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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 ACQUISITION OF 70% EQUITY INTERESTS IN A TARGET COMPANY**

The Board is pleased to announce that on 20 December 2023 (after trading hours), the Buyer and the Seller entered into the SPA in relation to the Acquisition.

### **THE ACQUISITION**

Pursuant to the SPA, the Seller conditionally agreed to sell, and the Buyer conditionally agreed to buy, the Sale Interests in accordance with the terms and conditions of the SPA. The Sale Interests represent 70% equity interests in the Target Company. Upon Completion of the Acquisition, the Target Company will become an indirect non wholly-owned subsidiary of the Company.

### **LISTING RULES IMPLICATIONS**

The Seller is an indirect wholly-owned subsidiary of S.F. Holding, which is a controlling shareholder of the Company. The Seller is therefore a connected person of the Company. As such, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the Acquisition exceeds 0.1% but all are less than 5%, the Acquisition is subject to the announcement requirement but is 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 20 December 2023 (after trading hours), the Buyer and the Seller entered into the SPA in relation to the Acquisition.

## PRINCIPAL TERMS OF THE SPA

### 1. Date

20 December 2023

### 2. Parties

- (i) Buyer: 嘉里物流 ( 中國 ) 投資有限公司 (Kerry Logistics (China) Investment Limited\*), an indirect wholly-owned subsidiary of the Company; and
- (ii) Seller: 順豐多式聯運有限公司 (SF Multimodal Transportation Co., Ltd.\*), an indirect wholly-owned subsidiary of S.F. Holding, the controlling shareholder of the Company.

### 3. Interests to be acquired

Pursuant to the SPA, the Seller conditionally agreed to sell, and the Buyer conditionally agreed to buy, the Sale Interests in accordance with the terms and conditions of the SPA and free from encumbrances.

The Sale Interests represent 70% equity interest in the Target Company. Upon Completion of the Acquisition, the Target Company will become an indirect non wholly-owned subsidiary of the Company.

### 4. Total Consideration and basis of determination

The Total Consideration is RMB27,370,000 which was determined based on arm's length negotiation between the parties with reference to the valuation on the Sale Interests conducted by the Independent Valuer.

#### Valuation

The Independent Valuer is a qualified asset appraisal firm authorised by Shenzhen Finance Bureau of the PRC to perform valuation works in the PRC. The Valuer has extensive experience in conducting valuation covering a wide range of industries including but not limited to finance, securities, building materials, logistics, real estate, electricity, energy, steel, chemical and aerospace.

According to the valuation report prepared by the Independent Valuer, the valuation was determined using asset-based approach, which was based on the audited financial statements of the Target Company for the year ended 31 December 2020, 2021 and 2022 and the unaudited financial statements of the Target Company as of 31 August 2023 (the "Valuation Date") and taking into account a reasonable estimate of any identifiable off-balance sheet assets and liabilities related items. As of the Valuation Date, the appraised total asset of the Target Company was approximately RMB54.21 million, mainly comprising monetary funds of approximately RMB34.23 million and prepayments of approximately RMB13.60 million, and the appraised total

liabilities of the Target Company was approximately RMB15.12 million. The appraised value of the Sale Interests was approximately RMB27.36 million, representing 70% of the appraised net asset value of the Target Company of approximately RMB39.09 million as of 31 August 2023, which is the same as the net book value of the Target Company as at 31 August 2023.

The Independent Valuer considered three approaches, namely asset-based approach, income approach and market approach in the valuation exercise. The income approach and market approach have not been applied, considering (i) the prospective financial projections of the Target Company with reference to, amongst other things, the revenue and cost structure, capital structure and expenditures, working capital, investment return and associated risk levels, were not reliably available; and (ii) the number of comparable companies with business scopes and operations similar to those of the Target Company from the local reference market are limited and insufficient for the purpose of evaluating or analysing the value of the Target Company. Given that the Independent Valuer was able to verify and assess the value of the assets and liabilities of the Target Company primarily with reference to the financial statements of the Target Company, as well as the underlying supporting documents such as the business contracts or books and records of the Target Company, the Independent Valuer considered that using asset-based approach would be most suitable for the valuation of the Sale Interests.

The valuation was also subject to the following key assumptions:

- (a) all required business certificates or licenses to operate the business of the Target Company have been and would be obtained and renewable upon expiry;
- (b) there will be no major changes in the political, legal, economic or financial conditions in the jurisdiction in which the Target Company operates;
- (c) all basic information, financial information and publicly available information relating to the Target Company are true, accurate and complete in all material respect; and
- (d) there will be no litigation, charges or mortgages, or guarantee that will cause a material adverse impact on the financial position or operating performance of the Target Company.

The Directors have reviewed the valuation report prepared by the Independent Valuer, and discussed with the management of the Target Company on, amongst other things, the valuation method and basis of preparation of the valuation of the Sale Interest, the assumptions adopted in the valuation, and the professional qualification and experience of the Independent Valuer. With respect to the basis of preparation, the Directors had reviewed the valuation report to understand the work done by the Independent Valuer to verify the value of the assets and liabilities of the Target Company. Amongst other things, the Independent Valuer reviewed the bank statements of the Target Company to verify the balance of the monetary funds (representing approximately 63.1% of the appraised total asset of the Target Company as of the Valuation Date) and reviewed the accounting vouchers and related materials to analyse the reasonableness and accuracy of the records and balance of prepayment of the Target Company (representing approximately 25.1% of the appraised total asset of the Target Company as of the Valuation Date). With respect to the basic assumptions and general assumptions adopted, the Directors are of the view that the basic assumptions and general assumptions used in the valuation of the Target Company are common assumptions adopted in business valuations based on asset-based approach and are in line with market practice. The Directors had also undertaken various steps to ascertain the fairness, reasonableness and appropriateness of the valuation, including but not limited to (i) reviewing the financial statements of the Target Company to understand the financial performance and position of the Target Company; and (ii) discussing the business plans or strategies for the Target Company together with the management of the Target Company.

Based on the foregoing, and taking into account that the valuation method, namely the asset-based approach used in determining the valuation of the Sale Interests is a commonly adopted approach, and that the key assumptions used in the calculations of the appraised values are assumptions commonly adopted in other business valuation in the market, the Directors (including the independent non-executive Directors) consider that the valuation method and the assumptions used in the valuation of the Sale Interests are fair and reasonable, and that the Total Consideration for the Acquisition is fair and reasonable, and in the interest of the Company and the Shareholders as a whole.

Payment of Total Consideration

The Total Consideration shall be payable to the Seller by the Buyer in cash as follows: (i) 50% of the Total Consideration shall be paid within 10 business days from the effective date of the SPA; and (ii) the remaining 50% shall be paid within three business days from the date upon which the filing or registration required for the Acquisition and the changes of the relevant directors and senior management of the Target Company have been completed.

The Group intends to fund the Acquisition from internal resources.

5. Conditions precedent

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

- (i) the Target Company having passed a resolution pursuant to applicable laws and its articles of association;
- (ii) the Target Company having signed the amended articles of association, reflecting the amendments arising from the Acquisition;
- (iii) the SPA having been duly executed by the Buyer and the Seller and having become effective;
- (iv) the filing or registration required for the Acquisition and the changes of the relevant directors and senior management of the Target Company having been completed in accordance with the applicable laws and regulations, and the Target Company having obtained the updated business licence; and
- (v) the Total Consideration having been paid by the Buyer to the Seller in accordance with the terms of the SPA.

The Seller may, at its discretion, waive the Conditions set out in paragraphs (i), (ii), (iv) and (v) above. As of the date of this announcement, Condition set out in paragraph (iii) above has been satisfied. If any of the Conditions has not been satisfied or otherwise waived by the 30<sup>th</sup> business day from the date of the SPA, the relevant party who is entitled to waive such Condition(s) may elect to postpone the Completion to a later date. If such Condition(s) have not been satisfied by such later date, the Acquisition will be terminated.

## INFORMATION ON THE COMPANY, THE GROUP AND THE BUYER

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.

The Buyer is an indirect wholly-owned subsidiary of the Company and is an investment holding company.

## INFORMATION ON THE TARGET COMPANY

The Target Company is a limited liability company incorporated in the PRC, engaging in multimodal transportation agency and international freight forwarding business.

Set out below is a summary of the audited financial information of the Target Company for the two years ended 31 December 2022:

	For the year ended 31 December			
	2022 (audited) (RMB '000)	(HK\$ '000)	2021 (audited) (RMB '000)	(HK\$ '000)
Net profits before taxation	3,686	3,981	10,430	11,264
Net profits after taxation	3,078	3,324	8,914	9,627

The unaudited net asset value of the Target Company was approximately RMB37.83 million (equivalent to approximately HK\$40.85 million) as at 30 June 2023 and approximately RMB39.09 million (equivalent to approximately HK\$42.22 million) as of 31 August 2023.

The original investment cost of the Sale Interests to the Seller was approximately RMB21 million (equivalent to approximately HK\$22.68 million).

## INFORMATION RELATING TO THE SELLER

The Seller is a company incorporated in the PRC 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 ACQUISITION

The Acquisition represents the continuation of the Group's strategy to integrating and focusing on multimodal transportation and international freight forwarding businesses. The Directors are of the view that the Acquisition is in line with the Group's overall strategy and will strengthen the multimodal transportation services for the Group's international freight forwarding business.

The SPA 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 Acquisition is on normal commercial terms which are fair and reasonable, and is 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 an executive director, chairman of the board of directors and general manager and controlling shareholder of S.F. Holding (which, in turn, wholly owns the Seller). Mr HO Chit, a non-executive Director, is an executive director, deputy general manager and chief financial officer of S.F. Holding and he is interested in 122,000 ordinary shares in S.F. Holding and options granted under the 2022 stock option incentive plan of S.F. Holding to subscribe for 366,000 ordinary shares in S.F. Holding (representing approximately 0.01% in the issued share capital of S.F. Holding). Ms OOI Bee Ti, a non-executive Director, is the head of corporate treasury of S.F. Holding and she is interested in 71,400 ordinary shares in S.F. Holding and options granted under the 2022 stock option incentive plan of S.F. Holding to subscribe for 204,000 ordinary shares in S.F. Holding (representing approximately 0.01% in the issued share capital of S.F. Holding). Each of Mr Wang, Mr Ho and Ms Ooi therefore abstained from voting on the relevant resolutions of the Board approving the SPA and the Acquisition. Save as disclosed above, none of the other Directors has a material interest in the Acquisition, or was required to abstain from voting on the relevant resolutions of the Board.

## LISTING RULES IMPLICATIONS

The Seller is an indirect wholly-owned subsidiary of S.F. Holding, which is a controlling shareholder of the Company. The Seller is therefore a connected person of the Company. As such, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the Acquisition exceed 0.1% but all are less than 5%, the Acquisition is 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:

“Acquisition”	the sale and transfer by the Seller to the Buyer of the Sale Interests pursuant to the terms of the SPA
“Board”	the board of Directors
“Buyer”	嘉里物流 ( 中國 ) 投資有限公司 (Kerry Logistics (China) Investment Limited*), a company incorporated in the PRC, and an indirect wholly-owned subsidiary of the Company
“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 the Acquisition, which shall take place on the date when all of the Conditions have been satisfied or waived in accordance with the terms of the SPA 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
“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
“Independent Valuer”	Shenzhen Lixin Business Valuation and Property Appraisal Co., Ltd. (深圳立信資產評估房地產估價有限公司), an independent professional valuer appointed by the Seller for the valuation of the Sale Interests
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“Mainland”	the PRC and, for the purpose of this announcement, excludes Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan
“PRC”	the People’s Republic of China
“Sale Interests”	70% equity interests in the Target Company, which will be sold and transferred to the Buyer at Completion
“Seller”	順豐多式聯運有限公司 (SF Multimodal Transportation Co., Ltd.*), an indirect wholly-owned subsidiary of S.F. Holding
“SPA”	the sale transfer agreement dated 20 December 2023, entered into by and among the Buyer, the Seller and the Target Company in relation to the Acquisition
“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 Company”	阿拉山口國際快鐵有限公司(Alashankou International Rail Cargo Express Ltd.), a limited liability company incorporated in the PRC. As at the date of the SPA, the Target Company was held as to 70% by the Seller and 30% by an entity which is not a connected person of the Company
“Total Consideration”	the total consideration payable by the Buyer to the Seller for the Acquisition
“%”	per cent

*\* For identification purpose only*

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

Hong Kong, 20 December 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 Khoon Hua*

*Executive Directors:*

*Mr CHEUNG Ping Chuen Vicky and Mr CHENG Chi Wai*

*Non-executive Directors:*

*Mr HO Chit, Ms OOI Bee Ti 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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