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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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Kerry Logistics  
Network Limited

嘉里物流聯網有限公司

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

Stock Code 636

### DISCLOSEABLE AND CONNECTED TRANSACTIONS IN RELATION TO THE DISPOSAL OF 100% TOTAL ISSUED SHARE CAPITAL OF TWO INDIRECT WHOLLY-OWNED SUBSIDIARIES AND NOTICE OF SPECIAL GENERAL MEETING

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



SOMERLEY CAPITAL LIMITED

Financial Adviser to the Company

Morgan Stanley

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

A letter from the Board is set out on pages 5 to 14 of this circular. A letter from the Independent Board Committee is set out on page 15 of this circular. A letter from Somerley containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 16 to 30 of this circular.

A notice convening the SGM of the Company to be held at Kowloon Room, Mezzanine Floor, Kowloon Shangri-La, 64 Mody Road, Tsimshatsui East, Kowloon, Hong Kong at 3:15 p.m. on Friday, 31 May 2019 (or as soon thereafter as the annual general meeting of the Company to be held at the same place and on the same date at 2:30 p.m. shall have been concluded or adjourned) to approve the matters referred to in this circular is set out on pages SGM-1 to SGM-2 of this circular. A form of proxy for use at the SGM is enclosed with this circular and such form of proxy is also published on the websites of Hong Kong Exchanges and Clearing Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.kerrylogistics.com](http://www.kerrylogistics.com)).

Whether or not you are able to attend the meeting, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to Tricor Investor Services Limited, the Company's branch share registrar and transfer office in Hong Kong, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the SGM, i.e. by no later than 3:15 p.m. on Wednesday, 29 May 2019. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjourned meeting if you so wish and in such event, the instrument appointing a proxy shall be deemed to be revoked.

Hong Kong, 6 May 2019

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## DEFINITIONS

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

“Announcement”	the announcement of the Company dated 28 March 2019 in respect of the Disposals
“Associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“BVI”	British Virgin Islands
“Chai Wan Warehouse”	a warehouse situated at No. 50 Ka Yip Street, Chai Wan, Hong Kong, with a total gross floor area of 535,037 square feet
“Company” or “Vendor Guarantor”	Kerry Logistics Network Limited, incorporated in the BVI 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
“Completion”	completion of the sale and purchase of the Sale Shares in accordance with the provisions of SPA I or SPA II (as the case may be)
“Completion Date”	the date on which Completion actually occurs
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	director(s) of the Company
“Disposals”	transactions entered into between the Group and the KPL Group on normal commercial terms, pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase from the Vendor the Sale Shares free from all encumbrances, which constitute discloseable and connected transactions under Chapters 14 and 14A of the Listing Rules
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China

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## DEFINITIONS

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“Independent Board Committee”	an independent committee of the Board comprising Ms KHOO Shulamite N K, Mr WAN Kam To, Mr YEO Philip Liat Kok and Mr ZHANG Yi Kevin, all being independent non-executive Directors, formed for the purpose of advising the Independent Shareholders in relation to the SPAs and the Disposals
“Independent Financial Adviser” or “Somerley”	Somerley Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, appointed as the independent financial adviser for the purpose of advising the Independent Board Committee and Independent Shareholders in relation to the SPAs and the Disposals
“Independent Shareholders”	Shareholders other than KPL and its Associates
“KPL” or “Purchaser Guarantor”	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
“KPL Group”	KPL and its subsidiaries
“Latest Practicable Date”	30 April 2019, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“Long Stop Date”	14 June 2019 or such other date as the Vendor and the Purchaser may agree in writing
“Purchaser”	Giant Assets Holdings Limited, a limited company incorporated in the BVI and indirect wholly-owned by KPL
“Sale Shares”	Sale Shares I and Sale Shares II
“Sale Shares I”	10,000 shares of Warehouse Co I, representing 100% of its total issued share capital
“Sale Shares II”	1,000 shares of Warehouse Co II, representing 100% of its total issued share capital
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

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## DEFINITIONS

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“SGM”	a special general meeting of the Company to be held at Kowloon Room, Mezzanine Floor, Kowloon Shangri-La, 64 Mody Road, Tsimshatsui East, Kowloon, Hong Kong at 3:15 p.m. on Friday, 31 May 2019 (or as soon thereafter as the annual general meeting of the Company to be held at the same place and on the same date at 2:30 p.m. shall have been concluded or adjourned) to consider and, if appropriate, to approve the resolutions contained in the notice of the meeting which is set out on pages SGM-1 to SGM-2 of this circular, or any adjournment thereof
“Shareholder(s)”	the holder(s) of the Share(s)
“Share(s)”	share(s) of nominal value of HK\$0.50 each of the Company, or, if there has been a subdivision, consolidation, reclassification or reconstruction of the share capital of the Company, shares forming part of the ordinary share capital of the Company
“Shatin Warehouse”	a warehouse situated at Nos. 36-42 Shan Mei Street, Shatin, New Territories, Hong Kong, with a total gross floor area of 431,530 square feet
“SPA I”	the sale and purchase agreement dated 28 March 2019 entered into among the Vendor, the Company, the Purchaser and KPL, pursuant to which the Purchaser agreed to purchase Sale Shares I from the Vendor
“SPA II”	the sale and purchase agreement dated 28 March 2019 entered into among the Vendor, the Company, the Purchaser and KPL, pursuant to which the Purchaser agreed to purchase Sale Shares II from the Vendor
“SPAs”	SPA I and SPA II
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary” or “subsidiaries”	has the meaning ascribed thereto under the Listing Rules
“substantial shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Vendor”	Kerry Warehouse (HK) Holdings Limited, a limited company incorporated in the BVI, which is an indirect wholly-owned subsidiary of the Company
“Warehouse Co I”	Dec Limited, a limited company incorporated in the BVI, which is an indirect wholly-owned subsidiary of the Company as at the date of this circular and the ultimate owner of Chai Wan Warehouse

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## DEFINITIONS

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“Warehouse Co II”	Belminton Inc., a limited company incorporated in the BVI, which is an indirect wholly-owned subsidiary of the Company as at the date of this circular and the ultimate owner of Shatin Warehouse
“Warehouse Companies”	Warehouse Co I and Warehouse Co II
“Warehouse Subsidiaries”	Warehouse Subsidiary I and Warehouse Subsidiary II
“Warehouse Subsidiary I”	Kerry Warehouse (Chai Wan) Limited, a company incorporated in Hong Kong with limited liability, which is the direct wholly-owned subsidiary of Warehouse Co I and the legal owner of Chai Wan Warehouse
“Warehouse Subsidiary II”	Kerry Warehouse (Shatin) Limited, a company incorporated in Hong Kong with limited liability, which is the direct wholly-owned subsidiary of Warehouse Co II and the legal owner of Shatin Warehouse
“Warehouses”	Chai Wan Warehouse and Shatin Warehouse
“%”	per cent

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## LETTER FROM THE BOARD

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

(Incorporated in the British Virgin Islands and continued into Bermuda  
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Stock Code 636

*Executive Directors:*

Mr YEO George Yong-boon (*Chairman*)  
Mr MA Wing Kai William (*Group Managing Director*)  
Mr KUOK Khoon Hua  
Mr NG Kin Hang

*Non-executive Director:*

Mr CHIN Siu Wa Alfred

*Independent Non-executive Directors:*

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

*Registered Office:*

Canon's Court  
22 Victoria Street  
Hamilton HM12  
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

6 May 2019

*To the Shareholders*

Dear Sirs or Madams,

**DISCLOSEABLE AND CONNECTED TRANSACTIONS  
IN RELATION TO THE DISPOSAL OF 100% TOTAL ISSUED SHARE CAPITAL  
OF TWO INDIRECT WHOLLY-OWNED SUBSIDIARIES**

**1. INTRODUCTION**

Reference is made to the Announcement in relation to the Disposals and the SPAs entered into among the Company, the Vendor, KPL and the Purchaser dated 28 March 2019.

On 28 March 2019, the Company, the Vendor (an indirect wholly-owned subsidiary of the Company), the Purchaser and the Purchaser Guarantor entered into (1) SPA I, pursuant to which the Vendor as the sole and beneficial owner has agreed to sell to the Purchaser, and the Purchaser has agreed to purchase, free from all encumbrances Sale Shares I, representing 100% of the total issued share capital of Warehouse Co I for the consideration of HK\$2.27 billion, subject to and in accordance with the terms and conditions of SPA I; and (2) SPA II, pursuant to which the

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## LETTER FROM THE BOARD

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Vendor as the sole and beneficial owner has agreed to sell to the Purchaser, and the Purchaser has agreed to purchase, free from all encumbrances Sale Shares II, representing 100% of the total issued share capital of Warehouse Co II for the consideration of HK\$1.33 billion, subject to and in accordance with the terms and conditions of SPA II.

The Purchaser is an indirect wholly-owned subsidiary of KPL. The Purchaser Guarantor, KPL, is a substantial shareholder and a controlling shareholder of the Company. Accordingly, KPL is a connected person of the Company. As more than one of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Disposals are more than 5% but all applicable percentage ratios are less than 25%, the Disposals constitute discloseable and connected transactions of the Company, which would be subject to the reporting, announcement and the Independent Shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules. In view of the interests of KPL in the Company, KPL and its Associates will abstain from voting in relation to the resolutions approving the Disposals to be proposed at the SGM. The executive Director, Mr KUOK Khoon Hua, has declared that he together with his Associates hold more than 5% interest in KPL and therefore he has abstained from voting on relevant resolutions of the Board approving the Disposals.

Upon Completion, the Company will cease to hold any share capital of the Warehouse Companies.

The purpose of this circular is to provide you with, among other things, (i) further details of the Disposals and the transactions contemplated under the SPAs; (ii) a letter from the Independent Board Committee with its recommendation to the Independent Shareholders regarding the Disposals and the transactions contemplated under the SPAs; (iii) a letter from Somerley containing its advice to the Independent Board Committee and the Independent Shareholders; and (iv) a notice of the SGM.

### 2. PRINCIPAL TERMS OF THE SPAs

The principal terms of SPA I are set out below:

#### a. Date

28 March 2019

#### b. Parties

- (i) Purchaser: Giant Assets Holdings Limited (an indirect wholly-owned subsidiary of KPL) as the purchaser
- (ii) Purchaser Guarantor: Kerry Properties Limited (a controlling shareholder and substantial shareholder of the Company) as the purchaser's guarantor
- (iii) Vendor: Kerry Warehouse (HK) Holdings Limited (an indirect wholly-owned subsidiary of the Company) as the vendor which owns 100% of the total issued share capital of Warehouse Co I
- (iv) Vendor Guarantor: Kerry Logistics Network Limited (the Company) as the vendor's guarantor

#### c. Asset to be disposed of

Pursuant to SPA I, the Vendor agreed to sell and the Purchaser agreed to purchase Sale Shares I. Sale Shares I represent 100% of the total issued share capital of Warehouse Co I.



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## LETTER FROM THE BOARD

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### **d. Consideration and Payment Terms**

The total consideration payable by the Purchaser for Warehouse Co I shall be HK\$2.27 billion.

Upon execution of SPA I, the Purchaser paid the sum of HK\$227 million as deposit of Warehouse Co I in accordance with the provisions of SPA I.

At Completion, the remaining balance of the payment of the consideration for Sale Shares I shall be paid by the Purchaser to the Vendor in accordance with the provisions of SPA I.

If the condition relating to the passing of the relevant resolutions by the Company and KPL is not satisfied on or before the Long Stop Date, SPA I shall be terminated and the full amount of the deposit (together with all interests, if any, accrued thereon) shall be returned to the Purchaser.

#### ***Basis of Consideration***

The consideration of Warehouse Co I has been determined after arm's length negotiations between the Purchaser and the Vendor after taking into account, among other things, (i) the historical financial performance of Warehouse Co I, (ii) the preliminary indication of value of Chai Wan Warehouse (which has been supported by a valuation report dated 8 April 2019) conducted by a professional valuer which is independent from the Company and its connected persons and (iii) the value of the other assets and liabilities of Warehouse Co I. The preliminary valuation of Chai Wan Warehouse was on current date basis and was based on the information provided by the Group and available on 28 March 2019. The valuer has adopted the market approach as the valuation methodology, and market value was the basis of valuation. Subject to certain assumptions such as the Chai Wan Warehouse is free from encumbrances, the preliminary indication of value of Chai Wan Warehouse was HK\$2.11 billion. Taking into account that (i) the consideration for the disposal of Warehouse Co I is higher than the valuation of Chai Wan Warehouse that was conducted by the professional independent valuer using the market approach, (ii) the consideration being higher than the reassessed net asset value of Warehouse Co I as at 31 December 2018 and (iii) the value of warehouses in the market and in the proximity of Chai Wan Warehouse, the Directors (including the independent non-executive Directors who have taken into account the advice from Somerley) are of the view that the consideration under SPA I is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **e. Condition Precedent**

Completion is conditional upon the passing of the relevant resolutions by the shareholders of the Company and KPL other than those who are required by the Listing Rules to abstain from voting on the resolutions respectively approving SPA I and the transactions contemplated thereunder by the Long Stop Date.

### **f. Representations and Warranties**

SPA I contains representations and warranties of the Vendor which are usual and customary for a transaction of this nature and scale.

### **g. Guarantee and Indemnity**

The Purchaser Guarantor has guaranteed to the Vendor and the Vendor Guarantor, among other things, the due and punctual performance and discharge by the Purchaser of its obligations and liabilities under SPA I and the deed of indemnity.

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## LETTER FROM THE BOARD

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The Vendor Guarantor has guaranteed to the Purchaser and the Purchaser Guarantor, among other things, the due and punctual performance and discharge by the Vendor of its obligations and liabilities under SPA I and the deed of indemnity.

The principal terms of SPA II are set out below:

**a. Date**

28 March 2019

**b. Parties**

- (i) Purchaser: Giant Assets Holdings Limited (an indirect wholly-owned subsidiary of KPL) as the purchaser
- (ii) Purchaser Guarantor: Kerry Properties Limited (a controlling shareholder and substantial shareholder of the Company) as the purchaser's guarantor
- (iii) Vendor: Kerry Warehouse (HK) Holdings Limited (an indirect wholly-owned subsidiary of the Company) as the vendor which owns 100% of the total issued share capital of Warehouse Co II
- (iv) Vendor Guarantor: Kerry Logistics Network Limited (the Company) as the vendor's guarantor

**c. Asset to be disposed of**

Pursuant to SPA II, the Vendor agreed to sell and the Purchaser agreed to purchase Sale Shares II. Sale Shares II represent 100% of the total issued share capital of Warehouse Co II.

**d. Consideration and Payment Terms**

The total consideration payable by the Purchaser for Warehouse Co II shall be HK\$1.33 billion.

Upon execution of SPA II, the Purchaser paid the sum of HK\$133 million as deposit of Warehouse Co II in accordance with the provisions of SPA II.

At Completion, the remaining balance of the payment of the consideration for Sale Shares II shall be paid by the Purchaser to the Vendor in accordance with the provisions of SPA II.

If the condition relating to the passing of the relevant resolutions by the Company and KPL is not satisfied on or before the Long Stop Date, SPA II shall be terminated and the full amount of the deposit (together with all interests, if any, accrued thereon) shall be returned to the Purchaser.

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## LETTER FROM THE BOARD

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### ***Basis of Consideration***

The consideration of Warehouse Co II has been determined after arm's length negotiations between the Purchaser and the Vendor after taking into account, among other things, (i) the historical financial performance of Warehouse Co II, (ii) the preliminary indication of value of Shatin Warehouse (which has been supported by a valuation report dated 8 April 2019) conducted by a professional valuer which is independent from the Company and its connected persons and (iii) the value of the other assets and liabilities of Warehouse Co II. The preliminary valuation of Shatin Warehouse was on current date basis and was based on the information provided by the Group and available on 28 March 2019. The valuer has adopted the market approach as the valuation methodology, and market value was the basis of valuation. Subject to certain assumptions such as the Shatin Warehouse is free from encumbrances, the preliminary indication of value of Shatin Warehouse was HK\$1.28 billion. Taking into account that (i) the consideration for the disposal of Warehouse Co II is higher than the valuation of Shatin Warehouse that was conducted by the professional independent valuer using the market approach, (ii) the consideration being higher than the reassessed net asset value of Warehouse Co II as at 31 December 2018 and (iii) the value of warehouses in the market and in the proximity of Shatin Warehouse, the Directors (including the independent non-executive Directors who have taken into account the advice from Somerley) are of the view that the consideration under SPA II is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **e. Condition Precedent**

Completion is conditional upon the passing of the relevant resolutions by the shareholders of the Company and KPL other than those who are required by the Listing Rules to abstain from voting on the resolutions respectively approving SPA II and the transactions contemplated thereunder by the Long Stop Date.

For the avoidance of doubt, SPA I and SPA II are not inter-conditional.

### **f. Representations and Warranties**

SPA II contains representations and warranties of the Vendor which are usual and customary for a transaction of this nature and scale.

### **g. Guarantee and Indemnity**

The Purchaser Guarantor has guaranteed to the Vendor and the Vendor Guarantor, among other things, the due and punctual performance and discharge by the Purchaser of its obligations and liabilities under SPA II and the deed of indemnity.

The Vendor Guarantor has guaranteed to the Purchaser and the Purchaser Guarantor, among other things, the due and punctual performance and discharge by the Vendor of its obligations and liabilities under SPA II and the deed of indemnity.

## **3. INFORMATION ABOUT THE PARTIES TO THE SPAs**

The Purchaser is a limited company incorporated in the BVI and is an indirect wholly-owned subsidiary of KPL. The principal activity of the Purchaser is investment holding.

The Vendor is a limited company incorporated in the BVI and is an indirect wholly-owned subsidiary of the Company. The principal activity of the Vendor is investment holding.

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## LETTER FROM THE BOARD

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

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.

#### 4. INFORMATION ABOUT THE WAREHOUSE COMPANIES

Each of the Warehouse Companies is a limited liability company established under the laws of the BVI. Warehouse Co I beneficially owns Warehouse Subsidiary I which in turn owns Chai Wan Warehouse. Warehouse Co II beneficially owns Warehouse Subsidiary II which in turn owns Shatin Warehouse. The principal assets of Warehouse Subsidiary I and Warehouse Subsidiary II are Chai Wan Warehouse and Shatin Warehouse respectively.

The summary of the unaudited consolidated financial information of Warehouse Co I for the two years ended 31 December 2017 and 2018 is as follows:-

	<b>For the year ended 31 December 2017</b>	<b>For the year ended 31 December 2018</b>
	<i>(unaudited)</i>	<i>(unaudited)</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Operating profit before fair value change of investment property</b>	30,143	29,751
Increase in fair value of investment property	87,000	110,000
Net profits before taxation	117,143	139,751
<b>Net profit before fair value change of investment property</b>	25,186	24,875
Increase in fair value of investment property	87,000	110,000
Net profits after taxation	112,186	134,875
		<b>As at 31 December 2018</b>
		<i>(unaudited)</i>
		<i>HK\$'000</i>
Total assets		900,257
Net assets		880,804

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## LETTER FROM THE BOARD

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The summary of the unaudited consolidated financial information of Warehouse Co II for the two years ended 31 December 2017 and 2018 is as follows:–

	<b>For the year ended 31 December 2017</b>	<b>For the year ended 31 December 2018</b>
	<i>(unaudited)</i>	<i>(unaudited)</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Operating profit before fair value change of investment property</b>	35,484	47,717
Increase in fair value of investment property	63,000	104,000
Net profits before taxation	98,484	151,717
<b>Net profit before fair value change of investment property</b>	29,646	39,877
Increase in fair value of investment property	63,000	104,000
Net profits after taxation	92,646	143,877
		<b>As at 31 December 2018</b>
		<i>(unaudited)</i>
		<i>HK\$'000</i>
Total assets		775,773
Net assets		748,045

The net book value of Warehouse Co I and Warehouse Co II was approximately HK\$880,804,000 and HK\$748,045,000 respectively as at 31 December 2018.

### 5. FINANCIAL EFFECT OF THE DISPOSALS AND USE OF PROCEEDS

It is estimated that the gain on disposal of Sale Shares I and Sale Shares II (before deducting the related expenses) will be approximately HK\$1.4 billion and HK\$0.6 billion respectively. Accordingly, the total estimated gain of the Sale Shares in aggregate will be approximately HK\$2 billion. Such gain is estimated mainly based on the difference between the consideration and the total net asset value of the Warehouse Companies as at 31 December 2018.

The Board intends to apply the aggregated net proceeds from the Disposals of approximately HK\$3.6 billion as follows: (i) approximately HK\$600 million will be used to distribute special dividend to Shareholders and (ii) the remaining approximately HK\$3 billion will be used to repay and/or refinance part of the loan(s) of the Group to decrease its financing costs before any suitable investment opportunities are identified. Once the suitable investment opportunities are identified, part or all of such remaining balance will be used to invest in those suitable investment opportunities.

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## LETTER FROM THE BOARD

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### 6. REASONS FOR AND BENEFITS OF THE DISPOSALS

The Group operates as a leading logistics service provider in Asia principally engaged in the integrated logistics and international freight forwarding businesses. The Board considers that the Disposals will monetise gains from the Group's balance sheet and allow the Group to redeploy resources into its core and fast-growing logistics businesses, where the Group can make further investments to increase coverage network, business scale and supply chain management capabilities. The Disposals will provide greater financial flexibility for the Group by reducing its net financial leverage and gearing ratios, thereby enhancing the Group's ability to capitalise on growth opportunities. It is also beneficial to the Company to move towards a more flexible asset base globally, as the Company estimates that there will be a positive financial impact where the Group's earnings growth potential and return on equity profile may be increased. The Company will also be able to return capital to the Shareholders by way of distribution of a special dividend. The payment of the special dividend will be adhered to the dividend policy duly approved by the Board on 11 December 2018, which sets out that the Company targets to distribute to its Shareholders approximately 30% of its core net profit for each financial year end. Pursuant to the dividend policy, any proposed distribution of dividends is subject to the discretion of the Board and the approval of the Shareholders, and special dividend will also be considered when circumstances permit. For further details of the dividend policy, please refer to the annual report of the Company for the year ended 31 December 2018 dated 28 March 2019.

The Board also considers that the SPAs and the Disposals entered into are on normal commercial terms, which are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The executive Director, Mr KUOK Khoon Hua, has declared that he together with his Associates hold more than 5% interest in KPL and therefore he has abstained from voting on relevant resolutions of the Board approving the Disposals. Apart from the foregoing and to the best of the knowledge, information and belief of the Directors after having made all reasonable enquiries, as at the date of this circular, none of the Directors has a material interest in the Disposals nor was required to abstain from voting on the board resolution approving the SPAs and the Disposals under the bye-laws of the Company.

### 7. LISTING RULES IMPLICATIONS

The Purchaser is an indirect wholly-owned subsidiary of KPL. The Purchaser Guarantor, KPL, is a substantial shareholder and a controlling shareholder of the Company. Accordingly, KPL is a connected person of the Company. As more than one of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Disposals are more than 5% but all applicable percentage ratios are less than 25%, the Disposals constitute discloseable and connected transactions of the Company, which would be subject to the reporting, announcement and the Independent Shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules. In view of the interests of KPL in the Company, KPL and its Associates will abstain from voting in relation to the resolutions approving the Disposals to be proposed at the SGM.

### 8. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising Ms KHOO Shulamite N K, Mr WAN Kam To, Mr YEO Philip Liat Kok and Mr ZHANG Yi Kevin, all being independent non-executive Directors, has been established to advise the Independent Shareholders as to the fairness and reasonableness of the SPAs, the Disposals and the transactions contemplated thereunder. Ms WONG Yu Pok Marina has excused herself from the Independent Board Committee at her own will due to her common directorship in the Company and the Purchaser Guarantor.

Somerley has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the SPAs, the Disposals and the transactions contemplated thereunder.

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## LETTER FROM THE BOARD

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Morgan Stanley Asia Limited has been appointed by the Company to act as the financial advisor to the Disposals.

### 9. SGM

The SGM will be convened at which the resolutions will be proposed to seek Independent Shareholders' approval for the SPAs and the Disposals. Any connected person, Shareholder and their respective Associates with a material interest in the transactions contemplated under the SPAs and the Disposals will be abstained from voting. Accordingly, KPL and its Associates, will abstain from voting in relation to the resolutions approving the Disposals. As at the Latest Practicable Date, KPL is deemed to be interested in 718,340,998 Shares, representing approximately 41.97% of the total issued share capital of the Company.

A notice convening the SGM to be held at Kowloon Room, Mezzanine Floor, Kowloon Shangri-La, 64 Mody Road, Tsimshatsui East, Kowloon, Hong Kong on Friday, 31 May 2019 at 3:15 p.m. (or as soon thereafter as the annual general meeting of the Company to be held at the same place and on the same date at 2:30 p.m. shall have been concluded or adjourned) is set out on pages SGM-1 to SGM-2 of this circular.

A form of proxy for use at the SGM is enclosed with this circular and such form of proxy is also published on the website of Hong Kong Exchange and Clearing Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.kerrylogistics.com](http://www.kerrylogistics.com)). To be valid, the form of proxy must be completed and signed in accordance with the instructions printed thereon and deposited, together with the power of attorney or other authority (if any) under which it is signed or a certified copy of such power or authority to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof.

Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjourned meeting if you so wish and in such event, the instrument appointing a proxy shall be deemed to be revoked. A Shareholder being a depositor whose name appears in the depository register of the Company is entitled to appoint a proxy to attend and vote in his/her stead. A proxy need not be a member of the Company.

Save for the above, as at the Latest Practicable Date, to the best knowledge of the Directors, none of the Shareholders has a material interest in the SPAs and the Disposals.

### 10. RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on page 15 of this circular and the letter of advice from Somerley to the Independent Board Committee and the Independent Shareholders set out on pages 16 to 30 of this circular in connection with the transactions contemplated under the SPAs and the Disposals and the principal factors and reasons considered by Somerley in arriving at such advice.

The Independent Board Committee, having taken into account the advice of Somerley, considers that the SPAs and the Disposals and the transactions contemplated thereunder, although are not in the ordinary and usual course of business of the Group, are in the interests of the Company and the Shareholders as a whole. The Independent

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## LETTER FROM THE BOARD

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Board Committee is also of the view that the terms of the Disposals are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolutions to approve the SPAs, the Disposals and the transactions contemplated thereunder at the SGM.

Accordingly, the Board (including the independent non-executive Directors) also recommends the Independent Shareholders to vote in favour of the resolutions to approve the SPAs, the Disposals and the transactions contemplated thereunder at the SGM as set out in the notice of SGM.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, save for KPL and its Associates, no Shareholder is required to abstain from voting on the ordinary resolutions to be proposed at the SGM approving the SPAs and the Disposals.

### 11. VOTING BY POLL

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Therefore, the resolutions put to the vote at the SGM will be taken by way of poll. The chairman of the SGM will explain the detailed procedures for conducting a poll at the commencement of the SGM.

After the conclusion of the SGM, the poll results will be published on the respective websites of the Stock Exchange and the Company.

### 12. FURTHER INFORMATION

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

Yours faithfully  
By Order of the Board  
**Kerry Logistics Network Limited**  
YEO George Yong-boon  
*Chairman*



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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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*The following is the letter of advice from the Independent Board Committee to the Independent Shareholders, which has been prepared for the purpose of this circular.*



Kerry Logistics  
Network Limited

嘉里物流聯網有限公司

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

Stock Code 636

6 May 2019

*To the Independent Shareholders*

Dear Sirs or Madams,

### **DISCLOSEABLE AND CONNECTED TRANSACTIONS IN RELATION TO THE DISPOSAL OF 100% TOTAL ISSUED SHARE CAPITAL OF TWO INDIRECT WHOLLY-OWNED SUBSIDIARIES**

We refer to the circular of the Company dated 6 May 2019 (the “Circular”) of which this letter forms part. Unless the context otherwise requires, terms defined in the Circular shall have the same meanings when used herein.

We have been appointed by the Board to form the Independent Board Committee to consider and advise the Independent Shareholders as to whether, in our opinion, the terms of the SPAs and the Disposals contemplated thereunder are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and whether they are in the interests of the Company and the Shareholders as a whole and to recommend whether or not the Independent Shareholders should vote for the resolutions to be proposed at the SGM to approve the SPAs and the Disposals. The appointment of Somerley as the Independent Financial Adviser to advise you and us in this record has been approved by us. Details of its advice, together with the principal factors and reasons it has taken into consideration in arriving at such advice, are set out on pages 18 to 30 of the Circular.

Your attention is drawn to the “Letter from the Board” and “Letter from Somerley” as set out in pages 5 to 14 and pages 16 to 30 to the Circular respectively.

### **RECOMMENDATION**

Having considered the terms of the SPAs and the Disposals and taking into account the independent advice from Somerley, and in particular, the principal factors and reasons considered and opinion and recommendation as set out in its letter, we are of the opinion that the terms of the SPAs and the Disposals, although are not in the ordinary and usual course of business of the Group, are in the interests of the Company and the Shareholders as a whole. The Independent Board Committee is also of the view that the terms of the Disposals are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the SGM to approve the Disposals.

Yours faithfully,  
For and on behalf of the Independent Board Committee  
**KHOO Shulamite N K**  
**WAN Kam To**  
**YEO Philip Liat Kok**  
**ZHANG Yi Kevin**  
*Independent non-executive Directors*

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## LETTER FROM SOMERLEY

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



### SOMERLEY CAPITAL LIMITED

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

6 May 2019

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

Dear Sirs,

### DISCLOSEABLE AND CONNECTED TRANSACTIONS IN RELATION TO THE DISPOSAL OF 100% TOTAL ISSUED SHARE CAPITAL OF TWO INDIRECT WHOLLY-OWNED SUBSIDIARIES

#### INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Disposals. Details of the Disposals are set out in the circular issued by the Company to the Shareholders dated 6 May 2019 (the "Circular"), of which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

On 28 March 2019, the Company and the Vendor, an indirectly wholly-owned subsidiary of the Company, entered into the SPAs with the Purchaser and the Purchaser Guarantor, pursuant to which the Vendor has conditionally agreed to dispose of and the Purchaser has conditionally agreed to acquire the Sale Shares I and the Sale Shares II, representing the entire issued share capital of Warehouse Co I and Warehouse Co II, for the considerations of HK\$2,270.0 million and HK\$1,330.0 million respectively (the "Consideration"). The principal assets of the Warehouse Companies are the Warehouses. Upon Completion, the Company will cease to hold any share capital of the Warehouse Companies.

As at the date of the SPAs, the Purchaser is an indirect wholly-owned subsidiary of KPL, a substantial and controlling shareholder of the Company. As such, each of the Purchaser and KPL is a connected person of the Company within the meaning of the Listing Rules and therefore, the entering into of the SPAs constitutes connected transactions of the Company. As certain of the applicable percentage ratios stipulated under Rule 14.07 of the Listing Rules in respect of the Disposals exceed 5% but all applicable percentage ratios are less than 25%, the Disposals constitute discloseable and connected transactions of the Company and they are subject to the reporting, announcement and Independent Shareholders' approval requirements set out in Chapter 14A of the Listing Rules.

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## LETTER FROM SOMERLEY

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The Independent Board Committee, comprising the independent non-executive Directors, namely Ms KHOO Shulamite N K, Mr WAN Kam To, Mr YEO Philip Liat Kok, Mr ZHANG Yi Kevin, has been established to advise the Independent Shareholders in respect of the Disposals. Ms WONG Yu Pok Marina, being the independent non-executive Director, has excused herself from the Independent Board Committee at her own will due to her common directorship in the Company and KPL. We, Somerley Capital Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in the same regard.

We are not associated with the Company, the Vendor, the Purchaser, the Purchaser Guarantor or their respective core connected persons, close associates or associates (all defined in the Listing Rules) and accordingly are considered eligible to give independent advice on the above matter. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company, the Vendor, the Purchaser, the Purchaser Guarantor or their respective core connected persons, close associates or associates.

In formulating our opinion, we have reviewed, among other things, the SPAs, the annual results announcement of the Company for the year ended 31 December 2018 (the “**2018 Annual Results Announcement**”), the interim report of the Company for the six months ended 30 June 2018 (the “**2018 Interim Report**”), the annual report of the Company for the year ended 31 December 2017, the unaudited consolidated financial information of the Warehouse Companies for the years ended 31 December 2018 and 31 December 2017, the valuation report of the Warehouses (the “**Valuation Report**”) dated 8 April 2019 (the “**Valuation Date**”) prepared by Cushman & Wakefield Limited (the “**Valuer**”), an independent property valuer appointed by the Company, as set out in appendix I to the Circular and the information as set out in the Circular. We have discussed the business and future prospects of the Group as they may be affected by the Disposals with the management of the Group and we have also discussed the valuation methodology and bases and assumptions used in the Valuation Report with the Valuer. We have also performed site visits to the Warehouses.

We have relied on the information and facts supplied, and the opinions expressed, by the Directors and management of the Group and have assumed that they are true, accurate and complete. We have also sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed to us. We have no reason to believe that any material information has been withheld from us, or to doubt the truth or accuracy of the information provided. We have relied on such information and consider that the information we have received is sufficient for us to reach an informed view. We have not, however, conducted any independent investigation into the business and affairs of the Group or the Warehouse Companies, nor have we carried out any independent verification of the information supplied.

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## LETTER FROM SOMERLEY

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### 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 is a leading logistics service provider in Asia principally engaged in integrated logistics and international freight forwarding businesses. In particular, the Company provides (i) integrated logistics services, including storage and value-added services, trucking and distribution, returns management and various ancillary services, primarily in Asia; (ii) leasing of warehousing space in Hong Kong; and (iii) international freight forwarding services intra-Asia and between Asia and Europe to transport cargo using air freight, ocean freight and cross-border road freight forwarding services.

##### *(b) Financial performance of the Group*

Set out below is a summary of the financial performance of the Group for the two years ended 31 December 2018 and 31 December 2017 as extracted from the 2018 Annual Results Announcement.

	Year ended 31 December	
	2018	2017
	HK\$ million	HK\$ million
Turnover	38,138.5	30,787.7
Gross profit	4,755.6	4,181.0
Profit before taxation	3,378.2	2,968.8
Profit for the year	2,871.6	2,499.5
Profit for the year attributable to the Shareholders	2,439.8	2,115.9
Core net profit attributable to the Shareholders	1,326.3	1,183.1

The Group achieved a turnover of approximately HK\$38,138.5 million for 2018, representing a growth of approximately 23.9% from that for 2017. Gross margin of the Group dropped from approximately 13.6% for 2017 by approximately 1.1% to approximately 12.5% for 2018. Overall, the profit attributable to the Shareholders amounted to approximately HK\$2,439.8 million for 2018, representing growth of approximately 15.3% from that for 2017. Moreover, the Group's core net profit, which mainly consists of the profit attributable to the Shareholders before the after-tax effect of change in fair value of investment properties, grew approximately 12.1% to approximately HK\$1,326.3 million for 2018. The increase in profit was primarily driven by (i) overall business growth for the integrated logistics segment, and especially, the accelerated growth of the Thailand's express delivery business; and (ii) steady volume growth for the international freight forwarding segment.

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**LETTER FROM SOMERLEY**

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**(c) Financial position of the Group**

Set out below is a summary of financial position of the Group as at 31 December 2018 and 31 December 2017 as extracted from the 2018 Annual Results Announcement.

	<b>As at 31 December</b>	
	<b>2018</b>	<b>2017</b>
	<i>HK\$ million</i>	<i>HK\$ million</i>
<b>Non-current assets</b>		
Investment properties	11,039.0	9,892.5
Property, plant and equipment	10,347.0	9,423.2
Other non-current assets	6,762.8	6,683.1
	<hr/>	<hr/>
	28,148.8	25,998.8
<b>Current assets</b>		
Accounts receivable, prepayments and deposits	9,502.9	7,568.5
Cash and bank balances	4,305.9	3,569.6
Other current assets	1,075.1	513.4
	<hr/>	<hr/>
	14,883.9	11,651.5
<b>Current liabilities</b>		
Accounts payable, deposits received and accrued charges	6,795.7	5,565.8
Short-term bank loans and current portion of long-term bank loans	4,936.9	3,955.7
Other current liabilities	586.3	332.2
	<hr/>	<hr/>
	12,318.9	9,853.7
<b>Net current assets</b>	<hr/>	<hr/>
	2,565.0	1,797.8
<b>Non-current liabilities</b>		
Long-term bank loans	4,569.6	4,198.8
Other non-current liabilities	2,476.6	2,330.9
	<hr/>	<hr/>
	7,046.2	6,529.7
<b>Equity</b>		
Equity attributable to the Shareholders	20,043.3	17,823.7
Non-controlling interests	3,624.3	3,443.2
	<hr/>	<hr/>
	23,667.6	21,266.9

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## LETTER FROM SOMERLEY

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As at 31 December 2018, non-current assets of the Group amounted to approximately HK\$28,148.8 million, up approximately 8.3% from that as at 31 December 2017, of which investment properties and property, plant and equipment (the "PP&E") accounted for approximately 39.2% and 36.8% respectively. Investment properties mainly comprise warehouses and logistics centres in Hong Kong, China and Vietnam leased out by the Group for rental income. The PP&E mainly consist of warehouses, port facilities, logistics centres, container depot and container terminal in Hong Kong, China, Taiwan and Southeast Asia owned by the Group for its own operations. As at 31 December 2018, the Group managed a logistics facility portfolio of approximately 60 million square feet, of which approximately 41.7% were self-owned.

Meanwhile the Group expanded its operational size and recorded increasing turnover and profit in recent years, total bank loans also grew correspondingly, amounting to approximately HK\$9,506.5 million as at 31 December 2018, representing an increase of approximately 16.6% from that as at 31 December 2017. As a result, the Group's gearing ratio, being total bank loans and overdrafts divided by equity attributable to the Shareholders excluding put options written on non-controlling interests, had increased to approximately 45.7% as at 31 December 2018, which was approximately 2.6% higher than that as at 31 December 2017. In particular, over half of the bank loans in the amount of approximately HK\$4,936.9 million was due within 12 months from 31 December 2018. The working capital position or the net current assets, improved by approximately HK\$767.2 million or 42.7% to approximately HK\$2,565.0 million as at 31 December 2018 from approximately HK\$1,797.8 million as at 31 December 2017.

Equity attributable to the Shareholders enhanced by approximately HK\$2,219.6 million or 12.5% from approximately HK\$17,823.7 million as at 31 December 2017 to approximately HK\$20,043.3 million as at 31 December 2018. The improvement was mainly attributable to the net profit recorded during 2018.

## 2. Information on the Warehouses and the Warehouse Companies

### (a) Information on the Chai Wan Warehouse

The principal asset of the Warehouse Co I, through its wholly-owned subsidiary, is the Chai Wan Warehouse, which is a 15-storey warehouse building situated at 50 Ka Yip Street, Chai Wan, Hong Kong with a gross floor area ("GFA") of approximately 535,037 sq.ft.. In addition, the Chai Wan Warehouse contains one container parking space, 26 lorry parking spaces and 26 van/car parking spaces. The Chai Wan Warehouse falls within a land use zone for industrial purpose.

The Chai Wan Warehouse is currently held as a warehouse and leased out for rental income purpose by the Group. According to the Valuation Report, as at the Valuation Date, approximately 179,850 sq.ft. (approximately 33.6% of the total GFA) in the Chai Wan Warehouse was vacant. The Chai Wan Warehouse is subject to various tenancies with the latest tenancy due to expire in July 2021 and has a total monthly rent of approximately HK\$3.2 million based on the existing tenancies.

Based on the Valuation Report, the market value of the Chai Wan Warehouse as at the Valuation Date was approximately HK\$2,110.0 million, which, according to the Valuer, was equivalent to approximately HK\$3,768 per sq.ft. for the godown portion (i.e. excluding the car parking spaces).

## LETTER FROM SOMERLEY

### **(b) Information on the Shatin Warehouse**

The principal asset of the Warehouse Co II, through its wholly-owned subsidiary, is the Shatin Warehouse, which is a 17-storey warehouse building situated at 36 – 42 Shan Mei Street, Shatin, New Territories, Hong Kong with a total GFA of approximately 431,530 sq.ft.. In addition, the Shatin Warehouse contains one container parking space, 21 lorry parking spaces and 20 van/car parking spaces. Apart from these, there is a public lorry park accommodating 21 lorry parking spaces. The Shatin Warehouse falls within a land use zone for industrial purpose.

The Shatin Warehouse is currently held as a warehouse and leased out for rental income purpose by the Group. According to the Valuation Report, as at the Valuation Date, the Shatin Warehouse was fully let and subject to various tenancies with the latest tenancy due to expire in March 2021 and has a total monthly rent of approximately HK\$5.3 million based on the existing tenancies.

Based on the Valuation Report, the market value of the Shatin Warehouse as at the Valuation Date was approximately HK\$1,280.0 million, which, according to the Valuer, was equivalent to approximately HK\$2,711 per sq.ft. for the godown portion (i.e. excluding the car parking spaces).

### **(c) Information on the Warehouse Companies**

The Warehouse Co I and the Warehouse Co II, through their respective wholly-owned subsidiary, are principally engaged in leasing of the Chai Wan Warehouse and the Shatin Warehouse for rental income respectively.

Set out below is the summary of consolidated financial results of the Warehouse Co I and the Warehouse Co II for the years ended 31 December 2018 and 2017:

	<b>The Warehouse Co I</b>		<b>The Warehouse Co II</b>	
	<b>For the year ended</b>		<b>For the year ended</b>	
	<b>31 December</b>		<b>31 December</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
	<i>(million)</i>	<i>(million)</i>	<i>(million)</i>	<i>(million)</i>
Revenue	50.7	53.6	69.7	58.2
Direct operating expenses	(11.1)	(12.2)	(8.4)	(11.0)
Gross profit	39.6	41.4	61.3	47.2
Administrative expenses	(9.8)	(11.3)	(13.6)	(11.7)
Operating profit before increase in fair value of investment property	29.8	30.1	47.7	35.5
Increase in fair value of investment property	110.0	87.0	104.0	63.0
Profit before taxation	139.8	117.1	151.7	98.5
Taxation	(4.9)	(5.0)	(7.8)	(5.9)
<b>Profit after taxation</b>	<b>134.9</b>	<b>112.1</b>	<b>143.9</b>	<b>92.6</b>
<i>Profit after taxation (after excluding the increase in fair value of investment property)</i>	<i>24.9</i>	<i>25.1</i>	<i>39.9</i>	<i>29.6</i>

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## LETTER FROM SOMERLEY

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Revenue of the Warehouse Co I mainly consists of rental income and gate charge income. The revenue of the Warehouse Co I reduced from approximately HK\$53.6 million for 2017 to approximately HK\$50.7 million for 2018, which was mainly due to the decrease in occupancy rate of the Chai Wan Warehouse during the year. Direct operating expenses mainly comprise repair and maintenance expenses and staff costs, which dropped from approximately HK\$12.2 million for 2017 to approximately HK\$11.1 million for 2018, which was chiefly due to the decrease in repair works in 2018. Administrative expenses comprise the headquarter expenses such as information technology and office support service charges to the Company, which dropped from approximately HK\$11.3 million for 2017 to approximately HK\$9.8 million for 2018, which was in line with the decrease in revenue. Profit before taxation for 2018 was approximately HK\$139.8 million, representing an increase of approximately HK\$22.7 million from approximately HK\$117.1 million for 2017, which was mainly attributable to the larger increase in fair value of the investment property (i.e. the Chai Wan Warehouse) of HK\$110.0 million during 2018. Excluding the increase in fair value of the investment property, the operating profit for 2018 was approximately HK\$29.8 million, representing a decline of approximately HK\$0.3 million or 1.0%. Overall, the profit after taxation (after excluding the increase in fair value of the investment property) of the Warehouse Co I for 2018 was approximately HK\$24.9 million, representing a decrease of approximately HK\$0.2 million or 0.8% from that for the prior year.

The nature of incomes and expenses of the Warehouse Co II is similar to that of the Warehouse Co I. For 2018, the revenue increased by approximately HK\$11.5 million from approximately HK\$58.2 million for 2017 to approximately HK\$69.7 million for 2018, which was mainly attributable to the increase in occupancy rate and increase in rental upon renewal of rental agreements with the tenants. Direct operating expenses dropped from approximately HK\$11.0 million for 2017 to approximately HK\$8.4 million for 2018 as a result of the reduced repair work during 2018. Administrative expenses grew from approximately HK\$11.7 million for 2017 to approximately HK\$13.6 million for 2018 and was generally in line with the increase in revenue. Profit before taxation for 2018 was approximately HK\$151.7 million, representing an increase of approximately HK\$53.2 million from approximately HK\$98.5 million for 2017, which was chiefly as a result of the larger increase in fair value of the investment property (i.e. the Shatin Warehouse) of HK\$104.0 million during 2018. Excluding the increase in fair value of the investment property, the operating profit for 2018 was approximately HK\$47.7 million, representing an enhancement of approximately HK\$12.2 million or 34.4%. Overall, the profit after taxation (after excluding the increase in fair value of the investment property) of the Warehouse Co II for 2018 was approximately HK\$39.9 million, representing an improvement of approximately HK\$10.3 million or 34.8% from that for the prior year.



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**LETTER FROM SOMERLEY**

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Set out below is the summary of the consolidated financial position of the Warehouse Co I and the Warehouse Co II as at 31 December 2018 and 2017:

	<b>The Warehouse Co I</b>		<b>The Warehouse Co II</b>	
	<b>As at 31 December</b>		<b>As at 31 December</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
	<i>(million)</i>	<i>(million)</i>	<i>(million)</i>	<i>(million)</i>
<b>Non-current assets</b>				
Investment property	877.0	767.0	747.0	643.0
Plant and equipment	2.9	0.8	0.3	0.4
	<u>879.9</u>	<u>767.8</u>	<u>747.3</u>	<u>643.4</u>
<b>Current assets</b>				
Amounts due from fellow subsidiaries	19.9	21.0	28.2	38.4
Other current assets	0.5	2.3	0.2	0.1
	<u>20.4</u>	<u>23.3</u>	<u>28.4</u>	<u>38.5</u>
<b>Current liabilities</b>				
Deposits received and accrued charges	6.2	6.2	17.2	16.6
Taxation payable	1.1	0.9	3.5	1.1
	<u>7.3</u>	<u>7.1</u>	<u>20.7</u>	<u>17.7</u>
<b>Net current assets</b>	<u>13.1</u>	<u>16.2</u>	<u>7.7</u>	<u>20.8</u>
<b>Non-current liability</b>				
Deferred taxation	<u>12.2</u>	<u>12.1</u>	<u>7.0</u>	<u>7.0</u>
<b>Net asset value</b>	<u>880.8</u>	<u>771.9</u>	<u>748.0</u>	<u>657.2</u>

As at 31 December 2018, the consolidated net asset value (the "NAV") of the Warehouse Co I and the Warehouse Co II were approximately HK\$880.8 million and approximately HK\$748.0 million respectively. As at 31 December 2018, the assets of the Warehouse Companies mainly comprised the Warehouses and amounts due from fellow subsidiaries. The amounts due from fellow subsidiaries represent the net balance due from Kerry Warehouse (Hong Kong) Limited, which acts as the leasing agent of the Warehouses and receives rental income and makes payments on behalf of the Warehouses. The liabilities of the Warehouse Companies chiefly consisted of deposits received and accrued charges and certain taxation payable and deferred taxation in relation to the Warehouses.

### 3. Reasons for and benefits of the Disposals

As stated in the letter from the Board, the Board considers that the Disposals will monetise gains from the Group's balance sheet and allow the Group to redeploy resources into its core and fast-growing logistics businesses, where the Group can make further investments to increase coverage network, business scale and supply chain management capabilities. The Disposals will provide greater financial flexibility for the Group by reducing its net financial leverage and gearing ratios, thereby enhancing the Group's ability to capitalise on growth opportunities. It is also beneficial to the Company to move towards a more flexible asset base globally, as the Company estimates that there will be a positive financial impact where the Group's earnings growth potential and return on equity profile may be increased. The Company will also be able to return capital to the Shareholders by way of distribution of a special dividend.

The Board intends to apply the aggregated net proceeds from the Disposals of approximately HK\$3.6 billion as follows: (i) approximately HK\$600.0 million will be used to distribute special dividend to Shareholders; and (ii) the remaining approximately HK\$3.0 billion will be used to repay and/or refinance part of the loan(s) of the Group to decrease its financing costs before any suitable investment opportunities are identified. Once the suitable investment opportunities are identified, part or all of such remaining balance will be used to invest in those suitable investment opportunities.

While the Group strategically is strengthening its asset portfolio in recent years, as stated in the 2018 Interim Report, it also considered different options to unleash the value of its current portfolio. The Group plans to embrace the opportunity to unlock the value of its warehouse property portfolio to provide capital for investments that offer synergetic benefits to its long-term growth. In 2018, the Group realised a number of investments, including the rail terminal business in Adelaide, the underperforming Kerry Chengdu Logistics Centre in Chengdu and a 17% interest in Kerry Express (Thailand) Limited.

Having considered the business strategy of the Group and the aforesaid realisations carried out by the Group, we are of the view that the Disposals are in line with the Group's stated strategy and will unlock the value of the Group's asset portfolio.

### 4. Principal terms of the SPAs

Set out below is the summary of the principal terms of the SPA I and the SPA II:

**(a) Date**

28 March 2019

**(b) Parties and subject matter of the SPA I and the SPA II**

	The SPA I	The SPA II
Purchaser	Giant Assets Holdings Limited, an indirect wholly-owned subsidiary of KPL	
Purchaser Guarantor	KPL	
Vendor	Kerry Warehouse (HK) Holdings Limited, an indirect wholly-owned subsidiary of the Company	

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## LETTER FROM SOMERLEY

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	The SPA I	The SPA II
Vendor Guarantor	The Company	
Asset to be disposed of	Sale Shares I, being 100% of the total issued share capital of the Warehouse Co I	Sale Shares II, being 100% of the total issued share capital of the Warehouse Co II
Consideration	HK\$2,270.0 million	HK\$1,330.0 million
Payment terms	Upon execution of the SPA I, the Purchaser paid HK\$227.0 million as deposit. The remaining balance of the consideration shall be paid by the Purchaser to the Vendor at Completion.	Upon execution of the SPA II, the Purchaser paid HK\$133.0 million as deposit. The remaining balance of the consideration shall be paid by the Purchaser to the Vendor at Completion.
Basis of Consideration	<p>The consideration of the Warehouse Co I and the Warehouse Co II has been determined after arm's length negotiations between the Purchaser and the Vendor after taking into account, among other things, (i) the historical financial performance of the Warehouse Co I and the Warehouse Co II (as the case maybe); (ii) the preliminary indication of value (which has been supported by a valuation report dated 8 April 2019) of the Chai Wan Warehouse and the Shatin Warehouse (as the case maybe) conducted by a professional valuer; and (iii) the value of the other assets and liabilities of the Warehouse Co I and the Warehouse Co II (as the case maybe).</p> <p>Subject to certain assumptions such as the Chai Wan Warehouse and the Shatin Warehouse are free from encumbrances, the preliminary indication of values of the Chai Wan Warehouse and the Shatin Warehouse on current date basis (i.e. 28 March 2019) were HK\$2,110.0 million and HK\$1,280.0 million respectively. The preliminary indication of values were based on the information provided by the Group and available on 28 March 2019. The valuer has adopted the market approach as the valuation methodology for the preliminary valuations.</p>	
Condition precedent	<p>Completion is conditional upon the passing of the relevant resolutions by the shareholders of the Company and KPL other than those who are required by the Listing Rules to abstain from voting on the resolutions respectively approving the SPA I and the SPA II and the transactions contemplated thereunder by the Long Stop Date. The condition above may not be waived.</p>	

For the avoidance of doubt, the SPA I and the SPA II are not inter-conditional. Other key terms of the SPA I and the SPA II, including representations and warranties, and guarantee and indemnity, are set out in the letter from the Board contained in the Circular.

5. The valuation of the Warehouses

*(a) Information on the Valuer*

The Warehouses were valued by the Valuer, an independent property valuer appointed by the Company. The full text of the valuation report of the Warehouses as at 8 April 2019 is set out in appendix I to the Circular. The valuation of the Warehouses as at 8 April 2019 (the “Valuation”) has been carried out in accordance with The HKIS Valuation Standards 2017 Edition published by The Hong Kong Institute of Surveyors and the requirements set out in Chapter 5 of the Listing Rules.

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

In our review of the engagement letter between the Company and the Valuer, we are satisfied that the terms of engagement between the Company and the Valuer are appropriate to the opinion the Valuer is required to give. The Valuer has confirmed that it is independent from the Company, the Warehouse Companies, KPL and their respective core connected persons, close associates and associates. We further understand that the Valuer is certified with the relevant professional qualifications required to perform the Valuation and the person-in-charge of the Valuation has over 30 years of experience in conducting valuation of properties in the People’s Republic of China and Hong Kong. We noted that the Valuer mainly carried out its due diligence through management interviews and conducted its own proprietary research and has relied on publicly available information obtained through its own research as well as the financial information provided by the management of the Group.

*(b) Valuation methodology*

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

After considering the reasons for the Valuer’s choice of adopting the valuation methodology for valuing the Warehouses and the current status of the Warehouses, we are of the opinion that the valuation methodology used is reasonable and acceptable in establishing the market values of the Warehouses as at 8 April 2019.

**(c) Valuation bases and assumptions**

In arriving at its opinion of value of the Warehouses, the Valuer generally starts the process by collecting and analysing the recent transactions of the market comparables located in the vicinity of the Warehouses. In particular, the Valuer selected market comparable transactions that (i) were located in the same district or, if not available, nearby districts; (ii) were conducted during the month of the Valuation Date, or if not available, as close as the Valuation Date starting from the second half of 2018. The collected comparables were then adjusted to reflect the difference between the comparables and the Warehouses in terms of, among others, location, time, size, age and maintenance standard. We have reviewed and discussed about the Valuer's workings on the selection of the market comparables and the relevant adjustments made. We are of the view that the basis of selection of market comparables and the adjustments, including various factors (i.e. date of transaction, location, time, size, age and maintenance standard) taken into account, made for reflecting the difference between the selected comparables and the Warehouses are reasonable and relevant for the purpose of establishing the market value of the Warehouses. The appraised value of the Warehouses after applying the direct comparison approach was then derived from the estimated average unit price and gross floor area of the Warehouses.

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

Based on the Valuation Report, the market values of the Chai Wan Warehouse and the Shatin Warehouse as at 8 April 2019 were HK\$2,110.0 million and HK\$1,280.0 million respectively.

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**LETTER FROM SOMERLEY**

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**6. Evaluation of the Consideration**

The total consideration of HK\$3,600.0 million for the Disposals was determined after arm's length negotiations after taking into account, among other things, the Valuation prepared by the Valuer. We set out below our evaluation of the Consideration after taking into account the Valuation in the table below.

	Warehouse Co I <i>HK\$ (million)</i>	Warehouse Co II <i>HK\$ (million)</i>	Total <i>HK\$ (million)</i>
The consolidated NAV as at 31 December 2018	880.8	748.0	1,628.8
Adjustments:			
– appreciation in the value of the Warehouses (based on the market valuation of the Warehouses as appraised by the Valuer as at 8 April 2019)	1,233.0	533.0	1,766.0
– the Relevant Distribution ( <i>Note</i> )	<u>(0.9)</u>	<u>(0.7)</u>	<u>(1.6)</u>
Reassessed consolidated NAV of the Warehouse Companies (the “ <b>Reassessed NAV</b> ”)	2,112.9	1,280.3	3,393.2
Consideration	<u>2,270.0</u>	<u>1,330.0</u>	<u>3,600.0</u>

**Premium of the Consideration over  
the Reassessed NAV**

– Amount	157.1	49.7	206.8
– Percentage	7.4%	3.9%	6.1%

*Note:* Pursuant to the SPA I and the SPA II, immediately prior to Completion, the Warehouse Co I and the Warehouse Co II shall distribute a dividend (the “**Relevant Distribution**”) such that the consolidated NAV of the Warehouse Co I and the Warehouse Co II (taking into account the agreed values of the Chai Wan Warehouse and the Shatin Warehouse at HK\$2,270.0 million and HK\$1,330.0 million respectively in substitution for the book costs of the respective property and the carrying value of plant and equipment) immediately after the Relevant Distribution shall be equal to the respective consideration of the Chai Wan Warehouse and the Shatin Warehouse (i.e. the consolidated NAV of each of the Warehouse Companies (excluding the relevant warehouse, plant and equipment) shall be nil immediately after the Relevant Distribution). Accordingly, the Reassessed NAV of the Warehouse Co I and Warehouse Co II shall be adjusted for other assets and liabilities (excluding the relevant warehouse, plant and equipment) as at 31 December 2018 of approximately HK\$0.9 million and HK\$0.7 million respectively under the Relevant Distribution.

Appreciation in the value of the Warehouses represents the excess of the market values of the Warehouses as determined based on the valuation prepared by the Valuer as at 8 April 2019 over the book values of the Warehouses as shown in the respective consolidated accounts of the Warehouse Companies as at 31 December 2018. The above adjustments are relevant and necessary in arriving at the reassessed consolidated NAV of each of the Warehouse Companies, as the book value of the consolidated NAV of each of Warehouse Companies as at 31 December 2018 has not taken into account the latest market valuation of the Warehouses as at 8 April 2019.

The reassessed consolidated NAVs of the Warehouse Co I and the Warehouse Co II, after adjusted for the Valuation and the Relevant Distribution, are approximately HK\$2,112.9 million and approximately HK\$1,280.3 million respectively. The total consideration of HK\$3,600.0 million represents a premium of approximately HK\$206.8 million or 6.1% over the total reassessed consolidated NAV of the Warehouse Companies.

On the basis that (i) the Consideration is at a premium over the reassessed consolidated NAV of the Warehouse Companies, which we consider to be a commonly adopted approach in assessing the fairness of the Consideration of property holding companies; and (ii) the valuation methodologies adopted by the Valuer in establishing the market values of the Warehouses are reasonable and acceptable, we consider that the basis of the Consideration is fair and reasonable.

## **7. Financial impacts of the Disposals**

Set out below is a discussion of the effects on earnings, NAV, working capital and gearing of the Group as a result of the Disposals.

### **(a) Earnings**

Upon Completion, the Warehouse Companies will cease to be subsidiaries of the Company. The financial results of the Warehouse Companies will therefore no longer be consolidated into the financial statements of the Group. For the year ended 31 December 2018, the consolidated net profit and the core net profit attributable to the Shareholders were approximately HK\$2,439.8 million and HK\$1,326.3 million, of which approximately HK\$278.8 million and HK\$64.8 million were contributed by the Warehouse Companies.

Furthermore, upon Completion, an one-off gain on the Disposals of approximately HK\$1,972.8 million (before expenses) will be recognised, which is calculated based on the difference between the Consideration and the total book value of the Warehouses and plant and equipment of the Warehouse Companies as at 31 December 2018.

Assuming the Disposals were completed in the beginning of 2018, the consolidated net profit attributable to the Shareholders for the year ended 31 December 2018 would enhance by approximately HK\$1,694.0 million or 69.4% from approximately HK\$2,439.8 million to approximately HK\$4,133.8 million and the core net profit attributable to the Shareholders for the year ended 31 December 2018 would decrease by approximately HK\$64.8 million or 4.9% from approximately HK\$1,326.3 million to approximately HK\$1,261.5 million.

### **(b) NAV**

Upon Completion, the Warehouse Companies will cease to be subsidiaries of the Company. Accordingly, the assets and liabilities of the Warehouse Companies will no longer be consolidated into the consolidated statement of financial position of the Company. The NAV of the Group attributable to the Shareholders as at 31 December 2018 was approximately HK\$20,043.3 million, of which approximately HK\$1,628.8 million was attributable to the Warehouse Companies.

Upon Completion, the NAV of the Group attributable to the Shareholders will be enhanced by the one-off gain on the Disposals of approximately HK\$1,972.8 million to approximately HK\$22,016.1 million as discussed in paragraph (a) above.

In addition, as the Company plans to distribute a special dividend of approximately HK\$600.0 million upon Completion, the NAV of the Group after such distribution will decrease accordingly.

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## LETTER FROM SOMERLEY

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**(c) Working capital**

As at 31 December 2018, the Group had cash and bank balances of approximately HK\$4,305.9 million and net current assets (i.e. total current assets less total current liabilities) of approximately HK\$2,565.0 million. Assuming Completion took place on 31 December 2018, the cash and bank balances of the Group would enhance by approximately HK\$3,600.0 million or 83.6% to approximately HK\$7,905.9 million and the net current assets of the Group would increase by approximately HK\$3,580.8 million or 1.4 times to approximately HK\$6,145.8 million, which is mainly attributable to the receipt of the cash Consideration of approximately HK\$3,600.0 million.

As the Company plans to distribute a special dividend of approximately HK\$600.0 million upon Completion, the cash and bank balances and the working capital therefore will decrease accordingly.

**(d) Gearing**

As at 31 December 2018, 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, was approximately 45.7%. Assuming Completion took place on 31 December 2018, due to the enhancement in the net asset value of the Group as a result of Completion, the gearing ratio of the Group would reduce by approximately 3.9% to approximately 41.8%.

As the Company plans to distribute a special dividend of approximately HK\$600.0 million upon Completion, the gearing ratio will increase as a result of the drop in the NAV of the Group as explained above.

### OPINION AND RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that the Disposals, although are not in the ordinary and usual course of business of the Group, are in the interests of the Company and the Shareholders as a whole. We are also of the view that the terms of the Disposals are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned. We therefore advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the resolutions to be proposed at the SGM to approve the Disposals.

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



*The following is the text of a letter and valuation report prepared for the purpose of incorporation in this circular received from Cushman & Wakefield Limited, an independent property valuer, in connection with their opinion of value of the Warehouses held by the Warehouse Subsidiaries as at 8 April 2019.*



16/F  
Jardine House  
1 Connaught Place  
Central  
Hong Kong

8 April 2019

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

Dear Sirs,

Re: (1) Kerry Warehouse (Chai Wan), 50 Ka Yip Street, Chai Wan, Hong Kong  
(2) Kerry Warehouse (Shatin), 36-42 Shan Mei Street, Shatin, New Territories

#### **Instructions, Purpose & Valuation Date**

In accordance with the instructions of Kerry Logistics Network Limited (the "Company") for Cushman & Wakefield Limited ("C&W") to value the property interests of held by the Company and/or its subsidiaries (collectively the "Group") situated in Hong Kong (as more particularly described in the attached valuation report), we confirm that we have inspected the properties, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the values of such properties as at 8 April 2019 (the "Valuation Date").

**Basis of Valuation**

Our valuation of each of the properties represents its market value which in accordance with The HKIS Valuation Standards 2017 issued by The Hong Kong Institute of Surveyors is defined as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

We confirm that the valuations are undertaken in accordance with the requirements set out in Chapter 5 of the Rules Governing the Listing of Securities on The Stock Exchange of the Hong Kong Limited and The HKIS Valuation Standards 2017 issued by The Hong Kong Institute of Surveyors.

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

**Valuation Assumptions**

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

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

**Method of Valuation**

We have generally valued the properties by market approach assuming sale of the properties in their respective existing state by making reference to comparable sales transactions as available in the relevant market.

**Source of Information**

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

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

### Title Investigation

We have not been able to cause title searches of the property interests in Hong Kong, but we have been provided with extracts of documents in relation to the titles to the property interests. However, we have not inspected the original documents to verify ownership or to ascertain any amendments which may not appear on the copies handed to us. All documents have been used for reference only and all dimensions, measurements and areas are approximate.

### Site Inspection

Our valuer, Angelina Kwok (MHKIS), inspected the exterior of the properties in March 2019. However, no structural survey has been made, but in the course of our inspections, we did not note any serious defects. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defects. No test was carried out on any of the services. Moreover, we have not carried out any soil investigation to determine the suitability of the soil conditions and services etc for any future redevelopment. Unless otherwise stated, we have not been able to carry out detailed on-site measurements to verify the site and floor areas of the properties and we have assumed that the areas shown on the documents handed to us are correct.

### Confirmation of Independence

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

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

Yours faithfully,  
For and on behalf of  
**Cushman & Wakefield Limited**

**K. B. Wong**  
*MRICS, FHKIS, RPS(GP)*  
*Executive Director*  
Valuation & Advisory Services, Hong Kong

*Note:* Mr. K. B. Wong is a Registered Professional Surveyor (General Practice) who has over 30 years' experience in valuation of properties in Hong Kong. Mr. Wong is competent and has sufficient current knowledge of the market and the skill to undertake the valuation.

## SUMMARY OF VALUATIONS

Market value in  
existing state as at  
8 April 2019  
HK\$

## Property

## Properties held by the Group for Investment

1.	Kerry Warehouse (Chai Wan), 50 Ka Yip Street, Chai Wan, Hong Kong	2,110,000,000
2.	Kerry Warehouse (Shatin), 36-42 Shan Mei Street, Shatin, New Territories	1,280,000,000
		<hr/>
		<b>Total: <u>3,390,000,000</u></b>

## VALUATION REPORT

## Properties held by the Group for Investment

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 8 April 2019																																
1. Kerry Warehouse (Chai Wan), 50 Ka Yip Street, Chai Wan, Hong Kong	The property comprises a 15-storey warehouse building completed in two phases in 1986 and 1988 respectively. Parking and loading/unloading spaces are provided on the Ground Floor.	Except a portion of 179,850 sq.ft. (16,708.47 sq.m.) that is vacant, the property is subject to various tenancies with the latest tenancy due to expire on 31 July 2021. The total monthly rent is approximately HK\$1,953,000 exclusive of management fees and rates.	HK\$2,110,000,000 (HONG KONG DOLLARS TWO BILLION ONE HUNDRED AND TEN MILLION)																																
Chai Wan Inland Lot No. 113	The registered site area of the property is approximately 4,900 sq.m. (52,744 sq.ft.). The property has sea access.	HK\$1,953,000 exclusive of management fees and rates.																																	
	The approximate gross floor areas of the property are as follows:-	The property is also subject to intra-group tenancies with the latest tenancy due to expire on 22 April 2020. The total monthly rent is approximately HK\$1,286,000 exclusive of management fees and rates.																																	
	<table border="1"> <thead> <tr> <th rowspan="2">Floor</th> <th colspan="2">Gross Floor Area</th> </tr> <tr> <th>sq.m.</th> <th>sq.ft.</th> </tr> </thead> <tbody> <tr> <td>Ground</td> <td>514.03</td> <td>5,533</td> </tr> <tr> <td>1st</td> <td>3,289.39</td> <td>35,407</td> </tr> <tr> <td>2nd to 3rd</td> <td>3,862.13 x 2</td> <td>41,572 x 2</td> </tr> <tr> <td>4th to 8th</td> <td>3,525.83 x 5</td> <td>37,952 x 5</td> </tr> <tr> <td>9th</td> <td>3,409.42</td> <td>36,699</td> </tr> <tr> <td>10th</td> <td>3,380.16</td> <td>36,384</td> </tr> <tr> <td>11th to 13th</td> <td>3,499.54 x 3</td> <td>37,669 x 3</td> </tr> <tr> <td>14th</td> <td>3,261.15</td> <td>35,103</td> </tr> <tr> <td><b>Total:</b></td> <td><b>49,706.18</b></td> <td><b>535,037</b></td> </tr> </tbody> </table>	Floor	Gross Floor Area		sq.m.	sq.ft.	Ground	514.03	5,533	1st	3,289.39	35,407	2nd to 3rd	3,862.13 x 2	41,572 x 2	4th to 8th	3,525.83 x 5	37,952 x 5	9th	3,409.42	36,699	10th	3,380.16	36,384	11th to 13th	3,499.54 x 3	37,669 x 3	14th	3,261.15	35,103	<b>Total:</b>	<b>49,706.18</b>	<b>535,037</b>		
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	In addition, 1 container parking space, 26 lorry parking spaces and 26 van/car parking spaces are provided within the property.																																		
	The property is held from the Government under Conditions of Sale No. 11485 for a term of 75 years commencing on 27 February 1981 renewable for a further term of 75 years. The Government Rent payable for the lot is HK\$1,000 per annum.																																		

## Notes:

- (1) The registered owner of the property is Kerry Warehouse (Chai Wan) Limited, a wholly owned subsidiary of the Company.
- (2) The property falls within a land use zone for "Industrial" purposes under Chai Wan Outline Zoning Plan No. S/H20/23 dated 5 September 2017.
- (3) In undertaking our valuation, we have made reference to sales prices of comparable properties with a price range of HK\$3,200 to HK\$4,500 psf gross. The unit rate assumed by us is consistent with the relevant comparables after adjustments of location, size, age, time and other relevant factors.

## VALUATION REPORT

## Properties held by the Group for Investment

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 8 April 2019																											
2. Kerry Warehouse (Shatin), 36-42 Shan Mei Street, Shatin, New Territories	The property comprises a 17-storey warehouse building completed in two phases both in 1988. Parking and loading/unloading spaces are provided on the Upper Ground Floor and the Ground Floor is a public lorry park.	The property is fully let and subject to various tenancies with the latest tenancy due to expire on 23 March 2021. The total monthly rent is approximately HK\$5,347,000 exclusive of management fees and rates.	HK\$1,280,000,000 (HONG KONG DOLLARS ONE BILLION TWO HUNDRED AND EIGHTY MILLION)																											
Sha Tin Town Lot No. 179	The registered site area of the property is approximately 3,956 sq.m. (42,582 sq.ft.).  The approximate gross floor areas of the property are as follows:-																													
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	In addition, 1 container parking space, 21 lorry parking spaces and 20 van/car parking spaces are provided within the property. Apart from these, a public lorry park accommodating 21 lorry parking spaces is provided.																													
	The property is held from the Government under New Grant No. ST11783 for a term of 99 years commencing on 1 July 1898 less the last three days extended until 30 June 2047. The Government Rent payable for the lot is an amount equal to 3% of the rateable value for the time being of the lot per annum.																													

## Notes:

- (1) The registered owner of the property is Kerry Warehouse (Shatin) Limited, a wholly owned subsidiary of the Company.
- (2) The property falls within a land use zone for "Industrial" purposes under Sha Tin Outline Zoning Plan No. S/ST/34 dated 29 May 2018.
- (3) In undertaking our valuation, we have made reference to sales prices of comparable properties with a price range of HK\$2,400 to HK\$3,500 psf gross. The unit rate assumed by us is consistent with the relevant comparables after adjustments of location, size, age, time and other relevant factors.

## 1. RESPONSIBILITY STATEMENT

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

## 2. DISCLOSURE OF INTERESTS BY DIRECTORS

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

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive officer of the Company in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV to the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of SFO), or are required to be recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules are listed as follows:

#### *Long positions in the Shares*

Directors	Number of Shares held	Number of share options held	Capacity and nature of interest	Approximate percentage of the interest in the Company's issued share capital <sup>(1)</sup>
Mr Yeo George Yong-boon <sup>(2)</sup>	5,005,000	–	Beneficial owner, interest held by spouse and jointly held interest with spouse	0.29%
Mr Ma Wing Kai William <sup>(3)</sup>	1,591,510	4,000,000	Beneficial owner and beneficiary of discretionary trust	0.33%
Mr Kuok Khoon Hua <sup>(4)</sup>	3,119,492	1,000,000	Beneficial owner and beneficiary of discretionary trust	0.24%
Mr Ng Kin Hang <sup>(5)</sup>	–	120,000	–	0.01%
Mr Chin Siu Wa Alfred <sup>(6)</sup>	1,300,000	–	Beneficiary of discretionary trust	0.08%
Mr Wan Kam To <sup>(7)</sup>	–	200,000	–	0.01%
Ms Wong Yu Pok Marina <sup>(8)</sup>	–	200,000	–	0.01%
Mr Yeo Philip Liat Kok <sup>(9)</sup>	–	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 1,711,718,112 Shares of the Company in issue as at the Latest Practicable Date.

- (2) Mr Yeo is interested in (i) 3,000,000 Shares as beneficial owner; (ii) 5,000 Shares held by his spouse; and (iii) 2,000,000 Shares held jointly with his spouse.
- (3) Mr Ma is interested in (i) 291,510 Shares as beneficial owner; (ii) options granted under the Pre-IPO Share Option Scheme to subscribe for 3,000,000 Shares; (iii) options granted under the Post-IPO Share Option Scheme to subscribe for 1,000,000 Shares; and (iv) 1,300,000 Shares held through a discretionary trust of which Mr Ma is a discretionary beneficiary.
- (4) Mr Kuok is interested in (i) 101,000 Shares as beneficial owner; (ii) options granted under the Pre-IPO Share Option Scheme to subscribe for 800,000 Shares; (iii) options granted under the Post-IPO Share Option Scheme to subscribe for 200,000 Shares; and (iv) 3,018,492 Shares held through discretionary trusts of which Mr Kuok is a discretionary beneficiary.
- (5) Mr Ng is interested in options granted under the Pre-IPO Share Option Scheme to subscribe for 120,000 Shares.
- (6) Mr Chin is interested in 1,300,000 Shares held through a discretionary trust of which Mr Chin is a discretionary beneficiary.
- (7) Mr Wan is interested in the options granted under the Pre-IPO Share Option Scheme to subscribe for 200,000 Shares.
- (8) Ms Wong is interested in the options granted under the Pre-IPO Share Option Scheme to subscribe for 200,000 Shares.
- (9) Mr Philip Yeo is interested in the options granted under the Pre-IPO Share Option Scheme to subscribe for 200,000 Shares.

***Long positions in the shares of Kerry Group Limited ("KGL")***

<b>Directors</b>	<b>Total interests</b>	<b>Approximate percentage of issued share capital<sup>(1)</sup></b>
Mr Ma Wing Kai William <sup>(2)</sup>	1,810,620	0.12%
Mr Kuok Khoon Hua <sup>(3)</sup>	226,475,033	14.92%
Mr Chin Siu Wa Alfred <sup>(4)</sup>	2,000,000	0.13%

*Notes:*

- (1) The approximate percentage of the interest in the total issued share capital of KGL is based on all interests in its ordinary shares as at the Latest Practicable Date.
- (2) Mr Ma is interested in (i) 1,310,620 ordinary shares in KGL as beneficial owner; and (ii) options granted under the share option scheme of KGL to subscribe for 500,000 ordinary shares in KGL.
- (3) Mr Kuok is interested in (i) 5,000 ordinary shares in KGL as beneficial owner; (ii) options granted under the share option scheme of KGL to subscribe for 1,995,000 ordinary shares in KGL; and (iii) 224,475,033 ordinary shares in KGL held through discretionary trusts of which Mr Kuok is a discretionary beneficiary.
- (4) Mr Chin is interested in (i) 500,000 ordinary shares in KGL as beneficial owner; (ii) options granted under the share option scheme of KGL to subscribe for 1,000,000 ordinary shares in KGL; and (iii) 500,000 ordinary shares in KGL held through his controlled corporation.



**Long positions in the shares of Kerry Properties Limited ("KPL")**

Directors	Total interests	Approximate percentage of issued share capital <sup>(1)</sup>
Mr Yeo George Yong-boon <sup>(2)</sup>	10,000	0.00%
Mr Ma Wing Kai William <sup>(3)</sup>	891,020	0.06%
Mr Kuok Khoon Hua <sup>(4)</sup>	4,477,176	0.31%
Mr Chin Siu Wa Alfred <sup>(5)</sup>	50,000	0.00%

*Notes:*

- (1) The approximate percentage of the interest in the total issued share capital of KPL is based on all interests in its ordinary shares as at the Latest Practicable Date.
- (2) Mr Yeo is interested in 10,000 ordinary shares in KPL held by his spouse.
- (3) Mr Ma is interested in (i) 341,020 ordinary shares in KPL as beneficial owner; (ii) options granted under the share option scheme of KPL to subscribe for 500,000 ordinary shares in KPL; and (iii) 50,000 ordinary shares in KPL held through a discretionary trust of which Mr Ma is a discretionary beneficiary.
- (4) Mr Kuok is interested in (i) 1,179,413 ordinary shares in KPL as beneficial owner; and (ii) 3,297,763 ordinary shares in KPL held through discretionary trusts of which Mr Kuok is a discretionary beneficiary.
- (5) Mr Chin is interested in 50,000 ordinary shares in KPL held through a discretionary trust of which Mr Chin is a discretionary beneficiary.

**Long positions in the shares of Hopemore Ventures Limited**

Director	Total interests	Approximate percentage of issued share capital <sup>(1)</sup>
Mr Kuok Khoon Hua <sup>(2)</sup>	50	3.57%

*Notes:*

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

*Long positions in the shares of Majestic Tulip Limited*

Director	Total interests	Approximate percentage of issued share capital <sup>(1)</sup>
Mr Kuok Khoon Hua <sup>(2)</sup>	10	3.33%

*Notes:*

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

*Long positions in the shares of Medallion Corporate Limited*

Director	Total interests	Approximate percentage of issued share capital <sup>(1)</sup>
Mr Kuok Khoon Hua <sup>(2)</sup>	48	4.80%

*Notes:*

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

*Long positions in the shares of Rubyhill Global Limited*

Director	Total interests	Approximate percentage of issued share capital <sup>(1)</sup>
Mr Kuok Khoon Hua <sup>(2)</sup>	1	10.00%

*Notes:*

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

*Long positions in the shares of Vencedor Investments Limited*

Director	Total interests	Approximate percentage of issued share capital <sup>(1)</sup>
Mr Kuok Khoon Hua <sup>(2)</sup>	5	5.00%

*Notes:*

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

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive officer of the Company has any interest or short position in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV to the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of SFO), or are required, pursuant to Section 352 of the SFO, to be recorded in the register required to be kept by the Company, or which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules.

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

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

Name of Shareholder	Capacity and nature of interest	Number of Shares held	Approximate percentage of the interest in the Company's issued share capital <sup>(1)</sup>
Kerry Group Limited	Interest of controlled corporations	1,121,178,932 <sup>(2)</sup>	60.50%
Kerry Holdings Limited	Interest of controlled corporations	1,090,758,684 <sup>(2)</sup>	63.72%
Kerry Properties Limited	Beneficial owner	718,340,998 <sup>(2)</sup>	41.97%
Caninco Investments Limited	Beneficial owner	156,124,097 <sup>(2)</sup>	9.12%
Darmex Holdings Limited	Beneficial owner	128,449,630 <sup>(2)</sup>	7.50%
GIC Private Limited	Investment manager	102,189,240	5.97%

Notes:

- (1) The approximate percentage of the interest in the Company's total issued share capital is based on a total of 1,711,718,112 Shares of the Company in issue as at the Latest Practicable Date.
- (2) KPL is a subsidiary of Kerry Holdings Limited ("KHL"). Caninco Investments Limited ("Caninco") and Darmex Holdings Limited ("Darmex") are wholly-owned subsidiaries of KHL. KHL is a wholly-owned subsidiary of Kerry Group Limited ("KGL"). Accordingly, KHL is deemed to be interested in the shareholding interest of each of KPL, Caninco and Darmex in the Company and KGL is deemed to be interested in the shareholding interest of each of KHL, KPL, Caninco and Darmex in the Company pursuant to the disclosure requirements under the SFO.

Save as disclosed above, the Directors and the chief executive officer of the Company were not aware of any party who, as at the Latest Practicable Date, had interests or short positions in the Shares and underlying Shares, which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

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

### 3. DIRECTORS' INTERESTS

**(a) Interests in contract or arrangement**

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significantly in relation to the business of the Group.

**(b) Interests in assets**

As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which had been, since 31 December 2018, the date of which the latest published audited consolidated financial statements of the Group were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

**(c) Interests in competing business**

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

**4. LITIGATION**

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

**5. SERVICE CONTRACTS**

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

**6. EXPERT AND CONSENT**

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

<b>Name</b>	<b>Qualification</b>
Somerley Capital Limited	a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Cushman & Wakefield Limited	an independent professional valuer

Each of the above experts has given and confirmed that it has not withdrawn its written consent to the issue of this circular with the inclusion herein of its statements and/or references to its name in the form and context in which it appears. Each of the above experts has further confirmed that as at the Latest Practicable Date, it was not interested in the share capital of any member of the Group, and did not have any shareholding in any Shares or any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to

subscribe for any shares in any member of the Group. It is not interested in any assets which have been, since 31 December 2018 (being the date to which the Company's latest audited financial statements were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

#### 7. NO MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2018, being the date to which the latest published audited financial statements of the Group were made up.

#### 8. GENERAL

The registered office of the Company is at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda. The principal place of business of the Company in Hong Kong is at 16/F, Kerry Cargo Centre, 55 Wing Kei Road, Kwai Chung, New Territories, Hong Kong.

#### 9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours (Saturdays, Sundays and public holidays excepted) at the office of Davis Polk & Wardwell, Hong Kong Solicitors, at 18/F, The Hong Kong Club Building, 3A Chater Road, Central, Hong Kong from the date of this circular up to and including the date of the SGM:

- (a) the SPAs;
- (b) the letter from the Independent Board Committee, the text of which is set out on page 15 of this circular;
- (c) the letter from Somerley, the text of which is set out on pages 16 to 30 of this circular;
- (d) the property valuation report from the independent property valuer in relation to the Warehouses as set out in Appendix I to this circular;
- (e) the letters of consent from each of Somerley and the independent property valuer referred to in the above paragraph headed "Expert and Consent" in this Appendix; and
- (f) this circular.

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## NOTICE OF SGM

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

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

Stock Code 636

**NOTICE IS HEREBY GIVEN** that the special general meeting (the “**SGM**”) of the shareholders of Kerry Logistics Network Limited (the “**Company**”) will be held at Kowloon Room, Mezzanine Floor, Kowloon Shangri-La, 64 Mody Road, Tsimshatsui East, Kowloon, Hong Kong at 3:15 p.m. on Friday, 31 May 2019 (or as soon thereafter as the annual general meeting of the Company to be held at the same place and on the same date at 2:30 p.m. shall have been concluded or adjourned) for the following purposes. Unless the context requires otherwise, terms used herein shall have the same meanings as those defined in the circular of the Company dated 6 May 2019 (the “**Circular**”).

To consider, and if thought fit, passing with or without modification the following resolutions as **ORDINARY RESOLUTIONS**:

“THAT:

- 1 each of entering into SPA I and any other ancillary documents and the transactions contemplated thereunder be and is hereby approved, confirmed and authorised; and each of the Directors and the company secretary of the Company be and is hereby authorised to take any and all actions as he or she deems appropriate on behalf of the Company to consummate the transactions contemplated under SPA I; and
- 2 each of entering into SPA II and any other ancillary documents and the transactions contemplated thereunder be and is hereby approved, confirmed and authorised; and each of the Directors and the company secretary of the Company be and is hereby authorised to take any and all actions as he or she deems appropriate on behalf of the Company to consummate the transactions contemplated under SPA II.”

By order of the Board  
**LEE Pui Nee**  
Company Secretary

Hong Kong, 6 May 2019

*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

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## NOTICE OF SGM

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*Notes:*

- (a) The register of members of the Company will be closed from Tuesday, 28 May 2019 to Friday, 31 May 2019 (both days inclusive), during which period no transfer of shares in the Company can be registered. In order to qualify for attending the SGM, all properly completed share transfer forms, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 27 May 2019.
- (b) Any shareholder of the Company entitled to attend and vote at the SGM is entitled to appoint up to two individuals as his or her proxies to attend and vote on his or her behalf. A proxy need not be a shareholder of the Company. To be valid, a form of proxy in the prescribed form together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority, must be deposited with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time fixed for holding the SGM or any adjourned meeting.
- (c) Completion and return of the form of proxy will not preclude a member of the Company from attending and voting in person at the SGM or any adjournment thereof if he/she so desires and, in such event, the instrument appointing a proxy shall be deemed to have been revoked.
- (d) In the case of joint registered holders of any Shares, any one of such persons may vote at the SGM (or at any adjournment thereof), either personally or by proxy, in respect of such Share(s) as if he or she were solely entitled thereto; but if more than one joint registered holder is present at the SGM, whether in person or by proxy, that one of the joint registered holders whose name stands first on the register of members in respect of the relevant joint holding shall, to the exclusion of other joint holders, be entitled to vote in respect thereof.
- (e) If Typhoon Signal No. 8 or above is expected to be hoisted or a Black Rainstorm Warning Signal is expected to be in force any time after 6:00 a.m. on the date of the SGM, then the SGM will be postponed and the shareholders will be informed of the date, time and venue of the rescheduled meeting by a supplementary notice posted on the websites of the Company and the Stock Exchange.
- (f) The SGM will be held as scheduled when an Amber or Red Rainstorm Warning Signal is in force. Shareholders should decide on their own whether they would attend the SGM under bad weather condition bearing in mind their own situations and if they do so, they are advised to exercise care and caution.