

# THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



## 嘉里建設有限公司\*

### KERRY PROPERTIES LIMITED

(Incorporated in Bermuda with limited liability)

website: [www.kerryprops.com](http://www.kerryprops.com)

(Stock Code: 683)

### (1) MAJOR AND CONNECTED TRANSACTIONS: DISPOSAL OF SHARES IN KERRY LOGISTICS NETWORK LIMITED PURSUANT TO THE KPL IRREVOCABLE UNDERTAKING, THE PARTICIPATION AGREEMENT AND THE PROPOSED PLACING MANDATE (2) THE SHAREHOLDERS' AGREEMENT AND (3) NOTICE OF SPECIAL GENERAL MEETING



BOC INTERNATIONAL

Financial Advisers to the Company

ANGLO CHINESE 英高  
CORPORATE FINANCE, LIMITED

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

A letter from the Board is set out on pages 13 to 36 of this circular. A letter from the Independent Board Committee is set out on pages 37 and 38 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 39 to 74 of this circular.

Resolutions will be proposed at the Special General Meeting of Kerry Properties Limited to be held at Atrium Room, Level 39, Island Shangri-La Hotel, Pacific Place, Supreme Court Road, Central, Hong Kong on Thursday, 27 May 2021 at 2:45 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) to approve the matters referred to in this circular.

The notice convening the Special General Meeting is set out on pages N-1 to N-3 of this circular. A form of proxy for use at the Special General Meeting is enclosed with this circular. Whether or not you are able to attend the meeting, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to Tricor Abacus Limited, the Company's branch share registrar and transfer office in Hong Kong, of Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the Special General Meeting.

#### PRECAUTIONARY MEASURES FOR THE SPECIAL GENERAL MEETING

In view of the COVID-19 pandemic, certain precautionary measures will be implemented at the Special General Meeting to safeguard the health and safety of every attendee, including, without limitation:-

- (a) compulsory body temperature check;
- (b) health declaration;
- (c) wearing of surgical mask;
- (d) no admission of attendees who are subject to quarantine prescribed by the Department of Health of Hong Kong;
- (e) designated seating arrangements to ensure social distancing; and
- (f) no provision of refreshment or drink.

The Company would like to remind Shareholders that physical attendance in person at the Special General Meeting is not necessary for the purpose of exercising their voting rights and strongly recommends Shareholders to appoint the Chairman of the Special General Meeting as their proxy and submit their form of proxy as early as possible.

The Company will limit the attendance in person at the Special General Meeting subject to compliance with the Prevention and Control of Disease (Prohibition on Group Gathering) Regulation and/or any other law or regulations from time to time. The admission to the Special General Meeting venue will be allocated on first-come-first-served basis or such other basis as considered appropriate by the Company.

Approval by the Independent Shareholders of the KPL Irrevocable Undertaking, the Proposed Placing and the Shareholders' Agreement at the Special General Meeting is one of the Pre-Conditions to the launch of the Partial Offer. As a result, the Partial Offer can only be made, and the Company would only have the opportunity to participate in the Partial Offer (and, in turn, the Company being in a position to declare the Special Dividend), if, amongst other Pre-Conditions, the relevant agreements and the Proposed Placing are approved at the Special General Meeting.

\* For identification purpose only

---

## CONTENTS

---

	<b>Page</b>
<b>DEFINITIONS</b> .....	1
<b>LETTER FROM THE BOARD</b> .....	13
<b>LETTER FROM THE INDEPENDENT BOARD COMMITTEE</b> .....	37
<b>LETTER FROM THE INDEPENDENT FINANCIAL ADVISER</b> .....	39
<b>APPENDIX I – FINANCIAL INFORMATION OF THE GROUP</b> .....	I-1
<b>APPENDIX II – GENERAL INFORMATION</b> .....	II-1
<b>NOTICE OF SPECIAL GENERAL MEETING</b> .....	N-1

---

## DEFINITIONS

---

*In this circular, the following expressions have the following meanings, unless the context otherwise requires:–*

“Acceptance Period”	the period in which the Partial Offer is open for acceptance;
“Announcement”	the announcement of the Company dated 30 March 2021 in relation to, among other things, the KPL Irrevocable Undertaking, the Participation Agreement and the Shareholders’ Agreement;
“associate(s)”	has the meaning ascribed to it in the Listing Rules;
“Board”	the board of Directors;
“BOCI”	BOCI Asia Limited, a financial adviser to the Company, is a company incorporated in Hong Kong with limited liability and licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO;
“Brand Licence Agreements”	the KLN Brand Licence Agreement and the KE Thailand Brand Licence Agreement;
“CCASS”	the Central Clearing and Settlement System;
“CFIUS”	the Committee on Foreign Investment in the United States;
“Citigroup”	Citigroup Global Markets Asia Limited, a financial adviser to the Company, is a company incorporated in Hong Kong with limited liability and licensed to carry on Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 7 (providing automated trading services) regulated activities under the SFO;
“close associate(s)”	has the meaning ascribed to it in the Listing Rules;
“Company”	Kerry Properties Limited, an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 683);

---

## DEFINITIONS

---

“Company Resolution”	the resolutions to approve the KPL Irrevocable Undertaking, the Participation Agreement, the granting of the Proposed Placing Mandate to the Directors and the Shareholders’ Agreement, by the Independent Shareholders;
“Composite Document”	the composite document to be jointly issued by the Offeror and KLN in connection with the Partial Offer and the Option Offer in compliance with the Takeovers Code;
“Conditions”	the conditions of the Partial Offer and the Option Offer, as set out under the section headed “ <i>Partial Offer and Disposal of KLN Shares</i> ” of this circular;
“connected person”	has the meaning ascribed to it in the Listing Rules;
“controlling shareholder”	has the meaning ascribed to it in the Listing Rules;
“Controlling Shareholders Irrevocable Undertakings”	the irrevocable undertakings dated 30 March 2021 provided to the Offeror by the Relevant KLN Controlling Shareholders in favour of the Offeror in relation to the Partial Offer, which includes the KPL Irrevocable Undertaking;
“Despatch Date”	the date of despatch of the Composite Document to the shareholders of KLN as required by the Takeovers Code;
“Directors”	the directors of the Company;
“Disposal”	disposal of KLN Shares held by the Company pursuant to the KPL Irrevocable Undertaking and, if applicable, the Placing Agreement(s);
“Effective Time”	4:00 p.m. on the Final Closing Date provided that the Partial Offer has become or been declared unconditional in all respects;
“Excluded Businesses”	the businesses of the Directors which, as at the Latest Practicable Date, competed or were likely to compete either directly or indirectly, with the business of the Group, other than those businesses in which (a) the Group was interested and (b) the Directors’ only interests were as directors appointed to represent the interests of the Group;

---

## DEFINITIONS

---

“Executive”	the executive director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong or any delegates of the executive director;
“Executive Directors Irrevocable Undertakings”	the irrevocable undertakings dated 30 March 2021 provided to the Offeror by the KLN executive directors in favour of the Offeror in relation to the Partial Offer;
“Final Closing Date”	the date which is (i) the 14th day after the date on which the Partial Offer becomes or is declared unconditional in all respects or (ii) the First Closing Date, whichever is the later, provided that the Partial Offer will be open for acceptance for at least 21 days following the Despatch Date;
“First Closing Date”	the date stated in the Composite Document as the first closing day of the Partial Offer, which shall be at least 21 days following the Despatch Date, or such later date as may be extended by the Offeror in accordance with the Takeovers Code;
“Fully-Diluted Basis”	(in the context of the number of KLN Shares in issue) means such number of KLN Shares on the assumption that all the outstanding KLN Share Options have been exercised in full;
“Greater China”	for the purpose of this circular, the Mainland China, Hong Kong, the Macao Special Administrative Region of PRC, and Taiwan;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“HKSCC”	Hong Kong Securities Clearing Company Limited;
“Hong Kong”	the Hong Kong Special Administrative Region of PRC;

---

## DEFINITIONS

---

“Independent Board Committee”	the independent committee of the Board (comprising Mr. Chang Tso Tung, Stephen and Mr. Hui Chun Yue, David, being all INEDs other than Ms. Wong Yu Pok, Marina who is also an independent non-executive director of KLN) established for the purpose of advising the Independent Shareholders in respect of the KPL Irrevocable Undertaking, the Participation Agreement, the Proposed Placing Mandate and the Shareholders’ Agreement, in each case pursuant to the Listing Rules;
“Independent Financial Adviser”	Anglo Chinese Corporate Finance, Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders appointed in respect of the KPL Irrevocable Undertaking, the Participation Agreement, the Proposed Placing Mandate and the Shareholders’ Agreement;
“Independent Shareholders”	Shareholders who are not required to abstain from voting at the Special General Meeting to be convened to consider and, if thought fit, approve the KPL Irrevocable Undertaking, the Participation Agreement, the granting of the Proposed Placing Mandate to the Directors and the Shareholders’ Agreement;
“INEDs”	the independent non-executive directors of the Company;
“Joint Announcement”	the announcement jointly published by the Offeror, KLN and the Company on 10 February 2021;
“J.P. Morgan”	J.P. Morgan Securities (Asia Pacific) Limited, the financial adviser to the Offeror. J.P. Morgan is a registered institution under the SFO, licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 7 (providing automated trading services) regulated activities under the SFO;
“KE Thailand”	KLN’s Thailand-listed subsidiary, Kerry Express (Thailand) Public Company Limited, the shares of which are listed on The Stock Exchange of Thailand (Stock Code: KEX);

---

## DEFINITIONS

---

“KE Thailand Brand Licence Agreement”	the brand licence agreement dated 25 March 2021 entered into between KE Thailand and the Licensor in relation to the proposed grant of a licence by the Licensor to KE Thailand, and the right to sub-license to certain of its subsidiaries for the use of certain existing Kerry Express licensed trademarks and “KERRY EXPRESS” as part of company name, trade name, internet domain names and social media handles;
“Kerry Holdings”	Kerry Holdings Limited, a company incorporated in Hong Kong, which at the date of this circular, is the controlling shareholder of the Company;
“KLN”	Kerry Logistics Network Limited, 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);
“KLN Brand Licence Agreement”	the brand licence agreement dated 25 March 2021 entered into between KLN and the Licensor in relation to the proposed grant of a licence by the Licensor to KLN, and the right to sub-license to certain of its subsidiaries and certain existing pre-approved invested entities of KLN for the use of certain existing Kerry licensed trademarks and “KERRY” as part of company name, trade name, internet domain names and social media handles;
“KLN Controlling Shareholders”	controlling shareholders of KLN, being Kerry Holdings, Kerry Group Limited and their respective subsidiaries which directly hold KLN Shares, being the Company, Alpha Model Limited, Bright Magic Investments Limited, Ace Time Holdings Limited, Macromind Investments Limited, Marsser Limited, Noblespirit Corporation, Summer Fort Limited, Caninco Investments Limited, Darmex Holdings Limited, Glory Voice International Limited, Moslane Limited, Paruni Limited, Ban Thong Company Limited, Desert Grove Limited, Kerry Asset Management Limited, Star Medal Limited and Total Way Investments Limited;

---

## DEFINITIONS

---

“KLN Controlling Shareholders Close Associates”	close associates of the KLN Controlling Shareholders, which as at the Latest Practicable Date, comprise (i) Shang Holdings Limited, a company which is indirectly owned as to more than 30% by Kerry Holdings; and (ii) Pristine Holdings Limited and Rosy Frontier Limited, each of which is an investment company of a discretionary trust of which Kerry Group Limited and Mr. Kuok Khoon Hua (an executive director of KLN and the Company) are discretionary beneficiaries;
“KLN Controlling Shareholders Group”	the KLN Controlling Shareholders, together with the KLN Controlling Shareholders Close Associates;
“KLN Group”	KLN and its subsidiaries;
“KLN Public Shareholders”	shareholders of KLN who are members of the public within the meaning of Rule 8.24 of the Listing Rules;
“KLN Relevant Directors”	the directors of KLN and its subsidiaries;
“KLN Share”	an ordinary share of par value of HK\$0.50 each in the share capital of KLN, and “KLN Shares” shall be construed accordingly;
“KLN Share Options”	outstanding options over KLN Shares granted pursuant to the pre-IPO share option scheme adopted by KLN on 25 November 2013, where one KLN Share Option represents the right to subscribe for one KLN Share with an exercise price of HK\$10.2 for each KLN Share;
“KLN Special Dividend”	conditional upon completion of the Warehouses Sale Agreement (which is conditional upon, amongst other conditions, the Partial Offer becoming or being declared unconditional in all respects), the special dividend of HK\$7.28 per KLN Share to be declared by KLN to distribute substantially all of the proceeds from the Warehouses Sale to those shareholders of KLN who are shareholders of KLN of record as at the date immediately prior to the Final Closing Date;
“KPL Irrevocable Undertaking”	the irrevocable undertakings dated 30 March 2021 provided to the Offeror by the Company in favour of the Offeror in relation to the Partial Offer;



---

## DEFINITIONS

---

“Last Trading Day”	4 February 2021, being the last trading day for the KLN Shares immediately before the publication of the Joint Announcement;
“Latest Practicable Date”	27 April 2021, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular;
“Licensor”	Kuok Registrations Limited, being a fellow subsidiary of Kerry Holdings;
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange;
“Long Stop Date”	9 August 2021, being the date falling six months after the date of the Joint Announcement, or such other date as the Offeror and the KLN Controlling Shareholders may agree in writing;
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers, as set out in Appendix 10 to the Listing Rules;
“Offer Price”	HK\$18.80 for each Offer Share payable by the Offeror to the shareholders of KLN accepting the Partial Offer;
“Offer Shares”	the KLN Shares subject to the Partial Offer, being 931,209,117 KLN Shares, and “Offer Share” shall be construed accordingly;
“Offeror”	Flourish Harmony Holdings Company Limited, a company incorporated in the Cayman Islands, that is indirectly wholly-owned by the Offeror Parent;
“Offeror Parent”	S.F. Holding Co., Ltd., a joint stock company incorporated in PRC with limited liability and the shares of the Offeror Parent are listed on the Shenzhen Stock Exchange (Stock Code: 002352.SZ);
“Offeror Parent Group”	the Offeror Parent and its subsidiaries;
“Offeror Parent Holdco”	Shenzhen Mingde Holding Development Co., Ltd., a joint stock company incorporated in PRC with limited liability;

---

## DEFINITIONS

---

“Offeror Ultimate Controlling Shareholder”	Mr. Wang Wei;
“Option Offer”	the appropriate partial offer to be made by the Offeror to the holders of the KLN Share Options to cancel such number of outstanding KLN Share Options representing 51.8% of the outstanding KLN Share Options as at the Final Closing Date pursuant to Rule 13 of the Takeovers Code;
“Partial Offer”	the pre-conditional voluntary partial cash offer to be made by J.P. Morgan on behalf of the Offeror to the shareholders of KLN to acquire 931,209,117 KLN Shares on the terms and conditions set out in the Joint Announcement and to be set out in the Composite Document, and in compliance with the Takeovers Code;
“Participation Agreement”	the participation agreement dated 30 March 2021 entered into between the Company and Kerry Holdings, pursuant to which the Company and Kerry Holdings agreed on pro rata participation in the Partial Offer and the Placing Agreement(s);
“percentage ratios”	has the meaning ascribed to it in Chapter 14 of the Listing Rules;
“Placing Agreement(s)”	has the meaning ascribed to it under the section headed “ <i>Pre-Conditions to the Partial Offer and the Option Offer</i> ” of the Joint Announcement;
“PRC”	the People’s Republic of China;
“Pre-Conditions”	the pre-conditions to the making of the Partial Offer and the Option Offer, as set out under the section headed “ <i>Partial Offer and Disposal of KLN Shares</i> ” of this circular;
“President”	the President of the United States of America;
“Proposed Placing”	the proposed placing (in one or more transactions) by the Company of up to 4.4% of KLN Shares (as at the date of the Joint Announcement on a Fully-Diluted Basis) under the Placing Agreement(s) on the terms as set out under the paragraph headed “Placing Agreement(s)” in this circular;

---

## DEFINITIONS

---

“Proposed Placing Mandate”	a specific mandate to be granted in advance to the Directors to enter into the Placing Agreement(s) and complete the Proposed Placing, by the Independent Shareholders at the Special General Meeting;
“public”	has the meaning ascribed to it in Rule 8.24 of the Listing Rules;
“Relevant Authority”	any government, governmental, quasi-governmental, statutory or regulatory body, court or agency in any jurisdiction;
“Relevant KLN Controlling Shareholders”	all the KLN Controlling Shareholders which directly hold KLN Shares (being all the KLN Controlling Shareholders other than Kerry Holdings and Kerry Group Limited);
“Relevant Undertaking Shares”	364,496,510 KLN Shares (representing approximately 50.7% of the Company’s shareholding in KLN as at the date of the Joint Announcement), which shall be tendered by the Company for acceptance of the Partial Offer pursuant to the KPL Irrevocable Undertaking;
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Share”	an ordinary share of HK\$1.00 each in the capital of the Company, and “Shares” shall be construed accordingly;
“Shareholder”	a holder of any Share, and “Shareholders” shall be construed accordingly;
“Shareholders’ Agreement”	the shareholders’ agreement dated 10 February 2021 entered into between the Offeror, the Offeror Parent, Kerry Holdings and the Company for the purpose of, among other things, setting out their mutual agreement regarding the corporate governance of KLN and their respective rights and obligations after completion of the Partial Offer;
“Special Dividend”	conditional upon completion of the Disposal, a special dividend to be declared by the Company to distribute approximately 25% to 30% of the net proceeds of the Disposal to those Shareholders who are shareholders of record as at the relevant record date;

---

## DEFINITIONS

---

“Special General Meeting”	the special general meeting of the Company to be held at Atrium Room, Level 39, Island Shangri-La Hotel, Pacific Place, Supreme Court Road, Central, Hong Kong on Thursday, 27 May 2021 at 2:45 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) to consider and, if thought fit, approve the KPL Irrevocable Undertaking, the Participation Agreement, the granting of the Proposed Placing Mandate to the Directors and the Shareholders’ Agreement, the notice of which is set out on pages N-1 to N-3 of this circular;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Taiwan Business”	the entire issued share capital of Kerry Logistics (Taiwan) Investments Limited and Pan Asia Airlines Investment Limited, which hold equity interests of certain companies that carry on the international freight forwarding and coffee trading business of KLN in Taiwan, and indirectly hold approximately 49.7% shareholding interest in Kerry TJ Logistics Company Limited, a company listed on the Taiwan Stock Exchange (Stock Code: 2608);
“Taiwan Business Sale”	the proposed sale of the Taiwan Business by KLN to Treasure Seeker Group Limited, an indirect wholly-owned subsidiary of Kerry Holdings;
“Taiwan Business Sale Agreement”	the sale agreement dated 25 March 2021 entered into between KLN and Treasure Seeker Group Limited, an indirect wholly-owned subsidiary of Kerry Holdings, for the Taiwan Business Sale;
“Taiwan Business Sale Continuing Conditions”	has the meaning ascribed to it under the section headed “ <i>Proposed sale of the Taiwan Business</i> ” of the Joint Announcement;
“Taiwan Business Sale Pre-Conditional Conditions”	has the meaning ascribed to it under the section headed “ <i>Proposed sale of the Taiwan Business</i> ” of the Joint Announcement;
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers;

---

## DEFINITIONS

---

“Target Warehouse Companies”	nine indirectly wholly-owned subsidiaries of KLN as at the date of the Joint Announcement, and each a direct or indirect owner of the Target Warehouses;
“Target Warehouses”	all the landed properties directly or indirectly owned by the Target Warehouse Companies, which comprise properties known as: (i) Kwai Chung Town Lot No. 326 (Nos. 4-6 Kwai Tai Road, Kwai Chung, New Territories, Hong Kong), (ii) Fanling Sheung Shui Town Lot No. 109, North, New Territories, Hong Kong, (iii) Fanling Sheung Shui Town Lot No. 45 and Fanling Sheung Shui Town Lot No. 46 (No. 39 On Lok Mun Street, Fanling, New Territories, Hong Kong), (iv) Kwai Chung Town Lot No. 455 (No. 55 Wing Kei Road, Kwai Chung, New Territories, Hong Kong), (v) Kwai Chung Town Lot No. 452 (No. 3 Shing Yiu Street, Kwai Chung, New Territories, Hong Kong), (vi) Kwai Chung Town Lot No. 437 (No. 35 Wing Kei Road, Kwai Chung, New Territories, Hong Kong), (vii) certain premises at Block A and Car Parking Spaces at Nan Fung Godown Centre, No. 3 Kin Chuen Street, Kwai Chung, New Territories, Hong Kong, (viii) certain premises at Block B, Car Parking Spaces and parking area/loading and unloading platform and certain other premises (if any) and rights (if subsisting) at Nan Fung Godown Centre, No. 3 Kin Chuen Street, Kwai Chung, New Territories, Hong Kong, and (ix) Unit A2, 7/F., Block A and Car Parking Space No. V18 on 1/F. at Nan Fung Godown Centre, No. 3 Kin Chuen Street, Kwai Chung, New Territories, Hong Kong;
“Term Sheets”	the non-legally binding term sheets for each of the Warehouses Sale Agreement, the Warehouses Management Agreements, the Brand Licence Agreements and the Taiwan Business Sale Agreement, which include their annexures, if any;
“Thai MGO”	chain principle mandatory takeover offer for the shares of KE Thailand;
“Thai SEC”	the Securities and Exchange Commission of Thailand;

---

## DEFINITIONS

---

“Transactions”	the entering into of the KPL Irrevocable Undertaking, the Participation Agreement, the Placing Agreement(s) on the terms of the Proposed Placing Mandate and the Shareholders’ Agreement and the transactions contemplated thereunder;
“Undertaking Shares”	575,545,164 KLN Shares (representing approximately 31.8% of the KLN Shares in issue as at the date of the Joint Announcement on a Fully-Diluted Basis), which shall be tendered by the Relevant KLN Controlling Shareholders for acceptance of the Partial Offer pursuant to the Controlling Shareholders Irrevocable Undertakings;
“Warehouses Management Agreements”	the management agreements dated 25 March 2021 (and as amended on 30 April 2021) entered into among the owners of the Target Warehouses and Kerry Warehouse (Hong Kong) Limited (a wholly-owned subsidiary of KLN) as the building manager and leasing agent of the Target Warehouses for the provision of building management services, leasing management services, operation of warehouses facilities and other related services including accounting, IT support, human resources and administration in relation to the Target Warehouses;
“Warehouses Sale”	the proposed sale of the entire issued share capital of each of the Target Warehouse Companies by Kerry Warehouse (HK) Holdings Limited (a wholly-owned subsidiary of KLN) to Urban Treasure Holdings Limited (a wholly-owned subsidiary of Kerry Holdings);
“Warehouses Sale Agreement”	the sale agreement dated 25 March 2021 entered into among KLN, Kerry Warehouse (HK) Holdings Limited (a wholly-owned subsidiary of KLN) and Urban Treasure Holdings Limited (a wholly-owned subsidiary of Kerry Holdings) for the Warehouses Sale;
“Warehouses Sale Pre-Conditional Conditions”	has the meaning ascribed to it under the section headed “ <i>Proposed Warehouses Sale Agreement, Proposed Warehouses Management Agreements and Possible Special Dividend</i> ” of the Joint Announcement; and
“%”	per cent.

---

LETTER FROM THE BOARD

---



嘉里建設有限公司\*

KERRY PROPERTIES LIMITED

*(Incorporated in Bermuda with limited liability)*

*website: www.kerryprops.com*

**(Stock Code: 683)**

***Executive Directors:***

Mr. Wong Siu Kong (*Chairman*)  
Mr. Kuok Khoon Hua (*Vice Chairman and  
Chief Executive Officer*)  
Mr. Bryan Pallop Gaw  
Mr. Wong Chi Kong, Louis (*Senior Vice President  
of the CEO Office*)

***Independent Non-executive Directors:***

Ms. Wong Yu Pok, Marina, JP  
Mr. Chang Tso Tung, Stephen  
Mr. Hui Chun Yue, David

***Registered Office:***

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

***Head Office and Principal Place  
of Business in Hong Kong:***

25/F, Kerry Centre  
683 King's Road  
Quarry Bay  
Hong Kong

5 May 2021

*To the Shareholders and, for information only,  
the optionholders of Kerry Properties Limited*

Dear Sir or Madam,

**(1) MAJOR AND CONNECTED TRANSACTIONS:  
DISPOSAL OF SHARES IN KERRY LOGISTICS NETWORK LIMITED  
PURSUANT TO THE KPL IRREVOCABLE UNDERTAKING,  
THE PARTICIPATION AGREEMENT AND  
THE PROPOSED PLACING MANDATE  
(2) THE SHAREHOLDERS' AGREEMENT  
AND  
(3) NOTICE OF SPECIAL GENERAL MEETING**

**1 INTRODUCTION**

Reference is made to the Announcement in relation to the KPL Irrevocable Undertaking, the Participation Agreement and the Shareholders' Agreement.

\* *For identification purpose only*

---

## LETTER FROM THE BOARD

---

The purpose of this circular is to provide you with, among other things: (i) information on the KPL Irrevocable Undertaking, the Participation Agreement, the Proposed Placing and the Shareholders' Agreement; (ii) a letter of advice from the Independent Board Committee to the Independent Shareholders in relation to the KPL Irrevocable Undertaking, the Participation Agreement, the Proposed Placing and the Shareholders' Agreement; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the KPL Irrevocable Undertaking, the Participation Agreement, the Proposed Placing and the Shareholders' Agreement; and (iv) a notice convening the Special General Meeting.

### **2 PARTIAL OFFER AND DISPOSAL OF KLN SHARES**

As at the Latest Practicable Date, the Company held 718,340,998 KLN Shares, representing approximately 39.7% of the KLN Shares in issue as at the date of the Joint Announcement on a Fully-Diluted Basis.

As set out in the Joint Announcement, J.P. Morgan, on behalf of the Offeror, subject to the satisfaction or waiver (where applicable) of the Pre-Conditions, will make a voluntary conditional partial cash offer to the shareholders of KLN to acquire 931,209,117 KLN Shares (representing approximately 51.8% of the KLN Shares in issue as at the date of the Joint Announcement and approximately 51.5% of the KLN Shares in issue as at the date of the Joint Announcement on a Fully-Diluted Basis), at the Offer Price of HK\$18.80 per Offer Share. As set out in the Joint Announcement, the Offeror stated that the Offer Price was determined on a commercial basis after taking into account, among other things, the value of KLN after the completion of the Warehouses Sale and the Taiwan Business Sale, the payment of the KLN Special Dividend, as well as the historical prices of the KLN Shares traded on the Stock Exchange.

The making of the Partial Offer is subject to satisfaction or waiver (where applicable) of the following Pre-Conditions:

- (i) consent from the Executive in respect of the Partial Offer and the Option Offer pursuant to Rule 28.1 of the Takeovers Code being obtained and such consent remaining in full force and effect;
- (ii) the Stock Exchange granting a waiver from strict compliance with Rule 8.08(1)(a) of the Listing Rules to permit a lower minimum public float of 15.0% in the KLN Shares;
- (iii) the reporting, filing, registration or approval, as applicable, with or by (a) the National Development and Reform Commission of the PRC and (b) the competent authority of the Ministry of Commerce of the PRC in respect of the Partial Offer;



---

## LETTER FROM THE BOARD

---

- (iv) by no later than the Long Stop Date:
- (a) a notice has been filed with CFIUS in respect of the Partial Offer, and (without conditions or restrictions of the type referred to in (b)(1)):
    - (1) CFIUS has determined that the transaction is not a “covered transaction” and not subject to review by CFIUS;
    - (2) CFIUS has determined that there are no unresolved national security concerns; or
    - (3) if CFIUS has sent a report to the President requesting the President’s decision, either (i) the President has decided not to suspend or prohibit the acquisition of control over the KLN Group’s U.S. business; or (ii) the 15 days allotted for Presidential action has passed without any determination by the President; or
  - (b) no prohibition on the acquisition of control over the KLN Group’s U.S. business has been issued by CFIUS or the President, no indication of any objection to such acquisition of control has been provided by CFIUS or the President (nor by any officials acting on behalf of CFIUS or the President) (either in writing or, if not in writing, where the Offeror and KLN acting reasonably and in good faith agree has been provided) and no request has been made by CFIUS to pull and refile the CFIUS filing, and the Offeror and KLN acting reasonably and in good faith agree no such prohibitions, objections or requests are reasonably expected, and in each case:
    - (1) no conditions or restrictions have been proposed that are reasonably expected, individually or in the aggregate to: (i) materially limit or modify the Offeror Parent Group’s rights of ownership or management over, or the ability to conduct, the KLN Group’s business in the United States; or (ii) materially adversely impact the KLN Group’s or the Offeror Parent Group’s business in the United States, nor has any official acting on behalf of CFIUS or the President indicated (either in writing or, if not in writing, where the Offeror and KLN acting reasonably and in good faith agree) that any such conditions or restrictions are likely; and
    - (2) no criminal or other material civil penalties in the United States for the Offeror Parent Group, the KLN Group or the KLN Controlling Shareholders Group or any of their respective employees or officers have arisen or would arise as a result of the implementation of the Partial Offer;

---

## LETTER FROM THE BOARD

---

- (v) by no later than the Long Stop Date:
  - (a) the relevant regulatory authority having granted a waiver from the requirement applicable to the Offeror (or KLN or any other entity through which KLN holds its interest in KE Thailand) to make a Thai MGO that would otherwise arise as a result of the implementation of the Partial Offer; or
  - (b) no such waiver having been granted, but:
    - (1) it having been determined by the Offeror acting reasonably and in good faith (including having carried out due consultation with the Thai SEC and any other relevant regulatory authority and taking into account the advice of a financial advisor qualified to advise on such matters in Thailand) that the price per share required to be offered under such Thai MGO (the “**Thai Offer Price**”) would be less than the prevailing market price of a share in KE Thailand as at the later of (A) the date on which all other Pre-Conditions are satisfied and (B) the date on which the Thai Offer Price is determined in accordance with this paragraph (b)(1); and
    - (2) either (A) the maximum aggregate consideration payable to acquire the shares in KE Thailand pursuant to any such Thai MGO based on the Thai Offer Price (excluding, for the avoidance of doubt, any shares in KE Thailand held by KLN Logistics (Thailand) Limited and any other shares that are not required to be acquired pursuant to such Thai MGO as a result of irrevocable undertakings, if any, to be given by shareholders of KE Thailand to the Offeror in a form satisfactory to the Offeror (expected to include, without limitation, unconditional, non-terminable obligations not to (i) tender acceptances in respect of their shares; or (ii) dispose of any interest in their shares, in each case until the latest date that the Thai MGO is open for acceptances)) being less than or equal to HK\$6,000,000,000, or (B) if such maximum aggregate consideration would be in excess of HK\$6,000,000,000, arrangements having been made that such excess would be funded (directly or indirectly) by equity investment by a third party;
- (vi) in the PRC, with respect to the Partial Offer or its implementation, the Offeror having received antitrust approval from the State Administration for Market Regulation on terms satisfactory to the Offeror, or the statutory review period pursuant to the Anti-Monopoly Law, including any extension of such period, has lapsed;
- (vii) the Relevant KLN Controlling Shareholders (including the Company) duly executing and delivering to the Offeror the Controlling Shareholders Irrevocable Undertakings (including the KPL Irrevocable Undertaking) and the KLN executive directors duly executing and delivering to the Offeror the Executive Directors

---

## LETTER FROM THE BOARD

---

Irrevocable Undertakings, in each case in favour of the Offeror no later than three business days (or such later date as the Offeror and the KLN Controlling Shareholders or the KLN executive directors, as the case may be, may agree) after the announcement of the annual results for the year ended 31 December 2020 by KLN;

- (viii) (a) each of (1) the Warehouses Sale Agreement, (2) the Warehouses Management Agreements, (3) the Brand Licence Agreements and (4) the Taiwan Business Sale Agreement having been entered into:
    - (1) on terms which are consistent in all respects with the Term Sheets;
    - (2) without any material new, or materially amended, terms which are inconsistent with the terms in the Term Sheets; save for those to which the Offeror has consented, acting reasonably; and
    - (3) with, in the case of the Warehouses Sale Agreement, the Warehouses Management Agreements and the Brand Licence Agreements (the Term Sheets to which indicative draft long form documentation have been attached), the relevant Term Sheet having prevailed in respect of all matters to the extent of any inconsistency between the relevant Term Sheet and the indicative draft long form documentation attached to it, save for those matters to which the Offeror has consented, acting reasonably;
  - (b) each of the Brand Licence Agreements having become unconditional save for the condition relating to the Partial Offer becoming or being declared unconditional in all respects;
  - (c) in the case of the Warehouses Sale Agreement, each of the Warehouses Sale Pre-Conditional Conditions having been satisfied (or, where applicable, waived);
  - (d) in the case of the Taiwan Business Sale Agreement: (1) each of the Taiwan Business Sale Pre-Conditional Conditions having been satisfied (or in the case of the Taiwan Business Sale Pre-Conditional Conditions set out in paragraphs (i)(c), (i)(d) and (i)(e) in the section of the Joint Announcement headed “*Proposed sale of the Taiwan Business*”, waived); and (2) there being no event or circumstance which would render any of the Taiwan Business Sale Continuing Conditions incapable of satisfaction;
- (ix) the Shareholders’ Agreement having become unconditional save for the condition relating to the Partial Offer becoming or being declared unconditional in all respects;

---

## LETTER FROM THE BOARD

---

- (x) approval by the shareholders having been obtained in the general meeting of the Offeror Parent: (i) of the Partial Offer and the Option Offer as required for a material transaction of the Offeror Parent under the listing rules of the Shenzhen Stock Exchange; and (ii) the guarantee proposed to be given by the Offeror Parent for the financings for the Partial Offer and the Option Offer ((i) and (ii) being one single, bundled resolution);
- (xi) consent from the Executive and approval by the independent shareholders of KLN in respect of (a) the Shareholders' Agreement, (b) the Warehouses Sale Agreement, (c) the Warehouses Management Agreements, (d) the Brand Licence Agreements and (e) the Taiwan Business Sale Agreement, each as a special deal under Rule 25 of the Takeovers Code;
- (xii) approval by the shareholders and the independent shareholders of KLN, respectively of the Warehouses Sale Agreement and the Taiwan Business Sale Agreement as may be required pursuant to Chapters 14 and 14A of the Listing Rules;
- (xiii) approval by the Independent Shareholders of the disposal of part of the Company's shareholding in KLN pursuant to the KPL Irrevocable Undertaking under the Partial Offer and/or pursuant to the Placing Agreement(s) and the entry into of the Shareholders' Agreement as may be required pursuant to Chapter 14 and 14A of the Listing Rules or the grant by the Stock Exchange of a waiver from the need to obtain such approval;
- (xiv) the Relevant KLN Controlling Shareholders (including the Company) having entered into the Placing Agreement(s) with one or more purchasers (each of which is not a connected person of KLN nor a person falling under Rule 8.24(1) or (2) of the Listing Rules and does not as at the date of the relevant Placing Agreement(s) hold any KLN Shares) to sell in aggregate up to approximately 6.9% of the total issued KLN Shares as at the date of the Joint Announcement if and to the extent the number of KLN Shares held by the public comprise less than 15.0% of the total issued KLN Shares immediately following the Final Closing Date (other than due to the holdings of KLN Shares by any persons nominated by the Offeror as directors of KLN or of any close associates of the Offeror or any such nominee director of KLN) and the completion of the Placing Agreement(s) shall take place within 14 days following the Final Closing Date;
- (xv) no person or persons (other than the Offeror, the KLN Controlling Shareholders and their respective concert parties) holding KLN Shares representing 7.0% or more of the KLN Shares; and
- (xvi) by the earlier in time to occur of the Long Stop Date and the date on which all the other Pre-Conditions (i) to (xv) have been satisfied or waived (or such later date as may be agreed by the Offeror and KLN), (a) there having been no imposition by any Relevant Authority (and no written notification has been received from any Relevant

---

## LETTER FROM THE BOARD

---

Authority of its proposed imposition and there has been no indication, as agreed by the Offeror and KLN acting reasonably and in good faith, that there would be such imposition) of any injunction, regulatory penalty, fine, punishment or other civil penalty on any member of the Offeror Parent Group, the KLN Group or the KLN Controlling Shareholders Group, which has materially adversely affected or would materially adversely affect the Offeror Parent Group's, the KLN Group's or the KLN Controlling Shareholders Group's ongoing business operations; and (b) no criminal penalty having been imposed and no regulatory investigation having been made on any member of the Offeror Parent Group, the KLN Group, the KLN Controlling Shareholders Group or any of their respective officers or employees; and (c) there having been no change in the chairman of either the Offeror Parent or Kerry Holdings.

Save for Pre-Conditions (v) and (vii) which are waivable by the Offeror, and Pre-Conditions (iv), (viii), (ix), (xiv), (xv) and (xvi) which are waivable by the Offeror with the prior written consent of KLN, none of the Pre-Conditions may be waived. If the Pre-Conditions are not satisfied or, where applicable, waived, on or before the Long Stop Date, the Partial Offer and the Option Offer will not be made. The Offeror will issue a further announcement as soon as practicable after the Pre-Conditions have been satisfied or waived.

KLN has applied to the Stock Exchange and has obtained a waiver from strict compliance with Rule 8.08(1)(a) of the Listing Rules to permit a minimum public float of 15.0% in the KLN Shares upon completion of the Partial Offer, subject to the conditions that: (i) each of the Offeror and the KLN Controlling Shareholders (including the Company) will give an undertaking not to acquire additional KLN Shares or interests in KLN Shares which will result in KLN's public float falling below 15.0% (other than pursuant to a transaction implemented in compliance with the Takeovers Code); and (ii) details, reasons and conditions of the waiver are disclosed by way of an announcement. The Company intends to give the undertaking referred to above prior to all of the Pre-Conditions being satisfied (or, if applicable, waived).

As at the Latest Practicable Date, other than the Pre-Conditions set out in paragraphs (vi) and (vii) above, none of the Pre-Conditions have been fulfilled.

The Partial Offer, if made, will be subject to the fulfilment of the following Conditions:

- (i) valid acceptances of the Partial Offer being received in respect of 931,209,117 Offer Shares for the Partial Offer by 4:00 p.m. on or prior to the First Closing Date (or such later time(s) and/or date(s) as the Offeror may decide and the Executive may approve);

---

## LETTER FROM THE BOARD

---

- (ii) approval of the Partial Offer pursuant to Rule 28.5 of the Takeovers Code by qualifying shareholders of KLN who are registered as shareholders of KLN in the register of members of KLN as at the First Closing Date holding over 50% of the KLN Shares, signified by means of a separate tick box on the form of approval and acceptance specifying the number of KLN Shares in respect of which the Partial Offer is approved;
- (iii) (a) there having been no imposition by any Relevant Authority (and no written notification has been received from any Relevant Authority of its proposed imposition and there has been no indication, as agreed by the Offeror and KLN acting reasonably and in good faith, that there would be such imposition) of any injunction, regulatory penalty, fine, punishment or other civil penalty on any member of the Offeror Parent Group, the KLN Group or the KLN Controlling Shareholders Group, which has materially adversely affected or would materially adversely affect the Offeror Parent Group's, the KLN Group's or the KLN Controlling Shareholders Group's ongoing business operations; and (b) no criminal penalty having been imposed and no regulatory investigation having been made on any member of the Offeror Parent Group, the KLN Group, the KLN Controlling Shareholders Group or any of their respective officers or employees; and
- (iv) all Taiwan Business Sale Continuing Conditions under the Taiwan Business Sale Agreement having been satisfied.

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

Settlement of the consideration payable by the Offeror in respect of acceptance of the Partial Offer (less the seller's ad valorem stamp duty arising therefrom) will be made as soon as possible but in any event within seven business days (as defined in the Takeovers Code) of the Final Closing Date. Further details of the Partial Offer are set out in the Joint Announcement.

***Completion of the Partial Offer is subject to Pre-Conditions and Conditions being satisfied (or waived) and therefore the Partial Offer may or may not become unconditional and may or may not be completed. The issuance of this circular and the entering into of the KPL Irrevocable Undertaking do not in any way imply that the Partial Offer will become unconditional. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares. Persons who are in doubt as to the action they should take should consult their professional advisers.***

---

## LETTER FROM THE BOARD

---

### A. KPL Irrevocable Undertaking

In connection with the Partial Offer and the proposed participation in the Partial Offer by the Company, the Company entered into the KPL Irrevocable Undertaking in favour of the Offeror under which the Company has undertaken to accept or procure the acceptance of the Partial Offer in respect of the Relevant Undertaking Shares.

Principal terms of the KPL Irrevocable Undertaking are set out below.

**Date:** 30 March 2021

**Undertakings by the Company:** Pursuant to the KPL Irrevocable Undertaking:

- (i) Subject to relevant termination events, the Company irrevocably and unconditionally undertakes to the Offeror that: (a) as soon as possible after the commencement of the Acceptance Period, and in any event no later than the third business day (as defined in the Takeovers Code) of the Acceptance Period, the Company shall duly accept or procure acceptance of the Partial Offer in accordance with its terms in respect of the Relevant Undertaking Shares by submitting or procuring the submission of the completed form of approval and acceptance in order to effect the acceptance of the Partial Offer, and to transfer or procure the transfer to the Offeror such Relevant Undertaking Shares as are taken up by it pursuant to the Partial Offer; and (b) notwithstanding terms of the Composite Document, the Company shall not withdraw any acceptance of the Partial Offer in respect of any Relevant Undertaking Shares and shall procure that no rights to withdraw any acceptance in respect of any of the Relevant Undertaking Shares are exercised.

---

## LETTER FROM THE BOARD

---

- (ii) The Company undertakes to the Offeror that, other than pursuant to the Partial Offer, the Company shall not prior to the earlier of the Partial Offer closing on the Final Closing Date (or becoming or being declared unconditional in all respects) or lapsing or being withdrawn: (a) other than usual brokers' or bankers' liens or assurances provided to HKSCC, sell, transfer, charge, encumber, grant any option over or otherwise dispose of or permit any of the above actions over all or any of the Relevant Undertaking Shares or interest in the Relevant Undertaking Shares, or accept any other offer in respect of all or any of the Relevant Undertaking Shares; or (b) enter into any agreement or arrangement or permit any agreement or arrangement to be entered into or incur any obligation or permit any obligation to arise or to do all or any of the acts referred to in (a) above or which would or might restrict or otherwise preclude the Company from complying with its obligations under the KPL Irrevocable Undertaking as described in paragraph (i) above.

**Termination:**

The Company's undertakings given in the KPL Irrevocable Undertaking shall terminate automatically if, without the prior written consent of the KLN Controlling Shareholders:

- (i) any of the Pre-Conditions (iv), (viii), (ix), (xiv), (xv) and (xvi) set out in the section headed "*Partial Offer and Disposal of KLN Shares*" of this circular are waived; or
- (ii) save for the Taiwan Business Sale, KLN Group makes any disposal of assets that may be required in order to implement the Partial Offer under, and in compliance with, all applicable law in the relevant jurisdictions (for example, to comply with any applicable merger control or foreign investment restrictions),

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



---

## LETTER FROM THE BOARD

---

### **B. Participation Agreement**

In connection with the Partial Offer, the Company may tender more KLN Shares for acceptance than is required under the KPL Irrevocable Undertaking depending on the overall level of acceptances under the Partial Offer (as may be announced by the Offeror (i) after trading hours on the trading day immediately prior to the Final Closing Date and (ii) at such other times during the Acceptance Period as the Offeror may decide, after consultation with the Executive) and/or may be required to sell KLN Shares pursuant to the Placing Agreement(s).

The Company entered into the Participation Agreement with Kerry Holdings to regulate any sales by the Relevant KLN Controlling Shareholders of KLN Shares into the Partial Offer or pursuant to the Placing Agreement(s).

Principal terms of the Participation Agreement are set out below.

**Date:** 30 March 2021

**Undertakings by the Company:** Pursuant to the Participation Agreement, the Company and Kerry Holdings agreed that any tendering of additional KLN Shares in excess of the obligations under the Controlling Shareholders Irrevocable Undertakings into the Partial Offer and the number of KLN Shares which are the subject of the Placing Agreement(s) to be entered into by the Relevant KLN Controlling Shareholders, shall be on a pro rata basis by reference to, on the one hand, the Company's holding of KLN Shares, and on the other hand, the holding of KLN Shares by the Relevant KLN Controlling Shareholders (other than the Company), in each case as at the date of the Participation Agreement.

For the avoidance of doubt, nothing in the Participation Agreement requires every KLN Controlling Shareholder to enter into the Controlling Shareholders Irrevocable Undertakings provided that the aggregate number of KLN Shares which are the subject of the Controlling Shareholders Irrevocable Undertakings is 575,545,164 KLN Shares. On 30 March 2021, every Relevant KLN Controlling Shareholder entered into the Controlling Shareholders Irrevocable Undertakings for a total of 575,545,164 KLN Shares.

### **C. Placing Agreement(s)**

As noted above, the making of the Partial Offer is subject to the satisfaction (or waiver by the Offeror) of, among others, the following Pre-Condition: that the Relevant KLN Controlling Shareholders (including the Company) have entered into the Placing Agreement(s) with one or more purchasers (each of which is not a connected person of KLN nor a person falling under Rule 8.24(1) or (2) of the Listing Rules and does not as at the date of the relevant Placing Agreement(s) hold any KLN Shares) to sell in aggregate up to approximately 6.9% of

---

## LETTER FROM THE BOARD

---

the total issued KLN Shares as at the date of the Joint Announcement if and to the extent the number of KLN Shares held by the public comprise less than 15.0% of the total issued KLN Shares immediately following the Final Closing Date (other than due to the holdings of KLN Shares by any persons nominated by the Offeror as directors of KLN or by any close associates of the Offeror or any such nominee director of KLN), and the completion of the Placing Agreement(s) shall take place within 14 days following the Final Closing Date.

In order to fulfil the above Pre-Condition, the Company intends to enter into Placing Agreement(s) in relation to the Proposed Placing (in one or more transactions) of up to approximately 4.4% of the total issued KLN Shares as at the date of the Joint Announcement on a Fully-Diluted Basis (being the pro rata percentage of 6.9% of KLN Shares by reference to, on the one hand, the Company's holding of KLN Shares and, on the other hand, the holding of KLN Shares by the Relevant KLN Controlling Shareholders other than the Company) before the Partial Offer is made.

Immediately following the Final Closing Date, if and to the extent the number of KLN Shares held by the public comprise less than 15.0% of the total issued KLN Shares, the Company would proceed with the Proposed Placing, and will not, at that time, be able to seek the approval of the Independent Shareholders as may be required under Chapters 14 and 14A of the Listing Rules. Accordingly, the Board will seek the Independent Shareholders' advance approval for the grant of the Proposed Placing Mandate at the Special General Meeting to enter into the Placing Agreement(s) and complete the Proposed Placing.

The Proposed Placing Mandate to be sought from the Independent Shareholders will be on the following terms:

- |  |   |
|--|---|
| <b>Purchasers:</b>                                     | One or more purchasers to be identified by the Company, provided that each of such purchasers: (a) shall not be, in respect of KLN, a connected person nor a person falling under Rule 8.24(1) or (2) of the Listing Rules; (b) shall not be a connected person of the Company; and (c) does not as at the date of the relevant Placing Agreement(s) hold any KLN Shares. |
| <b>Maximum number of KLN Shares to be disposed of:</b> | Not more than 79,013,818 KLN Shares (representing approximately 4.4% of the total issued KLN Shares as at the date of the Joint Announcement on a Fully-Diluted Basis).   |

---

## LETTER FROM THE BOARD

---

**Sale price:**

The sale price shall be negotiated on arm's length terms between the Company and the purchasers. The sale price must be no less than HK\$16.92 per KLN Share, and is expected to be not more than HK\$20.68 per KLN Share, representing a 10% discount and a 10% premium, respectively, to the Offer Price. This range takes into account the Offer Price as well as precedents in other placings of secondary shares on the Stock Exchange, and the final sale price will be determined with reference to the then current market price of each KLN Share and prevailing market conditions.

The minimum sale price of HK\$16.92 per KLN Share represents:

- (a) a discount of 10% to HK\$18.80 per KLN Share, being the Offer Price payable by the Offeror to the shareholders of KLN accepting the Partial Offer;
- (b) a discount of approximately 27.23% to the closing price of HK\$23.25 per KLN Share quoted on the Stock Exchange on the Latest Practicable Date; and
- (c) a discount of approximately 27.85% to the closing price of HK\$23.45 per KLN Share as quoted on the Stock Exchange on the Last Trading Day before publication of the Joint Announcement.

The expected high end of the price range for the sale price of HK\$20.68 per KLN Share represents:

- (a) a premium of 10% to HK\$18.80 per KLN Share, being the Offer Price payable by the Offeror to the shareholders of KLN accepting the Partial Offer;
- (b) a discount of approximately 11.05% to the closing price of HK\$23.25 per KLN Share quoted on the Stock Exchange on the Latest Practicable Date; and
- (c) a discount of approximately 11.81% to the closing price of HK\$23.45 per KLN Share as quoted on the Stock Exchange on the Last Trading Day before publication of the Joint Announcement.

---

## LETTER FROM THE BOARD

---

**Conditions precedent:** Completion under the Placing Agreement(s) is conditional upon:

- (a) the Company's warranties made pursuant to the Placing Agreement(s), which are in relation to the title of the KLN Shares owned by the Company and the capacity of the Company to enter into the Placing Agreement(s), being true and accurate as of the date of the Placing Agreement(s) and as at completion as if they had been repeated at completion;
- (b) the Partial Offer becoming or is declared unconditional in all respects; and
- (c) the number of KLN Shares held by the public immediately after completion of the Partial Offer and the Option Offer being or will be less than 15.0% of the then total issued KLN Shares, otherwise than due to the holdings of KLN Shares by any persons nominated by the Offeror as KLN directors, or by any close associates of the Offeror or any such nominee KLN director.

**Completion:** Completion under the Placing Agreement(s) shall take place on the second trading day after the Final Closing Date provided that the conditions precedent are satisfied.

If the KLN Shares to be sold under the Placing Agreement(s) are already held in CCASS, completion shall take place in CCASS on a delivery-vs-payment basis. If the KLN Shares to be sold under the Placing Agreement(s) are held in certificated form, on completion the Company shall deliver or make available to the purchaser(s) duly executed instrument(s) of transfer and sold note(s) in respect of and the share certificate(s) representing the relevant KLN Shares.

---

## LETTER FROM THE BOARD

---

**Mandate period:** The Proposed Placing Mandate to be sought from the Independent Shareholders shall permit the Placing Agreement(s) to be entered into during a period of six (6) months, and the Proposed Placing to be completed during a period of nine (9) months, from the date on which the Proposed Placing Mandate is approved by the Independent Shareholders. The mandate period has been set taking into account the Long Stop Date (and extensions if required due to relevant Pre-Conditions not having been satisfied by the Long Stop Date), the Final Closing Date and the time required for the Directors to enter into the Placing Agreement(s) and complete the Proposed Placing. If the Placing Agreement(s) are not entered into, or the Proposed Placing is not completed, within the periods specified above, the Proposed Placing Mandate will lapse and the Company will be required to re-comply with the Listing Rules requirements.

**Scope of authority:** The Board shall be authorized to determine, decide, execute and implement with full discretion all matters relating to the Proposed Placing, including but not limited to (a) the timing; (b) the target placee(s); and (c) the sale price, in each case, subject to the terms and conditions set out above.

The Company will announce further details of the progress of the Proposed Placing and the Placing Agreement(s) when they are entered into.

### 3 SHAREHOLDERS' AGREEMENT

As disclosed in the Joint Announcement, in connection with the Partial Offer, the Company also entered into the Shareholders' Agreement with Kerry Holdings, the Offeror and the Offeror Parent regarding certain corporate governance matters in relation to KLN.

The Shareholders' Agreement is conditional upon KLN's independent shareholders' approval for the purposes of the Takeovers Code and the Partial Offer becoming or being declared unconditional in all respects. If the Shareholders' Agreement becomes unconditional, it will become effective at the Effective Time.

---

## LETTER FROM THE BOARD

---

The principal terms of the Shareholders' Agreement are summarised below.

**KLN board  
composition:**

For so long as Kerry Holdings and its associated companies (as defined in the Shareholders' Agreement) in aggregate legally and beneficially hold 10% or more of the total issued share capital of KLN, the Offeror Parent shall procure that the Offeror shall, and each of the Offeror, Kerry Holdings and the Company (acting severally) shall, and shall procure that any of its associated companies which holds KLN Shares will, exercise their respective voting power in KLN to procure that the board of directors of KLN shall comprise eleven directors, including (i) seven directors (excluding independent non-executive directors), of whom four shall be nominated by the Offeror, two shall be nominated by Kerry Holdings and one shall be nominated by the Company, and (ii) four independent non-executive directors, of whom three shall be nominated by the Offeror and one shall be nominated by Kerry Holdings, provided that if either Kerry Holdings or the Company does not exercise its right to nominate one or more directors of KLN, the other shall be entitled to nominate the relevant number of directors in its place so long as it or its associated company is still a shareholder of KLN.

For so long as Kerry Holdings and its associated companies in aggregate legally and beneficially hold 5% or more but less than 10% of the total issued share capital of KLN, the Offeror Parent shall procure that the Offeror shall, and each of the Offeror, Kerry Holdings and the Company (acting severally) shall, and shall procure that any of its associated companies which holds KLN Shares will, exercise its voting power in KLN to procure that one director of KLN shall be nominated by Kerry Holdings, provided that if Kerry Holdings does not exercise its right to nominate such KLN director, the Company shall be entitled to nominate such director so long as it is still a shareholder of KLN.

In the event that the Company ceases to be an associated company of Kerry Holdings, it shall cease to be entitled to nominate any directors of KLN and any such nomination rights shall be exercisable by Kerry Holdings in its place.

The parties to the Shareholders' Agreement shall determine in good faith an appropriate composition of any committee of the board of directors of KLN in a manner consistent with the principles outlined above.

---

## LETTER FROM THE BOARD

---

**Reserved matters:**

The Offeror Parent shall procure that the Offeror shall, and each of the Offeror, Kerry Holdings and the Company (acting severally) shall, and shall procure that any of its associated companies which holds KLN Shares will, vote its KLN Shares and (so far as practicable, and so far as it lawfully can) take all reasonable actions necessary (including to procure amendments of the bye-laws of KLN) to ensure that none of the reserved matters are undertaken by KLN or, where applicable, any member of the KLN Group without the prior approval of directors of KLN representing two-thirds or more in number of the directors of KLN in attendance and entitled to vote at the relevant board meeting of KLN. These reserved matters comprise any change to the issued share capital or the creation or issue of any KLN Shares or any other security convertible into KLN Shares or the grant of any option or rights to subscribe for or to convert any instrument into such KLN Shares, and any acquisition (or a series of related acquisitions) by KLN or any member of the KLN Group with a value in excess of HK\$3 billion. The restriction on KLN undertaking such reserved matters without the approval described above shall terminate immediately if and from the time that Kerry Holdings, the Company and their respective associated companies in aggregate cease to legally and beneficially hold 10% or more of the total issued share capital in KLN.

**Business arrangements:**

Subject to the Offeror Parent obtaining requisite corporate approvals (or shareholders' approvals and/or regulatory approvals, if applicable) and (1) the Offeror Parent Group and (2) Kerry Holdings and the Company (and their respective associated companies) legally and beneficially hold not less than 50% and 30%, respectively, of the total issued capital of KLN, the Offeror and the Offeror Parent agree to procure that the Offeror Parent Group carries out its logistics businesses outside Greater China through the KLN Group, subject to the followings: (i) any international freighter operations are excluded; (ii) consent from relevant partners of certain joint venture businesses; and (iii) no existing contracts of the Offeror Parent Group would be breached as a result. The Offeror Parent Group will be free to pursue any new business opportunities which the KLN Group elects not to pursue.

The parties also agree that arrangements will be made between the Offeror Parent and the KLN Group in relation to their businesses in Mainland China in order to better align their respective business and to optimally realise synergies.

---

## LETTER FROM THE BOARD

---

**Public float:** In the event KLN's public float falls below 15% of the total issued KLN Shares immediately following the Final Closing Date, the KLN Controlling Shareholders agree to restore KLN's public float by placing down up to 6.9% of the total issued KLN Shares as at the date of the Joint Announcement in accordance with the Placing Agreement(s), and the Offeror agrees to take action to restore KLN's public float to the extent in excess of 6.9% of the total issued KLN Shares.

#### 4 USE OF PROCEEDS

The net proceeds to be received by the Company from the Partial Offer (upon the Partial Offer becoming or being declared unconditional in all respects) is dependent on the number of KLN Shares tendered by the Company into the Partial Offer which is validly accepted by the Offeror. The number of KLN Shares tendered by the Company into the Partial Offer which is validly accepted by the Offeror, in turn, is dependent on the number of KLN Shares tendered into the Partial Offer by other shareholders of KLN. The greater the number of KLN Shares tendered into the Partial Offer by other shareholders of KLN, the lesser the number of KLN Shares held by the Company which will be validly accepted by the Offeror. The net proceeds to be received by the Company from the Placing Agreement(s) is dependent on the number of KLN Shares sold by the Company, and the agreed sale price under the Placing Agreement(s).

Taking into account such uncertainty, the Company announced on 18 March 2021 that it expects to receive net proceeds of not less than HK\$11,000 million, comprising the Offer Price for an estimate of the KLN Shares tendered by the Company pursuant to the KPL Irrevocable Undertaking which are expected to be validly accepted into the Partial Offer and KLN Special Dividend to be declared by KLN.

Conditional upon completion of the Disposal, the Company intends to declare a Special Dividend to distribute approximately 25% to 30% of such net proceeds to all those Shareholders on record on the relevant record date to be announced by the Company. For the remaining 70% to 75% of such net proceeds, the Company intends to use the proceeds to significantly strengthen the balance sheet of the Company and to support the growth strategy and land acquisitions of the Group. Further details of the Special Dividend and record date for determining Shareholders' entitlement to the Special Dividend, if declared, will be announced in due course.



---

## LETTER FROM THE BOARD

---

### 5 FINANCIAL EFFECTS OF THE DISPOSAL OF KLN SHARES

The table below illustrates the maximum number of KLN Shares that may be sold by the Company pursuant to the KPL Irrevocable Undertaking and under the Placing Agreement(s):

	<b>Scenario (1): Pursuant to the KPL Irrevocable Undertaking<sup>(1)</sup></b>	<b>Scenario (2): Pursuant to the KPL Irrevocable Undertaking and the Placing Agreement(s)<sup>(2)</sup></b>
<b>Maximum number of KLN Shares that may be sold by the Company</b>	364,496,510	357,750,050
<b>Percentage of the total issued KLN Shares as at the date of the Joint Announcement on a Fully-Diluted Basis</b>	20.2%	19.8%
<b>Maximum amount of gross proceeds</b>	HK\$6,852,534,388	HK\$6,725,700,940 <sup>(3)</sup>
<b>Number of KLN Shares to be retained by the Company following the sale of the maximum number of KLN Shares by the Company</b>	353,844,488	360,590,948
<b>Percentage of the total issued KLN Shares retained by the Company as at the date of the Joint Announcement on a Fully-Diluted Basis</b>	19.6%	19.9%

*Notes:*

- (1) This scenario assumes all of the KLN Shares tendered by the Company into the Partial Offer pursuant to the KPL Irrevocable Undertaking are accepted and sold under the Partial Offer. This scenario would only occur if: (a) the Relevant KLN Controlling Shareholders tender 575,545,164 KLN Shares pursuant to the Controlling Shareholders Irrevocable Undertakings; (b) the executive directors of KLN tender 18,957,330 KLN Shares pursuant to the Executive Directors Irrevocable Undertakings; and (c) the KLN Controlling Shareholders Close Associates, the KLN Relevant Directors (other than the executive directors of KLN), close associates of the KLN Relevant Directors, and all KLN Public Shareholders together tender a total of 336,706,623 KLN Shares (being the minimum number of KLN Shares to allow the Partial Offer to become unconditional). In this scenario, the public float of KLN following completion of the Partial Offer will be not less than 15.0%, and no disposals pursuant to the Placing Agreement(s) will be required.
- (2) This scenario assumes the maximum number of KLN Shares being sold pursuant to the Placing Agreement(s) to restore the public float of KLN, being 6.9% of the total issued KLN Shares (and the number of KLN Shares being sold by the Company pursuant to the Placing Agreement(s) being 4.4% of the total issued KLN Shares as at the date of the Joint Announcement on a Fully-Diluted Basis). This scenario would only occur if the public float of KLN immediately following completion of the Partial Offer is 8.1%, which assumes (a) the Relevant KLN Controlling Shareholders tender 575,545,164 KLN Shares pursuant to the Controlling Shareholders Irrevocable Undertakings; (b) the executive directors of KLN tender 18,957,330 KLN Shares pursuant to the Executive Directors Irrevocable Undertakings; (c) the KLN Controlling Shareholders Close Associates, the KLN Relevant Directors (other than the executive directors of KLN) and close associates of the KLN Relevant Directors do not tender any KLN Shares; and (d) all KLN Public Shareholders tender all of their KLN Shares. In such circumstance, 278,736,232 KLN Shares tendered by the Company pursuant to the KPL Irrevocable Undertaking will be accepted and sold under the Partial Offer, and 79,013,818 KLN Shares will be sold by the Company pursuant to the Placing Agreement(s).

---

## LETTER FROM THE BOARD

---

- (3) This assumes the sale price of the KLN Shares pursuant to the Placing Agreement(s) equals the Offer Price of HK\$18.80 per KLN Share. If the sale price of the KLN Shares pursuant to the Placing Agreement(s) is the maximum sale price of HK\$20.68 per KLN Share, the maximum amount of gross proceeds for scenario (2) will be approximately HK\$6,874 million. If the sale price of the KLN Shares pursuant to the Placing Agreement(s) is the minimum sale price of HK\$16.92 per KLN Share, the maximum amount of gross proceeds for scenario (2) will be approximately HK\$6,577 million.

Taking into consideration the relevant gross proceeds and the carrying value of the Company's investment in KLN as at 31 December 2020 (as set out in the Company's audited consolidated accounts for the year ended 31 December 2020 without adjustments for any events occurring after 31 December 2020, including without limitation any KLN dividends which may be paid after 31 December 2020 (such as the proposed final dividend of 23.8 HK cents per KLN Share for the year ended 31 December 2020)), the Group estimates (i) the gains attributable to Shareholders arising from the Disposal under scenario (1) above to be approximately HK\$2.4 per KLN Share sold into the Partial Offer, and the earnings of the Group to be increased by approximately HK\$868 million, the Group's total assets to be increased by approximately HK\$868 million; and (ii) the gains attributable to Shareholders arising from the Disposal under scenario (2) above to be approximately HK\$2.0 to HK\$2.8 per KLN Share sold into the Partial Offer and the Proposed Placing.

KLN will continue to be accounted for as an associate of the Company following the completion of the Disposal.

### **6 LISTING RULES IMPLICATIONS IN RESPECT OF THE DISPOSAL OF KLN SHARES UNDER THE KPL IRREVOCABLE UNDERTAKING AND THE PLACING AGREEMENT(S)**

Assuming the Company validly accepts the Partial Offer in respect of all the Relevant Undertaking Shares pursuant to the KPL Irrevocable Undertaking and exercises the Proposed Placing Mandate in full, as one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules is expected to be 25% or more but all are less than 75%, the KPL Irrevocable Undertaking and the Proposed Placing Mandate constitute a major transaction of the Company under the Listing Rules and are therefore subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As at the Latest Practicable Date and as disclosed by Kerry Holdings pursuant to the SFO, Kerry Holdings is interested in 746,230,656 Shares in the Company, representing approximately 51.23% of the existing issued Shares. Therefore, Kerry Holdings is a controlling shareholder and a connected person of the Company.

Pursuant to Rule 14A.20(1) of the Listing Rules, the Offeror is deemed to be a connected person of the Company since the Offeror proposes to enter into a transaction with the Company, namely KPL Irrevocable Undertaking, and the Offeror also proposes to enter into the Controlling Shareholders Irrevocable Undertakings with the Relevant KLN Controlling Shareholders (other than the Company), including subsidiaries of Kerry Holdings which are connected persons of the Company under the Listing Rules. As such, the KPL Irrevocable

---

## LETTER FROM THE BOARD

---

Undertaking also constitutes a connected transaction of the Company under the Listing Rules and would be subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The placees under the Placing Agreement(s) are also deemed to be connected persons of the Company pursuant to Rule 14A.20(1) of the Listing Rules since Kerry Holdings may also enter into Placing Agreement(s) with some or all of the same placees. As such, the Proposed Placing Mandate also constitutes a connected transaction of the Company under the Listing Rules and would be subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As Kerry Holdings is a controlling shareholder and a connected person of the Company, the Participation Agreement and the Shareholders' Agreement constitute connected transactions of the Company under the Listing Rules and would be subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Pursuant to the Listing Rules, Kerry Holdings and its associates will abstain from voting on the Company Resolution.

### **7 REASONS FOR AND BENEFITS OF THE TRANSACTIONS**

Conditional upon completion of the Partial Offer and the Warehouses Sale, the Company will be able to unlock significant value and to receive significant cash proceeds via (i) the Partial Offer, and (ii) the KLN Special Dividend. In addition, the Company also has the opportunity to enjoy further potential upside from any retained ownership in KLN post the Partial Offer from the partnership of the two complementary businesses of the Offeror Parent and KLN.

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

- (i) will receive a payment of HK\$18.80 in cash for every KLN Share in respect of which it validly accepts the Partial Offer and which is taken up by the Offeror under the Partial Offer (less the seller's ad valorem stamp duty arising therefrom);
- (ii) conditional upon completion of the Warehouses Sale (which is conditional upon, amongst other conditions, the Partial Offer becoming or being declared unconditional in all respects), will receive the KLN Special Dividend of HK\$7.28 per KLN Share declared by KLN; and
- (iii) will have the opportunity of retaining an interest in KLN going forward and benefiting from the partnership of the two complementary businesses of the Offeror Parent and KLN.

---

## LETTER FROM THE BOARD

---

Having considered the Company's obligations under the KPL Irrevocable Undertaking, the Participation Agreement, the Proposed Placing and the Shareholders' Agreement, the Directors (including the members of the Independent Board Committee whose views have been set out in this circular together with the advice of the Independent Financial Adviser, but excluding Mr. Kuok Khoon Hua and Ms. Wong Yu Pok, Marina, JP) believe that the terms of the KPL Irrevocable Undertaking, the Participation Agreement, the Proposed Placing Mandate and the Shareholders' Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### 8 MISCELLANEOUS

#### **Information about the Group**

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

#### **Information about Kerry Holdings**

Kerry Holdings is incorporated in Hong Kong and is a wholly owned subsidiary of Kerry Group Limited. Kerry Holdings is an investment holding company and is a substantial shareholder of the Company, Shangri-La Asia Limited and KLN (all of which are listed in Hong Kong).

#### **Information about the KLN Group**

KLN Group's core business encompasses integrated logistics, international freight forwarding and supply chain solutions. With headquarters in Hong Kong, the KLN 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.

The net assets of KLN as at 31 December 2020 based on KLN's annual results for the year ended 31 December 2020 amounted to approximately HK\$32,480 million. The audited net profits before and after taxation of KLN for the year ended 31 December 2020 amounted to approximately HK\$4,242 million and HK\$3,470 million, respectively. The audited net profits before and after taxation of KLN for the year ended 31 December 2019 amounted to HK\$4,928 million and HK\$4,339 million, respectively.

As at 31 December 2020, the total carrying value of the Company's investment in KLN was HK\$11,781 million. Therefore, the carrying value of the Relevant Undertaking Shares is HK\$5,978 million.

---

## LETTER FROM THE BOARD

---

### Information about the Offeror and the Offeror Parent

The Offeror is a company incorporated in the Cayman Islands and is wholly owned by the Offeror Parent. The Offeror Parent is a joint stock company incorporated in PRC with limited liability and the shares of the Offeror Parent are listed on the Shenzhen Stock Exchange. The Offeror Parent is a leading integrated express logistic services provider in PRC. As at the Latest Practicable Date, the Offeror Parent is owned as to 59.3% by the Offeror Parent Holdco which is in turn controlled by the Offeror Ultimate Controlling Shareholder as to 99.9%.

### 9 RECOMMENDATIONS

The Directors (including the Independent Board Committee after taking into account of the advice of the Independent Financial Advisor, but excluding Mr. Kuok Khoon Hua and Ms. Wong Yu Pok, Marina, JP) are of the opinion that the Transactions are fair and reasonable and in the interest of the Company and the Shareholders as a whole. Accordingly, the Directors (including the Independent Board Committee after taking into account of the advice of the Independent Financial Advisor, but excluding Mr. Kuok Khoon Hua and Ms. Wong Yu Pok, Marina, JP) recommend the Independent Shareholders to vote in favour of the Company Resolution to be proposed at the Special General Meeting.

Mr. Kuok Khoon Hua, a Director, has declared that he together with his associates hold more than 5% interests in KLN. He has abstained from voting on the relevant resolutions of the Board approving the Transactions, and no other Director has a material interest in the Transactions. No other Director was required to abstain from voting on the Board approving the Transactions.

Your attention is drawn to the letter from the Independent Board Committee set out on pages 37 and 38 of this circular, which contains its recommendation to the Independent Shareholders, and the letter from the Independent Financial Adviser set out on pages 39 to 74 of this circular, which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the Transactions.

As Ms. Wong Yu Pok, Marina, JP, an INED, is also an independent non-executive director of KLN, she has decided not to join the Independent Board Committee in relation to the Transactions. Accordingly, the Independent Board Committee, comprising Mr. Chang Tso Tung, Stephen, and Mr. Hui Chun Yue, David being the remaining INEDs, has been formed to advise and make recommendations to the Independent Shareholders in respect of the Transactions.

### 10 SPECIAL GENERAL MEETING

A notice convening the Special General Meeting is set out on pages N-1 to N-3 of this circular. At the Special General Meeting, the Company Resolution will be proposed to confirm, ratify and approve the Transactions.

---

## LETTER FROM THE BOARD

---

A form of proxy for use at the Special General Meeting is enclosed with this circular. Whether or not you are able to attend the meeting, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to Tricor Abacus Limited, the Company's branch share registrar and transfer office in Hong Kong, of Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the Special General Meeting. Completion and return of the accompanying form of proxy will not prevent you from attending and voting at the Special General Meeting should you so wish.

Under the Listing Rules, any connected person of the Company with a material interest in the Transactions, and any other Shareholders and their respective associates with a material interest in the Transactions, shall abstain from voting on the Company Resolution. Kerry Holdings and its associates will abstain from voting on the Company Resolution to approve the Transactions at the Special General Meeting.

### **11 VOTING BY POLL**

In compliance with the Listing Rules and pursuant to the Bye-laws of the Company, the Company Resolution will be voted on by way of poll at the Special General Meeting. The Company will announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules.

### **12 FURTHER INFORMATION**

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

Yours faithfully,  
For and on behalf of  
**Kerry Properties Limited**  
**Wong Siu Kong**  
*Chairman*



嘉里建設有限公司\*

KERRY PROPERTIES LIMITED

*(Incorporated in Bermuda with limited liability)*

*website: www.kerryprops.com*

**(Stock Code: 683)**

*To the Independent Shareholders*

Dear Sir or Madam,

**(1) MAJOR AND CONNECTED TRANSACTIONS:  
DISPOSAL OF SHARES IN KERRY LOGISTICS NETWORK LIMITED  
PURSUANT TO THE KPL IRREVOCABLE UNDERTAKING,  
THE PARTICIPATION AGREEMENT AND  
THE PROPOSED PLACING MANDATE  
(2) THE SHAREHOLDERS' AGREEMENT  
AND  
(3) NOTICE OF SPECIAL GENERAL MEETING**

5 May 2021

We refer to the circular of the Company dated 5 May 2021 despatched to the Shareholders of which this letter forms part. Terms defined in the circular shall have the same meanings when used herein unless the context otherwise requires.

We have been appointed by the Board to advise the Independent Shareholders as to whether the KPL Irrevocable Undertaking, the Participation Agreement, the Proposed Placing Mandate and the Shareholders' Agreement are on normal commercial terms and in the ordinary and usual course of business of the Group, and whether their terms are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. The Company appointed Anglo Chinese Corporate Finance, Limited as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Transactions.

We wish to draw your attention to the section headed "*Letter from the Board*" as set out on pages 13 to 36 of the circular and the section headed "*Letter from the Independent Financial Adviser*" as set out on pages 39 to 74 of the circular.

\* *For identification purpose only*

---

## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

---

Having considered the Company's obligations under the KPL Irrevocable Undertaking, the Participation Agreement, the Proposed Placing Mandate and the Shareholders' Agreement and the advice and recommendation of the Independent Financial Adviser, in our opinion, the terms of the KPL Irrevocable Undertaking, the Participation Agreement, the Proposed Placing Mandate and the Shareholders' Agreement in so far as they affect the Company are fair and reasonable so far as the Independent Shareholders are concerned, and the transactions contemplated thereunder (although not entered into in the ordinary and usual course of business of the Company) are on normal commercial terms and in the interests of the Company and its Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the Company Resolution to be proposed at the Special General Meeting to approve the Transactions.

Yours faithfully,

Independent Board Committee

**Kerry Properties Limited**

**Chang Tso Tung, Stephen      Hui Chun Yue, David**

*Independent Non-executive Directors*



---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

*The following is the full text of the letter of advice from Anglo Chinese to the Independent Board Committee and the Independent Shareholders in relation to the KPL Irrevocable Undertaking, the Participation Agreement, the Proposed Placing Mandate and the Shareholders' Agreement prepared for inclusion in this circular.*

---

**ANGLO CHINESE**  
CORPORATE FINANCE, LIMITED  
www.anglochinesegroup.com

財務顧問有限公司  
英高

5 May 2021

*The Independent Board Committee and  
the Independent Shareholders*

Kerry Properties Limited  
25/F, Kerry Centre, 683 King's Road  
Quarry Bay, Hong Kong

Dear Sir or Madam,

**(1) MAJOR AND CONNECTED TRANSACTIONS:  
DISPOSAL OF SHARES IN KERRY LOGISTICS NETWORK LIMITED  
PURSUANT TO THE KPL IRREVOCABLE UNDERTAKING,  
THE PARTICIPATION AGREEMENT AND  
THE PROPOSED PLACING MANDATE  
AND  
(2) THE SHAREHOLDERS' AGREEMENT**

### INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the KPL Irrevocable Undertaking, the Participation Agreement, the Proposed Placing Mandate and the Shareholders' Agreement, the details of which are contained in the circular (the "**Circular**") of which this letter forms part. Expressions used in this letter have the same meanings as defined in the Circular unless the context requires otherwise.

References are made to the Joint Announcement and the Company's announcement dated 30 March 2021 (the "**Announcement**") in relation to, among other things, the Partial Offer, the KPL Irrevocable Undertaking, the Participation Agreement and the Shareholders' Agreement.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

Assuming the Company validly accepts the Partial Offer in respect of all the Relevant Undertaking Shares pursuant to the KPL Irrevocable Undertaking and exercises the Proposed Placing Mandate in full, as one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules is expected to be 25% or more but all are less than 75%, the KPL Irrevocable Undertaking and the Proposed Placing Mandate constitute a major transaction of the Company under the Listing Rules and are therefore subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As at the Latest Practicable Date and as disclosed by Kerry Holdings pursuant to the SFO, Kerry Holdings is interested in 746,230,656 Shares in the Company, representing approximately 51.23% of the existing issued Shares. Therefore, Kerry Holdings is a controlling shareholder and a connected person of the Company. Pursuant to Rule 14A.20(1) of the Listing Rules, the Offeror is deemed to be a connected person of the Company since the Offeror proposes to enter into a transaction with the Company, namely KPL Irrevocable Undertaking, and the Offeror also proposes to enter into the Controlling Shareholders Irrevocable Undertakings with the Relevant KLN Controlling Shareholders (other than the Company), including subsidiaries of Kerry Holdings which are connected persons of the Company under the Listing Rules. As such, the KPL Irrevocable Undertaking also constitutes a connected transaction of the Company under the Listing Rules and would be subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The placees under the Placing Agreement(s) are also deemed to be connected persons of the Company pursuant to Rule 14A.20(1) of the Listing Rules since Kerry Holdings may also enter into Placing Agreement(s) with some or all of the same placees. As such, the Proposed Placing Mandate also constitutes a connected transaction of the Company under the Listing Rules and would be subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As Kerry Holdings is a controlling shareholder and a connected person of the Company, the Participation Agreement and the Shareholders' Agreement constitute connected transactions of the Company under the Listing Rules and would be subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Pursuant to the Listing Rules, Kerry Holdings and its associates will abstain from voting on the Company Resolution.

The Independent Board Committee, comprising INEDs Mr. Chang Tso Tung, Stephen and Mr. Hui Chun Yue, David, has been formed to consider the terms of the KPL Irrevocable Undertaking, the Participation Agreement, the Proposed Placing Mandate and the Shareholders' Agreement and to advise the Independent Shareholders on whether the KPL

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

Irrevocable Undertaking, the Participation Agreement, the Proposed Placing Mandate and the Shareholders' Agreement are in the interests of the Company and the Shareholders as a whole, on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

In formulating our opinion and recommendation, we have relied on the information and facts supplied to us by the Company and the opinions expressed by it, including those contained or referred to in the Circular and related announcements of the Company. We have reviewed (i) the annual reports of KLN for the years ended 31 December 2018, 2019 and 2020; (ii) the annual reports of the Company for the years ended 31 December 2018, 2019 and 2020; (iii) the KPL Irrevocable Undertaking; (iv) the Participation Agreement; (v) the Shareholders' Agreement; (vi) the information in the Joint Announcement, the Announcement, and the Circular; and (vii) market data from Bloomberg and the Stock Exchange website. We consider that we have reviewed sufficient information to reach the conclusion set out in this letter and have no reason to believe that any of the information provided to us by the Company is inaccurate or that any material information has been omitted or withheld from the information supplied or the opinion expressed in the Circular. We have not, however, carried out any independent verification of the information provided to us by the Company, nor have we conducted any form of in-depth investigation into the business and affairs or the prospects of the Group, or any of their respective subsidiaries or associates.

Apart from normal professional fees for our services to the Company in connection with the engagement described above, no arrangement exists whereby we will receive any fees or benefits from the Company, its subsidiaries, Directors, chief executive, substantial shareholders or any associates of any of them. As at the Latest Practicable Date, we did not have any relationship with, or interest in, the Company or any other parties that could reasonably be regarded as relevant to our independence. In the two years prior to the Latest Practicable Date, we have not previously acted as the independent financial adviser to the Company's other transactions. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

### **PARTIAL OFFER AND PROPOSED DISPOSAL OF KLN SHARES**

As at the Latest Practicable Date, the Company held 718,340,998 KLN Shares, representing approximately 39.7% of the KLN Shares in issue as at the date of the Joint Announcement on a Fully-Diluted Basis.

As set out in the Joint Announcement, J.P. Morgan, on behalf of the Offeror, subject to the satisfaction or waiver (where applicable) of the Pre-Conditions, will make a voluntary conditional partial cash offer to the shareholders of KLN to acquire 931,209,117 KLN Shares (representing approximately 51.8% of the KLN Shares in issue as at the date of the Joint Announcement and approximately 51.5% of the KLN Shares in issue as at the date of the Joint Announcement on a Fully-Diluted Basis), at the Offer Price of HK\$18.80 per Offer Share.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

In order to satisfy the relevant Pre-Conditions of the Partial Offer, the Company has entered into

- (i) the KPL Irrevocable Undertaking on 30 March 2021 in favour of the Offeror under which the Company has undertaken to accept or procure the acceptance of the Partial Offer in respect of the Relevant Undertaking Shares of 364,496,510 KLN Shares, representing approximately 50.7% of the Company's shareholding in KLN as at the date of the Joint Announcement;
- (ii) the Participation Agreement on 30 March 2021 with Kerry Holdings, pursuant to which the Company and Kerry Holdings agreed that any tendering of additional KLN Shares in excess of the obligations under the Controlling Shareholders Irrevocable Undertakings into the Partial Offer and the number of KLN Shares which are the subject of the Placing Agreement(s) to be entered into by the Relevant KLN Controlling Shareholders, shall be on a pro rata basis by reference to the Company's holding of KLN Shares and the holding of KLN Shares by the Relevant KLN Controlling Shareholders (other than the Company), in each case as at the date of the Participation Agreement; and
- (iii) the Shareholders' Agreement on 10 February 2021 with Kerry Holdings, the Offeror and the Offeror Parent regarding certain corporate governance matters in relation to KLN.

Further details of the Pre-Conditions and Conditions of the Partial Offer are set out in the Joint Announcement and the letter from the Board of the Circular.

Key terms of the KPL Irrevocable Undertaking, the Participation Agreement, the Proposed Placing Mandate and the Shareholders' Agreement are summarised in the letter from the Board of the Circular.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

#### **Information of the Group**

##### *Principal business of the Group*

The principal activities of the Group comprise (i) property development, investment and management in Hong Kong, the PRC and the Asia Pacific region; (ii) hotel ownership in Hong Kong, and hotel ownership and operations in the PRC; and (iii) integrated logistics and international freight forwarding through its investment in the KLN Group.

---

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

---

*Financial performance of the Group*

The tabulation below shows a summary of selected financial information of the Group for the three years ended 31 December 2020.

	<b>For the year ended 31 December</b>		
	<b>2018</b>	<b>2019</b>	<b>2020</b>
	(“FY2018”)	(“FY2019”)	(“FY2020”)
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
<b>Revenue</b>			
– Sale of properties	14,474,951	11,161,481	8,519,063
– Rental and others	4,850,191	4,910,425	4,826,864
– Hotel revenue	2,108,074	1,953,516	1,180,175
<b>Total revenue</b>	<b><u>21,433,216</u></b>	<b><u>18,025,422</u></b>	<b><u>14,526,102</u></b>
<b>Gross profit</b>	<b><u>9,468,094</u></b>	<b><u>8,983,982</u></b>	<b><u>8,386,863</u></b>
<b>Operating profit</b>	<b><u>9,772,351</u></b>	<b><u>8,451,027</u></b>	<b><u>7,572,328</u></b>
Share of results of associates and joint ventures	2,141,846	1,584,917	1,597,010
<b>Profit before taxation</b>	<b><u>11,914,197</u></b>	<b><u>10,035,944</u></b>	<b><u>9,169,338</u></b>
Profit attributable to:			
Company’s shareholders	7,499,295	6,897,450	5,403,203
Non-controlling interests	1,236,883	795,638	525,153
<b>Profit for the year</b>	<b><u>8,736,178</u></b>	<b><u>7,693,088</u></b>	<b><u>5,928,356</u></b>
<b>Basic earnings per share (HK\$)</b>	<b><u>5.16</u></b>	<b><u>4.74</u></b>	<b><u>3.71</u></b>

*Sources:* Annual reports of the Company for the relevant years

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

### *Revenue*

#### *FY2020 vs FY2019*

The total revenue of the Group for FY2020 was approximately HK\$14,526 million, representing a decrease of approximately 19.4% as compared with approximately HK\$18,025 million for FY2019. Such decrease was mainly attributable to the approximately 23.7% decrease in revenue from the property sales segment from approximately HK\$11,161 million for FY2019 to approximately HK\$8,519 million for FY2020. Within the property sales segment, revenue from the Mainland property division and the Hong Kong property division for FY2020 decreased by approximately 14.6% to approximately HK\$5,255 million and by approximately 34.9% to approximately HK\$3,264 million, respectively. The decline in property sales segment was mainly due to cyclically lower sales recognition for FY2020. The Group's contracted sales increased from approximately HK\$8,900 million for FY2019 to approximately HK\$12,880 million for FY2020, representing an increase of approximately 44.7% year on year.

The revenue generated from rental and others has been relatively stable, which amounted to approximately HK\$4,910 million and approximately HK\$4,827 million for FY2019 and FY2020, respectively.

The hotel revenue for FY2020 was approximately HK\$1,180 million, representing a decrease of approximately 39.6% from approximately HK\$1,954 million for FY2019. Such decrease is mainly attributable to the COVID-19 pandemic as the implementation of travel restrictions globally reduced both business and leisure travellers. According to the FY2020 Annual Results Investor Presentation, the Group's hotel operation saw a recovery in occupancy rate in the second half of the year.

#### *FY2019 vs FY2018*

The total revenue of the Group for FY2019 was approximately HK\$18,025 million, representing a decrease of approximately 15.9%, as compared with approximately HK\$21,433 million for FY2018. This was mainly attributable to the decrease in revenue of the property sales segment from approximately HK\$14,475 million for FY2018 to approximately HK\$11,161 million for FY2019 representing a decline of approximately 22.9%. Within the property sales segment, revenue from the Mainland property division and the Hong Kong property division for FY2019 decreased by approximately 18.2% to approximately HK\$6,150 million and by approximately 28.0% to approximately HK\$5,011 million, respectively.

The revenue generated from rental and others for FY2018 and FY2019 was approximately HK\$4,850 million and approximately HK\$4,910 million, respectively; and the hotel revenue for FY2018 and FY2019 was approximately HK\$2,108 million and approximately HK\$1,954 million, respectively. The revenue from both segments remained relatively stable.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

### *Share of results of associates and joint ventures*

#### *FY2020 vs FY2019*

The share of results of associates and joint ventures for FY2020 was approximately HK\$1,597 million, representing an increase of approximately 0.8% compared with approximately HK\$1,585 million for FY2019. Dividends received from KLN for FY2020 was approximately HK\$307 million, representing a decrease of approximately 28.8% compared with approximately HK\$431 million for FY2019, mainly due to the non-recurring special dividend declared by KLN in 2019 in relation to the cash value unleashed from the disposal of two warehouses in Hong Kong.

#### *FY2019 vs FY2018*

The share of results of associates and joint ventures for FY2019 was approximately HK\$1,585 million, representing a decrease of approximately 26.0% as compared with approximately HK\$2,142 million for FY2018. Dividends received from KLN for FY2019 was approximately HK\$431 million, representing an increase of approximately 71.7% as compared with approximately HK\$251 million for FY2018.

### *Profit attributable to Shareholders*

#### *FY2020 vs FY2019*

The Group's profit attributable to Shareholders for FY2020 was approximately HK\$5,403 million, representing a decrease of approximately 21.7% from approximately HK\$6,897 million for FY2019.

The Group valued its investment property portfolio on a fair value basis and recorded an increase in fair value of investment properties (net of deferred taxation) attributable to shareholders of approximately HK\$1,170 million for FY2020, as compared to approximately HK\$1,501 million for FY2019. Before taking into account the aforementioned increase in fair value, the Group recorded a decrease of approximately 22% in profit attributable to shareholders from approximately HK\$5,396 million for FY2019 to approximately HK\$4,233 million for FY2020. This is mainly due to cyclically lower sales recognition for FY2020, higher land appreciation tax on Mainland property sales recorded for FY2020 at approximately HK\$1,081 million as compared to approximately HK\$383 million for FY2019 and the difficult market conditions caused by global travel restrictions on the hotel segment.

#### *FY2019 vs FY2018*

The Group's profit attributable to Shareholders for FY2019 was approximately HK\$6,897 million, representing a decrease of approximately 8.0% as compared with approximately HK\$7,499 million reported for FY2018.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Group valued its investment property portfolio on a fair value basis and recorded an increase in fair value of investment properties (net of deferred taxation) attributable to shareholders of approximately HK\$1,501 million for FY2019, as compared to approximately HK\$4,154 million for FY2018. Before taking into account the effects of the aforementioned increase in fair value, the Group recorded an increase of approximately 61% in profit attributable to shareholders from approximately HK\$3,345 million for FY2018 to approximately HK\$5,396 million for FY2019, mainly as a result of the provision for impairment loss for a property under development in Macau amounting to approximately HK\$1,175 million in FY2018 (FY2019: Nil) and the net decrease in fair value of financial assets at fair value through profit or loss amounting to approximately HK\$1,461 million in FY2018 (FY2019: increase of approximately HK\$5 million).

### Information of the KLN Group

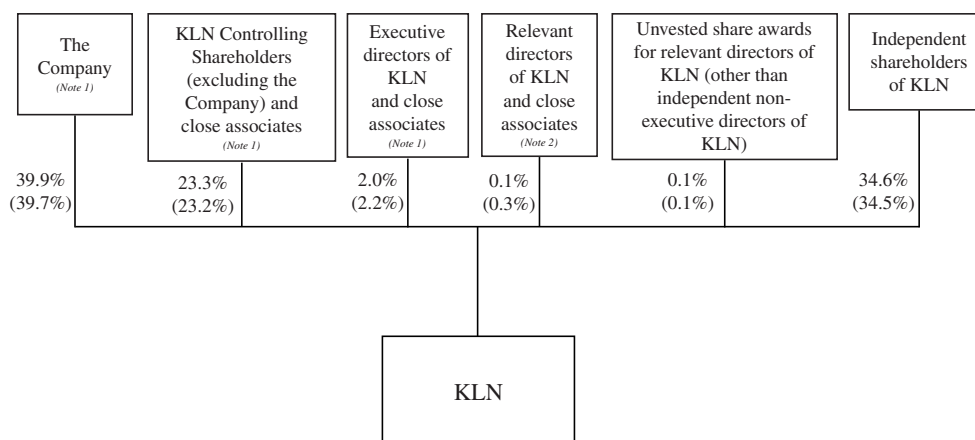
#### *Principal business*

The KLN Group is principally engaged in integrated logistics services, including storage and value-added services, trucking and distribution, returns management and various ancillary services, primarily in Asia; leasing of warehousing space in Hong Kong; and international freight forwarding in intra-Asia and between Asia and Europe to transport cargo using air freight, ocean freight and cross-border road freight forwarding services.

#### *Shareholding structure*

As at the Latest Practicable Date, the Offeror and Offeror concert parties collectively held 1,173,436,165 KLN Shares, representing approximately 65.2% total issued KLN Shares. The charts below show the simplified structure of KLN (i) as at the date of the Latest Practicable Date; (ii) immediately after the completion of the Partial Offer and the Option Offer; and (iii) immediately upon completion of the Partial Offer, the Option Offer and the Placing Agreement(s).

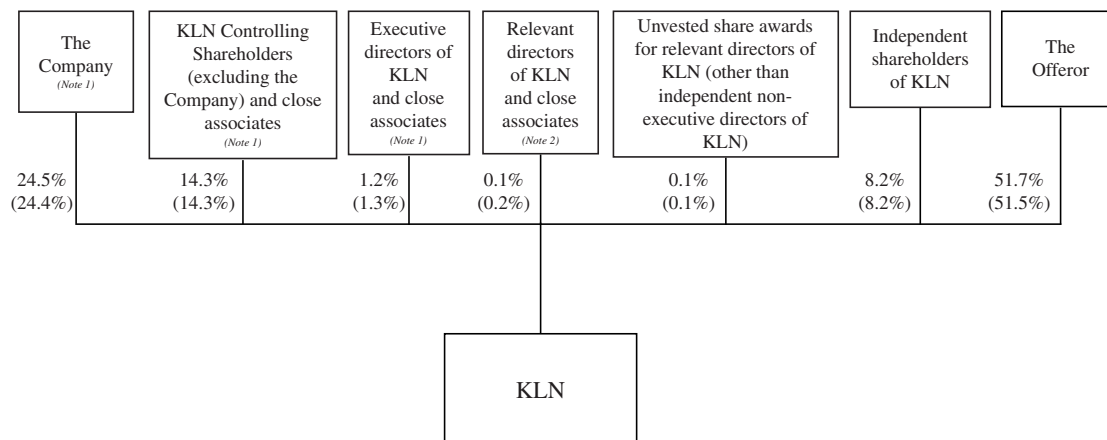
#### Shareholding structure of KLN as at the date of the Latest Practicable Date *(Note 3)*



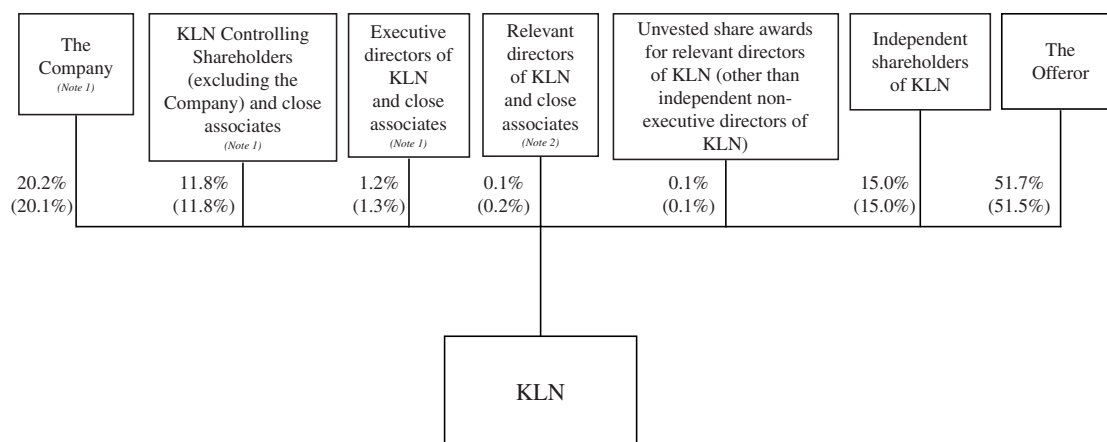


# LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

## Immediately after the completion of the Partial Offer and the Option Offer *(Note 3 and 4)*



## Immediately after the completion of the Partial Offer and the Option Offer and immediately upon completion of the Placing Agreement(s) *(Note 3 and 4)*



**Notes:**

- (1) (i) The KLN Controlling Shareholders, including the Company, and their close associates; and (ii) the executive directors of KLN and their close associates, are regarded as concert parties of the Offeror.
- (2) Shareholdings of the relevant directors of KLN and their close associates include the shareholdings of the directors of KLN and its subsidiaries (excluding the executive directors of KLN) and their close associates.
- (3) Numbers in brackets represent shareholdings assuming all KLN Share Options are exercised.
- (4) The shareholding structures are predicated on the assumptions that: (i) there will be no change to the issued share capital of KLN between the Latest Practicable Date and up to the Final Closing Date; and (ii) all shareholders of KLN validly elect to accept the Partial Offer in respect of all of their KLN Shares (except for (1) the KLN Controlling Shareholders who will tender 575,545,164 KLN Shares pursuant to the Controlling Shareholders Irrevocable Undertakings, and who may or may not tender more KLN Shares for acceptances than as required under the Controlling Shareholders Irrevocable Undertakings; (2) the executive directors of KLN who will tender 18,957,330 KLN Shares pursuant to the Executive Directors Irrevocable Undertakings and who may or may not tender more KLN Shares for acceptances than as required under the Executive Directors Irrevocable Undertakings; (3) the close associates of the KLN Controlling Shareholders, the directors of KLN and its subsidiaries (other than KLN's executive directors) and their close associates who will

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

tender their KLN Shares in the same proportion as regards their respective own shareholdings as the KLN Controlling Shareholders; and (4) all unvested KLN Share awards for the directors of KLN and its subsidiaries (other than KLN's executive directors) are vested and tendered in the same proportion as regards their respective own shareholdings as the KLN Controlling Shareholders).

(5) Please note that the percentages may not add up to 100% due to rounding.

### *Financial performance of KLN*

	<b>FY2018</b>	<b>FY2019</b>	<b>FY2020</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
<b>Revenue</b>			
– Logistics operation	16,526,529	19,243,537	21,074,186
– Hong Kong warehouse	340,661	268,279	205,873
– International freight forwarding	21,271,338	21,627,286	32,080,481
<b>Total revenue</b>	<b><u>38,138,528</u></b>	<b><u>41,139,102</u></b>	<b><u>53,360,540</u></b>
<b>Gross profit</b>	<b><u>4,755,567</u></b>	<b><u>5,402,501</u></b>	<b><u>6,173,002</u></b>
<b>Operating profit before fair value change of investment properties and gain on disposal of warehouses</b>	<b>2,393,761</b>	<b>2,760,579</b>	<b>3,358,034</b>
Gain on disposal of warehouses	–	1,957,540	–
Change in fair value of investment properties	1,097,933	482,873	1,069,162
<b>Operating profit</b>	<b><u>3,491,694</u></b>	<b><u>5,200,992</u></b>	<b><u>4,427,196</u></b>
<b>Profit before taxation</b>	<b><u>3,378,183</u></b>	<b><u>4,928,351</u></b>	<b><u>4,242,265</u></b>
Profit attributable to:			
Company's shareholders	2,439,775	3,788,323	2,895,757
Non-controlling interests	431,847	551,077	573,762
<b>Profit for the year</b>	<b><u>2,871,622</u></b>	<b><u>4,339,400</u></b>	<b><u>3,469,519</u></b>
<b>Basic earnings per share (HK\$)</b>	<b><u>1.44</u></b>	<b><u>2.21</u></b>	<b><u>1.63</u></b>

Sources: Annual reports of KLN for the relevant years

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

### ***Revenue***

#### *FY2020 vs FY2019*

KLN generates revenue from two main segments, namely (i) integrated logistics which includes logistics operation and Hong Kong warehouse operation and (ii) international freight forwarding.

For FY2020, KLN's revenue grew amid the outbreak of the pandemic as the global economy began recovering in the second half of the year. Revenue of KLN recorded a year-on-year growth of approximately 29.7% from approximately HK\$41,139 million for FY2019 to approximately HK\$53,361 million for FY2020, contributed by strong performance from the international freight forwarding segment, which had a growth of approximately 48.3% in segment revenue from approximately HK\$21,627 million for FY2019 to approximately HK\$32,080 million for FY2020.

#### *FY2019 vs FY2018*

For FY2019, KLN's revenue grew despite international trade disputes adversely impacting global and Chinese economic growth and the social unrest in Hong Kong dampening the local economy and consumer confidence. Revenue of KLN recorded a year-on-year growth of approximately 7.9% from approximately HK\$38,139 million for FY2018 to approximately HK\$41,139 million for FY2019, mainly due to strong performance from logistics operations, which had a growth of approximately 16.4% in segment revenue from approximately HK\$16,527 million for FY2018 to approximately HK\$19,244 million for FY2019.

### ***Operating profit and profit attributable to shareholders***

#### *FY2020 vs FY2019*

KLN's operating profit amounted to approximately HK\$4,427 million for FY2020, down approximately 14.9% year-on-year from approximately HK\$5,201 million for FY2019. Operating profit before change in fair value of investment properties and gain on disposal of warehouses increased by approximately 21.6% from approximately HK\$2,761 million for FY2019 to approximately HK\$3,358 million for FY2020.

Profit attributable to company's shareholders decreased by approximately 23.5% from approximately HK\$3,788 million for FY2019 to approximately HK\$2,896 million for FY2020, mainly due to an absence of a gain on disposal of approximately HK\$1,958 million recorded in the FY2019 but not in FY2020, slightly offset by an increase of approximately HK\$586 million in change in fair value of investment properties from approximately HK\$483 million for FY2019 to approximately HK\$1,069 million for FY2020.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

*FY2019 vs FY2018*

KLN's operating profit amounted to approximately HK\$5,201 million for FY2019, an increase of approximately 48.9% over the previous year of approximately HK\$3,492 million. Operating profit before change in fair value of investment properties and gain on disposal of warehouses increased by approximately 15.3% from approximately HK\$2,394 million for FY2018 to approximately HK\$2,761 million for FY2019.

Profit attributable to company's shareholders increased by approximately 55.2% from approximately HK\$2,440 million for FY2018 to approximately HK\$3,788 million for FY2019, mainly due to gain on disposal of warehouses of approximately HK\$1,958 million recorded in FY2019 but not in FY2018.

	<b>For the year ended 31 December</b>		
	<b>2018</b>	<b>2019</b>	<b>2020</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
Non-current assets	28,148,752	32,205,467	35,168,627
Current assets	14,883,928	16,998,502	21,731,420
<b>Total assets</b>	<b><u>43,032,680</u></b>	<b><u>49,203,969</u></b>	<b><u>56,900,047</u></b>
Non-current liabilities	7,046,214	11,148,686	9,511,480
Current liabilities	12,318,918	10,980,788	14,908,632
<b>Total liabilities</b>	<b><u>19,365,132</u></b>	<b><u>22,129,474</u></b>	<b><u>24,420,112</u></b>
<b>Total equity</b>	<b>23,667,548</b>	<b>27,074,495</b>	<b>32,479,935</b>
– Capital and reserves attributable to the company's shareholders	21,214,074	24,175,979	27,487,492
– Put options written on non-controlling interests	(1,170,801)	(1,162,630)	(4,593)
– Non-controlling interests	3,624,275	4,061,146	4,997,036
Total bank loans and overdrafts	9,699,542	8,355,360	9,232,139
– Short-term bank loans and current portion of long-term bank loans	4,936,902	1,947,820	3,941,835
– Long-term bank loans	4,569,564	6,173,790	5,069,439
– Bank overdrafts	193,076	233,750	220,865
Cash and bank balances	4,305,949	5,825,246	8,470,843
Gearing ratio <sup>(Note)</sup>	45.7%	34.6%	33.6%

*Sources:* Annual reports of KLN for the relevant years

*Note:* The gearing ratio is calculated as total bank loans and overdrafts, divided by equity attributable to the shareholders excluding put options written on non-controlling interests for each year.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

### *Financial position*

As at 31 December 2020, total assets of KLN amounted to approximately HK\$56,900 million, of which investment properties amounted to approximately HK\$11,503 million, property, plant and equipment amounted to approximately HK\$11,693 million and right-of-use assets amounted to approximately HK\$4,766 million, in aggregate, representing approximately 49.1% of KLN's total assets.

As at 31 December 2020, total liabilities of KLN amounted to approximately HK\$24,420 million, of which total bank loans and overdrafts of KLN in aggregate amounted to approximately HK\$9,232 million and represented approximately 37.8% of the total liabilities of KLN. KLN's gearing ratio as at 31 December 2018, 2019 and 2020 was 45.7%, 34.6% and 33.6%, respectively.

### **Prices of the KLN Shares**

#### *Comparison of value*

The table below compares the (i) the Offer Price of HK\$18.80; and (ii) the aggregate of the Offer Price and the special dividend declared by KLN (the "**KLN Special Dividend**") of HK\$26.08, with the closing price of the KLN Shares on the Last Trading Day, the averages of the closing price of KLN Shares of different intervals and the net asset value per KLN Share.

We note that the KLN Share price increased substantially by approximately 25% on the Last Trading Day. The magnitude of such increase was rarely seen in the trading history of the KLN Shares and is possibly the result of market anticipation of the Partial Offer. Therefore, we believe it is more reasonable to use the unaffected price of the KLN Shares for comparison. The column on the right in the table below shows the premium/discount of the aggregate of the Offer Price and the KLN Special Dividend over/to the closing price or the average closing prices of the KLN Shares as if 3 February 2021 were the last trading day.

	<b>Based on the Last Trading Day</b>	<b>Based on 3 February 2021</b>
	<b>Premium/(Discount) of the aggregate of the Offer Price and the KLN Special Dividend over/to</b>	
The closing price of HK\$23.45 per KLN Share as quoted on the Stock Exchange on the Last Trading Day (or HK\$18.76 on 3 February 2021)	11.22%	39.02%
The average of the closing prices of the KLN Shares as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day (or 3 February 2021)	39.69%	51.14%

---

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

---

	<b>Based on the Last Trading Day</b>	<b>Based on 3 February 2021</b>
	<b>Premium/(Discount) of the aggregate of the Offer Price and the KLN Special Dividend over/to</b>	
The average of the closing prices of the KLN Shares as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the Last Trading Day (or 3 February 2021)	49.53%	56.34%
The average of the closing prices of the KLN Shares as quoted on the Stock Exchange for the last 30 consecutive trading days up to and including the Last Trading Day (or 3 February 2021)	56.22%	58.49%
The average of the closing prices of the KLN Shares as quoted on the Stock Exchange for the last 60 consecutive trading days up to and including the Last Trading Day (or 3 February 2021)	55.51%	56.59%
The average of the closing prices of the KLN Shares as quoted on the Stock Exchange for the last 90 consecutive trading days up to and including the Last Trading Day (or 3 February 2021)	60.47%	61.58%
The average of the closing prices of the KLN Shares as quoted on the Stock Exchange for the last 120 consecutive trading days up to and including the Last Trading Day (or 3 February 2021)	68.72%	69.75%
The average of the closing prices of the KLN Shares as quoted on the Stock Exchange for the last 150 consecutive trading days up to and including the Last Trading Day (or 3 February 2021)	77.72%	78.79%
The average of the closing prices of the KLN Shares as quoted on the Stock Exchange for the last 180 consecutive trading days up to and including the Last Trading Day (or 3 February 2021)	86.85%	87.78%

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

**Premium/(Discount) of  
the aggregate of the Offer  
Price and the KLN Special  
Dividend over/to**

The audited consolidated net asset value per KLN Share attributable to shareholders of KLN of approximately HK\$15.29 as at 31 December 2020, calculated based on the audited consolidated net asset value attributable to shareholders of KLN of approximately HK\$27,482,899,000 as at 31 December 2020 and 1,797,335,042 KLN Shares in issue as at the date of the Joint Announcement

70.56%

The unaudited consolidated net asset value per KLN Share attributable to shareholders of KLN of approximately HK\$13.51 as at 30 June 2020, calculated based on the unaudited consolidated net asset value attributable to shareholders of KLN of approximately HK\$24,288,575,000 as at 30 June 2020 and 1,797,335,042 KLN Shares in issue as at the date of the Joint Announcement

92.99%

We concur with the Joint Announcement that the comparisons of the Offer Price alone to the trading prices of the KLN Shares do not necessarily represent a fair comparison. The value of the warehouses to be sold pursuant to the Warehouses Sale was embedded in the historical trading prices of the KLN Shares. Shareholders of KLN are compensated by the KLN Special Dividend for the warehouses to be sold and the Offer Price for the remaining assets and operations of KLN. Therefore, it is only reasonable to compare the aggregate of the Offer Price and the KLN Special Dividend to the historical trading prices of the KLN Shares.

As illustrated above, the aggregate of the Offer Price and the KLN Special Dividend represents a premium to each of the closing price of KLN Share on the Last Trading Day, the average closing prices of the KLN Share of different intervals and the latest unaudited consolidated net asset value per KLN Share attributable to shareholders, which is a favourable factor when analysing the Partial Offer.

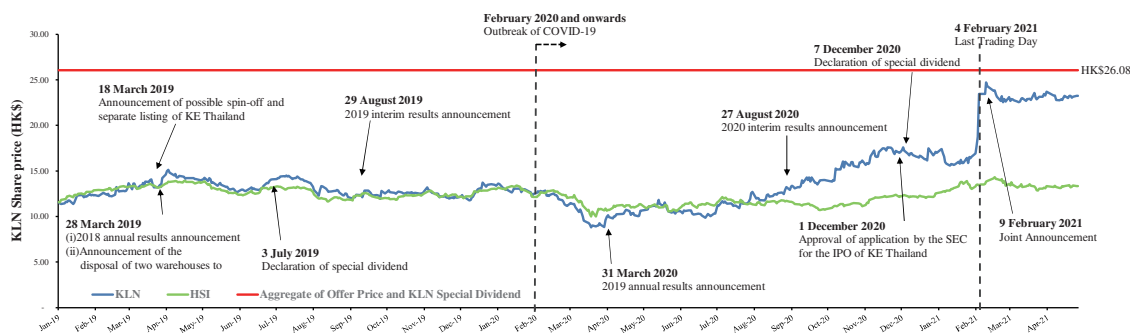
In addition, if we eliminate the unusual movement of the KLN Share price on the Last Trading Day by taking 3 February 2021 as the last trading day, the aggregate of the Offer Price and the KLN Special Dividend would have represented a premium of approximately 39.02% and 51.14% over the closing price of KLN Share on 3 February 2021 and the average closing price of KLN Shares for the last five trading days up to and including 3 February 2021 respectively.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### *Historical price performance of the KLN Shares*

In assessing the reasonableness of the aggregate of the Offer Price and the KLN Special Dividend, we have considered the relative performances of the KLN Shares, the Hang Seng Index (the “HSI”), and the aggregate of the Offer Price and the KLN Special Dividend.

**Chart 1 – Relative historical price performance of the KLN Shares from January 2019 to the Latest Practicable Date**



Source: Bloomberg

Note: The closing prices of the HSI have been rebased for comparison

The review period, which covers a period of two full financial years of KLN, is considered to be appropriate and represents a sufficient period of time to provide a general overview of the recent market performance of the KLN Shares, especially under the environment before and after the onset of the COVID-19 outbreak, for the purpose of this analysis. As illustrated by the chart above, the price movement of KLN Shares have generally mirrored the HSI from January 2019 to July 2020. The KLN Shares have occasionally outperformed the HSI slightly for a short period of time following the declaration of a special dividend on 3 July 2019 and underperformed the HSI slightly for a short period of time following the outbreak of COVID-19 in February 2020.

The KLN Shares have broadly outperformed the HSI since August, 2020, reaching a peak on 20 November 2020 at HK\$18.18. This may be due to the announcement of the 2020 interim results which showed KLN’s positive growth in revenue and net profit and its optimistic outlook supported by a surge in demand from e-commerce. Prices of the KLN Shares increased 25% on the Last Trading Day from the closing price of the previous trading day. The KLN Shares rose a further 5.5%, reaching the all-time-high intraday at HK\$25.90 following the Joint Announcement before declining slightly and then plateauing.



## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

**Chart 2 – Relative historical price performance of the KLN Shares from the listing of the KLN Shares to the Latest Practicable Date**



Source: Bloomberg

Note: The closing prices of the HSI have been rebased for comparison

As illustrated by the chart above, movement of KLN Shares prices has broadly been in line with the HSI, trading largely within the range of HK\$10.0 and HK\$15.0 from the date of listing on 19 December 2013 until October 2020. Although the KLN Share price reached an all-time-intraday high at HK\$25.90 on 10 February 2021, being the date of the Joint Announcement, price of the KLN Shares has never exceeded the aggregate of the Offer Price and the KLN Special Dividend.

### Trading liquidity of the KLN Shares

Set out below illustrates (i) the average daily trading volumes of the KLN Shares; and (ii) the percentages of the average trading volume to the total issued KLN Shares since 2019:

	Average daily trading volume	Approximate % of average daily volume to total number of issued KLN Shares <sup>(Note)</sup>
<b>2019</b> January	618,215	0.036%
February	917,149	0.054%
March	1,499,433	0.088%
April	1,159,547	0.068%
May	917,001	0.054%
June	1,197,086	0.070%
July	748,850	0.044%
August	860,499	0.050%
September	869,576	0.051%

---

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

---

	<b>Average daily trading volume</b>	<b>Approximate % of average daily volume to total number of issued KLN Shares<sup>(Note)</sup></b>
October	812,468	0.047%
November	722,294	0.042%
December	826,183	0.048%
<b>2020</b> January	513,103	0.030%
February	629,356	0.037%
March	1,044,260	0.058%
April	1,455,447	0.081%
May	1,277,948	0.071%
June	1,305,935	0.073%
July	1,806,358	0.101%
August	1,527,943	0.085%
September	2,145,705	0.120%
October	3,323,358	0.185%
November	3,343,964	0.186%
December	1,989,446	0.111%
<b>2021</b> January	2,680,457	0.149%
February	15,281,846	0.850%
March	3,040,230	0.169%
April (up to the Latest Practicable Date)	1,995,876	0.111%

*Source:* Bloomberg

*Note:* The calculation is based on the average daily trading volumes of the KLN Shares divided by the total number of issued KLN Shares at the end of each month.

As shown in the above table, the average daily trading volumes of the KLN Shares represented approximately 0.030% to 0.186% of the total issued KLN Shares for the months between January 2019 and April 2021 (up to the Latest Practicable Date), except that in February 2021, the average daily trading volume of KLN Shares increases substantially and represented approximately 0.850% of the total issued KLN Shares. As discussed in the previous section, it may be the result of market anticipation in relation to the current transactions.

Given the trading liquidity of the KLN Shares, it will be difficult for the Company to dispose of a substantial amount of KLN Shares on market without negatively affecting the trading price of the KLN Shares. The Partial Offer provides the Company an opportunity to realise part of its investment in KLN at a favourable price.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### Comparable companies

In order to assess the fairness and reasonableness of the Offer Price, we have carried out an analysis by comparing peer companies listed on the Stock Exchange with market capitalisation between HK\$20 billion and HK\$60 billion as at the Latest Practicable Date and more than 50% of revenue and profit generated from logistics services and freight forwarding services in Asia. There is only one company which satisfies these criteria which is Sinotrans Limited. Therefore, we have expanded our scope to include peer companies listed on recognised stock exchanges in other developed Asian countries under the same criteria. Based on the above criteria, we have identified an exhaustive list of five companies (the “Comparable Companies”), and we consider that the Comparable Companies are representative and appropriate for comparison purposes as they are all engaged in a similar business sector as the KLN Group and have the majority of their revenue and profit derived from this sector.

In selecting the Comparable Companies, we have considered companies which are principally engaged in global express delivery and global freight forwarding, which include, among others, United Parcel Service, Inc., FedEx Corporation and DHL International GmbH, DSV Panalpina A/S, Expeditors International of Washington, INC., C.H. Robinson Worldwide, Inc. and Kuehne & Nagel International AG. The businesses of these companies are comparable with KLN to some extent, but we did not include them in our list of Comparable Companies because their market capitalisations fall outside our prescribed range. We consider market capitalisation as an important factor in the selection of comparable companies because it generally corresponds to a company’s size and stage of business development.

Given the principal business activities of KLN and the Comparable Companies which are earnings based, we have compared the price-to-earnings multiple (the “P/E”) of the Comparable Companies against that as implied by the Offer Price.

Ticker	Country of listing	Company	Market capitalisation as at the Latest Practicable Date		Net profit attributable to shareholders		P/E (times)
			(million)	(HK\$ million) (Note 2)	(million)	(HK\$ million) (Note 2)	
9062 JP	Japan	Nippon Express Co., Ltd.	JPY758,400	54,385	JPY17,409	1,248	43.56
598 HK	Hong Kong	Sinotrans Limited	HK\$37,840 (Note 1)	37,840	RMB2,754	3,297	11.48
000120 KS	Korea	CJ Logistics Corporation	KRW4,083,410	28,548	KRW123,030	860	33.19
9086 JP	Japan	Hitachi Transport System, Ltd.	JPY363,833	26,091	JPY21,614	1,550	16.83
9301 JP	Japan	Mitsubishi Logistics Corporation	JPY279,275	20,027	JPY11,852	850	23.56
					<b>Average</b>		<b>25.73</b>
					<b>Median</b>		<b>23.56</b>
					<b>Maximum</b>		<b>43.56</b>
					<b>Minimum</b>		<b>11.48</b>
636 HK	Hong Kong	KLN		<b>41,826</b>		<b>2,896</b>	<b>14.44</b>
		KLN implied by the Offer Price		<b>33,821</b> (Note 3)		<b>1,250</b> (Note 4)	<b>27.05</b> (Note 5)

Sources: Bloomberg, published financial statements of the relevant Comparable Companies

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

*Notes:*

- (1) The market capitalisation of Sinotrans Limited is derived from multiplying the total number of issued A shares and H shares of the company by the respective closing price quoted on the Shanghai Stock Exchange and the Hong Kong Stock Exchange as at the Latest Practicable Date.
- (2) Based on the exchange rates of RMB1 = HK\$1.1917, HK\$1 = JPY13.9449 and HK\$1 = KRW143.0352 as at Latest Practicable Date.
- (3) It is calculated by multiplying the total issued share capital of KLN of 1,798,978,042 as at the Latest Practicable Date by the Offer Price of HK\$18.80.
- (4) For illustration purposes only, the adjusted net profit attributable to shareholders of the remaining KLN for the year ended 31 December 2020 is calculated as follows:

	<i>HK\$'000</i>
Profit attributable to shareholders of KLN*	2,895,757
Less: Unaudited net profit after tax of the Taiwan Business for the year ended 2020 attributable to KLN^	223,286
Less: Audited net profit after taxation of the companies which hold the warehouses to be sold by KLN@	1,422,035
	<hr/>
	1,250,436
	<hr/> <hr/>

\* Obtained from the 2020 annual report of KLN

^ Obtained from the announcement of KLN dated 25 March 2021

@ Obtained from the circular of KLN dated 3 May 2021

Given the potential payables and receivables under the Warehouses Management Agreements and the framework services agreement as stated in the announcement of KLN dated 25 March 2021 is uncertain in nature, we have not included them in the calculation.

- (5) It is calculated by dividing the market capitalisation of KLN of approximately HK\$33,821 million implied by the Offer Price by the adjusted earnings of KLN of approximately HK\$1,250 million.

As set out in the table above, the P/E of the Comparable Companies ranged from 11.48 times to 43.56 times and have an average and a median of 25.73 times and 23.56 times respectively. The implied P/E of the Partial Offer of 27.05 times is (i) higher than the average and the median of the P/E of the Comparable Companies and is within range of that of the Comparable Companies; and (ii) significantly higher than the one comparable company listed on the Stock Exchange, which is favourable to the Company.

### Partial Cash Offer Precedents

We have also compared the Partial Offer with other partial cash offer precedents in Hong Kong identified from the website of the Stock Exchange. On a best effort basis, we have identified the below exhaustive list of partial cash offers for Hong Kong listed companies in the last 10 years based on the following criteria: (i) the offers succeeded; (ii) the offerors did not hold any shareholdings in the offeree companies before the offers; and (iii) the offers involved an acquisition of more than 50% equity interest in the offeree companies (the “Comparable Precedents”). These Comparable Precedents involved companies in different industries and with different underlying reasons for their respective partial offers.

# LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Initial announcement date	Company (Stock code)	Industry	Premium/(Discount) of offer price over/to the average share price prior to the partial offer proposal										Premium over/ (Discount) to the reported NAV		Offeror shareholding	
			Last trading day %	Five trading days %	10 trading days %	30 trading days %	60 trading days %	90 trading days %	120 trading days %	150 trading days %	180 trading days %	before the partial offer	after the partial offer	%	%	
12 September 2019	China Agri-Products Exchange Limited (149)	Real Estate	65.45	82.00	86.09	100.00	96.33	82.20	85.46	92.85	103.73	(25.41)	0.00	53.38		
9 April 2018	AAG Energy Holdings Limited (2686)	Oil, Gas & Coal	15.10	26.80	28.70	30.60	40.39	50.90	56.40	56.67	56.30	(2.78)	0.00	50.50		
15 September 2015	Baoxin Auto Group Limited (1293)	Retail – Discretionary	132.20	145.90	146.20	94.40	58.88	32.68	30.30	29.04	29.20	155.70	0.00	75.00		
7 August 2013	Chong Hing Bank Limited (1111)	Banking	59.00	58.00	60.80	67.00	74.20	76.23	84.06	89.61	96.20	108.50	0.00	75.00		
		Average	67.94	78.18	80.45	73.00	67.45	60.50	64.05	67.04	71.36	59.00	0.00	63.47		
		Median	62.23	70.00	73.45	80.70	66.54	63.57	70.23	73.14	76.25	52.86	0.00	64.19		
		Maximum	132.20	145.90	146.20	100.00	96.33	82.20	85.46	92.85	103.73	155.70	0.00	75.00		
		Minimum	15.10	26.80	28.70	30.60	40.39	32.68	30.30	29.04	29.20	(25.41)	0.00	50.50		
		KLN <sup>(Note 2)</sup>	11.22	39.69	49.53	56.22	55.51	60.47	68.72	77.72	86.85	70.56	0.00	51.50		
		KLN based on the unaffected price <sup>(Note 2 and 3)</sup>	39.02	51.14	56.34	58.49	56.59	61.58	69.75	78.79	87.78					

Sources: Offer documents, circulars of the respective listed companies, and Bloomberg

**Notes:**

- (1) The premium/discount of offer price over/to the average share price prior to the partial offer proposal for each of the Comparable Precedents was calculated based on share price traded on the date of Rule 3.7 announcement published by the offeree companies.
- (2) The offer price represents the aggregate of the Offer Price and the KLN Special Dividend of HK\$26.08 for every KLN Share.
- (3) In order to eliminate the impact of the 25% increase in the KLN Share price occurred on the Last Trading Day, 3 February 2021 is used as if it were the last trading day.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

The aggregate of the Offer Price and the KLN Special Dividend represents a premium of approximately 11.22% over the closing price of the KLN Share on the Last Trading Day, which falls below the lowest premium of approximately 15.10% in the range of the Comparable Precedents. As mentioned earlier, the KLN Share price increased by 25% on the Last Trading Day and if we compare with the unaffected price instead, namely, the closing price of the KLN Shares on 3 February 2021 (a day before the Last Trading Day), the aggregate of the Offer Price and the KLN Special Dividend would then represent a premium of approximately 39.02%, which is within the range of the corresponding premia of the Comparable Precedents but lower than the average or median of the Comparable Precedents.

We believe a comparison of a longer period is necessary to eliminate the effects of the short-term distortion in the KLN Share price in addition to any adjustment in relation to the price on the Last Trading Day, the premia offered by the aggregate of the Offer Price and the KLN Special Dividend over the five, 10, 30, 60 and 90 trading days (up to and including the Last Trading Day) average Share price are approximately 39.69%, 49.53%, 56.22%, 55.51% and 60.47%, respectively, all of which are within the corresponding ranges of the Comparable Precedents. Further, if we take 3 February 2021 as the last trading day, the premia offered by the aggregate of the Offer Price and the KLN Special Dividend over the five, 10, 30, 60 and 90 trading days (up to and including 3 February 2021) average Share price are approximately 51.14%, 56.34%, 58.49%, 56.59% and 61.58%, respectively, all of which are higher than or close to the respective averages and medians of the Comparable Precedents.

The premium offered by the aggregate of the Offer Price and the KLN Special Dividend over the 120 trading days (up to and including the Last Trading Day) average Share price is approximately 68.72%, which is above the average of the Comparable Precedents.

In addition, the premia offered by the aggregate of the Offer Price and the KLN Special Dividend over the 150, 180 trading days (up to and including the Last Trading Day) average Share price and the premium to KLN's reported NAV per Share are approximately 77.72%, 86.85%, and 70.56%, respectively, which are above the corresponding average and median of the Comparable Precedents.

### Financial effects of the disposal of KLN Shares

Set out below illustrates the maximum number of KLN Shares that may be sold by the Company pursuant to the KPL Irrevocable Undertaking and under the Placing Agreement(s):

	<b>Scenario (1): Pursuant to the KPL Irrevocable Undertaking</b> <i>(Note 1)</i>	<b>Scenario (2): Pursuant to the KPL Irrevocable Undertaking and the Placing Agreement(s)</b> <i>(Note 2)</i>
<b>Maximum number of KLN Shares that may be sold by the Company</b>	364,496,510	357,750,050
<b>Percentage of the total issued KLN Shares as at the date of the Joint Announcement on a Fully- Diluted Basis</b>	20.2%	19.8%

---

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

---

	<b>Scenario (1): Pursuant to the KPL Irrevocable Undertaking <i>(Note 1)</i></b>	<b>Scenario (2): Pursuant to the KPL Irrevocable Undertaking and the Placing Agreement(s) <i>(Note 2)</i></b>
<b>Maximum amount of gross proceeds</b>	HK\$6,852,534,388	HK\$6,725,700,940 <i>(Note 3)</i>
<b>Number of KLN Shares to be retained by the Company following the sale of the maximum number of KLN Shares by the Company</b>	353,844,488	360,590,948
<b>Percentage of the total issued KLN Shares retained by the Company as at the date of the Joint Announcement on a Fully-Diluted Basis</b>	19.6%	19.9%

*Notes:*

- (1) Assumes all of the KLN Shares tendered by the Company into the Partial Offer pursuant to the KPL Irrevocable Undertaking are accepted and sold under the Partial Offer. This scenario would only occur if: (a) the Relevant KLN Controlling Shareholders tender 575,545,164 KLN Shares pursuant to the Controlling Shareholders Irrevocable Undertakings; (b) the executive directors of KLN tender 18,957,330 KLN Shares pursuant to the Executive Directors Irrevocable Undertakings; and (c) the KLN Controlling Shareholders Close Associates, the KLN Relevant Directors (other than the executive directors of KLN), close associates of the KLN Relevant Directors, and all KLN Public Shareholders together tender a total of 336,706,623 KLN Shares (being the minimum number of KLN Shares to allow the Partial Offer to become unconditional). In this scenario, the public float of KLN following completion of the Partial Offer will be not less than 15.0%, and no disposals pursuant to the Placing Agreement(s) will be required.
- (2) This scenario assumes the maximum number of KLN Shares being sold pursuant to the Placing Agreement(s) to restore the public float of KLN, being 6.9% of the total issued KLN Shares (and the number of KLN Shares being sold by the Company pursuant to the Placing Agreement(s) being 4.4% of the total issued KLN Shares as at the date of the Joint Announcement on a Fully-Diluted Basis). This scenario would only occur if the public float of KLN immediately following completion of the Partial Offer is 8.1%, which assumes (a) the Relevant KLN Controlling Shareholders tender 575,545,164 KLN Shares pursuant to the Controlling Shareholders Irrevocable Undertakings; (b) the executive directors of KLN tender 18,957,330 KLN Shares pursuant to the Executive Directors Irrevocable Undertakings; (c) the KLN Controlling Shareholders Close Associates, the KLN Relevant Directors (other than the executive directors of KLN) and close associates of the KLN Relevant Directors do not tender any KLN Shares; and (d) all KLN Public Shareholders tender all of their KLN Shares. In such circumstance, 278,736,232 KLN Shares tendered by the Company pursuant to the KPL Irrevocable Undertaking will be accepted and sold under the Partial Offer, and 79,013,818 KLN Shares will be sold by the Company pursuant to the Placing Agreement(s).
- (3) Assumes the sale price of the KLN Shares pursuant to the Placing Agreement(s) equals the Offer Price of HK\$18.80 per KLN Share. If the sale price of the KLN Shares pursuant to the Placing Agreement(s) is the maximum sale price of HK\$20.68 per KLN Share, the maximum amount of gross proceeds for scenario (2) will be approximately HK\$6,874 million. If the sale price of the KLN Shares pursuant to the Placing Agreement(s) is the minimum sale price of HK\$16.92 per KLN Share, the maximum amount of gross proceeds for scenario (2) will be approximately HK\$6,577 million.



---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

Taking into consideration the relevant gross proceeds and the carrying value of the Company's investment in KLN as at 31 December 2020 of approximately HK\$11,781 million (as set out in the Company's audited consolidated accounts for the year ended 31 December 2020 without adjustments for any events occurring after 31 December 2020, including without limitation any KLN dividends which may be paid after 31 December 2020 (such as the proposed final dividend of 23.8 HK cents per KLN Share for the year ended 31 December 2020)), the Group estimates (i) the gains attributable to Shareholders arising from the Disposal under scenario (1) above to be approximately HK\$2.4 per KLN Share sold into the Partial Offer, and the earnings of the Group to be increased by approximately HK\$868 million, the Group's total assets to be increased by approximately HK\$868 million; and (ii) the gains attributable to Shareholders arising from the Disposal under scenario (2) above to be approximately HK\$2.0 to HK\$2.8 per KLN Share sold into the Partial Offer and the Proposed Placing.

KLN will continue to be accounted for as an associate of the Company following the completion of the Disposal.

### **Use of proceeds**

The Company announced on 18 March 2021 that it expects to receive net proceeds of not less than HK\$11,000 million, comprising the Offer Price for an estimate of the KLN Shares tendered by the Company pursuant to the KPL Irrevocable Undertaking which are expected to be validly accepted into the Partial Offer and the KLN Special Dividend.

Conditional upon completion of the Disposal, the Company intends to declare a Special Dividend to distribute approximately 25% to 30% of such net proceeds to all those Shareholders on record on the relevant record date to be announced by the Company. For the remaining 70% to 75% of such net proceeds, the Company intends to use the proceeds to significantly strengthen the balance sheet of the Company and to support the growth strategy and land acquisitions of the Group.

### **Information of the Offeror**

The Offeror is a company incorporated in the Cayman Islands and is indirectly wholly-owned by the Offeror Parent, which is a joint stock company incorporated in the PRC with limited liability. The shares of the Offeror Parent are listed on the Shenzhen Stock Exchange (Stock code: 002352.SZ) and the Offeror Parent is a constituent of the Shenzhen 100 Index.

According to the Offeror Parent's 2020 annual report, it is the largest integrated logistics service provider in China, and the fourth largest express delivery company in the world in terms of revenue. The Offeror Parent is principally engaged in providing various types of express services including time-definite express, economy express, pharmaceuticals and cold chain express, and international express, etc. under its Express segment and freight services including less-than-truckload services, heavy parcel delivery, etc. under its Freight segment. It also offers other logistics services such as intra-city instant delivery, supply chain solutions, warehousing products, etc.



---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

For FY2020, the Offeror Parent's consolidated revenue and net profit attributable to shareholders amounted to approximately RMB153,987 million and RMB7,326 million, respectively, which represent a compound annual growth rate ("CAGR") of approximately 30.1% and 26.8% from 2018 to 2020, respectively. As at 31 December 2020, the Offeror Parent's total assets and equity attributable to shareholders reached approximately RMB111,160 million and RMB56,443 million, respectively, which represent a CAGR of approximately 24.5% and 24.0% from 2018 to 2020, respectively.

While it has a leading market share in the PRC, international business of the Offeror Parent represented only approximately 4% of the Offer Parent's total revenue for FY2020. The Offeror Parent's international express business includes international express delivery, e-commerce parcels, freight, warehousing, goods consolidation and forwarding services for domestic and foreign customers. In addition, the business also includes import and export supply chain solutions such as market access and customs clearance.

In 2009, SF Airlines Company Limited, an indirect wholly-owned subsidiary of the Offeror Parent Group, became the first privately-owned air freight company in China. The Offeror Parent stated in its 2020 annual report that SF Airlines Company Limited has developed into China's largest and the world's leading air freight company, creating a cargo route network covering the whole country and expanding to Asia and reaching Europe, serving more than 70 cities around the world. In 2020, SF Airlines Company Limited operated 3,580 international flights in total, representing a year-on-year increase of 353%.

### **Intention of the Offeror**

As stated in the Shareholders' Agreement, subject to the Offeror Parent obtaining requisite corporate approvals (or shareholders' approvals and/or regulatory approvals, if applicable) and (1) the Offeror Parent Group; and (2) Kerry Holdings and the Company (and their respective associated companies) legally and beneficially hold not less than 50% and 30%, respectively, of the KLN Shares, the Offeror and the Offeror Parent agree to procure that the Offeror Parent Group carries out its logistics businesses outside Greater China through the KLN Group, subject to the followings: (i) any international freighter operations are excluded; (ii) consent from relevant partners of certain joint venture businesses; and (iii) no existing contracts of the Offeror Parent Group would be breached as a result. The Offeror Parent Group will be free to pursue any new business opportunities which the KLN Group elects not to pursue.

According to the Offeror Parent's announcement dated 10 February 2021 published on the Shenzhen Stock Exchange, the acquisition of KLN Shares through the Partial Offer will enhance its integrated logistics solution capabilities, supplement its key capabilities such as international freight forwarding, and improve the strategic layout of its international business. In addition, the Offeror Parent believes that the acquisition will allow each of the Offeror Parent and KLN to better develop its own businesses through sharing each other's customer base and cross selling.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

Further, the Offeror Parent stated in its announcement that:

- (i) KLN has established a solid global network of freight forwarding, covering, amongst other trade routes, intra-Asia (Greater China, North Asia, South-east Asia and South Asia), Asia-United States and Asia-Europe and has laid the groundwork in developing markets such as Middle East. KLN's capacities in air and ocean freight forwarding and experience in customs clearance will likely strengthen the Offeror Parent's end-to-end supply chain solution capabilities and consolidate its international transportation business;
- (ii) The Offeror Parent and KLN will generate economies of scale by combining their cargo volume, thus increasing their cargo and loading rates and bargaining power with external air freight providers;
- (iii) Synergies are expected to be realised by combining KLN's experiences and resources in Thailand's and Vietnam's express delivery service markets and the Offeror Parent's strong brand, management knowhow and operating system; and
- (iv) The Offeror Parent's network and delivery capabilities will likely expand KLN's range of services and increase KLN's customer loyalty.

### **Prospects of the business of KLN**

As stated in KLN's 2020 annual report, the COVID-19 pandemic has brought unprecedented challenges to everything from global public health to people's livelihoods. The stop-and-go momentum of the global economy has caused severe disruption to the global supply chain. Demand and supply chains were left seriously affected, and some sectors collapsed while others thrived. Economic growth gradually picked up globally in mid-2020 as lockdown measures eased. Mainland China, in particular, exceeded the world's expectation, and bounced back to pre-pandemic levels partly driven by the rapid growth of its e-commerce market. During the FY2020, the KLN Group generated approximately 31.8% of total revenue from Mainland China. Notwithstanding the current vaccination campaigns, KLN expects that there is still a very long way to go in achieving global herd immunity and a return to the "pre-pandemic normal", particularly given the resurgent waves and the emergence of new variants of the virus. However, KLN expects that as vaccination programmes gather pace, economies and consumption will begin to recover, which will in turn revive its integrated logistics business. KLN believes that the demand for international freight forwarding will remain strong. Also, KLN expects the overall market situation in the first half of 2021 to resemble the second half of 2020 but with lower volatility; however, the global supply chain is not likely to see normality until after 2021.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

According to *Annual Review 2020* (the “**IATA Report**”) published by International Air Transport Association (“**IATA**”), the trade association for the world’s airlines, demand for air cargo from the global supply chains of the manufacturing and services industries has been sustained by V-shaped recoveries that reflect growing business confidence amid strong rebounds in output as economies unlock and return to work. Air freight of components and finished goods is vital. As of October 2020, business confidence remained above pre-crisis levels, buoying air cargo demand in economies such as China, the US, and Germany’s. We also note from the IATA Report that air cargo traffic has barely fallen during COVID-19 because it remains an essential service. At its low point in April 2020, cargo tonne kilometers flown dropped by around a quarter; but by September 2020, recouped to just 8% below previous year’s volume. Air cargo remains essential to sustaining global supply chains and to transporting medical equipment and pharmaceuticals.

Based on a publication by the Global Maritime Hub, titled “Container ships: COVID-19 vs. 2008 financial crisis”, despite a steep 3.5% decline in world GDP last year, the global throughput of containers was relatively unscathed in 2020 with volumes dropping only 1.4%. This contrasts with 2009 when global GDP fell only 0.1% but container throughput plummeted 8.2%.

Upon the completion of the Warehouses Sale, KLN will become more asset light. Furthermore, pursuant to the Shareholders’ Agreement, in addition to the existing businesses, KLN will also be the platform where the Offeror Parent Group carries out its logistics business outside Greater China. As stated in the Joint Announcement, the Offeror and the KLN directors believe that the cooperation between the Offeror Parent Group and the KLN Group will bring together the core competencies of the two groups across multiple verticals to create the leading Asia-based global logistics platform.

As stated in KLN’s 2020 annual report, scale and technological advances are crucial for any company in the industry to retain its competitiveness over its peers and drive changes in the global logistics arena. To this end, KLN expects that the proposed strategic cooperation with the Offeror Parent will broaden the business base of the KLN Group, extending its reach and enhancing its research and development capabilities. Coupled with a diversified geographical presence and a broad range of service capabilities, KLN expects that it will allow the KLN Group to strengthen its market position, enhance its flexibility and provide more diversified product offerings to its customers during these unprecedented times.

Based on the Hong Kong Trade Development Council’s publication titled *Logistics Industry in Hong Kong*, new technologies play an increasingly important role for the logistics industry to improve its operational efficiency. The rise of the Internet of Things (“**IoT**”) will encourage the adoption of mobile apps among logistics service providers which can be used for tracking and customer service interactions. The emerging 5G technology will also enable the next generation of IoT deployment and offer a variety of new and improved solutions to the logistic industry. This will render logistics processes faster, safer and more reliable. Supply chain efficiency and accuracy can be enhanced through real time data sharing and asset tracking.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

### Reasons for, and benefits of, the Proposed Disposal and the Shareholders' Agreement

#### *Unlocking significant value and receiving significant cash proceeds via the Partial Offer and the KLN Special Dividend*

Upon the Partial Offer becoming or being declared unconditional in all respects, the Company will receive (i) a payment of HK\$18.80 in cash for every KLN Share in respect of which it validly accepts the Partial Offer and which is taken up by the Offeror under the Partial Offer (less the seller's ad valorem stamp duty arising therefrom); and (ii) conditional upon completion of the Warehouses Sale (which is conditional upon, amongst other conditions, the Partial Offer becoming or being declared unconditional in all respects), will receive the KLN Special Dividend of HK\$7.28 per KLN Share declared by KLN. The net proceeds which the Company will receive from the Partial Offer and the KLN Special Dividend are estimated to be not less than HK\$11,000 million.

As discussed in the previous subsection headed "*Historical price performance of the KLN Shares*", the KLN Share price has been relatively stable, moving in a comparatively narrow price range, since its listing in 2013. The Partial Offer provides a good opportunity for the Company to unlock significant value via monetising part of the Company's investment in KPL at a premium to the trading price of KLN Share. The KLN Special Dividend provides a further benefit to the Company by releasing the value of KLN's warehouse properties through the Warehouses Sale.

We note that the Company intends to declare a special dividend to distribute approximately 25% to 30% of such net proceeds, or approximately HK\$2,750-3,300 million, to Shareholders. The remaining 70% to 75% of the net proceeds, or approximately HK\$7,700-8,250 million, will significantly enhance the balance sheet of the Company and be used to support the growth of the Company's business.

According to the Company's 2020 annual report, the Group's strategy in terms of land banking of investment properties in the Mainland is to further invest in and develop mixed-use developments by concentrating on the major cities of Beijing, Shanghai, Hangzhou, and the Greater Bay Area. The Group sees the recurrent cash flow from their property rental business as one of the key drivers in supporting its sustainable dividend policy. The Group intends to achieve the land banking strategy in part with the cash flow from its development property sales, and the strategic disposal of non-core assets to support capital recycling into new projects with higher growth prospects. In Hong Kong, the Group will continue to proactively grow its land bank of investment properties through both single and joint-venture land bids, while diversifying its project mix. The Group continues to review and divest its non-core asset disposals to support its land banking strategy in Hong Kong. The net proceeds from the Partial Offer and the KLN Special Dividend will support and possibly accelerate the Group's development strategy. The Company will also allocate a portion of the net proceeds towards growing its properties for sale land bank in Hong Kong and the Mainland.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

### *Having the opportunity to benefit further potential growth from any retained ownership in KLN after the Partial Offer*

The Company is expected to hold approximately 20% of the total issued shares of KLN upon the completion of the Partial Offer and the Option Offer, depending on the amount of Share Options exercised and the number of KLN Shares to be sold by the Company pursuant to the Participation Agreement and the Placing Agreement(s).

In addition to voting rights, the Company and Kerry Holdings will retain a certain degree of control and influence on the future operation of KLN. Pursuant to the Shareholders' Agreement, the Company and Kerry Holdings are entitled to nominate a certain number of board members of KLN, depending on the shareholding of Kerry Holdings and its associated companies in aggregate. The business arrangements of KLN are described in the Shareholders' Agreement and there are a number of reserved matters that can only be undertaken by KLN with the prior approval of at least two-thirds of the KLN directors.

Given the cooperation between the Offeror Parent Group and Kerry Holdings, the Offeror and the KLN directors believe, as stated in the Joint Announcement, that the Partial Offer will bring together the core competencies of the Offeror Parent Group and the KLN Group across multiple verticals to create the leading Asia-based global logistics platform.

The KLN Group currently is a market leader in integrated logistics, international freight forwarding and supply chain solutions industries with a global network of 59 countries and territories. The Offeror Parent Group is a leading integrated express logistic services provider in Mainland China, supported by the largest cargo freighter fleet in China, an extensive ground service network in China and industry leading technologies applicable to supply chain management. The resources which the Offeror Parent Group brings to the KLN Group are expected to create significant synergies and growth opportunities for KLN.

KLN will be positioned as the Offeror Parent's primary vehicle for international expansion. Accordingly, in addition to the existing businesses of KLN which will continue to be carried on by KLN, the Offeror Parent intends to operate through KLN its logistics businesses outside Greater China, which include but not limited to its international freight forwarding business.

KLN will also retain a clear brand identity and culture as it will continue to use certain existing Kerry licensed trademarks and include "Kerry" as part of company name, trade name, internet domain names and social media handle, and be led by the existing senior leadership team of KLN. The sale of certain warehouses will not only crystallise shareholder value for the shareholders of KLN, but will also reposition KLN as an asset light logistics company with potentially a better return on its equity. With this clear business focus and the complementary strengths of both parties, KLN is expected to be well-positioned to accelerate further growth and strengthen its leadership in the logistics sector.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

### Effects of the Placing Agreement(s)

As discussed in the letter from the Board, one of the Pre-Conditions of the Partial Offer is that the KLN Controlling Shareholders, including the Company, have entered into the Placing Agreement(s) with one or more independent purchaser(s) to sell in aggregate up to approximately 6.9% of the total issued KLN Shares as at the date of the Joint Announcement in the event that the public float of KLN falls below 15.0% immediately following the Final Closing Date.

Pursuant to the Placing Agreement(s), the maximum number of KLN Shares to be disposed of by the Company is 79,013,818, representing approximately 4.4% of the total issued KLN Shares as at the date of the Joint Announcement on a Fully-Diluted Basis. The sale price per KLN Share will be negotiated on arm's length terms between the Company and the purchaser(s) which must be no less than HK\$16.92, and is expected to be not more than HK\$20.68, representing a 10% discount and a 10% premium, respectively, to the Offer Price of HK\$18.80.

Notwithstanding that the maximum number of KLN Shares the Company will sell pursuant to the Placing Agreement(s) is 79,013,818, we estimate that based on the shareholding structure of KLN as at the Latest Practicable Date, the Company will have to dispose of at most 78,905,490 KLN Shares to restore the public float of KLN to 15.0% pursuant to the Placing Agreement(s). In such circumstance, it is assumed that (i) the Relevant KLN Controlling Shareholders tender 575,545,164 KLN Shares pursuant to the Controlling Shareholders Irrevocable Undertakings; (ii) the executive directors of KLN tender 18,957,330 KLN Shares pursuant to the Executive Directors Irrevocable Undertakings; (iii) the KLN Controlling Shareholders Close Associates, the KLN Relevant Directors (other than the executive directors of KLN) and close associates of the KLN Relevant Directors do not tender any KLN Shares; and (iv) all KLN Public Shareholders tender all of their KLN Shares. In such circumstance, 278,736,232 KLN Shares tendered by the Company pursuant to the KPL Irrevocable Undertaking will be accepted and sold under the Partial Offer, and 78,905,490 KLN Shares will be sold by the Company pursuant to the Placing Agreement(s). The table below sets out the outcome based on these assumptions:

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

	Number of KLN Shares held as at the Latest Practicable Date on a Fully-Diluted Basis	Number of KLN Shares tendered into the Partial Offer	Number of tendered KLN Shares accepted	Number of KLN Shares held immediately after the Partial Offer and the Option Offer	Number of KLN Shares held immediately after the Partial Offer and the Option Offer and immediately upon completion of the Placing Agreement(s) (Percentage to total issued share capital of KLN)
The Offeror	0	NA	NA	931,209,117	931,209,117 (51.5%)
KLN Controlling Shareholders	1,134,270,634	575,545,164	440,128,467	694,142,167	569,549,278 (31.5%)
– the Company	718,340,998	364,496,510	278,736,232	439,604,766	360,699,276 (19.9%)
– KLN Controlling Shareholders other than the Company	415,929,636	211,048,654	161,392,235	254,537,401	208,850,002 (11.6%)
Executive directors of KLN	37,825,314	18,957,330	14,496,969	23,328,345	23,328,345 (1.3%)
Close associates of the KLN Controlling Shareholders	3,696,607	0	0	3,696,607	3,696,607 (0.2%)
Close associates of the executive directors of KLN	1,563,610	0	0	1,563,610	1,563,610 (0.1%)
Relevant directors of KLN and close associates ( <i>Note</i> )	5,706,734	0	0	5,706,734	5,706,734 (0.3%)
Unvested share awards for relevant directors of KLN (other than independent non- executive directors of KLN)	1,893,394	0	0	1,893,394	1,893,394 (0.1%)
Independent shareholders of KLN	623,216,749	623,216,749	476,583,681	146,633,068	271,225,957 (15.0%)
<b>Total</b>	<b>1,808,173,042</b>	<b>1,217,719,243</b>	<b>931,209,117</b>	<b>1,808,173,042</b>	<b>1,808,173,042 (100.0%)</b>

*Note:* Shareholdings of the relevant directors of KLN and their close associates include the shareholdings of the directors of KLN and its subsidiaries (excluding the executive directors of KLN) and their close associates.



---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

Based on the assumptions described above, 278,736,232 KLN Shares (out of the total 364,496,510 KLN Shares tendered) will be validly accepted by the Offeror at HK\$18.80 and 78,905,490 KLN Shares will be disposed of pursuant to the Placing Agreement(s) at a price of not less than HK\$16.92, yet not expected to be higher than HK\$20.68. Hence, the weighted average price of the total KLN Shares to be disposed of under the Partial Offer and the Placing Agreement(s), being 357,641,722 KLN Shares, will be between approximately HK\$18.39 and approximately HK\$19.21, which are approximately 2.2% below the Offer Price and approximately 2.2% above the Offer Price, respectively. The overall financial impact of the Placing Agreement(s) to the Company is insignificant in our view.

### DISCUSSION AND ANALYSIS

Prior to the completion of the Partial Offer, the Offeror and its ultimate beneficial owners were independent of, and not connected with, KLN, the Company or any of its connected persons. It is solely as a result of the completion of the Partial Offer that the Offeror will become a controlling shareholder of KLN.

We understand from the Company that the Partial Offer, the KPL Irrevocable Undertaking, the Participation Agreement and the Shareholders' Agreement were the subject of extensive negotiations between the Company (and its associates) and the Offeror (and its associates) independently and represented terms which a party could obtain on an entirely arm's length basis.

#### The Partial Offer

The aggregate of the Offer Price and the KLN Special Dividend is higher than any closing price of the KLN Shares since it was listed and it represents a premium ranging from approximately 11.22% to approximately 86.85% to the KLN Share price on the Last Trading Day and the average KLN Share price during different intervals. Such range of premium would have been from approximately 39.02% to approximately 87.78% if we use 3 February 2021 as the last trading day instead. The KLN Share price has been moving in a comparatively narrow range since it was listed and was broadly in line with the HSI until August 2020 when it started to outperform the HSI. After the Joint Announcement, the KLN Share price has hovered at approximately HK\$23 which is slightly lower than the aggregate of the Offer Price and the KLN Special Dividend of HK\$26.08.

We have compared the premium represented by the aggregate of the Offer Price and the KLN Special Dividend with those of the Comparable Precedents. Despite the companies involved are engaged in different industries and have different financial characteristics, we consider some useful comparisons can be made on the structure of the Partial Offer and the premium involved.

Given the short-term distortion of the Share price on the Last Trading Day, we believe that only a comparison over a longer period is meaningful. The premia offered by the aggregate of the Offer Price and the KLN Special Dividend over the five, 10, 30, 60 and 90 trading days (up



---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

to and including the Last Trading Day) average Share price are approximately 39.69%, 49.53%, 56.22%, 55.51% and 60.47%, respectively, which are within the corresponding ranges of the Comparable Precedents. The premia offered by the aggregate of the Offer Price and the KLN Special Dividend over the 150, 180 trading days (up to and including the Last Trading Day) average Share price and the premium to reported NAV per Share are approximately 77.72%, 86.85%, and 70.56%, respectively, which are above the corresponding average and median of the Comparable Precedents.

Alternatively, if we take 3 February 2021 as the last trading day, the premia offered by the aggregate of the Offer Price and the KLN Special Dividend over the five, 10, 30, 60 and 90 trading days (up to and including 3 February 2021) average Share price are approximately 51.14%, 56.34%, 58.49%, 56.59% and 61.58%, respectively, all of which are higher than or close to the respective averages and medians of the Comparable Precedents.

The P/E, which is the most commonly used valuation multiple in the sector, is an appropriate valuation tool for logistic services companies for comparative purposes. KLN's P/E as represented by the Offer Price and the adjusted earnings per share of the remaining KLN of 27.05 times is (i) within the range of the Comparable Companies from 11.48 times to 43.56 times and is higher than the average and median of the Comparable Companies, which are 25.73 times and 23.56 times, respectively; and (ii) significantly higher than the one comparable company listed on the Stock Exchange, which is favourable to the Company.

Conditionally upon completion of the Partial Offer and the Warehouses Sale, the Company will be able to unlock significant value and to receive significant cash proceeds via the Partial Offer and the KLN Special Dividend. In addition, the Company also has the opportunity to enjoy further potential upside from any retained ownership in KLN following the completion of the Partial Offer as a result of the current structure of the Partial Offer and related transactions. Moreover, the significant cash received at a premium valuation will enhance the balance sheet of the Company.

Upon completion of the Partial Offer, the gains attributable to Shareholders arising from the Disposal are expected by the Company to be approximately HK\$2.4 per KLN Share sold into the Partial Offer and the Company will receive net proceeds of not less than HK\$11,000 million, part of which will be distributed as a special dividend and the rest will support the Company's future growth.

Based on the above analyses, we consider that the terms of the Partial Offer are fair and reasonable so far as shareholders of KLN, including the Company, are concerned.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

### **1. *KPL Irrevocable Undertaking***

The KPL Irrevocable Undertaking, as part of the Controlling Shareholders Irrevocable Undertakings, together with the irrevocable undertakings by the executive directors of KLN, is one of the Pre-Conditions of the Partial Offer. Although such Pre-condition is waivable by the Offeror, these undertakings show that the KLN Controlling Shareholders and the executive directors of KLN are in favour of the Partial Offer.

Given our view that the Partial Offer is fair and reasonable so far as shareholders of KLN, including the Company, are concerned, the terms of the KPL Irrevocable Undertaking are also fair and reasonable as far as the Company is concerned.

### **2. *The Participation Agreement***

Despite the number of KLN Shares to be tendered by the Company under the KPL Irrevocable Undertaking being fixed, the amount of KLN Shares which will be validly accepted by the Offeror is uncertain, as it depends on the total number of the KLN Shares tendered into the Partial Offer by other shareholders of KLN. The Participation Agreement provides the Company with an option but not an obligation to tender more KLN Shares for acceptance than is required under the KPL Irrevocable Undertaking depending on the overall level of acceptances under the Partial Offer. This is beneficial to the Company from a capital management perspective.

The other purpose of the Participation Agreement is to regulate (i) any tendering of additional KLN Shares in excess of the obligations under the Controlling Shareholders Irrevocable Undertakings into the Partial Offer; and (ii) the number of KLN Shares which are the subject of the Placing Agreement(s) to be entered into by the KLN Controlling Shareholders, such that both amounts will be on a pro rata basis by reference to the Company's holding of KLN Shares and the holding of KLN Shares by the KLN Controlling Shareholders other than the Company. We consider such arrangement fair and reasonable as far as the Company is concerned.

### **3. *The Placing Agreement(s)***

It is stated in the Participation Agreement and the Shareholders' Agreement that the Company and other KLN Controlling Shareholders are required to sell certain amount of KLN Shares to restore the public float of KLN to 15.0% in case it falls below 15.0%. The business arrangements stated in the Shareholders' Agreement are only valid as so far as (1) the Offeror Parent Group and (2) Kerry Holdings and the Company (and their respective associated companies) legally and beneficially holds not less than 50% and 30%, respectively, of the KLN Shares. It is the Offeror's intention to hold the majority shareholding in KLN, which is just over 50% of the KLN Shares. In the event the public float falls below 15.0% of the total issued KLN Shares immediately following the Final Closing Date, the only way to restore the public

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

float without diluting the Offeror's interests in KLN is to have the KLN Controlling Shareholders, which include Kerry Holdings, Kerry Group Limited, the Company and their respective subsidiaries which hold KLN Shares, to sell part of their KLN Shares.

As discussed in the subsection "*Effects of the Placing Agreement(s)*", under the assumption that the Company will have to dispose of 78,905,490 KLN Shares to restore the public float of KLN to 15.0% pursuant to the Placing Agreement(s), the Company will dispose of a total 357,641,722 KLN Shares at a weighted average price between approximately HK\$18.39 and approximately HK\$19.21, which are approximately 2.2% below the Offer Price and approximately 2.2% above the Offer Price, respectively. We consider that the overall financial impact of the Placing Agreement(s) to the Company is insignificant and the terms of the Placing Agreement(s) are fair and reasonable as far as the Company is concerned.

### **The Shareholders' Agreement**

In connection with the Partial Offer, the Company also entered into the Shareholders' Agreement with Kerry Holdings, the Offeror and the Offeror Parent regarding certain corporate governance matters in relation to KLN.

The Shareholders' Agreement is conditional upon KLN's independent shareholders' approval for the purposes of the Takeovers Code and the Partial Offer becoming or being declared unconditional in all respects. If the Shareholders' Agreement becomes unconditional, it will become effective at the Effective Time.

The Shareholders' Agreement sets out how the board of directors of KLN will be composed, the reserved matters which require the approval of two-thirds or more in number of the directors of KLN, business arrangements of the KLN Group and how the public float of KLN will be restored in case it falls below 15.0%. The principal terms of the Shareholders' Agreement have been summarised in the Joint Announcement and the letter from the Board.

The reserved matters, themselves, are ones that we would expect to find in an agreement by this kind and, given (i) the level of the majorities required to approve the reserved matters; and (ii) Kerry Holdings and the Company will be entitled to nominate in total four out of the eleven directors of KLN for so long as Kerry Holdings and its associated companies (including the Company as at the Latest Practicable Date) in aggregate holds more than 10% or more of the total issued share capital of KLN, we consider that such arrangement adequately protect the interests of the KLN Controlling Shareholders by giving them an effective veto over certain material decisions in respect of the KLN Group following the Partial Offer.

Overall, we consider that the terms of the Shareholders' Agreement are normal and usual in respect of a partnership of two complementary businesses and fair and reasonable to the respective parties.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

### CONCLUSIONS AND RECOMMENDATION

Taking into account the considerations and factors set out above, we are of the opinion that the terms of the KPL Irrevocable Undertaking, the Participation Agreement, the Proposed Placing Mandate and the Shareholders' Agreement in so far as they affect the Company are fair and reasonable so far as the Independent Shareholders are concerned, and the transactions contemplated thereunder (although not entered into in the ordinary and usual course of business of the Company) are on normal commercial terms and in the interests of the Company and its Shareholders as a whole.

Accordingly, we advise the Independent Board Committee to recommend to the Independent Shareholders to vote in favour of, and we also advise the Independent Shareholders to vote in favour of, the Company Resolution to be proposed at the Special General Meeting to approve the Transactions.

Yours faithfully,  
For and on behalf of  
Anglo Chinese Corporate Finance, Limited  
**Stephen Clark**  
*Managing Director*

*Mr. Stephen Clark is a licensed person registered with the Securities and Futures Commission and as a responsible officer of Anglo Chinese to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO. He has over 35 years of experience in corporate finance.*

**1 FINANCIAL INFORMATION OF THE GROUP FOR EACH OF THE THREE YEARS ENDED 31 DECEMBER 2018, 2019 AND 2020**

Financial information of the Group for each of the three years ended 31 December 2018, 2019 and 2020, are disclosed in the following documents which have been published on the websites of the Company at [www.kerryprops.com](http://www.kerryprops.com) and the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and can be accessed at the website addresses below:

- (i) annual report of the Company for the year ended 31 December 2018 (pages 109 to 219) (<https://www.kerryprops.com/files/reports/annual/en/2018/ar2018.pdf>);
- (ii) annual report of the Company for the year ended 31 December 2019 (pages 111 to 215) (<https://www.kerryprops.com/files/reports/annual/en/2019/ar2019.pdf>); and
- (iii) annual report of the Company for the year ended 31 December 2020 (pages 115 to 211) (<https://www.kerryprops.com/files/reports/annual/en/2020/ar2020.pdf>).

**2 INDEBTEDNESS****Bank loans and bonds**

Out of the Group's total bank loans and bonds of HK\$47,021,911,000 as at 31 March 2021, HK\$13,067,895,000 (representing approximately 28%) was classified as current liabilities and HK\$33,954,016,000 (representing approximately 72%) was classified as non-current liabilities. As at 31 March 2021, the Group maintained all of its bank loans and bonds on an unsecured and guaranteed basis and no assets were pledged. As at 31 March 2021, the Group had total undrawn bank loan facilities of HK\$18,623,570,000 which may be used to fund material capital expenditure. The Group will also continue to secure financing as and when the need arises.

**Derivative financial instruments**

As at 31 March 2021, the Group had derivative financial assets and liabilities of HK\$280,735,000 and HK\$156,597,000 respectively with total nominal values of HK\$5,530,133,000 and HK\$2,675,540,000 respectively.

**Amounts due to associates and joint ventures, non-controlling interests and lease liabilities**

As at 31 March 2021, the Group had amounts due to associates and joint ventures, non-controlling interests and lease liabilities of approximately HK\$705,979,000, HK\$2,670,758,000 and HK\$87,985,000 respectively.

**Contingent liabilities and guarantees**

As at 31 March 2021, the Group had the following contingent liabilities:

- (a) The Group has executed guarantees for banking facilities granted to certain associates and joint ventures. The utilised amount of such facilities covered by the Group's guarantees which also represented the financial exposure of the Group as at 31 March 2021 amounted to approximately HK\$4,605,659,000. The total amount of such facilities covered by the Group's guarantees as at 31 March 2021 amounted to approximately HK\$5,069,527,000; and
- (b) The Group has executed guarantees to certain banks for mortgage facilities granted to first hand buyers of certain properties developed by the Group in the Mainland. The utilised amount of such facilities covered by the Group's guarantees which also represented the financial exposure of the Group as at 31 March 2021 amounted to approximately HK\$2,400,826,000.

Save as set out above and apart from intra-group liabilities and guarantees, the Group did not have any outstanding indebtedness in respect of mortgages, charges, debentures or loan capital, bank overdrafts, loans, debt securities or other similar indebtedness or acceptance credits (other than trade bills in the ordinary and usual course of the business) or hire purchase commitments or any guarantees or other material contingent liabilities at the close of business on 31 March 2021.

**3 WORKING CAPITAL**

Taking into account the Group's internal resources, available banking facilities and the net proceeds to be received by the Company from the Transactions, and in the absence of unforeseeable circumstances, the Directors are of the opinion that the Group will have sufficient working capital for its present requirements for at least the next 12 months from the date of this circular.

**4 FINANCIAL AND TRADING PROSPECTS****Mainland Property Division**

As one of the first countries to effectively manage the spread of COVID-19, Mainland China's overall economy was able to recover and grow from the second quarter onwards. The Group was able to record encouraging growth in its contracted sales in 2020, as well as achieve positive growth for gross profit margins.

On development properties, the Group expects the Mainland's residential property demand to remain robust, especially in tier-one cities and provincial capital cities where the Group has a strong pipeline of stock for sale in the coming years. In particular, new launches of Kunming and Qinhuangdao Phase II projects are expected in the second half of 2021, together with the ongoing sales of projects in Fuzhou, Qianhai, Shenyang and Zhengzhou.

The Group's investment properties in the Mainland performed reasonably well in 2020. Revenue remained stable with high gross profit margins. As the COVID-19 cases were increasingly brought under control, foot traffic and retail sales started growing to pre-COVID levels for assets especially in key cities in the second half of 2020. The Group is cautiously optimistic that its office and retail leasing business will continue to be in demand as the country continues to grow through higher investments and growing domestic demand for goods and services.

As domestic travel restrictions eased across Mainland cities, business and leisure travelers supported the rebound of the Group's hotel operations. Specifically, the second half of 2020 recorded higher occupancies, while banqueting and conferencing revenues increased to encouraging levels. The Group is confident in this sector's long-term growth prospects, and as borders open, the Group expects its growth trajectory to remain steady.

The Group has a number of projects in the pipeline that will eventually grow its recurring income base. Qianhai Kerry Centre Phase I is now handing over office and retail units to tenants with growing leasing demand and occupancy. In Wuhan, the Group has taken possession of the mixed-use site, and has commenced early stage construction works with good support from the local government. In Hangzhou, the Group expects to infuse new elements into its mixed-use site that would include heritage preservation and district revitalisation elements.

In terms of land banking, the Group's strategy is to continue to invest in and develop mixed-use developments by deep rooting in core cities in Beijing, Shanghai, Hangzhou, and the Greater Bay Area. The Group views this as a key driver to add to its solid recurrent income pipeline to support a sustainable dividend policy. The Group expects to achieve this in part with the cash flow from development property sales, and the strategic disposal of non-core assets to support capital recycling into new projects with higher growth prospects.

In line with its land banking strategy, in February of this year, the Group partnered with GIC (Realty) Pte. Ltd to win a site in Shanghai's Pudong New Area. With the prime location, and central accessibility by public and private transportation, the Group is confident of the site's strong development potential and looks forward to its first partnership with GIC (Realty) Pte. Ltd. Shanghai is one of the key markets for the Group, and the project is expected to further fortify the Group's strategic focus in the city.

### **Hong Kong Property Division**

The Hong Kong division of the Group enjoyed strong contracted sales in 2020 despite the challenging environment, while its investment properties portfolio demonstrated its resiliency by recording an increase in revenue, gross profit, and gross profit margins. As the vaccine roll-out continues, the Group is cautiously optimistic that the pace of recovery and growth will improve.

Hong Kong's development properties will have a busy year with the launch of three new and diversified projects – the single tower project in Ho Man Tin, 10 LaSalle; Phase II of Beacon Hill ultra-luxury residential project, 3 Lung Kui Road, and MTR-station joint venture project, THE SOUTHSIDE Package Two Property Development in Wong Chuk Hang. This is in addition to the ongoing sales of Mont Rouge, Mantin Heights and The Bloomsway. On this basis, the Group is cautiously optimistic for 2021, keeping in view the progress of the eventual border re-opening with the Mainland and improved business sentiment.

Investment properties in Hong Kong have provided steady results over the years, and in the coming year, the Group expects office buildings in Quarry Bay and Kowloon East to provide stable returns. Similarly, MegaBox in Kowloon East has weathered the pandemic relatively well, given the continued resilience provided by the mid-tier focus on consumer staples and popular anchor stores such as Aeon and Ikea. The Group's luxury residential portfolio should see an improvement in occupancy as travel restrictions eventually ease, and global vaccine programmes continue.

In terms of land banking, the Hong Kong division will continue to proactively grow land bank through both single and joint-venture land bids, while diversifying the Group's project mix. The Group's successful bids for two attractive sea-view sites atop the Wong Chuk Hang MTR station anchors its mid-tier offering, while the winning bid for the waterfront LOHAS Park site will add a high-volume mass market position to the Group's portfolio.

To support the land banking strategy in Hong Kong, the Group continues to review and divest its non-core assets. Looking ahead, the Group remains confident in Hong Kong's long-term prospects, and towards actively participating in its residential property market and selective commercial development opportunities.

## **5 NO MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors confirm that, other than in the section headed "*Financial and Trading Prospects*" above and as disclosed in the Company's 2020 Annual Report, there has been no material adverse change in the financial or trading position of the Group since 31 December 2020, being the date to which the latest published audited consolidated financial statements of the Group have been made up.



**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 Company. 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****(a) Interests of Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations**

As at the Latest Practicable Date, the interests of each of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations which were (a) 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 were taken or deemed to have under such provisions of the SFO); or (b) required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange were as follows:–

**(i) The Company**

Directors	Number of Shares				Total	Approximate % of shareholding <sup>7</sup>
	Personal interests <sup>1</sup>	Family interests <sup>2</sup>	Other interests <sup>4</sup>	Underlying Shares <sup>5</sup>		
Wong Siu Kong	–	–	50,000	3,784,000	3,834,000	0.26
Kuok Khoon Hua	2,199,413	–	3,297,763	–	5,497,176	0.38
Bryan Pallop Gaw	–	3,324,763	1,202,048	350,000	4,876,811	0.33
Wong Chi Kong, Louis	140	–	50,000	1,300,000	1,350,140	0.09

*(ii) Associated Corporations*

Associated Corporations	Directors	Number of shares				Number of underlying ordinary shares held under equity derivatives <sup>6</sup>	Total	Approximate % of shareholding
		Personal interests <sup>1</sup>	Family interests <sup>2</sup>	Corporate interests <sup>3</sup>	Other interests <sup>4</sup>			
Kerry Group Limited	Wong Siu Kong	4,955,973	-	8,504,300	1,601,605	2,500,000	17,561,878	1.14 <sup>8</sup>
	Kuok Khoon Hua	2,000,000	-	-	228,650,178	-	230,650,178	14.92 <sup>8</sup>
	Bryan Pallop Gaw	2,500,000	181,268,586	-	48,001,593	-	231,770,179	14.99 <sup>8</sup>
	Wong Chi Kong, Louis	1,771,725	-	-	1,601,605	-	3,373,330	0.22 <sup>8</sup>
KLN	Wong Siu Kong	-	-	-	1,300,000	-	1,300,000	0.07 <sup>9</sup>
	Kuok Khoon Hua	301,000	-	-	3,018,492	800,000	4,119,492	0.23 <sup>9</sup>
	Bryan Pallop Gaw	-	1,493,382	-	1,891,024	-	3,384,406	0.19 <sup>9</sup>
	Wong Chi Kong, Louis	-	-	-	1,300,000	-	1,300,000	0.07 <sup>9</sup>
	Wong Yu Pok, Marina	200,000	-	-	-	-	200,000	0.01 <sup>9</sup>
Hopemore Ventures Limited	Kuok Khoon Hua	50	-	-	-	-	50	3.57 <sup>10</sup>
Kerry Mining (Mongolia) Limited	Kuok Khoon Hua	-	-	-	500	-	500	0.46 <sup>11</sup>
	Bryan Pallop Gaw	-	-	-	500	-	500	0.46 <sup>11</sup>
Majestic Tulip Limited	Kuok Khoon Hua	10	-	-	-	-	10	3.33 <sup>12</sup>
Marine Dragon Limited	Kuok Khoon Hua	1,200	-	-	-	-	1,200	4.00 <sup>13</sup>
Medallion Corporate Limited	Kuok Khoon Hua	48	-	-	-	-	48	4.80 <sup>14</sup>
	Bryan Pallop Gaw	26	26	-	-	-	52	5.20 <sup>14</sup>
Ocean Fortune Enterprises Limited	Kuok Khoon Hua	1,000	-	-	-	-	1,000	6.67 <sup>15</sup>
	Bryan Pallop Gaw	-	-	200	500	-	700	4.67 <sup>15</sup>
Rubyhill Global Limited	Kuok Khoon Hua	1	-	-	-	-	1	10.00 <sup>16</sup>
Shang Properties, Inc.	Bryan Pallop Gaw	-	-	-	248,482	-	248,482	0.01 <sup>17</sup>
United Beauty Limited	Kuok Khoon Hua	-	-	-	15	-	15	15.00 <sup>18</sup>
	Bryan Pallop Gaw	-	10	-	5	-	15	15.00 <sup>18</sup>
Vencedor Investments Limited	Kuok Khoon Hua	5	-	-	-	-	5	5.00 <sup>19</sup>
	Bryan Pallop Gaw	5	5	-	-	-	10	10.00 <sup>19</sup>

*Notes:*

1. This represents interests held by the relevant Director as beneficial owner.
2. This represents interests held and/or deemed to be held by the spouse of the relevant Director.
3. This represents interests deemed to be held by the relevant Director through his controlled corporation(s).
4. This represents interests deemed to be held by the relevant Director through discretionary trust(s) of which the relevant Director is a discretionary beneficiary.
5. This represents interests in options held by the relevant Director as a beneficial owner to subscribe for the relevant Shares in respect of share options granted by the Company.
6. This represents interests in options held by the relevant Director and/or his spouse as a beneficial owner to subscribe for the relevant underlying ordinary shares in respect of the option shares granted by Kerry Group Limited (“KGL”) and KLN.
7. The percentage has been compiled based on the total number of Shares in issue as at the Latest Practicable Date (i.e. 1,456,501,228 Shares).
8. The percentage has been compiled based on the total number of ordinary shares of KGL in issue as at the Latest Practicable Date (i.e. 1,545,944,319 ordinary shares).
9. The percentage has been compiled based on the total number of KLN Shares in issue as at the Latest Practicable Date (i.e. 1,798,978,042 ordinary shares).
10. The percentage has been compiled based on the total number of ordinary shares of Hopemore Ventures Limited in issue as at the Latest Practicable Date (i.e. 1,400 ordinary shares).
11. The percentage has been compiled based on the total number of ordinary shares of Kerry Mining (Mongolia) Limited in issue as at the Latest Practicable Date (i.e. 108,655 ordinary shares).
12. The percentage has been compiled based on the total number of ordinary shares of Majestic Tulip Limited in issue as at the Latest Practicable Date (i.e. 300 ordinary shares).
13. The percentage has been compiled based on the total number of ordinary shares of Marine Dragon Limited in issue as at the Latest Practicable Date (i.e. 30,000 ordinary shares).
14. The percentage has been compiled based on the total number of ordinary shares of Medallion Corporate Limited in issue as at the Latest Practicable Date (i.e. 1,000 ordinary shares).
15. The percentage has been compiled based on the total number of ordinary shares of Ocean Fortune Enterprises Limited in issue as at the Latest Practicable Date (i.e. 15,000 ordinary shares).
16. The percentage has been compiled based on the total number of ordinary shares of Rubyhill Global Limited in issue as at the Latest Practicable Date (i.e. 10 ordinary shares).
17. The percentage has been compiled based on the total number of common shares of Shang Properties, Inc. in issue as at the Latest Practicable Date (i.e. 4,764,056,287 common shares).
18. The percentage has been compiled based on the total number of ordinary shares of United Beauty Limited in issue as at the Latest Practicable Date (i.e. 100 ordinary shares).
19. The percentage has been compiled based on the total number of ordinary shares of Vencedor Investments Limited in issue as at the Latest Practicable Date (i.e. 100 ordinary shares).

All the interests disclosed in sections (i) and (ii) above represent long positions in the Shares or the shares of associated corporations.

Save as disclosed above, none of the Directors and chief executives of the Company had, as at the Latest Practicable Date, any other interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have 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 the Directors and chief executives of the Company were taken or deemed to have pursuant to Divisions 7 and 8 of Part XV of the SFO), or which were entered in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

**(b) Substantial Shareholders' and Other Persons' Interests**

As at the Latest Practicable Date, so far as it is known by or otherwise notified by any Director or the chief executive of the Company, the particulars of the corporations or individuals (not being a Director) who had 5% or more interests in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, as recorded in the register required to be kept under section 336 of the SFO or were entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of the Company (i.e. within the meaning of substantial shareholders of the Listing Rules) were as follows:–

Name	Capacity in which Shares were held	Number of Shares	Long position/ Short position/ Lending pool	Approximate % of shareholdings <sup>ii</sup>
Kerry Group Limited	Interest of controlled corporations	874,090,494 <sup>i</sup>	Long position	60.01
Kerry Holdings	Interest of controlled corporations	746,230,656 <sup>i</sup>	Long position	51.23
Caninco Investments Limited	Beneficial owner	312,248,193 <sup>i</sup>	Long position	21.44
Darmex Holdings Limited	Beneficial owner	256,899,261 <sup>i</sup>	Long position	17.64
Schroders Plc	Investment manager	102,784,000	Long position	7.06
Moslane Limited	Beneficial owner	73,821,498 <sup>i</sup>	Long position	5.07

*Notes:*

- i. Caninco Investments Limited (“**Caninco**”), Darmex Holdings Limited (“**Darmex**”) and Moslane Limited (“**Moslane**”) are wholly-owned subsidiaries of Kerry Holdings. Kerry Holdings itself is a wholly-owned subsidiary of KGL and, accordingly, the Shares in which Caninco, Darmex and Moslane are shown to be interested are also included in the Shares in which Kerry Holdings and KGL are shown to be interested.
- ii. The percentage has been compiled based on the total number of Shares in issue as at the Latest Practicable Date (i.e. 1,456,501,228 Shares).

Save as disclosed above, as at the Latest Practicable Date, the Company had not been notified by any person (other than Directors and chief executives of the Company) who had interests or short positions in the Shares and underlying Shares under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were entered in the register required to be kept under Section 336 of the SFO. As at the Latest Practicable Date, no Director or proposed Director is a director or employee of a company which has an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

### **3 DIRECTORS’ INTEREST IN THE CONTRACT AND ASSETS OF THE GROUP**

- (a) As at the Latest Practicable Date, no Director was materially interested in any contract or arrangement subsisting which is significant in relation to the business of the Group taken as a whole.
- (b) Since 31 December 2020 (being the date to which the latest published audited financial statements of the Group were made up), none of the Directors has or has had any direct or indirect interest in any assets acquired or disposed of by or leased to or proposed to be acquired or disposed of by or leased to any member of the Group.

### **4 SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had entered into, or proposed to enter into, a service contract with any member of the Group which does not expire or is not terminable by such member of the Group within one year without payment of compensation, other than statutory compensation.

## 5 COMPETING INTERESTS

As at the Latest Practicable Date, the following Directors were considered to have interests in the following Excluded Businesses:–

- (a) Mr. Wong Siu Kong, Mr. Kuok Khoon Hua, Mr. Bryan Pallop Gaw and Mr. Wong Chi Kong, Louis were directors of certain subsidiaries of Shangri-La Asia Limited and Mr. Wong Siu Kong, Mr. Kuok and Mr. Gaw had interests in shares of Shangri-La Asia Limited, the businesses of which consisted of hotel ownership and operation. The Directors believed that as the size of that part of these Excluded Businesses in the Mainland, where the Group has hotel businesses, is not insignificant when compared with the hotel business of the Group in the Mainland, it is likely that these Excluded Businesses may compete with the hotel business of the Group in the Mainland; and
- (b) Mr. Wong Siu Kong was a director of China World Trade Center Co., Ltd. but did not have any interests in shares of China World Trade Center Co., Ltd., the businesses of which consisted of property and hotel business in the Mainland. The Directors believe that as the size of these Excluded Businesses is not insignificant when compared with the property and hotel businesses of the Group in the Mainland, it is likely that these Excluded Businesses may compete with the property and hotel businesses of the Group in the Mainland.

The Excluded Businesses are operated and managed by companies (and in the case of Shangri-La Asia Limited and China World Trade Co., Ltd., by listed companies) with independent management and administration. On this basis, the Directors believe that the Group is capable of carrying on its businesses independently of the Excluded Businesses and at arm's length from the Excluded Businesses.

## 6 EXPERTS AND CONSENTS

The following are the qualifications of the experts who have been named in this circular or have given opinion or advice which are contained in this circular:–

<u>Name</u>	<u>Qualification</u>
Anglo Chinese Corporate Finance, Limited	a licensed corporation under the SFO to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities

The above mentioned expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its opinion prepared for the purpose of incorporation in this circular, and the references to its name and opinion in the form and context in which they respectively appear.

The above mentioned expert has confirmed that as at the Latest Practicable Date, it did not have any beneficial shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group nor did it have any direct or indirect interests in any assets which have since 31 December 2020 (being the date to which the latest published audited financial statements of the Group were made up) been acquired or disposed of by or leased to any members of the Group, or were proposed to be acquired or disposed of by or leased to any members of the Group.

## **7 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.

## **8 GENERAL**

This circular has been prepared in both English and Chinese. In the case of any discrepancy, the English text shall prevail.

The registered office of the Company is at Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, Bermuda. The principal place of business of the Company in Hong Kong is at 25/F, Kerry Centre, 683 King's Road, Quarry Bay, Hong Kong.

The company secretary of the Company is Ms. Soon Yuk Tai (appointment effective from 1 May 2021). Ms. Soon is a Chartered Secretary, a Chartered Governance Professional and a Fellow Member of both The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute in the United Kingdom.

## **9 MATERIAL CONTRACTS**

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Group within the two years immediately preceding the Latest Practicable Date, and are or may be material:

- (a) the KPL Irrevocable Undertaking;
- (b) the Participation Agreement; and
- (c) the Shareholders' Agreement.

**10 DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the office of the Company at 25/F, Kerry Centre, 683 King's Road, Quarry Bay, Hong Kong during normal business hours (i.e. from 9:30 a.m. to 12:30 p.m. and from 2:30 p.m. to 5:30 p.m.) on any weekday (Saturdays, Sundays and public holidays excepted) unless (i) a tropical cyclone warning signal number 8 or above is hoisted; or (ii) a black rainstorm warning signal is issued, from the date of this circular up to and including the date of the Special General Meeting and at the Special General Meeting:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the annual reports of the Company for each of the financial years ended 31 December 2018, 2019 and 2020;
- (c) the material contracts referred to in paragraph 9 of this Appendix;
- (d) the letter from the Independent Board Committee (the text of which is set out on pages 37 and 38 of this circular);
- (e) the letter from the Independent Financial Adviser (the text of which is set out on pages 39 to 74 of this circular);
- (f) the letter of consent referred to in the paragraph headed "Experts and Consents" in this Appendix; and
- (g) this circular.



---

## NOTICE OF SPECIAL GENERAL MEETING

---



# 嘉里建設有限公司\*

## KERRY PROPERTIES LIMITED

*(Incorporated in Bermuda with limited liability)*

*website: www.kerryprops.com*

**(Stock Code: 683)**

**NOTICE IS HEREBY GIVEN** that a special general meeting of Kerry Properties Limited (the “**Company**”) will be held at Atrium Room, Level 39, Island Shangri-La Hotel, Pacific Place, Supreme Court Road, Central, Hong Kong on Thursday, 27 May 2021 at 2:45 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) for the following purpose:–

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

**“1. THAT**

- (a) the KPL Irrevocable Undertaking (copy of the KPL Irrevocable Undertaking has been produced to this meeting marked “A” and signed by the Chairman of the meeting for the purpose of identification) and the transactions contemplated thereunder be and are hereby confirmed, ratified and approved; and
- (b) the board of directors of the Company be and is hereby authorised to take all such actions as it considers necessary or desirable to implement and give effect to the KPL Irrevocable Undertaking and the transactions contemplated thereunder; and

**2. THAT**

- (a) the entering into of the Placing Agreement(s) during the period of six months from the date of passing of this resolution (unless revoked or varied by ordinary resolution of the shareholders in general meeting of the Company) in respect of the proposed placing (“**Proposed Placing**”) by the Company of not more than 79,013,818 shares in Kerry Logistics Network Limited at a disposal price which is not less than HK\$16.92 per share and which is expected to be not more than HK\$20.68 per share (representing a 10% discount and a 10% premium, respectively, to the Offer Price) and the completion of the Proposed Placing during the period of nine months from the date of passing of this resolution (unless revoked or varied by ordinary resolution of the shareholders in general meeting of the Company) on the terms of the Proposed Placing Mandate set out in the circular of the Company dated 5 May 2021 relating to the Proposed Placing (“**Circular**”) be and is hereby approved; and

\* *For identification purpose only*

---

## NOTICE OF SPECIAL GENERAL MEETING

---

- (b) the board of directors of the Company be and is hereby authorised to take all such actions as it considers necessary or desirable to implement and give effect to the Proposed Placing pursuant to the Proposed Placing Mandate and the transactions contemplated thereunder; and

### 3. THAT

- (a) the Shareholders' Agreement (copy of the Shareholders' Agreement has been produced to this meeting marked "B" and signed by the Chairman of the meeting for the purpose of identification) and the transactions contemplated thereunder be and are hereby confirmed, ratified and approved; and
- (b) the board of directors of the Company be and is hereby authorised to take all such actions as it considers necessary or desirable to implement and give effect to the Shareholders' Agreement and the transactions contemplated thereunder; and

### 4. THAT

- (a) the Participation Agreement (copy of the Participation Agreement has been produced to this meeting marked "C" and signed by the Chairman of the meeting for the purpose of identification) and the transactions contemplated thereunder be and are hereby confirmed, ratified and approved; and
- (b) the board of directors of the Company be and is hereby authorised to take all such actions as it considers necessary or desirable to implement and give effect to the Participation Agreement and the transactions contemplated thereunder; and

For the purposes of these resolutions, the terms "**KPL Irrevocable Undertaking**", "**Offer Price**", "**Proposed Placing Mandate**", "**Shareholders' Agreement**" and "**Participation Agreement**" shall have the same definitions as defined in the Circular."

By Order of the Board  
**Wong Siu Kong**  
*Chairman*

Hong Kong, 5 May 2021

*Head Office and Principal Place  
of Business in Hong Kong:*  
25/F, Kerry Centre  
683 King's Road  
Quarry Bay  
Hong Kong

---

## NOTICE OF SPECIAL GENERAL MEETING

---

*Notes:*

1. In view of the COVID-19 pandemic, certain precautionary measures will be implemented at the above meeting (or at any adjournment thereof) (the “SGM”) to safeguard the health and safety of every attendee, including, without limitation: (a) compulsory body temperature check; (b) health declaration; (c) wearing of surgical mask; (d) no admission of attendees who are subject to quarantine prescribed by the Department of Health of Hong Kong; (e) designated seating arrangements to ensure social distancing; and (f) no provision of refreshment or drink.

The Company would like to remind Shareholders that physical attendance in person at the SGM is not necessary for the purpose of exercising their voting rights and strongly recommends Shareholders to appoint the Chairman of the SGM as their proxy and submit their form of proxy as early as possible.

The Company will limit the attendance in person at the SGM subject to compliance with the Prevention and Control of Disease (Prohibition on Group Gathering) Regulation and/or any other law or regulations from time to time. The admission to the SGM venue will be allocated on first-come-first-served basis or such other basis as considered appropriate by the Company.

2. Every member entitled to attend and vote at the SGM is entitled to appoint up to two individuals as his proxies. A proxy need not be a member of the Company. The number of proxies appointed by a clearing house (or its nominee) is not subject to the aforesaid limitation.
3. Where there are joint holders of any share, any one of such persons may vote at the SGM, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at the SGM personally or by proxy, then one of the said persons so present whose name stands first on the registers of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.
4. To be valid, a form of proxy, together with the power of attorney or other authority (if any) under which it is signed (or a notarially certified copy of that power or authority), must be deposited at the Company’s branch share registrar and transfer office in Hong Kong, Tricor Abacus Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, not less than 48 hours before the time appointed for the holding of the SGM. Completion and return of the form of proxy will not preclude a member from attending the SGM and voting in person if he so wishes.
5. The registers of members of the Company will be closed from Monday, 24 May 2021 to Thursday, 27 May 2021, both days inclusive, during which period no transfer of shares will be effected. In order to be entitled to attend and vote at the SGM, all transfers accompanied by the relevant share certificates must be lodged for registration with Tricor Abacus Limited at the above address not later than 4:30 p.m. on Friday, 21 May 2021.
6. Shareholders are advised to read the circular to the shareholders of the Company dated 5 May 2021 which contains information concerning the resolutions to be proposed in this notice.
7. The resolutions to be proposed at the SGM shall be decided by poll.