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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

CONNECTED TRANSACTION IN RESPECT OF THE DISPOSALS OF CERTAIN COMPANIES ENGAGING IN EXPRESS DELIVERY SERVICES

The Board is pleased to announce that on 25 July 2023 (after trading hours), the Company entered into the Master Agreement with the Buyer in relation to the Disposals.

THE DISPOSALS

Pursuant to the Master Agreement, the Company conditionally agreed to sell, and procure each Local Seller to sell, and the Buyer (by itself or through its nominee(s) or subsidiary(ies)) shall buy, their respective Sale Shares and Interests and (if applicable) the Shareholder Loans, in accordance with the terms and conditions of the Master Agreement. Upon Completion of all Disposals, the Target Companies will cease to be subsidiaries of the Company.

LISTING RULES IMPLICATIONS

The Buyer is an indirect wholly-owned subsidiary of S.F. Holding, which is a controlling shareholder of the Company. The Buyer is therefore a connected person of the Company. As such, the Disposals constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the Disposals exceeds 0.1% but all are less than 5%, the Disposals are subject to the announcement requirement but are exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 25 July 2023 (after trading hours), the Company entered into the Master Agreement with the Buyer in relation to the Disposals.

PRINCIPAL TERMS OF THE MASTER AGREEMENT

1. Date

25 July 2023

2. Parties

- (i) the Buyer (as buyer); and
- (ii) the Company (as seller).

3. Interests to be sold

Pursuant to the Master Agreement, the Company conditionally agreed to sell, and procure each Local Seller to sell and transfer their respective Sale Shares and Interests and (if applicable) Shareholder Loans to the Buyer (or its nominee(s) or subsidiary(ies)), in each case, in accordance with the terms of the Master Agreement and free from encumbrances.

Each Disposal shall be separate and independent from the other Disposals and shall not be conditional upon completion of any other Disposals.

The Sale Shares and Interests and the Shareholder Loans represent the Group's entire interest in the Target Companies. Upon Completion of all Disposals, the Group will cease to hold any shares in the Target Companies and the Target Companies will cease to be subsidiaries of the Company.

4. Total Consideration and basis of determination

The consideration for each Disposal shall be payable to the relevant Local Seller by the Buyer (or its nominee(s) or subsidiary(ies)) in cash (in such currency as the parties may agree) at Completion of such Disposal.

The consideration payable to each Local Seller for each Disposal will be equal to the sum of: (A) an amount calculated by multiplying (i) the percentage of shareholding (both legal and beneficial interests) in the relevant Target Company held by such Local Seller by (ii) the net asset value of the Target Company as of 30 June 2023; (B) the amount of the Shareholder Loan owed to such Local Seller by the Target Company as of 30 June 2023; and (C) the goodwill and reserve of the Target Company as of 30 June 2023; provided that the minimum consideration for each Disposal shall be HK\$10,000 (or an equivalent amount in local currency).

The Total Consideration in respect of all Disposals shall not exceed HK\$250 million.

The Group intends to use proceeds from the Disposals to repay its loans and as working capital of the Group.

5. Conditions precedent

Completion of each Disposal is conditional on the fulfilment or waiver of the following conditions (the “Conditions”):

- (i) a letter having been executed by Kerry Holdings Limited, Kerry Properties Limited, S.F. Holding and Flourish Harmony Holdings Company Limited where it is agreed that (among other things) subject to the terms of the said letter, Kerry Group Shareholders (as defined in the shareholders’ agreement dated 10 February 2021 (“SHA”)): unconditionally and irrevocably (A) agree that none of the Disposals in accordance with the terms of the Master Agreement, and the carrying on by the S.F. Group (as defined in such letter) of the Express Business (as defined in the Master Agreement) outside Greater China (other than the United States, India and Thailand) under the Express Business Arrangement (as defined in such letter) from the date of Completion of each Disposal shall constitute a breach or violation of clause 5.1.1 of SHA; and (B) waive all their rights and claims for any breach or alleged breach of the SHA arising from or in connection with (A) above;
- (ii) certain Target Companies having not used a name bearing reference identical or similar to, and having ceased all use of any logos, websites or otherwise bearing a reference to, “Kerry” or “嘉里” ;
- (iii) any such further conditions to the Completion of each Disposal as agreed by the parties or as between the relevant Local Seller and the Buyer (or its nominee(s) or subsidiary(ies)) for such Disposal; and
- (iv) all necessary approvals, consents, waivers and/or clearances as may be required by any governmental department, regulatory authority or any other entity to complete such Disposal having been obtained.

The Company and the Buyer may waive (in whole or in part) all or any of the Conditions or any part of them in respect of each Disposal. As of the date of this announcement, none of the Conditions to any Disposal have been satisfied and/or waived. If any of the Conditions in respect of a Disposal has not been satisfied or otherwise waived by the Long Stop Date, such Disposal will be terminated and neither party is entitled to claim against the other, except in respect of any antecedent breach.

6. Completion

At Completion of a Disposal, the relevant Local Seller and the Buyer (or its nominee(s) or subsidiary(ies)) shall enter into such other transfer agreements as required under the applicable laws to effect the transfer of the Sale Shares and Interests and the Shareholder Loan held by such Local Seller to the Buyer (or its nominee(s) or subsidiary(ies)).

Upon Completion of a Disposal, the Buyer (or its nominee(s) or subsidiary(ies)) shall be entitled to exercise all rights attached or accruing to those Sale Shares and Interests and Shareholder Loans so transferred to it under such Disposal.

7. Termination

The Master Agreement will be automatically terminated with immediate effect and each party's rights and obligations shall cease to have force and effect if before Completion of all Disposals, any of the following occurs: (i) the Company is in breach of any term of the Master Agreement that is material to the sale of the Sale Shares and Interests and the Shareholder Loans and the Buyer gives notice to the Company that it wishes to terminate; or (ii) the parties agree to terminate the Master Agreement in writing.

INFORMATION ON THE COMPANY AND THE GROUP

The Group is a leading Asia-based logistics service provider with a highly diversified business portfolio and global presence in 59 countries and territories. Headquartered in Hong Kong, the Group offers a broad range of supply chain solutions from integrated logistics, international freight forwarding (air, ocean, road, rail and multimodal), industrial project logistics, to cross-border e-commerce, last-mile fulfilment and infrastructure investment.

INFORMATION ON THE TARGET COMPANIES

The Target Companies are subsidiaries of the Group engaging in express delivery services in Asia Pacific and Europe.

Set out below is a summary of the unaudited combined financial information of the Target Companies for the two years ended 31 December 2022:

	For the year ended 31 December	
	2022	2021
	(unaudited)	(unaudited)
	(HK\$ '000)	(HK\$ '000)
Net loss before taxation	(41,370)	(26,838)
Net loss after taxation	(35,978)	(19,561)

The combined unaudited net liabilities of the Target Companies as at 31 May 2023 was approximately HK\$82.1 million.

It is expected that the Disposals (before deducting the related expenses) will not result in any changes to the retained earnings of the Group given that the gain on disposal to be recognized in the profit or loss will be set off by the transfer of reserves to the retained earnings upon the completion of the Disposals.

INFORMATION RELATING TO THE BUYER

The Buyer is a company incorporated in Hong Kong and is an indirect wholly owned subsidiary of S.F. Holding, which is a leading integrated express logistic services provider in the PRC.

REASONS FOR AND BENEFITS OF THE DISPOSALS

Following the strategic alliance made between the Company and S.F. Holding in 2021, the two corporate groups are desirous of integrating their international freight forwarding and international courier businesses in order to bring efficiencies of scale to their operations. The Disposals represent the continuation of the Group's strategy to integrating and focusing on integrated logistics and international freight forwarding businesses while streamlining its express delivery businesses with an aim to enhancing its overall performance and prospects. The Directors are of the view that the Disposals will improve its cash position, and thus allow the Group to restructure its strategic business position and focus on pursuing opportunities in its core businesses in the future.

The Master Agreement was arrived at after arm's length negotiations between the parties. The Directors (including the independent non-executive Directors) are of the view that the Disposals are on normal commercial terms which are fair and reasonable, and are in the interest of the Company and its shareholders as a whole.

Mr WANG Wei, the Chairman of the Board and non-executive Director, is the controlling shareholder of S.F. Holding (which, in turn, wholly owns the Buyer). Mr CHAN Fei, a non-executive Director, is the assistant chief executive officer of S.F. Holding and he is interested in options to subscribe for shares in S.F. Holding (representing approximately 0.01% in the issued share capital of S.F. Holding). Mr HO Chit, a non-executive Director, is a director, deputy general manager and chief financial officer of S.F. Holding and he is interested in options to subscribe for shares in S.F. Holding (representing approximately 0.01% in the issued share capital of S.F. Holding). Each of Mr Wang, Mr Chan and Mr Ho therefore abstained from voting on the relevant resolutions of the Board approving the Master Agreement and the Disposals. Save as disclosed above, none of the other Directors has a material interest in the Disposals, or was required to abstain from voting on the relevant resolutions of the Board.

LISTING RULES IMPLICATIONS

The Buyer is an indirect wholly-owned subsidiary of S.F. Holding, which is a controlling shareholder of the Company. The Buyer is therefore a connected person of the Company. As such, the Disposals constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the Disposals exceed 0.1% but all are less than 5%, the Disposals are subject to the announcement requirement but are exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

DEFINITIONS

Unless the context otherwise requires, terms used in this announcement have the meanings set out below:

"Board"	the board of Directors
"Buyer"	SF Holding Limited, a company incorporated in Hong Kong, and an indirect wholly-owned subsidiary of S.F. Holding
"BVI"	the British Virgin Islands
"Company"	Kerry Logistics Network Limited, a company 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 (stock code: 636)

“Completion”	completion of a Disposal, which shall take place within 10 business days from the date on which all of the Conditions to a Disposal have been satisfied or waived in accordance with the terms of the Master Agreement or on such other date as the parties may agree
“connected person”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“Disposal”	the sale and transfer by each Local Seller to the Buyer (or its nominee(s) or subsidiary(ies)) of such Sale Shares and Interests and (if applicable) the Shareholder Loans held by such Local Seller pursuant to the terms of the Master Agreement
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“Local Sellers”	the subsidiaries of the Company that directly hold the Sale Shares and Interests and (if applicable) the Shareholder Loans; and “Local Seller” mean any one of them
“Long Stop Date”	31 March 2024, or such other date as the parties may agree
“Mainland”	the PRC and, for the purpose of this announcement, excludes Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan
“Master Agreement”	the master agreement dated 25 July 2023 entered into between the Company and the Buyer in relation to the Disposals
“PRC”	the People’s Republic of China
“Sale Shares and Interests”	the ordinary shares directly held by the Local Sellers in the Target Companies, together with certain beneficial interests therein, which will be sold and transferred to the Buyer (or its nominee(s) or subsidiary(ies)) at Completion of the Disposals

“Shareholder Loans”	the outstanding shareholder’s loans owed by the Target Companies to the Local Sellers (or its affiliates) as at their respective Completion that will be sold and transferred pursuant to the terms of the Master Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed to it under the Listing Rules
“S.F. Holding”	S.F. Holding Co., Ltd., a joint stock company incorporated in the PRC with limited liability and the shares of which are listed on the Shenzhen Stock Exchange (stock code: 002352.SZ), is a controlling shareholder of the Company
“Target Companies”	a total of ten subsidiaries of the Group engaging in express delivery services in Asia Pacific and Europe
“Total Consideration”	the total consideration payable to the Local Sellers by the Buyer (or its nominee(s) or subsidiary(ies)) for all of the Disposals
“%”	per cent

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

Hong Kong, 25 July 2023

As at the date of this announcement, the Directors of the Company are:

Chairman, Non-executive Director:
Mr WANG Wei

Vice Chairman, Non-executive Director:
Mr KUOK Khoo Hua

Executive Directors:
Mr CHEUNG Ping Chuen Vicky and Mr CHENG Chi Wai

Non-executive Directors:
Mr CHAN Fei, Mr HO Chit and Ms CHEN Keren

Independent Non-executive Directors:
Dr CHEUNG Wai Man, Mr LAI Sau Cheong Simon, Mr TAN Chuen Yan Paul and Ms WONG Yu Pok Marina

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