449.77</u>
Financial liabilities					
Payables	<u>2,348,815.30</u>	<u>37,444,639.20</u>	<u>38,084,795.88</u>	<u>77,878,250.38</u>	<u>65,543,048.63</u>
	31 December 2019				
	RMB (HKD)	USD (HKD)	Total (HKD)	Total (RMB)	
Financial assets					
Cash at bank and on hand	36,761,388.71	32,715,430.95	69,476,819.66	62,237,475.66	
Receivables	45,378,223.56	27,514,334.24	72,892,557.80	65,297,510.67	
Investments in other equity instruments	–	2,523,762,469.08	2,523,762,469.08	2,260,735,944.55	
	<u>82,139,612.27</u>	<u>2,583,992,234.27</u>	<u>2,666,131,846.54</u>	<u>2,388,270,930.88</u>	
Financial liabilities					
Payables	<u>6,596,780.74</u>	<u>36,077,816.33</u>	<u>42,674,597.07</u>	<u>38,227,497.81</u>	

In addition, in light of that the functional currencies of the subsidiaries within the Group are different, even though the transactions and balances within the Group are offset, foreign exchange risk arising from the use of different functional currencies still exists. As at 31 December 2021, the balances of financial assets and liabilities denominated in RMB of the subsidiaries within the Group held by Hong Kong companies whose recording currency was HK dollars were HKD278,312,022.66 (equivalent to RMB234,229,946.69) and HKD589,648,223.90 (equivalent to RMB496,253,344.47) in respective, and the balances of financial assets and liabilities denominated in USD of the subsidiaries within the Group held by Hong Kong companies whose recording currency was HK dollars were HKD340,907,453.65 (equivalent to RMB286,910,834.58) and HKD9,332,604,285.73 (equivalent to RMB7,854,405,222.80). The balances of financial assets and financial liabilities denominated in other non-recording currencies of certain subsidiaries within the Group held by other subsidiaries within the Group were not significant.

As at 31 December 2020, after taking into account the impact of movements in exchange rate offset against forward exchange hedging if the HKD had strengthened/weakened by 0.5% (31 December 2019: 1%) against the USD while all other variables had been held constant, the Group's profit before tax for the year would have been approximately HKD24,517,000.00, equivalent to approximately RMB20,634,000.00 (31 December 2019: HKD242,000.00, equivalent to approximately RMB217,000.00) lower/higher, and other comprehensive income been approximately HKD12,387,000.00, equivalent to approximately RMB10,425,000.00 (31 December 2019: approximately HKD25,238,000.00, equivalent to approximately RMB22,608,000.00) lower/higher for the above various financial assets and liabilities denominated in USD.

As at 31 December 2020, if the HKD had strengthened/weakened by 5% against the RMB while all other variables had been held constant, the Group's profit before tax for the year would have been approximately HKD14,605,000.00, equivalent to approximately RMB12,292,000.00 (31 December 2019: HKD3,777,000.00, equivalent to approximately RMB3,383,000.00) lower/higher for the above various financial assets and liabilities denominated in RMB.

The changes in exchange rate of other foreign currencies against HKD have no significant influence on the Group's operating activities.

(b) Interest rate risk

The Group's interest rate risk arises from long-term interest bearing debts including long-term bank borrowings and debentures payable. Financial liabilities issued at floating rates expose the Group to cash flow interest rate risk. Financial liabilities issued at fixed rates expose the Group to fair value interest rate risk. The Group determines the relative proportions of its fixed rate and floating rate contracts depending on the prevailing market conditions. As at 31 December 2020, the Group's long-term interest bearing debts were mainly related to the contracts of floating rate long-term borrowings denominated in RMB and HKD, and fixed rate debentures payable denominated in RMB and USD. Among them, the contract amount of floating rate long-term borrowings denominated in RMB was RMB1,865,820,266.05 (31 December 2019: RMB2,047,494,503.19), and there was no floating rate long-term borrowings denominated in HKD (31 December 2019: HKD5,006,896,403.96, equivalent to RMB4,492,062,281.22); the contract amount of fixed rate debentures payable denominated in RMB was 680,000,000.00 (31 December 2019: RMB7,900,000,000.00), and the contract amount of fixed rate debentures payable denominated in USD was USD1,200,000,000.00, equivalent to RMB7,851,480,000.00 (31 December 2019: USD500,000,000.00, equivalent to RMB3,488,100,000.00).

The Group continuously monitors the interest rate position of the Group. Increases in interest rates will increase the cost of new interest bearing borrowings and the interest expenses with respect to the Group's outstanding floating rate borrowings, and therefore could have a material adverse effect on the Group's financial performance. Management makes adjustments timely with reference to the latest market conditions and may enter into interest rate swap agreements to mitigate its exposure to interest rate risk.

As at 31 December 2020, if interest rates on borrowings had risen/fallen by 50 basis points while all other variables had been held constant, the Group's profit before tax would have decreased/increased by approximately RMB9,310,000.00 (31 December 2019: RMB32,700,000.00).

(c) Other price risk

The Group's other price risk arises mainly from movements in price of various equity and debt instruments measured at fair value that will not be sold within 1 year.

As at 31 December 2020, if the price of various investments in equity and debt instruments had risen/fallen by 10% while all other variables had been held constant, the Group's profit before tax and other comprehensive income will be approximately RMB83,150,000.00 (31 December 2019: approximately RMB47,900,000.00) and approximately RMB502,750,000.00 (31 December 2019: approximately RMB493,369,000.00) higher/lower respectively.

(2) Credit risk

The Group's credit risk mainly arises from cash at bank and on hand, bank wealth management products measured at amortised cost, placements with and loans to banks and other financial institutions, notes receivable, accounts receivable, factoring receivables, loans and advances, other receivables, contract assets, current portion of non-current assets, long-term receivables, investments in debt instruments measured at fair value through profit or loss that are not included in the assessment of impairment, etc. At the balance sheet date, the Group's maximum exposure to credit risk represents the carrying amount of the Group's financial assets, except that the maximum exposure to credit risk of long-term receivables represents its undiscounted contractual cash flows.

The Group expects that there is no significant credit risk associated with cash at bank and on hand, bank wealth management products measured at amortised cost and placements with and loans to banks and other financial institutions since they are mainly deposits at state-owned banks and other medium or large size listed banks with good reputation and a higher credit rating. The Group does not expect that there will be any significant losses from non-performance by these counterparties.

The Group's notes receivable, accounts receivable, other receivables, contract assets, current portion of non-current assets and long-term receivables include receivables from related parties and receivables from non-related parties. In respect of receivables from related parties, the Group considers that they have low credit risk; in respect of receivables from non-related parties, the Group will develop relevant policies to control the exposure to credit risk. The Group evaluates customers' credits based on their financial position, possibility of obtaining guarantees from third parties, credit history and such other factors as current market conditions, and determines the length of the credit period based on the evaluation results. The length of the credit period of accounts receivable ranges from 30 days to 90 days. The Group monitors customers' credit history on a regular basis. In respect of customers with a poor credit history, the Group will use payment reminders, or shorten or cancel credit periods, to ensure the overall credit risk of the Group is limited to a controllable extent.

The Group's notes receivable, accounts receivable and contract assets mainly arise from rendering of express & logistics and supply chain services and other related services or sales of goods, while other receivables, current portion of non-current assets arising from rendering of express & logistics and supply chain services and long-term receivables represent advances, cash on delivery service, deposits and guarantees, and interest-free loans to employees. Management maintains ongoing evaluation on debtors' financial position, but generally does not require debtors' mortgage for outstanding debts. The Group monitors and reviews expected credit losses on outstanding amounts on a regular basis, and takes into account important macroeconomic assumptions and parameters in the calculation of expected credit losses, including the risk of economic downturn, external market conditions, changes in customer conditions, gross domestic product and the consumer price index. Management makes the provision for bad debts based on the evaluation results thereof. Where it is impossible for the Group to reasonably estimate the recoverable amount, the relevant outstanding amount shall be written off accordingly. Indicators for impossibility to reasonably estimate the recoverable amount include debtors' failure to make contract payments as planned or make overdue contract payments, significant financial difficulties, bankruptcy liquidation, etc.

For factoring receivables and loans and advances, the Group developed credit policies and operational implementation rules in accordance with the requirements of relevant state regulatory authorities, and implemented standardised management over the entire process of credit granting. In addition, the Group further improved the systems for credit risk monitoring and early warning and defective credit extension management. The Group actively responded to the changes in the credit environment, regularly analysed the situation and dynamic of credit risks and took risk control measures on a forward-looking basis. The Group also established an optimisation management mechanism for defective credit and accelerated the optimisation progress of defective credit to avoid non-performing loans.

As at 31 December 2020, the Group had no significant collateral or other credit enhancements held as a result of debtor's mortgage.

(3) Liquidity risk

Cash flow forecasting is performed by each subsidiary of the Group and aggregated by the Group's finance department in its headquarters. The Group monitors rolling forecasts of the Group's short-term and long-term liquidity requirements to ensure it has sufficient cash and securities that are readily convertible to cash to meet operational needs, while maintaining sufficient headroom on its undrawn committed borrowing facilities from major financial institutions so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities to meet the short-term and long-term liquidity requirements.

The financial liabilities of the Group at the balance sheet date are analysed by their maturity date below at their undiscounted contractual cash flows:

	31 December 2020				Total
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	
Deposits from customers	3,654,785.86	–	–	–	3,654,785.86
Accounts payable	15,484,940,351.95	–	–	–	15,484,940,351.95
Other payables	7,530,793,784.24	–	–	–	7,530,793,784.24
Short-term borrowings	8,094,272,062.48	–	–	–	8,094,272,062.48
Current portion of non-current liabilities	2,826,483,705.02	–	–	–	2,826,483,705.02
Long-term borrowings	76,284,318.10	574,531,015.93	1,305,305,241.34	129,527,438.94	2,085,648,014.31
Debentures payable	294,374,475.00	967,689,159.93	3,731,796,741.44	5,110,498,430.45	10,104,358,806.82
Long-term payables	–	8,634,317.84	1,592,920.35	204,491.33	10,431,729.52
	<u>34,310,803,482.65</u>	<u>1,550,854,493.70</u>	<u>5,038,694,903.13</u>	<u>5,240,230,360.72</u>	<u>46,140,583,240.20</u>

	31 December 2019				Total
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	
Deposits from customers	3,778,707.92	–	–	–	3,778,707.92
Accounts payable	11,988,256,010.34	–	–	–	11,988,256,010.34
Notes payable	30,000,000.00	–	–	–	30,000,000.00
Other payables	4,707,159,830.62	–	–	–	4,707,159,830.62
Short-term borrowings	6,151,261,091.68	–	–	–	6,151,261,091.68
Other current liabilities	1,023,994,803.71	–	–	–	1,023,994,803.71
Current portion of non-current liabilities	2,111,387,911.36	–	–	–	2,111,387,911.36
Long-term borrowings	253,786,278.73	1,107,381,804.17	5,906,797,399.52	253,880,664.36	7,521,846,146.78
Debentures payable	257,083,187.50	2,042,115,516.27	4,499,901,505.31	6,148,000,000.00	12,947,100,209.08
Long-term payables	6,075,000.00	12,052,179.43	12,150,000.00	48,595,616.33	78,872,795.76
	<u>26,532,782,821.86</u>	<u>3,161,549,499.87</u>	<u>10,418,848,904.83</u>	<u>6,450,476,280.69</u>	<u>46,563,657,507.25</u>

14 FAIR VALUE ESTIMATES

The level in which fair value measurement is categorised is determined by the level of the fair value hierarchy of the lowest level input that is significant to the entire fair value measurement:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

(1) Financial assets and liabilities measured at fair value on a recurring basis

As at 31 December 2020, the financial assets measured at fair value on a recurring basis by the above three levels were analysed below:

	Level 1	Level 2	Level 3	Total
Financial assets held for trading –				
Structural deposits	–	–	6,276,847,839.67	6,276,847,839.67
Others	74,830.02	–	–	74,830.02
Other non-current financial assets –				
Special scheme equity-class securities	–	–	390,391,319.74	390,391,319.74
Industry fund investments	–	–	441,134,721.34	441,134,721.34
Investments in other equity instruments –				
Equity instruments	891,158,779.32	–	4,136,330,274.98	5,027,489,054.30
Total financial assets	<u>891,233,609.34</u>	<u>–</u>	<u>11,244,704,155.73</u>	<u>12,135,937,765.07</u>

As at 31 December 2019, the financial assets measured at fair value on a recurring basis by the above three levels were analysed below:

	Level 1	Level 2	Level 3	Total
Financial assets held for trading –				
Structural deposits	–	–	2,909,852,581.06	2,909,852,581.06
Others	74,554.47	245,792.67	–	320,347.14
Other non-current financial assets –				
Special scheme equity-class securities	–	–	260,424,488.45	260,424,488.45
Industry fund investments	–	–	218,615,943.17	218,615,943.17
Investments in other equity instruments –				
Equity instruments	806,383,940.40	–	4,127,308,996.79	4,933,692,937.19
Total financial assets	806,458,494.87	245,792.67	7,516,202,009.47	8,322,906,297.01

The Group takes the date on which events causing the transfers between the levels take place as the timing specific for recognising the transfers. There were no transfers between levels for the current year.

The fair value of financial instruments traded in an active market is determined at the quoted market price; and the fair value of those not traded in an active market is determined by the Group using valuation technique. The valuation models used mainly comprise discounted cash flow model and market comparable company model. The inputs of the valuation technique mainly include risk-free interest rate, credit spread, liquidity premium, price-to-sales ratio, etc.

The changes in Level 3 financial assets are analysed below:

	Financial assets held for trading – Structural deposits	Other non-current financial assets – Special scheme equity-class securities	Other non-current financial assets – Industry fund investments	Other equity instruments – Available-for-sale equity instruments
31 December 2019	2,909,852,581.06	260,424,488.45	218,615,943.17	4,127,308,996.79
Increase in the current year	107,077,300,000.00	112,000,000.00	115,676,383.68	650,000.00
Decrease in the current year	(104,118,896,790.87)	–	–	–
Gains or losses recognised in profit or loss	408,592,049.48	17,966,831.29	109,402,113.46	–
Gains recognised in other comprehensive income	–	–	–	260,397,496.86
Exchange differences on translation of foreign currency financial statements	–	–	(2,559,718.97)	(252,026,218.67)
31 December 2020	6,276,847,839.67	390,391,319.74	441,134,721.34	4,136,330,274.98

	Financial assets held for trading – Structural deposits	Available-for-sale financial assets – Available-for-sale debt instruments	Available-for-sale financial assets – Available-for-sale equity instruments	Other non-current financial assets – Special scheme equity-class securities	Other non-current financial assets – SAFE and discounted warrants	Other non-current financial assets – Industry fund investments	Other equity instruments – Available-for-sale equity instruments
31 December 2018	–	178,403,812.08	2,276,274,386.92	–	–	–	–
Changes in accounting policies	504,347,794.52	(178,403,812.08)	(2,276,274,386.92)	178,403,812.08	344,685,887.97	105,000,000.00	1,997,472,148.15
1 January 2019	504,347,794.52	–	–	178,403,812.08	344,685,887.97	105,000,000.00	1,997,472,148.15
Increase in the current year	42,360,000,000.00	–	–	113,000,000.00	–	87,739,340.60	1,619,882,022.02
Decrease in the current year	(40,135,232,287.78)	–	–	(57,872,755.98)	(647,914,359.63)	–	(175,682.00)
Gains or losses recognised in profit or loss	180,737,074.32	–	–	26,893,432.35	305,521,134.62	25,812,257.12	–
Gains recognised in other comprehensive income	–	–	–	–	–	–	449,042,630.47
Exchange differences on translation of foreign currency financial statements	–	–	–	–	(2,292,662.96)	64,345.45	61,087,878.15
31 December 2019	2,909,852,581.06	–	–	260,424,488.45	–	218,615,943.17	4,127,308,996.79

(2) Financial assets and liabilities not measured at fair value but disclosed

The Group's financial assets and liabilities measured at amortised cost mainly include cash at bank and on hand, bank wealth management products included in other current assets, placements with and loans to banks and other financial institutions, receivables, factoring receivables, loans and advances, current portion of non-current assets, long-term receivables, short-term borrowings, payables, long-term borrowings, debentures payable, current portion of non-current liabilities, other current liabilities and long-term payables.

The carrying amount of the financial assets and financial liabilities not measured at fair value is a reasonable approximation of their fair value.

The fair value of financial assets and financial liabilities over one year is the present value of the contractually determined stream of future cash flows discounted at the rate of interest applied at that time by the market to instruments of comparable credit status and providing substantially the same cash flows on the same terms, and categorised within Level 3 of the fair value hierarchy.

15 CAPITAL MANAGEMENT

The Group's capital management policies aim to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, refund capital to shareholders, issue new shares or sell assets to reduce debts.

The Group's total capital is calculated as "Equity" as shown in the consolidated balance sheet. The Group is not subject to external mandatory capital requirements.

As at 31 December 2020 and 31 December 2019, the Group's gearing ratio was as follows:

	31 December 2020	31 December 2019
Gearing ratio	<u>48.94%</u>	<u>54.08%</u>

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS**(1) Cash at bank and on hand**

	31 December 2020	31 December 2019
Cash at bank	<u>58,098,498.15</u>	<u>967,647,842.56</u>

(2) Other receivables

	31 December 2020	31 December 2019
Dividends receivable from Taisen Holdings	1,500,000,000.00	1,117,405,390.21
Funds raised by convertible corporate debentures granted to subsidiaries	5,454,806,766.73	2,246,708,314.12
Others	<u>6,052,075.25</u>	<u>433,688.52</u>
	6,960,858,841.98	3,364,547,392.85
Less: Provision for bad debts	<u>-</u>	<u>-</u>
	<u>6,960,858,841.98</u>	<u>3,364,547,392.85</u>

The ageing of other receivables is analysed as follows:

	31 December 2020	31 December 2019
Within 1 year	4,784,120,657.19	2,247,142,002.64
1 to 2 years	2,176,738,184.79	1,117,405,390.21
	<u>6,960,858,841.98</u>	<u>3,364,547,392.85</u>

(3) Long-term receivables

	31 December 2020	31 December 2019
Funds raised by a non-public offering of shares granted to subsidiaries	<u>82,496,567.74</u>	<u>7,691,259,432.16</u>

The above funds raised granted to subsidiaries constitute substantially a long-term equity in the net investment in the subsidiaries.

(4) Long-term equity investments

	31 December 2020	31 December 2019
Subsidiaries (a)	50,997,093,513.91	43,323,539,117.29
Less: Provision for impairment of long-term equity investments	–	–
	<u>50,997,093,513.91</u>	<u>43,323,539,117.29</u>

There is no significant restriction on sales of the long-term equity investments held by the Company.

(a) Subsidiaries

	Accounting method	31 December 2019	Increase in the current year	31 December 2020	Shareholding (%)	Voting rights (%)	Explanation of disparity between percentages of shareholding and voting rights	Provision for impairment loss	Cash dividends declared in the current year
Taisen Holdings	Cost method	<u>43,323,539,117.29</u>	<u>7,673,554,396.62</u>	<u>50,997,093,513.91</u>	100.00%	100.00%	Not applicable	–	1,500,000,000.00

(5) Investment income

	2020	2019
Income from long-term equity investments under cost method	1,500,000,000.00	–
Investment income from financial assets held for trading	59,738,584.17	1,148,720.61
Investment income from wealth management products	6,155,466.53	4,873,145.52
Others	<u>(25,603.38)</u>	<u>(187,885.50)</u>
	<u>1,565,868,447.32</u>	<u>5,833,980.63</u>

**SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

(All amounts in RMB Yuan unless otherwise stated)
(English translation for reference only)

1 STATEMENT OF NON-RECURRING PROFIT OR LOSS

	2020	2019
Investment income from disposal of subsidiaries	443,625,451.41	848,211,045.94
(Losses)/Gains on disposal of other non-current assets	(52,898,534.35)	31,356,737.19
Government grants recognised in profit or loss for the current period (government grants recognised in non-operating income, other income and deducted against related cost and expenses)	1,032,229,792.07	545,508,216.82
Gains arising from changes in fair value of financial assets and liabilities held for trading and investment income arising from disposals of financial assets and liabilities held for trading	139,466,673.10	364,072,933.26
Net loss of the subsidiaries for the period from the beginning of the period to the combination date arising from business combinations involving enterprises under common control	–	(2,123,517.28)
Net amount of other non-operating income and expenses	<u>(153,226,887.12)</u>	<u>(38,285,034.94)</u>
Sub-total	<u>1,409,196,495.11</u>	<u>1,748,740,380.99</u>
Less: Income tax effect	(196,455,349.10)	(159,282,664.33)
Less: Non-recurring profit or loss attributable to minority shareholders	<u>(18,998,922.53)</u>	<u>(716,085.28)</u>
Non-recurring profit or loss attributable to shareholders of the parent company	<u><u>1,193,742,223.48</u></u>	<u><u>1,588,741,631.38</u></u>
Including: Non-recurring profit or loss from continuing operations	<u>1,193,742,223.48</u>	<u>1,588,741,631.38</u>

Basis for preparation of statement of non-recurring profit or loss

Pursuant to the *Explanatory Announcement for Information Disclosure of Companies Offering Securities to the Public No.1 – Non-recurring Profit or Loss (2008)* issued by the China Securities Regulatory Commission, non-recurring profit or loss refers to profit or loss arising from transactions and events those are not directly related to the Company's normal course of business, also from transactions and events those even are related to the company's normal course of business, but will interfere with the right judgement of users of the financial statements on the company's operation performance and profitability due to their special nature and occasional occurrence.

2 RETURN ON NET ASSETS AND EARNINGS PER SHARE

	Weighted average return on net asset (%)		Earnings per share			
			Basic earnings per share		Diluted earnings per share	
	2020	2019	2020	2019	2020	2019
Net profit attributable to ordinary shareholders of the Company	15.20%	14.86%	1.64	1.32	1.64	1.32
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit or loss	12.73%	10.82%	1.37	0.96	1.37	0.96
Including:						
– Continuing operations						
Net profit attributable to ordinary shareholders of the Company	15.20%	14.86%	1.64	1.32	1.64	1.32
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit or loss	12.73%	10.82%	1.37	0.96	1.37	0.96

3 NO MATERIAL CHANGE

Save as disclosed below, the directors of the Offeror Parent confirm that there had been no material change in the financial or trading position or outlook of the Offeror Parent since 31 December 2020, being the date to which the latest audited consolidated financial statements of the Offeror Parent were made up, up to and including the Latest Practicable Date:

- (i) as disclosed in the first quarterly report of the Offeror Parent published on the website of the Shenzhen Stock Exchange, for the three months ended 31 March 2021 the Offeror Parent Group recorded (i) a net loss attributable to shareholders of the Offeror Parent of approximately RMB988 million, representing a year-on-year decrease of approximately 209.01% and (ii) basic loss per share of RMB0.22;
- (ii) as disclosed in the announcement of the Offeror Parent dated 14 July 2021 published on the website of the Shenzhen Stock Exchange, for the six months ended 30 June 2021 the Offeror Parent Group expected to record (i) a net profit attributable to shareholders of the Offeror Parent of approximately RMB640 million to RMB830 million, representing a year-on-year decrease of approximately 78% to 83% and (ii) basic earnings per share of RMB0.14 to RMB0.18;
- (iii) as disclosed in the announcement of the Offeror Parent dated 19 May 2021 published on the website of the Shenzhen Stock Exchange, SF Real Estate Investment Trust, a Hong Kong collective investment scheme authorised under section 104 of the SFO, was listed on the Main Board of the Stock Exchange on 17 May 2021. The entire issued share capital of the manager of SF Real Estate Investment Trust is held by the Offeror Parent; and
- (iv) as disclosed in the announcement of the Offeror Parent dated 29 May 2021 published on the website of the Shenzhen Stock Exchange, the board of directors of the Offeror Parent had approved the spin-off of Hangzhou SF Intra-city Industrial Co., Ltd, a subsidiary of the Offeror Parent, to be listed on the main board of the Stock Exchange.

The following is the text of a letter and summaries of valuations prepared for the purpose of incorporation in this document received from Cushman & Wakefield Limited, an independent property valuer, in connection with its opinion of the value of certain property interests of the Group in the PRC, Hong Kong, Taiwan, South Korea, Vietnam, Cambodia, Thailand, Malaysia, Singapore, Myanmar, India, Uzbekistan, Dubai, Sweden and Netherlands as at 30 June 2021. As stated in "Appendix V – Documents Available for Inspection", a copy of the full property valuation report is available for public inspection.



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

12 August 2021

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

Dear Sirs,

INSTRUCTIONS, PURPOSE & VALUATION DATE

In accordance with your instructions for us to value certain properties in People's Republic of China (the "PRC"), Hong Kong, Taiwan, South Korea, Vietnam, Cambodia, Thailand, Malaysia, Singapore, Myanmar, India, Uzbekistan, Dubai, Sweden and Netherlands (as more particularly described in the attached valuation summaries) in which Kerry Logistics Network Limited (the "Company") together with its subsidiaries (collectively the "Group") have interests, we confirm that we have inspected the properties, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the values of such properties as at 30 June 2021 (the "Valuation Date") (i) a summary report of which would be incorporated into a composite document dated 12 August 2021 issued by the Company (the "Summary Valuation Report"); and (ii) the full report of which would be uploaded as announcement on <https://www.hkexnews.hk/> and put on public display as a document on display in accordance with The Codes on Takeovers and Mergers and Share Buy-backs issued by the Securities and Futures Commission.

VALUATION BASIS

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

VALUATION ASSUMPTIONS

In valuing the properties, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities published by The Stock Exchange of The Hong Kong Limited, Rule 11 of The Codes on Takeovers and Mergers and Share Buy-backs issued by the Securities and Futures Commission and The HKIS Valuation Standards 2020 published by The Hong Kong Institute of Surveyors.

Our valuation of each property excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

In the course of our valuation of the properties, we have relied on the information and advice given by the Company and the Company's legal advisers, 北京李偉斌律師事務所 (Li & Partners), HÃNG LUẬT CABAS LAW CO., LTD, SokSiphana & associates, and Al Tamimi & Company regarding the titles to the properties and the interests of the Company in the properties in the PRC, Vietnam, Cambodia and Dubai respectively. Unless otherwise stated in the legal opinion provided for the properties in the PRC, Vietnam, Cambodia and Dubai; and as revealed from title search record for the properties in Hong Kong, Taiwan, South Korea, Thailand, Malaysia (where available amidst lockdown of some land offices), Singapore, Uzbekistan, Sweden and Netherlands, in valuing the properties, we have assumed that the Company has an enforceable title to each of the properties and has free and uninterrupted rights to use, occupy or assign the properties for the whole of the respective unexpired land use term as granted.

The status of titles and grant of major certificates, approvals and licences, in accordance with the information provided by the Company are set out in the notes of the respective valuation report.

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

VALUATION METHODS

Some properties are subject to non-alienation restrictions, in default of complete legitimate procedures or in lack of marketability such that market value is not applicable in the valuation. Under such circumstances, our valuations are conducted on the basis of investment value which are stated separate from the market value.

Assessment on the basis of 'investment value', according to the International Valuation Standards, which the HKIS Valuation Standards follow, is defined as "the value of an asset to the owner or a prospective owner for individual investment or operational objectives". Investment value is an entity-specific basis of value which reflects the benefits received by an entity from holding the asset and, therefore, does not necessarily involve a hypothetical exchange. It must be emphasized that investment value is not market value.

(a) Properties in the PRC

In valuing the properties in Groups I-A and I-B, which are completed properties held by the Group for investment or operation in the PRC, we have adopted Income Capitalisation Method on the basis of capitalisation of rental incomes derived from the existing tenancies with due allowance for reversionary potential of each of the properties or by reference to comparable market transactions. Transactions involving similar scale properties of the same nature and tenancy structure in the same districts are not frequent. On the other hand, as most properties generate rental income from letting arrangements and such rental comparables are more readily available, we consider Income Capitalisation Method, which is also commonly used in valuing properties for investment purpose, to be the best method to value these properties. For those properties without any existing tenancies, we have adopted Market Comparison Method.

In undertaking our valuations for the properties by Income Capitalisation Method, we have mainly made reference to sales or lettings within the subject properties as well as other relevant comparable sales or rental evidences of properties of similar use type subject to appropriate adjustments including but not limited to location, accessibility, age, quality, maintenance standard, size, time, configuration and other relevant factors.

The capitalisation rates adopted in our valuations are based on our analyses of the yields of properties of similar use type after due adjustments. Such capitalisation rates are estimated with reference to the yields generally expected by the market for comparable properties of similar use type, which implicitly reflect the type and quality of the properties, the expectation of the potential future rental growth, capital appreciation and relevant risk factors. The capitalisation rates adopted are reasonable and in line with the market norm having regard to the analysed yields of transactions of the relevant use type.

In respect of the properties in Group I-C which are properties held by the Group under development in the PRC, we have valued them on the basis that each of these properties will be developed and completed in accordance with the latest development scheme of the Company provided to us (if any). We have assumed that all consents, approvals and licences from the relevant government authorities for the development scheme have been obtained without onerous conditions or delays. We have also assumed that the design and construction of the development are in compliance with the local planning regulations and have been approved by the relevant authorities. In arriving at our opinion of value, we have adopted Market Comparison Method or Income Capitalisation Method to assess the development value as if completed and have also taken into account the incurred construction costs and the costs that will be incurred to complete the development to reflect the quality of the completed development.

In respect of the properties in Group I-D which are properties held by the Group for future development in the PRC, we have mainly used Market Comparison Method assuming sale of each of these properties in their existing state by making reference to comparable land sales transactions as available in the relevant market and have taken into account reasonably incurred land improvement costs, if any.

(b) Properties in Hong Kong

In respect of the properties in Group II in Hong Kong, we have generally valued the properties by Market Comparison Method assuming sale of the properties in their respective existing state by making reference to comparable sales transactions as available in the relevant market. The adoption of the widely-accepted Market Comparison Method and a valuation by comparison are reasonable and appropriate as the properties are existing, completed properties of similar nature and are comparable to other industrial and warehouse properties in the market where comparable sale transactions are available.

Property no. 9 in Group II-B held by the Group for owner occupation in Hong Kong is held under a lease from the Hong Kong Science and Technology Parks Corporation (formerly The Hong Kong Industrial Estates Corporation) (the "**Corporation**"), subject to a restriction on alienation. The lease stipulates that if the lessee wishes to assign the property at any time during the term of the lease demised, the lessee shall first offer to surrender its interest to the Corporation at a consideration calculated in accordance with the formula set down in the lease. We have referred to the conditions in the lease regarding alienation and the prescribed way of calculation of surrender consideration in undertaking our valuation. Our assessment is on the basis of 'investment value', according to the International Valuation Standards, which the HKIS Valuation Standards follow, is defined as "the value of an asset to the owner or a prospective owner for individual investment or operational objectives". Investment value is an entity-specific basis of value which reflects the benefits received by an entity from holding the asset and, therefore, does not necessarily involve a hypothetical exchange. It must be emphasized that investment value is not market value.

(c) Properties in Taiwan

Except for the office and residential properties, in valuing the properties in Group III-A which are completed properties held by the Group for operation in Taiwan, due to the specific nature of the properties and lack of sales transactions of the properties of the same characteristics in the vicinity, we have mainly adopted the Depreciated Replacement Costs ("**DRC**") Method. DRC Method is based on an estimate of the market value of the land in its

existing use, plus the current cost of replacement of the improvements, less allowance for physical deterioration and all relevant forms of obsolescence and optimisation. For the land portion, we have generally made reference to comparable land sales evidence as available in the relevant market subject to appropriate adjustments including but not limited to location, time, size etc. DRC Method is subject to service potential of the entity from the use of assets as a whole paying due regard to the total assets employed. The market value arrived using DRC Method applies to the whole of the complex or development as a unique interest, and no piecemeal transaction of the complex or development is assumed.

For office and residential properties, we have mainly used Market Comparison Method assuming sale of each of these properties in their existing state by making reference to comparable sales transactions as available in the relevant market subject to suitable adjustments between the subject property and the comparable properties. Given that the property is mostly strata commercial units, comparable sales transactions and information about such sales are generally available. We have therefore adopted Market Comparison Method which is in line with the market practice.

The property in Group III-B which is held by the Group under development in Taiwan is tailor made for the Company's use with unique building specifications such that relevant sales comparables are difficult to identify. We have therefore used Market Comparison Method assuming sale of the property in its existing state by making reference to comparable land sales transactions as available in the relevant market and have taken into account reasonably incurred land improvement costs and incurred construction costs. There is no identifiable sales or leasing market of such type of properties to facilitate completion value assessment. As such, the valuation method being used comprises land value assessment subject to incurred costs. Therefore, no completion value is provided. However, we have taken into account and disclosed the cost data.

In respect of the properties in Group III-C which are properties held by the Group for future development in Taiwan, we have mainly used Market Comparison Method assuming sale of each of these properties in their existing state by making reference to comparable land sales transactions as available in the relevant market.

(d) Properties in South Korea, Uzbekistan and Dubai

In valuing the properties in Groups IV, XII and XIII which are held by the Group for operation in South Korea, Uzbekistan and Dubai respectively, we have mainly used Market Comparison Method assuming sale of each of these properties in its existing state by making reference to comparable sales transactions as available in the relevant market subject to suitable adjustments between the subject property and the comparable properties. Given that the property is mostly strata commercial units, comparable sales transactions and information about such sales are generally available. We have therefore adopted Market Comparison Method which is in line with the market practice.

(e) Properties in Vietnam, Cambodia and Myanmar

In valuing the property interests in Groups V, VI and X which are held by the Group for investment or operation in Vietnam, Cambodia and Myanmar respectively, due to the specific nature of the properties and lack of sales transactions of the properties of the same characteristics in the vicinity, we have adopted DRC Method. DRC Method is based on an estimate of the market value of the land in its existing use, plus the current cost of replacement of the improvements, less allowance for physical deterioration and all relevant forms of obsolescence and optimisation. For the land portion, we have generally made reference to comparable land sales evidence as available in the relevant market subject to appropriate adjustments including but not limited to location, time, size etc. DRC Method is subject to service potential of the entity from the use of assets as a whole paying due regard to the total assets employed. The market value arrived using DRC Method applies to the whole of the complex or development as a unique interest, and no piecemeal transaction of the complex or development is assumed.

(f) Properties in Thailand

In valuing the properties in Group VII-A which are completed properties held by the Group for operation in Thailand, due to the specific nature of the properties and lack of sales transactions of the properties of the same characteristics in the vicinity, we have mainly adopted DRC Method. DRC Method is based on an estimate of the market value of the land in its existing use, plus the current cost of replacement of the improvements, less allowance for physical deterioration and all relevant forms of obsolescence and optimisation. For the land portion, we have generally made reference to comparable land sales evidence as available in the relevant market subject to appropriate adjustments including but not limited to location, time, size etc. DRC Method is subject to service potential of the entity from the use of assets as a whole paying due regard to the total assets employed. The market value arrived using DRC Method applies to the whole of the complex or development as a unique interest, and no piecemeal transaction of the complex or development is assumed.

In valuing the property in Group VII-B which is completed property held by the Group for owner occupation in Thailand, we have mainly used Market Comparison Method assuming sale of the property in its existing state by making reference to comparable sales transactions as available in the relevant market subject to suitable adjustments between the subject property and the comparable properties. Given that the property is commercial unit, comparable sales transactions and information about such sales are generally available. We have therefore adopted Market Comparison Method which is in line with the market practice.

(g) Properties in Malaysia

Except for the commercial properties, in valuing the properties in Group VIII-A which are completed properties held by the Group for operation in Malaysia, due to the specific nature of the properties and lack of sales transactions of the properties of the same characteristics in the vicinity, we have mainly adopted the DRC Method. DRC Method is based on an estimate of the market value of the land in its existing use, plus the current cost of replacement of the improvements, less allowance for physical deterioration and all relevant forms of obsolescence and optimisation. For the land portion, we have generally made reference to comparable land sales evidence as available in the relevant market subject to appropriate adjustments including but not limited to location, time, size etc. DRC Method is subject to service potential of the entity from the use of assets as a whole paying due regard to the total assets employed. The market value arrived using DRC Method applies to the whole of the complex or development as a unique interest, and no piecemeal transaction of the complex or development is assumed.

For commercial properties, we have mainly used Market Comparison Method assuming sale of each of these properties in their existing state by making reference to comparable sales transactions as available in the relevant market subject to suitable adjustments between the subject property and the comparable properties. Given that the property is mostly strata commercial units, comparable sales transactions and information about such sales are generally available. We have therefore adopted Market Comparison Method which is in line with the market practice.

In valuing the properties in Group VIII-B which are for future development in Malaysia, we have mainly used Market Comparison Method assuming sale of each of these properties in their existing state by making reference to comparable land sales transactions as available in the relevant market and have taken into account reasonably incurred land improvement costs, if any.

(h) Properties in Singapore, Sweden and Netherlands

In valuing the properties in Groups IX, XIV and XV which are held by the Group for investment or operation in Singapore, Sweden and Netherlands respectively, we have adopted Income Capitalisation Method on the basis of capitalisation of rental incomes derived from the existing tenancies with due allowance for reversionary potential of each of the properties or by reference to comparable market transactions. Transactions involving similar scale properties of the same nature and tenancy structure in the same districts are not frequent. On the other hand, as most properties generate rental income from letting arrangements and such rental comparables are more readily available, we consider Income Capitalisation Method, which is also commonly used in valuing properties available for letting, to be the best method to value these properties.

In undertaking our valuations for the property, we have mainly made reference to lettings within the subject property as well as other relevant comparable rental evidences of property of similar use type subject to appropriate adjustments including but not limited to location, accessibility, age, quality, maintenance standard, size, time, configuration and other relevant factors.

The capitalisation rates adopted in our valuations are based on our analyses of the yields of property of similar use type after due adjustments. Such capitalisation rates are estimated with reference to the yields generally expected by the market for comparable property of similar use type, which implicitly reflect the type and quality of the property, the expectation of the potential future rental growth, capital appreciation and relevant risk factors. The capitalisation rates adopted are reasonable and in line with the market norm having regard to the analysed yields of transactions of the relevant use type.

(i) Properties in India

In valuing the properties in Group XI-A which are completed properties held by the Group for operation in India, due to the specific nature of the properties and lack of sales transactions of the properties of the same characteristics in the vicinity, we have mainly adopted DRC Method. DRC Method is based on an estimate of the market value of the land in its existing use, plus the current cost of replacement of the improvements, less allowance for physical deterioration and all relevant forms of obsolescence and optimisation. For the land portion, we have generally made reference to comparable land sales evidence as available in the relevant market subject to appropriate adjustments including but not limited to location, time, size etc. DRC Method is subject to service potential of the entity from the use of assets as a whole paying due regard to the total assets employed. The market value arrived using DRC Method applies to the whole of the complex or development as a unique interest, and no piecemeal transaction of the complex or development is assumed.

In valuing the properties in Group XI-B which are completed properties held by the Group for owner occupation in India, we have adopted Income Capitalisation Method on the basis of capitalisation of rental incomes derived from the existing tenancies with due allowance for reversionary potential of each of the properties or by reference to comparable market transactions. Transactions involving similar scale properties of the same nature and tenancy structure in the same districts are not frequent. On the other hand, rental comparables are more readily available, we consider Income Capitalisation Method, which is also commonly used in valuing properties available for letting, to be the best method to value these properties.

In valuing the property in Group XI-C which is for future development in India, we have mainly used Market Comparison Method assuming sale of the property in its existing state by making reference to comparable land sales transactions as available in the relevant market and have taken into account reasonably incurred land improvement costs, if any.

Set out below are the key assumptions used in our valuations:

(a) PRC properties

Market unit price for

- (i) Office: RMB7,478 to RMB17,969 per square meter (“sq m”) on gross floor area (“GFA”) basis
- (ii) Retail: RMB5,528 to RMB11,296 per sq m on GFA basis

Market monthly unit rent for

- (i) Office: RMB38 to RMB118 per sq m on GFA basis
- (ii) Retail: RMB112 per sq m on GFA basis
- (iii) Warehouse: RMB14 to RMB91 per sq m on GFA basis

Capitalisation rate for

- (i) Office: 5.5% to 8%
- (ii) Retail: 6.25%
- (iii) Warehouse: 5.75% to 8.75%

(b) Hong Kong properties

Market unit price for

- (i) Industrial: HKD26,900 to HKD39,800 per sq m on GFA basis (excluding property no. 9 in Group II-B)

(c) Taiwan properties

Market unit price for

- (i) Industrial Land: NTD12,000 per sq m to NTD197,000 per sq m
- (ii) Office: NTD242,000 per sq m to NTD272,000 per sq m
- (iii) Residential: NTD59,000 per sq m to NTD63,000 per sq m
- (iv) Carpark: NTD1,000,000 per lot to NTD4,000,000 per lot

(d) South Korea property

Market unit price for

- (i) Industrial: KRW6,011,450 per sq m on GFA basis

(e) Vietnam properties

Market unit price for

- (i) Industrial Land: USD57 to USD144 per sq m on land area basis

(f) Cambodia property

Market unit price for

- (i) Industrial Land: USD229 per sq m on land area basis

(g) Thailand properties

Market unit price for

- (i) Industrial land: THB2,400 to THB9,000 per sq m on land area basis
- (ii) Shophouse: THB13,000 per sq m on GFA basis

(h) Malaysia properties

Market unit price for

- (i) Commercial: MYR572 to MYR3,408 per sq m on GFA basis
- (ii) Land: MYR75 to MYR91 per sq m on site area basis

(i) Singapore property

Market monthly unit rent for

- (i) Warehouse: SGD17 per sq m on LFA basis

Capitalisation rate for

- (i) Warehouse: 5.75% to 8.75%

(j) Myanmar properties

Market unit price for

- (i) Industrial Land: USD7.5 per sq m on land area basis

(k) India properties

Market unit price for

- (i) Industrial Land: INR2,000 to INR25,000 per sq m on GFA basis

Market monthly unit rent for

- (i) Office: INR8.5 to INR11 per sq m on GFA basis

Capitalisation rate for

- (i) Office: 8%

(l) Uzbekistan property

Market unit price for

- (i) Workshop: USD427 per sq m on GFA basis

(m) United Arab Emirates properties

Market unit price for

- (i) Warehouse: AED1,400 to AED2,200 per sq m on built up area basis

(n) Sweden property

Market monthly unit rent for

- (i) Warehouse portion: SEK550 per sq m on GFA basis
- (ii) Mezzanine/low bay warehouse portion: SEK275 per sq m on GFA basis
- (iii) Office portion: SEK925 per sq m on GFA basis

Capitalisation rate for

- (i) Warehouse portion: 4.70%
- (ii) Mezzanine/low bay warehouse portion: 4.70%
- (iii) Office portion: 4.70%

(o) Netherlands property

Market monthly unit rent for

- (i) Office portion: EUR7.5 per sq m on GFA basis

(ii) Warehouse portion: EUR5.4 per sq m on GFA basis

(iii) Storage: EUR2.9 per sq m on GFA basis

Capitalisation rate for

(i) Office portion: 6.5%

(ii) Warehouse portion: 6.5%

(iii) Storage portion: 6.5%

MARKET VOLATILITY

The recent outbreak of the Novel Coronavirus (COVID-19) has brought high volatility to global financial markets and uncertainty to the property market. It is expected that property values will be very sensitive to development of the pandemic and changes in the financial markets. The extents of impact on different sectors of the market are different and the time for marketing and negotiating sale of a property may be longer than normal. There will be less certainty as to how long a valuation may sustain and property prices may fluctuate rapidly and materially over a short period of time. Our valuations of the properties are valid only at the Valuation Date and any subsequent changes in market conditions as well as the resulting impacts on property values after the Valuation Date cannot be taken into account. If any party intends to make reference to our valuations when entering into any transaction, he must bear in mind the high market volatility during this period of time and that property values may or may not have changed since the Valuation Date.

SOURCE OF INFORMATION

We have been provided by the Company with extracts of documents in relation to the titles to the properties. However, we have not inspected the original documents to ascertain any amendments which may not appear on the copies handed to us. We have not been provided with copies of the title documents relating to the property interests but have caused searches to be made at the appropriate land registries in Hong Kong, Taiwan, South Korea, Thailand, Malaysia (where available amidst lockdown of some land offices), Singapore, Uzbekistan, Sweden and Netherlands.

In the course of our valuation of the properties, we have relied on the information and advice given by the Company and the Company's legal advisers, 北京李偉斌律師事務所 (Li & Partners), HÃNG LUẬT CABAS LAW CO., LTD, SokSiphana & associates, and Al Tamimi & Company regarding the titles to the properties and the interests of the Company in the properties in the PRC, Vietnam, Cambodia and Dubai respectively.

In respect of all properties, we have accepted advice given by the Company on such matters as planning approvals or statutory notices, easements, tenure, identification of land and buildings, completion date of buildings, number of car parking spaces, particulars of occupancy, pre-sale details, rental incomes and revenue, joint venture agreements, development or redevelopment schemes, development time schedules, construction costs, site and floor areas, interest attributable to the Company and all other relevant matters.

Dimensions, measurements and areas included in the valuation report are based on the information provided to us and are therefore only approximations. We have had no reason to doubt the truth and accuracy of the

information provided to us by the Company which is material to the valuations. We were also advised by the Company that no material facts have been omitted from the information provided.

We would point out that the copies of documents of the properties provided to us are mainly compiled in local language characters and the transliteration into English represents our understanding of the contents.

TITLE INVESTIGATION

We have been provided with extracts of documents relating to the titles of the properties, but no searches have been made in respect of the properties except for Hong Kong, Taiwan, South Korea, Thailand, Malaysia (parts), Singapore, Uzbekistan, Sweden and Netherlands. We have caused searches to be made at the appropriate official authorities. However, we have not searched the original documents to verify ownership or to ascertain any amendment which may not appear on the copies handed to us. We are also unable to ascertain the title of the properties and we have therefore relied on the advice given by the Company or the Company's legal advisers regarding the interests of each of the company in the properties.

Due to the COVID-19 outbreak, Malaysia has been under a national lockdown, different regions are vulnerable to varying extents of office close-downs. Title searches are not available for some regions. Up to the latest practical date, we have conducted title searches where it is permitted. Otherwise, we have relied on the information given by the Company regarding the title to the properties and the interest in the properties.

Unlike developed markets, as a matter of fact, no title search can be made in respect of the properties in the PRC, Vietnam, Cambodia, Myanmar, India and Dubai. Legal opinions in respect of the properties in the PRC, Vietnam, Cambodia and Dubai have been provided. However, no legal opinions are available regarding properties in Myanmar and India. We have therefore relied on the information given by the Group regarding its title to the properties and interest in the properties in Myanmar and India. We have no reason to doubt the truth and accuracy of such information provided by the Company and we have been advised by the Company that no material facts have been omitted from the information provided. Given the above premise, we are therefore satisfied to conduct valuations of the properties on the basis that the Group has title to the properties in India and Myanmar in the absence of legal opinions for the properties in India and Myanmar.

SITE INSPECTION

Except otherwise stated, we inspected the exterior and, wherever possible, the interior of the properties in between March and July 2021. However, we have not carried out any investigations on site to determine the suitability of the soil conditions and the services etc. for any future development. Our valuations are prepared on the assumption that these aspects are satisfactory and that no extraordinary costs or delays will be incurred during the construction period. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are, however, not able to report that the properties are free of rot, infestation or any other structural defects. No tests were carried out to any of the services. Unless otherwise stated, we have not been able to carry out on-site measurements to verify the site and floor areas of the properties and we have assumed that the areas shown on the documents handed to us are correct.

Due to the COVID-19 outbreak and travel restriction or social unrest, no physical site inspections were arranged for certain properties in Taiwan, Vietnam, Malaysia and Myanmar. As per the instruction from the Company, we have valued such properties on desktop basis and relied on the assisting material provided by the Company, including but not limited to real time online inspections, videos, photographs, etc.

CURRENCY

Unless otherwise stated, all sums stated in our valuations are in Renminbi ("RMB") for the properties in the PRC, Hong Kong Dollar ("HKD") for the properties in Hong Kong, New Taiwan Dollar ("NTD") for the properties in Taiwan, Korean Won ("KRW") for the property in South Korea, United States Dollar ("USD") for the properties in Vietnam, Thai Baht ("THB") for the properties in Thailand, Malaysian Ringgit ("MYR") for the properties in Malaysia, Singapore Dollar ("SGD") for the property in Singapore, USD for the properties in Myanmar, Indian Rupee ("INR") for the properties in India, USD for the property in Uzbekistan, United Arab Emirates Dirham ("AED") for the properties in Dubai, Svensk Krona ("SEK") for the property in Sweden and EURO ("EUR") for the property in Netherlands.

POTENTIAL TAX LIABILITIES

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

PRC properties

- Enterprise income tax at 25% on gain
- Land appreciation tax at progressive rates from 30% to 60% on the appreciation in property value
- Stamp duty at 0.05% on the transaction amount
- Withholding tax at 10% if the net proceeds (minus taxes and statutory contributions) are repatriated outside the PRC as dividends (reduced to 5% if the Hong Kong-PRC double tax arrangement applies)
- Other surcharge at approximately 12% of value-added tax

Hong Kong properties

- Profits tax at 16.5% on gain (minus any profit which is capital in nature)
- Stamp duty at a minimum of HKD100, progressive rates from 1.5% to 8.5%, or a flat rate of 15% on the transaction amount (of which both the seller and the buyer are jointly and severally liable)

Taiwan properties

- Corporate income tax at 20% to 35% on the gain (depending on the date of original acquisition)
- Value-added business tax at 5% on the transaction amount
- Land value increment tax at 20% to 40%

South Korea properties

- Corporate income tax at 22% on gain

- Value added tax at 10% on the transaction amount of building

Vietnam properties

- Corporate income tax at 20% on the gain
- Value added tax at 10% on the transaction amount of building
- Stamp duty at 0.5% on the transaction amount

Cambodia properties

- Capital gains tax at 20%

Thailand properties

- Corporate Income Tax ("CIT") at 20% on gain
- Withholding tax at 1% of sale price but can be considered as prepaid tax for CIT for that tax year
- Stamp duty at 0.5% of the higher between sale price or appraisal price of Department of Lands
- Registration fee for transfer at 2% of the higher between sale price or appraisal price of Department of Lands (this is usually paid on 50:50 basis between seller and buyer, but depends on negotiation basis)
- Special Business Tax ("SBT") at 3.3% of the higher between sale price or appraisal price of Department of Lands. This is only applicable if the property was held less than 5 years before transfer. In the case that SBT applied, stamp duty will be exempted

Malaysia properties

- Corporate income tax at 10% to 30% on gain (depending on the date of original acquisition)

Singapore properties

- Goods and services tax at 7% on the transaction amount of industrial building

Myanmar properties

- Income tax at 10% on gain

India properties

- Capital gains tax at 20%, and surcharge at 12% where total income of the company exceeds 10 crores
- Health and Education Cess at 4% on aggregate of base tax and surcharge

Uzbekistan properties

- Income tax at 15% on gain
- Value added tax at 15% on the transaction amount

Dubai properties

- Transfer fee at 4% on the transaction amount

Sweden properties

- Corporate income tax at 20.6% on gain

Netherlands properties

- Corporation tax at 15% on gain for amount not exceeding EUR245,000, or 25% on gain for amount exceeding EUR245,000

In respect of the properties held by the Group, the likelihood of the relevant tax liabilities being crystallised is remote as the Group have no plans for the disposal of such properties yet.

We enclose herewith the Summary Valuation Report for your attention.

Yours faithfully,
For and on behalf of
Cushman & Wakefield Limited
K.B. Wong
Registered Professional Surveyor
(General Practice)
Registered China Real Estate Appraiser
FHKIS, MRICS
Executive Director, Valuation & Advisory Services

Note: Mr. K.B. Wong is a Registered Professional Surveyor who has over 35 years' experience in the valuation of properties in the PRC, Hong Kong, other Asian and European countries.

SUMMARY OF VALUATIONS

Property Group (Group I)	No. of properties	Market value in existing state as at the Valuation Date (RMB)	Market value in existing state attributable to the Group as at the Valuation Date (RMB)	Investment value ⁽³⁾ in existing state as at the Valuation Date (RMB)	Investment value ⁽³⁾ in existing state attributable to the Group as at the Valuation Date (RMB)
<u>Property interests held by the Group in the PRC</u>					
Group I-A – Property interests held for investment in the PRC	13	1,083,160,000	1,029,772,000	4,200,000	2,940,000
Group I-B – Property interests held for operation in the PRC	20	2,527,730,000	2,344,661,000	10,160,000	7,112,000
Group I-C – Property interests held under development in the PRC	4	558,000,000	547,050,000	N/A	N/A
Group I-D – Property interests held for future development in the PRC	1	10,000,000	10,000,000	N/A	N/A
Sub-Total	38	4,178,890,000⁽¹⁾	3,931,483,000⁽²⁾	14,360,000⁽⁴⁾	10,052,000⁽⁵⁾

Notes:

- (1) The market value in existing state of the property interests in the PRC as at the Valuation Date was approximately HKD5,016,757,445.
- (2) The market value in existing state of the property interests in the PRC attributable to the Group as at the Valuation Date was approximately HKD4,719,745,342.
- (3) Investment value of certain property interest whereby market value is not applicable.
- (4) The investment value in existing state of certain property interests in the PRC as at the Valuation Date was approximately HKD17,239,180.
- (5) The investment value in existing state of certain property interests in the PRC attributable to the Group as at the Valuation Date was approximately HKD12,067,426.

Property Group (Group II)	No. of properties	Market value in existing state as at the Valuation Date (HKD)	Market value in existing state attributable to the Group as at the Valuation Date (HKD)	Investment value ⁽¹⁾ in existing state as at the Valuation Date (HKD)	Investment value ⁽¹⁾ in existing state attributable to the Group as at the Valuation Date (HKD)
<u>Property interests held by the Group in Hong Kong</u>					
Group II-A – Property interests held for investment in Hong Kong	7	11,696,000,000	11,696,000,000	N/A	N/A
Group II-B – Property interests held for owner occupation in Hong Kong	2	1,432,000,000	1,432,000,000	175,000,000	175,000,000
Sub-Total	9	13,128,000,000	13,128,000,000	175,000,000	175,000,000

Note:

- (1) Investment value of certain property interest whereby market value is not applicable.

Property Group (Group III)	No. of properties	Market value in existing state as at the Valuation Date (NTD)	Market value in existing state attributable to the Group as at the Valuation Date (NTD)	Investment value ⁽³⁾ in existing state as at the Valuation Date (NTD)	Investment value ⁽³⁾ in existing state attributable to the Group as at the Valuation Date (NTD)
<u>Property interests held by the Group in Taiwan</u>					
Group III-A – Property interests held for operation in Taiwan	36	19,572,350,000	9,721,586,245	2,191,700,000	654,003,280
Group III-B – Property interest held under development in Taiwan	1	1,285,000,000	638,259,500	N/A	N/A
Group III-C – Property interests held for future development in Taiwan	2	317,150,000	157,528,405	N/A	N/A
Sub-Total	39	21,174,500,000⁽¹⁾	10,517,374,150⁽²⁾	2,191,700,000⁽⁴⁾	654,003,280⁽⁵⁾

Notes:

- (1) The market value in existing state of the property interests in Taiwan as at the Valuation Date was approximately HKD5,890,745,900.
- (2) The market value in existing state of the property interests in Taiwan attributable to the Group as at the Valuation Date was approximately HKD2,925,933,489.
- (3) Investment value of certain property interest whereby market value is not applicable.
- (4) The investment value in existing state of certain property interests in Taiwan as at the Valuation Date was approximately HKD609,730,940.
- (5) The investment value in existing state of certain property interests in Taiwan attributable to the Group as at the Valuation Date was approximately HKD181,943,712.

Property Group (Group IV)	No. of properties	Market value in existing state as at the Valuation Date (KRW)	Market value in existing state attributable to the Group as at the Valuation Date (KRW)
<u>Property interest held by the Group in South Korea</u>			
Group IV – Property interest held for owner occupation in South Korea	1	3,139,000,000	3,139,000,000
Sub-Total	1	3,139,000,000⁽¹⁾	3,139,000,000⁽²⁾

Notes:

- (1) The market value in existing state of the property interest in South Korea as at the Valuation Date was approximately HKD21,659,100.
- (2) The market value in existing state of the property interest in South Korea attributable to the Group as at the Valuation Date was approximately HKD21,659,100.

Property Group (Group V)	No. of properties	Market value in existing state as at the Valuation Date (USD)	Market value in existing state attributable to the Group as at the Valuation Date (USD)	Investment value ⁽³⁾ in existing state as at the Valuation Date (USD)	Investment value ⁽³⁾ in existing state attributable to the Group as at the Valuation Date (USD)
<u>Property interests held by the Group in Vietnam</u>					
Group V – Property interests held for investment in Vietnam	3	24,440,000	24,440,000	1,869,000	1,869,000
Sub-Total	3	24,440,000⁽¹⁾	24,440,000⁽²⁾	1,869,000⁽⁴⁾	1,869,000⁽⁵⁾

Notes:

- (1) The market value in existing state of the property interests in Vietnam as at the Valuation Date was approximately HKD189,754,604.
- (2) The market value in existing state of the property interests in Vietnam attributable to the Group as at the Valuation Date was approximately HKD189,754,604.
- (3) Investment value of certain property interest whereby market value is not applicable.
- (4) The investment value in existing state of certain property interests in Vietnam as at the Valuation Date was approximately HKD14,511,103.
- (5) The investment value in existing state of certain property interests in Vietnam attributable to the Group as at the Valuation Date was approximately HKD14,511,103.

Property Group (Group VI)	No. of properties	Market value in existing state as at the Valuation Date (USD)	Market value in existing state attributable to the Group as at the Valuation Date (USD)
<u>Property interest held by the Group in Cambodia</u>			
Group VI – Property interest held for operation in Cambodia	1	156,925,000	94,155,000
Sub-Total	1	156,925,000⁽¹⁾	94,155,000⁽²⁾

Notes:

- (1) The market value in existing state of the property interest in Cambodia as at the Valuation Date was approximately HKD1,218,381,393.
- (2) The market value in existing state of the property interest in Cambodia attributable to the Group as at the Valuation Date was approximately HKD731,028,836.

Property Group (Group VII)	No. of properties	Market value in existing state as at the Valuation Date (THB)	Market value in existing state attributable to the Group as at the Valuation Date (THB)
<u>Property interests held by the Group in Thailand</u>			
Group VII-A – Property interests held for operation in Thailand	4	8,222,700,000	7,379,275,600
Group VII-B – Property interest held for owner occupation in Thailand	1	3,200,000	3,200,000
Sub-Total	5	8,225,900,000⁽¹⁾	7,382,475,600⁽²⁾

Notes:

- (1) The market value in existing state of the property interests in Thailand as at the Valuation Date was approximately HKD1,994,780,750.
- (2) The market value in existing state of the property interests in Thailand attributable to the Group as at the Valuation Date was approximately HKD1,790,250,333.

Property Group (Group VIII)	No. of properties	Market value in existing state as at the Valuation Date (MYR)	Market value in existing state attributable to the Group as at the Valuation Date (MYR)	Investment value ⁽³⁾ in existing state as at the Valuation Date (MYR)	Investment value ⁽³⁾ in existing state attributable to the Group as at the Valuation Date (MYR)
<u>Property interests held by the Group in Malaysia</u>					
Group VIII-A – Property interests held for operation in Malaysia	7	23,470,000	23,450,000	N/A	N/A
Group VIII-B – Property interests held for future development in Malaysia	3	3,570,000	3,570,000	500,000	500,000
Sub-Total	10	27,040,000⁽¹⁾	27,020,000⁽²⁾	500,000⁽⁴⁾	500,000⁽⁵⁾

Notes:

- (1) The market value in existing state of the property interests in Malaysia as at the Valuation Date was approximately HKD50,589,136.
- (2) The market value in existing state of the property interests in Malaysia attributable to the Group as at the Valuation Date was approximately HKD50,551,718.
- (3) Investment value of certain property interest whereby market value is not applicable.
- (4) The investment value in existing state of certain property interests in Malaysia as at the Valuation Date was approximately HKD935,450.
- (5) The investment value in existing state of certain property interests in Malaysia attributable to the Group as at the Valuation Date was approximately HKD935,450.

Property Group (Group IX)	No. of properties	Market value in existing state as at the Valuation Date (SGD)	Market value in existing state attributable to the Group as at the Valuation Date (SGD)
<u>Property interest held by the Group in Singapore</u>			
Group IX – Property interest held for investment and operation in Singapore	1	65,700,000	65,700,000
Sub-Total	1	65,700,000⁽¹⁾	65,700,000⁽²⁾

Notes:

- (1) The market value in existing state of the property interest in Singapore as at the Valuation Date was approximately HKD379,226,970.
- (2) The market value in existing state of the property interest in Singapore attributable to the Group as at the Valuation Date was approximately HKD379,226,970.

Property Group (Group X)	No. of properties	Market value in existing state as at the Valuation Date (USD)	Market value in existing state attributable to the Group as at the Valuation Date (USD)	Investment value ⁽¹⁾ in existing state as at the Valuation Date (USD)	Investment value ⁽¹⁾ in existing state attributable to the Group as at the Valuation Date (USD)
<u>Property interests held by the Group in Myanmar</u>					
Group X – Property interests held for operation in Myanmar	2	N/A	N/A	35,875,000	25,112,500
Sub-Total	2	N/A	N/A	35,875,000⁽²⁾	25,112,500⁽³⁾

Notes:

- (1) Investment value of certain property interest whereby market value is not applicable.
- (2) The investment value in existing state of certain property interests in Myanmar as at the Valuation Date was approximately HKD278,537,088.
- (3) The investment value in existing state of certain property interests in Myanmar attributable to the Group as at the Valuation Date was approximately HKD194,975,961.

Property Group (Group XI)	No. of properties	Market value in existing state as at the Valuation Date (INR)	Market value in existing state attributable to the Group as at the Valuation Date (INR)	Investment value ⁽³⁾ in existing state as at the Valuation Date (INR)	Investment value ⁽³⁾ in existing state attributable to the Group as at the Valuation Date (INR)
<u>Property interests held by the Group in India</u>					
Group XI-A – Property interests held for operation in India	8	2,449,000,000	1,224,500,000	529,000,000	264,500,000
Group XI-B – Property interests held for owner occupation in India	2	194,000,000	97,000,000	N/A	N/A
Group XI-C – Property interest held for future development in India	1	82,000,000	41,000,000	N/A	N/A
Sub-Total	11	2,725,000,000⁽¹⁾	1,362,500,000⁽²⁾	529,000,000⁽⁴⁾	264,500,000⁽⁵⁾

Notes:

- (1) The market value in existing state of the property interests in India as at the Valuation Date was approximately HKD284,740,700.
- (2) The market value in existing state of the property interests in India attributable to the Group as at the Valuation Date was approximately HKD142,370,350.
- (3) Investment value of certain property interest whereby market value is not applicable.
- (4) The investment value in existing state of certain property interests in India as at the Valuation Date was approximately HKD55,276,268.
- (5) The investment value in existing state of certain property interests in India attributable to the Group as at the Valuation Date was approximately HKD27,638,134.

Property Group (Group XII)	No. of properties	Market value in existing state as at the Valuation Date (USD)	Market value in existing state attributable to the Group as at the Valuation Date (USD)
<u>Property interest held by the Group in Uzbekistan</u>			
Group XII – Property interest held for operation in Uzbekistan	1	550,000	280,500
Sub-Total	1	550,000⁽¹⁾	280,500⁽²⁾

Notes:

- (1) The market value in existing state of the property interest in Uzbekistan as at the Valuation Date was approximately HKD4,270,255.
- (2) The market value in existing state of the property interest in Uzbekistan attributable to the Group as at the Valuation Date was approximately HKD2,177,830.

Property Group (Group XIII)	No. of properties	Market value in existing state as at the Valuation Date (AED)	Market value in existing state attributable to the Group as at the Valuation Date (AED)	Investment value ⁽¹⁾ in existing state as at the Valuation Date (AED)	Investment value ⁽¹⁾ in existing state attributable to the Group as at the Valuation Date (AED)
Property interests held by the Group in Dubai Group XIII – Property interests held for operation in Dubai	3	N/A	N/A	32,650,000	24,161,000
Sub-Total	3	N/A	N/A	32,650,000⁽²⁾	24,161,000⁽³⁾

Notes:

- (1) Investment value of certain property interest whereby market value is not applicable.
- (2) The investment value in existing state of certain property interests in Dubai as at the Valuation Date was approximately HKD69,033,821.
- (3) The investment value in existing state of certain property interests in Dubai attributable to the Group as at the Valuation Date was approximately HKD51,085,028.

Property Group (Group XIV)	No. of properties	Market value in existing state as at the Valuation Date (SEK)	Market value in existing state attributable to the Group as at the Valuation Date (SEK)
Property interest held by the Group in Sweden Group XIV – Property interest held for operation in Sweden	1	124,000,000	124,000,000
Sub-Total	1	124,000,000⁽¹⁾	124,000,000⁽²⁾

Notes:

- (1) The market value in existing state of the property interest in Sweden as at the Valuation Date was approximately HKD113,050,924.
- (2) The market value in existing state of the property interest in Sweden attributable to the Group as at the Valuation Date was approximately HKD113,050,924.

Property Group (Group XV)	No. of properties	Market value in existing state as at the Valuation Date (EUR)	Market value in existing state attributable to the Group as at the Valuation Date (EUR)
Property interest held by the Group in Netherlands Group XV – Property interest held for operation in Netherlands	1	3,900,000	3,900,000
Sub-Total	1	3,900,000⁽¹⁾	3,900,000⁽²⁾

Notes:

- (1) The market value in existing state of the property interest in Netherlands as at the Valuation Date was approximately HKD35,896,770.
- (2) The market value in existing state of the property interest in Netherlands attributable to the Group as at the Valuation Date was approximately HKD35,896,770.

Group I-A – Property interests held for investment in the PRC as at 30 June 2021

Property No.	Property name	Holding entity	City	District	Land use	Expiry date of land use term	Type of property	Site area ⁽¹⁾ (sq m)	GFA ⁽¹⁾ (sq m)	Completion year	Occupancy rate ⁽²⁾	Approximate revenue ⁽³⁾ (RMB)	Market value in existing state as at the Valuation Date (RMB)	Interest attributable to the Group (%)	Market value in existing state attributable to the Group as at the Valuation Date (RMB)	Investment value in existing state as at the Valuation Date (RMB)	Investment value in existing state attributable to the Group as at the Valuation Date (RMB)
I-A-1	Office Portion of Kerry EAS Building, No. 21 Xiaoyun Road, North Dongsanhuan Road, Chaoyang District, Beijing	Beijing Jiajia Chuangzhan Investment Consulting Co., Ltd.	Beijing	Chaoyang	Office	17 Jul 2044	Ancillary Building, Integrated Office Building	3,588	10,841	1994	82%	4,320,000	140,000,000	70%	98,000,000	N/A	N/A
I-A-2	Kerry Changsha Logistics Centre, No. 1189 Zhong Qing Road, Kaifu District, Changsha, Hunan Province	Kerry Logistics (Changsha) Co., Ltd.	Changsha	Kaifu	Warehouse	22 Nov 2066	Warehouse, Other	51,400	59,185	late 2010s	100%	6,120,000	180,000,000	100%	180,000,000	N/A	N/A
I-A-3	Kerry Chongqing Logistics Centre Phase 1, No. 69 Baohuan Road, Huixing Street, Yubei District, Chongqing	Kerry Logistics (Chong Qing) Ltd.	Chongqing	Yubei	Industrial	29 Dec 2056	Industrial, Warehouse, Other	25,694 ⁽⁴⁾	20,901	early 2010s	100%	1,866,000	62,000,000	100%	62,000,000	N/A	N/A
I-A-4	Hefei Logistics Centre, No. 2346 Shi Xin Road, Taohua Industrial Park, Hefei, Anhui Province	Kerry Logistics Anhui Co., Ltd.	Hefei	Taohua Industrial Park	Industrial	17 Apr 2060	Industrial	38,042	18,988	early 2010s	98%	2,118,000	40,800,000	100%	40,800,000	N/A	N/A
I-A-5	Kerry Kunshan Logistics Centre Phase 2, No. 1187 uxi Middle Road, Qiangeng Town, Kunshan, Jiangsu Province	Kerry Logistics (Kunshan) Co., Ltd.	Kunshan	Qiangeng Town	Warehouse	7 Aug 2062	Warehouse, Recycling Station, Technology Centre Station, General Room	55,107	33,732	mid 2010s	100%	10,200,000	182,000,000	100%	182,000,000	N/A	N/A
I-A-6	Shenzhen Kerry Futian Logistics Centre, No. 15 Tao Hua Road, Futian Free Trade Zone, Shenzhen	Kerry FFTZ Warehouse (Shenzhen) Ltd.	Shenzhen	Futian Free Trade Zone	Warehouse	5 Dec 2054	Warehouse	10,000	24,959	2006	100%	6,420,000	146,000,000	100%	146,000,000	N/A	N/A

Property No.	Property name	Holding entity	City	District	Land use	Expiry date of land use term	Type of property	Site area ⁽¹⁾ (sq m)	Completion year	Occupancy rate ⁽²⁾	Approximate revenue ⁽³⁾ (RMB)	Market value in existing state as at the Valuation Date (RMB)	Interest attributable to the Group (%)	Market value in existing state attributable to the Group as at the Valuation Date (RMB)	Investment value in existing state as at the Valuation Date (RMB)	Investment value in existing state attributable to the Group as at the Valuation Date (RMB)
I-A-7	Kerry Xian Logistics Centre, No. 110 Fengye Avenue West, Fengdong New Area, Xi'an New District, Xi'an, Shaanxi Province	Kerry Logistics (Xi'an) Co., Ltd.	Xi'an	Xi'an New Area	Industrial	27 Jan 2064	Industrial	36,486	late 2010s	40%	1,680,000	89,000,000	100%	89,000,000	N/A	N/A
I-A-8	Kerry Wuhan Logistics Centre, No. 7 Shang Mao Avenue, Zou Ma Ling Street, Dongxihu District, Wuhan, Hubei Province	Kerry Logistics (Wuhan) Co., Ltd.	Wuhan	Dongxihu District	Warehouse	24 Jan 2067	Industrial, Other	66,667	late 2010s	83%	7,080,000	173,000,000	100%	173,000,000	N/A	N/A
I-A-9	4 Blocks of Buildings, No. 48 Hebei Road, Tanggu, Binhai New Area, Tianjin	Beijing Jijia Chuangzhan Investment Consulting Co., Ltd.	Tianjin	Binhai New Area	Other Commercial	11 Dec 2047	Non-residential	8,109	late 1990s	N/A	N/A	35,000,000	70%	24,500,000	N/A	N/A
I-A-10	Part of Level 18, Block B, Wuhan International Building (formerly known as Asia Plaza), Dandong Road, Jiangshan District, Wuhan, Hubei Province	Kerry EAS Logistics Limited Hubei Branch	Wuhan	Jiangshan	Town Single Residential	Unspecified	Office	2 ⁽⁵⁾ 616	late 1990s	100%	192,000	N/A	70%	N/A	4,200,000 ⁽⁶⁾	2,940,000 ⁽⁶⁾
I-A-11	Unit C, Level 22, Dihao Plaza, No. 2 Longkun North Road, Longhua District, Haikou, Hainan Province	Kerry EAS Logistics Limited Hainan Branch	Haikou	Longhua	N/A	N/A	Non-residential	N/A	early 2000s	N/A	N/A	2,960,000	70%	2,072,000	N/A	N/A

Property No.	Property name	Holding entity	City	District	Land use	Expiry date of land use term	Type of property	Site area ⁽¹⁾ (sq m)	GFA ⁽¹⁾ (sq m)	Completion year	Occupancy rate ⁽²⁾	Approximate revenue ⁽³⁾ (RMB)	Market value in existing state as at the Valuation Date (RMB)	Interest attributable to the Group (%)	Market value in existing state attributable to the Group as at the Valuation Date (RMB)	Investment value in existing state as at the Valuation Date (RMB)	Investment value in existing state attributable to the Group as at the Valuation Date (RMB)
I-A-12	5/F, Block 15 of Guangyuan International Community, No. 86 Zhuxi Avenue, Qingxiu District, Nanning, Guangxi Zhuang Autonomous Region	Nanning Kerry Zhongzhi Investment Management Co., Ltd.	Nanning	Qingxiu	Business Finance	29-Apr-2057	Office	66,670	1,368	mid-2010s	100%	720,000	16,000,000	100%	16,000,000	N/A	N/A
I-A-13	6/F, Block 15 of Guangyuan International Community, No. 86 Zhuxi Avenue, Qingxiu District, Nanning, Guangxi Zhuang Autonomous Region	Nanning Kerry Zhongzhi Investment Management Co., Ltd.	Nanning	Qingxiu	Business Finance	29-Apr-2057	Office	66,670	1,368	mid-2010s	79%	486,000	16,400,000	100%	16,400,000	N/A	N/A
	Sub-total												1,083,160,000		1,029,772,000	4,200,000	2,940,000

Notes:

- (1) All areas are stated in approximations.
- (2) Average occupancy rates for the first six months of 2021.
- (3) Approximate revenues for the first six months of 2021.
- (4) Part of a parcel of the land.
- (5) Attributable area.
- (6) According to the legal opinion prepared by the Company's legal adviser, the holding entity is the owner of the allocated land use rights and has the right to use the land but is not allowed to transfer, lease or mortgage the land use rights without prior approval from the government as well as settling the relevant land transfer fee. The property is subject to non-alienation restriction. Market value is not applicable in the valuation. Our valuation is on the basis of investment value.
- (7) According to the legal opinion prepared by the Company's legal adviser, except otherwise stated in Note (6), the holding entity has legal title to the respective property and the properties are freely transferable by the respective holding entity without encumbrances.

Group I-B – Property interests held for operation in the PRC as at 30 June 2021

Property No.	Property name	Holding entity	City	District	Land use	Expiry date of land use term	Type of property	Site area ⁽¹⁾ (sq m)	GFA ⁽¹⁾ (sq m)	Completion year	Market value in existing state as at the Valuation Date (RMB)	Interest attributable to the Group (%)	Market value in existing state attributable to the Group as at the Valuation Date (RMB)	Investment value in existing state attributable to the Group as at the Valuation Date (RMB)	Investment value in existing state attributable to the Group as at the Valuation Date (RMB)
I-B-1	Beijing CV Chaoyang Inland Port Logistics Centre, No. A1 East 4th Ring South Road, Chaoyang District, Beijing	CV Global Logistics (Beijing) Limited	Beijing	Chaoyang	Warehouse	22 Aug 2046	Not register	29,964	11,534	late 1980s	97,000,000	100%	97,000,000	N/A	N/A
I-B-2	Retail Portion of Kerry EAS Building, No. 21 Xiaoyun Road, North Dongsanhuan Road, Chaoyang District, Beijing	Beijing Jiajia Chuangzhan Investment Consulting Co., Ltd.	Beijing	Chaoyang	Office	17 July 2044	Ancillary Building, Integrated Office Building	1,012	3,058	1994	52,000,000	70%	36,400,000	N/A	N/A
I-B-3	Kerry EAS Logistics Limited Beijing Branch, No. 18 Tianzhu Road, Area A Beijing Tianzhu Airport Industrial Zone, Shunyi District, Beijing	Kerry EAS Logistics Limited	Beijing	Shunyi	Warehouse	20 Mar 2047	Warehouse	35,654	18,342	mid 2000s	168,000,000	70%	117,600,000	N/A	N/A
I-B-4	Chengdu Longquan Logistics Centre, No. 68 South 5th Road, Economic & Technological Development Zone (Longquanyi District), Chengdu, Sichuan Province	Chengdu Kerry Shudu Logistics Co., Ltd.	Chengdu	Economic & Technological Development Zone (Longquanyi District)	Warehouse	1 May 2063	Factory, Guard Room	60,762	56,494	mid 2010s	269,000,000	100%	269,000,000	N/A	N/A
I-B-5	Kerry Chongqing Logistics Centre Phase 2, No. 69 Baohuan Road, Huixing Street, Yubei District, Chongqing	Kerry Logistics (Chong Qing) Ltd.	Chongqing	Yubei	Industrial	29 Dec 2056	Industrial, Warehouse, Others	28,800	65,764	mid 2010s	171,000,000	100%	171,000,000	N/A	N/A

Property No.	Property name	Holding entity	City	District	Land use	Expiry date of land use term	Type of property	Site area ⁽¹⁾ (sq.m)	Completion year	Market value in existing state as at the Valuation Date (RMB)	Interest attributable to the Group (%)	Market value in existing state attributable to the Group as at the Valuation Date (RMB)	Investment value in existing state as at the Valuation Date (RMB)	Investment value in existing state attributable to the Group as at the Valuation Date (RMB)
I-B-6	Kerry Kunshan Logistics Centre Phase 1, No. 118 Yuxi Middle Road, Qiangdeng Town, Kunshan, Jiangsu Province	Kerry Warehouse (Kunshan) Co., Ltd.	Kunshan	Qiangdeng Town	Logistic & Warehouse	18 May 2059	Guard Room, Pump Room, Five Control Room, Public Restroom, Bicycle Shed	33,333	mid 2010s	88,000,000	100%	88,000,000	N/A	N/A
I-B-7	Lanzhou Logistics Centre, Unit Nos. 001 to 006, Level Z7, No. 361 Jinchang South Road, Jiuguan Lu Street, Chengguan District, Lanzhou, Gansu Province	Pacific Logistics Corporation Limited	Lanzhou	Chengguan	Not register	Not register	Office	1,274	early 2000s	6,000,000	50%	3,000,000	N/A	N/A
I-B-8	Kerry Shanghai Fengxian Logistics Centre, No. 3088 Hangzang Road, Fengxian District, Shanghai	Shanghai Fengxia Warehouse Services Co., Ltd.	Shanghai	Fengxian	Industrial	12 Jan 2065	Not register	67,676	late 2010s	782,000,000	100%	782,000,000	N/A	N/A
I-B-9	Shenzhen Kerry Yantian Logistics Centre, Lot No. 26, South Area of Yantian Port Free Trade Zone, Yantian District, Shenzhen	Shenzhen Kerry Yantian Port Logistics Company Limited	Shenzhen	Yantian	Office & Warehouse	20 May 2052	Office & Warehouse	35,943	2004	213,000,000	55%	117,150,000	N/A	N/A
I-B-10	Kerry Wuxi Logistics Centre Phase 1, No. 2 Xinxiang Road, Wuxi, Jiangsu Province	Kerry Logistics (Wuxi) Co., Ltd.	Wuxi	Xinwu	Warehouse	19 Feb 2061	Industrial, Transport, Warehouse	32,209	late 2010s	173,000,000	100%	173,000,000	N/A	N/A
I-B-11	Kerry Wuxi Logistics Centre Phase 2, No. 2 Xinxiang Road, Wuxi, Jiangsu Province	Kerry Logistics (Wuxi) Co., Ltd.	Wuxi	Xinwu	Warehouse	19 Feb 2061	Industrial, Transport, Warehouse	15,044	late 2010s	103,000,000	100%	103,000,000	N/A	N/A

Property No.	Property name	Holding entity	City	District	Land use	Expiry date of land use term	Type of property	Site area ⁽¹⁾ (sq m)	GFA ⁽¹⁾ (sq m)	Completion year	Market value in existing state as at the Valuation Date (RMB)	Interest attributable to the Group (%)	Market value in existing state attributable to the Group as at the Valuation Date (RMB)	Investment value in existing state attributable to the Group as at the Valuation Date (RMB)	Investment value in existing state attributable to the Group as at the Valuation Date (RMB)
I-B-12	Kerry Xiamen Logistics Centre, No. 18 Haijing South Road, Export Processing Zone, Haicang District, Xiamen, Fujian Province	Kerry Logistics (Xiamen) Co., Ltd.	Xiamen	Haicang	Warehouse	15 Mar 2056	Pump room, Warehouse, Guard Room	53,354	41,729	mid 2000s	177,000,000	100%	177,000,000	N/A	N/A
I-B-13	Kerry Zhengzhou Logistics Centre, No. 137 Yitong Street, Zhengzhou Economic & Technological Development Zone, Zhengzhou, Henan Province	Kerry Logistics (Zhengzhou) Limited	Zhengzhou	Zhengzhou Economic & Technological Development Zone	Industrial	29 Dec 2061	Industrial	47,041	33,350	mid 2010s	153,000,000	100%	153,000,000	N/A	N/A
I-B-14	Part of Level 18, Block B, Wuhan International Building (formerly known as Asia Plaza), Dandong Road, Jianghan District, Wuhan, Hubei Province	Kerry EAS Logistics Limited Hubei Branch	Wuhan	Jianghan	Town Single Residential	Unspecified	Office	21 ⁽²⁾	127 ⁽²⁾	early 1990s	N/A	70%	N/A	860,000 ⁽³⁾	602,000 ⁽³⁾
I-B-15	No. 80 Xinghe Street, Zhongshan District, Dalian, Liaoning Province	Kerry EAS Logistics Limited Dalian Branch	Dalian	Zhongshan	Not registered	Not register	Non-residential	Not register	270	early 1990s	3,050,000	70%	2,135,000	N/A	N/A
I-B-16	Unit No. 276 Taihangshan Road, Development Zone, Qingdao, Shandong Province	Kerry EAS Logistics Limited Qingdao Branch	Qingdao	Development Zone	Not registered	Not register	commercial	Not register	123	1995	680,000	70%	476,000	N/A	N/A
I-B-17	Nos. 1 and 3, 1/F, Nanyi Building, No. 1 Consulate Road, Section 4, Renmin South Road, Wuhou District, Chengdu, Sichuan Province	Kerry EAS Logistics Limited Chengdu Branch	Chengdu	Wuhou	Commercial	26 Dec 2035	Others	64	268	mid 2000s	2,000,000	70%	1,400,000	N/A	N/A

Property No.	Property name	Holding entity	City	District	Land use	Expiry date of land use term	Type of property	Site area ⁽¹⁾ (sq m)	GFA ⁽¹⁾ (sq m)	Completion year	Market value in existing state as at the Valuation Date (RMB)	Interest attributable to the Group (%)	Market value in existing state attributable to the Group as at the Valuation Date (RMB)	Investment value in existing state as at the Valuation Date (RMB)	Investment value in existing state attributable to the Group as at the Valuation Date (RMB)
I-B-18	Building 8, Commercial Street, Xinying South District, Kunming, Yunnan Province	Kerry EAS Logistics Limited Yunnan Branch	Kunming	Xinying South	Business Finance	N/A	Non-residential	204 ⁽²⁾	1,084 ⁽²⁾	mid 2000s	N/A	70%	N/A	9,300,000 ⁽³⁾	6,510,000 ⁽³⁾
I-B-19	Rooms 1201-1210 & 1301-1310, Kerry Everbright City Phase I, No. 218 Tianmu Road West, Jing'an District, Shanghai	Kerry EAS Logistics Limited Shanghai Branch	Shanghai	Jing'an	Composite	23 Sept 2042	Office	132.3# (Portion)	3,061	1997	55,000,000	70%	38,500,000	N/A	N/A
I-B-20	4/F, Block 15 of Guangyuan International Community, No. 86 Zhuxi Avenue, Qingxiu District, Nanning, Guangxi Zhuang Autonomous Region	Kerry Logistics-Nanning Central Service Center (NNG CSC)	Nanning	Qingxiu	Business Finance	29 Apr 2057	Office	66,670 (Portion)	1,291	mid 2010s	15,000,000	100%	15,000,000	N/A	N/A
	Sub-total										2,527,730,000		2,344,661,000	10,160,000	7,112,000

Notes:

- (1) All areas are stated in approximations.
- (2) The areas are stated on attributable basis.
- (3) According to the legal opinion prepared by the Company's legal adviser, the holding entity is the owner of the allocated land use rights and has the right to use the land but is not allowed to transfer, lease or mortgage the land use rights without prior approval from the government as well as settling the relevant land transfer fee. The property is subject to non-alienation restriction. Market value is not applicable in the valuation. Our valuation is on the basis of investment value.
- (4) According to the legal opinion prepared by the Company's legal adviser, except otherwise stated in Note (3), the holding entity has legal title to the respective property and the properties are freely transferable by the respective holding entity without encumbrances.

Group I-C – Property interests held under development in the PRC as at 30 June 2021

Property No.	Property name	Holding entity	City	District	Land use	Expiry date of land use term	Planned use	Site area ⁽¹⁾ (sqm)	Planned GFA ⁽¹⁾ (sqm)	Scheduled completion year of construction	Construction cost incurred (RMB)	Construction cost to be incurred (RMB)	Gross development value as if completed at the Valuation Date (RMB)	Market value in existing state as at the Valuation Date (RMB)	Interest attributable to the Group (%)	Market value in existing state attributable to the Group as at the Valuation Date (RMB)	
I-C-1 ⁽²⁾	Lot No. 2019-4-1016, South of Weihe Road and West of Jiaotong University Avenue, Jiaozhou Economic and Technological Development Zone, Qingdao, Shandong Province	Qingdao SCO Demo Zone Kerry Logistics Co., Ltd.	Qingdao	Jiaozhou Economic and Technological Development Zone	Warehouse	17 Mar 2069	Warehouse	66,667	76,810	2021	167,586,879	62,891,431	321,000,000	249,000,000	100%	249,000,000	
I-C-2 ⁽³⁾	Lot No. CE040135, East of Daqing-Guangzhou Expressway and South of Bonded Avenue, Guangzhou Airport Economic Zone, Guangzhou, Guangdong Province	Kerry Logistics (Guangzhou) Co., Ltd.	Guangzhou	Guangzhou Airport Economic Zone	Warehouse	23 Sept 2069	Warehouse	57,807	96,868	2022	61,652,517	223,347,483	570,000,000	186,000,000	100%	186,000,000	
I-C-3 ⁽⁴⁾	Lot No. 320582008003GR00120, East of Hong Kong Road, Jingtang Town Free Trade Zone, Zhanjiang, Jiangsu Province	Kerry Logistics (Zhangjiagang) Co., Ltd.	Zhangjiagang	Jingtang Town Free Trade Zone	Warehouse	25 Jan 2071	Warehouse	73,717	55,433	2021	2,606,676	144,213,324	268,000,000	73,000,000	85%	62,050,000	
I-C-4 ⁽⁵⁾	Lot No. Zhuheng Land Reserve 2019-12, North side of Baowan Road, West side of Yuxin Road, South side of Lianteng Road, East side of Hongying 2nd Road, Hongwang Area, Hengqin, Zhuhai Bonded Zone and Hongwan Area Integrated Reform New Development Zone, Zhuhai, Guangdong Province	Jiaochang (Zhuhai) Logistics Limited	Zhuhai	Hengqin, Zhuhai Bonded Zone and Hongwan Area Integrated Reform New Development Zone	Warehouse	5 Dec 2069	Logistics	30,002	59,823	2022	23,660,080	168,339,920	286,000,000	50,000,000	100%	50,000,000	
	Sub-total															558,000,000	547,050,000

Notes:

- (1) All areas are stated in approximations.
- (2) According to Planning Permit for Construction Use of Land No. 3702812019Z0015 issued by the Jiaozhou Administrative Approval Service Bureau on 20 May 2019, the name of the land project is Kerry Logistics Shandong Regional Operation Center. It is situated in south of Weihe Road, West of Jiaotong University Avenue, north of Luohe Road, Jiaozhou Economic and Technological Development Zone for warehouse use.

- According to Planning Permit for Construction Works No. 370281201920010 issued by the Jiaozhou Administrative Approval Service Bureau on 27 May 2019, the name of the construction project is Kerry Logistics Shandong Regional Operation Center A-1 warehouse, A-2 warehouse, security room and ramp platform. It is situated in south of Weihe Road, West of Jiaotong University Avenue, north of Luohe Road, Jiaozhou Economic and Technological Development Zone. The planned building area is 76,810.29 sq m.
- According to Permit for Commencement of Construction Works No. 370281201910110101 issued by the Jiaozhou Administrative Approval Service Bureau, the construction works of the development with a total GFA of approximately 76,810.29 sq m are in compliance with the requirements for works commencement and have been permitted.
- (3) According to Planning Permit for Construction Use of Land No. (2019)29 issued by the Guangzhou Municipal Planning and Natural Resources Bureau, the construction site of the property with a total site area of approximately 57,807.00 sq m is in compliance with the urban planning requirements.
- According to two Planning Permits for Construction Works Nos. 440112202007001 and 440112202004177 issued by the Guangzhou Municipal Planning and Natural Resources Bureau, the construction works of the development with a total GFA of approximately 96,868.13 sq m are in compliance with the construction works requirements and have been approved.
- According to Permit for Commencement of Construction Works No. 440114202102100401 issued by the Guangzhou Municipal Housing and Urban-Rural Development Bureau, the construction works of the development with a total GFA of approximately 96,868.13 sq m are in compliance with the requirements for works commencement and have been permitted.
- (4) According to Planning Permit for Construction Use of Land No. 320582202100009 issued by the Jiangsu Province Zhangjiagang Bonded Area Management Commission, the construction site of the property with a total site area of approximately 30,600 sq m is in compliance with the urban planning requirements.
- According to Planning Permit for Construction Works No. 320582202100086 issued by the Jiangsu Province Zhangjiagang Bonded Area Management Commission, the construction works of the development with a total GFA of approximately 28,804.36 sq m are in compliance with the construction works requirements and have been approved.
- According to Permit for Commencement of Construction Works No. 320592202105280101 issued by the Zhangjiagang Free Trade Zone Planning and Construction Bureau of Jiangsu Province, the construction works of the development with a total GFA of approximately 28,263.72 sq m are in compliance with the requirement for works commencement and have been permitted.
- (5) According to Planning Permit for Construction Use of Land No. 440402202000108 issued by the Zhuhai Natural Resources Bureau, the construction site of the property with a total site area of approximately 30,002.08 sq m is in compliance with the urban planning requirements.
- According to Planning Permit for Construction Works No. (2020)032 issued by the Zhuhai Natural Resources Bureau, the construction works of the development with a total GFA of approximately 59,822.87 sq m are in compliance with the construction works requirements and have been approved.
- According to Permit for Commencement of Construction Works No. 440405202103230101 issued by the Construction and Environmental Bureau of Zhuhai Hengqin New District Management Committee, the construction works of the development with a total GFA of approximately 59,822.87 sq m are in compliance with the requirements for works commencement and have been permitted.
- (6) According to the legal opinion prepared by the Company's legal adviser, the holding entity has legal title to the respective property and the properties are freely transferable by the respective holding entity without encumbrances.

Group I-D – Property interests held for future development in the PRC as at 30 June 2021

Property No.	Property name	Holding entity	City	District	Land use	Expiry date of land use term	Planned use	Site area ⁽¹⁾ (sq m)	Planned GFA ⁽¹⁾ (sq m)	Market value in existing state as at the Valuation Date (RMB)	Interest attributable to the Group (%)	Market value in existing state attributable to the Group as at the Valuation Date (RMB)
I-D-1	Lot No. A-20-1, South side of South First Ring Road, Laocheng Development Zone, Hainan Province	Kerry Logistics (Hainan) Co., Ltd.	Hainan	Laocheng Development Zone	Industrial	22 Sep 2060	Logistics	21,953	50,610 ⁽²⁾	10,000,000	100%	10,000,000
Sub-total										10,000,000		10,000,000

Notes:

- (1) All areas are stated in approximations.
- (2) Permit for Commencement of Construction Works has not been obtained yet. Therefore the property has no immediate development potential.
- (3) According to the legal opinion prepared by the Company's legal adviser, the holding entity has legal title to the property and the property is freely transferable by the holding entity without encumbrances.

Group II-A – Property interests held by the Group for investment in Hong Kong as at 30 June 2021

Property No.	Property name	Holding entity	District	Land use zone ⁽¹⁾	Expiry date of land use term	Type of property	Site area ⁽²⁾ (sqm)	GFA ⁽²⁾ (sqm)	Carpark quantity	Completion year	Occupancy rate	Monthly passing rent ⁽³⁾ (HKD)	Market value in existing state as at the Valuation Date (HKD)	Interest attributable to the Group (%)	Market value in existing state attributable to the Group as at the Valuation Date (HKD)
II-A-1	Kerry Warehouse (Sheung Shui), 2 San Po Street, Sheung Shui, New Territories	Kerry Warehouse (Sheung Shui) Limited	Sheung Shui	Industrial	30 Jun 2047	Warehouse	6,416.00	33,096.71	37	1991	93%	3,489,000	1,002,000,000	100%	1,002,000,000
II-A-2	Kerry Warehouse (Fanning I), 39 On Lok Mun Street, On Lok Tsuen, Fanning, New Territories	Kerry Warehouse (Fanning I) Limited	Fanning	Industrial	30 Jun 2047	Warehouse	5,095.00	26,345.21	30	1994	100%	2,682,000	720,000,000	100%	720,000,000
II-A-3	Kerry Warehouse (Kwai Chung), 4-6 Kwai Tai Road, Kwai Chung, New Territories	Kerry Warehouse (Kwai Chung) Limited	Kwai Chung	Industrial	30 Jun 2047	Warehouse	2,655.60	26,628.36	33	1981	98%	2,846,000	730,000,000	100%	730,000,000
II-A-4	Kerry TC Warehouse 2, 35 Wing Kei Road, Kwai Chung, New Territories	Kerry TC Warehouse 2 Limited	Kwai Chung	Industrial	30 Jun 2047	Cold Store, Warehouse and Carpark	6,242.00	61,541.45	262	1997	100%	1,123,000	1,636,000,000	100%	1,636,000,000
II-A-5	Kerry Warehouse (Tsuen Wan), 3 Shing Yiu Street, Kwai Chung, New Territories	Kerry Warehouse (Tsuen Wan) Limited	Kwai Chung	Industrial	30 Jun 2047	Warehouse	6,525.00	54,995.57	56	1998	100%	9,640,000	1,718,000,000	100%	1,718,000,000
II-A-6	Kerry Cargo Centre, 55 Wing Kei Road, Kwai Chung, New Territories	Kerry Cargo Centre Limited	Kwai Chung	Industrial	30 Jun 2047	Warehouse and Carpark	16,960.00	184,908.58	777	1999	90%	19,328,000	5,368,000,000	100%	5,368,000,000
II-A-7	Whole of Lower Ground, 2nd to 4th and 6th Floors and Unit A2 on 7th Floor of Block A, 2 container, 11 lorry and 10 van/car parking spaces, Kerry TC Warehouse 1, 3 Kin Chuen Street, Kwai Chung, New Territories	Kerry TC Warehouse 1 (Block A) Limited and Wah Ming Properties Limited	Kwai Chung	Residential (Group E)	30 Jun 2047	Warehouse	8,825.79	16,733.75	23	1991	100%	2,021,000	522,000,000	100%	522,000,000
	Sub-total												11,696,000,000		11,696,000,000

Notes:

- (1) Land use zone pursuant to the corresponding Outline Zoning Plan.
- (2) All areas are stated in approximations.
- (3) All values are stated in approximations.

Group II-B – Property interests held by the Group for owner-occupation in Hong Kong as at 30 June 2021

Property No.	Property name	Holding entity	District	Land use zone ⁽¹⁾	Expiry date of land use term	Type of property	Site area ⁽²⁾	GFA ⁽²⁾ (sqm)	Carpark quantity	Completion year	Market value in existing state as at the Valuation Date (HKD)	Interest attributable to the Group (%)	Market value in existing state attributable to the Group as at the Valuation Date (HKD)	Investment value in existing state as at the Valuation Date (HKD)	Investment value in existing state attributable to the Group as at the Valuation Date (HKD)
II-B-1	Whole of Lower Ground and 2nd to 16th Floors of Block B, the parking area/loading and unloading platform, 3 container, 13 lorry and 18 van/car parking spaces, Kerry TC Warehouse 1, 3 Kin Chuen Street, Kwai Chung, New Territories	Kerry TC Warehouse 1 (Block B) Limited	Kwai Chung	Residential (Group E)	30 Jun 2047	Cold Store and Warehouse	8,825.79	44,561.60	34	1991	1,452,000,000	100%	1,452,000,000	N/A	N/A
II-B-2	PC3, 12 Dai Kwai Street, Tai Po Industrial Estate, Tai Po, New Territories	Kerry PC3 Limited (as lessee of the property)	Tai Po	Other Specified Uses (Industrial Estate)	30 Jun 2047	Warehouse	10,379.52	25,603.24	28	2010	N/A	100%	N/A	175,000,000 ⁽³⁾	175,000,000 ⁽³⁾
	Sub-total										1,452,000,000		1,452,000,000	175,000,000	175,000,000

Notes:

- (1) Land use zone pursuant to the corresponding Outline Zoning Plan.
- (2) All areas are stated in approximations.
- (3) The property is subject to non-alienation restriction. Market value is not applicable in the valuation. Our valuation is on the basis of investment value having regard to surrender provisions in the lease.

Group III-A – Property interests held for operation in Taiwan as at 30 June 2021

Property no.	Property name	Holding entity	City	District	Land tenure or expiry date of land use term	Type of property	Land use zone	Site area ⁽¹⁾ (sq m)	GFA ⁽¹⁾ (sq m)	Completion year	Market value in existing state as at the Valuation Date (NTD)	Interest attributable to the Group (%)	Market value in existing state attributable to the Group as at the Valuation Date (NTD)	Investment value in existing state as at the Valuation Date (NTD)	Investment value in existing state attributable to the Group as at the Valuation Date (NTD)
III-A-1	Office, 13F, No. 50, Section 1, Xinseng South Road, Zhongzheng District, Taipei City	Kerry TJ Logistics Company Limited	Taipei City	Zhongzheng District	Freehold	Office, Carpark	Type 3 Specific Commercial Zone, Road	300.57	2,986.85	1976	746,300,000	49.67%	370,687,210	N/A	N/A
III-A-2	Industrial complex, No. 11, Lane 117, Section 2, Anhe Road, Xindian District, New Taipei City	Kerry TJ Logistics Company Limited	New Taipei City	Xindian District	Freehold	Warehouse, Cold storage	Type B Industrial Zone	8,366.99	13,086.79	1996	1,681,000,000	49.67%	834,952,700	N/A	N/A
III-A-3	Industrial complex, No. 267 Zhongzheng Road, Shulin District, New Taipei City	Kerry TJ Logistics Company Limited	New Taipei City	Shulin District	Freehold	Warehouse	Type B Industrial Zone, Administrative Zone	4,497.76	2,450.14	1987	568,390,000	49.67%	282,319,313	N/A	N/A
III-A-4	Industrial complex, No. 288 Taobe 2nd Road, Guanyin District, Taoyuan City	Kerry TJ Logistics Company Limited	Taoyuan City	Guanyin District	Freehold	Warehouse, Cold storage	Industrial Zone	16,820.12	40,250.03	2018	1,496,000,000	49.67%	743,063,200	N/A	N/A
III-A-5	Industrial complex, No. 58 Dinghu Road, Guishan District, Taoyuan City	Kerry TJ Logistics Company Limited	Taoyuan City	Guishan District	Freehold	Warehouse, Cold storage	Type B Industrial Zone	27,359.45	43,856.08	2001-2005	3,172,000,000	49.67%	1,575,532,400	N/A	N/A
III-A-6	Industrial complex, No. 3, Section 2, Nankan Road, Luzhu District, Taoyuan City	Kerry TJ Logistics Company Limited	Taoyuan City	Luzhu District	Freehold	Warehouse, Cold storage	Type B Industrial Zone, Road, River Zone	8,000.76	14,402.11	1992-1998	717,700,000	49.67%	356,481,590	N/A	N/A
III-A-7	Industrial complex, No. 451 Yongfeng Road, Bade District, Taoyuan City	Kerry TJ Logistics Company Limited	Taoyuan City	Bade District	Freehold	Warehouse, Cold storage	Type B Industrial Zone, Agricultural zone	9,795.61	4,581.74	2012	798,700,000	49.67%	396,714,290	N/A	N/A
III-A-8	Industrial complex, No. 6 Gongye East 6th Road, Hsinchu City	Science Park Logistics Company Limited (as lessee of the land and owner of the building)	Hsinchu City	Hsinchu City	31 Dec 2057	Warehouse	Specific Zone for Science Park	36,665.00 ⁽²⁾	3,819.16	1988	N/A	29.84%	N/A	10,700,000 ⁽³⁾	3,192,880 ⁽³⁾

Property no.	Property name	Holding entity	City	District	Land tenure or expiry date of land use term	Type of property	Land use zone	Site area ⁽¹⁾ (sqm)	GFA ⁽¹⁾ (sqm)	Completion year	Market value in existing state as at the Valuation Date (NTD)	Interest attributable to the Group (%)	Market value in existing state attributable to the Group as at the Valuation Date (NTD)	Investment value in existing state attributable to the Group as at the Valuation Date (NTD)
III-A-9	Industrial complex, No. 6 Gongye East 6th Road, Hsinchu City	Science Park Logistics Company Limited (as lessee of the land and owner of the building)	Hsinchu City	Hsinchu City	31 Dec 2057	Warehouse	Specific Zone for Science Park	36,665,000 ⁽²⁾	27,381,133	2007	N/A	29.84%	N/A	194,855,200 ⁽³⁾
III-A-10	Industrial complex, No. 68, Section 2, Ziqiang Road, Tounfen City, Miaoli County	Kerry TJ Logistics Company Limited	Miaoli County	Tounfen City	Freehold	Warehouse	Type A Industrial Zone	7,577.37	2,646.40	1991	349,000,000	49.67%	173,348,300	N/A
III-A-11	Industrial complex, No. 28 Gongyequ 18th Road, Nantun District, Taichung City	Kerry TJ Logistics Company Limited	Taichung City	Nantun District	Freehold	Warehouse, Cold storage	Type B Industrial Zone	9,553.00	3,112.14	1988	898,200,000	49.67%	446,135,940	N/A
III-A-12	Industrial complex, No. 137 Fushun Road, Xitun District, Taichung City	Kerry TJ Logistics Company Limited	Taichung City	Xitun District	Freehold	Residential, Carpark	Type 1-1 Residential Zone	21.65	179.74	1997	9,310,000	49.67%	4,624,277	N/A
III-A-13	Industrial complex, No. 454, Section 3, Zhongshan Road, Tanzi District, Taichung City	Kerry TJ Logistics Company Limited	Taichung City	Tanzi District	Freehold	Warehouse	Type B Industrial Zone	3,359.59	1,120.44	1983	341,130,000	49.67%	169,439,271	N/A
III-A-14	Industrial complex, No. 80 Youshi Road, Dajia District, Taichung City	Kerry TJ Logistics Company Limited	Taichung City	Dajia District	Freehold	Warehouse	Type D Construction Land at Industrial Zone	3,392.00	1,629.32	1988	158,550,000	49.67%	78,751,785	N/A
III-A-15	Industrial complex, No. 125 Zili 2nd Street, Wuqi District, Taichung City	Kerry TJ Logistics Company Limited	Taichung City	Wuqi District	Freehold	Warehouse	Related Industrial Zone	5,120.00	1,883.74	1987	190,740,000	49.67%	94,740,558	N/A
III-A-16	Industrial complex, No. 3 and 164, Lane 170, Zhangshui Road, Changhua City, Changhua County	Kerry TJ Logistics Company Limited	Changhua County	Changhua City	Freehold for owned land; 31 Jan 2028 for leased land	Warehouse, Cold storage	Type B Industrial Zone, Road	17,544.30 ⁽⁴⁾	15,031.130	1986-2000	694,500,000	49.67%	344,958,150	N/A

Property no.	Property name	Holding entity	City	District	Land tenure or expiry date of land use term	Type of property	Land use zone	Site area ⁽¹⁾ (sqm)	GFA ⁽¹⁾ (sqm)	Completion year	Market value in existing state as at the Valuation Date (NTD)	Interest attributable to the Group (%)	Market value in existing state attributable to the Group as at the Valuation Date (NTD)	Investment value in existing state attributable to the Group as at the Valuation Date (NTD)
III-A-17	Industrial complex, No. 37, Section 4, Yuanlu Road, Puxin Township, Changhua County	Kerry TJ Logistics Company Limited	Changhua County	Puxin Township	Freehold	Warehouse	Type B Industrial Zone, Agricultural zone	4,595.00	3,972.66	1997	219,900,000	49.67%	109,224,330	N/A
III-A-18	Industrial complex, No. 478, Section 3, Yuanji Road, Tianzhong Township, Changhua County	Kerry TJ Logistics Company Limited	Changhua County	Tianzhong Township	Freehold	Warehouse	Type D Construction Land at Rural Zone	5,335.07	1,867.85	1993	172,410,000	49.67%	85,636,047	N/A
III-A-19	Industrial complex, No. 1 Gongye East Road, Nantou City, Nantou County	Kerry TJ Logistics Company Limited	Nantou County	Nantou City	Freehold	Warehouse	Type D Construction Land at Industrial Zone	6,290.00	1,638.50	1988	252,650,000	49.67%	125,491,255	N/A
III-A-20	Industrial complex, No. 25 Gonglun Road, Douman Township, Yunlin County	Kerry TJ Logistics Company Limited	Yunlin County	Douman Township	Freehold	Warehouse, Cold storage	Industrial Zone, Agricultural Zone, Road, Ditch, Land for Electric Tower	9,040.00	2,729.53	1989-2016	184,000,000	49.67%	91,392,800	N/A
III-A-21	Industrial complex, No. 1-69 Niuchouxi, Minxiong Township, Chiayi County	Kerry TJ Logistics Company Limited	Chiayi County	Minxiong Township	Freehold	Warehouse	Industrial Zone	10,683.00	18,115.43	2000	453,000,000	49.67%	225,005,100	N/A
III-A-22	Industrial complex, No. 20 Siwei Road, Xinying District, Tainan City	Kerry TJ Logistics Company Limited	Tainan City	Xinying District	Freehold	Warehouse, Cold storage	Type B Industrial Zone	4,611.00	8,856.36	1989-2000	177,800,000	49.67%	88,313,260	N/A
III-A-23	Industrial complex, No. 1-9 Madoukou, Madou District, Tainan City	Kerry TJ Logistics Company Limited	Tainan City	Madou District	Freehold	Warehouse	Type B Industrial Zone, Load	8,109.55	5,101.59	1995	184,600,000	49.67%	91,690,820	N/A
III-A-24	Industrial complex, No. 6, Lane 381, Zhongzeng South Road, Yongkang District, Tainan City	Kerry TJ Logistics Company Limited	Tainan City	Yongkang District	Freehold	Warehouse	Type A Industrial Zone	9,463.99	1,597.85	1980	468,670,000	49.67%	232,788,389	N/A

Property no.	Property name	Holding entity	City	District	Land tenure or expiry date of land use term	Type of property	Land use zone	Site area ⁽¹⁾ (sqm)	GFA ⁽¹⁾ (sqm)	Completion year	Market value in existing state as at the Valuation Date (NTD)	Interest attributable to the Group (%)	Market value in existing state attributable to the Group as at the Valuation Date (NTD)	Investment value in existing state attributable to the Group as at the Valuation Date (NTD)
III-A-25	Industrial complex, No. 378, Section 3, Zhongshan Road, Guiren District, Tainan City	Kerry TJ Logistics Company Limited	Tainan City	Guiren District	Freehold	Warehouse, Cold storage	Square land, Type A Industrial Zone	12,858.40	11,161.14	1991-1997	725,700,000	49.67%	360,455,190	N/A
III-A-26	Industrial complex, No. 2-6 Daying, Xinshi District, Tainan City	Kerry TJ Logistics Company Limited	Tainan City	Xinshi District	Freehold	Warehouse	Industrial Zone	35,894.00	14,415.50	2019	1,658,000,000	49.67%	823,528,600	N/A
III-A-27	Industrial complex, No. 8 Daye 1st Road, Xinshi District, Tainan City	Science Park Logistics Company Limited (as lessee of the land and owner of the building)	Tainan City	Xinshi District	30 Sep 2052	Warehouse	Specific Purpose District	26,585.00	28,286.73	2002	N/A	29.84%	N/A	481,000,000 ⁽³⁾ 143,530,400 ⁽³⁾
III-A-28	Industrial complex, No. 8 Daye 1st Road, Xinshi District, Tainan City	Science Park Logistics Company Limited (as lessee of the land and owner of the building)	Tainan City	Xinshi District	30 Nov 2055	Warehouse	Specific Purpose District	2,000.00	13,252.91	2006	N/A	29.84%	N/A	221,000,000 ⁽³⁾ 65,946,400 ⁽³⁾
III-A-29	Industrial complex, No. 8 Daye 1st Road, Xinshi District, Tainan City	Science Park Logistics Company Limited (as lessee of the land and owner of the building)	Tainan City	Xinshi District	31 Aug 2068	Warehouse	Specific Purpose District	14,361.96	23,312.21	2018	N/A	29.84%	N/A	826,000,000 ⁽³⁾ 246,478,400 ⁽³⁾
III-A-30	Industrial complex, No. 952 Minzu 1st Road, Zuoying District, Kaohsiung City	Kerry TJ Logistics Company Limited	Kaohsiung City	Zuoying District	Freehold	Warehouse	Type B Industrial Zone	8,316.00	1,429.21	1983	769,770,000	49.67%	382,344,759	N/A
III-A-31	Industrial complex, No. 18 Guanghua Road, Daliao District, Kaohsiung City	Kerry TJ Logistics Company Limited	Kaohsiung City	Daliao District	Freehold	Warehouse, Cold storage	Type A Industrial Zone	12,120.00	13,858.40	1999-2003	772,000,000	49.67%	383,452,400	N/A
III-A-32	Industrial complex, No. 70 Bengong 6th Road, Gangshan District, Kaohsiung City	Kerry TJ Logistics Company Limited	Kaohsiung City	Gangshan District	Freehold	Warehouse, Cold storage	Type D Industrial Zone	23,519.50	8,188.61	2008	1,148,000,000	49.67%	570,211,600	N/A

Property no.	Property name	Holding entity	City	District	Land tenure or expiry date of land use term	Type of property	Land use zone	Site area ⁽¹⁾ (sqm)	Completion year	Market value in existing state as at the Valuation Date (NTD)	Interest attributable to the Group (%)	Market value in existing state attributable to the Group as at the Valuation Date (NTD)	Investment value in existing state attributable to the Group as at the Valuation Date (NTD)
III-A-33	Industrial complex, No. 9 Gongye 6th Road, Pingtung City, Pingtung County	Kerry TJ Logistics Company Limited	Pingtung County	Pingtung City	Freehold	Warehouse	Industrial Zone	2,880.00	1987	64,930,000	49.67%	32,250,731	N/A
III-A-34	Industrial complex, No. 111 Ligong 2nd Road, Wujie Township, Yilan County	Kerry TJ Logistics Company Limited	Yilan County	Wujie Township	Freehold	Warehouse, Cold storage	Type D building land, Industrial District	11,303.72	2005	179,400,000	49.67%	89,107,980	N/A
III-A-35	Industrial complex, No. 5 Weigong 9th Street, Hualien City, Hualien County	Kerry TJ Logistics Company Limited	Hualien County	Hualien City	Freehold	Warehouse, Cold storage	Type B Industrial Zone	5,481.00	1985-2001	168,400,000	49.67%	83,644,280	N/A
III-A-36	Industrial complex, No. 1, Lane 2, Section 4, Zhongxing Road, Taitung City, Taitung County	Kerry TJ Logistics Company Limited	Taitung County	Taitung City	Freehold	Warehouse, Cold storage	Industrial Zone	6,895.31	2015	151,600,000	49.67%	75,299,720	N/A
	Sub-total									19,572,350,000		9,721,586,245	654,003,280

Notes:

- (1) All areas are stated in approximations.
- (2) Science Park Logistics Company Limited (in which Kerry TJ Logistics Company Limited (a 49.67% owned subsidiary of the Company) holds 60.07% interest) is a lessee of the land. No commercial value has been ascribed to the property as Science Park Logistics Company Limited does not own the title of the land although it owns the building.
- (3) Market value is not applicable in the valuation. Our valuation is on the basis of investment value.
- (4) Kerry TJ Logistics Company Limited (a 49.67% owned subsidiary of the Company) separately leased an adjoining land of 4,284.30 sq m which is included in the abovementioned site area. No commercial value has been ascribed to this land portion as Kerry TJ Logistics Company Limited does not own the title of this portion of land. However, Kerry TJ Logistics Company Limited has legal, valid and assignable title to the remaining portion of land and all buildings, value has been ascribed to the owned land portion and the building portion.

Group III-B – Property interest held under development in Taiwan as at 30 June 2021

Property no.	Property name	Holding entity	City	District	Land tenure	Type of property	Land use zone	Site area ⁽¹⁾ (sq m)	Planned GFA ⁽¹⁾ (sq m)	Scheduled completion year of construction	Construction cost incurred (NTD)	Construction cost to be incurred (NTD)	Market value in existing state as at the Valuation Date (NTD)	Interest attributable to the Group (%)	Market value in existing state attributable to the Group as at the Valuation Date (NTD)
III-B-1 ⁽²⁾	Building under development on Land Lot Nos. 1080, 1081, 1081-1, 1082, 1082-1, 1085, 1085-1, 1086, 1087, 1088 and 1089, Zhongxing Section, Sanchong District, New Taipei City	Kery TJ Logistics Company Limited	New Taipei City	Sanchong District	Freehold	Warehouse	Type B Industrial Zone	6,174.10	14,444.97	2022	323,000,000	289,000,000	1,285,000,000	49.67%	638,259,500
	Sub-total												1,285,000,000		638,259,500

Notes:

- (1) All areas are stated in approximations.
(2) According to the Construction License provided by the Company, the construction works of the development with a total floor area of approximately 14,444.97 sq m are in compliance with the construction works requirements and have been approved.

Group III-C – Property interests held for future development in Taiwan as at 30 June 2021

Property no.	Property name	Holding entity	City	District	Land tenure	Type of property	Land use zone	Site area ⁽¹⁾ (sq m)	Planned GFA ⁽¹⁾ (sq m)	Market value in existing state as at the Valuation Date (NTD)	Interest attributable to the Group (%)	Market value in existing state attributable to the Group as at the Valuation Date (NTD)
III-C-1	Lot Nos. 356, 431 and 605 Guangde Section, Pingzhen District, Taoyuan City	Kerry T] Logistics Company Limited	Taoyuan City	Pingzhen District	Freehold	Land	Road	261.94	N/A ⁽²⁾	5,150,000	49.67%	2,558,005
III-C-2	Land Lot Nos. 185, 186 and 187, Three sections of Zhuweizi section, West District, Chiayi City	Kerry T] Logistics Company Limited	Chiayi City	West District	Freehold	Land	The second type of Residential Zone (60% building density and 210% plot ratio)	3,456.00	N/A ⁽³⁾	312,000,000	49.67%	154,970,400
	Sub-total									317,150,000		157,528,405

Notes:

- (1) All areas are stated in approximations.
- (2) The land use of the property is road in nature. There is no development scheme and therefore the property has no immediate development potential.
- (3) The property has temporary building structures and could not be granted with registered deeds. The property has no immediate development potential.

Group IV – Property interest held for owner occupation in South Korea as at 30 June 2021

Property No.	Property name	Holding entity	City	District	Land tenure or expiry date of land use term	Type of property	GFA ⁽¹⁾ (sq m)	Completion year	Market value in existing state as at the Valuation Date (KRW)	Interest attributable to the Group (%)	Market value in existing state attributable to the Group as at the Valuation Date (KRW)
IV-1	Nos. 901, 902 and 903, 9th Floor in E&C Dream Tower, at 46 & etc., Yangpyeongdong 3-ga, Yeongdeungpo-gu, Seoul	Kerry Freight Korea Inc.	Seoul	Yeongdeungpo	Freehold	Industrial and commercial	522.17	2006	3,139,000,000	100%	3,139,000,000
	Sub-total								3,139,000,000		3,139,000,000

Note:

(1) All areas are stated in approximations.

Group V – Property interests held for investment in Vietnam as at 30 June 2021

Property No.	Property name	Holding entity	City/Province	District	Land use	Expiry date of land use term	Type of property	Land use	Completion year	Occupancy rate ⁽²⁾	Approximate revenue ⁽³⁾ (VND)	Market value in existing state as at the Valuation Date (USD)		Investment value in existing state attributable to the Group as at the Valuation Date (USD)	
												Site area ⁽¹⁾ (sq m)	GFA ⁽¹⁾ (sq m)		Interest attributable to the Group (%)
V-1	Song Than Logistics Centre, No. 20 Thong Nhat Boulevard, Song Than Industrial Zone 2, Di An City, Binh Duong Province	Kerry Integrated Logistics (Vietnam) Co. Ltd.	Binh Duong Province	Di An	Industrial	31 Dec 2045	Warehouse	Industrial	2005 – 2013	87%	66,949,430,000	22,300,000	22,300,000	N/A	N/A
V-2	Danang Logistics Centre, Street No. 3, Hoa Khanh Industrial Zone, Hoa Khanh Bac Ward, Lien Chieu District, Da Nang City	Kerry Integrated Logistics (Vietnam) Co. Ltd.	Da Nang City	Lien Chieu	Industrial	12 Dec 2046	Warehouse	Industrial	2012	92%	7,204,380,000	2,140,000	2,140,000	N/A	N/A
V-3	Hung Yen Logistics Centre, Minh Duc Ward, Sai Phi Civil Group, Minh Duc Ward, My Hao District, Hung Yen Province	Kerry Integrated Logistics (Hung Yen) Company Limited (as lessee of the land)	Hung Yen Province	My Hao	Commercial and service	15 Oct 2058	Warehouse	Commercial and service	2010	77%	6,205,880,000	N/A	N/A	1,869,000 ⁽⁴⁾	1,869,000 ⁽⁴⁾
	Sub-total												24,440,000	1,869,000	1,869,000

Notes:

- (1) All areas are stated in approximations.
- (2) Average occupancy rates for the first six months of 2021.
- (3) Approximate revenues for the first six months of 2021 in Vietnamese Dong.
- (4) According to the legal opinion prepared by the Company's legal adviser, the holding entity is the lessee of the land and has the right to use the land but is not allowed to transfer, sublease, mortgage or contribute capital of the land use rights. However, the holding entity has the rights to transfer, lease or mortgage the land-attached assets under its ownership. The property is subject to non-alienation restriction. Market value is not applicable in the valuation. Our valuation is on the basis of investment value.
- (5) According to the legal opinion prepared by the Company's legal adviser, except otherwise stated in Note (4), the holding entity has legal title to the respective property and the properties are freely transferable by the respective holding entity without encumbrances.

Group VI – Property interests held for operation in Cambodia as at 30 June 2021

Property No.	Property name	Holding entity	City	District	Land use	Land tenure	Type of property	Site area ⁽¹⁾ (sqm)	GFA ⁽¹⁾ (sqm)	Completion year	Market value in existing state as at the Valuation Date (USD)	Interest attributable to the Group (%)	Market value in existing state attributable to the Group as at the Valuation Date (USD)
VI-1	KerryWorldbridge Special Economic Zone And Customs Bonded Warehouse under Certificates of Immoveable Property Occupation Nos. PP29368 and PP29369, National Road 2, Preak Rotzang & Damnak Sangke, Commune of Preak Kampis, District of Dangkor, City of Phnom Penh	Kerry Worldbridge Logistics Limited	Phnom Penh	Dangkor	Construction	Freehold	Warehouse	630,430	38,869	2017	156,925,000	60%	94,155,000
	Sub-total										156,925,000		94,155,000

Notes:

- (1) All areas are stated in approximations.
- (2) According to the legal opinion prepared by the Company's legal adviser, the holding entity has legal title to the property and the property is freely transferable by the holding entity without encumbrances.

Group VII-A – Property interests held for operation in Thailand as at 30 June 2021

Property No.	Property name	Holding entity	City	District	Land tenure	Type of property	Zoning	Site area ⁽¹⁾ (sq.m)	GFA ⁽¹⁾ (sq.m)	Completion year	Market value in existing state as at the Valuation Date (THB)	Interest attributable to the Group (%)	Market value in existing state attributable to the Group as at the Valuation Date (THB)
VII-A-1	Kerry Rayong Logistics Centre (General Zone), 525 Moo 3, WHA Eastern Seaboard Industrial Estate 1, Mappu-Bankhai (Highway No.3574) Road, Ta Sit Subdistrict, Pluak Daeng District, Rayong Province	Kerry Logistics (Thailand) Co., Ltd.	Rayong	Pluak Dang	Freehold	Warehouse	Industrial	55,015.20	34,756.43	2018	557,800,000	100%	557,800,000
VII-A-2	Kerry Bangna Logistics Centre (Phases I, II and III), 33/2 Moo 7, Leab Klong Song Nam Suwannabhumi Road, Bangla Subdistrict, Bangplee District, Samutprakan Province	Kerry Logistics (Bangna) Co., Ltd.	Samutprakan	Bangplee	Freehold	Warehouse	Industrial	111,875	60,683.00	2016 – 2020	1,708,500,000	100%	1,708,500,000
VII-A-3	Kerry Laem Chabang Logistics Centre, 719/A Via Parallel Way Bangkok-Chonburi (Highway No. 7) Road, Nong Kham Subdistrict, Sriracha District, Chonburi Province	Kerry Logistics (Thailand) Co., Ltd.	Chonburi	Sriracha	Freehold	Warehouse	Industrial	35,764.00	20,370.00	2002 and 2012	363,400,000	100%	363,400,000
VII-A-4	Kerry Siam Seaport, 113/1 Moo 1, Sukhumvit road (Highway No. 3), Tungsukhia Subdistrict, Sriracha District Chonburi Province	Kerry Siam Seaport Co., Ltd.	Chonburi	Sriracha	Freehold	Warehouse	Industrial	591,466.80	89,436.00	1992 – 2013	5,593,000,000	84.92%	4,749,575,600
	Sub-total										8,222,700,000		7,379,275,600

Note:

(1) All areas are stated in approximations.

Group VII-B – Property interest held for owner occupation in Thailand as at 30 June 2021

Property No.	Property name	Holding entity	City	District	Land tenure	Type of property	Zoning	Site area ⁽¹⁾ (sq m)	GFA ⁽¹⁾ (sq m)	Completion year	Market value in existing state as at the Valuation Date (THB)	Interest attributable to the Group (%)	Market value in existing state attributable to the Group as at the Valuation Date (THB)
VII-B-1	Shophouse at No. 82/1-2 Moo 2, Kanjavanich road (Highway No. 4), Sammakkam Subdistrict, Sadao District Song Khla Province	Kart (Thailand) Co., Ltd.	Song Khla	Sadao	Freehold	Shophouse	Industrial	199.60	244.40	1990s	3,200,000	100%	3,200,000
Sub-total											3,200,000		3,200,000

Note:

(1) All areas are stated in approximations.

Group VIII-A – Property interests held for operation in Malaysia as at 30 June 2021

Property No.	Property name	Holding entity	City	District	Land use	Land tenure or expiry date of land use term	Type of property	Site area ⁽¹⁾ (sq m)	GFA ⁽¹⁾ (sq m)	Completion year	Market value in existing state as at the Valuation Date (MYR)	Interest attributable to the Group (%)	Market value in existing state attributable to the Group as at the Valuation Date (MYR)
VIII-A-1	Lot 4074, Bandar Bukit Kayu Hitam, District of Kubang Pasu, Kedah Darul Aman	E.A.E Freight & Forwarding Sdn Bhd (as lessee of the land)	Kedah	Kubang Pasu	Industrial	19 Jul 2063	Industrial	23,470.00	9,733.00	2010s	7,500,000	100%	7,500,000
VIII-A-2	Lot 213, Kawasan Perindustrian Bukit Kayu Hitam, 06050 Bukit Kayu Hitam, Kedah	E.A.E Freight & Forwarding Sdn Bhd (as lessee of the land)	Bandar Bukit Kayu Hitam	Kubang Pasu	Industrial	19 Jul 2063	Industrial	18,582.00	8,101.14	2004	6,000,000	100%	6,000,000
VIII-A-3	No. 27, Taman Seri Temin Fasa 1, 06050 Bukit Kayu Hitam, Kedah	E.A.E Freight & Forwarding Sdn Bhd (as lessee of the land)	Bandar Bukit Kayu Hitam	Kubang Pasu	Commercial	21 Jul 2041	Commercial	149.00	29,730	before 1996	170,000	100%	170,000
VIII-A-4	No. 27 Jalan Anglisa Mas Utama, Kawasan Perindustrian Terbau 2, 81100 Johor Bahru, Johor Darul Takzim	Kuok Pengangkutan Sdn Bhd (as lessee of the land)	Johor Bahru	Tebrau	Industrial	21 May 2053	Industrial	8,093.00	2,194.76	1990s-2000s	5,000,000	99.6%	4,980,000
VIII-A-5	HS(D) 148047, PT 8 Seksyen 1, Pekan Seaport, District of Petaling, Selangor Darul Ehsan	ABX (M) Express Sdn Bhd	Petaling Jaya	N/A	Commercial	28 Apr 2070	Commercial	139.35	557.41	before 1996	1,900,000	100%	1,900,000
VIII-A-6	HS(D) 4018, PT 23 Seksyen 1, Pekan Seaport, District of Petaling, Selangor Darul Ehsan	ABX (M) Express Sdn Bhd	Petaling Jaya	N/A	Commercial	14 Mar 2071	Commercial	148.64	594.57	before 1996	1,900,000	100%	1,900,000
VIII-A-7	Nos. 52 & 52A, Jalan Melaka Raya 23, Taman Melaka Raya, 75000 Melaka	ABX Express (Melaka) Sdn. Bhd.	Melaka	Melaka Tengah	Commercial	7 Jul 2093	Commercial	143.00	314.76	1990s-2000s	1,000,000	100%	1,000,000
	Sub-total										23,470,000		23,450,000

Note:

(1) All areas are stated in approximations.

Group VIII-B – Property interests held for future development in Malaysia as at 30 June 2021

Property No.	Property name	Holding entity	City	District	Land use	Land tenure or expiry date of land use term	Type of property	Site area ⁽¹⁾ (sqm)	CFA ⁽¹⁾ (sqm)	Completion year	Market value in existing state as at the Valuation Date (MYR)	Interest attributable to the Group (%)	Market value in existing state attributable to the Group as at the Valuation Date (MYR)	Investment value in existing state as at the Valuation Date (MYR)	Investment value in existing state attributable to the Group as at the Valuation Date (MYR)
VIII-B-1	Lots 3816 & Lot 3817, Locality of Telaga Dalam, Mukim of Sungai Laka, District of Kubang Pasu, Kedah Darul Aman	E.A.E Freight & Forwarding Sdn Bhd	Kedah	Kubang Pasu	Industrial	Freehold	Land	16,998.00	N/A ⁽²⁾	N/A	1,270,000	100%	1,270,000	N/A	N/A
VIII-B-2	Lot 4073, Bandar Bukit Kayu Hitam, District of Kubang Pasu, Kedah Darul Aman	E.A.E Freight & Forwarding Sdn Bhd (as lessee of the land)	Kedah	Kubang Pasu	Industrial	19 Sep 2067	Land	25,050.00	N/A ⁽²⁾	N/A	2,300,000	100%	2,300,000	N/A	N/A
VIII-B-3	P7545, Mukim 14, Jalan Bagan Lalang, 13400 Seberang Perai, Pulau Pinang	East Asiatic Enterprise Sdn Bhd (as lessee of the land)	Mukim 14	Seberang Perai Utara	Industrial	30 Nov 2026	Land	24,099.07	N/A ⁽²⁾	N/A	N/A	100%	N/A	500,000 ⁽³⁾	500,000 ⁽³⁾
	Sub-total										3,570,000		3,570,000	500,000	500,000

Notes:

- (1) All areas are stated in approximations.
- (2) There is no development scheme and therefore the property has no immediate development potential.
- (3) The land use rights of the property are leased from the government without upfront payment but subject to monthly land rent. The land use rights are lacking marketability in the sales market but such rights are available for sub-lease. Market value is not applicable in the valuation. Our valuation is on the basis of investment value.

Group IX – Property interest held for investment and operation in Singapore as at 30 June 2021

Property No.	Property name	Holding entity	District	Land use	Expiry date of land use term	Type of property	Site area ⁽¹⁾ (sq m)	GFA ⁽¹⁾ (sq m)	Completion year	Occupancy rate ⁽²⁾	Approximate revenue ⁽³⁾ (SGD)	Market value in existing state as at the Valuation Date (SGD)	Interest attributable to the Group (%)	Market value in existing state attributable to the Group as at the Valuation Date (SGD)
IX-1	Kerry Logistics Centre, 19 Greenwich Drive, Singapore 534021	Kerry Logistics Centre (Tampines) Pte Ltd	534021	Business 2	15 Oct 2041	Warehouse/ logistics/ ancillary office	20,299.90	34,510	2012	99.4%	188,993	65,700,000	100%	65,700,000
	Sub-total											65,700,000		65,700,000

Notes:

- (1) All areas are stated in approximations.
- (2) Average occupancy rate for the first six months of 2021.
- (3) Approximate revenue for the first six months of 2021.

Group X – Property interests held for operation in Myanmar as at 30 June 2021

Property No.	Property name	Holding entity	City	District	Land use	Expiry date of land use term	Type of property	Site area ⁽¹⁾ (sqm)	GFA ⁽¹⁾ (sqm)	Completion year	Market value in existing state as at the Valuation Date (USD)	Interest attributable to the Group (%)	Market value in existing state attributable to the Group as at the Valuation Date (USD)	Investment value in existing state attributable to the Group as at the Valuation Date (USD)
X-1	KMTL Yawarthagy Dryport (Yangon), Lot No. B, Yangon – Mandalay Railway Road Yawarthagy, East Dagon Township, Yangon Region	KM Terminal and Logistics Limited	Yangon	East Dagon Township	Dry port	3 Apr 2067	Dry port/ logistics	161,874.00	35,220	2018	N/A	70%	N/A	26,200,000 ⁽²⁾ 18,340,000 ⁽²⁾
X-2	KMTL Myit Nge Dryport on Plot B1, Myit Nge Dryport (Mandalay), Land Mark No. (1), (4), C14-C12, Myit Nge, Amarapura Township, Mandalay Region	KM Terminal and Logistics Limited	Mandalay	Amarapura Township	Dry port	3 Apr 2067	Dry port/ logistics	172,695.55	10,727	2018	N/A	70%	N/A	9,675,000 ⁽²⁾ 6,772,500 ⁽²⁾
	Sub-total										N/A		N/A	35,875,000 25,112,500

Notes:

- (1) All areas are stated in approximations.
- (2) No legal opinion of the property has been provided. It is uncertain whether the property is subject to non-alienation restriction and whether market value is applicable in the valuation. Our valuation is on the basis of investment value.

Group XI-A – Property interests held for operation in India as at 30 June 2021

Property No.	Property name	Holding entity	City	District	Land use	Land tenure or expiry date of land use term	Type of property	Site area ⁽¹⁾ (sq m)	GFA ⁽¹⁾ (sq m)	Completion year	Market value in existing state as at the Valuation Date (INR)	Interest attributable to the Group (%)	Market value in existing state attributable to the Group as at the Valuation Date (INR)	Investment value in existing state as at the Valuation Date (INR)	Investment value in existing state attributable to the Group as at the Valuation Date (INR)
XI-A-1	Warehouse located at Survey nos. 57/1 & 57/4, Sedarapet Mian Road, Karasoor Village, Villianoor, Pondicherry, India 605 111	Indev Logistics Private Limited	Pondicherry	Villianoor	Industrial	Freehold	Office and warehouse	21,213.00	8,660.20	2004	118,000,000	50%	59,000,000	N/A	N/A
XI-A-2	Warehouse located at Survey Numbers 12/137 (part), Bommasandra Industrial Estate, Bommasandra Jigani link road, Bangalore, Karnataka, India 560099	Indev Logistics Private Limited	Karnataka	Bangalore	Industrial/warehousing	Freehold	Warehouse	14,924.00	7,399.60	2009	470,000,000	50%	235,000,000	N/A	N/A
XI-A-3	Warehouse located at Plot nos. B-7(Part), B-8, A-11(Part), SIPCOT Industrial Park, Irungattukottai, Kancheepuram District, Tamil Nadu, India 602 109	Indev Logistics Private Limited	Chennai	Kancheepuram	Warehousing & storage	26 Dec 2105	Inland container depot (warehousing & storage)	79,035.00	28,340.00	2009	N/A	50%	N/A	529,000,000 ⁽²⁾	264,500,000 ⁽²⁾
XI-A-4	Warehouse located at Survey nos. 96/2B2, 2B3, 2B1C, 2B1A, 2B1B, Harbour express road, Melavattam Village, Tuticorin, Chidambaram District, Tamil Nadu, India 628 002	Indev Logistics Private Limited	Tuticorin	Chidambaram	Industrial	Freehold	Warehouse	19,593.90	3,451.81	2000-2006	148,000,000	50%	74,000,000	N/A	N/A
XI-A-5	Warehouse and Office located at Survey no. 17/1 & 129, Ring road, Chettipalayam Village, Tirupur Taluk, Coimbatore District, Tamil Nadu, India 641652	Indev Logistics Private Limited	Tirupur	Coimbatore	Industrial	Freehold	Warehouse and office	25,009.50	6,102.50	2006-2017	343,000,000	50%	171,500,000	N/A	N/A

Property No.	Property name	Holding entity	City	District	Land use	Land tenure or expiry date of land use term	Type of property	Site area ⁽¹⁾ (sq m)	GFA ⁽¹⁾ (sq m)	Completion year	Market value in existing state as at the Valuation Date (INR)	Interest attributable to the Group (%)	Market value in existing state attributable to the Group as at the Valuation Date (INR)	Investment value in existing state as at the Valuation Date (INR)	Investment value in existing state attributable to the Group as at the Valuation Date (INR)
XI-A-6	Office and Godown located at Survey no. 214, No. 15A, Andankoil West Village, Kanur Taluk, Kanur District, Tamil Nadu, India 639002	Indev Logistics Private Limited	Kanur	Kanur	Industrial	Freehold	Office and warehouse	12,747.59	1,607.59	2004	136,000,000	50%	68,000,000	N/A	N/A
XI-A-7	Container Freight Station located at Somathane Village, Kone-Savla Rasayani Road, Panvel Taluka, Raigad District, Navi Mumbai India 410 206	Indev Logistics Private Limited	Panvel	Raigad	Industrial	Freehold	Container freight station	86,296.27	3,779	2012	771,000,000	50%	385,500,000	N/A	N/A
XI-A-8	An inland container depot (warehouse) located at Survey nos. 169/36, Dhrub Village, Mundra Taluka, Praggar Mundra Port Highway, Adani Ports and Special Economic Zone Limited, Gujarat, India 370421	Indev Logistics Private Limited	Mundra	Kutch	Warehousing & storage	27 Dec 2045	Inland container depot (warehousing & storage)	60,702.00	12,917	2016	463,000,000	50%	231,500,000	N/A	N/A
	Sub-total										2,449,000,000		1,224,500,000	529,000,000	264,500,000

Notes:

- (1) All areas are stated in approximations.
- (2) According to SIPCOT authorities, assignment of the leasehold interest is subject to payment of a differential fee. The leasehold interest is currently not freely transferable and thus market value is not applicable in the valuation. Our valuation is on the basis of investment value.

Group XI-B – Property interests held for owner occupation in India as at 30 June 2021

Property No.	Property name	Holding entity	City	District	Land use	Land tenure or expiry date of land use term	Type of property	Site area ⁽¹⁾ (sq m)	GFA ⁽¹⁾ (sq m)	Completion year	Market value in existing state as at the Valuation Date (INR)	Interest attributable to the Group (%)	Market value in existing state attributable to the Group as at the Valuation Date (INR)
XI-B-1	Commercial Office located at Survey No. 81/41, Thambu Chetty Street, Chennai, India 600 001	Indev Logistics Private Limited	Chennai	Chennai	Commercial use (Office & storage purpose)	Freehold	Office	345.50	1,115.24	2005	161,000,000	50%	80,500,000
XI-B-2	Office located at Survey no. 1461 (G.R.S No. 360), at Plot No. 28, V.G.P. Murphy Square, 2nd Cross Street, St. Thomas Mount, Cantonment Area, Chennai, India 600 016	Indev Logistics Private Limited	Chennai	Chennai	Commercial use (Office & storage purpose)	Freehold	Office	342.80	171.40	2003	33,000,000	50%	16,500,000
	Sub-total										194,000,000		97,000,000

Note:

(1) All areas are stated in approximations.

Group XI-C – Property interest held for future development in India as at 30 June 2021

Property No.	Property name	Holding entity	City	District	Land use	Land tenure	Type of property	Site area ⁽¹⁾ (sq m)	Planned GFA ⁽¹⁾ (sq m)	Market value in existing state as at the Valuation Date (INR)	Interest attributable to the Group (%)	Market value in existing state attributable to the Group as at the Valuation Date (INR)
XI-C-1	Plot nos. 17 and 18, Annavaripalli, Industrial Park, Penukonda, Anantapur, Andhra Pradesh, India 515164	Indev Logistics Private Limited	Annavaripalli, Penukonda	Anantapur	Industrial	Freehold	Warehouse	24,315.77	9,290 ⁽²⁾	82,000,000	50%	41,000,000
	Sub-total									82,000,000		41,000,000

Notes:

- (1) All areas are stated in approximations.
- (2) As per on-site inspection, the property was a vacant land. As advised by the Company, as at the Valuation Date, a proposed development scheme has been submitted to the government but approvals have not yet been granted. Therefore the property has no immediate development potential.

Group XII – Property interest held for operation in Uzbekistan as at 30 June 2021

Property No.	Property name	Holding entity	City	District	Land use	Land tenure	Type of property	Site area ⁽¹⁾ (sq.m)	GFA ⁽¹⁾ (sq.m)	Completion year	Market value in existing state as at the Valuation Date (USD)	Interest attributable to the Group (%)	Market value in existing state attributable to the Group as at the Valuation Date (USD)
XII-1	House 47, Abdulla Kakhhora Street, Yakkasaray district, Tashkent	JY LLC CHERAT Co LTD	Tashkent	Yakkasaray district	Office and production workshop	Permanent use rights	Office and workshop	2,926	1,288	about 2000	550,000	51%	280,500
Sub-total											550,000		280,500

Note:

(1) All areas are stated in approximations.

Group XIII – Property interests held for operation in Dubai as at 30 June 2021

Property No.	Property name	Holding entity	District	Land use	Expiry date of land use term	Type of property	Site area ⁽¹⁾ (sq m)	GFA ⁽¹⁾ (sq m)	Completion year	Market value in existing state as at the Valuation Date (AED)	Interest attributable to the Group (%)	Market value in existing state attributable to the Group as at the Valuation Date (AED)	Investment value in existing state attributable to the Group as at the Valuation Date (AED)
XIII-1	Plot FB-67, Dubai Logistics City	E-Freight International LLC (Branch) (as lessee of the property)	Dubai Logistics City	Industrial	14 May 2036	Warehouse	10,000.00	5,805.00	2014	N/A	74%	10,620,000 ⁽²⁾	7,858,800 ⁽²⁾
XIII-2	Plot FB-68, Dubai Logistics City	E-Freight International LLC (Branch) (as lessee of the property)	Dubai Logistics City	Industrial	29 Jun 2040	Warehouse	10,000.00	5,887.00	2019	N/A	74%	12,990,000 ⁽²⁾	9,612,600 ⁽²⁾
XIII-3	Plot S60408, Jebel Ali Free Zone	Kerry Logistics Middle East LLC (as lessee of the property)	Jebel Ali Free Zone	Industrial	4 Sep 2029	Warehouse	10,330.00	6,461.00	2008	N/A	74%	9,040,000 ⁽²⁾	6,689,600 ⁽²⁾
Sub-total										N/A		32,650,000	24,161,000

Notes:

(1) All areas are stated in approximations.

(2) According to the legal opinion prepared by the Company's legal adviser, the holding entity is the lessee and does not own the land. The lease has not been registered and thus the holding entity is not allowed to assign or transfer the lease. The leasehold interest is currently not freely transferable and thus market value is not applicable in the valuation. Our valuation is on the basis of investment value.

Group XIV – Property interest held for operation in Sweden as at 30 June 2021

Property No.	Property name	Holding entity	City	District	Land use	Land tenure	Type of property	Site area ⁽¹⁾ (sq.m)	GFA ⁽¹⁾ (sq.m)	Completion year	Market value in existing state as at the Valuation Date (SEK)	Interest attributable to the Group (%)	Market value in existing state attributable to the Group as at the Valuation Date (SEK)
XIV-1	Viran 7, Segloravägen 26, 504 64 Borås	Kerry Logistics (sweden) AB	Borås	Viared	Industrial	Freehold	Warehouse	22,047	12,759	2005-2013	124,000,000	100%	124,000,000
	Sub-total										124,000,000		124,000,000

Note:

(1) All areas are stated in approximations.

Group XV – Property interest held for operation in Netherlands as at 30 June 2021

Property No.	Property name	Holding entity	City	District	Land use	Land tenure	Type of property	Site area ⁽¹⁾ (sq.m)	GFA ⁽¹⁾ (sq.m)	Completion year	Market value in existing state as at the Valuation Date (EUR)	Interest attributable to the Group (%)	Market value in existing state attributable to the Group as at the Valuation Date (EUR)
XV-1	Diamantlaan 4, 4A, 4B, 4C and Smaragdlaan 16, 16A, 16B, Hoofddorp, Haarlemmermeer	KerryAdco Logistics B.V.	Hoofddorp	Noord-Holland	industrial	Freehold	industrial/office	4,535	3,907	1992	3,900,000	100%	3,900,000
Sub-total											3,900,000	3,900,000	

Note:

(1) All areas are stated in approximations.

RESPONSIBILITY STATEMENT

This Composite Document includes particulars given in compliance with the Takeovers Code for the purpose of giving information with regard to the Partial Offer, the Option Offer, the Offeror Parent, the Offeror and the Company.

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

The sole director of the Offeror accepts full responsibility for the accuracy of information contained in this Composite Document (other than the information relating to the Group) and confirms, having made all reasonable inquiries, that to the best of her knowledge, opinions expressed in this Composite Document (other than those expressed by the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

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

SHARE CAPITAL OF THE COMPANY**(a) Authorised and issued share capital**

As at the Latest Practicable Date, the authorised share capital and the issued share capital of the Company were as follows:

HK\$

Authorised share capital

6,000,000,000	Ordinary Shares of HK\$0.50 each	3,000,000,000
---------------	----------------------------------	---------------

Issued and fully paid-up share capital

1,805,716,742	Ordinary Shares of HK\$0.50 each	902,858,371
---------------	----------------------------------	-------------

All the Shares currently in issue rank pari passu in all respects with each other, including, in particular, as to rights in respect of capital and dividends and voting.

Up to the Latest Practicable Date, 8,516,700 Shares have been issued by the Company since 31 December 2020.

Other than the Shares in issue, as at the Latest Practicable Date, the Company has outstanding options to subscribe for up to 2,456,300 Shares granted under the Share Option Scheme. The Company had no other outstanding shares, options, warrants, derivative or other securities that are convertible or exchangeable into Shares or other types of equity interest in issue as at the Latest Practicable Date.

(b) Share Option Scheme

Name of Optionholders	Date of grant (Note 1)	Tranche	Exercise price HK\$	Exercise period	Outstanding Share Options as at the Latest Practicable Date
Directors of the Company					
KUOK Khoon Hua	02/12/2013	I	10.20	19/12/2013– 01/12/2023	0
	02/12/2013	II	10.20	02/12/2014– 01/12/2023	0
MA Wing Kai William	02/12/2013	I	10.20	19/12/2013– 01/12/2023	0
	02/12/2013	II	10.20	02/12/2014– 01/12/2023	0
NG Kin Hang	02/12/2013	I	10.20	19/12/2013– 01/12/2023	0
	02/12/2013	II	10.20	02/12/2014– 01/12/2023	0
WONG Yu Pok Marina	02/12/2013	I	10.20	19/12/2013– 01/12/2023	0
	02/12/2013	II	10.20	02/12/2014– 01/12/2023	0

Name of Optionholders	Date of grant (Note 1)	Tranche	Exercise price HK\$	Exercise period	Outstanding Share Options as at the Latest Practicable Date
YEO Philip Liat Kok	02/12/2013	I	10.20	19/12/2013– 01/12/2023	0
	02/12/2013	II	10.20	02/12/2014– 01/12/2023	0
<i>Continuous Contract Employees</i>	02/12/2013	I	10.20	19/12/2013– 01/12/2023	1,022,700
	02/12/2013	II	10.20	02/12/2014– 01/12/2023	1,433,600
Total					2,456,300

Note:

1. The vesting period of the Share Options is from the date of grant until the commencement of the exercise period.

DISCLOSURE OF INTERESTS

(a) Interests of the Offeror, its director and parties acting, and presumed to be acting, in concert with them, in the Company

As at the Latest Practicable Date, other than the Controlling Shareholders and the Directors (excluding the INEDs), neither the Offeror, its director nor parties acting, or presumed to be acting, in concert with it owned, controlled or had direction over any Shares, convertible securities, warrants or options in respect of Shares or any other voting rights or rights over the Shares or any outstanding derivatives in respect of securities in the Company entered into by the Offeror, its director or any party acting, or presumed to be acting, in concert with it.

(b) Interests of the Directors in the Shares

Directors	Shares in the Company					Total interests	Approximate percentage of issued share capital ⁽¹⁾
	Personal interests (held as beneficial owner)	Family interests (interests of spouse and child under 18)	Corporate interests (interests of controlled corporations)	Other interests			
KUOK Khoon Hua ⁽²⁾	1,101,000	–	–	3,018,492	4,119,492	0.23%	
MA Wing Kai William ⁽³⁾	5,583,262	–	–	1,300,000	6,883,262	0.38%	
CHEUNG Ping Chuen Vicky ⁽⁴⁾	31,514,956	–	–	–	31,514,956	1.75%	
NG Kin Hang ⁽⁵⁾	362,080	–	–	–	362,080	0.02%	
WONG Yu Pok Marina ⁽⁶⁾	200,000	–	–	–	200,000	0.01%	
YEO Philip Liat Kok ⁽⁷⁾	200,000	–	–	–	200,000	0.01%	

Notes:

- (1) The approximate percentage of the interest in the Company's total issued share capital is based on a total of 1,805,716,742 Shares as at the Latest Practicable Date.
- (2) Mr Kuok is interested in (i) 1,101,000 Shares as beneficial owner; and (ii) 3,018,492 Shares held through investment companies of discretionary trusts of which Mr Kuok is a discretionary beneficiary. On 30 March 2021, Mr Kuok executed and delivered to the Offeror an irrevocable undertaking, pursuant to which Mr Kuok has irrevocably and unconditionally undertaken to duly accept or procure acceptance of the Partial Offer in respect of 558,663 Shares.
- (3) Mr Ma is interested in (i) 4,999,611 Shares as beneficial owner; (ii) award granted under the share award scheme of the Company conferring the conditional right upon vesting in the form of 583,651 Shares; and (iii) 1,300,000 Shares held through an investment company of a discretionary trust of which Mr Ma is a discretionary beneficiary. On 30 March 2021, Mr Ma executed and delivered to the Offeror an irrevocable undertaking, pursuant to which Mr Ma has irrevocably and unconditionally undertaken to duly accept or procure acceptance of the Partial Offer in respect of 2,328,403 Shares.
- (4) Mr Cheung is interested in 31,514,956 Shares as beneficial owner. On 30 March 2021, Mr Cheung executed and delivered to the Offeror an irrevocable undertaking, pursuant to which Mr Cheung has irrevocably and unconditionally undertaken to duly accept or procure acceptance of the Partial Offer in respect of 15,991,140 Shares.
- (5) Mr Ng is interested in (i) 209,747 Shares as beneficial owner; (ii) award granted under the share award scheme of the Company conferring the conditional right upon vesting in the form of 152,333 Shares. On 30 March 2021, Mr Ng executed and delivered to the Offeror an irrevocable undertaking, pursuant to which Mr Ng has irrevocably and unconditionally undertaken to duly accept or procure acceptance of the Partial Offer in respect of 79,124 Shares.
- (6) Ms Wong is interested in 200,000 Shares as beneficial owner.
- (7) Mr Yeo is interested in 200,000 Shares as beneficial owner.

(c) Interests of the Company and the Directors in the Offeror

As at the Latest Practicable Date, none of the Company and the Directors had any interest in the shares of the Offeror.

(d) Other disclosures

- (i) As at the Latest Practicable Date and prior to the posting of this Composite Document, the Relevant Controlling Shareholders had irrevocably undertaken, acting severally, to tender their respective pro rata acceptances of the Partial Offer; and each of the Executive Directors has irrevocably undertaken to tender acceptances of the Partial Offer in respect of his respective share. The percentage of the issued share capital of the Company made up by the Shares owned by the Relevant Controlling Shareholders and the Executive Directors is 64.91%.
- (ii) The Controlling Shareholders, Mr KUOK Khoon Hua, Mr MA Wing Kai William, Mr CHEUNG Ping Chuen Vicky and Mr NG Kin Hang (being all the Executive Directors), the Controlling Shareholder Close Associates and the Executive Directors Close Associates are regarded as concert parties of the Offeror.
- (iii) as at the Latest Practicable Date:
 - (A) save for the Irrevocable Undertakings, none of the Offeror and its concert parties had received any irrevocable commitment to approve, accept or reject the Partial Offer other than the Irrevocable Undertakings. Details of the Irrevocable Undertakings are set out in the section headed "The Irrevocable Undertakings" in the Letter from J.P. Morgan in this Composite Document;
 - (B) none of the Offeror and its concert parties had borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company, save for any borrowed Shares which have been either on-lent or sold;
 - (C) the Company had no shareholding in the Offeror or any warrants, options, convertible securities or derivatives or relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in respect of any shares of the Offeror;
 - (D) none of the Directors were interested in any shares of the Offeror or any warrants, options, convertible securities or derivatives or relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in respect of any shares of the Offeror;
 - (E) none of the subsidiaries of the Company, pension funds of the Company or of a subsidiary of the Company or a person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of "acting in concert" under the Takeovers Code or an associate of the Company by virtue of class (2) of the definition of "associate" under the Takeovers Code but excluding any exempt principal traders and exempt fund managers, owned or controlled (Note 1) any Shares or any convertible securities, warrants, options or derivatives of the Company;
 - (F) no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Offeror or any parties acting in concert with it or its associate (as defined under the Takeovers Code);

- (G) no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of "acting in concert" under the Takeovers Code or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of "associate" under the Takeovers Code;
- (H) no fund managers (other than exempt fund managers) connected with the Company had managed any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) on a discretionary basis;
- (I) neither the Company nor any of the Directors had borrowed or lent any Shares or any convertible securities, warrants, options or derivatives or relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in respect of any Shares, save for any borrowed Shares which have been either on-lent or sold;
- (J) save for the Executive Directors Irrevocable Undertakings, the Executive Directors and parties acting, or presumed to be acting, in concert with the Offeror will not receive an offer from the Offeror in respect of their own beneficial shareholdings in the Company;
- (K) there was no agreement, arrangement or understanding that the Offer Shares acquired in pursuance to the Partial Offer would be transferred, charged or pledged to any other persons; and
- (L) save for the Irrevocable Undertakings and the Special Deal Agreements, there is no understanding, arrangement or agreement or special deal (as defined under Rule 25 of the Takeovers Code) between (1) any Shareholder; and (2)(a) the Offeror or parties acting, or presumed to be acting, in concert with it or (b) the Company, its subsidiaries or associated companies.

Note:

1. INKA Internationale Kapitalanlagegesellschaft mbh, which is a member of the HSBC group, has voting discretion over 285,500 Shares.

ARRANGEMENTS AFFECTING OR RELATING TO THE DIRECTORS

As at the Latest Practicable Date:

- (a) no benefit (other than statutory compensation) was or would be given to any Director as compensation for loss of office or otherwise in connection with the Offers;
- (b) there was no agreement or arrangement between any Director and any other person which is conditional on or dependent upon the outcome of the Offers;
- (c) except the Irrevocable Undertakings and the Shareholders' Agreement, no agreement, arrangement or understanding (including any compensation arrangement) existed between the Offeror or any person acting in concert with it and any Director, recent Directors, or any Shareholders or recent Shareholders which had any connection with or dependence upon the Offers;

- (d) save as disclosed in the Joint Announcement, there was no agreement or arrangement to which the Offeror is party which relates to the circumstances in which it may or may not invoke or seek to invoke a Condition; and
- (e) except the Executive Directors Irrevocable Undertaking, no material contracts had been entered into by the Offeror in which any Director has a material personal interest.

DEALINGS IN SECURITIES

(a) During the Relevant Period:

- (i) other than the Directors presumed to be acting in concert with the Offeror by virtue of class (6) of the definition of "acting in concert" under the Takeovers Code (whose dealings are disclosed in paragraph (v) below), none of the Offeror or its concert parties had dealt for value in any of the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company during the Relevant Period;
- (ii) save as disclosed above, no person who had irrevocably committed themselves to accept or reject the Partial Offer had dealt for value in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company;
- (iii) none of the Offeror and parties acting in concert with the Offeror who had borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company, save for any borrowed Shares which have been either on-lent or sold, had dealt for value in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code);
- (iv) neither the Company, any of its subsidiaries, nor any Directors had dealt for value in any shares of the Offeror or any other convertible securities, warrants, options or derivatives or any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Offeror during the Relevant Period; and

- (v) save as disclosed below, none of the Directors had dealt for value in any Shares, convertible securities, warrants, options or derivatives or any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in respect of any Shares during the Relevant Period:

Dealings in Shares

Name of Director	Nature of Dealing	Dealing Date	Number of Shares being dealt with	Price per Share (HK\$)
MA Wing Kai William	Vesting of awarded shares	1 January 2021	183,672	N/A
MA Wing Kai William	Vesting of awarded shares	1 April 2021	410,850	N/A
NG Kin Hang	Vesting of awarded shares	1 January 2021	16,641	N/A
NG Kin Hang	Vesting of awarded shares	1 April 2021	53,811	N/A

Exercise of Share Options

Name of Director	Date of exercising Share Option	Number of Shares under the Share Option dealt	Date of grant	Exercise period	Exercise price (HK\$)	Option money paid
KUOK Khoon Hua	11 May 2021	400,000	19 December 2013	19 December 2013 to 1 December 2023	10.20	4,080,000
KUOK Khoon Hua	11 May 2021	400,000	19 December 2013	2 December 2014 to 1 December 2023	10.20	4,080,000
MA Wing Kai William	14 May 2021	1,500,000	19 December 2013	19 December 2013 to 1 December 2023	10.20	15,300,000
MA Wing Kai William	14 May 2021	1,500,000	19 December 2013	2 December 2014 to 1 December 2023	10.20	15,300,000
NG Kin Hang	27 May 2021	60,000	19 December 2013	19 December 2013 to 1 December 2023	10.20	612,000
NG Kin Hang	27 May 2021	60,000	19 December 2013	2 December 2014 to 1 December 2023	10.20	612,000
WONG Yu Pok Marina	8 April 2021	100,000	19 December 2013	19 December 2013 to 1 December 2023	10.20	1,020,000
WONG Yu Pok Marina	8 April 2021	100,000	19 December 2013	2 December 2014 to 1 December 2023	10.20	1,020,000
YEO Philip Liat Kok	4 August 2021	100,000	19 December 2013	19 December 2013 to 1 December 2023	10.20	1,020,000
YEO Philip Liat Kok	4 August 2021	100,000	19 December 2013	2 December 2014 to 1 December 2023	10.20	1,020,000

(b) During the Offer Period and up to the Latest Practicable Date:

- (i) none of the subsidiaries of the Company, pension funds of the Company or of a subsidiary of the Company or a person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of “acting in concert” under the Takeovers Code or an associate of the Company by virtue of class (2) of the definition of “associate” under the Takeovers Code but excluding any exempt principal traders and exempt fund managers, dealt for value in any Shares or any convertible securities, warrants, options or derivatives of the Company during the period commencing at the start of the Offer Period and ending on the Latest Practicable Date;
- (ii) no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of “associate” under the Takeovers Code and no such person dealt for value in any Shares or any convertible securities, warrants, options or derivatives of the Company during the period commencing at the start of the Offer Period and ending on the Latest Practicable Date; and
- (iii) no fund managers connected with the Company who managed funds on a discretionary basis had dealt for value in any Shares or any other convertible securities, warrants, options or derivatives of the Company during the period commencing at the start of the Offer Period and ending on the Latest Practicable Date.

MARKET PRICES

The table below shows the closing price per Share as quoted on the Stock Exchange on (a) the Latest Practicable Date; (b) the Last Trading Day; and (c) the last trading day of each of the calendar months during the Relevant Period.

Date	Closing price per Share <i>HK\$</i>
31 August 2020	12.79
30 September 2020	13.84
30 October 2020	16.03
30 November 2020	16.84
31 December 2020	17.00
29 January 2021	16.56
4 February 2021 (i.e. Last Trading Day)	23.45
26 February 2021	22.60
31 March 2021	23.30
30 April 2021	23.35
31 May 2021	23.20
30 June 2021	23.55
30 July 2021	23.15
Latest Practicable Date	23.25

HIGHEST AND LOWEST SHARE PRICE

During the Relevant Period, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$24.75 on 10 February 2021 and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$11.64 on 10 August 2020.

MATERIAL CONTRACTS

Save as disclosed below, the Group had not, within the two years immediately preceding the commencement of the Offer Period and up to and including the Latest Practicable Date, entered into any contract (not being a contract entered into in the ordinary course of business carried on or intended to be carried on by the Group), which is or may be material:

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

LITIGATION

As at the Latest Practicable Date, none of the members of the Group was engaged in any litigation or arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Group.

DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into any service contracts with the Company or any of its subsidiaries or associated companies which (i) (including both continuous and fixed-term contracts) have been entered into or amended within 6 months preceding the commencement of the Offer Period; (ii) are continuous contracts with a notice period of 12 months or more; or (iii) are fixed-term contracts with more than 12 months to run irrespective of the notice period.

EXPERTS AND CONSENTS

The following are the names and qualifications of each of the experts who has been named in this Composite Document or who has given opinion or advice, which is contained in or referred to in this Composite Document:

Name	Qualification
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
Sommerley Capital Limited	a corporation licensed to carry out type 1 regulated activity (dealing in securities) and type 6 regulated activity (advising on corporate finance) under the SFO, being the independent financial adviser to the Code Independent Board Committee and the Independent Shareholders in relation to the Offers
Cushman & Wakefield Limited	Independent property valuer

Each of J.P. Morgan, Sommerley and Cushman & Wakefield Limited has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion in this Composite Document of the opinion, letter or report (as the case may be) and references to its name in the form and context in which it is included.

MISCELLANEOUS

- (a) Information regarding the Offeror and its principal concert parties is set out below:
- (i) The registered office of the Offeror is at Maurant Governance Services (Cayman) Limited, 94 Solaris Avenue, Camana Bay, PO Box 1348, Grand Cayman KY1-1108, Cayman Islands.
 - (ii) As at the Latest Practicable Date, the sole director of the Offeror is Ms NG Wai Ting.
 - (iii) The entire issued share capital of the Offeror is indirectly held by the Offeror Parent. The registered office of the Offeror Parent is at Room 801, Floor 8, Wanfu Building, No. 303 Fuyong Avenue, Bao'an District, Shenzhen, PRC.
 - (iv) As at the Latest Practicable Date, the directors of the Offeror Parent are Mr Wang Wei, Mr Lin Zheyang, Mr Zhang Yichen, Mr Liu Chengwei, Mr Deng Weidong, Mr Chen Fei, Mr Luo Shili, Ms Wu Weiting, Mr Jin Li, Mr Ye Diqi, Mr Zhou Yongjian and Mr Zhou Zhonghui.
 - (v) As at the Latest Practicable Date, the directors of Kerry Holdings are Mr KUOK Khoon Hua, Mr LEE Yong Sun, Mr KUOK Khoon Ean, Mr KUOK Khoon Loong Edward, Ms KUOK Hui Kwong, Mr PANG David Jung and Mr WONG Siu Kong. The registered office of Kerry Holdings is at 31/F, Kerry Centre, 683 King's Road, Quarry Bay, Hong Kong.

- (vi) As at the Latest Practicable Date, the directors of Kerry Group Limited are Mr KUOK Khoon Chen, Mr KUOK Khoon Ean, Mr KUOK Khoon Ho, Ms KUOK Hui Kwong and Mr KUOK Khoon Hua. The registered office of Kerry Group Limited is at The Office of Cook Islands Trust Corporation Ltd, First Floor, BCI House, Avarua, Rarotonga, Cook Islands and its principal place of business in Hong Kong is at 32/F, Kerry Centre, 683 King's Road, Quarry Bay, Hong Kong.
- (vii) As at the Latest Practicable Date, the directors of Kerry Properties are Messrs. WONG Siu Kong, KUOK Khoon Hua, Bryan Pallop GAW, WONG Chi Kong, Louis, Ms WONG Yu Pok, Marina, JP, Mr CHANG Tso Tung, Stephen and Mr HUI Chun Yue, David. The registered office of Kerry Properties is at Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM10, Bermuda and its principal place of business in Hong Kong is at 25/F, Kerry Centre, 683 King's Road, Quarry Bay, Hong Kong.
- (b) The address of J.P. Morgan is at 23/F-29/F Chater House, 8 Connaught Road Central, Hong Kong.
- (c) The registered office of the Company is at Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, Bermuda. The Company is 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).
- (d) 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.
- (e) The Independent Financial Adviser is Somerley Capital Limited whose address is at 20th Floor, China Building, 29 Queen's Road Central, Hong Kong.
- (f) The Share Registrar is Tricor Investor Services Limited, whose address is situated at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (g) In case of inconsistency, the English text of this Composite Document, the Form of Approval and Acceptance and the Form of Option Offer Acceptance shall prevail over the Chinese texts.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection (i) during normal business hours from 9:30 a.m. to 5:00 p.m. (other than Saturdays, Sundays and public holidays) at Linklaters' office at 11/F, Alexandra House, 18 Chater House, Central, Hong Kong; (ii) on the SFC's website at www.sfc.hk; and (iii) on the Company's website at www.kln.com, during the period from the Despatch Date, up to as long as the Offers remain open for acceptance:

- (a) the memorandum and articles of association of the Offeror;
- (b) the bye-laws of the Company adopted on 25 November 2013 with effect from 19 December 2013;
- (c) the annual reports of the Company for the two financial years ended 31 December 2019 and 2020;

- (d) the letter from J.P. Morgan, the text of which is set out on pages 12 to 38 of this Composite Document;
- (e) the letter from the Board, the text of which is set out on pages 39 to 48 of this Composite Document;
- (f) the letter from the Code Independent Board Committee, the text of which is set out on pages 49 to 50 of this Composite Document;
- (g) the letter from Somerley, the text of which is set out on pages 51 to 82 of this Composite Document;
- (h) the full property valuation reports from Cushman & Wakefield Limited, a summary of which is set out in Appendix IV of this Composite Document;
- (i) the material contracts referred to in the section headed "Material Contracts" in this Appendix;
- (j) the Special Deal Agreements (other than those already referred to in the section headed "Material Contracts" in this Appendix);
- (k) the Placing Agreements;
- (l) the Irrevocable Undertakings; and
- (m) the written consents as referred to in the section headed "Experts and Consents" in this Appendix.