KLN Logistics Group Limited

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

Stock Code 636

CONTINUING CONNECTED TRANSACTIONS

REVISION OF ANNUAL CAPS UNDER
(1) THE 2024 CGSA FRAMEWORK AGREEMENT;
(2) THE 2024 KLN LOGISTICS SERVICES FRAMEWORK AGREEMENT; AND
(3) THE 2024 SF LOGISTICS SERVICES FRAMEWORK AGREEMENT

REVISION OF ANNUAL CAPS FOR CCT AGREEMENTS

References are made to:

(i) the 2024 Announcement and the 2024 Circular in relation to, among other things, the existing continuing connected transactions contemplated under the CCT Agreements, as appropriate;

(ii) the 2025 Announcement in relation to, among other things, the proposed revision of the annual caps for the financial years ending 31 December 2025, 2026 and 2027 in respect of the continuing connected transactions under the CCT Agreements; and

(iii) the 2025 Circular in relation to, among other things, the proposed revision of the annual caps for the financial years ending 31 December 2025, 2026 and 2027 under the 2024 KLN Logistics Services Framework Agreement and the 2024 SF Logistics Services Framework Agreement, which were subsequently approved by the independent Shareholders of the Company at the special general meeting of the Company held on 26 May 2025.

The Existing Annual Caps represent the annual caps currently in effect for the financial years ending 31 December 2026 and 2027 under the CCT Agreements. Based on the Group's historical transaction amounts in the second half of 2025, and the unaudited management accounts of the Company and operational data for the six months ended 30 June 2026, it has come to the attention of the Board that the actual transaction amounts contemplated under the CCT Agreements may exceed the Existing Annual Caps. The transaction amounts under the CCT Agreements are sensitive to fluctuations in freight rates, shipment volumes, route mix, available cargo capacity and customer demand. During the first half of 2026, these factors experienced a higher degree of volatility than anticipated at the time of the previous proposed annual cap revision under the 2025 Announcement and the 2025 Circular, resulting in transaction volumes increasing beyond the assumptions underlying the Existing Annual Caps.

In light of the above, and the expected growth in demand from the Group and SFTS Group (as applicable) of the relevant services, the Board anticipates that the Existing Annual Caps for the financial years ending 31 December 2026 and 2027 will not be sufficient to meet the expected transaction amounts under the CCT Agreements. Accordingly, the Board proposes to further revise the Existing Annual Caps in compliance with the requirements under Chapter 14A of the Listing Rules.

LISTING RULES IMPLICATIONS

SFTS is a wholly-owned subsidiary of SF Holding, which is a controlling shareholder of the Company. SFTS is therefore a connected person of the Company. As such, each of the 2024 CGSA Framework Agreement, the 2024 KLN Logistics Services Framework Agreement and the 2024 SF Logistics Services Framework Agreement and the transactions contemplated under such agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.54(1) of the Listing Rules, if the Company proposes to further revise the Existing Annual Caps, the Company will have to re-comply with the applicable requirements under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Revised CGSA Annual Caps exceeds 5%, the revision of the annual caps under the 2024 CGSA Framework Agreement is subject to the reporting, announcement, circular, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Revised KLN Annual Caps exceeds 5%, the revision of the annual caps under the 2024 KLN Logistics Services Framework Agreement is subject to the reporting, announcement, circular, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Revised SF Annual Caps exceeds 5%, the revision of the annual caps under the 2024 SF Logistics Services Framework Agreement is subject to the reporting, announcement, circular, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL

The SGM will be held for the purpose of considering and, if thought fit, approving the revision of the annual caps under the 2024 CGSA Framework Agreement, the 2024 KLN Logistics Services Framework Agreement and the 2024 SF Logistics Services Framework Agreement and the transactions contemplated under such agreements, as well as the adoption of the Revised CGSA Annual Caps, the Revised KLN Annual Caps and the Revised SF Annual Caps. SF Holding and its associate(s) will abstain from voting on the resolutions in respect of the Revised CGSA Annual Caps, the Revised KLN Annual Caps and the Revised SF Annual Caps to be proposed at the SGM.

The Independent Board Committee comprising Dr CHEUNG Wai Man, Mr LAI Sau Cheong Simon, Mr TAN Chuen Yan Paul and Ms WONG Yu Pok Marina, being all the INEDs, was established to consider and to advise the Independent Shareholders on the revision of the annual caps under the 2024 CGSA Framework Agreement, the 2024 KLN Logistics Services Framework Agreement and the 2024 SF Logistics Services Framework Agreement and the transactions contemplated under such agreements, as well as the adoption of the Revised CGSA Annual Caps, the Revised KLN Annual Caps and the Revised SF Annual Caps. Ignite Capital (Asia Pacific) Limited has been appointed as Independent Financial Adviser by the Company to advise the Independent Board Committee and the Independent Shareholders in such regard. The Independent Board Committee will, after receiving and considering the advice from the Independent Financial Adviser, advise and make recommendations to the Independent Shareholders as to whether the Revised CGSA Annual Caps, the Revised KLN Annual Caps and the Revised SF Annual Caps are fair and reasonable and as to voting at the SGM so far as the Independent Shareholders are concerned.

A Circular containing, among other things, (a) details of the 2024 CGSA Framework Agreement, the 2024 KLN Logistics Services Framework Agreement and the 2024 SF Logistics Services Framework Agreement, and the transactions contemplated under such agreements, as well as the Revised CGSA Annual Caps, the Revised KLN Annual Caps and the Revised SF Annual Caps in connection thereto; (b) a letter from the Independent Board Committee to the Independent Shareholders; (c) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (d) notice of the SGM, is expected to be despatched to the Shareholders on or before 29 October 2026, so as to allow sufficient time for the preparation and finalisation of the relevant information for inclusion in the Circular and arrangement for the bulk printing of the Circular.

INTRODUCTION

References are made to:

(i) the 2024 Announcement and the 2024 Circular in relation to, among other things, the existing continuing connected transactions contemplated under the CCT Agreements, as appropriate;

(ii) the 2025 Announcement in relation to, among other things, the proposed revision of the annual caps for the financial years ending 31 December 2025, 2026 and 2027 in respect of the continuing connected transactions under the CCT Agreements; and

(iii) the 2025 Circular in relation to, among other things, the proposed revision of the annual caps for the financial years ending 31 December 2025, 2026 and 2027 under the 2024 KLN Logistics Services Framework Agreement and the 2024 SF Logistics Services Framework Agreement, which were subsequently approved by the independent Shareholders of the Company at the special general meeting of the Company held on 26 May 2025.

Based on the Group's historical transaction amounts in the second half of 2025, the unaudited management accounts of the Company and operational data for the six months ended 30 June 2026, it has come to the attention of the Board that the actual transaction amounts contemplated under the CCT Agreements may exceed the Existing Annual Caps. The transaction amounts under the CCT Agreements are sensitive to fluctuations in freight rates, shipment volumes, route mix, available cargo capacity and customer demand. During the first half of 2026, these factors experienced a higher degree of volatility than anticipated at the time of the previous proposed annual cap revision under the 2025 Announcement and the 2025 Circular, resulting in transaction volumes increasing beyond the assumptions underlying the Existing Annual Caps.

In light of the above, and the expected growth in demand from the Group and SFTS Group (as applicable) of the relevant services, the Board anticipates that the Existing Annual Caps for the financial years ending 31 December 2026 and 2027 will not be sufficient to meet the expected transaction amounts under the CCT Agreements. Accordingly, the Board proposes to further revise the Existing Annual Caps in compliance with the requirements under Chapter 14A of the Listing Rules.

REVISION OF ANNUAL CAPS FOR 2024 CGSA FRAMEWORK AGREEMENT

On 31 July 2024 (after trading hours), the Company and SFTS entered into the 2024 CGSA Framework Agreement to set out a framework for the provision of the CGSA Services by the Group to SFTS Group, which commenced from 1 January 2025 for a term of 3 years.

Historical transaction amounts

The historical transaction amounts paid by SFTS Group to the Group for the provision of CGSA Services for the three years ended 31 December 2025 based on audited accounts of the Company, and for the six months ended 30 June 2026 based on the unaudited management accounts of the Company, were approximately HK$155.5 million, HK$164.6 million, HK$228.0 million and HK$148.7 million, respectively.

The Existing CGSA Annual Caps and the Revised CGSA Annual Caps

The table below sets out the Existing CGSA Annual Caps and the proposed Revised CGSA Annual Caps under the 2024 CGSA Framework Agreement:

	Year ending 31 December	
	2026	2027
	(HK$)	(HK$)
Existing CGSA Annual Caps	362.1 million	458.1 million
Revised CGSA Annual Caps	400.0 million	570.0 million

For the year ended 31 December 2025, the aggregate fees paid by SFTS Group to the Group for the provision of CGSA Services were approximately HK$228.0 million. The transaction amount in respect of the CGSA Services continued to increase substantially in the second half of 2025 and the first half of 2026 mainly due to the increase in prevailing market freight rates, as well as the increase in flights and routes operated by SF Airlines Company Limited, which in turn led to an increase in demand from SFTS Group for the CGSA Services. The Board foresees that the actual transaction amounts under the 2024 CGSA Framework Agreement will continue to increase as a result of the increase in demand from SFTS Group for the CGSA Services over time and may approach or exceed the levels originally contemplated when the Existing CGSA Annual Caps were determined. In particular, the aggregate fees to be paid by SFTS Group for the year ending 31 December 2026 with respect to the CGSA Services are projected to be approximately HK$292.0 million, which represents a utilisation rate of approximately 80.7% of the Existing CGSA Annual Caps for the year ending 31 December 2026.

While such projected utilisation remains below the Existing CGSA Annual Caps, the Board considers that the remaining headroom may not provide sufficient flexibility to accommodate potential increases, volatility and unpredictability in transaction volume and transaction amounts. Given the nature of the CGSA Services and the pricing mechanism under the 2024 CGSA Framework Agreement, the transaction amounts under the 2024 CGSA Framework Agreement may fluctuate materially within a relatively short period of time. Pursuant to the 2024 CGSA Framework Agreement, the Group is entitled to receive commission calculated as a percentage of total sales revenue generated from the Air Cargo Business procured by the Group as cargo general sales agent for the relevant flight routes. Accordingly, the aggregate commission payable by SFTS Group to the Group is directly linked to the total sales revenue generated from the Air Cargo Business and is therefore affected by, among other things, the number of flight routes operated by SFTS Group, the frequency and capacity of the relevant flights, prevailing market freight rates, the cargo volume generated from the relevant routes and the timing of commencement or expansion of such routes. An increase in any of these factors may lead to higher cargo sales revenue, which would in turn increase the commission payable by SFTS Group to the Group. In particular, the launch of one or more additional flight routes, or an increase in flight frequency or available cargo capacity on existing routes, may result in a substantial increase in the aggregate transaction amounts payable to the Group for the relevant period. During the first half of 2026, increases in air cargo volumes, prevailing freight rates and flight network deployment exceeded the levels contemplated at the time of the previous proposed annual cap revision under the 2025 Announcement. As a result, the transaction amounts under the 2024 CGSA Framework Agreement increased more rapidly than originally anticipated. Furthermore, in light of the expected continued expansion of SFTS Group's flight network in the second half of 2026 and into 2027, as well as the potential impact of fluctuations in freight rates, cargo volumes and air cargo capacity on transaction amounts, the Board considers that the Existing CGSA Annual Caps for the year ending 31 December 2027 may also not provide sufficient flexibility to accommodate the expected level of transactions. As the proposed revision of the annual caps covers the remaining term of the 2024 CGSA Framework Agreement, being the years ending 31 December 2026 and 2027, the Board considers it necessary and prudent to further revise the Existing CGSA Annual Caps for the years ending 31 December 2026 and 2027 to provide sufficient flexibility to accommodate potential fluctuations and growth in transaction volume and transaction amounts under the 2024 CGSA Framework Agreement while ensuring ongoing compliance with Chapter 14A of the Listing Rules.

The Revised CGSA Annual Caps have been determined with reference to (i) the historical transaction amounts incurred by the parties, including the transaction amounts in the second half of 2025 and for the six months ended 30 June 2026; (ii) prevailing market rates charged for providing similar services; (iii) prevailing market rates for the services of carriage of cargoes by air; (iv) maximum available capacity of SF Airlines Company Limited's fleet of freighter aircraft for providing cargo carriage services by air; (v) existing and expected schedules, flight frequencies and route network for the Inbound Flights and Outbound Flights (as defined in the 2024 CGSA Framework Agreement) respectively; and (vi) inflation and expected growth of SFTS Group's demand for the CGSA Services.

REVISION OF ANNUAL CAPS FOR 2024 KLN LOGISTICS SERVICES FRAMEWORK AGREEMENT

On 31 July 2024 (after trading hours), the Company and SFTS entered into the 2024 KLN Logistics Services Framework Agreement to set out a framework for the provision of the KLN Logistics Services by the Group to SFTS Group, which commenced from 1 January 2025 for a term of 3 years.

Historical transaction amounts

The historical transaction amounts paid by SFTS Group to the Group for the provision of KLN Logistics Services for the three years ended 31 December 2025 based on the audited accounts of the Company, and for the six months ended 30 June 2026 based on the unaudited management accounts of the Company, were approximately HK$301.3 million, HK$1,858.2 million, HK$2,481.8 million and HK$1,765.9 million, respectively.

The Existing KLN Annual Caps and the Revised KLN Annual Caps

The table below sets out the Existing KLN Annual Caps and the proposed Revised KLN Annual Caps under the 2024 KLN Logistics Services Framework Agreement:

	Year ending 31 December	
	2026	2027
	(HK$)	(HK$)
Existing KLN Annual Caps	3,288.7 million	3,979.4 million
Revised KLN Annual Caps	5,270.0 million	7,550.0 million

For the year ended 31 December 2025, the aggregate fees paid by SFTS Group to the Group for the provision of KLN Logistics Services were approximately HK$2,481.8 million. The transaction amount in respect of the KLN Logistics Services continued to increase substantially in the second half of 2025 and the first half of 2026 primarily due to the overall upsurge of the prevailing market freight rates, which positively impacted the international freight forwarding sector. Furthermore, there was a significant boost in the inter-group business volumes in the second half of 2025 and the first half of 2026 due to the enhanced business collaboration between the Company and SFTS Group, particularly in key regions such as the Chinese Mainland, the United States and several Asian countries. The continuous expansion of SFTS Group's businesses in the second half of 2025 and the first half of 2026 also contributed to the increase in demand for KLN Logistics Services, thereby raising the transaction volume, reflecting the successful synergy between the Company and SFTS Group in capturing market opportunities and meeting increased logistical needs.

In light of the increasing trend in the transaction volume and the expected growth in demand from SFTS Group for KLN Logistics Services over time, the Board foresees that the actual transaction amounts with respect to the KLN Logistics Services for the remainder of the year and the year ending 31 December 2027 will continue to increase, and the Existing KLN Annual Caps will not be sufficient to meet the expected transaction amounts under the 2024 KLN Logistics Services Framework

Agreement. In particular, the aggregate fees to be received by the Group for the year ending 31 December 2026 with respect to the KLN Logistics Services are projected to be approximately HK$4,467.0 million, which represents a utilisation rate of approximately 135.8% of the Existing KLN Annual Caps for the year ending 31 December 2026.

The Revised KLN Annual Caps have been determined with reference to (i) the historical transaction amounts incurred by the parties, including the transaction amounts in the second half of 2025 and for the six months ended 30 June 2026; (ii) prevailing market rate charged by independent third parties for providing similar services; and (iii) inflation and expected growth of SFTS Group's demand for the KLN Logistics Services.

REVISION OF ANNUAL CAPS FOR 2024 SF LOGISTICS SERVICES FRAMEWORK AGREEMENT

On 31 July 2024 (after trading hours), the Company and SFTS entered into the 2024 SF Logistics Services Framework Agreement to set out a framework for the provision of the SF Logistics Services by SFTS Group to the Group, which commenced from 1 January 2025 for a term of 3 years.

Historical transaction amounts

The historical transaction amounts paid by the Group to SFTS Group for the provision of SF Logistics Services for the three years ended 31 December 2025 based on the audited accounts of the Company, and for the six months ended 30 June 2026 based on the unaudited management accounts of the Company, were approximately HK$911.7 million, HK$1,201.6 million, HK$1,944.9 million and HK$1,248.7 million.

The Existing SF Annual Caps and the Revised SF Annual Caps

The table below sets out the Existing SF Annual Caps and the proposed Revised SF Annual Caps under the 2024 SF Logistics Services Framework Agreement:

	Year ending 31 December	
	2026	2027
	(HK$)	(HK$)
Existing SF Annual Caps	2,397.6 million	2,901.1 million
Revised SF Annual Caps	3,600.0 million	5,150.0 million

For the year ended 31 December 2025, the aggregate fees paid by the Group to SFTS Group for the provision of SF Logistics Services were approximately HK$1,944.9 million. The transaction amount in respect of the SF Logistics Services continued to increase substantially in the second half of 2025 and the first half of 2026. This growth in transaction amount was driven by several factors, including the increase in the number of flights and routes operated by SF Airlines Company Limited, as well as the increase in the prevailing market freight rates. These factors collectively contributed to a significant increase in transaction volume within the freight forwarding sector. Additionally, there was a notable boost in the inter-group business volumes during the second half of 2025 and the first half of 2026 as a result of the enhanced business collaboration between the Company and SFTS Group, particularly in key regions such as the Chinese Mainland, the United States and several Asian countries. In the Chinese Mainland, the Company is increasingly leveraging SFTS Group's well-established infrastructure network, which has significantly boosted transaction volumes within the integrated logistics sector.

In light of the increasing trend in the transaction volume and the expected growth in demand from the Group for SF Logistics Services over time, the Board foresees that the actual transaction amounts with respect to the SF Logistics Services for the remainder of the year and the year ending 31 December 2027 will continue to increase, and the Existing SF Annual Caps will not be sufficient to meet the expected transaction amounts under the 2024 SF Logistics Services Framework Agreement. In particular, the aggregate fees to be paid by the Group for the year ending 31 December 2026 with respect to the SF Logistics Services are projected to be approximately HK$3,046.0 million, which represents a utilisation rate of approximately 127.0% of the Existing SF Annual Cap for the year ending 31 December 2026.

The Revised SF Annual Caps have been determined with reference to (i) the historical transaction amounts incurred by the parties, including the transaction amounts in the second half of 2025 and for the six months ended 30 June 2026; (ii) prevailing market rates and forecasted rates that may be charged by independent third parties for similar services; (iii) maximum available cargo/parcel/storage capacity; (iv) (in relation to sale of cargo space) existing flight routes and schedules; and (v) inflation and expected growth of the Group's demand for the SF Logistics Services.

REASONS FOR AND BENEFITS OF REVISION OF THE EXISTING ANNUAL CAPS

The Group is principally engaged in the integrated logistics and international freight forwarding businesses. Following the strategic alliance made between the Company and SF Holding since 2021, the Board is of the view that the Group's competitive position in the market will continue to be enhanced by creating synergies with SF Holding through extensive collaborations.

By engaging each other for the relevant services under the 2024 KLN Logistics Services Framework Agreement and the 2024 SF Logistics Services Framework Agreement, respectively, the Group and SFTS Group can coordinate and streamline their operations, reconfigure resources and refocus on the services where the Group and SFTS Group have the respective strengths and core competencies, thereby bringing efficiencies of scale to their business operations. By engaging the cargo flight services, express and last-mile fulfilment services, and ancillary logistics services of SFTS Group in the Chinese Mainland and, in tandem, providing to SFTS Group increasing international freight forwarding services and integrated logistics business mainly outside of the Chinese Mainland, Hong Kong and Macau, the Group is able to (i) leverage on SFTS Group's flight network and the SF Airline flight services, the resources and extensive infrastructure in the Chinese Mainland, thereby reducing administrative costs and allowing it to grow and further expand the scale and geographical coverage of its operations, and (ii) focus on its strategic plans and centre resources on its core business of international freight forwarding and integrated logistics, with an aim to enhancing its overall performance and prospects. On the other hand, SFTS Group would benefit from the Company's (i) extensive overseas international freight forwarding network, (ii) well-developed logistics infrastructure throughout Asia, and (iii) other manpower and strong local support capabilities in various countries outside the Chinese Mainland, in providing comprehensive and complementary support to SFTS Group's business operations.

The Existing Annual Caps represent the annual caps currently in effect for the financial years ending 31 December 2026 and 2027 under the CCT Agreements. Based on the Group's historical transaction amounts in the second half of 2025, the unaudited management accounts of the Company and operational data for the six months ended 30 June 2026, it has come to the attention of the Board that the actual transaction amounts contemplated under the CCT Agreements may exceed the Existing Annual Caps. The transaction amounts under the CCT Agreements are sensitive to fluctuations in freight rates, shipment volumes, route mix, available cargo capacity and customer demand. During the first half of 2026, these factors experienced a higher degree of volatility than anticipated at the time of the previous proposed annual cap revision under the 2025 Announcement and the 2025 Circular, as appropriate, resulting in transaction volumes under the CCT Agreements increasing more rapidly than originally anticipated and beyond the assumptions underlying the Existing Annual Caps.

In respect of the 2024 CGSA Framework Agreement, the aggregate transaction amounts may fluctuate materially within a relatively short period of time, as they are affected by, among other things, the number of flight routes operated by SFTS Group, flight frequency, available cargo capacity, cargo volume generated from the relevant routes and prevailing market freight rates. In particular, the launch of additional flight routes, or an increase in flight frequency or available cargo capacity on existing routes, may result in a substantial increase in the aggregate transaction amounts payable by SFTS Group to the Group. Accordingly, the Board considers it necessary and prudent to further revise the Existing CGSA Annual Caps for the years ending 31 December 2026 and 2027 to provide sufficient flexibility to accommodate potential fluctuations and growth in transaction volume and transaction amounts under the 2024 CGSA Framework Agreement while ensuring ongoing compliance with Chapter 14A of the Listing Rules.

In view of the expected growth in demand from the Group and SFTS Group (as applicable) of the relevant services and the actual transaction amounts incurred or made to date under the CCT Agreements, and the potential fluctuation in transaction amounts under the 2024 CGSA Framework Agreement as described in this announcement, the Board considers that the Existing Annual Caps for the financial years ending 31 December 2026 and 2027 may not provide sufficient flexibility to accommodate the anticipated level of transactions during the remaining term of the CCT Agreements. The Revised Annual Caps would enable the Group and SFTS Group to continue and expand their cooperation and utilisation of their respective resources, services and strengths, thereby bringing efficiencies of scale to their business operations and further enhancing the business collaboration between the Company and SFTS Group. Accordingly, the Board proposes and considers it beneficial for the Company to increase the annual caps to the Revised Annual Caps.

Save for the revision of the Existing Annual Caps, all the terms of the CCT Agreements, including the pricing policies and principal payment terms, and the internal control measures, remain unchanged. Please refer to the 2024 Announcement and 2024 Circular for further details of the terms of the CCT Agreements.

The Board (other than (i) the INEDs who will express their views after receiving advice from the Independent Financial Adviser, and (ii) each of Mr WANG Wei and Mr HO Chit who has abstained from voting on the relevant resolutions approving the revision of the annual caps under the 2024 CGSA Framework Agreement, the 2024 KLN Logistics Services Framework Agreement and the 2024 SF Logistics Services Framework Agreement and the transactions contemplated under such agreements (including the Revised CGSA Annual Caps, the Revised KLN Annual Caps and the Revised SF Annual Caps)) is of the view that the revision of the annual caps under the 2024 CGSA Framework Agreement, the 2024 KLN Logistics Services Framework Agreement and the 2024 SF Logistics Services Framework Agreement and the transactions contemplated under such agreements are in the ordinary and usual course of business of the Group, on an arm's length basis and on normal commercial terms which are fair and reasonable, will not have material adverse impact on the Company's financial position or operation results nor will it affect the independence of the Company, and in the interests of the Company and the Shareholders as a whole, and that the Revised CGSA Annual Caps, the Revised KLN Annual Caps and the Revised SF Annual Caps are fair and reasonable.

Mr WANG Wei, the chairman of the Board and a non-executive Director, is the chairman of the board of directors, an executive director, the general manager, the chief executive officer and controlling shareholder of SF Holding. Mr HO Chit, an executive Director, is an executive director, a deputy general manager and the chief financial officer of SF Holding. As at the Latest Practicable Date, Mr HO Chit was interested in an aggregate of 787,494 ordinary shares (A Shares) in SF Holding (representing approximately 0.02% in the issued share capital (A Shares) of SF Holding), comprising (i) 122,000 ordinary shares (A Shares) in SF Holding, (ii) options granted under the 2022 stock option incentive plan of SF Holding to subscribe for 244,000 ordinary shares (A Shares) in SF Holding, and (iii) 2,300,000 virtual share units pursuant to a grant agreement signed on 26 September 2025 under SF Holding Employees "Grow Together" Shareholding Scheme (A Shares). Following the relevant calculation, such virtual share units were fully vested on 30 March 2026 and corresponded to 421,494 ordinary shares (A Shares) in SF Holding. Mr HO Chit will enjoy full rights attached to such shares upon the service period ends on 30 March 2035. Each of Mr WANG Wei and Mr HO Chit therefore abstained from voting on the relevant resolutions of the Board approving the revision of annual caps under the CCT Agreements and the transactions contemplated under such agreements (including the Revised CGSA Annual Caps, the Revised KLN Annual Caps and the Revised SF Annual Caps). Save as disclosed above, none of the other Directors has a material interest in the Revised Annual Caps, or is required to abstain from voting on the relevant resolutions of the Board.

LISTING RULES IMPLICATIONS

SFTS is a wholly-owned subsidiary of SF Holding, which is a controlling shareholder of the Company. SFTS is therefore a connected person of the Company. As such, each of the 2024 CGSA Framework Agreement, the 2024 KLN Logistics Services Framework Agreement and the 2024 SF Logistics Services Framework Agreement and the transactions contemplated under such agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.54(1) of the Listing Rules, if the Company proposes to further revise the Existing Annual Caps, the Company will have to re-comply with the applicable requirements under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Revised CGSA Annual Caps exceeds 5%, the revision of the annual caps under the 2024 CGSA Framework Agreement is subject to the reporting, announcement, circular, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Revised KLN Annual Caps exceeds 5%, the revision of the annual caps under the 2024 KLN Logistics Services Framework Agreement is subject to the reporting, announcement, circular, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Revised SF Annual Caps exceeds 5%, the revision of the annual caps under the 2024 SF Logistics Services Framework Agreement is subject to the reporting, announcement, circular, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

INFORMATION ON THE PARTIES

Information about the Group

The Group operates as a leading logistics service provider in Asia 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. As at the Latest Practicable Date, SF Holding and its associate(s) were interested in approximately 51.52% of the total number of issued Shares of the Company and SF Holding is ultimately controlled by Mr WANG Wei.

Information about SFTS and SF Holding

SFTS is a company incorporated in the PRC with limited liability, and is principally engaged in investments in industrial businesses, investment consulting and other information consulting, supply chain management, asset management, capital management and investment management. SFTS is a wholly-owned subsidiary of SF Holding, which is ultimately controlled by Mr WANG Wei, who was interested in approximately 46.76% of the total issued share capital of SF Holding as at the Latest Practicable Date. SF Holding is a leading global integrated logistics services provider. Among other businesses, SFTS Group operates a fleet of freight aircraft and carries on the business of carriage of cargoes by air flight operations and provides international courier services to carry cargoes, parcels and goods into and out of the PRC.

GENERAL

The SGM will be held for the purpose of considering and, if thought fit, approving the revision of the annual caps under the 2024 CGSA Framework Agreement, the 2024 KLN Logistics Services Framework Agreement and the 2024 SF Logistics Services Framework Agreement and the transactions contemplated under such agreements, as well as the adoption of the Revised CGSA Annual Caps, the Revised KLN Annual Caps and the Revised SF Annual Caps.

Any Shareholders and their respective associates (as defined in the Listing Rules) who are involved in or interested in the Revised CGSA Annual Caps, the Revised KLN Annual Caps and the Revised SF Annual Caps are required to abstain from voting on the relevant resolutions to be proposed at the SGM. SF Holding and its associate(s) will abstain from voting on the resolutions in respect of the Revised CGSA Annual Caps, the Revised KLN Annual Caps and the Revised SF Annual Caps to be proposed at the SGM.

The Independent Board Committee comprising Dr CHEUNG Wai Man, Mr LAI Sau Cheong Simon, Mr TAN Chuen Yan Paul and Ms WONG Yu Pok Marina, being all the INEDs, was established to consider and to advise the Independent Shareholders on the revision of the annual caps under the 2024 CGSA Framework Agreement, the 2024 KLN Logistics Services Framework Agreement and the 2024 SF Logistics Services Framework Agreement and the transactions contemplated under such agreements, as well as the adoption of the Revised CGSA Annual Caps, the Revised KLN Annual Caps and the Revised SF Annual Caps. Ignite Capital (Asia Pacific) Limited has been appointed as Independent Financial Adviser by the Company to advise the Independent Board Committee and the Independent Shareholders in such regard. The Independent Board Committee will, after receiving and considering the advice from the Independent Financial Adviser, advise and make recommendations to the Independent Shareholders as to whether the Revised CGSA Annual Caps, the Revised KLN Annual Caps and the Revised SF Annual Caps are fair and reasonable and as to voting at the SGM so far as the Independent Shareholders are concerned.

A Circular containing, among other things, (a) details of the 2024 CGSA Framework Agreement, the 2024 KLN Logistics Services Framework Agreement and the 2024 SF Logistics Services Framework Agreement, and the transactions contemplated under such agreements, as well as the Revised CGSA Annual Caps, the Revised KLN Annual Caps and the Revised SF Annual Caps in connection thereto; (b) a letter from the Independent Board Committee to the Independent Shareholders; (c) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (d) notice of the SGM, is expected to be despatched to the Shareholders on or before 29 October 2026, so as to allow sufficient time for the preparation and finalisation of the relevant information for inclusion in the Circular and arrangement for the bulk printing of the Circular.

DEFINITIONS

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

"2024 Announcement"	the announcement of the Company dated 31 July 2024 in relation to, among other things, the continuing connected transactions under the CCT Agreements
"2024 Circular"	the circular of the Company dated 27 August 2024 in relation to, among other things, the continuing connected transactions under the 2024 KLN Logistics Services Framework Agreement and the 2024 SF Logistics Services Framework Agreement
"2024 CGSA Framework Agreement"	the framework agreement dated 31 July 2024 entered into between the Company and SFTS to set out a framework for the provision of the CGSA Services by the Group to SFTS Group
"2024 KLN Logistics Services Framework Agreement"	the framework agreement dated 31 July 2024 entered into between the Company and SFTS to set out a framework for the provision of the KLN Logistics Services by the Group to SFTS Group
"2024 SF Logistics Services Framework Agreement"	the framework agreement dated 31 July 2024 entered into between the Company and SFTS to set out a framework for the provision of the SF Logistics Services by SFTS Group to the Group
"2025 Announcement"	the announcement of the Company dated 28 March 2025 in relation to, among other things, the proposed revision of the annual caps for the financial years ending 31 December 2025, 2026 and 2027 in respect of the continuing connected transactions under the CCT Agreements
"2025 Circular"	the circular of the Company dated 6 May 2025 in relation to, among other things, the proposed revision of the annual caps for the financial years ending 31 December 2025, 2026 and 2027 under the 2024 KLN Logistics Services Framework Agreement and the 2024 SF Logistics Services Framework Agreement

"Air Cargo Business"	the business of carriage of cargoes by air flight operations of SFTS Group
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"CCT Agreements"	collectively, the 2024 CGSA Framework Agreement, the 2024 KLN Logistics Services Framework Agreement, and the 2024 SF Logistics Services Framework Agreement
"CGSA Services"	means the sales and promotion of the Air Cargo Business
"Chinese Mainland"	the PRC and, for the purpose of this announcement only, excludes Hong Kong, Macao Special Administrative Region of the PRC and Taiwan
"Circular"	a circular of the Company in relation to among other things, (a) details of the 2024 CGSA Framework Agreement, the 2024 KLN Logistics Services Framework Agreement and the 2024 SF Logistics Services Framework Agreement, and the transactions contemplated under such agreements, as well as the Revised CGSA Annual Caps, the Revised KLN Annual Caps and the Revised SF Annual Caps in connection thereto; (b) a letter from the Independent Board Committee to the Independent Shareholders; (c) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (d) notice of the SGM, which is to be despatched to the Shareholders
"Company" or "KLN"	KLN Logistics Group Limited, a company incorporated in the British Virgin Islands and continued into Bermuda to become an exempted company with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 636)
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"controlling shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Director(s)"	director(s) of the Company
"Existing Annual Caps"	the Existing CGSA Annual Caps, the Existing KLN Annual Caps and the Existing SF Annual Caps

"Existing CGSA Annual Cap(s)"	the existing annual cap(s) on the maximum aggregate amounts of commission payable by SFTS Group to the Group for the two years ending 31 December 2027 with respect to the transactions contemplated under the 2024 CGSA Framework Agreement as disclosed in the 2024 Announcement and as revised pursuant to the 2025 Announcement
"Existing KLN Annual Cap(s)"	the existing annual cap(s) on the maximum aggregate amounts payable by SFTS Group to the Group for the two years ending 31 December 2027 with respect to the transactions contemplated under the 2024 KLN Logistics Services Framework Agreement as disclosed in the 2024 Announcement and the 2024 Circular and as revised pursuant to the 2025 Announcement and the 2025 Circular, which were subsequently approved by the independent Shareholders of the Company at the special general meeting of the Company held on 26 May 2025
"Existing SF Annual Cap(s)"	the existing annual cap(s) on the maximum aggregate amounts payable by the Group to SFTS Group for the two years ending 31 December 2027 with respect to the transactions contemplated under the 2024 SF Logistics Services Framework Agreement as disclosed in the 2024 Announcement and the 2024 Circular and as revised pursuant to the 2025 Announcement and the 2025 Circular, which were subsequently approved by the independent Shareholders of the Company at the special general meeting of the Company held on 26 May 2025
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Independent Board Committee"	the independent committee of the Board comprising Dr CHEUNG Wai Man, Mr LAI Sau Cheong Simon, Mr TAN Chuen Yan Paul and Ms WONG Yu Pok Marina, being all the INEDs, established for the purpose of advising the Independent Shareholders in respect of the revision of the annual caps under the 2024 CGSA Framework Agreement, the 2024 KLN Logistics Services Framework Agreement and the 2024 SF Logistics Services Framework Agreement and the transactions contemplated under such agreements, as well as the adoption of the Revised CGSA Annual Caps, the Revised KLN Annual Caps and the Revised SF Annual Caps

"Independent Financial Adviser"	Ignite Capital (Asia Pacific) Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the revision of the annual caps under the 2024 CGSA Framework Agreement, the 2024 KLN Logistics Services Framework Agreement and the 2024 SF Logistics Services Framework Agreement and the transactions contemplated under such agreements, as well as the adoption of the Revised CGSA Annual Caps, the Revised KLN Annual Caps and the Revised SF Annual Caps
"Independent Shareholders"	the Shareholders other than those who are required to abstain from voting on the proposed resolutions at the SGM approving the revision of the annual caps under the 2024 CGSA Framework Agreement, the 2024 KLN Logistics Services Framework Agreement and the 2024 SF Logistics Services Framework Agreement and the transactions contemplated under such agreements, as well as the adoption of the Revised CGSA Annual Caps, the Revised KLN Annual Caps and the Revised SF Annual Caps
"independent third party(ies)"	any entity or person who, to the best knowledge of our Directors, is independent of the Company and its connected persons
"INEDs"	the independent non-executive Directors of the Company
"KLN Logistics Services"	(a) international freight forwarding services, including cross-border international cargo carriage services for SFTS Group's cargo and parcels and various ancillary services through the Group's global network; and (b) integrated logistics services, including storage, inventory management and other value-added services, trucking and distribution, returns management and various ancillary services mainly outside the Chinese Mainland, Hong Kong and Macau
"Latest Practicable Date"	27 August 2026, being the latest practicable date prior to the publication of this announcement for the purpose of ascertaining certain information contained in this announcement
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time

"PRC"	the People's Republic of China
"Revised Annual Caps"	the Revised CGSA Annual Caps, the Revised KLN Annual Caps and the Revised SF Annual Caps
"Revised CGSA Annual Cap(s)"	the revised annual cap(s) on the maximum aggregate amounts of commission payable by SFTS Group to the Group for the two years ending 31 December 2027 with respect to the transactions contemplated under the 2024 CGSA Framework Agreement
"Revised KLN Annual Cap(s)"	the revised annual cap(s) on the maximum aggregate amounts payable by SFTS Group to the Group for the two years ending 31 December 2027 with respect to the transactions contemplated under the 2024 KLN Logistics Services Framework Agreement
"Revised SF Annual Cap(s)"	the revised annual cap(s) on the maximum aggregate amounts payable by the Group to SFTS Group for the two years ending 31 December 2027 with respect to the transactions contemplated under the 2024 SF Logistics Services Framework Agreement
"SF Holding"	S.F. Holding Co., Ltd., a joint stock company established in the PRC with limited liability, the domestic ordinary shares of which are listed on the Shenzhen Stock Exchange (stock code: 002352.SZ) and the overseas listed foreign ordinary shares of which are listed on the Main Board of the Stock Exchange (stock code: 06936), and one of the controlling shareholders of the Company
"SF Logistics Services"	(a) the carriage of cargoes by air flight operations through SFTS Group's flight network (comprising scheduled flights and charter flights) and various ancillary services; (b) freight forwarding services, including co-loading of cargoes; (c) express services of (i) collecting and obtaining customs clearance of cargoes and parcels at designated international arrival ports for, and (ii) sorting, distribution and delivery of such cargoes and parcels to, customers of the Group and/or their designated consignees; and (d) integrated logistics services, including storage, inventory management and other value-added services, trucking and distribution, returns management and various ancillary services, within the Chinese Mainland, Hong Kong and Macau

"SFTS"	Shenzhen S.F. Taisen Holding (Group) Co., Ltd.* (深圳順豐泰森控股 (集團)有限公司), a wholly-owned subsidiary of SF Holding incorporated in the PRC with limited liability and a connected person of the Company
"SFTS Group"	SFTS and its subsidiaries
"SGM"	the special general meeting of the Company to be held to consider and, if thought fit, approve the revision of the annual caps under the 2024 CGSA Framework Agreement, the 2024 KLN Logistics Services Framework Agreement and the 2024 SF Logistics Services Framework Agreement and the transactions contemplated under such agreements, as well as the adoption of the Revised CGSA Annual Caps, the Revised KLN Annual Caps and the Revised SF Annual Caps
"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
"Shareholder(s)"	holder(s) of any Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules
"United States" or "US"	the United States of America, its territories and possessions, any State of the United States, and the District of Columbia
"%"	per cent

* *For identification purpose only*

By Order of the Board
KLN Logistics Group Limited
LEE Pui Nee
Company Secretary

Hong Kong, 28 August 2026

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, Mr CHO Kin Lun, Mr HO Chit and Mr WONG Siew Loong

Non-executive Director:
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

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